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35.

Before the
STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

Application of)
Sprint Spectrum L.P.)
for a Authority to Provide)
Resold Long Distance Services)
Within the State of Florida)

Docket No. 77 0385 - TI

PETITION FOR WAIVER OF BOND REQUIREMENT

Sprint Spectrum L.P. ("Sprint Spectrum"), by its attorneys, hereby petitions the Florida Public Service Commission ("FPSC") for waiver of the bond requirement for interexchange carriers requiring deposits from customers for amounts greater than the estimated charges for one month's toll services. Pursuant to Florida Administrative Code Rule 25-24.490(2), "a company may apply to the Commission for a waiver of the bond requirement by demonstrating the financial resources and income to provide assurance of continued operation under its certificate over the long term." Rule 25-24.490(2), F.A.C. As described below and demonstrated in the financial materials attached hereto as *Exhibit A*,

ACK _____ Sprint Spectrum has more than ample financial resources to start-up and sustain operations
AFA _____
APP _____ over the long term and to assure that all prepaid amounts will be fulfilled and deposits will
CAF _____
CMU _____ be reimbursed during the normal course of business. Thus, Sprint Spectrum believes that
CTR _____ grant of its petition for waiver is warranted.
EAG _____
LEG _____
LIN _____
OPC _____
RCH _____
SEC _____
WAS _____
OTF _____

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FPSC-RECORDS/REPORTING

I. Sprint Spectrum's Capitalization, Financial Commitments and Projected Income for Florida Operations Demonstrate that a Waiver Should Be Granted

As described in the Application, Sprint Spectrum seeks authority to provide resold long distance services to the wireless Personal Communications Services ("PCS") customers of WirelessCo, L.P. ("WirelessCo"). Sprint Spectrum is a partnership backed by some of the largest, most experienced and financially sound companies in the communications industry. Beneficial ownership in the partnership ultimately is held by Sprint Corporation ("Sprint"), Telecommunications, Inc. ("TCI"), Cox Communications, Inc. ("Cox") and Comcast Corporation ("Comcast", collectively, the "Partners") in the following percentages:

Sprint	40%;
TCI	30%;
Cox	15%; and
Comcast	15%.

Together, the Partners have agreed to contribute up to \$4.2 billion in equity to Sprint Spectrum for the construction of a nationwide wireless PCS network and the launch of PCS services that will be marketed under the "Sprint PCS" brand name.¹ (Sprint PCS will consist of the wireless PCS of WirelessCo, L.P., a subsidiary of Sprint Spectrum, and the resold long distance services of Sprint Spectrum.) Sprint Spectrum also has secured \$3.1 billion in vendor financing from Lucent Technologies and Nortel as well as a \$2 billion credit facility through Chase Manhattan Bank. All told, Sprint Spectrum has secured nearly \$10 billion in capitalization and financial commitments.

Sprint Spectrum also will realize its first significant operating revenues in the first quarter of 1997 as it has launched service in 14 markets and will expand to approximately 50

¹ Approximately \$3 billion has been contributed by the Partners to date.

additional markets by mid-year. In Florida, Sprint Spectrum intends to launch Sprint PCS service in the Miami market by the fourth quarter of 1997. Sprint Spectrum projects that its income from its first year of operations in Florida will be in excess of \$30 million.

In addition to having nearly \$10 billion in capitalization and financial commitments, Sprint Spectrum is investing millions in the construction of Florida PCS networks in the New Orleans-Baton Rouge and Miami-Fort Lauderdale MTAs. Such a substantial investment in Florida's telecommunications infrastructure provides additional evidence that Sprint Spectrum is committed to continued operation under its certificate over the long term.

II. Conclusion

Sprint Spectrum's nearly \$10 billion in capitalization and financial commitments, projected income for Florida operations, and substantial investment in Florida PCS networks should provide the FPSC with adequate assurance that it will be able to launch and sustain operations over the long term. Thus, Sprint Spectrum respectfully requests that the FPSC grant this Petition for Waiver of Bond Requirement.

Respectfully submitted,

SPRINT SPECTRUM L.P.

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March 26, 1997

Exhibit A

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 333-06609-01

SPRINT SPECTRUM L.P.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation
or organization)

48-1165245

(IRS Employer
Identification No.)

