Sprint

Tony H. Key
Director
State Regulatory

[illegible]
Atlanta, GA [illegible]
Mailstop [illegible]
Telephone [illegible]
Fax [illegible]

24-5
25-?
+1 fax

FILE COPY

VIA HAND DELIVERY

June 20, 1996

Ms. Blanca S. Bayó
Director, Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

960750-TX

In Re: Application of Sprint Communications Company Limited Partnership to Provide Alternative Local Exchange Company (ALEC) Telecommunications Service Within the State of Florida

Dear Ms. Bayó:

Please find enclosed for filing, an original and six (6) copies of Application, submitted on behalf of Sprint Communications Company Limited Partnership, for certificate of public convenience and necessity authorizing the provision of telecommunications service, within the State of Florida, as an alternative local exchange company. We are also enclosing check number 686319 in the amount of $250.00 in payment of the appropriate filing fee.

If additional information is needed with respect to the Application, please contact the undersigned at (404) 649-5144 or Ben Fincher at (404) 649-5145.

Thank you for your assistance.

Sincerely,

Tony H. Key

Tony H. Key
Director, State Regulatory

THK:ls

Attachment

Check received with filing and forwarded to Fiscal for deposit. Fiscal to forward a copy of check to RAR with proof of deposit.

Initials of person who forwarded check:

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

06675 JUN 21 96

FPSC-RECORDS/REPORTING

ORIGINAL

FLORIDA PUBLIC SERVICE COMMISSION
CAPITAL CIRCLE OFFICE CENTER - 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

960750-TX

APPLICATION FORM
for

AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE
WITHIN THE STATE OF FLORIDA

INSTRUCTIONS

1. This form is used for an original application for a certificate and for approval of sale, assignment or transfer of an existing alternative local exchange certificate. In case of a sale, assignment or transfer, the information provided shall be for the purchaser, assignee or transferee.

2. Respond to each item requested in the application and appendices. If an item is not applicable, please explain why.

3. Use a separate sheet for each answer which will not fit the allotted space.

4. If you have questions about completing the form, contact:

   Florida Public Service Commission
   Division of Communications, Certification & Compliance Section
   2540 Shumard Oak Boulevard
   Tallahassee, Florida 32399-0866
   (904) 413-6600

5. Once completed, submit the original and six (6) copies of this form along with a non-refundable application fee of $250 made payable to the Florida Public Service Commission at the above address.

FORM PSC/CMU 8 (07/95)
Required by Chapter 364.337 F.S.

DOCUMENT NUMBER-DATE
06675 JUN 21 96
FPSC-RECORDS/REPORTING

1. **This is an application for (check one):**

(X) Original authority (new company)

( ) Approval of transfer (to another certificated company)
<u>Example</u>, a certificated company purchases an existing company and desires to retain the original certificate authority.

( ) Approval of assignment of existing certificate (to a noncertificated company)
<u>Example</u>, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

( ) Approval for transfer of control (to another certificated company)
<u>Example</u>, a company purchases 51% of a certificated company. This Commission must approve the new controlling entity.

2. **Name of applicant:**

Sprint Communications Company Limited Partnership

3. A. **National mailing address including street name, number, post office box, city, state, zip code, and <u>phone number</u>.**

8140 Ward Parkway
Kansas City, Missouri 64114
816-854-0903

B. **Florida mailing address including street name, number, post office box, city, state, zip code, and <u>phone number</u>.**

6225 Lake Gray Boulevard
Suite 1
Jacksonville, Florida 32244
(904) 779-4800

C. **Physical address of alternative local exchange service in Florida including street name, number, post office box, city, zip code and <u>phone number</u>.**

6225 Lake Gray Boulevard
Suite 1
Jacksonville, Florida 32244
(904) 779-4800

4. **Structure of organization:**

( ) Individual ( ) Corporation
( ) Foreign Corporation ( ) Foreign Partnership
( ) General Partnership (X)Limited Partnership
( ) Joint Venture ( ) Other, Please explain ____________

5. **If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.**

Corporate charter number: ____________

Applicant is a Foreign Limited Partnership, authorized to transact business within the State of Florida. Document number of the Limited Partnership is A27520. Registered Agent for Service of Process is: The Prentice Hall Corporation System, Inc.
Suite 420
First Florida Bank Building
Tallahassee, Florida 32301

See Attachment "A"

6. **Name under which the applicant will do business (d/b/a):**

Sprint Communications Company Limited Partnership
See Attachment "A"

7. **If applicable, please provide proof of fictitious name (d/b/a) registration.**

Fictitious name registration number:___________

Not applicable. Applicant has not registered fictitious name.

8. **If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.**

See Attachments "A" and "B"

9. **State whether any of the officers, directors, or any of the ten largest stockholders have previously been adjudged bankrupt, mentally incompetent or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.**

None.

10. **Please provide the name, title, address, telephone number, internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.**

Tony H. Key, Director-State Regulatory
3100 Cumberland Circle
Atlanta, Georgia 30339
404-649-5144
404-649-5174 (FAX)
TONY.KEY@SPRINT.SPRINT.COM (INTERNET)

11. **Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.**

California, Connecticut, Georgia, Illinois, New York, Texas, Wisconsin

12. **Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.**

No, applicant has not been denied certification in any other state

13. **Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.**

No. Penalties have not been imposed against applicant in any other state

14. **Please indicate how a customer can file a service complaint with your company.**

Applicant will provide a toll free 800 number. The toll free 800 number will be included on customer bills, bill inserts and information section of telephone directory The number will be available 24 hours per day, 7 days per week

15. **Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.**

A. Financial capability.

See Attachment "C" and "D"

Regarding the showing of financial capability, the following applies:

The application should contain the applicant's financial statements, including:

1. **the balance sheet**

2. **income statement**

3. **statement of retained earnings for the most recent 3 years.**

If available, the financial statements should be audited financial statements.

If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicant's chief executive officer and chief financial officer. The signatures should affirm that the financial statements are true and correct.

B. Managerial capability.

See Attachment "C" and "D"

C. Technical capability.

See Attachment "C" and "D"

ATTACHMENT A

FLORIDA DEPARTMENT OF STATE
Jim Smith
Secretary of State

June 22, 1992

PRENTICE HALL

Re: Document Number A27520

Dear .:

This will acknowledge receipt of your Certificate of Amendment for SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP, which was filed on June 22, 1992. Your remittance totaling $52.50 has been received.

Should you have any questions concerning this matter, please telephone (904) 487-6050, the Amendment Section.

KELLEY SHANK
Division of Corporations

CERTIFICATE OF AMENDMENT TO

APPLICATION BY FOREIGN LIMITED PARTNERSHIP

FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

To the Secretary of State
State of Florida

The undersigned, a general partner of the foreign limited partnership hereinafter named, hereby certifies that:

1. The name of the foreign limited partnership as it presently appears on the records of the Secretary of State of the State of Florida is SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP. Original date of filing was 12-12-86.

2. The statement in the Application by Foreign Limited Partnership for Authorization to Transact Business in Florida of the foreign limited partnership relating to the name and address of all general and limited partners is hereby amended to read as follows:

The name and address of the general partners and limited partners is:

General Partner:	US Telecom, Inc. 2330 Shawnee Mission Parkway Westwood, KS 66205
Limited Partners:	Utelcom, Inc. 2330 Shawnee Mission Parkway Westwood, KS 66205
	UCOM, Inc. 2330 Shawnee Mission Parkway Westwood, KS 66205
	Sprint International Communications Corporation 12490 Sunrise Valley Drive Reston, VA 22096

Signed on June 11, 1992

US Telecom, Inc., General Partner

By: Don A. Jensen
Don A. Jensen, Vice President

STATE OF Kansas)
) SS.:
COUNTY OF Johnson)

THE FOREGOING instrument was acknowledged and sworn to before me this 11 day of June, 1992, by Don A. Jensen, Vice President of US Telecom, Inc., a general partner of SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP, a Delaware limited partnership, on behalf of the foreign limited partnership.

[signature]
Notary Public

Commission expires: 12-28-94

SEAL

FLORIDA DEPARTMENT OF STATE
Jim Smith
Secretary of State

March 5, 1992

PRENTICE HALL

.

.

.

Re: Document Number A27520

Dear .:

This will acknowledge receipt of your Certificate of Amendment for US SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP changing its name to SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP, which was filed on March 5, 1992. Your remittance totaling $52.50 has been received.

Should you have any questions concerning this matter, please telephone (904) 487-6050, the Amendment Section.

KELLEY SHANK
Division of Corporations

LIMITED PARTNERSHIP ANNUAL REPORT 1992

FLORIDA DEPARTMENT OF STATE
Jim Smith
Secretary of State
DIVISION OF CORPORATIONS

Read Instructions on Other Side Before Making Entries. Filing Fee Required — Make Checks Payable To: Department of State

DO NOT WRITE IN THIS SPACE

1. Name and Mailing Address of Limited Partnership DOCUMENT # A27520

US SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP
8140 WARD PARKWAY
KANSAS CITY, MO
64114

If above address is incorrect in any way, line through the incorrect information and enter correct address in Block 2

2. Enter Change of Address of Limited Partnership Mailing Address
Street Address
City
State Zip Code

3. Date Registered to Do Business in Florida: 12/12/1988

4. State or Country of Formation: Delaware, USA

FOR FISCAL USE ONLY

5a. Capital Contributions as Shown on Record: $129,300,000.

5b. Actual Amount of Capital Contributions in FLORIDA: $120,413,560

6. Annual Report filing fee is figured at the rate of $7.00 per thousand on ACTUAL CAPITAL CONTRIBUTION, but in no case shall the amount be less than $52.50 nor more than $437.50. For questions concerning filing fees please call (904) 487-6056. Please submit your 1992 Annual Report with a remittance of U.S. Dollars payable at par at a financial institution located in the U.S. Make check payable to Department of State.

7. Federal Employer Identification Number: 43-1408007

FEI Number Applied For
FEI Number Not Applicable

$8.75 Additional Fee required for a Certificate of Status

CERTIFICATE OF STATUS DESIRED

8. Name and Business Address of Each General Partner

Names of General Partner(s)	Address of Each General Partner (Do NOT Use Post Office Box Numbers)	City and State
US TELECOM, INC.	2330 SHAWNEE MISSION PWY	WESTWOOD, KS

Note: General partners MAY NOT be changed on this form; an amendment must be filed to change a general partner.

REGISTERED AGENT INFORMATION

9. Name and Address of Current Registered Agent

THE PRENTICE HALL CORPORATION SYSTEM, INC.
SUITE 420
FIRST FLORIDA BANK BUILDING
TALLAHASSEE, FL
32301

If above address is incorrect in any way, line through the incorrect information and enter correct address in Block 10

10. Name and Address of New Registered Agent
Name
Street Address 1 (Do Not Use P.O. Box Number)
Street Address 2 (Do Not Use P.O. Box Number)
City and State FL
Zip Code

11. Pursuant to the provisions of sections 620.1051 and 620.192, Florida Statutes, the above named limited partnership organized or registered under the laws of the State of Florida submits this statement for the purpose of changing its registered office or registered agent, or both, in the State of Florida. Such change was authorized by the general partners.

I hereby accept the appointment of registered agent. I am familiar with, and accept the obligations of section 620.192, Florida Statutes.

SIGNATURE (Registered Agent Accepting Appointment) DATE

12. I certify that the information indicated on this annual report is true and accurate and that my signature shall have the same legal effect as if made under oath. I further certify that I am a general partner of the limited partnership or the receiver or trustee empowered to execute this report as required by chapter 620, Florida Statutes.

SIGNATURE US Telecom, Inc., General Partner, by: [signature] Asst. V. P. DATE 3-4-92

Typed Name of General Partner Signing Form: US Telecom, Inc.

Telephone Number: 913-624-2526

13. STATE OF Kansas COUNTY OF Johnson

BEFORE ME personally appeared Les H. Meredith who being sworn deposes and says that the statements contained in the foregoing annual report are true and correct.

SWORN TO AND SUBSCRIBED before me this 4 day of March, 92

TERESA ELLINGTON
NOTARY PUBLIC
STATE OF KANSAS
My Appt. Exp. 12-27-93

Teresa Ellington
Notary Public

CERTIFICATE OF AMENDMENT TO

APPLICATION BY FOREIGN LIMITED PARTNERSHIP

FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

To the Secretary of State
State of Florida

The undersigned, a general partner of the foreign limited partnership hereinafter named, hereby certifies that:

1. The name of the foreign limited partnership as it presently appears on the records of the Secretary of State of the State of Florida is US SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP.

2. The statement in the Application by Foreign Limited Partnership for Authorization to Transact Business in Florida of the foreign limited partnership relating to the name of the foreign limited partnership is hereby amended or corrected to read as follows:

> The name of the foreign limited partnership is: SPRINT COMMUNICATIONS COMPANY L.P. and the name under which it proposes to transact business in Florida is: SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP.

Signed on February 21, 1992

By: Don A. Jensen
US Telecom, Inc. General Partner

STATE OF Kansas)
) SS.:
COUNTY OF Johnson)

THE FOREGOING instrument was acknowledged and sworn to before me this 21 day of February, 1992, by Don A. Jensen, a general partner of US SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP, a Delaware limited partnership, on behalf of the foreign limited partnership.

[signature]
Notary Public

Commission expires: 12/29/94

SEAL

State of Florida

Department of State

I certify that the attached is a true and correct copy of the Affidavit and Application of Limited Partnership of US SPRINT COMMUNICATIONS COMPANY LIMITED PARTNERSHIP, a Delaware Limited Partnership, authorized to transact business within the State of Florida, filed on December 12, 1988, as shown by the records of this office.

The document number of this Limited Partnership is A27520

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
12th day of December, 1988

GREAT SEAL OF THE STATE OF FLORIDA
IN GOD WE TRUST

Jim Smith
Secretary of State

CR2E022 (8-87)

APPLICATION BY FOREIGN LIMITED PARTNERSHIP FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

1. US Sprint Communications Company Limited Partnership
(Name of Limited Partnership; must contain the word "LIMITED" or "LTD.")

2. US Sprint Communications Company Limited Partnership
(Name under which the Limited Partnership proposes to register or transact business in Florida; must contain the word "LIMITED" or "LTD.")

3. Delaware
(State of Formation)

4. November 14, 1988
(Date of Formation)

5. The Prentice-Hall Corporation System, Inc.
(Name of Registered Agent for Service of Process)

6. Suite 420, First Florida Bank Building
(Street Address or Registered Office)

Tallahassee, Florida 32301
(City) (Zip Code)

7. Acceptance by the Registered Agent for Service of Process

(Agent must sign on this line)

8. 8140 Ward Parkway, Kansas City, Missouri 64114
(Address of Registered Office required in State of Formation or if not required, Address of Principal Office)

9. NAME OF GENERAL PARTNERS AND LIMITED PARTNERS SPECIFIC ADDRESS

General Partner:	US Telecom, Inc.	P.O. Box 11315 Kansas City, Missouri 64112
Limited Partner:	GTE Communications Services Incorporated	One Stamford Forum Stamford, Connecticut 06904
Limited Partner:	UCOM, Inc.	P.O. Box 11315 Kansas City, Missouri 64112

10. 8140 Ward Parkway, Kansas City, Missouri 64114
(Office where Names, Addresses and Contributions of Limited Partners are kept)

11. The limited partnership will undertake to keep the records listing the addresses and capital contributions of the limited partner or limited partners until the limited partnership's registration in Florida is cancelled or withdrawn.

12. 8140 Ward Parkway, Kansas City, Missouri 64114
(Mailing Address of Limited Partnership)

Florida Department of State, George Firestone, Secretary of State

LIMITED PARTNERSHIP REGISTERED AGENT DESIGNATION

CERTIFICATE DESIGNATING PLACE OF BUSINESS OR DOMICILE FOR THE SERVICE OF PROCESS WITHIN FLORIDA, NAMING AGENT UPON WHOM PROCESS MAY BE SERVED

IN COMPLIANCE WITH SECTION 620.105, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED:

FIRST THAT US Sprint Communications Company Limited Partnership
(Name of Limited Partnership)

WITH ITS PLACE OF BUSINESS AT 8140 Ward Parkway, Kansas City, MO 64114
(Business Address, City & State)

HAS NAMED Prentice-Hall Corporation System, Inc.
(Name of Registered Agent)

LOCATED AT Suite 420, First Florida Bank Bldg., Tallahassee, Florida 32301
(Street Address and Number of Building.
Post office Box Addresses ARE NOT Acceptable)

CITY OF Tallahassee, STATE OF FLORIDA, AS ITS AGENT TO ACCEPT SERVICE OF PROCESS WITHIN FLORIDA.

US Telecom, Inc., General Partner

SIGNATURE X By: [signature]
(General Partner)
Name: D.A. Jensen Title: Vice President

DATE X 11/10/88

Having been named to accept Service of Process for the above stated Limited Partnership, at the place designated in this certificate, I hereby agree to act in this capacity, and I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I accept the duties and obligations of section 620.192 Florida Statutes.

SIGNATURE [signature]
(Registered Agent)

DATE 12/8/88

(NOTE: There is a filing fee of $3.00 for this certificate.)

AFFIDAVIT OF CAPITAL CONTRIBUTIONS

BEFORE ME, the undersigned, personally appeared D.A. Jensen, Vice President of US Telecom, Inc. constituting all of the general partners of US Sprint Communications Company Limited Partnership a Delaware (State) limited partnership, hereinafter referred to as the "Partnership", who, upon being sworn, certified as follows:

1. The amount of capital contributions of the limited partners is $ See attached Schedule.

2. The anticipated amount of the capital contributions of the limited partners that are allocated for the purpose of transacting business in Florida is $ -0-.

This 10th day of November, 19 88.

FURTHER AFFIANT SAYETH NOT.

Under penalties of perjury I declare that I have read the foregoing and that the facts alleged are true, to the best of my knowledge and belief.

US Telecom, Inc., General Partner

By: [signature]
Name: D.A. Jensen
Title: Vice President

STATE OF KANSAS

COUNTY OF JOHNSON

DATE

BEFORE ME, the undersigned officer, a Notary Public authorized to administer oaths and to take acknowledgments in and for the State and County set forth above, personally appeared D.A. Jensen, Vice President of US Telecom, Inc. (General Partner), known to me and known by me to be the person who executed the foregoing Affidavit of Capital Contributions, and he acknowledged to me and before me that he executed this Affidavit as ~~General Partner~~ Vice President of the of said Partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, in the State and County aforesaid, this 10th day of November 19 88.

(SEAL) M. NICHOL... NOTARY

[signature]
Notary Public
State of KANSAS at Large
My Commission Expires
12/29/90

This 10th day of November, 19 88

US Telecom, Inc., General Partner

By: [signature]

General Partner

Name: D.A. Jensen

Title: Vice President

STATE OF KANSAS

COUNTY OF JOHNSON

THE FOREGOING instrument was acknowledged and sworn to before me this

10th day of November, 19 88, by D.A. Jensen, Vice President of US Telecom, I

(Name of General Partner)

General Partner of US Sprint Communications Company Limited Partnership

(Name of Limited Partnership)

A Delaware Limited Partnership, on behalf of the Limited Partnership

(State or Country)

[signature]

Notary Public

State of KANSAS at Large

My Commission Expires

12/29/90

(SEAL) NICHOLS NOTARY

CR2E056 (2-87)

SCHEDULE OF
LIMITED PARTNERS'
CAPITAL CONTRIBUTIONS

Each limited partner has contributed $100 in cash.

Pursuant to an Agreement of Limited Partnership (the "Agreement") of US Sprint Communications Company Limited Partnership among the partners to become effective on or about January 3, 1989, GTE Communications Services Incorporated, a limited partner, has agreed to contribute its 19.9% interest, UCOM, Inc., a limited partner, has agreed to contribute its 30.1% interest and US Telecom, Inc., the general partner has agreed to contribute its 50% interest in the capital accounts of US Sprint Communications Company, a New York general partnership, as partner contributions to the partnership.

Under the Agreement, subsequent capital contributions will be made by each partner in accordance with its percentage interest in the partnership as US Telecom, Inc., the general partner, determines such contributions are necessary, subject, however, to certain limitations on the amount that GTE Communications Services Incorporated may be required to contribute. In addition, all partners will be required to make certain additional contributions upon the making of certain allocations of income specified in the Agreement.

ATTACHMENT B

ATTACHMENT "B"

Applicant is a Limited Partnership. The legal entities are as follows:

General Partner: US Telecom, Inc.
2330 Shawnee Mission Parkway
Westwood, Kansas 66205

Limited Partners: Utelcom, Inc.
2330 Shawnee Mission Parkway
Westwood, Kansas 66205

UCOM, Inc.
2330 Shawnee Mission Parkway
Westwood, Kansas 66205

Sprint International
Communications Corporation
12490 Sunrise Valley Drive
Reston, Virginia 22096

ATTACHMENT C

15 A, B and C:

Sprint Communications Company Limited Partnership ("Sprint" or "Applicant") is a Sprint Corporation company. Sprint Corporation , through its local telephone subsidiaries, provides local telephone service to more than 6.7 million customers in nineteen (19) states. More than 98% of these customers are served by digital switching technology. In addition, more than 20,000 sheath-miles of fiber-optic cable is deployed systemwide. This provides a platform for a portfolio of network-based voice, video and data services. Local markets include residential, small, medium and large businesses; and federal, state and local governments. The Sprint Corporation operating companies also provide access to local customers for long distance companies.

Sprint Corporation's local telephone operating income increased 11 percent to $1.1 billion for the year 1995. Sprint Corporation's growth was fueled by one of the industry's fastest access line growth rates and 65% growth in advanced intelligent network services.

At the time of the initial certification of Sprint Communications Company Limited Partnership, applicant herein, as an interexchange carrier by the Florida Public Service Commission, Sprint was found to be financially, technically and managerially fit to provide telecommunications services within the State of Florida. The circumstances surrounding Sprint's fitness have not changed and Sprint remains financially, technically and managerially fit, willing and able to provide the services sought by this application.

