

# U.S. FEDERAL INCOME TAX INFORMATION FOR SPRINT CORPORATION SHAREHOLDERS

March 11, 1996

Dear Sprint Corporation Shareholders:

This document contains information on:

- the U.S. federal income tax implications of the spin-off of 360° Communications Company ("360°", formerly named Sprint Cellular Company) from Sprint Corporation ("Sprint");
- calculating your U.S. federal income tax basis; and
- determining your holding period.

Also included is:

- a shareholder statement to be filed with your U.S. federal income tax return; and
- a worksheet for calculating your U.S. federal income tax basis.

## Tax Implications

Sprint obtained a ruling from the Internal Revenue Service ("IRS") stating that, except for tax resulting from the sale of fractional shares, Sprint shareholders will incur no U.S. federal income tax liability due to the distribution of 360° stock. However, the IRS requires that each taxpayer who received this tax-free distribution attach to their U.S. federal income return for the tax period including March 7, 1996 (the "Distribution Date") a statement containing the details of the transaction. To assist you in complying with this requirement, a shareholder statement is enclosed which you can complete and attach to your U.S. federal income tax return for the period including March 7, 1996.

The distribution of one share of 360° stock for every three shares of Sprint stock held may have entitled you to receive a fractional share of 360° stock. However, fractional shares of 360° were not distributed to Sprint shareholders. The fractional shares have been distributed to an agent acting on behalf of the holders of Sprint common stock entitled to receive fractional shares. The agent will accumulate such fractional shares, sell the shares, and distribute the cash proceeds from such sale (less any brokerage commissions, transfer taxes and other expenses of the sale) pro rata to the Sprint common shareholders entitled to receive the fractional shares of 360°.

The ruling obtained from the IRS by Sprint stated that the cash received by a Sprint shareholder, in lieu of a fractional share, will be treated as a sale by the shareholder of a fractional share of 360° stock. The shareholder will recognize gain or loss for U.S. federal income tax purposes measured by the difference between the allocable tax basis of the fractional share (see tax basis discussed below) and the amount of cash received. Therefore, you should keep a record of the amount of cash you receive in lieu of receiving a fractional share of 360° stock for purposes of completing your U.S. federal income tax return for the period including the Distribution Date.

## U.S. Federal Income Tax Basis

The IRS has ruled for U.S. federal income tax purposes that, except for gain resulting from the sale of a fractional share, you will not recognize any gain or loss when you receive 360° shares due to the spin-off. However, as in any sale of stock, you must recognize any gain or loss you realize if you subsequently sell shares of either Sprint or 360°. To determine your gain or loss from the sale of either stock, you will need to know your tax basis. Enclosed is a worksheet which illustrates how to allocate the tax basis in your Sprint shares prior to the spin-off between your Sprint and 360° shares after the spin-off.

To allocate the tax basis in your Sprint shares you will need:

- the number of shares of Sprint you held at the time of the spinoff, and
- the total tax basis of those shares.

Generally, the total tax basis of Sprint stock you purchased is equal to the total price you paid plus any commissions or other fees you paid. If you acquired any of your Sprint shares through a stock split, you generally should divide your original tax basis immediately before the split by the total number of shares owned immediately after the split. If you received any of your shares by gift, bequest or through a merger, reorganization or similar corporate transaction, special rules apply for purposes of determining the tax basis of your shares which are beyond the scope of this letter. Please consult your tax advisor for additional guidance with respect to the determination of the tax basis of your Sprint shares.

You received one share of 360° stock for every three Sprint shares you owned on February 27, 1996 (the "Record Date"). U.S. federal income tax law requires that you allocate the tax basis of the Sprint shares you owned on the Record Date between (i) those Sprint shares, and (ii) the 360° shares received in the distribution (including fractional shares). This allocation depends on the ratio of the fair market values of the Sprint and 360° shares on the Distribution Date.

The enclosed tax basis worksheet includes a sample allocation of tax basis between Sprint and 360° shares. Fair market value for shares of Sprint and 360° on the Distribution Date is based on the average of the high and low sale prices per share for the Distribution Date as published in the *Wall Street Journal* for Sprint and 360° stock.

### **Holding Period**

The ruling obtained from the IRS by Sprint addressed the appropriate manner to calculate the holding period of your 360° shares if you hold your Sprint shares as a capital asset. To determine your holding period, the ruling provides that you add (i) the period you hold the 360° shares from the Distribution Date until you sell them plus (ii) the previous period during which you held the Sprint shares with respect to which you received the distribution of 360° shares. For example, after receiving the 360° shares, assume you hold such shares for three months after the Distribution Date before disposing of the stock. If you held the Sprint shares which entitled you to receive the 360° shares for ten months prior to the spin-off, you will be treated as having held the 360° shares for a total of thirteen months before the disposition. Since the holding period of the 360° stock exceeds one year, any gain or loss on the disposition would be long-term capital gain or loss if such stock had been held by you as a capital asset.

