

Examples Illustrating Merger Tax Consequences to Former Nextel Shareholders

Overview

This document includes examples illustrating how to calculate, for U.S. federal income tax purposes, taxable gains and losses on the merger, as well as the tax basis of the Sprint Nextel shares received in the merger. The examples apply to individuals who are citizens or residents of the United States, purchased all of their Nextel shares for cash and held those shares as a capital asset (generally, for investment purposes). The examples do not address any special tax rules that may apply (including shares received as compensation), nor do they address the consequences of any state, local or foreign tax laws.

Important Notice

These examples are not meant to provide you with tax advice and you should not rely on them. Your tax consequences depend on your individual circumstances and could differ significantly from those in the examples. **You should consult your own tax advisor regarding the specific tax consequences of the merger to you in light of your own tax circumstances.** These examples are provided for illustrative purposes only and do not replace the discussion of tax consequences contained on pages 80-82 in the joint proxy statement/prospectus dated June 10, 2005 distributed to Nextel stockholders of record on May 20, 2005. Additional copies of the joint proxy statement/prospectus can be obtained through an e-mail request sent to Investorrelations.sprintcom@sprint.com, or by calling (800)259-3755, option 1.

Calculations

If these examples are applicable to you (as discussed above), your taxable gain or loss on the merger and the tax basis of the Sprint Nextel shares you received in the merger are calculated as follows:

- **Step 1:** *Calculate the Original Cost Basis of Nextel Shares.* Your cost basis generally equals the amount you paid for your Nextel shares.
- **Step 2:** *Calculate the Total Consideration Received in the Merger.* Your total merger consideration equals (1) the fair market value of the Sprint Nextel shares (including any fractional shares), plus (2) the amount of cash (excluding any cash in lieu of fractional shares) that you received in the merger.

- Step 3: *Calculate the Taxable Gain or Loss Realized in the Merger.* Your realized gain or loss equals (1) your total merger consideration (as determined in Step 2), minus (2) your cost basis in the Nextel shares (as determined in Step 1).
- Step 4: *Calculate the Taxable Gain Recognized in the Merger.* Your recognized gain equals the lesser of (1) the cash you received in the merger (excluding any cash in lieu of fractional shares) and (2) the total gain realized on your Nextel shares (as determined in Step 3). No loss may be recognized.
- Step 5: *Calculate the Total Basis in New Sprint Nextel Shares.* Your total basis in the Sprint Nextel shares received in the merger (including any fractional shares) equals (1) the original cost basis in your Nextel shares (as determined in Step 1), minus (2) the cash you received in the merger (excluding any cash paid in lieu of fractional shares), plus (3) the taxable gain you recognized in the merger (as determined in Step 4).
- Step 6: *Calculate the Taxable Gain or Loss Recognized on any Fractional Shares.* Your gain or loss on the exchange of any fractional Sprint Nextel share for cash equals (1) the cash you received in exchange for the fractional share, minus (2) your basis in the fractional share (determined based on the calculation in Step 5).
- Step 7: *Calculate the Total Basis in Remaining Sprint Nextel Shares.* Your total basis in the remaining Sprint Nextel shares equals (1) your basis in the Sprint Nextel shares received in the merger (including the fractional share) (as determined in Step 5), minus (2) your basis in the fractional share (as determined for purposes of Step 6).

If you owned multiple blocks of Nextel stock purchased at different share prices, you will calculate your gain on a block-by-block basis in the manner described above. You should consult your tax advisor regarding your basis in Sprint Nextel shares received in exchange for multiple blocks of Nextel stock.

Assumptions for Examples

The following three examples illustrate the calculations described above. In each example it is assumed that you owned 200 shares of Nextel common stock at the time of the merger. It is also assumed, for purposes of calculating the total consideration received in the merger (Step 2), that the fair market value of any Sprint Nextel shares received in the merger was

\$26.15 per share, which was the closing price of Sprint common stock on August 12, 2005 (the day on which the merger closed).

In each example you would have been entitled to approximately 253.500436 shares of Sprint Nextel common stock (200 Nextel shares * the 1.26750218 stock exchange ratio), and approximately \$169.26 in cash (200 Nextel shares * the \$0.84629198 cash ratio). In exchange for the 0.500436 fractional share, you would have received an additional cash payment of approximately \$13.09 (0.500436 fractional shares * \$26.15 closing price), leaving you with 253 shares of Sprint Nextel common stock.

The examples differ as to the original cost basis in the Nextel shares. In Example 1, you are assumed to have had an original cost basis of \$30 per Nextel share. In Example 2, your basis is assumed to be \$33.50 per share, while in Example 3 it is assumed to be \$40 per share.