4900 Main Street, Kansas City, Missouri, 64112

(Address of principal executive offices)

(816) 559-1000

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

SPRINT SPECTRUM L.P.
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 1996

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SPRINT SPECTRUM L.P.
(As Reorganized)
(A Development Stage Enterprise)
CONSOLIDATED CONDENSED BALANCE SHEETS
(In Thousands)

	September 30, 1996	December 31, 1995
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 460,296	\$ 1,123
Receivable from affiliates	8,124	340
Other receivables	1,176	
Prepaid expenses and other assets	7,889	188
Total current assets	<u>477,485</u>	<u>1,651</u>
INVESTMENT IN PCS LICENSES	2,124,594	2,124,594
INVESTMENT IN UNCONSOLIDATED PARTNERSHIP	-	85,546
NOTE RECEIVABLE—UNCONSOLIDATED PARTNERSHIP	-	655
PROPERTY, PLANT AND EQUIPMENT, Net	1,087,111	31,897
MICROWAVE RELOCATION COSTS, Net	72,039	-
OTHER ASSETS	15,035	-
TOTAL ASSETS	<u>\$ 3,776,264</u>	<u>\$ 2,244,343</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES:		
Current maturities of long-term debt—affiliate	\$ 5,000	\$ -
Current maturities of long-term debt—other	48	-
Accounts payable	87,208	47,503
Accrued expenses	25,890	1,700
Accrued interest—affiliate	460	214
Total current liabilities	<u>118,606</u>	<u>49,417</u>
DEFERRED COMPENSATION	8,981	1,856
NOTE PAYABLE—AFFILIATE	-	5,000
SENIOR NOTES PAYABLE	250,000	-
SENIOR DISCOUNT NOTES PAYABLE, net of unamortized discount of \$222,984 at September 30, 1996	277,016	-
CONSTRUCTION OBLIGATIONS	700,990	-
OTHER LONG TERM DEBT	706	-
COMMITMENTS AND CONTINGENCIES		
LIMITED PARTNER INTEREST IN CONSOLIDATED SUBSIDIARY	5,000	5,000
PARTNERS' CAPITAL AND ACCUMULATED DEFICIT:		
Partners' capital	2,781,383	2,296,806
Deficit accumulated during the development stage	(366,418)	(113,736)
Total partners' capital	<u>2,414,965</u>	<u>2,183,070</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$ 3,776,264</u>	<u>\$ 2,244,343</u>

See accompanying notes to consolidated condensed financial statements.

SPRINT SPECTRUM L.P.
(As Reorganized)
(A Development Stage Enterprise)
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,		Cumulative Period from October 24, 1994 (date of inception) to September 30, 1996
	1996	1995	1996	1995	
OPERATING EXPENSES:					
Operating expenses	\$ 3,850	\$ -	\$ 6,949	\$ -	\$ 6,949
Selling, general and administrative.....	82,088	11,782	156,227	19,927	223,830
Depreciation	1,197	62	1,835	161	2,084
Total operating expenses....	<u>87,135</u>	<u>11,844</u>	<u>165,011</u>	<u>20,088</u>	<u>232,863</u>
LOSS FROM OPERATIONS.....	(87,135)	(11,844)	(165,011)	(20,088)	(232,863)
OTHER INCOME (EXPENSE):					
Interest income	3,545	-	4,485	-	4,768
Interest expense	(100)	-	(442)	-	(442)
Other income	355	(161)	570	306	608
Equity in loss of unconsolidated partnership	(11,152)	(7,483)	(92,284)	(16,213)	(138,489)
Total other income (expense)	<u>(7,352)</u>	<u>(7,644)</u>	<u>(87,671)</u>	<u>(15,907)</u>	<u>(133,555)</u>
NET LOSS	<u>\$ (94,487)</u>	<u>\$ (19,488)</u>	<u>\$ (252,682)</u>	<u>\$ (35,995)</u>	<u>\$ (366,418)</u>

See accompanying notes to consolidated condensed financial statements.