Sprint will ensure that its Florida customers have high quality access to emergency services, 911 service, directory assistance and dual-party relay service. Sprint is familiar, and will comply, with all rules and regulations of the Commission, including Section 364.337(2), Florida Statutes, providing that each alternative local exchange telecommunications company that provides basic local telecommunications service must provide access to 911 services, and Section 365.171(13)(a)1 and (c) Florida Statutes, concerning collection of a 911 fee.

Except for those territories of earnings regulated small local exchange companies, as provided in Section 364.337(1), Florida Statutes, Sprint will provide statewide dial-tone access to the public switched telecommunications network. The various features and func ions available to customers through the incumbent local exchange companies will initially be available to Sprint customers through resold service. It is Sprint's intention to augment its service offerings in the future and add new services and capabilities, as they become available from incumbent local exchange carriers and as Sprint utilizes its own facilities to provide service.

Sprint Corporation's 1995 Annual Report, Attachment "D", clearly demonstrates Sprint's Financial, Managerial and Technical Capabilities.

A. FINANCIAL CAPABILITY

As set out Sprint Corporation's Annual Report, Attachment "D", pages 33 and 34, Sprint Communications Company Limited Partnership, a wholly owned operating unit of Sprint Corporation, is financially qualified to provide local exchange service as proposed herein. Sprint had 1995 revenues of $7.227 billion and operating income of $706 million. Sprint's long distance net operating revenues and traffic volumes increased 7 percent in 1995, and 11 percent in 1994. This clearly reflects that applicant has ample financial resources to provide local exchange service in Florida.

B. MANAGERIAL CAPABILITY

Competitive local exchange operations, as proposed herein, will be under the direction of Gary D. Forsee, president and chief operating officer of Sprint Corporation's long distance division, Sprint Communications Company Limited Partnership, the applicant herein. Forsee has held that position since March, 1995. His prior assignment at Sprint Corporation was interim chief executive officer of the Sprint Telecommunications Venture, where he was responsible for the development and implementation of Sprint Corporation's strategy that led to the announcement in October, 1994, of the partnership between Sprint Corporation and the cable companies. In that capacity he led the Sprint Telecommunication Venture's bidding activity during the PCS auctions, resulting in the acquisition of 183M POPs of wireless coverage.

Forsee began his career with Sprint in December 1989 as vice president and general manager of the Government Services Division. He later became president of that division. From 1991-1993 he was president of Sprint's Business Services Group. Following that assignment he was senior vice president of staff operations and was responsible for the division's business process improvement, strategic planning and business development activities. Prior to joining Sprint, Forsee was with AT&T and Southwestern Bell for nearly 18 years.

Gary Owens, Vice President of Sprint's newly formed Integrated Services organization, will direct an integrated approach for delivering local and long distance Sprint services to the marketplace. Owens previously was vice president-service, for the Customer Services Group of Sprint, a position he had held since November, 1992. In that position he was responsible for all residential customer service, operator service and receivables management functions. Before that, Owens was vice-president-human resources operations for United Telecom corporate headquarters.

Gary D. Forsee, as President and Chief Operating Officer of Sprint Communications Company Limited Partnership, applicant herein, has an excellent senior management team, backed by thousands of experienced employees, who are competent in telephone engineering, operations and marketing. Further, Sprint has established a group within its external affairs division to provide assistance and support to its entry into the competitive local exchange market. This group is responsible to ensure Sprint's compliance with all regulatory requirements, rules and regulations.

Sprint's competitive local exchange company initiative will rely extensively upon the diverse management team within Sprint that is competent in telephone, engineering, operations and marketing. Sprint management is well versed in managing telecommunications operators. Sprint Corporation, through its operating units, has provided local telephone service for decades and it and Sprint have strong management teams with extensive experience in all phases of telephony.

C. TECHNICAL CAPABILITY

Sprint is technically qualified to offer and provide local exchange services. Sprint Corporation owns operating units that provide both interexchange and local exchange service. Sprint is the nation's third largest long distance carrier. The Sprint Corporation local exchange companies provides local telephone service in 19 states, serving over 6.4 million access lines. Many of the people supporting Sprint have been employed by local exchange companies at some time in their careers and bring with them a thorough understanding of local exchange customer needs and how to meet those needs.

Furthermore, Sprint operates the only nationwide 100 percent digital, fiber-optic network in the United States through which it provides voice, video and data services to nearly eight million customers. Through its newly formed Integrated Services Division, Sprint will draw internally upon its considerable cross industry telecommunications expertise to support its proposed local service operations.

Accordingly, Sprint is intimately familiar with providing local telecommunications service, including, but not limited to, providing dialtone, access, 911, network monitoring and maintenance, as well as complying with all applicable state commission rules and regulations.

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official: Ellen A. D'Onofrio (Signature) 6/7/96 (Date)

Title: Vice President - State External Affairs 913-624-6878 (Telephone Number)

Address: 8140 Ward Parkway

Kansas City, MO 64114

FORM PSC/CMU 8 (07/95)
Required by Chapter 364.337 F.S.

ATTACHMENT 1

BEYONDTALK

Sprint

Sprint is an action-oriented company of [illegible] — a company successfully managing the critical issues facing our industry today—branding, strategic alliances, deregulation, globalization and financial strength.

Branding

Sprint's brand is a powerful asset. With a reputation for responsiveness and quality, Sprint offers a well-known and trusted choice in newly competitive markets.

Long Distance Division President Gary Forsee and Local Communications Division President Wayne Peterson discuss the company's strategy for building on the Sprint brand.

Strategic Alliances

Emerging demand for integrated packages of telecom services calls for providers to join as partners. Sprint's new domestic and international alliances form a unique complement of assets on a national and global scale.

Sprint President and Chief Operating Officer Ron LeMay and Strategic Planning Senior Vice President Ted Schell discuss the strategy behind Sprint's domestic and international alliances.

Deregulation

Legal and regulatory changes will soon erase traditional telecom boundaries. Sprint is working for a fair and orderly transition to the new competitive universe.

Sprint General Counsel Rich Devlin discusses the course and impact of deregulation.

We had the vision of the first nationwide all-digital, fiber-optic network and we built it. We have the vision of the product and service packages consumers and businesses will demand, and our employees are building the company that will deliver what others are just talking about.

Globalization

Telecom markets are deregulating worldwide. From multinationals to individual consumers, more and more customers need a global reach. Sprint is positioned to seize opportunities.

Former Sprint International President and now Global One (World) President Chris Rooney describes Sprint's globalization strategy.

Financial Strength

Competitive telecom providers must rapidly expand across traditional market segments and into new growth markets, such as digital wireless and multimedia.

Chief Financial Officer Art Krause discusses how Sprint is funding substantial new investments, while it also strengthens the balance sheet and maintains strong operating performance.

Also in this report

We have pursued

A Clear, Aggressive Vision

and our focus now must be on executing the business plan

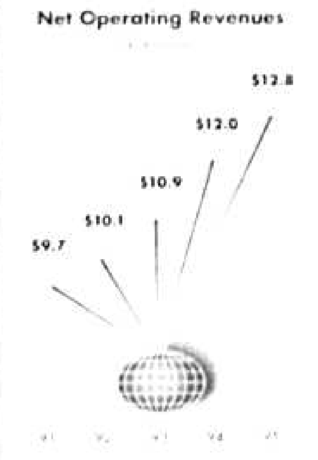
Sprint's Chairman and Chief Executive Officer

Dear Shareholder: Sprint is positioned vastly better for the future than we have ever been in our history.

Early in 1996, a historic telecommunications bill became law. This bill redefines the ground rules and sets a new direction for the future of our industry. We are now in a new era that changes how companies will behave, what they are allowed to do, and how they interact with one another.

I am pleased to note that in 1995, Sprint completed the alliances and the positioning necessary for our company to succeed in the telecommunications industry of the future. We completed the agreements and obtained the approvals necessary to launch what promises to be one of the most successful national wireless companies, to establish a comprehensive North American strategy that will include Canada and Mexico, and to begin the most far-reaching global alliance in the history of our industry.

I feel very good about where we are and where we are headed. As the telecommunications revolution continues to sweep the world, I believe we are in the best position of anyone in the industry. However, our company cannot afford to be muddled in its thinking or sluggish in its actions. I assure you that we will be neither.



Net operating revenues increased [illegible] percent from 1994 to 1995

Not long ago, a security analyst came up to me at a meeting and said, "Bill, people don't fully grasp what Sprint has done and how well it has positioned itself for the future." Well, he is right. We have pursued a clear, aggressive vision. We have an outstanding group of employees and we have assembled a team of major strategic partners that are second to none. Our challenge is now clear. We must leverage our unique position as the only company with successful operations in local, long distance, wireless, and an outstanding global partnership to create the telecommunications company that will be a worldwide leader in the next century. Our focus must now be on executing the vision and the business plan that we have in place.

My confidence for what we can achieve is rooted in our recent history. During the period 1985 to 1995, Sprint has been transformed from a rural, local telephone company with aspirations to build a long distance network, into an internationally known and respected telecommunications company. During those 10 years, compounded annual returns to shareholders averaged 1[illegible] percent. This was superior to our long distance competitors as well as to the industry average for local exchange companies. In 1995, Sprint's income from continuing operations (excluding nonrecurring items) increased 14 percent to $1 billion, or $2.8[illegible] per share. Further, the investment by Deutsche Telekom and France Telecom in 1996 is dramatically reducing Sprint's debt, providing an extremely healthy balance sheet for the challenges and opportunities that lie ahead.

BEYOND TALK: [illegible]

Highlights

[illegible]	1995	1994	% Change
Net operating revenues			
Long distance communications services	$ 7,277.4	$ 6,805.1	7%
Local communications services	4,719.4	4,412.8	[illegible]
Product distribution and directory publishing	1,148.0	1,108.[illegible]	4%
Intercompany revenues	(429.7)	(340.0)	12%
Total	$12,765.1	$11,986.6	6%
Income from continuing operations	$ 1,001.8	$ 877.1	14%
Earnings per common share from continuing operations	$ 2.85	$ 2.51	14%
Dividends per common share	$ 1.00	$ 1.00	
Average common shares outstanding	350.1	348.7	
Total assets	$15,198.9	$14,547.5	4%
Return on equity (ROE)	20.6%	20.9%	(1)
Employees	48,265	48,826	(1%)

[illegible]

ROE [illegible]

Here are some brief specifics on our operating divisions.

- The long distance division staged a substantial improvement in 1995, with strong gains in profitability but, quite frankly, this performance is not yet up to our objectives. Operating income for the year rose 18 percent. Revenues grew 7 percent to $7.3 billion from $6.8 billion in 1994. Data communications is our fastest growing market segment. In nearly every data service area, Sprint is the market leader, and we expect continued strong gains in the data, multimedia and Internet businesses.

- Sprint's local communications division had another outstanding year. It continues to be one of the industry's strongest performers, and also the biggest contributor to Sprint's bottom line. Excluding a one-time restructuring charge, operating income in the local communications business was $1.1 billion, up 11 percent. Revenues increased 7 percent in 1995 to $4.7 billion. The total number of customer access lines grew 4.7 percent to more than 6.7 million.

- Sprint Cellular, which has been spun off to shareholders, increased its 1995 operating income nearly 70 percent to $145 million. Revenues increased 33 percent to $834 million.

- Sprint's product distribution and directory publishing businesses increased operating income by 16 percent to $87 million. Revenues increased 4 percent to $1.1 billion.

In the past few months, we joined forces with a wonderful group of partners who have very similar views of the challenges and opportunities ahead. Our reasons for forming these partnerships are based on the premise that we

continued on page [illegible]

Continued from page [illegible]

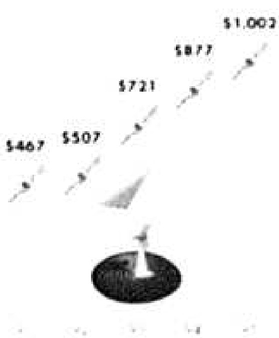
have discussed with you for the past few years — namely, that no single company can hope to provide the capital, the infrastructure, the global reach and the technological knowledge to meet all of the communications needs of our customers. We believe that strategic alliances are crucial to Sprint's future prosperity. We have now achieved these basic alliances, and we are well positioned globally and domestically. As a company, we are on the threshold of exciting changes in the way we operate. We believe there will be three main beneficiaries of our vision: our customers, our employees and our shareholders.

Global One. In January 1996, we announced the launch of Global One, our venture with Deutsche Telekom and France Telecom, the second and fourth largest telecommunications service providers in the world. They will invest between $3.5 billion and $4.2 billion and acquire a 20 percent stake in Sprint.

Why? Because they see an innovative, entrepreneurial company capable of penetrating new markets. We make good partners.

Global One is not simply a convenient marketing structure, such as some of our competitors have created. Instead, each of the three partners has handed over most of its global services and facilities to Global One — an entirely new company with its own people, its own network and its own products. This is a company dedicated to responding to the customer, the technology, the marketplace and the future.

Income from Continuing Operations — Excluding Nonrecurring Items



Income from continuing operations, excluding nonrecurring items, increased 114 percent from 1991 to 1995.

Global One will provide single-source global communications to business, consumer and carrier markets worldwide. While we constantly hear that we are becoming one world — I might have said something like that on occasion myself — the actual logistics of global telecommunications are complex, with differing technical protocols, regulations, cultures, economics and so forth. Global One will make this morass seamless and simple to the customer. Global One adds value to customers large and small all over the world.

Although we are covering Asia, at some point we may also add an Asian partner or partners to our Global One partnership.

Additionally, our alliances with Teléfonos de Mexico (Telmex) and Call-Net in Canada (Sprint Canada) provide us with a comprehensive presence across North America.

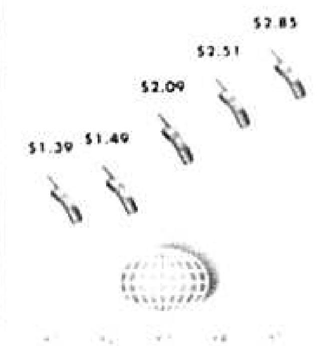
With our global partnerships and alliances, we are ready to take on the world.

Sprint Spectrum. The other major strategic partnership is Sprint Spectrum LP, our partnership with Tele-Communications Inc. (TCI), Comcast Corporation and Cox Communications, Inc. — three of the largest cable television operators in the United States. The interesting thing about technology is that it doesn't respect anything except its own relentless progress. It is rapidly erasing the boundaries between long distance, local, wireless and cable communications. Again, one company can't do it all. Again, we have sought out well-matched partners

Sprint Spectrum (previously known as the Sprint Telecommunications Venture) will create and market a higher quality and more reliable digital wireless service than is known in today's marketplace. Using the most modern technology on a consistent national basis to achieve a distinct competitive advantage may well be a rerun of how Sprint redefined the long distance market by building the nation's first, and still only, all-digital, fiber-optic network.

Sprint Spectrum has already acquired licenses to provide the next generation of wireless service known as Personal Communications Service (PCS). We will package this new PCS wireless service with our long distance and local service to create a comprehensive offering that will meet all the needs of our customers from a single, well-respected source. Sprint Spectrum's reach will cover more than 182 million people, nearly three-quarters of the U.S. population, giving us the greatest coverage of any wireless provider in the United States. We will offer better clarity, more privacy and greater value than existing wireless service.

Earnings per Share from Continuing Operations — Excluding Nonrecurring Items



Earnings per share from continuing operations excluding nonrecurring items increased [illegible] percent from 1991 to 1995.

Due in part to federal rules that limit cross-ownership of PCS and cellular operations, Sprint undertook a tax-free spin-off of its fast-growing cellular operations. In early 1996, Sprint shareholders became direct investors in an independent cellular company. Sprint Spectrum is now free to pursue its own growth strategy, based on a single wireless technology.

The Power of the Sprint Brand Now, while we are teaming up technologically and globally, we are also consolidating our brand into a *One Sprint* relationship with customers. We are moving to a common Sprint identity for all our products and services, including local telephone service.

The customer knows the Sprint name and, more important, trusts it. This comfort level can give Sprint a big boost as customers grapple with the range of confusing services that increasingly will be thrown at them. They will seek to rely on those companies in which they have personal knowledge and confidence. Sprint will be there.

Another reason for presenting *One Sprint* to the customer is this: we are so much more than the third largest long distance company. We are leading in new areas such as Virtual Private Networks, video conferencing and the immensely popular, rapidly growing Internet. What we intend to do is associate the Sprint name with cutting-edge technology and service to the benefit of all our customers.

The election of Ron LeMay to president and chief operating officer of Sprint in February 1996 is another exciting development for all of us. Ron is an extremely talented business executive, and we team well together. Ron's election strengthens our already excellent management team, and he will be a source of great leadership to all of us in the years ahead.

In summary, our focus will be to build a full-service, state-of-the-art international telecommunications company. Although we have received intellectual credit for our vision of recent years, it has not yet fully translated into financial credit in the price of our stock. I believe this will come.

In my letter to you last year, I said that our intent is to emerge as one of the handful of truly significant communications companies in the world. We are on target.

We have closed the book on 1995. We look forward to your being our financial partners, and our customers, in 1996 and beyond.

Bill Esrey

William T. Esrey
Chairman and Chief Executive Officer
March 7, 1996

Capturing and growing share in an exploding marketplace, with

Branding

as our linchpin

An interview with
Gary Forsee
President, Long Distance Division, and
Wayne Peterson
President, Local Communications Division

Q *How strong is Sprint's brand compared to your principal competitors?*

GF Sprint has very high brand awareness among both residential and business customers. We are firmly established as one of only three nationally recognized telecom brands. We will build on that position with a continued emphasis on reinforcing the brand.

WP A critical issue is our ability to enter new markets now dominated by the regional Bell companies. The brand gives us a set of national and international communications credentials. We'll have instant recognition against entrenched competitors whose identities are regional.

Q *What factors differentiate the Sprint brand in the marketplace?*

GF Our market research indicates customers associate the Sprint brand with such attributes as simplicity, reliability, responsiveness, innovation and global scope. Our branding strategy is to expand on this perception and differentiate Sprint as the first truly integrated provider of packaged services.

Customers will soon be bombarded from all sides with new offerings that few even heard of just a year or two ago: PCS, Internet access, all kinds of other new products and capabilities, with who knows how many companies offering this or that mix of services.

In the face of this, we believe customers will turn to brands they know and trust, and seek the convenience of packaged services. Sprint is exceptionally well positioned to answer that call and to do it first.

WP Sprint's experience in local, long distance and wireless is unparalleled. Our capacity to unify and package this expertise forms the basis for presenting a face to the customer of "One Sprint."

As a first step, our local and long distance divisions already have joint marketing teams in several cities.

Q *How will the Sprint brand be leveraged in newly competitive local markets?*

WP During 1996 we will accelerate the move to the Sprint name in many of our United and Centel telephone territories. We want all of our United and Centel telephone customers to see us as "One Sprint" providing total communications services. This will begin to give all our products and services a common identity, and make it easier to market across traditional geographic boundaries.

GF We'll have similar advantages through Sprint Spectrum. The national scope of the Sprint brand combines with the local and regional recognition of our cable partners' brands to give us exceptional cross-marketing opportunities. The joint venture is providing new sales channels for Sprint's long distance products right now.

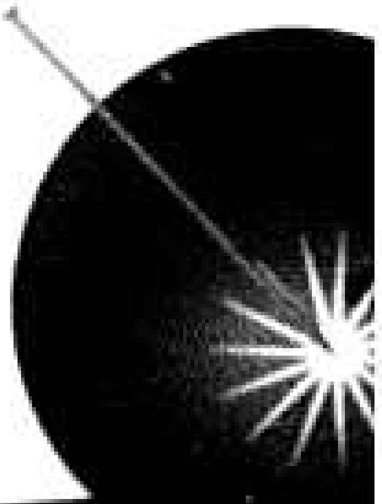
Q *What is Sprint's global branding strategy?*

GF Our joint venture with Deutsche Telekom and France Telecom brings a new brand to the global marketplace, called Global One. By combining the reputations of three high-powered players, Global One will dramatically increase our company's ability to participate in rapidly growing offshore markets.

Global One will prominently feature the Sprint logo. This linkage adds to our ability to market Sprint to domestic customers with growing international needs.

Power of the Brand

When the Laguna Salada Union School District in California wanted video on demand for an innovative pilot program involving the district's eight elementary schools, it turned to a brand that stands for reliability and cutting edge technology. Teachers are using Sprint's digital transmission of video to help them improve lesson planning and classroom activities.



Encouraging federal and state

Deregulation

and competing aggressively, as markets break open and expand

An interview with
Rich Devlin
General Counsel

Q *How will the new federal telecommunications law impact Sprint?*

RD Sprint welcomes the new federal telecommunications law, which was passed by Congress and signed into law by the President in February 1996.

It opens doors for Sprint. The law pre-empts state and local legal barriers that prevented local telephone competition and requires existing telephone companies to interconnect with new entrants. Local competition will allow Sprint to enter these local markets and offer unprecedented value-added packages of communications products and services.

The bill offers challenges as well. It will subject Sprint's local telephone companies to added competition, but Sprint is no stranger to the rigors of the competitive marketplace. Another way to look at it is that we are the local telephone company for about 4 percent of American homes. While that 4 percent will now be open to competition, so will the remaining 96 percent previously unavailable to Sprint. The bill will also allow the Bell companies into long distance, but not before meaningful facilities-based competition is implemented in their local markets.

Q *At what pace do you expect competition will come in local markets?*

RD Entry through resale of local service is likely to occur quickly. When facilities-based local telephone competition occurs will depend in large measure on the Bell companies. If they forthrightly comply with all the requirements to open local telephone markets to competition, facilities-based competition will likely occur in several years.

Q *What are the primary benefits of deregulation?*

RD Deregulation will give us an opportunity to offer the full range of Sprint-branded telecom services throughout the country. Through alliances with our cable partners, we will be able to package wireless, long distance and, potentially, local telephone services with entertainment services to some 40 million American homes in the service territories of our cable partners. We will also have the legal right to offer cable TV to our existing 6.7 million local telephone customer lines.