Example 1:

Step 1: Original Cost Basis of Nextel Shares

200 shares x \$30/share \$6,000.00

Step 2: Total Consideration Received in Merger

Stock Merger Consideration (253.500436 Sprint Nextel Shares x \$26.15) \$6,629.04
Plus: Cash Merger Consideration (200 Nextel shares x \$0.84629198) 169.26
Total Consideration Received \$6,798.30

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received \$6,798.30
Less: Original Cost Basis of Nextel Shares (6,000.00)
Total Gain Realized \$798.30

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration) \$169.26

Step 5: Total Basis in New Sprint Nextel Shares

Original Cost Basis of Nextel Shares \$6,000.00
Less: Cash Merger Consideration (169.26)
Plus: Taxable Gain Recognized 169.26
Basis of New Sprint Nextel Shares (253.500436 shares) \$6,000.00

Step 6: Taxable Gain or Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.500436 x \$26.15) \$13.09
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$6,000.00] (11.84)
Taxable Gain on Fractional Share \$1.25

Step 7: Total Basis in the Remaining Sprint Nextel Shares

Basis of New Sprint Nextel Shares (253.500436 shares) \$6,000.00
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$6,000.00] (11.84)
Basis in Remaining Sprint Nextel Shares (253 shares) \$5,988.16

Per Share Basis (\$5,988.16 / 253) \$23.67

In this example, you would report a total taxable gain from the merger of \$170.51 (\$169.26 + \$1.25), and you would have a tax basis in the 253 shares of Sprint Nextel stock that you continue to hold of \$5,988.16.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

Example 2

Step 1: Original Cost Basis of Nextel Shares

200 shares x \$33.50/share	\$6,700.00
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Step 2: Total Consideration Received in Merger

Stock Merger Consideration (253.500436 Sprint Nextel Shares x \$26.15)	\$6,629.04
Plus: Cash Merger Consideration (200 Nextel shares x \$0.84629198)	<u>169.26</u>
Total Consideration Received	\$6,798.30

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received	\$6,798.30
Less: Original Cost Basis of Nextel Shares	<u>(6,700.00)</u>
Total Gain Realized	\$98.30

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration)	\$98.30
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Step 5: Total Basis in New Sprint Nextel Shares

Original Cost Basis of Nextel Shares	\$6,700.00
Less: Cash Merger Consideration	(169.26)
Plus: Taxable Gain Recognized	<u>98.30</u>
Total Basis of New Sprint Nextel Shares (253.500436 shares)	\$6,629.04

Step 6: Taxable Gain or Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.500436 x \$26.15)	\$13.09
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$6,629.04]	<u>(13.09)</u>
Taxable Gain/(Loss) on Fractional Share	\$0.00

Step 7: Total Basis in the Remaining Sprint Nextel Shares

Total Basis of New Sprint Nextel Shares (253.500436 shares)	\$6,629.04
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$6,629.04]	<u>(13.09)</u>
Basis in Remaining Sprint Nextel Shares (253 shares)	\$6,615.95

Per Share Basis (\$6,615.95 / 253)	\$26.15
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In this example, you would report a total taxable gain from the merger of \$98.30 (\$98.30 + \$0), and you would have a tax basis in the 253 shares of Sprint Nextel stock that you continue to hold of \$6,615.95.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

Example 3:

Step 1: Original Cost Basis of Nextel Shares

200 shares x \$40/share \$8,000.00

Step 2: Total Consideration Received in Merger

Stock Merger Consideration (253.500436 Sprint Nextel Shares x \$26.15) \$6,629.04
Plus: Cash Merger Consideration (200 Nextel shares x \$0.84629198) 169.26
Total Consideration Received \$6,798.30

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received \$6,798.30
Less: Original Cost Basis of Nextel Shares (8,000.00)
Total Loss Realized (\$1,201.70)

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration) with
No Loss Allowed \$0.00

Step 5: Total Basis in New Sprint Nextel Shares

Original Cost Basis of Nextel Shares \$8,000.00
Less: Cash Merger Consideration (169.26)
Plus: Taxable Gain Recognized -
Total Basis of New Sprint Nextel Shares (253.500436 shares) \$7,830.74

Step 6: Taxable Gain or Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.500436 x \$26.15) \$13.09
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$7,830.74] (15.46)
Taxable Loss on Fractional Share (\$2.37)

Step 7: Basis in the Remaining Sprint Nextel Shares

Total Basis of New Sprint Nextel Shares (253.500436 shares) \$7,830.74
Less: Basis Attributable to Fractional Share [(0.500436 / 253.500436) x \$7,830.74] (15.46)
Basis in Remaining Sprint Nextel Shares (253 shares) \$7,815.28

Per Share Basis (\$7,815.28 / 253) \$30.89

In this example, you would report a total taxable loss from the merger of \$2.37 (\$0 + (\$2.37)), and you would have a tax basis in the 253 shares of Sprint Nextel stock that you continue to hold of \$7,815.28.

This calculation is provided for illustrative purposes only. Specific questions about your unique situation should be discussed with your tax advisor.