SPRINT SPECTRUM L.P.
(As Reorganized)
(A Development Stage Enterprise)
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30,		Cumulative Period from October 24, 1994 (date of inception) to September 30, 1996
	1995	1996	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (252,682)	\$ (35,995)	\$ (366,418)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Equity in loss of unconsolidated partnership	92,284	16,213	138,489
Depreciation and amortization	5,541	161	5,791
Loss on equipment	-	31	31
Changes in assets and liabilities:			
Receivables, prepaid expenses and other assets	(19,052)	(1,083)	(19,580)
Accounts payable and accrued expenses	64,141	15,649	113,558
Deferred compensation	7,125	-	8,981
Net cash used in operating activities	<u>(102,643)</u>	<u>(5,024)</u>	<u>(119,148)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(356,059)	(10,483)	(388,273)
Proceeds on sale of equipment	-	37	37
Microwave relocation costs	(72,039)	-	(72,039)
Purchase of PCS licenses	-	(2,006,156)	(2,124,594)
Investment in unconsolidated partnership	-	(117,407)	(131,752)
Loan to unconsolidated partnership	(172,000)	-	(172,655)
Net cash used by investing activities	<u>(600,098)</u>	<u>(2,134,009)</u>	<u>(2,889,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	524,200	-	524,200
Payments on long-term debt	(11)	-	(11)
Debt issuance costs	(12,769)	-	(12,769)
Limited partner interest in consolidated subsidiary	-	5,000	5,000
Borrowings from affiliates	-	5,000	5,000
Partner capital contributions	669,509	2,125,125	2,966,315
Dividends paid	(19,015)	-	(19,015)
Net cash provided by financing activities	<u>1,161,914</u>	<u>2,135,125</u>	<u>3,468,720</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>459,173</u>	<u>(3,908)</u>	<u>460,296</u>
CASH AND CASH EQUIVALENTS, Beginning of period	1,123	5,014	-
CASH AND CASH EQUIVALENTS, End of period	<u>\$ 460,296</u>	<u>\$ 1,106</u>	<u>\$ 460,296</u>

NON-CASH INVESTING ACTIVITIES

- The interest in an unconsolidated subsidiary of \$165,917 was transferred to Sprint Spectrum Holding Company on August 31, 1996
- Capital expenditures of \$356,059 for the nine months ended September 30, 1996 are net of construction obligations of \$700,990 to be financed

See accompanying notes to consolidated condensed financial statements.

SPRINT SPECTRUM L.P.
(As Reorganized)
(A Development Stage Enterprise)
Notes to Consolidated Condensed Financial Statements (Unaudited)

The information contained in this Form 10-Q for the three and nine-month interim periods ended September 30, 1996 and 1995 and the cumulative period from October 24, 1994 (date of inception) to September 30, 1996 has been prepared in accordance with instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments considered necessary, consisting only of normal recurring accruals, to present fairly the consolidated financial position, results of operations, and cash flows for such interim periods have been made (See Note 1).

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the operating results that may be expected for the year ended December 31, 1996.

1. Basis of Presentation

Prior to July 1, 1996, substantially all wireless operations of Sprint Spectrum L.P. and subsidiaries and Sprint Spectrum Holding Company, L.P. and subsidiaries ("Holdings") were conducted at Holdings and substantially all operating assets and liabilities, with the exception of the interest in an unconsolidated subsidiary and the ownership interest in PCS licenses, were held at Holdings. As of July 1, 1996, Holdings transferred these net assets, and assigned agreements related to the wireless operations to which it was a party to Sprint Spectrum L.P. (the "Reorganization").

For purposes of these financial statements, these transactions have been treated as transactions between entities under common control and accounted for in a manner similar to a pooling of interest ("As Reorganized").

Accordingly, for periods prior to July 1, 1996, Sprint Spectrum L.P.'s historical financial statements have been restated to reflect those operations of Holdings that were transferred on July 1, 1996 on a pooled basis. Information with respect to the financial position and results of operations of the separate operations pooled herein is as follows (in thousands):

	<u>Sprint Spectrum L.P.</u>	<u>Holdings</u>	<u>Combined</u>
Total Assets			
December 31, 1995	\$ 2,211,918	\$ 2,244,343	\$ 2,244,343
June 30, 1996	2,268,805	2,561,328	2,561,328
Partners' Capital & Accumulated Deficit			
December 31, 1995	2,201,704	2,178,069	2,183,070
June 30, 1996	2,258,426	2,469,529	2,472,384
Net Loss			
December 31, 1995	(49,531)	(110,429)	(110,428)
June 30, 1996	(81,278)	(158,195)	(158,195)

The Partnership, as used in these financial statements, refers to Sprint Spectrum L.P. and subsidiaries inclusive of those operations of Holdings combined therewith through June 30, 1996.