Q *With deregulation, who will emerge as your strongest competitors?*

RD There are a number of entities that have the potential to become strong competitors, but in each case there are significant issues they must address to actually realize their potential. Some will be successful and some will fail. Fortunately, Sprint has already proven we can take on large, established providers. When the Bell System was broken up 11 years ago, we plunged into the fiercely competitive long distance business and emerged a powerful player. We now have far greater resources, and are better prepared than ever for a new wave of deregulation.

Q *What is the impact of deregulation on Sprint's international business?*

RD Around the world, governments are opening their telecom markets to competition. This is creating unprecedented opportunities. Indeed, Sprint's success and experience in deregulated markets is a key foundation block for Sprint's participation in the Global One venture with France Telecom and Deutsche Telekom. We are in a prime position to benefit from deregulation both at home and abroad.

And of course, the ultimate winner will be the telecom customer, who will receive more technologically advanced services and lower prices.

Advancing toward seamless

Globalization

so our customers will have unlimited reach

An interview with

Chris Rooney

Chairman, Global Venture Office and President and CEO, Global One (World)

Q *What are the principal components of Global One's strategy?*

CR Our ultimate strategy is to serve customers with a seamless platform of products and services, available on a global basis.

The basic building blocks needed to implement that strategy are now in place. The Global One joint venture of Sprint, Deutsche Telekom and France Telecom is the world's most comprehensive telecom partnership. Global One also benefits from Sprint's North American strategy, which includes a separate alliance with Mexico's largest telecommunications provider (Telmex) and Sprint's equity participation in one of Canada's largest providers (Sprint Canada).

Altogether, Sprint and its partners have assembled a formidable array of mutually reinforcing relationships.

Q *What distinguishes Global One from competing alliances?*

CR Global One is unique in the way it is organized to serve the customer. It is the only partnership that has formed a separate joint venture. Instead of a loose association of firms, Global One is an entity unto itself. Our aim is to move rapidly toward truly seamless, single-source service: one point of contact for sales, order entry, trouble resolution, billing, everything.

Global One is also the only partnership that targets beyond the business market to consumers and other telecom carriers as well.

Q *Other global alliances were announced months before Global One. How large is their lead, and how will you close it?*

CR If anyone has a lead, I'd argue it's Global One. Our venture begins with a solid base of multinational customers and we expect strong revenues our first year. And we are very well positioned to expand that base, with more than 40 percent of the world's multinationals headquartered in France, Germany and the United States.

Global One enters the market with an enviable set of assets and exceptional market positioning. Our global network has 1,200 switching centers around the world. The venture also has 50 subsidiaries and offices on six continents. We bring all this together at a pivotal time. International opportunities will grow exponentially as deregulation leads to increased market penetration and price competition. And Global One is at the head of the line.

Q *The alliance's greatest strength appears to be in Europe and the Americas. What are your plans in Asia?*

CR Global One already has a strong foothold in Asia through SprintNet. The venture has subsidiaries and well established relationships in 15 countries, including Australia, China, Hong Kong, South Korea, Japan and Vietnam. Global One will continue to actively cultivate relationships in Asia. That includes the possibility of adding new partners to the venture.

Q *How do your North American alliances with Telmex and Sprint Canada relate to Global One?*

CR They are separate alliances, which complement the services of Global One and Sprint's domestic operations.

Together, Sprint's relationships with Telmex and Sprint Canada serve the market with a seamless, integrated North American network. That network has emerged as the provider of choice for businesses operating in the area covered by the North American Free Trade Agreement (NAFTA).

Building and consolidating

Financial Strength

for our shareholders, both now and in the future

Art Krause

Chief Financial Officer

Q *How would you assess Sprint's recent financial performance?*

AK Delivering superior financial results is one of Sprint's three primary corporate goals. In support of this goal, we established these objectives: grow operating income and operating cash flows (EBITDA) at double-digit rates, earn a 13 percent return on capital, and strengthen our balance sheet. For recurring core operations, we achieved all of these objectives.

These results reflect solid performance by our operating units. The local division continues to deliver near industry-leading revenue, operating income and access line growth. The long distance division gained momentum with double-digit revenue and volume growth rates in the fourth quarter. Operating margins expanded to 9.[illegible] percent for the year and 10.8 percent for the fourth quarter.

Q *What is the financial impact of Sprint's strategic initiatives?*

AK Sprint made substantial progress on our strategic initiatives.

First, completion of our global alliance with Deutsche Telekom (DT) and France Telecom (FT) will result in an equity investment in Sprint of between $3.5 billion and $3.7 billion. This investment allows us to substantially reduce debt and strengthen our balance sheet.

Second, Sprint Spectrum will offer a new level of national wireless service. Our investment will approximate $[illegible] billion through the end of 1997. Between the equity infusion from DT and FT and free cash flows from operations, we will have ample funding for this investment and other opportunities on the horizon.

Third, the spin-off of our cellular division creates shareholder wealth by unlocking value which was not reflected in our stock price. Additionally, Sprint will receive approximately $1.4 billion in cash from the cellular division to repay borrowings from Sprint.

In the near term, earnings per share (EPS) will be diluted, and revenue growth rates will decline from these transactions. However, our goal is to continue growing operating cash flows (EBITDA) and operating income at double-digit rates. Consequently, enhanced shareholder value will be achieved through current returns from our core operations and from these strategic investments.

Q *How has EVA impacted your investment decisions?*

AK In 1994, Sprint adopted Economic Value Added (EVA) as a primary financial measure. EVA measures our effectiveness in earning returns on our investments that exceed investor expectations. By evaluating investment decisions using EVA, our ability to exceed investor expectations is enhanced. This is important because EVA correlates more closely with a company's share price than other traditional accounting measures such as EPS. We also have developed management incentive plans that are linked directly to our ability to increase EVA, thereby better aligning our employees' interests with our shareholders' interests.

Q *How do Sprint's shareholder returns compare to its competitors?*

AK Over a 10-year period through 1995, compounded annual returns averaged 17.7 percent. This return exceeds our two principal long distance competitors, the RBOC-[illegible] average and the S&P 500.

The comprehensive nature of our strategic alliances and the strength of our core operations should allow us to continue to deliver superior financial results and increased shareholder value.

Strategic Partners

UPS — a worldwide force in delivery to businesses and homes — benefited from a 1995 domestic data service agreement with Sprint. In 1996, Atlanta based UPS became Global One's first corporate customer. By year end, Sprint expects to upgrade and expand the UPS communications network and to improve its global tracking system with high speed frame relay data services.

One Card Does It All *Japanese business travelers can now use one card for their travel expenses and telephone calling charges — Sprint VisaPhone. By simply dialing a toll-free number, more than 2 million people — with Visa cards issued by Japan's Million Card Service Co. Ltd. can make international calls from more than 40 countries.*

Global One℠

Deutsche Telekom · France Telecom · Sprint

Unique Service

Global One is organized to respond to the customer and the marketplace. It will make global communications simple for customers, offering access to the world through a single point of contact and a single point of support 24 hours a day, seven days a week.

A New Force *High quality, seamless service and one-stop shopping. All it takes is a call to Global One, the new force in worldwide communications. The company, headquartered in Reston, Virginia, and Brussels, Belgium, opened on February 1, 1996, with more than 2,500 employees in over 1,200 cities and more than 60 countries around the world.*

A Kodak Moment *Finding just the right digital image from a centralized database is as easy as making a long distance call. The Kodak Picture Exchange is delivered over Sprint's all-digital network.*

BEYOND TALK:

It's Just That Simple. *Sprint Sense℠, the dime-a-minute calling plan, made it simple to calculate long distance bills in 1995 with an easy-to-understand, flat-rate pricing structure.*

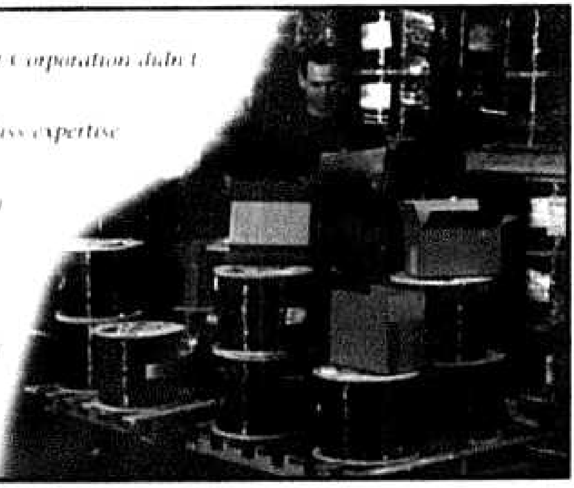
Cyberspace World. *Seriously ill kids at children's hospitals in New York City, Boston, Pittsburgh and Palo Alto, California, are connected to a playground in cyberspace. Sprint is a sponsor of the interactive Starbright network featured in the* Journal of the American Medical Association.

We're No. 1. *In the $250 million prepaid ca*
is the industry leader. That's why General Mi
last summer for the biggest prepaid calling ca
Ten million Spirit prepaid calling cards were p
Later in the year, Sprint announced a 60 perce
bution of Spirit cards through various retail ou

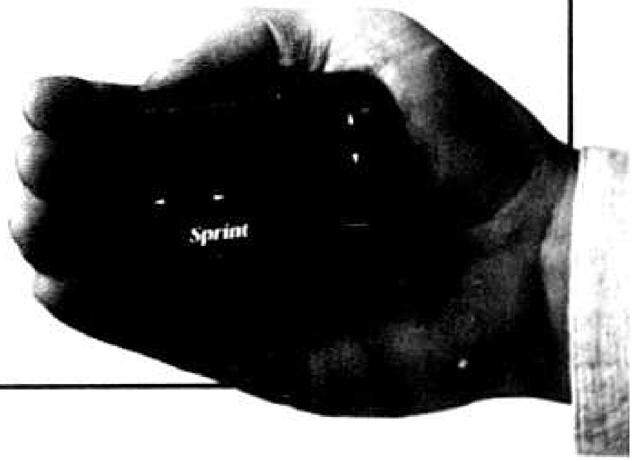
humorous TV
relied on Emmy Award
ndice Bergen to promote
t Sense™ calling plan for
me commercial, a waitress
ner turns to the cook and yells,
Dime Lady."

Alliance of Choice *The North American communications alliance of choice for NAFTA businesses is Sprint and its partners — Teléfonos de México (Telmex), Mexico's largest carrier, and Sprint Canada.*

World-class Expertise *Comcast Corporation didn't look far in 1995 for the world-class expertise needed to improve its distribution systems in Southern California. The Philadelphia-based company turned to Sprint North Supply.*



BEYOND TALK:



Call 1 800 4-Pagers *Sprint Spectrum is selling PageNet's local, regional and nationwide digital and alpha-numeric paging services.*

Seamless Solutions *International long distance. Videoconferencing. Local service. Cellular solutions. Wireless trials. Seamless Sprint is a reality for the Eastman Chemical Company in Kingsport, Tennessee.*

Quoting Forbes: *"These are the ingredients needed to provide an integrated system connecting local, long distance and cable, wired and wireless networks for high-speed transmission of voice, data, video and entertainment, nationally and eventually globally. Sprint alone has them all!"*

	Sprint
Services Needed	
Local Telephone	Yes
Long Distance	Yes
International Long Distance	Yes
Cable Alliance	Yes
Global Alliance	Yes
Cellular	Yes²
PCS	Yes
Pioneer Preference	Yes (LA & Wash/B
Satellite Alliance	Yes (Iridium)
Technology Required	
Asychronous Transfer Mode	Yes
Sychronous Optical Network (Sonet)	Yes
Survivable Sonet Ring	Yes

[1]AT&T has a loose confederation with others, with no investment. [2]Sprint has about 1 million customers. That makes it easier to start PCS without inte cellular operations, so they have to integrate. Also, the pioneer preference about a year ahead of others. [3]AT&T does not use the Sonet transmission cross connecting system for service restoration. MCI will use Sonet rings

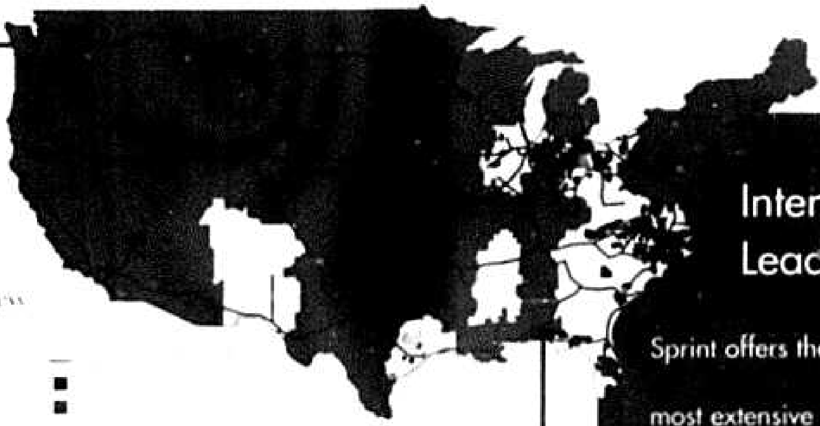
Successful Entrepreneur *He started selling flowers on a street corner in Los Angeles. Last year, Marty Shih, founder of Asian Business Connection, sold Asians $80 million in consumer goods by phone. His company's long distance choice? Sprint.*

That's Entertainment *New York Times advertising columnist Stuart Elliott commends Sprint for its World Wide Web site. "Sprint Stop is far better designed and more entertaining than many of the Internet offerings of entertainment companies," Elliott wrote.*

Interactive Network *Joe and Carol Fox and their two children are enjoying entertainment programs and information services through Sprint Carolina Telephone. Approximately 600 families in the Wake Forest, North Carolina area are participating in a broadband trial offering 48 cable television channels and games on demand. The trial is also considering such other services as movies on demand and high-speed Internet access.*

BEYOND TALK:

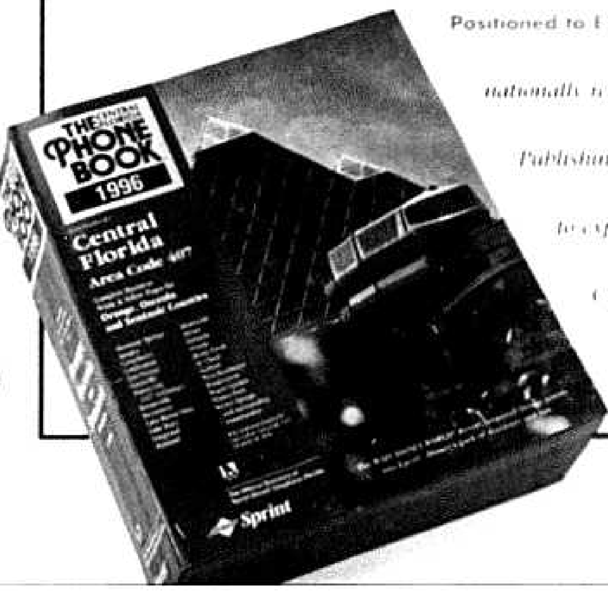
Pizza To Go. Sprint-operated Relay Centers across the country make it easy for the deaf and hard-of-hearing to make an appointment, chat with a friend or order a pizza to go, like this customer did in Austin, Texas. Nationally, Sprint agents handle 3.6 million relay calls a year.



Coast to Coast Coverage. Sprint's cable partners and affiliates pass nearly 40 percent of U.S. homes, and Sprint's wireless venture has a footprint of more than 182 million people.

Internet Leader

Sprint offers the world's most extensive Internet interconnection service. In 1995, the SprintLink network carried approximately two-thirds of all international Internet traffic. Among Global One's Internet hubs: Tokyo, London, Paris, Sydney, Moscow, Hong Kong and Stockholm.



Positioned to Expand. By leveraging the nationally recognized Sprint brand, Sprint Publishing & Advertising is positioned to expand into new markets. This Central Florida Phone Book has a circulation of one million.

Sharing Expertise When China Unicom was mandated to develop the second carrier network in China, it decided to work with Sprint. Sprint is sharing its full range of telecommunications experience so China Unicom can meet increasing customer demand by building local, wireless and long distance networks within China's vast borders.

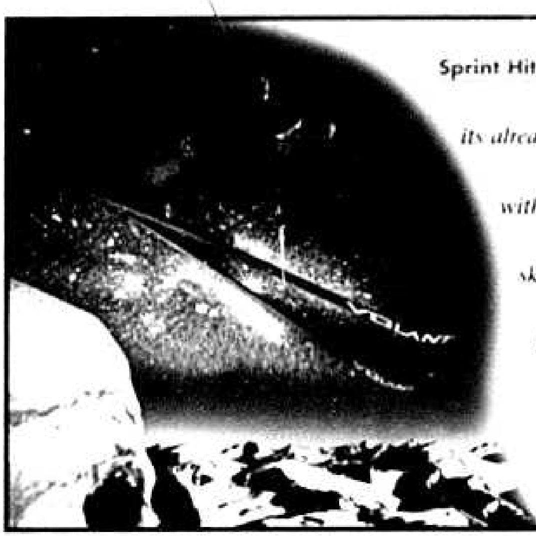
Eliminating Confusion Why is it better to receive your long distance invoice from Sprint? Because we've eliminated the confusion. Sprint made bills easy to read by providing more detailed information and by giving a breakdown of each type of call.

Totally Covered "Before, no one could reach me. Now, everyone can," says Las Vegas cleaning service owner Brenda Anderson. Sprint's TOTAL NUMBER allows her to receive calls, faxes and other services wherever she is through a single number.

BEYOND TALK:

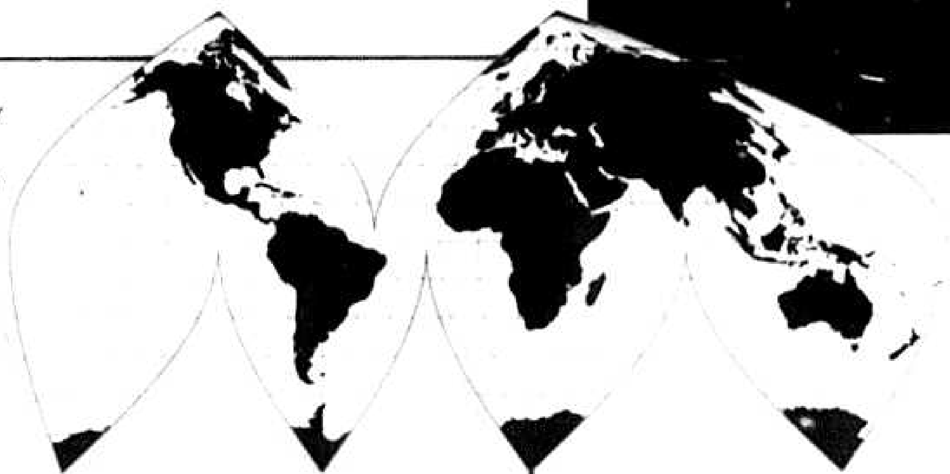
Government Contracts

Sprint's government contract wins in 1995 included a $144 million agreement to provide service to U.S. military installations and a $100 million contract to provide advanced data services for the U.S. Postal Service.



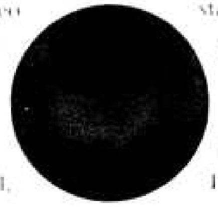
Sprint Hits the Slopes *Sprint has doubled its already substantial skiing sponsorships with the addition of two more titled ski events — the Sprint World Ski Challenge in Deer Valley, Utah, and the Sprint Spree Style Classic in Breckenridge, Colorado.*

Think Globally ... Connect Locally *Global One customer relationships are managed and sustained by locally based employees or partners who understand local customs and requirements.*



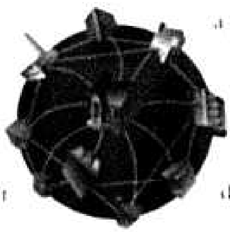
Bringing Good Things to GE's Life *At mid-year, Sprint announced one of its largest business services contracts ever — a multi-year agreement with General Electric Company valued at several hundred million dollars. Sprint's business solution provided GE employees more mobility with a variety of services, including laptop remote dial-in access compatible with the Internet.*

Long Distance



Sprint's long distance division provides voice, video and data services to nearly 8 million customers. The company operates the only nationwide 100% digital, fiber-optic network in the United States. Long distance markets include residential, small, medium and large businesses, and federal, state and local governments. Sprint offers an integrated platform of products and services across North America through its 25% equity ownership in Call-Net (Sprint Canada) and its alliance with Mexico's largest communications provider, Teléfonos de Mexico (Telmex).

Local Communications



Sprint provides local telephone service through more than 6.7 million customer lines in 19 states. More than 98% of local customers are served by digital switching technology. Additionally, more than 20,000 sheath-miles of fiber-optic cable is deployed systemwide. This provides a platform for a portfolio of network-based voice, video and data services. Local markets include residential, small, medium and large businesses, and federal, state and local governments. The operating companies also provide access to local customers for long distance companies.

Product Distribution/Directory Publishing

Sprint North Supply is one of the nation's largest wholesale distributors of voice, data and teleconferencing equipment and security and alarm systems. Its markets include telecommunications companies, product resellers, cable television companies and security and alarm dealers.

The combination of Sprint Publishing & Advertising and Centel Directory Company is the 10th largest Yellow Pages publisher in the United States. They publish 325 telephone directories with an annual circulation of more than 17 million across 20 states.

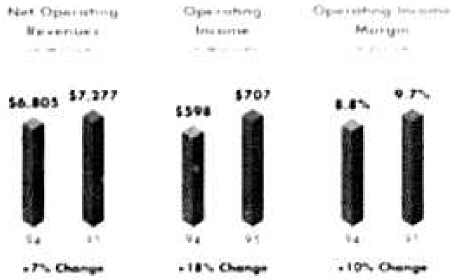
Global One

Global One is a worldwide joint venture of Sprint, Deutsche Telekom and France Telecom. The venture offers a comprehensive array of advanced voice and data services to businesses, carriers and consumers. Based in Brussels, Belgium, and Reston, Virginia, in the United States, Global One has 1,200 switching centers in more than 60 countries around the world. The global carrier's worldwide integrated organization provides customers a single point of contact and 24-hour customer service. Global One serves other telecommunications carriers with a full range of transport and transit services.