The information regarding the U.S. federal income tax consequences of the spin-off presented in this letter is for general reference only and does not purport to cover all U.S. federal income tax consequences that may apply to all categories of shareholders. All shareholders should consult their own tax advisors regarding the particular federal, foreign, state and local tax consequences of the spin-off to them.

SPRINT CORPORATION

**U.S. FEDERAL INCOME TAX BASIS WORKSHEET**

		<b>Hypothetical Example</b>
1.	Number of Sprint shares held . . . . .	100
2.	Divide line 1 by 3. Number of 360° shares you were entitled to receive . . .	33.33
3.	Tax basis of pre-spin Sprint shares . . . . .	\$ 2,837.50
4.	Percentage of the tax basis allocated to your post-spin Sprint shares . . . . .	<b>82.295%</b>
5.	Percentage of the tax basis allocated to your 360° shares . . . . .	<b>17.705%</b>
6.	Line 3 multiplied by line 4. <b>This is the new tax basis of your post-spin Sprint shares</b> . . . . .	\$ 2,335.12
7.	Divide line 6 by line 1. This is the new tax basis per share of your post-spin Sprint shares . . . . .	\$ 23.35
8.	Line 3 multiplied by line 5. This is the tax basis of the 360° shares you were entitled to receive . . . . .	\$ 502.38
9.	Divide line 8 by line 2. This is the tax basis per share of your 360° shares .	\$ 15.07
10.	Line 2 less number of whole shares distributed to you. This is the fractional share you were entitled to receive . . . . .	.33
11.	Line 9 multiplied by line 10. This is the tax basis of the 360° fractional share which is being sold for you . . . . .	\$ 4.97
12.	Line 8 less line 11. <b>This is the tax basis of the 360° shares which were distributed to you</b> . . . . .	\$ 497.41

**CALCULATION OF PERCENTAGE OF TAX BASIS ALLOCABLE BETWEEN SPRINT AND 360° SHARES**

	<u>Sprint</u>	<u>360°</u>	<u>TOTAL</u>
1. High stock price on Distribution Date—(March 7, 1996) . . . . .	\$ 44.625	\$ 24.000	
2. Low stock price on Distribution Date—(March 7, 1996) . . . . .	\$ 43.625	\$ 22.875	
3. Average of line 1 and line 2. Fair market value per share . . . . .	\$ 44.125	\$ 23.437	
4. Exchange factor . . . . .	3	1	
5. Line 3 multiplied by line 4 . . . . .	\$ 132.375	\$ 23.437	
6. Fair market value per share of 360° . . . . .	\$ 23.437		
7. Line 5 less line 6 . . . . .	\$ 108.938	\$ 23.437	\$ 132.375
8. Percentage of tax basis allocable between Sprint and 360° shares . . . . .	<b>82.295%</b>	<b>17.705%</b>	100.000%

**RETAIN FOR YOUR RECORDS**

**SHAREHOLDER STATEMENT  
PURSUANT TO TREASURY REGULATION § 1.355-5(b)**

Statement of shareholder receiving a distribution of stock in 360° Communications Company (a controlled corporation), pursuant to Treasury Regulation § 1.355-5(b).

1. The undersigned, a shareholder owning shares in Sprint Corporation as of February 27, 1996, received a distribution of stock in a controlled corporation pursuant to Section 355 of the Internal Revenue Code.
2. The names and addresses of the corporations involved are as follows:
  - a) Sprint Corporation  
2330 Shawnee Mission Parkway  
Westwood, Kansas 66205 (Parent)
  - b) 360° Communications Company  
8725 W. Higgins Road  
Chicago, Illinois 60631 (Controlled Corporation)
3. The undersigned surrendered no stock or securities in Sprint Corporation in connection with the distribution.
4. The undersigned received \_\_\_\_\_ shares (including fractional shares) of 360° Communications Company in the distribution constituting only common shares in such corporation.
5. By letter dated February 14, 1996, the Internal Revenue Service ruled that the distribution by Sprint Corporation of shares of 360° Communications Company was a nontaxable Section 355 corporate separation.

\_\_\_\_\_  
Shareholder's Signature

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Spouse's Signature (if stock held jointly)

**ATTACH TO YOUR U.S. FEDERAL INCOME TAX RETURN  
FOR THE TAX PERIOD INCLUDING MARCH 7, 1996.**