Use of Estimates: 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 reported amounts of revenues and expenses during the reporting period. In addition, the Partnership estimates its share of the losses in an unconsolidated partnership based on expected allocation percentages. Actual results could differ from those estimates.

Paging Services: The Company has commenced paging services pursuant to agreements with Paging Network Equipment Company ("PageNet") and Sprint Communications Company, L.P. ("Sprint"). Through September 30, 1996, paging revenues were approximately \$2,502,000 and were offset in Other Income by an equal amount of operating expenses and management fees paid to Sprint.

2. Organization

Sprint Spectrum L.P. is a limited partnership formed in Delaware on March 28, 1995, by Sprint Spectrum Holding Company, L.P. ("Holdings") and MinorCo, L.P. both of which were formed by Sprint Enterprises, L.P., TCI Telephony Services, Inc. (a successor in interest to TCI Network Services), Comcast Telephony Services and Cox Telephony Partnership (collectively, the "Partners"). The Partners are subsidiaries of, respectively, Sprint Corporation ("Sprint"), Tele-Communications, Inc. ("TCI"), Comcast Corporation ("Comcast") and Cox Communications, Inc. ("Cox", and together with Sprint, TCI and Comcast, the "Parents"). The Partnership was formed pursuant to a reorganization of the operations of an existing partnership, WirelessCo, L.P. In March 1995, the partners of WirelessCo, L.P. transferred their interest in WirelessCo, L.P. to Holdings. The Partnership and certain other affiliated partnerships are doing business as Sprint Spectrum and will offer services as Sprint PCS.

On May 15, 1996, Sprint Spectrum Equipment Company, L.P. ("EquipmentCo") and Sprint Spectrum Realty Company, L.P. ("RealtyCo") were organized as subsidiaries of Sprint Spectrum L.P. and MinorCo, L.P. for the purpose of holding PCS network-related assets. On May 20, 1996, an additional subsidiary of Sprint Spectrum L.P., Sprint Spectrum Finance Corporation ("FinCo"), was also formed to be a co-obligor of the debt obligations discussed in Note 4.

The Partnership is consolidated with its subsidiaries, WirelessCo, L.P., EquipmentCo, RealtyCo and FinCo. These entities are development stage enterprises. The partners of Sprint Spectrum L.P. have the following ownership interests as of December 31, 1995:

Sprint Spectrum Holding Company, L.P. (general partner).....	greater than 99%
MinorCo, L.P. (limited partner)	less than 1%

The Partnership and its subsidiaries are development stage enterprises. The success of their development is dependent on a number of business factors, including securing financing to complete network construction and fund initial operations, successfully deploying the PCS network and attaining profitable levels of market demand for Partnership products and services. The Partnership and its subsidiaries have not yet generated operating revenues from PCS services.

3. Investment in Unconsolidated Partnership

On January 9, 1995, WirelessCo, L.P., acquired a 49% limited partnership interest in American PCS, L.P. ("APC"). American Personal Communications, Inc. ("APC, Inc.") holds a 51% partnership interest in APC and is the general managing partner. Effective August 31, 1996, WirelessCo's partnership interest in APC, the existing loans to APC, and obligations to provide additional funding to APC were transferred to Holdings pursuant to an amendment to the partnership agreement.

	August 31, 1996	December 31, 1995
Total assets	\$ 293,914	\$ 237,326
Total liabilities	341,432	171,180
Total revenues	41,555	5,153
Net loss	120,547	51,551

4. Senior Notes and Senior Discount Notes

In August 1996, Sprint Spectrum L.P. and Sprint Spectrum Finance Corporation (together, the "Issuers") issued \$250 million aggregate principal amount of 11% Senior Notes due 2006 ("the Senior Notes"), and \$500 million aggregate principal amount at maturity of 12½% Senior Discount Notes due 2006 (the "Senior Discount Notes" and, together with the Senior Notes, the "Notes"). The Senior Discount Notes were issued at a discount to their aggregate principal amount at maturity and generated proceeds of approximately \$273 million. Cash interest on the Senior Notes will accrue at a rate of 11% per annum and is payable semi-annually in arrears on each February 15 and August 15, commencing February 15, 1997. Cash interest will not accrue or be payable on the Senior Discount Notes prior to August 15, 2001. Thereafter, cash interest on the Senior Discount Notes will accrue at a rate of 12½% per annum and will be payable semi-annually in arrears on each February 15 and August 15, commencing February 15, 2002.