Sprint Spectrum

Sprint Spectrum is a partnership of Sprint and three of the nation's largest cable companies: Tele-Communications Inc., Comcast Corporation and Cox Communications Inc. The venture is building a nationwide network to provide wireless personal communications service (PCS). PCS will be marketed under the Sprint brand to a population of more than 182 million. The four companies are committed to the vision of a single, integrated offering of wireless services, local telephone services and long distance service in a package with cable television service.

Long distance operating income increased by more than $100 million, rising 18% to $707 million. Operating margins grew to 10.5% in the fourth quarter. Data revenues increased more than 70% in the fourth quarter.

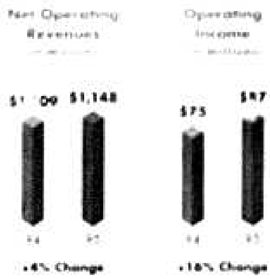


Aggressive marketing to Internet users, new multimedia products and initiatives designed to help customers migrate to high speed data networks will strengthen Sprint's drive to grow share in rapidly expanding data markets.

Local telephone operating income increased 11% to $1.1 billion* for the year. Growth was fueled by one of the industry's fastest access line growth rates and 65% growth in advanced intelligent network services.

Sprint will compete immediately in newly deregulated local markets, with an array of applications including telemedicine and distance learning. Other growth markets include Internet users and entertainment.

Operating income in the product distribution and directory publishing businesses grew 16% to $87 million in 1995. Stronger sales in both units increased revenues 4% to $1.1 billion. Fourth quarter operating income grew by 16% to $22 million compared to a year ago.



North Supply will expand its position in materials management outsourcing services to its core markets, including interconnect companies. By leveraging the nationally recognized Sprint brand, Sprint Publishing & Advertising is well positioned to expand into new markets.

With its launch, Global One immediately rose to the top tier of international service providers. The company is combining several businesses of its parent companies. These operations include Sprint International, Deutsche Telekom's and France Telecom's Atlas joint venture (including eunetcom), and the international VSAT, end-to-end and global VPN services of Deutsche Telekom and France Telecom. Deutsche Telekom's and France Telecom's data networks outside of their home countries were also contributed. The data networks within their countries will be integrated into Global One after January 1, 1998. Data, messaging and other services are already in the planning stages.

Sprint Spectrum is implementing an aggressive business plan to build out its nationwide wireless PCS network. The venture's objective is to begin offering PCS in as many as 20 to 25 major metropolitan areas by December 1996, covering over 100 million people. Construction of the remainder of the system should be substantially complete by December 1998. In addition, Sprint will negotiate individual joint ventures on a market-by-market basis with its cable partners to provide competitive local telephone services.

BEYOND TALK: more than 48,000 employees worldwide

(in millions, except per share data) As of or for the years ended December 31	1995	1994[1]	1993[1]	1992[1]	1991[1]
Results of Operations					
Net operating revenues	$12,765.1	$11,986.6	$10,914.7	$10,105.7	$ 9,69[illegible].2
Operating income[2]	1,834.3	1,690.7	1,214.1	1,199.8	1,186.1
Income from continuing operations[2,3]	946.1	899.2	517.1	550.6	540.8
Earnings per common share from continuing operations[2,3]	2.69	2.57	1.50	1.62	1.58
Dividends per common share	1.00	1.00	1.00	1.00	1.00
Financial Position					
Total assets	$15,195.9	$14,547.5	$13,898.1	$13,431.7	$13,788.9
Property, plant and equipment, net	9,715.8	10,258.8	9,883.1	9,895.6	10,072.7
Total debt (including short-term borrowings)	5,677.4	4,937.2	5,094.4	5,442.7	5,571.2
Redeemable preferred stock	32.5	37.1	38.6	40.2	56.6
Common stock and other shareholders' equity	4,642.6	4,524.8	3,918.3	3,971.6	3,671.9
Cash Flow Data					
Cash from operating activities—continuing operations	$ 2,566.4	$ 2,346.0	$ 2,007.8	$ 2,397.3	$ 1,808.1
Capital expenditures	1,857.3	1,751.6	1,429.8	1,342.4	1,431.4
Free cash flow[4]	357.6	245.0	230.9	454.8	80.9

[1] *The accompanying Selected Financial Data have been restated to reflect the spin-off of Sprint's cellular and wireless division (Cellular) to Sprint shareholders. Accordingly, Cellular's operating results have been excluded from income from continuing operations and are reported as discontinued operations.*

[2] *During 1995, nonrecurring charges of $88 million were recorded related to a restructuring within the local division. Such charges reduced consolidated 1995 income from continuing operations by $55 million ($0.16 per share).*

During 1993, nonrecurring charges of $293 million were recorded related to (a) transaction costs associated with the merger with Centel and the expenses of integrating and restructuring the operations of the two companies and (b) a realignment and restructuring within the long distance division. Such charges reduced consolidated 1993 income from continuing operations by $193 million ($0.56 per share).

[3] *During 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million, which increased consolidated 1994 income from continuing operations by $22 million ($0.06 per share).*

During 1993, as a result of the enactment of the Revenue Reconciliation Act of 1993, Sprint was required to adjust its deferred income tax assets and liabilities to reflect the increased tax rate. Such adjustment reduced consolidated 1993 income from continuing operations by $11 million ($0.03 per share).

During 1992 and 1991, gains were recognized related to the sales of certain local telephone properties, which increased consolidated 1992 income from continuing operations by $44 million ($0.13 per share) and consolidated 1991 income from continuing operations by $64 million ($0.19 per share).

[4] *Free cash flow is an internal measurement utilized by Sprint to assess the coverage of capital expenditures and dividends paid by cash provided from operating activities of continuing operations. This measurement is not an alternative to operating income determined in accordance with generally accepted accounting principles as an indicator of operating performance. Such amount for 1992 excludes the additional proceeds from the sale of accounts receivable of $300 million.*

Strategic Developments

Telecommunications Law In February 1996, the Telecommunications Act of 1996 (the Act) was signed into law. The purpose of the Act is to promote competition in all aspects of telecommunications. The Act requires telecommunications carriers to interconnect with other carriers and to provide for resale, number portability, dialing parity, access to rights-of-way and compensation for reciprocal traffic. Additionally, incumbent local telephone companies are required to provide nondiscriminatory unbundled access, resale at wholesale rates and notice of changes that would affect interoperability of facilities and networks. The Federal Communications Commission (FCC) is to adopt mechanisms to ensure that essential telecommunications services are affordable.

The Act also provides that regional Bell Operating Companies (RBOCs) may provide long distance service upon enactment that is out-of-region or incidental to: (1) audio/video programming; (2) Internet for schools; (3) mobile services; (4) information or alarm services; and (5) telecommunications signaling. In order for an RBOC to provide in-region long distance service, the Act requires the RBOC to comply with a comprehensive competitive checklist and expands the role of the U.S. Department of Justice in the FCC's determination of whether the entry of an RBOC into the competitive long distance market is in the public interest. Additionally, there must be a real facilities-based competitor for residential and business local telephone service (or the failure of potential providers to request access) prior to an RBOC providing in-region long distance service. RBOCs must provide long distance services through a separate subsidiary for at least three years. Until the RBOCs are allowed into long distance or three years have passed, long distance carriers with more than 5 percent of the nation's access lines may not jointly market RBOC resold local telephone service, and states may not require RBOCs to provide intraLATA dialing parity.

Telecommunications companies may also provide video programming and cable operators may provide telephone service in the same service area. The Act prohibits telecommunications carriers and cable operators from acquiring more than 10 percent of each other, except in rural and other specified areas.

The impact of the Act on Sprint is unknown because a number of important implementation issues (such as the nature and extent of continued subsidies for local rates) still need to be decided by state or federal regulators. However, the Act offers opportunities as well as risks. Sprint should benefit from the opportunity to enter local telephone markets. The new competitive environment should lead to a reduction in local access fees, the largest single cost in providing long distance service today. The risk aspect of local competition is that historical prices and market shares of Sprint's local telephone companies (approximately 4 percent of the nation's local telephone access lines) are likely to decline.

The removal of the long distance restrictions on the RBOCs is not anticipated to have an immediate significant adverse impact on Sprint because of the substantial preconditions that must be met before RBOCs can provide most in-region long distance services. In addition, Sprint could potentially offset some losses of long distance customers at the retail level if it were successful in becoming the underlying carrier for resellers (including the RBOCs) entering the long distance market.

Global One On January 31, 1996, Sprint, along with Deutsche Telekom (DT) and France Telecom (FT), consummated their joint venture, operating as Global One, which will provide seamless global telecommunications services to business, consumer and carrier markets worldwide. The interests of DT and FT in the venture are held by their own joint venture, referred to as Atlas. The operating group serving Europe (excluding Germany and France) will be owned one-third by Sprint and two-thirds by Atlas. The operating group for the worldwide activities outside the United States and Europe will be owned 50 percent by Sprint and 50 percent by Atlas. Home country markets will be served by DT in Germany, FT in France and Sprint in the United States.

Upon closing of the agreement, DT and FT acquired shares of a new class of preference stock for a total of $3.0 billion which resulted in DT and FT each holding approximately 7.5 percent of the Sprint voting power. DT and FT will make the remainder of their investment in Sprint following the spin-off of Sprint's Cellular and Wireless Division (Cellular) to shareholders of Sprint common stock. Following their full investment, DT and FT will each own shares of Class A common stock with approximately 10 percent of Sprint's voting power. Depending on the price of Cellular shares at the time of the spin-off, the total amount of the investment is expected to be between $3.5 billion and $3.7 billion.

DT and FT, as the holders of the Class A stock, will have the right in most circumstances to proportionate representation on Sprint's board of directors and to purchase additional shares of Class A stock from Sprint to enable them to maintain their ownership level at 20 percent. In addition, the holders of Class A stock will have disapproval rights with respect to Sprint's undertaking certain types of transactions. DT and FT have also entered into a standstill agreement with Sprint that contains restrictions on their ability to acquire voting securities of Sprint other than as contemplated by the investment agreement and related agreements, as well as customary provisions restricting DT and FT from initiating or participating in any proposal with respect to the control of Sprint.

In connection with the closing of the Global One joint venture, the long distance division contributed certain assets and the related operations of its international business unit to Global One.

Sprint Spectrum Sprint, along with Tele-Communications Inc. (TCI), Comcast Corporation (Comcast) and Cox Communications, Inc. (Cox), have formed a joint venture, Sprint Spectrum LP (formerly known as Sprint Telecommunications Venture), to provide wireless communications services on a broad geographic basis within the United States. In March 1995, Sprint Spectrum took a critical first step to national wireless capabilities. In the first round of broadband Personal Communications Services (PCS) license auctions by the FCC, Sprint Spectrum and its affiliates won the rights to PCS licenses in 30 major trading areas (MTAs) at a cost of $2.2 billion. Sprint Spectrum's wireless presence, including Sprint Spectrum wireless affiliates, covers a population of more than 182 million in the United States.

In March 1995, Sprint, TCI, Comcast and Cox signed a definitive joint venture agreement to provide competitive local telecommunications services on a national basis using the facilities of the cable partners. In February 1996, the four partners announced a change in their approach to providing such services. The previous agreement called for the conversion of cable systems passing 10 million homes by the end of 1997 and had a fixed compensation formula between Sprint Spectrum and the cable companies. Under the revised agreements, competitive local telephone services will be the subject of individual joint ventures to be negotiated between Sprint and each cable partner, rather than through Sprint Spectrum. This approach will allow greater flexibility to decide specific terms and timing for entry into local telephone markets. However, there are no assurances that any such joint ventures will be formed.

In conjunction with the approval of a business plan for Sprint Spectrum to build out a national wireless network, the four partners have committed to make cash capital contributions to Sprint Spectrum of approximately $4.2 billion through the end of 1997, of which Sprint's portion is estimated to be approximately $1.7 billion. Approximately $960 million of this commitment has already been contributed by Sprint to Sprint Spectrum, primarily to fund amounts paid to the FCC in connection with licenses won in the PCS auction.

In November 1995, American Personal Communications (APC), an affiliate of Sprint Spectrum, launched APC, the nation's first broadband PCS system. APC will serve a large geographic area encompassing Washington, D.C., all of Maryland and more than half of Virginia. It is Sprint Spectrum's objective to begin offering personal communications service in as many as 20 to 25 major metropolitan areas by December 1996, covering over 100 million people, and to substantially complete construction of the remainder of its system by December 1998. Sprint Spectrum has executed contracts with two vendors of Code Division Multiple Access (CDMA) to deploy this new developing technology across the venture's nationwide wireless communications network.

Spin-off of Cellular Division Due in part to divestiture requirements imposed by the FCC with respect to PCS licenses awarded to Sprint Spectrum, the Sprint board of directors has approved the spin-off of Cellular to the holders of Sprint common stock. Sprint has received a favorable ruling from the Internal Revenue Service regarding the tax-free nature of the spin-off. After the spin-off, Cellular will market its wireless service under the 360° Communications Company brand name and will no longer be included under the umbrella of the Sprint brand name.

The spin-off will be effected by distributing to all holders of Sprint common stock all shares of Cellular common stock at a rate of 1 share of Cellular common stock for every 3 shares of Sprint common stock held. In connection with the closing, Cellular will repay approximately $1.4 billion of intercompany debt owed by Cellular to Sprint and its subsidiaries, and Sprint will contribute to the equity capital of Cellular any debt owed by Cellular in excess of the intercompany debt being repaid.

Prior years' consolidated financial statements have been restated to reflect the spin-off of Cellular. Accordingly, the operating results, net assets and cash flows of Cellular are separately classified as discontinued operations.

Results of Operations

Consolidated Sprint's two primary divisions — long distance and local exchange — generated record levels of net operating revenues and improved operating results in 1995. The long distance division generated a 7 percent growth in traffic volumes in 1995, and the number of access lines served by the local division grew 4.7 percent.

Total net operating revenues for the year ended December 31, 1995 were $12.8 billion, a 6 percent increase over net operating revenues of $12.0 billion for 1994. Total net operating revenues for the year ended December 31, 1993 were $10.9 billion. For the year ended December 31, 1995, income from continuing operations was $946 million, or $2.69 per share, compared with $899 million, or $2.57 per share, for 1994 and $517 million, or $1.50 per share, for 1993. Income from continuing operations for the year ended December 31, 1995 included a charge related to the restructuring of Sprint's local division ($0.16 per share). Income from continuing operations for the year ended December 31, 1994 included a gain related to the sale of an investment in equity securities ($0.06 per share). Income from continuing operations for the year ended December 31, 1993 included charges related to the merger and integration costs associated with the Centel merger and the realignment and restructuring of Sprint's long distance division ($0.56 per share) and a charge associated with the enactment of the Revenue Reconciliation Act of 1993 ($0.03 per share).

Nonoperating Items

Interest Expense Interest expense related to continuing operations totaled $261 million in 1995 compared to $301 million in 1994 and $367 million in 1993. Interest expense related to the operations of Cellular totaled $124 million, $97 million and $85 million in 1995, 1994 and 1993, respectively, and is included in discontinued operations in the Consolidated Statements of Income. Sprint's average debt outstanding, including the debt incurred to fund intercompany advances to Cellular, increased by $668 million in 1995 compared to the prior year. The increase in average debt outstanding during 1995 was primarily from short-term borrowings incurred to fund investments in Sprint Spectrum. Because the interest costs on the borrowings associated with Sprint's investment in this venture are being capitalized until Sprint Spectrum commences operations, interest expense did not increase proportionately to the increase in average debt outstanding. Sprint's effective interest rate decreased 44 basis points from 1994 to 1995 primarily due to the increase in short-term borrowings as a percent of total borrowings. Sprint's average debt outstanding decreased by $337 million and $596 million in 1994 and 1993, respectively, and the effective interest rate decreased 52 and 15 basis points, respectively, due to debt refinancings which occurred during 1993 and 1992.

Other Expense, Net The components of other income (expense) are as follows:

(in millions) For the years ended December 31	1995	1994	1993
Loss on sales of accounts receivable	$(38.6)	$(28.7)	$(22.0)
Equity in loss of Sprint Spectrum	(31.4)	(1.3)	
Global One venture costs	(22.9)	(6.1)	
Gain on sale of investment in equity securities	—	34.7	
Other, net	(0.3)	(0.7)	(12.0)
Total other expense, net	$(93.2)	$ (2.1)	$(34.0)

Income Tax Provision Sprint's income tax provisions for 1995, 1994 and 1993 resulted in effective tax rates of 36.1 percent, 35.2 percent and 36.4 percent, respectively. During 1993, the Revenue Reconciliation Act of 1993 was enacted which, among other changes, raised the federal income tax rate to 35 percent from 34 percent. As a result, Sprint adjusted its deferred income tax assets and liabilities to reflect the revised rate. See Note 5 of Notes to Consolidated Financial Statements for information regarding the differences which cause the effective income tax rates to vary from the statutory federal income tax rate.

As of December 31, 1995, Sprint had recorded deferred income tax assets of $501 million, net of a $17 million valuation allowance. See Note 5 of Notes to Consolidated Financial Statements for information regarding the sources which gave rise to these assets. Sprint's management has determined that it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the

BEYOND TALK: Sprint's Voice FONCARD™ was the first widely available voice-activated calling card.

reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions, and future operating income levels may, however, affect the ultimate realization of all or some portion of these deferred income tax assets.

Discontinued Operations — Cellular Division As a result of the tax-free spin-off of Cellular to shareholders of Sprint common stock, the operating results, net assets and cash flows of Cellular have been separately classified as discontinued operations and are excluded from amounts for the continuing operations of Sprint.

Cellular's operating results exclude its share of Sprint's corporate overhead expenses. These expenses have been reallocated to Sprint's continuing operations in the accompanying Consolidated Statements of Income as well as in the accompanying Segmental Results of Operations. Accordingly, Cellular's results of operations as reflected below may not be indicative of its future operating results once the spin-off is completed. Such expenses were $13 million, $12 million and $12 million for each of the years ended December 31, 1995, 1994 and 1993, respectively. See Note 3 of Notes to Consolidated Financial Statements for further discussion.

Cellular's results of operations are summarized as follows:

(in millions) *For the years ended December 31,*	1995	1994	1993
Net operating revenues	$834.4	$626.5	$410.5
Operating expenses	675.6	529.4	374.0
Operating income	158.8	97.1	36.5
Interest expense	(124.0)	(97.3)	(85.4)
Other income (expense), net	10.9	(5.6)	11.7
Income (Loss) before income taxes	45.7	(5.8)	(37.2)
Income tax provision (benefit)	31.2	9.7	(0.7)
Cumulative effect of change in accounting principle, net	—	—	(1.6)
Income (Loss) from cellular division	$ 14.5	$(15.5)	$(38.1)

Net operating revenues increased $208 million during 1995 and $216 million during 1994. These increases resulted principally from the growth in the number of cellular customers, which increased 44 percent in 1995 and 59 percent in 1994. The effect of this growth was partially offset by a decline in service revenue per customer.

Operating expenses increased $146 million for 1995 and $155 million for 1994. These increases resulted principally from the growth in the number of cellular customers and increased advertising costs.

Discontinued Operations — Other For the year ended December 31, 1994, Sprint recognized $7 million of income associated with the settlement of matters related to a discontinued operation. Also, during 1993, Sprint incurred a loss from discontinued operations of $12 million, net of income tax benefits.

Extraordinary Items As described in Note 2 of Notes to Consolidated Financial Statements, Sprint adopted accounting principles for a competitive marketplace and discontinued applying Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," to its local division effective December 31, 1995. The application of SFAS No. 71 required the accounting recognition of the rate actions of regulators where appropriate. Sprint determined that the local division no longer met the criteria for application of SFAS No. 71 due to changes in the regulatory framework, which continues to evolve from rate-base regulation to price regulation, as the latter does not provide for the recovery of specific costs. In addition, the division operates in an evolving competitive environment in which the level and types of competition are increasing such that they may no longer allow for service and product pricing that provides for the recovery of specific costs. As a result, Sprint recorded a noncash, extraordinary charge of $565 million ($1.61 per share), net of related income tax benefits.

In 1993, Sprint incurred extraordinary losses related to the early extinguishment of debt of $29 million, net of related income tax benefits.

Accounting Changes Effective January 1, 1993, Sprint changed its method of accounting for postretirement and postemployment benefits by adopting SFAS No. 106 and No. 112 and effected another accounting change. The cumulative effect of these changes in accounting principles reduced 1993 net income by $383 million ($1.12 per share).

(in millions, except per share data) For the years ended December 31	1995	1994	1993
Net Operating Revenues	$12,765.1	$11,986.6	$10,914.[illegible]
Operating Expenses			
Costs of services and products	6,504.9	6,154.5	5,591.9
Selling, general and administrative	2,871.9	2,755.4	2,542.5
Depreciation and amortization	1,466.4	1,386.0	1,283.7
Merger, integration and restructuring costs	87.6	—	292.5
Total operating expenses	10,930.8	10,295.9	9,700.6
Operating Income	1,834.3	1,690.7	1,214.1
Interest expense	(260.7)	(300.7)	(367.0)
Other expense, net	(93.2)	(2.1)	(34.0)
Income from continuing operations before income taxes	1,480.4	1,387.9	813.1
Income tax provision	(534.3)	(488.7)	(296.0)
Income from Continuing Operations	946.1	899.2	517.1
Discontinued operations, net			
Cellular division	14.5	(15.5)	(38.1)
Other		7.0	(12.3)
Extraordinary items, net	(565.3)	—	(29.2)
Cumulative effect of changes in accounting principles, net	—	—	(382.6)
Net income	395.3	890.7	54.9
Preferred stock dividends	(2.6)	(2.7)	(2.8)
Earnings applicable to common stock	$ 392.7	$ 888.0	$ 52.1
Earnings per Common Share			
Continuing operations	$ 2.69	$ 2.57	$ 1.50
Discontinued operations	0.04	(0.02)	(0.15)
Extraordinary items	(1.61)	—	(0.08)
Cumulative effect of changes in accounting principles	—	—	(1.12)
Total	$ 1.12	$ 2.55	$ 0.15
Weighted average number of common shares	350.1	348.7	343.7
Dividends per common share	$ 1.00	$ 1.00	$ 1.00

See accompanying Notes to Consolidated Financial Statements.

Segmental Results of Operations

Long Distance Communications Services

(in millions) For the years ended December 31	1995	1994	1993
Net operating revenues	$7,277.4	$6,805.1	$6,139.2
Operating expenses			
Interconnection	3,102.7	2,994.5	2,710.7
Operations	1,046.6	925.4	857.7
Selling, general and administrative	1,839.7	1,737.0	1,548.1
Depreciation and amortization	581.6	550.5	523.5
Merger, integration and restructuring costs	—		45.9
Total operating expenses	6,570.6	6,207.4	5,685.9
Operating income	$ 706.8	$ 597.7	$ 453.3(1)
Operating margin	9.7%	8.8%	7.4%(1)
Capital expenditures	$ 861.7	$ 774.1	$ 529.4
Identifiable assets	$4,912.2	$4,546.0	$4,195.8

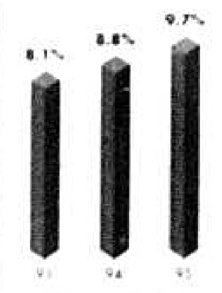
(1) Excluding the merger, integration and restructuring costs of $45.9 million, operating income and margin for 1993 would have been $499.2 million and 8.1 percent, respectively.

Sprint's long distance division provides domestic and international voice, video and data communications services. The terms under which the division offers its services to the public are subject to different levels of state and federal regulation, but rates are not subject to rate-base regulation except nominally in some states.

Net operating revenues increased 7 percent in 1995, following an 11 percent increase in 1994. Traffic volume increased 7 percent and 11 percent over the same periods. Revenue growth was primarily driven by strong performance in the data services market, which includes sales to consumer on-line services and Internet connectivity, transaction processing such as credit card authorizations and check guarantees, data communication for multinational corporations and data-intensive applications such as image transfer and client/server exchange. Also contributing to this growth was the business market which continued to experience growth in "800" services and private line services, the international market which reflects the division's continuing efforts to target new geographic markets, and the residential market which reflects the success of the Sprint Sense℠ calling plan.

Operating Income Margin

(in percent)



Margin for 1993 excludes the effects of nonrecurring items

Interconnection costs consist of amounts paid to local exchange carriers, other domestic service providers and foreign telephone companies for the completion of calls made by the division's customers. Interconnection costs increased in 1995 and 1994 primarily as a result of traffic volume growth. Also contributing to these increases were increases in access costs associated with the growth in data products and international interconnection costs. These increases were partially offset by reduced costs of connecting to networks domestically as a result of lower interstate access rates. As a percentage of net operating revenues, interconnection costs were 42.6 percent in 1995 compared to 44.0 percent and 44.2 percent in 1994 and 1993, respectively.

Operations expense consists of costs related to operating and maintaining the long distance network; costs of providing various services such as operator services, public payphones, telecommunications services for the hearing impaired, and video teleconferencing; and costs of data systems sales. Operations expense increased $121 million in 1995 and $68 million in 1994. The 1995 increase was primarily due to increased costs associated with growth within the data products market and increased international network operations costs reflecting growth in overseas products and foreign operations. The 1994 increase was primarily due to expanded product offerings as well as providing services to new customers.

Selling, general and administrative (SG&A) expense increased $103 million and $189 million in 1995 and 1994, respectively, generally reflecting the overall growth in the division's operating activities. These increases were generally due to increased advertising expenses resulting from the ongoing sales and marketing efforts which are important in the intensely competitive long distance marketplace. The division has continued to focus on cost containment of SG&A expenses in an effort to further enhance the division's profitability. As a result, SG&A expense as a percentage of net operating revenues decreased from 25.5 percent for 1994 to 25.3 percent for 1995.

Depreciation and amortization increased $31 million in 1995 and $27 million in 1994, generally due to an increase in the asset base. The increase in 1995 was generally due to an increase in the asset base in support of data revenue growth and synchronous optical network (SONET) deployment. SONET provides significantly improved transport capacity.

Local Communications Services

(in millions) As of or for the years ended December 31	1995	1994	1993
Net operating revenues			
Local service	$1,875.7	$1,752.3	$1,624.3
Network access	1,705.8	1,598.4	1,540.4
Toll service	485.4	529.3	505.3
Other	652.5	532.8	466.0
Total net operating revenues	4,719.4	4,412.8	4,126.0
Operating expenses			
Plant operations	1,360.6	1,298.3	1,206.7
Depreciation and amortization	835.6	794.6	733.0
Customer operations	601.0	549.3	532.4
Other	793.8	752.4	710.6
Merger, integration and restructuring costs	87.6		190.1
Total operating expenses	3,678.6	3,394.6	3,372.8
Operating income	$1,040.8[1]	$1,018.2	$ 753.2[2]
Operating margin	22.1%[1]	23.1%	18.3%[2]
Capital expenditures	$ 950.8	$ 914.2	$ 845.3
Identifiable assets	$6,970.4	$7,821.3	$7,603.9

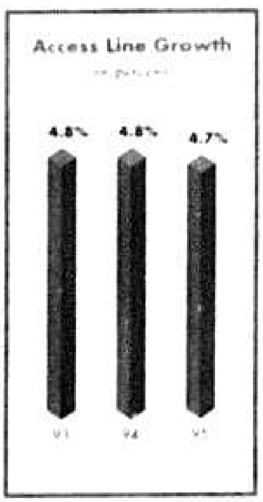
[1] Excluding the restructuring costs of $87.6 million, operating income and margin for 1995 would have been $1,128.4 million and 23.9 percent, respectively.

[2] Excluding the merger and integration costs of $190.1 million, operating income and margin for 1993 would have been $943.3 million and 22.9 percent, respectively.

The local division consists principally of Sprint's regulated telephone companies which provide local exchange services, access by telephone customers and other carriers to local exchange facilities, and long distance services within specified geographic areas.

Net operating revenues increased 7 percent in both 1995 and 1994. Increased local service revenues reflect a 4.7 percent and 4.8 percent increase in the number of access lines served for 1995 and 1994, respectively, as well as growth in add-on services, such as custom calling features.

Network access revenues, derived from interexchange long distance carriers' use of the local network to complete calls, increased during 1995 and 1994 as a result of increased traffic volumes, a portion of which is due to a migration of traffic related to toll service revenues as described below. The increase was partially offset by periodic reductions in network access rates charged. The FCC announced a new interim interstate price caps plan during the first quarter of 1995. Under the new plan, which became effective August 1, 1995, the local division adopted a rate formula based on the maximum productivity factors that effectively removed the earnings cap on the division's interstate access revenues. Interstate access revenues comprise approximately 60 percent of the division's network access revenues.



Toll service revenues, related to the provision of long distance services within specified geographical areas and the reselling of interexchange long distance services, decreased 8 percent in 1995 following an increase of 5 percent in 1994. The 1995 decrease primarily reflects increased competition in the intrastate long distance markets as interexchange long distance carriers are now offering intraLATA long distance service in certain states. While toll service revenues have declined as a result of this increased competition, this reduction has been partially recovered through an increase in network access revenues resulting from additional use of the local network by interexchange long distance carriers.

Other revenues, including revenues from directory publishing fees, billing and collection services, and sales of telecommunications equipment, increased 22 percent in 1995 and 14 percent in 1994 generally due to growth in equipment sales and increases in nonregulated revenues.

Plant operations expense includes network operations costs; repair and maintenance costs of property, plant and equipment; and other costs associated with the provision of local exchange services. The 5 percent and 8 percent increases in such costs in 1995 and 1994, respectively, were primarily related to increases in the costs of providing services resulting from access line growth. Additionally, certain states have implemented revised toll plans requiring payment of access charges for calls terminating in the service areas of other local exchange carriers, resulting in increased plant operations expense. The 1995 increase also reflects increases in repair and maintenance costs in the division's Florida and Mid-Atlantic regions related to bad weather conditions, including the flooding rains and hurricanes which occurred in 1995. Increased expenditures related to switching system software associated with advanced calling features contributed to the higher level of plant operations expense in 1994.

Depreciation and amortization expense increased $41 million in 1995, following a $62 million increase in 1994. These increases generally reflect system-wide plant additions and also include the effects of depreciation rate changes, special short-term amortizations and nonrecurring charges approved by state regulatory commissions.

Customer operations expense includes costs associated with business office operations and billing services, marketing costs, and expenses related to providing operator and directory assistance and other customer services. These costs increased 9 percent and 3 percent in 1995 and 1994, respectively. The increases in 1995 and 1994 were related to increased costs associated with the overall growth in access lines. Expense levels in 1995 were also affected by marketing costs to promote new products and services, increased business office operations costs resulting from longer office hours for greater customer accessibility and customer costs related to increased nonregulated activities.

Other operating expenses increased $41 million and $42 million in 1995 and 1994, respectively, primarily due to costs associated with the growth in equipment sales.

In November 1995, Sprint initiated a realignment and restructuring of its local communications division, including the elimination of approximately 1,600 positions primarily in the network and finance functions. This restructuring is intended to streamline current processes in order to reduce costs in an increasingly competitive marketplace. These actions resulted in a nonrecurring charge of $88 million. The accrued liability associated with this charge specifically relates to the benefits that affected employees will receive upon termination.

Sprint adopted accounting principles for a competitive marketplace effective December 31, 1995 and discontinued applying SFAS No. 71 to its local division. The accounting impact to Sprint was a noncash, extraordinary charge of $565 million, net of related income tax benefits. See Note 2 of Notes to Consolidated Financial Statements for additional discussion.

Sprint does not expect the discontinued application of SFAS No. 71 to have a significant impact on 1996 depreciation expense. Additionally, future business transactions of the local division will be recorded following their economic substance, and regulatory assets and liabilities pursuant to SFAS No. 71 will no longer be recognized. Furthermore, revenues and related net income of nonregulated operations attributable to transactions with Sprint's regulated local exchange carriers which were previously not eliminated in the accompanying Consolidated Financial Statements in accordance with SFAS No. 71, will be eliminated. Intercompany revenues of such entities amounted to $262 million, $285 million and $225 million in 1995, 1994 and 1993, respectively.

Product Distribution and Directory Publishing

(in millions) As of or for the years ended December 31	1995	1994	1993
Net operating revenues	$1,148.0	$1,108.7	$945.2
Operating expenses			
Costs of services and products	965.8	938.2	801.0
Selling, general and administrative	88.1	88.8	74.7
Depreciation and amortization	7.4	6.9	5.4
Merger and integration costs	—	—	2.5
Total operating expenses	1,061.3	1,033.9	883.6
Operating income	$ 86.7	$ 74.8	$ 61.6[1]
Operating margin	7.6%	6.7%	6.5%[1]
Capital expenditures	$ 7.8	$ 6.7	$ 9.0
Identifiable assets	$ 395.4	$ 376.2	$341.8

[1] Excluding the merger and integration costs of $2.5 million, operating income and margin for 1993 would have been $64.1 million and 6.8 percent, respectively.

North Supply, a wholesale distributor of telecommunications products, had 1995 net operating revenues of $854 million compared to $829 million in 1994 and $677 million in 1993. The increase in 1995 primarily reflects growth in sales to nonaffiliates as well as overall price increases. The increase in 1994 primarily reflects increased sales to the local division, partially as a result of sales to the merged Centel telephone operations. As a percentage of net operating revenues, operating expenses for 1995, 1994 and 1993 were 94.4 percent, 95.5 percent and 96.5 percent, respectively.

Sprint Publishing & Advertising, a publisher and marketer of telephone directories, had net operating revenues of $294 million in 1995 compared to $280 million in 1994 and $268 million in 1993. As a percentage of net operating revenues, operating expenses for 1995, 1994 and 1993 were 86.9 percent, 86.7 percent and 84.9 percent, respectively.

(in millions)
For the years ended December 31

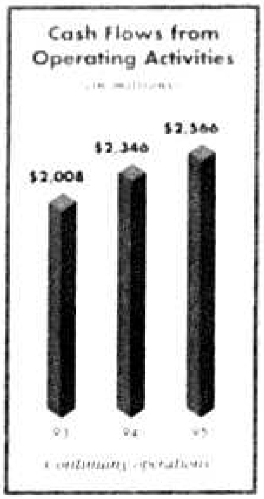
	1995	1994	1993
Operating Activities			
Net income	$ 395.3	$ 890.7	$ 54.9
Adjustments to reconcile net income to net cash provided by operating activities:			
(Income) Loss from cellular division	(14.5)	15.5	38.1
Extraordinary items	565.3		20.4
Cumulative effect of changes in accounting principles		—	382.6
Depreciation and amortization	1,466.4	1,386.0	1,283.7
Deferred income taxes and investment tax credits	5.8	53.2	(39.1)
Changes in operating assets and liabilities			
Accounts receivable, net	(135.8)	(226.5)	(166.4)
Inventories and other current assets	(38.6)	(56.1)	(9.9)
Accounts payable and other current liabilities	178.5	120.2	115.3
Noncurrent assets and liabilities, net	124.0	128.5	33.3
Other, net	20.0	34.5	94.9
Net cash provided by continuing operations	2,566.4	2,346.0	2,007.8
Net cash provided by cellular division	162.5	172.9	197.7
Net cash provided by operating activities	2,728.9	2,518.9	2,205.5
Investing Activities			
Capital expenditures	(1,857.3)	(1,751.6)	(1,429.8)
Proceeds from sale of investment in equity securities	—	117.7	
Investments in affiliates	(948.7)	(74.1)	(31.2)
Other, net	(10.4)	(44.4)	(9.3)
Net cash used by continuing operations	(2,816.4)	(1,752.4)	(1,470.3)
Net cash used by cellular division	(324.6)	(272.4)	(169.9)
Net cash used by investing activities	(3,141.0)	(2,024.8)	(1,640.2)
Financing Activities			
Proceeds from long-term debt	260.7	107.9	840.4
Retirements of long-term debt	(630.0)	(597.0)	(1,589.0)
Net increase in notes payable and commercial paper	1,109.5	321.5	493.5
Proceeds from common stock issued	16.9	42.7	70.8
Proceeds from employee stock purchase installments	38.8	33.1	28.3
Dividends paid	(351.5)	(349.4)	(347.1)
Other, net	(21.8)	(15.7)	(11.5)
Net cash provided (used) by financing activities	422.6	(456.9)	(614.6)
Increase (Decrease) in Cash and Equivalents	10.5	37.2	(49.3)
Cash and Equivalents at Beginning of Year	113.7	76.5	125.8
Cash and Equivalents at End of Year	$ 124.2	$ 113.7	$ 76.5
Supplemental Cash Flows Information			
Cash paid for interest — continuing operations	$ 263.5	$ 320.8	$ 368.2
Cash paid for interest — cellular division	$ 124.0	$ 97.3	$ 85.4
Cash paid for income taxes	$ 532.8	$ 435.1	$ 292.4
Noncash Activities			
Common stock contributed to employee savings plans, at market	$ —	$ 41.0	$ 39.0

See accompanying Notes to Consolidated Financial Statements

BEYOND TALK: Sprint will serve as marketing partner for the North American gateway of Iridium, a satellite-based wireless personal communications network.

Cash Flows—Operating Activities

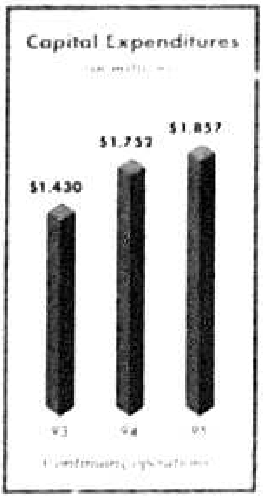
Cash flows from operating activities, which are Sprint's primary source of liquidity, were $2.6 billion, $2.3 billion and $2.0 billion in 1995, 1994 and 1993, respectively, for continuing operations. The increased cash flows in 1995 reflect improved operating results and reduced working capital requirements. Operating cash flows for 1994 and 1993 reflect improved operating results, partially offset by expenditures of $86 million and $155 million for 1994 and 1993, respectively, related to the 1993 merger, integration and restructuring actions.



Cash Flows—Investing Activities

Investing activities of Sprint's continuing operations used cash of $2.8 billion, $1.8 billion and $1.5 billion in 1995, 1994 and 1993, respectively. Capital expenditures, which represent Sprint's most significant investing activity, were $1.9 billion, $1.8 billion and $1.4 billion in 1995, 1994 and 1993, respectively.

Long distance capital expenditures were incurred each year primarily to meet increased demand for data related services, to enhance network reliability and to upgrade capabilities for providing new products and services. Capital expenditures for the local division were made to accommodate access line growth, to continue the conversion to digital technologies, and to expand the division's capabilities for providing enhanced telecommunications services.



During 1995 and 1994, Sprint contributed $911 million and $52 million, respectively, to Sprint Spectrum. In 1995, $840 million of this contribution was used to fund Sprint's share of payments to the FCC for licenses acquired in the PCS auction. The remainder was used to fund Sprint's share of the venture's acquisition of a limited partnership interest in APC, as well as related capital and operating requirements. The 1994 contribution funded Sprint's share of the initial payment to the FCC for the PCS auction.

Investing activities for 1994 also included $118 million received in connection with the sale of an investment in equity securities.

Cash Flows—Financing Activities

Sprint's financing activities provided cash of $423 million in 1995 and used cash of $457 million and $615 million in 1994 and 1993, respectively. During 1995, Sprint issued $261 million of long-term debt and increased short-term borrowings $1.1 billion. The proceeds from these borrowings were primarily used to fund commitments associated with Sprint Spectrum. Proceeds were also used to repay scheduled long-term debt maturities and to repay $282 million of 9.875 percent notes prior to maturity. The redemption premiums associated with this early retirement were not significant.

Long-term debt retirements during 1994 included the redemption of $102 million of debt called, prior to scheduled maturity, in 1993.

During 1993, a significant level of debt refinancing occurred in order to take advantage of lower interest rates. Accordingly, a majority of the proceeds from long-term borrowings in 1993 was used to finance the redemption prior to scheduled maturities of $1.2 billion of debt.

During 1995, Sprint renewed its revolving credit agreement with a syndicate of domestic and international banks for five years, through October 2000. In addition to the extension, the revolving credit agreement was increased to $1.5 billion from $1.1 billion.

Sprint paid dividends to common and preferred shareholders of $352 million, $349 million and $347 million in 1995, 1994 and 1993, respectively. Sprint's indicated annual dividend rate on common stock is currently $1.00 per share.

Cash Flows—Discontinued Operations

Cellular's cash flows from operating activities were $163 million, $173 million and $198 million in 1995, 1994 and 1993, respectively. Cellular's investing activities used cash of $325 million, $272 million and $170 million in 1995, 1994 and 1993, respectively, primarily consisting of capital expenditures. The increases in capital expenditures reflect the significant increases in the number of cellular customers served.

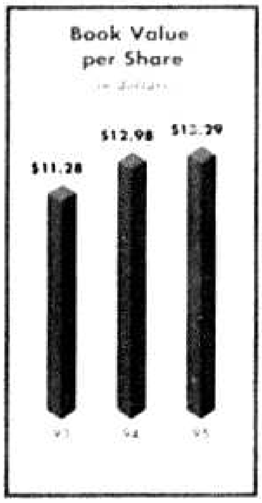
(in millions) As of December 31,	1995	1994
Assets		
Current assets		
Cash and equivalents	$ 124.2	$ [illegible]
Accounts receivable, net of allowance for doubtful accounts of $22.5 million ($126.9 million in 1994)	1,523.7	1,38[illegible].9
Receivable from cellular division	1,400.0	
Inventories	171.0	18[illegible].8
Deferred income taxes	45.5	54.2
Prepaid expenses	166.6	144.[illegible]
Other	188.4	155.4
Total current assets	3,619.4	2,043.2
Investments in equity securities	262.9	1[illegible].6
Property, plant and equipment		
Long distance communications services	6,773.7	6,[illegible].3
Local communications services	12,603.1	11,82[illegible].4
Other	539.1	498.6
	19,915.9	18,482.3
Less accumulated depreciation	10,200.1	8,123.[illegible]
	9,715.8	10,[illegible]8.8
Investments in affiliates	1,130.1	198.6
Receivable from cellular division	—	1,271.1
Net investment in cellular division	106.9	59.[illegible]
Other assets	360.8	548.[illegible]
	$15,195.9	$14,54[illegible].8
Liabilities and Shareholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 280.4	$ [illegible]32.4
Short-term borrowings	2,144.0	
Accounts payable	938.9	927.8
Accrued interconnection costs	617.7	527.6
Accrued taxes	235.5	2[illegible]7.9
Other	925.6	817.4
Total current liabilities	5,142.1	2,843.1
Long-term debt	3,253.0	4,604.8
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	843.4	1,19[illegible]
Postretirement and other benefit obligations	889.3	845.9
Other	393.0	494.[illegible]
	2,125.7	2,5[illegible]
Redeemable preferred stock	32.5	3[illegible].1
Common stock and other shareholders' equity		
Common stock, par value $2.50 per share, authorized 500.0 million shares, issued 349.2 million (348.6 million in 1994), and outstanding 349.2 million (348.3 million in 1994)	872.9	871.4
Capital in excess of par or stated value	960.0	942.9
Retained earnings	2,766.5	2,730.9
Other	43.2	(20.4)
	4,642.6	4,524.8
	$15,195.9	$14,54[illegible].8

See accompanying Notes to Consolidated Financial Statements

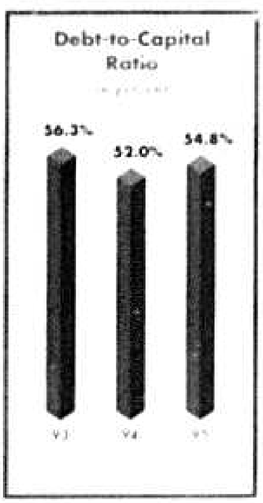
Financial Condition

Sprint's consolidated assets totaled $15.2 billion at December 31, 1995 compared to $14.5 billion at December 31, 1994.