On August 15, 2001, the Issuers will be required to redeem an amount equal to \$384,772 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding (\$192 million in aggregate principal amount at maturity, assuming all of the Senior Discount Notes remain outstanding at such date).

The Senior Notes and Senior Discount Notes are redeemable at the option of the Issuers, in whole or in part, at any time on or after August 15, 2001 at the redemption prices set forth below, respectively, plus accrued and unpaid interest, if any, to the redemption date, if redeemed during the 12 month period beginning on August 15 of the years indicated below:

Year	Senior Notes	Senior Discount
	Redemption Price	Notes Redemption Price
2001	105.500%	110.000%
2002	103.667%	106.500%
2003	101.833%	103.250%
2004 and thereafter	100.000%	100.000%

In addition, prior to August 15, 1999, the Issuers may redeem up to 35% of the originally issued principal amount of Senior Notes and Senior Discount Notes (at maturity). The redemption price of the Senior Notes is equal to 111.0% of the principal amount of the Senior Notes so redeemed, plus accrued and unpaid interest, if any to the redemption date with the net proceeds of one or more public equity offerings (as defined), provided that at least 65% of the originally issued principal amount of Senior Notes would remain outstanding immediately after giving effect to such redemption. The redemption price of the Senior Discount Notes is equal to 112.5% of the accreted value at the redemption date of the Senior Discount Notes so redeemed, with the net proceeds of one or more public equity offerings (as defined), provided that at least 65% of the originally issued principal amount at maturity of the Senior Discount Notes would remain outstanding immediately after giving effect to such redemption.

The Notes contain certain restrictive covenants, including (among other requirements) limitations on additional indebtedness, limitations on restricted payments, limitations on liens, and limitations on dividends and other payment restrictions affecting restricted subsidiaries (as defined).

5. Commitments

Handset Purchase Agreement: In September 1996, the Company entered into a three-year contract for the purchase of handsets totaling more than \$600 million. Under the terms of this agreement, the purchase of handsets will commence on or after April 1, 1997.

6. Subsequent Events

Vendor Financing: As of October 2, 1996, the Company entered into financing agreements with Northern Telecom Inc. ("Nortel") and Lucent Technologies Inc. ("Lucent", and together with Nortel, the "Vendors") for multiple drawdown term loan facilities totaling \$1.3 billion and \$1.8 billion, respectively. The proceeds of such facilities are to be used to finance the purchase of goods and services provided by the Vendors.

Nortel has committed to provide financing in two phases. During the first phase, Nortel will finance up to \$800 million. Once the full \$800 million has been utilized and the Company obtains additional equity commitments and/or subordinated unsecured loans of at least \$400 million and achieves certain operating conditions, Nortel will finance up to an additional \$500 million. In addition, the Company will be obligated to pay origination fees on the date of the initial draw down loan under the first and second phases. The Nortel agreement terminates on the earliest of (a) the date the availability under the commitments is reduced to zero, (b) December 31, 2000, or (c) March 31, 1997 if no borrowings under the agreements have been drawn.

Lucent has committed to financing up to \$1 billion through December 31, 1996, up to \$1.5 billion through December 31, 1997, and up to an aggregate of \$1.8 billion thereafter; however, availability will be limited to \$1 billion if the Standard & Poor's rating of the Senior and Senior Discount Notes is lower than B at any time prior to January 1, 1997. The Company pays a facility fee on the daily amount of loans outstanding under the agreement, payable quarterly. The Lucent agreement terminates June 30, 2001.