Accounts receivable increased $136 million from 1994 to 1995, generally due to a 6 percent increase in consolidated net operating revenues. Sprint's allowance for doubtful accounts as a percentage of gross accounts receivable increased from 8 percent at December 31, 1994 to 13 percent at December 31, 1995. The increased percentage generally reflects the timing of sales and customer payments as well as reserves established during 1995 relative to certain of the long distance division's reseller customers. The reseller market has experienced significant competition, which has had a negative impact on these customers' repayment patterns. This increase has not had a significant impact on the revenue growth for the long distance division. Property, plant and equipment, net of accumulated depreciation, decreased $543 million from 1994 to 1995. This decrease was primarily due to the discontinued application of SFAS No. 71, which resulted in a $979 million increase to accumulated depreciation. Exclusive of this write-off, net property, plant and equipment increased $436 million due to increased capital expenditures to enhance and upgrade Sprint's networks, to expand service capabilities and to increase productivity.



Current maturities of long-term debt decreased $52 million from 1994 to 1995 due to scheduled debt payments. As of December 31, 1995, Sprint's total capitalization aggregated $10.4 billion, consisting of short-term borrowings, long-term debt (including current maturities), redeemable preferred stock, and common stock and other shareholders' equity. Short-term borrowings and long-term debt (including current maturities) comprised 54.8 percent of total capitalization as of December 31, 1995 compared to 52.0 percent at year-end 1994. The increase in the debt-to-capital ratio is attributable to increased short-term borrowings to fund investments in Sprint Spectrum.



Liquidity and Capital Resources

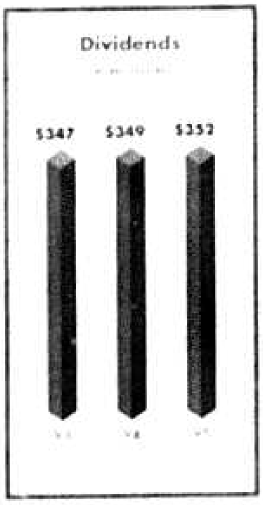
Capital Requirements On January 31, 1996, DT and FT invested $3.0 billion in Sprint and, upon the spin-off of Cellular, will make an additional aggregate investment of approximately $500 million to $700 million. Also in conjunction with the spin-off, Cellular will repay approximately $1.4 billion of intercompany debt payable to Sprint and its subsidiaries. Sprint does not expect to require any additional external financing during 1996.

Cash proceeds received from DT, FT and Cellular are expected to be used to repay approximately $2.1 billion in short-term borrowings and approximately $500 million in long-term borrowings. Approximately $600 million of the proceeds will also be required to fund the termination of an accounts receivable sales agreement. An additional $600 million will be used to fund commitments associated with Sprint Spectrum and its affiliates. Remaining cash proceeds will be invested on a temporary basis.

During 1996, Sprint anticipates funding capital expenditures of approximately $2.0 billion and dividends of approximately $426 million with cash flows from operating activities.

Liquidity At year-end 1995, Sprint had the ability to borrow $880 million under revolving credit agreements with a syndicate of domestic and international banks and other bank commitments. Other available financing sources include a Medium-Term Note program, under which Sprint may offer for sale up to $175 million of unsecured senior debt securities. Additionally, pursuant to shelf registration statements filed with the Securities and Exchange Commission, up to $1.0 billion of debt securities could be offered for sale as of December 31, 1995.

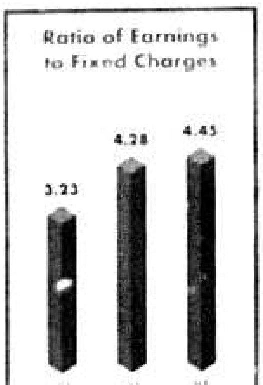
The aggregate amount of additional borrowings which can be incurred is ultimately limited by certain covenants contained in existing debt agreements. As of December 31, 1995, Sprint had borrowing capacity of approximately $3.6 billion under the most restrictive of its debt covenants.



General Hedging Policies

Sprint, on a limited basis, utilizes certain derivative financial instruments in an effort to manage exposure to interest rate risk and foreign exchange risk. Sprint's utilization of such derivative financial instruments related to hedging activities is generally limited to interest rate swap agreements and forward contracts and options in foreign currencies. Sprint will in no circumstance take speculative positions and create an exposure to benefit from market fluctuations. All hedging activity is in accordance with board-approved policies. Any potential loss or exposure related to Sprint's use of derivative instruments is immaterial to its overall operations, financial condition and liquidity. See Note 11 of Notes to Consolidated Financial Statements for more information related to Sprint's portfolio of derivative instruments.

Interest Rate Risk Management Sprint's interest rate risk management program focuses on minimizing vulnerability of net income to movements in interest rates, setting an optimal mixture of floating-rate and fixed-rate debt in the liability portfolio and preventing liquidity risk. Sprint primarily employs a gap methodology to measure interest rate exposure and utilizes simulation analysis to manage interest rate risk. Sprint takes an active stance in modifying hedge positions to benefit from the value of timing flexibility and fixed rate/floating rate adjustments.



Amounts for 1993 and 1994 include the effects of nonrecurring items.

Foreign Exchange Risk Management Sprint's foreign exchange risk management program focuses on optimizing consolidated cash flows and stabilizing accounting results. Sprint does not hedge translation exposure because it believes that optimizing consolidated cash flows will, over time, maintain shareholder value. Sprint's primary transaction exposure in foreign currencies results from changes in foreign exchange rates between the dates Sprint incurs and settles liabilities (payable in a foreign currency) to overseas telephone companies for the costs of terminating international calls made by Sprint's domestic customers.

Impact of Recently Issued Accounting Pronouncements

In March 1995, the Financial Accounting Standards Board (FASB) issued SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," which is effective for fiscal years beginning after December 15, 1995. SFAS No. 121 requires that assets to be held and used be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Sprint does not anticipate that the requirements of SFAS No. 121 will have a material effect on its 1996 operating results.

In October 1995, the FASB issued SFAS No. 123 "Accounting for Stock-Based Compensation," which is effective for fiscal years beginning after December 15, 1995. SFAS No. 123 encourages companies to account for stock compensation awards under a fair value based method, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over a service period. Companies may choose not to apply the new accounting method and may continue to apply current accounting requirements, which generally result in no recognition of compensation cost for most fixed stock option plans. Those that so choose, however, will be required to disclose in the notes to the financial statements what net income and earnings per share would have been if they had followed the FASB's new accounting method. Sprint has elected to continue to apply the current accounting requirements for stock-based compensation and will comply with the disclosure requirements in the notes to its 1996 consolidated financial statements.

(in millions)
For the years ended December 31, 1995, 1994 and 1993

	Common Stock	Capital in Excess of Par or Stated Value	Retained Earnings	Other	Total
Balance as of January 1, 1993					
(338.9 million shares issued and outstanding)	$847.1	$717.5	$2,451.7	$(44.7)	$3,971.6
Net income	—	—	54.9	—	54.9
Common stock dividends	—	—	(324.5)	—	(324.5)
Preferred stock dividends	—	—	(2.8)	—	(2.8)
Employee stock purchase and other installments received, net	—	—	—	30.8	30.8
Common stock issued	11.0	98.4	—	(2.4)	107.0
Change in unrealized holding gains on investments in equity securities, net	—	—	—	64.8	64.8
Other, net	0.4	11.5	4.9	(0.3)	16.5
Balance as of December 31, 1993					
(343.4 million shares issued and outstanding)	858.5	827.4	2,184.2	48.2	3,918.3
Net income	—	—	890.7	—	890.7
Common stock dividends	—	—	(346.7)	—	(346.7)
Preferred stock dividends	—	—	(2.7)	—	(2.7)
Employee stock purchase and other installments received, net	—	—	—	15.0	15.0
Common stock issued	12.8	111.9	—	(53.4)	71.3
Change in unrealized holding gains on investments in equity securities, net	—	—	—	(20.5)	(20.5)
Other, net	0.1	3.6	5.4	(9.7)	(0.6)
Balance as of December 31, 1994					
(348.6 million shares issued and 348.3 million shares outstanding)	871.4	942.9	2,730.9	(20.4)	4,524.8
Net income	—	—	395.3	—	395.3
Common stock dividends	—	—	(348.9)	—	(348.9)
Preferred stock dividends	—	—	(2.6)	—	(2.6)
Other installments received, net	—	—	—	3.0	3.0
Common stock issued	1.4	13.5	—	—	14.9
Change in unrealized holding gains on investments in equity securities, net	—	—	—	54.6	54.6
Other, net	0.1	3.6	(8.2)	6.0	1.5
Balance as of December 31, 1995					
(349.2 million shares issued and outstanding)	$872.9	$960.0	$2,766.5	$ 43.2	$4,642.6

See accompanying Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

This summary of significant accounting policies of Sprint Corporation is presented to assist in understanding the accompanying consolidated financial statements.

Basis of Consolidation and Presentation The accompanying consolidated financial statements include the accounts of Sprint Corporation and its wholly-owned and majority-owned subsidiaries (Sprint). Investments in entities in which Sprint does not have a controlling interest are accounted for using the equity method.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prior years' financial statements have been restated to reflect Sprint's spin-off of its cellular and wireless communications services division (Cellular) (see Note 3). The operating results, net assets and cash flows of Cellular are separately classified as discontinued operations and are excluded from amounts reported for the continuing operations of Sprint. Intercompany transactions with Cellular and its subsidiaries, which were previously eliminated in consolidation, are now reflected in Sprint's consolidated financial statements.

Certain other amounts previously reported for prior periods have been reclassified to conform to the current period presentation in the accompanying consolidated financial statements. Such reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting for the Effects of Certain Types of Regulation," revenues and related net income of nonregulated operations attributable to intercompany transactions with Sprint's regulated telephone companies have not been eliminated in the accompanying consolidated financial statements. Intercompany revenues of such entities amounted to $262 million, $285 million and $225 million in 1995, 1994 and 1993, respectively. In conjunction with the adoption of accounting principles for a competitive marketplace (see Note 2), such intercompany amounts will be eliminated beginning in 1996. All other significant intercompany transactions have been eliminated.

Classification of Operations The long distance communications services division provides domestic and international voice, video and data communications services. The terms under which the division offers its services to the public are subject to different levels of state and federal regulation but rates are generally not subject to rate-base regulation.

The local communications services division consists principally of the operations of Sprint's regulated telephone companies. These operations provide local exchange services, access by telephone customers and other carriers to local exchange facilities and long distance services within specified geographical areas.

The product distribution and directory publishing businesses include the wholesale distribution of telecommunications products and the publishing and marketing of white and yellow page telephone directories.

Revenue Recognition Operating revenues for the long distance and local communications services divisions are recognized as communications services are rendered. Operating revenues for the long distance communications services division are recorded net of an estimate for uncollectible accounts. Operating revenues for Sprint's product distribution business are recognized upon delivery of products to customers.

Cash and Equivalents Cash equivalents generally include highly liquid investments with original maturities of three months or less and are stated at cost, which approximates market value. As part of its cash management program, Sprint utilizes controlled disbursement banking arrangements. As of December 31, 1995 and 1994, outstanding checks in excess of cash balances of $131 million and $126 million, respectively, are included in accounts payable. Sprint had sufficient funds available to fund these outstanding checks when they were presented for payment.

Investments in Equity Securities Investments in equity securities are classified as available for sale and are reported at fair value (estimated based on quoted market prices) as of December 31, 1995 and 1994. As of December 31, 1995 and 1994, the cost of such investments was $109 million each year. These investments had gross unrealized holding gains of $154 million and $69 million for 1995 and 1994, respectively, which are reflected as an addition to other shareholders' equity, net of related income taxes.

During 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million.

Inventories Inventories, consisting principally of those related to Sprint's product distribution business, are stated at the lower of cost (principally first-in, first-out method) or market.

Property, Plant and Equipment Property, plant and equipment are recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. Repairs and maintenance costs are expensed as incurred.

Effective January 1, 1993, Sprint's long distance communications services division changed its method of accounting for certain costs related to connecting new customers to its network. The change was made to conform Sprint's accounting to the predominant industry practice for such costs. Under the new method, such costs (which were previously capitalized) are being expensed when incurred. The resulting nonrecurring, noncash charge of $42 million ($0.09 per share), net of related income tax benefits, is reflected in the 1993 Consolidated Statement of Income as a cumulative effect of change in accounting principle.

Depreciation The cost of property, plant and equipment for Sprint's local communications division was generally depreciated on a straight-line basis over the lives prescribed by regulatory commissions. In connection with the discontinuation of SFAS No. 71, Sprint will begin recording depreciation expense based on estimated economic useful lives rather than those prescribed by regulatory commissions (see Note 2).

The cost of property, plant and equipment of Sprint's other divisions is depreciated generally on a straight-line basis over the estimated economic useful lives.

Income Taxes Deferred income taxes are provided for certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Investment tax credits related to regulated telephone property, plant and equipment have been deferred and are being amortized over the estimated useful lives of the related assets.

Capitalized Interest Interest costs associated with the construction of capital assets, including interest costs on borrowings incurred to fund Sprint's investment in Sprint Spectrum, are capitalized. Total amounts capitalized during 1995, 1994 and 1993 were $57 million, $8 million and $7 million, respectively.

Earnings Per Share Earnings per common share amounts are based on the weighted average number of shares both outstanding and issuable assuming exercise of all dilutive options, as applicable. See Note 12 for a discussion of the consummation of the Global One joint venture and the pro forma impact of the related issuance of shares on earnings per share.

2. Adoption of Accounting Principles for a Competitive Marketplace

Effective December 31, 1995, Sprint determined that its local communications services division no longer met the criteria necessary for the continued application of the provisions of SFAS No. 71. As a result of the decision to discontinue the application of SFAS No. 71, Sprint recorded a noncash, extraordinary charge of $565 million, net of income tax benefits of $437 million.

Sprint's determination that it was no longer eligible for the continued application of the accounting required by SFAS No. 71 was based on changes in the regulatory framework, which continues to evolve from rate-base regulation to price regulation and the convergence of competition in the telecommunications industry. Based on these occurrences, Sprint no longer believes that it can be assured that prices will be maintained at levels which will provide for the recovery of specific costs.

The components of the extraordinary charge recognized as a result of the discontinued application of SFAS No. 71 are as follows:

(in millions)

	Pre-Tax	After-Tax
Increase to the accumulated depreciation balance	$ 979.1	$607.9
Recognition of switch software asset	(99.5)	(61.7)
Elimination of other net regulatory assets	123.1	76.3
Total	$1,002.7	622.5
Tax-related net regulatory liabilities		(43.9)
Accelerated amortization of investment tax credits		(13.3)
Extraordinary charge		$565.3

The adjustment to the accumulated depreciation balance was determined by the completion of depreciation reserve and impairment studies. The depreciation reserve study analyzed, by individual plant asset categories, the impacts of regulator-prescribed depreciable asset lives compared to Sprint's estimated economic lives. The results identified the cumulative under depreciation of certain asset categories. The impairment study, which validated the results of the depreciation study, estimated the impact on future revenues caused by price changes and developing industry competition, and the resulting effects on cash flows.

The following is a summary of the telecommunications plant in service asset balances and corresponding reserve adjustment:

(in millions)

Category of Plant Asset	Pre-Change				Post-Change
	Plant in Service	Reserve	Net Plant	Reserve Adjustment	Revised Net Plant
Cable	$ 5,006.4	$2,553.3	$2,453.1	$633.4	$1,819.7
Circuit	1,699.7	916.8	782.9	118.3	664.6
Switching	2,989.1	1,223.3	1,765.8	143.9	1,621.9
Other	2,441.5	1,070.2	1,371.3	83.5	1,287.8
Total plant	$12,136.7	$5,763.6	$6,373.1	$979.1	$5,394.0

The following is a summary of lives before and after the discontinued application of SFAS No. 71:

Category of Plant Asset	Pre-Change Composite of Regulator Approved Asset Lives	Post-Change Estimated Economic Asset Lives
Cable	17-41	[illegible]
Circuit	9-23	[illegible]
Digital switching	12-20	[illegible]

The discontinued application of SFAS No. 71 also required Sprint to eliminate from its consolidated balance sheet the effects of any actions of regulators that had been recognized as assets and liabilities pursuant to SFAS No. 71 but would not have been recognized as assets and liabilities by enterprises in general. The elimination of other net regulatory assets primarily related to deferred postretirement benefit obligations and deferred debt financing costs. Additionally, revenues and related net income of nonregulated operations attributable to transactions with Sprint's regulated local exchange carriers, which were previously not eliminated in the accompanying consolidated financial statements in accordance with SFAS No. 71, will be eliminated beginning in 1996. Intercompany revenues of such entities amounted to $262 million, $285 million and $225 million in 1995, 1994 and 1993, respectively.

The tax-related adjustments were required to adjust deferred income tax amounts to the currently enacted statutory rates and to eliminate tax-related regulatory assets and liabilities. Sprint's local division uses the deferral method of accounting for investment tax credits and amortizes the credits as a reduction to tax expense over the life of the asset that gave rise to the tax credit. Since plant asset lives were shortened, the investment tax credits were adjusted to reduce the unamortized balance by a corresponding amount.

3 Spin-off of Cellular Division

Due in part to divestiture requirements imposed by the Federal Communications Commission (FCC) with respect to Personal Communications Services (PCS) licenses awarded to Sprint Spectrum, the Sprint board of directors has approved the spin-off of Cellular to the holders of Sprint common stock. Sprint has received a favorable ruling from the Internal Revenue Service regarding the tax-free nature of the spin-off.

The spin-off will be effected by distributing to all holders of Sprint common stock all shares of Cellular common stock at a rate of 1 share of Cellular common stock for every 3 shares of Sprint common stock held. In connection with the closing, Cellular will repay approximately $1.4 billion of intercompany debt owed by Cellular to Sprint and its subsidiaries, and Sprint will contribute to the equity capital of Cellular any debt owed by Cellular in excess of the intercompany debt being repaid.

The net operating results of Cellular have been separately classified as discontinued operations in the Consolidated Statements of Income as summarized below. Interest expense has been allocated to Cellular based on the assumed repayment of intercompany debt to Sprint by Cellular. The operating expenses as presented below do not include Cellular's share of general corporate overhead expenses. These expenses have been reallocated to Sprint's other operating segments. Accordingly, Cellular's results of operations as reflected below may not be indicative of its future operating results once the spin-off is completed. Such expenses were $13 million, $12 million and $12 million for each of the years ended December 31, 1995, 1994 and 1993, respectively.

(in millions)	1995	1994	1993
Net operating revenues	$834.4	$626.5	$410.8
Operating expenses	675.6	529.4	374.0
Operating income	158.8	97.1	36.8
Interest expense	(124.0)	(97.0)	(85.4)
Other income (expense), net	10.9	(8.6)	[illegible]
Income (loss) before income taxes	45.7	(8.5)	(37.2)
Income tax provision (benefit)	31.2	[illegible]	(0.7)
Cumulative effect of change in accounting principle, net			(1.6)
Income (loss) from cellular division	$ 14.5	$(15.8)	$(38.1)

The net assets and liabilities of Cellular have been separately classified as net investment in cellular division in the Consolidated Balance Sheets as summarized below.

(in millions)	1995	1994
Current assets	$ 153.9	$ [illegible]
Noncurrent assets	1,799.0	[illegible]
Advance payable	(1,433.0)	[illegible]
Other current liabilities	(166.6)	[illegible]
Noncurrent liabilities	(246.4)	[illegible]
Net investment in cellular division	$ 106.9	$ [illegible]

4 Employee Benefit Plans

Defined Benefit Pension Plan Substantially all Sprint employees are covered by a noncontributory defined benefit pension plan. For participants of the plan represented by collective bargaining units, benefits are based upon schedules of defined amounts as negotiated by the respective parties. For participants not covered by collective bargaining agreements, the plan provides pension benefits based upon years of service and participants' compensation.

Sprint's policy is to make contributions to the plan each year equal to an actuarially determined amount consistent with applicable federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so that benefits are fully funded at retirement. As of December 31, 1995, the plan's assets consisted principally of investments in corporate equity securities and U.S. government and corporate debt securities.

The components of the net pension costs (credits) and related weighted average assumptions are as follows:

(in millions)	1995	1994	1993
Service cost — benefits earned during the period	$ 51.8	$ 61.6	$ [illegible]
Interest cost on projected benefit obligation	129.7	121.6	[illegible]
Actual return on plan assets	(472.1)	(1.1)	[illegible]
Net amortization and deferral	287.9	(176.6)	[illegible]
Net pension cost (credits)	$ (2.7)	$ 5.5	$ [illegible]
Discount rate	8.5%	7.5%	[illegible]
Expected long-term rate of return on plan assets	9.5%	[illegible]	[illegible]
Anticipated composite rate of future increases in compensation	5.0%	4.5%	[illegible]

The funded status and amounts recognized in the Consolidated Balance Sheets for the plan, as of December 31, are as follows:

(in millions)	1995	1994
Actuarial present value of benefit obligations		
Vested benefit obligation	$(1,705.1)	$(1,338.1)
Accumulated benefit obligation	$(1,866.0)	$(1,459.5)
Projected benefit obligation	$(1,962.7)	$(1,547.3)
Plan assets at fair value	2,331.3	1,950.2
Plan assets in excess of the projected benefit obligation	368.6	402.9
Unrecognized net gains	(199.2)	(203.8)
Unrecognized prior service cost	101.3	107.4
Unamortized portion of transition asset	(170.9)	(197.0)
Prepaid pension cost	$ 99.8	$ 109.5

The projected benefit obligations as of December 31, 1995 and 1994 were determined using discount rates of 7.25 percent and 8.5 percent, respectively, and anticipated composite rates of future increases in compensation of 4.25 percent and 5.0 percent, respectively.

Defined Contribution Plans Sprint sponsors defined contribution employee savings plans covering substantially all employees. Participants may contribute portions of their compensation to the plans. Contributions of participants represented by collective bargaining units are matched by Sprint based upon defined amounts as negotiated by the respective parties. Contributions of participants not covered by collective bargaining agreements are also matched by Sprint. For these participants, Sprint provides matching contributions in common stock equal to 50 percent of participants' contributions up to 6 percent of their compensation and may, at the discretion of the board of directors, provide additional matching contributions based upon the performance of Sprint's common stock in comparison to other telecommunications companies. Sprint's matching contributions aggregated $51 million, $47 million and $49 million in 1995, 1994 and 1993, respectively.

Postretirement Benefits Sprint sponsors postretirement benefit (principally health care benefits) arrangements covering substantially all employees. Employees who retired before specified dates are eligible for these benefits at no cost or a reduced cost. Employees retiring after specified dates are eligible for these benefits on a shared cost basis. Sprint funds the accrued costs as benefits are paid.

Effective January 1, 1993, Sprint changed or modified its method of accounting for postretirement benefits by adopting SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The resulting nonrecurring, noncash charge of $339 million ($1.00 per share), net of related income tax benefits, is reflected in the 1993 Consolidated Statement of Income as a cumulative effect of change in accounting principle.

The components of the net postretirement benefits cost are as follows:

(in millions)	1995	1994	1993
Service cost—benefits earned during the period	$22.2	$23.2	$21.7
Interest on accumulated benefit obligation	58.7	51.2	56.4
Net amortization and deferral	(9.4)	(1.9)	[illegible]
Net postretirement benefits cost	$71.5	$74.5	$78.0

For measurement purposes, a weighted average annual health care cost trend rate of 12 percent was assumed for 1995, gradually decreasing to 6 percent by 2001 and remaining constant thereafter. The effect of a 1 percent increase in the assumed trend rates would have increased the 1995 net postretirement benefits cost by approximately $14 million. The discount rates for 1995, 1994 and 1993 were 8.5 percent, 7.5 percent and 8.0 percent, respectively.

The amounts recognized in the Consolidated Balance Sheets, as of December 31, are as follows:

(in millions)	1995	1994
Accumulated postretirement benefits obligation		
Retirees	$312.4	$298.8
Active plan participants – fully eligible	118.3	130.4
Active plan participants – other	328.6	244.5
	759.3	673.7
Unrecognized prior service benefit	5.6	5.9
Unrecognized net gains	115.3	154.1
Accrued postretirement benefits cost	$880.2	$833.7

The accumulated benefits obligations as of December 31, 1995 and 1994 were determined using discount rates of 7.25 percent and 8.5 percent, respectively. A weighted average annual health care trend rate of 9.6 percent was assumed for 1996, gradually decreasing to 5 percent by 2001 and remaining constant thereafter. The effect of a 1 percent annual increase in the assumed health care cost trend rates would have increased the accumulated benefits obligation as of December 31, 1995 by approximately $100 million.

Postemployment Benefits Effective January 1, 1993, Sprint adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." Upon adoption, Sprint recognized certain previously unrecorded obligations for benefits being provided to former or inactive employees and their dependents after employment, but before retirement. The resulting nonrecurring, noncash charge of $11 million ($0.03 per share), net of related income tax benefits, is reflected in the 1993 Consolidated Statement of Income as a cumulative effect of change in accounting principle. Such postemployment benefits offered by Sprint include severance, disability and workers compensation benefits, including the continuation of other benefits such as health care and life insurance coverage.

5. Income Taxes

The components of the income tax provisions allocated to continuing operations are as follows:

(in millions)	1995	1994	1993
Current income tax provision			
Federal	$437.4	$355.7	$283.8
State	91.1	79.8	51.3
	528.5	435.5	335.1
Deferred income tax provision (benefit)			
Federal	45.9	81.6	11.8
State	(23.6)	(6.[illegible]	(26.2)
Amortization of deferred investment tax credits	(16.5)	(22.0)	(24.7)
	5.8	53.2	(39.1)
Total income tax provision	$534.3	$488.7	$296.0

On August 10, 1993, the Revenue Reconciliation Act of 1993 was enacted which, among other changes, raised the federal income tax rate for corporations to 35 percent from 34 percent, retroactive to January 1, 1993. Accordingly, Sprint adjusted its deferred income tax assets and liabilities to reflect the revised rate. The resulting adjustment related to Sprint's nonregulated subsidiaries increased the 1993 deferred income tax provision by $11 million ($0.03 per share). Adjustments to the net deferred income tax liabilities associated with the regulated telephone companies were generally recorded as reductions to regulatory liabilities and have subsequently been eliminated in connection with Sprint's discontinued application of SFAS No. 71 (see Note 2).

The differences which cause the effective income tax rate to vary from the statutory federal income tax rate of 35 percent in 1995, 1994 and 1993 are as follows:

(in millions)	1995	1994	1993
Income tax provision at the statutory rate	$518.1	$485.8	$284.6
Less investment tax credits included in income	16.5	22.0	24.7
Expected federal income tax provision after investment tax credits	501.6	463.8	259.9
Effect of:			
State income taxes, net of federal income tax effect	43.9	47.7	16.3
Differences required to be flowed through by regulatory commissions	4.9	4.8	6.0
Reversal of rate differentials	(8.6)	(9.7)	(13.0)
Merger related costs	—	—	18.0
Other, net	(7.5)	(17.9)	8.8
Income tax provision, including investment tax credits	$534.3	$488.7	$296.0
Effective income tax rate	36.1%	35.2%	36.4%

The income tax provisions (benefits) allocated to other items are as follows:

(in millions)	1995	1994	1993
Discontinued operations:			
Cellular division	$ 31.2	$ 9.7	$ (0.7)
Other	—	(9.0)	(6.6)
Extraordinary loss on discontinuance of SFAS No. 71	(437.4)	—	—
Extraordinary losses on early extinguishments of debt	—	—	(20.3)
Cumulative effect of changes in accounting principles:			
Postretirement benefits	—	—	(216.0)
Postemployment benefits	—	—	(6.6)
Circuit activity costs	—	—	(21.5)
Unrealized holding gains on investments in equity securities (recorded directly to shareholders' equity)	30.7	(11.6)	36.5
Stock ownership, purchase and options arrangements (recorded directly to shareholders' equity)	(7.5)	(8.1)	(10.6)

Deferred income taxes are provided for the temporary differences between the carrying amounts of Sprint's assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities as of December 31, 1995 and 1994, along with the income tax effect of each, are as follows:

	1995 Deferred Income Tax		1994 Deferred Income Tax	
(in millions)	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	$ —	$1,276.7	$	$1,525.1
Postretirement and other benefits	347.0	—	298.0	
Alternative minimum tax credit carryforwards	8.6	—	9.0	
Operating loss carryforwards	26.9	—	45.8	
Integration and restructuring costs	32.7	—	12.2	
Revenue reserves	33.3	—	33.4	
Other, net	69.8	—	[illegible]	5.5
	518.3	1,276.7	482.4	1,530.6
Less valuation allowance	17.4	—	21.1	
Total	$500.9	$1,276.7	$461.3	$1,530.6

During 1995, 1994 and 1993, the valuation allowance related to deferred income tax assets decreased $4 million, $1 million and $7 million, respectively.

As of December 31, 1995, Sprint has available, for income tax purposes, $9 million of alternative minimum tax credit carryforwards to offset regular income tax payable in future years, and tax benefits of $27 million associated with state operating loss carryforwards. The loss carryforwards expire in varying amounts annually from 1996 through 2010.

BEYOND TALK: Sprint was the first major long distance carrier to introduce retail prepaid calling cards in the United States.

6. Borrowings

Long-term debt, as of December 31, is as follows:

(in millions)	Maturing	1995	1994
Corporate			
Senior notes			
9.45%	1995	$ —	$ 50.0
9.88%	1995	—	80.0
10.45%	1996	100.0	200.0
9.19% to 9.60%	1998	43.0	43.0
8.25%[1]	2000	138.4	—
8.13% to 9.80%	2000 to 2003	632.3	632.3
Debentures			
9.25%	2022	200.0	200.0
Notes payable and commercial paper, classified as long-term debt	1995	—	934.0
Long Distance Communications Services			
Vendor financing agreements			
6.19% to 10.17%	1996 to 1999	177.6	223.1
Local Communications Services			
First mortgage bonds			
2.00% to 9.37%	1996 to 2000	342.9	355.3
6.25% to 7.88%	2001 to 2005	510.7	511.5
4.00% to 9.79%	2006 to 2010	151.9	151.9
6.88% to 7.46%	2011 to 2015	90.0	90.0
8.77% to 9.68%	2016 to 2020	278.5	279.1
7.13% to 9.89%	2021 to 2025	193.0	123.5
Debentures and notes			
2.00% to 9.61%	1996 to 2016	415.6	424.0
Notes payable and commercial paper, classified as long-term debt	1996	42.8	143.4
Other			
2.00% to 19.45%	1996 to 2009	9.8	20.0
Other			
Senior notes			
9.88%	1995	—	250.0
Debentures			
9.00%	2019	150.0	150.0
Other			
5.39% to 12.50%	1996 to 1999	56.9	76.1
		3,533.4	4,937.2
Less current maturities		280.4	332.4
Long-term debt		$3,253.0	$4,604.8

[1] *Notes are exchangeable for 4.4 million shares of Southern New England Telecommunications Corporation common stock owned by Sprint and included in investments in equity securities at December 31, 1995.*

Long-term debt maturities during each of the next five years are as follows:

(in millions)	
1996	$280.4
1997	123.0
1998	160.9
1999	28.9
2000	682.9

Property, plant and equipment with an aggregate cost of approximately $11.2 billion is either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Notes payable and commercial paper outstanding and related weighted average interest rates, as of December 31, are as follows:

(in millions)	1995	1994
Bank notes, 5.90% (5.85% in 1994)	$1,551.8	$ 263.0
Master Trust notes (6.33% in 1994)	—	248.7
Commercial paper, 6.31% (5.08% in 1994)	635.0	565.7
Total notes payable and commercial paper	$2,186.8	$1,077.4

As of December 31, 1995, $2.1 billion of notes payable and commercial paper was classified as short-term borrowings. As of December 31, 1995 and 1994, $43 million and $1.1 billion, respectively, of notes payable and commercial paper were classified as long-term debt. Such classifications were based on Sprint's ability and intent to refinance such borrowings on a long-term basis.

The bank notes are renewable at various dates throughout the year. Sprint pays a fee to certain commercial banks to support current and future credit requirements based upon loan commitments. Lines of credit may be withdrawn by the banks if there is a material adverse change in Sprint's financial condition.

At December 31, 1995, Sprint had aggregate credit arrangements which provided $2.8 billion. Of the $2.2 billion of notes payable and commercial paper outstanding at December 31, 1995, $2.0 billion had been specifically borrowed under such credit arrangements, resulting in $790 million of availability.

Sprint is in compliance with all restrictive or financial covenants relating to its debt arrangements at December 31, 1995.

During 1993, Sprint redeemed or called for redemption prior to scheduled maturities $1.3 billion of first mortgage bonds, senior notes and debentures. Excluding amounts deferred by the rate-regulated telephone companies as required by certain regulatory commissions, the prepayment penalties incurred in connection with early extinguishments of debt and the write-off of related debt issuance costs aggregated $29 million, net of related income tax benefits, and is reflected as an extraordinary loss in the Consolidated Statements of Income.

7. Redeemable Preferred Stock

Sprint has 20 million authorized shares and subsidiaries have approximately 5 million authorized shares of preferred stock, including nonredeemable preferred stock. The redeemable preferred stock outstanding, as of December 31, is as follows:

(in millions)	1995	1994
Third series—stated value $100 per share, shares—184,000 in 1995 and 196,000 in 1994, nonparticipating, nonvoting, cumulative 7.75% annual dividend rate	$18.4	$19.6
Fifth series—stated value $100,000 per share, shares—95 in 1995 and 1994, voting, cumulative 6% annual dividend rate	9.5	9.5
Subsidiaries—stated value ranging from $10 to $100 per share, shares—110,675 in 1995 and 364,345 in 1994, annual dividend rates ranging from 4.7% to 5.0%	4.6	8.0
Total redeemable preferred stock	$32.5	$37.1

Sprint's third series preferred stock was called in January 1996. In March 1996, 24,000 shares will be redeemed at a price of $100.00 per share and the remaining shares will be redeemed at a price of $101.77 per share.

Sprint's fifth series preferred stock must be redeemed in full in 2003. If less than full dividends have been paid for four consecutive dividend periods or if the total amount of dividends in arrears exceeds an amount equal to the dividend payment for six dividend periods, the holders of the fifth series preferred stock are entitled to elect a majority of directors standing for election until all arrears in dividend payments have been paid.

8. Common Stock

Common stock activity during 1995 and shares reserved for future grants under stock option plans or for future issuances under various arrangements are as follows:

	Number of Shares	
(in millions)	1995 Activity	Reserved as of December 31, 1995
Employees Stock Purchase Plan	0.1	7.1
Employee savings plans	—	1.4
Automatic Dividend Reinvestment Plan	—	1.1
Officer and key employees' and directors' stock options	0.4	16.9
Conversion of preferred stock and other	0.1	1.3
Total	0.6	29.8

As of December 31, 1995, elections to purchase 2 million of Sprint's common shares were outstanding under the 1994 offering of the Employees Stock Purchase Plan (ESPP). The purchase price under the offering cannot exceed $32.35 per share, such price representing 85 percent of the average market price on the offering date, or fall below $12.00 per share. The 1994 offering terminates on June 30, 1996. Upon the spin-off of Cellular, the number of shares underlying elections by non-Cellular employees and the related per share purchase price will be adjusted to maintain both the aggregate fair market value of stock underlying the elections and the relationship between the per share purchase price and the related per share market value. At the option of Cellular employees, elections made by Cellular employees are expected to be terminated under the terms and conditions of Sprint's ESPP, or to be replaced by elections to purchase shares of the common stock of Cellular. As of December 31, 1995, Cellular employees held elections to purchase approximately 58,000 shares of Sprint common stock under the ESPP.

Under various stock option plans, shares of common stock are reserved for issuance to officers, outside directors and certain employees. All options are granted at 100 percent of the market price at date of grant. Approximately 1 percent of all options outstanding as of December 31, 1995 provide for the granting of stock appreciation rights as an alternate

 BEYOND TALK: In 1995 Sprint launched the world's fastest transoceanic Internet link method of settlement upon exercise. A summary of stock option activity under the plans is as follows:

(in millions, except per share data)	Number of Shares	Per Share Exercise Price Low	High	Aggregate Exercise Amount
Shares under option as of January 1, 1993 (5.5 million shares exercisable)	7.5	$ 9.44	$39.31	$170.2
Granted	1.6	27.50	38.44	50.3
Exercised				
Options without stock appreciation rights	(2.1)	9.44	33.75	(41.0)
Options with stock appreciation rights	(0.3)	11.09	29.68	(5.5)
Terminated and expired	(0.1)	18.16	33.75	(3.2)
Shares under option as of December 31, 1993 (4.5 million shares exercisable)	6.6	9.44	39.31	170.8
Granted	2.8	30.81	39.50	100.1
Exercised				
Options without stock appreciation rights	(0.8)	9.44	33.75	(17.4)
Options with stock appreciation rights	(0.2)	11.09	29.68	(3.8)
Terminated and expired	(0.6)	22.13	36.69	(16.7)
Shares under option as of December 31, 1994 (3.7 million shares exercisable)	7.8	11.09	39.50	233.2
Granted	3.3	28.69	40.75	97.8
Exercised				
Options without stock appreciation rights	(0.6)	11.09	36.69	(13.9)
Options with stock appreciation rights	(0.1)	11.09	29.68	(1.1)
Terminated and expired	(0.4)	14.03	39.31	(14.3)
Shares under option as of December 31, 1995 (5.3 million shares exercisable)	10.0	$14.03	$40.75	$301.7

Upon the spin-off of Cellular, the number of shares underlying options held by non-Cellular employees and the related per share purchase price will be adjusted to maintain both the aggregate fair market value of stock underlying the options and the relationship between the per share purchase price and the related per share market value. Options held by Cellular employees are expected to be converted into options to purchase shares of Cellular common stock. As of December 31, 1995, Cellular employees held options to purchase approximately 320,000 shares of Sprint common stock.

During 1990, the Savings Plan Trust, an employee savings plan, acquired shares of common stock from Sprint in exchange for a $75 million promissory note payable to Sprint. The note bears an interest rate of 9 percent and is to be repaid from the common stock dividends received by the plan and the contributions made to the plan by Sprint in accordance with plan provisions. The remaining balance of the note receivable of $55 million as of December 31, 1995 is reflected as a reduction to other shareholders' equity. At December 31, 1995 the Savings Plan Trust held approximately 18 million shares of Sprint common stock.

Under a Shareholder Rights plan, one-half of a Preferred Stock Purchase Right is attached to each share of common stock. Each Right, which is exercisable and detachable only upon the occurrence of certain takeover events, entitles shareholders to buy units consisting of one one-hundredth of a newly issued share of Preferred Stock-Fourth Series, Junior Participating at a price of $235.00 per unit or, in certain circumstances, common stock. Under certain circumstances, Rights beneficially owned by an acquiring person become null and void. Sprint's Preferred Stock-Fourth Series is without par value. It is voting, cumulative and accrues dividends equal generally to the greater of $10.00 per share or 200 times the aggregate per share amount of all common stock dividends. No shares of Preferred Stock-Fourth Series were issued or outstanding at December 31, 1995. The Rights may be redeemed by Sprint at a price of $0.01 per Right and will expire on September 8, 1999.

During 1995, 1994 and 1993, Sprint declared and paid annual dividends on common stock of $1.00 per share, and Centel declared pre-merger (see Note 10) common stock dividends of $0.15 per share during 1993. The most restrictive covenant applicable to dividends on common stock results from the $1.5 billion revolving credit agreement. Among other restrictions, this agreement requires Sprint to maintain specified levels of consolidated net worth, as defined. As a result of this requirement, $1.9 billion of Sprint's $2.8 billion consolidated retained earnings were effectively restricted from the payment of dividends as of December 31, 1995. The indentures and financing agreements of certain of Sprint's subsidiaries contain various provisions restricting the payment of cash dividends on subsidiary common stock held by Sprint. In connection with these restrictions, $192 million of the related subsidiaries' $653 million total retained earnings is restricted as of December 31, 1995. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

9. Commitments and Contingencies

Litigation, Claims and Assessments Following announcement in 1992 of Sprint's merger agreement with Centel (see Note 10), class action suits were filed against Centel and certain of its officers and directors in federal and state courts. The state suits have been dismissed, while the federal suits have been consolidated into a single action which seeks damages for alleged violations of securities laws. On October 12, 1995, the New York trial court granted the motion of Centel's financial advisors to dismiss a purported class action suit filed against them in connection with their representation of Centel in the merger. The plaintiffs have appealed from the order dismissing their claims. Sprint may have indemnification obligations to the financial advisors in connection with this suit. Various other suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the ultimate outcome of these actions but believes they will not result in a material effect on Sprint's consolidated financial statements.

Accounts Receivable Sold with Recourse Under an agreement available through December 1996, Sprint could sell on a continuous basis, with recourse, up to $600 million of undivided interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors were typically reinvested in the pool. Sprint was required to repurchase the designated pool of accounts receivable only upon the occurrence of specified events involving non-collectibility of accounts. As of December 31, 1995, Sprint had not been required to repurchase receivables under this recourse provision. Because Sprint retained credit losses associated with its accounts receivable, any exposure related to this retention was estimated in conjunction with Sprint's calculation of its reserve for uncollectible accounts. Receivables sold that remained uncollected as of December 31, 1995 and 1994 aggregated $600 million. In January 1996, Sprint elected to terminate this agreement.

Commitments See "Liquidity and Capital Resources" in "Review of Financial Position, Liquidity and Capital Resources" for a discussion of cash commitments associated with Sprint Spectrum.

Operating Leases Minimum rental commitments as of December 31, 1995 for all noncancelable operating leases, consisting principally of leases for data processing equipment and real estate, are as follows:

(in millions)	
1996	$217.4
1997	186.4
1998	137.7
1999	108.6
2000	76.8
Thereafter	270.7

Gross rental expense aggregated $402 million in 1995, $379 million in 1994 and $382 million in 1993. The amount of rental commitments applicable to subleases, contingent rentals and executory costs is not significant.

10. Sprint/Centel Merger

Effective March 9, 1993, Sprint consummated its merger with Centel, a telecommunications company with local exchange and cellular and wireless communications services operations. Pursuant to the merger agreement dated May 27, 1992, Sprint issued 1.37 shares of its common stock in exchange for each outstanding share of Centel common stock, or approximately 119 million shares. The transaction costs associated with the merger (consisting primarily of investment banking and legal fees) and the expenses of integrating and restructuring the operations of the two companies (consisting primarily of employee severance and relocation expenses and costs of eliminating duplicative facilities) resulted in nonrecurring charges of $259 million, which reduced 1993 income from continuing operations by $172 million ($0.50 per share). The merger was accounted for as a pooling of interests.

11. Additional Financial Information

Segment Information Information related to Sprint's operating business segments is included in the tables in "Review of Segmental Results of Operations." The net operating revenues and operating expenses shown in such tables include revenues and expenses eliminated in consolidation totaling $380 million, $340 million and $296 million for the years ended December 31, 1995, 1994 and 1993, respectively. Sprint incurred capital expenditures of

BEYOND TALK: Ten high-tech companies and educational institutions explore new multimedia applications on the Sprint Silicon Valley Test Track.

$37 million, $57 million and $46 million for the years ended December 31, 1995, 1994 and 1993, respectively, and had assets, including the net assets of the discontinued cellular division, of $2.9 billion, $1.8 billion and $1.8 billion at December 31, 1995, 1994 and 1993, respectively, not attributable to operating segments. Additionally, Sprint incurred $54 million of merger, integration and restructuring costs not attributable to its segmental operations for the year ended December 31, 1993.

Realignment and Restructuring Charge During 1995, Sprint initiated a realignment and restructuring of its local communications services division, including the elimination of approximately 1,600 positions primarily in the network and finance functions. These actions resulted in a nonrecurring charge of $88 million, which reduced income from continuing operations by $55 million ($0.16 per share). The accrued liability associated with this charge specifically relates to the benefits that affected employees will receive upon termination.