The principal amounts of the loans drawn under both the Nortel and Lucent agreements are due in twenty consecutive quarterly installments, commencing on the date which is thirty-nine months after the last day of such "Borrowing Year" (defined in the agreements as any one of the five consecutive 12-month periods following the date of the initial drawdown of the loan). The aggregate amount due each year is equal to the percentages below multiplied by the total principal amount of loans during each Borrowing Year:

Year	Percentage
4	10%
5	15
6	20
7	25
8	30

The agreements provide two borrowing rate options. During the first phase of the Nortel agreement and throughout the term of the Lucent agreement "ABR Loans" bear interest at the greater of the prime rate, or 0.5% plus the Federal Funds effective rate, plus 2%. "Eurodollar Loans" bear interest at the London interbank (LIBOR) rate (any one of the 30-, 60- or 90-day rates, at the discretion of the Company), plus 3%. During the second phase of the Nortel agreement, ABR Loans bear interest at the greater of the prime rate, or 0.5% plus the Federal Funds effective rate, plus 1.5%; and Eurodollar loans bear interest at the LIBOR rate plus 2.5%. Interest from the date of each loan through one year after the last day of the Borrowing Year is added to the principal amount of each loan. Thereafter, interest is payable quarterly.

Bank Credit Facility: Sprint Spectrum L.P. entered into an agreement with The Chase Manhattan Bank ("Chase") as agent for a group of lenders for a \$2 billion bank credit facility dated October 2, 1996. The proceeds of this facility are to be used to finance working capital needs, subscriber acquisition costs, capital expenditures and other general partnership purposes.

The facility consists of a revolving credit commitment of \$1.7 billion and a \$300 million term loan commitment, \$150 million of which was drawn down upon closing and \$150 million of which is to be drawn down within 90 days after closing. The amount available under the revolving credit facility was \$450 million on October 11, 1996. The availability will be increased upon the achievement of certain financial and operating conditions as defined in the agreement. Commitment fees for the revolving portion of the agreement are payable quarterly based on average unused revolving commitments.

The revolving credit commitment expires July 13, 2005. Availability will be reduced in quarterly installments ranging from \$75 million to \$175 million commencing January 11, 2002. In addition, beginning January 1, 2000, the Company will be required to apply a portion of excess cash flow (as defined) to equally and ratably reduce commitments and loans under the agreement.

The term loans are due in sixteen consecutive quarterly installments beginning January 11, 2002 in aggregate principal amounts of \$125,000 for each of the first fifteen payments with the remaining aggregate outstanding principal amount of the term loans due as the last installment.

Interest on the term loans and/or the revolving credit loans is at the applicable LIBOR rate plus 2.5% ("Eurodollar Loans"), or the greater of the prime rate, or 0.5% plus the Federal Funds effective rate, plus 1.5% ("ABR Loans"), at the Company's option. The interest rate may be adjusted downward for improvements in the bond rating and/or leverage ratios. Interest on ABR Loans and Eurodollar Loans with interest period terms in excess of 3 months is payable quarterly. Interest on Eurodollar Loans with interest period terms of less than 3 months is payable on the last day of the interest period.

Common Terms of Vendor Financing and Bank Credit Facility: The term "Secured Financing," as used herein, refers to the Vendor Financing and Bank Credit Facility.

Borrowings under the Secured Financing are secured by the partnership interests in WirelessCo, RealtyCo and EquipmentCo and certain other personal and real property (the "Shared Lien"). The Shared Lien equally and ratably secures the Secured Financing and certain other indebtedness of the Company. The Secured Financing is jointly and severally guaranteed by WirelessCo, RealtyCo and EquipmentCo. The Secured Financing is non-recourse to the Parents and the Partners.

The Secured Financing agreements contain certain restrictive financial and operating covenants, including (among other requirements) maximum debt ratios (including debt to total capitalization), limitations on capital expenditures, and limitations on additional indebtedness. The loss of the right to use the Sprint trademark, the termination or non-renewal of any FCC license that reduces population coverage below specified limits, or changes in controlling interest in the Company, as defined, among other provisions, constitute events of default.

SPRINT SPECTRUM L.P.
(As Reorganized)
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Sprint Spectrum's (As Reorganized) consolidated financial statements and notes thereto. The term "Company" refers to Sprint Spectrum L.P. and its direct and indirect subsidiaries, including Sprint Spectrum Finance Corporation ("FinCo"), WirelessCo, L.P. ("WirelessCo"), Sprint Spectrum Realty Company, L.P. ("RealtyCo") and Sprint Spectrum Equipment Company, L.P. ("EquipmentCo"). The Company's consolidated financial information has not been separately included for the period presented because it would not reflect the financial condition of the Company following the transfer of all of Sprint Spectrum Holding Company, L.P.'s ("Holdings") assets used in the Company's PCS business and the distribution of the Company's interest in APC to Holdings. The Sprint Spectrum (As Reorganized) financial information that is presented reflects the transfer of the operations of Holdings to the Company which took place on July 1, 1996.