During 1993, Sprint initiated a realignment and restructuring of its long distance communications services division, including the elimination of approximately 1,000 positions and the closure of two facilities. These actions resulted in a nonrecurring charge of $34 million, which reduced income from continuing operations by $21 million ($0.06 per share).

Concentrations of Credit Risk Sprint's accounts receivable are not subject to any concentration of credit risk. Interest rate swap agreements and foreign currency contracts involve the risk of dealing with counterparties and their ability to meet the terms of the contracts. Notional principal amounts often are used to express the volume of these transactions, but the amounts subject to credit risk are significantly smaller. In the event of nonperformance by the counterparties, Sprint's accounting loss would be limited to the net amount that it would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, Sprint does not anticipate nonperformance by any of the counterparties with which it has such agreements. Sprint controls the amount of credit risk as well as the concentration of credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits and internal monitoring procedures.

Financial Instruments Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. Accordingly, the estimates presented herein are not necessarily indicative of the values Sprint could realize in a current market exchange. Although management is not aware of any factors that would affect the estimated fair value amounts presented as of December 31, 1995, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and, therefore, estimates of fair value subsequent to that date may differ significantly from the amounts presented herein. The carrying amounts and estimated fair values of Sprint's financial instruments, as of December 31, are as follows:

	1995		1994	
(in millions)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	$ 124.2	$ 124.2	$ 113.7	$ 113.7
Investments in equity securities	262.9	262.9	177.6	177.6
Financial liabilities				
Short-term borrowings	2,144.0	2,144.0	—	—
Long-term debt				
Corporate	1,113.7	1,282.9	2,139.3	2,170.5
Long distance communications services	177.6	184.5	223.1	222.1
Local communications services	2,035.2	2,237.5	2,098.7	1,966.4
Other	206.9	242.8	476.1	488.2
Off-balance sheet instruments				
Interest rate swap agreements	—	(3.4)	—	2.6
Foreign currency contracts	0.5	0.4	—	(0.4)

The carrying values of Sprint's cash equivalents approximate fair value as of December 31, 1995 and 1994. The fair value of Sprint's investments in equity securities are estimated by reference to quoted market prices. The fair values of Sprint's long-term debt are estimated based on quoted market prices for publicly traded issues, and the present value of estimated future cash flows using a discount rate commensurate with the risks involved for all other issues. The fair value of interest rate swap agreements is estimated as the cost that Sprint would receive (pay) to terminate the swap agreements at December 31, 1995 and 1994, taking into account the then-current interest rates. The fair value of foreign currency contracts is estimated as the replacement cost of the contracts at December 31, 1995 and 1994, taking into account the then-current foreign currency exchange rates.

Interest Rate Swap Agreements Interest rate swap agreements are utilized by Sprint as part of its interest rate risk management program. Net interest paid or received related to such agreements is recorded using the accrual method and is recorded as an adjustment to interest expense. Sprint had interest rate swap agreements with notional amounts of $275 million and $125 million outstanding at December 31, 1995 and 1994, respectively. Net interest (income) expense related to interest rate swap agreements was ($400,000), $1 million and $2 million for the years ended December 31, 1995, 1994 and 1993, respectively. There were no deferred gains or losses relating to any terminated interest rate swap agreements at December 31, 1995, 1994 and 1993.

Foreign Currency Contracts As part of its foreign currency exchange risk management program, Sprint purchases and sells over-the-counter forward contracts and options in various foreign currencies. Sprint had outstanding approximately $13 million of open forward contracts to buy various foreign currencies at both December 31, 1995 and 1994. Sprint had no outstanding open forward contracts to sell various foreign currencies at December 31, 1995 and $1 million outstanding at December 31, 1994. Sprint had approximately $24 million of outstanding open purchase option contracts to call various foreign currencies at December 31, 1995. The premium paid for an option is amortized over the life of the option. The unamortized premiums paid for options outstanding at December 31, 1995 were $300,000. There were no foreign currency option contracts outstanding at December 31, 1994. The forward contracts open at December 31, 1995 all had an original maturity of six months or less. The net gain or loss recorded to reflect the fair value of such contracts is recorded in the period incurred. Total net losses of $1 million, $2 million and $1 million were recorded related to foreign currency transactions and contracts for the years ended December 31, 1995, 1994 and 1993, respectively.

At December 31, 1995, 1994 and 1993, Sprint had foreign currency translation gains (losses) of ($10) million, $1 million and $2 million, respectively, included in "Other, net" in the Consolidated Statements of Common Stock and Other Shareholders' Equity.

12 Subsequent Event

On January 31, 1996, Sprint, along with Deutsche Telekom (DT) and France Telecom (FT), consummated their joint venture, operating as Global One, which will provide seamless global telecommunications services to business, consumer and carrier markets worldwide.

Upon closing of the agreement, DT and FT acquired shares of a new class of preference stock for a total of $3.0 billion, which resulted in DT and FT each holding approximately 7.5 percent of the Sprint voting power. DT and FT will make the remainder of their investment in Sprint following the spin-off of Cellular. Following their full investment, DT and FT will each own shares of Class A common stock with approximately 10 percent of Sprint's voting power. Depending on the price of Cellular shares at the time of the spin-off, the total amount of the investment is expected to be between $3.5 billion and $3.7 billion.

Assuming the $3.0 billion of proceeds from the issuance of the Class A preference stock was initially used to the extent possible to repay debt outstanding at December 31, 1995, and such issuance and repayment is assumed to have taken place as of January 1, 1995, Sprint's earnings per share from continuing operations would have decreased from $2.69 per share to $2.52 per share for the year ended December 31, 1995.

BEYOND TALK: Sprint completed the nation's first survivable coast-to-coast network using interconnected Synchronous Optical Network rings

Management Report

The management of Sprint Corporation has the responsibility for the integrity and objectivity of the information contained in this Annual Report. Management is responsible for the consistency of reporting such information and for ensuring that generally accepted accounting principles are used.

In discharging this responsibility, management maintains a comprehensive syst m of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and codes of conduct are understood and practiced by its employees.

The consolidated financial statements included in this Annual Report have been audited by Ernst & Young LLP, independent auditors. Their audit was conducted in accordance with generally accepted auditing standards and their report is included herein.

The responsibility of the Board of Directors for these financial statements is pursued primarily through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

William T. Esrey
Chairman and Chief Exe utive Officer

Arthur B. Krause
Executive Vice President and Chief Financial Officer

Report of Independent Auditors

The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows, and common stock and other shareholders' equity for each of the three years in the period ended December 31, 1995, appearing on pages 32, 36, 38 and 41 through 54. These financial statements are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sprint at December 31, 1995 and 1994, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the consolidated financial statements, Sprint discontinued accounting for the operations of its local telecommunications division in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," in 1995. As discussed in Notes 1 and 4 to the consolidated financial statements, Sprint changed its method of accounting for postretirement benefits, postemployment benefits and circuit activity costs in 1993.

Ernst & Young LLP

Kansas City, Missouri
February 14, 1996

Quarterly Financial Data

(unaudited)

(in millions, except per share data)	First Quarter 1995[1]	First Quarter 1994[1]
Net operating revenues	$3,079.1	$2,896.5
Operating expenses		
Costs of services and products	1,581.6	1,488.5
Selling, general and administrative	694.7	665.4
Depreciation and amortization	360.0	329.6
Merger, integration and restructuring costs[2]	—	[illegible]
Total operating expenses	2,636.3	2,483.5
Operating income	442.8	413.0
Interest expense	(68.2)	(81.1)
Other income (expense), net[3]	(20.5)	30.6
Income from continuing operations before income taxes	354.1	362.5
Income tax provision	(129.4)	(128.4)
Income from continuing operations	224.7	234.1
Discontinued operations, net		
Cellular division	(0.4)	(6.7)
Other	—	
Extraordinary items, net[4]	—	
Net income (loss)	224.3	227.4
Preferred stock dividends	(0.7)	(0.7)
Earnings (Loss) applicable to common stock	$ 223.6	$ 226.7
Earnings (Loss) per common share		
Continuing operations	$ 0.64	$ 0.67
Discontinued operations	—	(0.02)
Extraordinary items	—	
Total	$ 0.64	$ 0.65

[1] *The accompanying Quarterly Financial Data have been restated from previously reported amounts to reflect the spin-off of Sprint's cellular and wireless division (Cellular) to shareholders of Sprint common stock. Accordingly, Cellular's operating results have been excluded from income from continuing operations and are reported as discontinued operations.*

[2] *During fourth quarter 1995, nonrecurring charges of $88 million were recorded related to a restructuring within the local communications division. Such charges reduced net income by $55 million ($0.16 per share). See Note 11 of Notes to Consolidated Financial Statements for additional information.*

[3] *During first quarter 1994, Sprint sold an investment in equity securities, realizing a gain of $35 million, which increased net income by $22 million ($0.06 per share).*

[4] *During fourth quarter 1995, Sprint adopted accounting principles for a competitive marketplace for its local communications division and discontinued the application of SFAS No. 71. As a result, Sprint recorded a noncash, after-tax extraordinary charge of $565 million ($1.61 per share). See Note 2 of Notes to Consolidated Financial Statements for additional information.*

BEYOND TALK: In 1995 Sprint became the first to offer a frame relay-ATM internetworking service

Second Quarter		Third Quarter		Fourth Quarter		Total Year	
1995[1]	1994[1]	1995[1]	1994[1]	1995	1994[1]	1995	1994[1]
$3,142.1	$2,984.7	$3,205.3	$3,054.6	$3,338.6	$3,050.8	$12,765.1	$11,986.6
1,606.7	1,525.0	1,623.7	1,563.4	1,692.9	1,577.6	6,504.9	6,154.5
714.1	687.5	715.9	711.8	747.2	690.7	2,871.9	2,755.4
359.5	343.8	368.6	344.2	378.3	368.4	1,466.4	1,386.0
—	—	—	—	87.6	—	87.6	—
2,680.3	2,556.3	2,708.2	2,619.4	2,906.0	2,636.7	10,930.8	10,295.9
461.8	428.4	497.1	435.2	432.6	414.1	1,834.3	1,690.7
(69.0)	(76.2)	(64.7)	(73.3)	(58.8)	(70.1)	(260.7)	(300.7)
(13.9)	(9.2)	(20.3)	(5.8)	(38.5)	(17.7)	(93.2)	(2.1)
378.9	343.0	412.1	356.1	335.3	326.3	1,480.4	1,387.9
(135.7)	(123.6)	(148.5)	(127.9)	(120.7)	(108.8)	(534.3)	(488.7)
243.2	219.4	263.6	228.2	214.6	217.5	946.1	899.2
2.5	0.2	4.9	1.9	7.5	(10.9)	14.5	(15.5)
—	—	—	—	—	7.0	—	7.0
—	—	—	—	(565.3)	—	(565.3)	—
245.7	219.6	268.5	230.1	(343.2)	213.6	395.3	890.7
(0.6)	(0.7)	(0.6)	(0.6)	(0.7)	(0.7)	(2.6)	(2.7)
$ 245.1	$ 218.9	$ 267.9	$ 229.5	$ (343.9)	$ 212.9	$ 392.7	$ 888.0
$ 0.69	$ 0.63	$ 0.75	$ 0.65	$ 0.61	$ 0.62	$ 2.69	$ 2.57
0.01	—	0.01	0.01	0.02	(0.01)	0.04	(0.02)
—	—	—	—	(1.61)	—	(1.61)	—
$ 0.70	$ 0.63	$ 0.76	$ 0.66	$ (0.98)	$ 0.61	$ 1.12	$ 2.55

[illegible] is chairman of Macfarlane, Ausley, Ferguson & McMullen, a law firm in Tallahassee, Florida. He is also chairman of the Capital City Bank Group, Inc. Prior to becoming a Sprint director in 1993, Ausley had been a director of Centel Corporation since 1982. He is a member of the audit committee.

[illegible] is chairman and chief executive officer of Premark International, Inc., in Deerfield, Illinois. He has been a Sprint director since 1982. Batts is chairman of the audit committee and a member of the executive committee.

[illegible] is chairman of France Telecom. From 1993 to September 1995, he was head of France's national job placement agency. Prior to that he was chairman and chief executive officer of Carrefour, the largest retailer in France. He became a Sprint director in January 1996.

[illegible] is president and chief executive officer of The Pymatuning Group, Inc., in Alexandria, Virginia. She has been a Sprint director since 1981. Davis is a member of the audit committee.

[illegible] is chairman and chief executive officer of Sprint. He joined Sprint in 1980 as executive vice president-corporate planning, was named president and chief executive officer in 1985 and became chairman and chief executive officer in 1990. He has been a Sprint director since 1985. Esrey is chairman of the board's executive committee.

[illegible] is chairman of Hallmark Cards, Inc., in Kansas City, Missouri. He has been a Sprint director since 1986. Hall is a member of the audit committee.

[illegible] is chairman and chief executive officer of American General Corporation, in Houston, Texas. He has been a Sprint director since 1982. Hook is a member of the organization, compensation and nominating committee.

[illegible] is counsel to Hunton & Williams, a law firm in Richmond, Virginia. Prior to becoming a Sprint director in 1993, he had been a director of Centel Corporation since 1975.

[illegible] is president and chief operating officer of Sprint, and chairman of the partners committee of Sprint Spectrum. Prior to that, he was vice chairman of Sprint and chief executive officer of Sprint Spectrum. From 1989 to 1995, he was president and chief operating officer of the long distance division of Sprint. LeMay has been a Sprint director since 1993.

[illegible] is vice president and secretary of Yale University, in New Haven, Connecticut. Prior to becoming a Sprint director in 1993, she had been a director of Centel Corporation since 1988. She is a member of the organization, compensation and nominating committee.

[illegible] is chairman of the board of Mercantile Bank of Kansas City, in Kansas City, Missouri. He was the United States Ambassador to the United Kingdom of Great Britain and Northern Ireland from 1983 to 1989. Price has been a Sprint director since 1989.

[illegible] is the former president and chief executive officer of Philadelphia National Bank, in Philadelphia, Pennsylvania. Prior to becoming a Sprint director in 1993, he had been a director of Centel Corporation since 1978.

[illegible] is chairman and chief executive officer of Barnett Banks, Inc., in Jacksonville, Florida. He has been a Sprint director since 1975. Rice is a member of the executive and the organization, compensation and nominating committees.

[illegible] is chairman of the board of management of Deutsche Telekom A.G. From 1989 until May 1995, he worked for the German subsidiary of the Sony Group, where he was last responsible for the 22 European subsidiaries as the head of Sony Europe. He became a Sprint director in January 1996.

[illegible] is chairman and chief executive officer of Eckerd Corporation, in Clearwater, Florida. He has been a Sprint director since 1980. Turley is chairman of the organization, compensation and nominating committee.

* *Will resign from the Sprint board, effective with the spin-off of Sprint's cellular company, to join the board of 360° Communications Company.*

BEYOND TALK: Sprint was honored by the American Facsimile Association for Best Comprehensive Enhanced Fax Service Bureau.

Chairman and Chief Executive Officer

President and Chief Operating Officer

President and Chief Operating Officer Long Distance Division

President and Chief Operating Officer Local Communications Division

President and Chief Operating Officer Cellular and Wireless Division

Executive Vice President Law and External Affairs

Executive Vice President Chief Financial Officer

Senior Vice President Corporate Finance

Senior Vice President External Affairs

Senior Vice President Controller

Senior Vice President Strategic Planning & Corporate Development

Senior Vice President Quality Development & Public Relations

Senior Vice President Treasurer

Senior Vice President Human Resources

Vice President Secretary

*Will resign from Sprint, effective with the spin-off of Sprint's cellular company, to become President and CEO of 360° Communications Company.

Long Distance Division

President Multimedia and Strategic Services

President Business Services Group

President Diversified Brands Group

President Technology Services

Senior Vice President Finance

President Consumer Services Group

Local Communications Division

President and Chief Executive Officer Sprint United Telephone (Eastern)

President and Chief Executive Officer Sprint United Telephone (Midwest)

President and Chief Executive Officer Sprint United Telephone (Florida) Sprint Centel (Florida)

President and Chief Executive Officer Sprint Mid-Atlantic Telecom

President Sprint United Telephone (Northwest)

President Sprint United Telephone (North Central) Sprint Centel (Illinois)

President Sprint Central Telephone (Nevada)

Product Distribution/ Directory Publishing Division

President Sprint North Supply

President Sprint Publishing & Advertising

The Annual Meeting of Shareholders will be held Tuesday, April 16, 1996 at the world headquarters.

Dividends on Sprint common stock, declared by the board of directors, are usually paid quarterly at the end of March, June, September and December. The exact record dates and payment dates are set by the board of directors. The last quarterly dividend payment in the Fourth Quarter 1995 was 25 cents per share, or an indicated annual dividend of $1.00 per common share.

Requests for the following information may be made in writing or by calling the Sprint Investor Information Line at **1 (800) 259-3755**:

Sprint offers a dividend reinvestment and stock purchase plan to registered shareholders at no commission or handling charge for purchases made with reinvested dividends and/or optional cash payments. Shareholders may obtain information about the plan by writing to Shareholder Relations at the corporate headquarters or by calling the above 800 number.

Copies of Sprint's Annual Report on Form 10-K to the Securities and Exchange Commission may be obtained by shareholders without charge by writing to Investor Relations at the corporate headquarters or by calling the above 800 number.

Security analysts, shareholders and investment professionals should direct inquiries regarding Sprint and its business in writing to Investor Relations at the corporate headquarters or by calling the above 800 number. Copies of the investor supplement to the Annual Report are available upon request.

Inquiries regarding stock transfer, lost certificates, direct deposit of dividends or address change should be directed to the stock transfer agent, UMB Bank, n.a. in writing at their address (see right column) or by calling the above 800 number and connecting with the transfer agent.

	Market Price Per Share					
	1995			1994		
	High	Low	End of Period	High	Low	End of Period
First Quarter	31¼	25⅜	30⅜	38⅜	32½	34⅛
Second Quarter	35⅞	30⅜	33⅜	40⅜	33⅞	34⅛
Third Quarter	36⅞	32⅜	35	40⅜	34⅜	38⅜
Fourth Quarter	41⅜	33⅜	39⅛	38⅞	26⅜	27⅛

Shareholders can receive a faxed or mailed copy of the quarterly financial results upon request through Sprint's toll-free Shareholder Information Line. Shareholders can dial **1 (800) 284-6977** to hear a recorded report on Sprint's financial performance [illegible] request a copy of printed quarterly results.

Sprint on the Internet @ http://www.sprint.com
Sprint's World Wide Web site is continuously updated and includes an electronic version of this annual report. Shareholders are also invited to visit Sprint's home page at this Internet address for quarterly financial data, important news releases and current information about products and services.

Sprint
Post Office Box 11315
Kansas City, Missouri 64112

(913) 624-2541

Ernst & Young LLP, Kansas City, Missouri

UMB Bank, n.a.
Post Office Box 410064
Kansas City, Missouri 64141-0064
(816) 860-7786

Chemical Mellon Shareholder Services, L.L.C.
New York, New York

UMB Bank, n.a.
Kansas City, Missouri

Common Stock
- New York Stock Exchange
- Chicago Stock Exchange
- Pacific Stock Exchange

Convertible Preferred Stock
- New York Stock Exchange

FON

BEYOND TALK: Sprint's DRUMS service allows producers thousands of miles apart to simultaneously collaborate on videos and commercials.

2330 Shawnee Mission Parkway
Westwood, KS 66205
(913) 624-3000

Sprint's Long Distance Division

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Business Marketing
8420 LBJ Freeway
Dallas, TX 75240
(214) 405-3000

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

13221 Woodland Park Road
Herndon, VA 22071
(703) 904-2000

925 Dillingham Boulevard
Honolulu, HI 96817
(808) 847-2121

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Sprint's Local Communications Division

2330 Shawnee Mission Parkway
Westwood, KS 66205
(913) 624-3000

1201 Walnut Bottom Road
Carlisle, PA 17013
(717) 245-6312

555 Lake Border Drive
Apopka, FL 32703
(407) 889-6000

14111 Capital Boulevard
Wake Forest, NC 27587
(919) 554-7900

5454 West 110th Street
Overland Park, KS 66211
(913) 345-7600

330 South Valley View Boulevard
Las Vegas, NV 89152
(702) 244-7171

665 Lexington Avenue
Post Office Box 3555
Mansfield, OH 44907
(419) 755-8011

902 Wasco Street
Hood River, OR 97031
(541) 386-2211

Sprint's Product Distribution/ Directory Publishing Division

600 Industrial Parkway
Industrial Airport, KS 66031
(913) 791-7000

7015 College Boulevard
Suite 400
Overland Park, KS 66211
(913) 491-7000

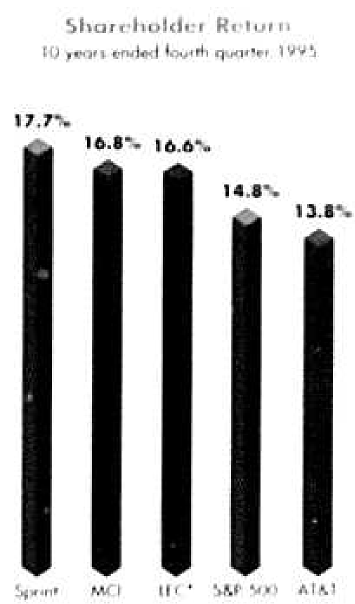
Joint Ventures

(World)
12490 Sunrise Valley Drive
Reston, VA 22096
(703) 689-6000

(Europe)
Park Atrium
Rue des Colonies 11
B-1000 Brussels, Belgium
011-32-2-545-2000

4717 Grand Avenue
Kansas City, MO 64112
(816) 559-1000

Use this free prepaid FONCARD™ to experience for yourself Sprint's pin-drop quality. Sprint leads the industry in prepaid calling cards in the United States.



*Local Exchange Carriers (average of seven regional Bell companies and GTE)

Sprint's compounded annual return exceeded industry averages over a 10-year period through fourth quarter 1995. Returns reflect stock appreciation and reinvestment of dividends.