The Company includes certain estimates, projections and other forward-looking statements in its reports as well as in presentations to analysts and others and in other material disseminated to the public. There can be no assurances of future performance and actual results may differ materially from those in the forward-looking statements. Factors which could cause actual results to differ materially from estimates or projections contained in forward-looking statements include:

- the effects of vigorous competition in the markets in which the Company will operate;
- the cost of entering new markets necessary to provide services;
- the impact of any unusual items resulting from ongoing evaluations of the Company's business strategies;
- requirements imposed on the Company and its competitors by the Federal Communications Commission ("FCC") and state regulatory commissions under the Telecommunications Act of 1996;
- the possibility of one or more of the markets in which the Company will compete being impacted by variations in political, economic or other factors over which the Company has no control; and
- unexpected results in litigation.

General

The Company is a development stage enterprise formed for the purpose of establishing a nationwide personal communications service ("PCS") wireless telecommunications network. The Company acquired PCS licenses in the FCC's A Block and B Block PCS auction, which concluded in March 1995, to provide service to 29 major trading areas ("MTAs") covering 150.3 million Pops. Additionally, Cox has agreed to contribute to the Company, upon FCC approval, which is pending, a PCS license for the Omaha MTA. The Company has also affiliated and expects to continue to affiliate with other PCS providers. Pursuant to affiliation agreements, each affiliated PCS service provider will use the Sprint® (a registered trademark of Sprint Communications Company, L.P.) brand name. Holdings owns a 49% limited partnership interest in American PCS, L.P. ("APC"), which owns a PCS license for, and operates a broadband GSM PCS system in, the Washington D.C./Baltimore MTA. APC has affiliated with the Company and is marketing its products and services under the Sprint brand name. Holdings also expects to acquire a 49% limited partnership interest in Cox Communication PCS, L.P., a partnership that will be formed to hold a PCS license for the Los Angeles-San Diego MTA covering 21.5 million Pops. Cox, which currently owns this license, has agreed to contribute the license to Cox Communication PCS, L.P. and will manage and control Cox Communication PCS, L.P. The Company expects to sign an affiliation agreement with Cox Communication PCS, L.P. during the fourth quarter of 1996. At the same time, the Company also expects to affiliate with, and provide various services to, PhillieCo, L.P. ("PhillieCo"), a limited partnership organized by and among subsidiaries of Sprint, TCI and Cox that owns a PCS license for the Philadelphia MTA covering 9.1 million Pops. In addition, Sprint is currently participating in the FCC's D and E Block auction and is actively bidding on licenses for markets where the Company does not currently have

license coverage. The Company expects to enter into affiliation agreement(s) with Sprint to provide service in license areas where Sprint successfully obtains PCS licenses.

To date, the Company has incurred expenditures in conjunction with PCS license acquisitions, initial design and construction of the PCS network, engineering, marketing, administrative and other start up related expenses. The Company has not yet commenced commercial operations for its PCS services and, as a result, has not yet generated operating revenue or earnings. The Company intends to initiate the commercial launch of its service in the fourth quarter of 1996 with service in most MTAs by the end of the first half of 1997. Pop coverage at the end of the initial launch period (approximately the end of the first half of 1997) is expected to reach approximately 57% of the Pops in all of the Company's license areas with coverage in the individual license areas ranging from 19% to 90%. The timing of launch in individual markets will be determined by various factors, principally zoning and microwave relocation factors, equipment delivery schedules and local market and competitive considerations. The Company intends to continue to expand its coverage in its PCS markets in its existing license areas based on actual market experience, customer demand, and reductions in the cost of technology. The extent to which the Company is able to generate operating revenue and earnings is dependent on a number of business factors, including securing financing to complete network construction and fund initial operations and operating losses, successfully deploying the PCS network and attaining profitable levels of market demand for the Company's products and services.

Liquidity and Capital Resources

The buildout of the Company's PCS network and the marketing and distribution of the Company's PCS products and services will require substantial capital. The Company currently estimates that its capital requirements (capital expenditures, the cost of its existing licenses, working capital, debt service requirements and anticipated operating losses) for the period from inception through the end of 1998 (based on the Company's current plans for its network buildout in its current license areas) will total approximately \$8.9 billion (of which approximately \$3.0 billion had been expended as of September 30, 1996). The Company will also require substantial additional capital for new license acquisitions or investments in entities making license acquisitions (if any) and, after 1998, for coverage expansion, volume-driven network capacity and other capital expenditures for existing and new license areas (if any), working capital, debt service requirements and anticipated further operating losses. Costs associated with the network buildout include switches, base stations, towers, antennae, radio frequency engineering, cell site construction and microwave relocation. Management estimates that capital expenditures associated with the buildout will total approximately \$3.8 billion through 1997, including \$2.1 billion in 1996. Estimated capital expenditures have increased due to changes in the nature of certain network elements, actual construction experience to date and additional network capacity requirements. Actual amounts of the funds required may vary materially from these estimates and additional funds would be required in the event of significant departures from the current business plan, new license acquisitions, unforeseen delays, cost overruns, unanticipated expenses, regulatory changes, engineering design changes and other technological risks.

The Company currently has no sources of revenue to meet its capital requirements and has relied upon capital contributions and advances from Holdings and third party and public debt. Holdings also requires capital for its affiliate investments and other partnership purposes. The Partners have agreed to contribute up to an aggregate of \$4.2 billion of equity to Holdings (to the extent required by the annual budgets of Holdings as approved by the Partners) through fiscal 1999. As of September 30, 1996, approximately \$3.0 billion had been contributed to Holdings, of which \$2.7 billion had been contributed to the Company and the remaining \$0.3 billion had been contributed or advanced to APC. The Company currently intends to obtain up to \$0.9 billion of additional equity following September 30, 1996, resulting in \$3.6 billion in aggregate invested equity capital in the Company, although there can be no assurance that any additional capital will be obtained in the form of equity from the Parents or otherwise. The Parents have committed to make available to the Company or cause Holdings to make available to the Company up to \$1.0 billion of such additional equity, to the extent required by the Company to fund any projected cash shortfall, under a Capital Contribution Agreement among the Company and the Parents that provides for \$1.0 billion in aggregate equity commitments (less, subject to certain exceptions, amounts of cash equity contributed to the Company after December 31, 1995). The Company's business plan and the financial covenants and other terms of the Secured Financing (defined below) will require such additional

equity financing prior to the end of 1998, absent a new financing source. The \$1.0 billion portion of the \$4.2 billion not invested in the Company that may be available to Holdings from the Partners may be used by Holdings to fund Holdings' other affiliate commitments, to make other wireless investments and/or to make new license acquisitions. Amounts budgeted by the Partners in future years will determine the extent to which the commitments will actually be utilized.

The Company has entered into financing agreements for up to an aggregate of \$5.1 billion of senior secured loans from certain third parties. Nortel has committed to provide up to \$1.3 billion in senior secured loans to finance purchases of Nortel's PCS equipment and related services. Lucent has committed to provide up to \$1.8 billion in senior secured loans (together with the Nortel commitment, the "Vendor Financing"). Under the related procurement contracts with Lucent and Nortel, the Company is required to purchase minimum amounts of equipment and services from each vendor. The Company will use the proceeds from the Vendor Financing to fund the purchase of the equipment and software manufactured by the vendors as well as substantially all of the construction and ancillary equipment (e.g., towers, antennae, cable) required to construct the Company's PCS network. These facilities will serve as the primary financing mechanism for the buildout of the network. The Company has entered into a credit agreement with The Chase Manhattan Bank ("Chase") in which Chase has committed to provide a fully underwritten \$2.0 billion bank credit facility (the "Bank Credit Facility" and, together with the Vendor Financing, the "Secured Financing") to finance working capital, capital expenditures, operating losses and other partnership purposes.

In August 1996, the Issuers issued \$250 million aggregate principal amount of the 11% Senior Notes and \$500 million aggregate principal amount at maturity of 12½% Senior Discount Notes. The Senior Discount Notes were issued at a discount to their aggregate principal amount at maturity and generated proceeds of approximately \$273 million. Cash interest on the Senior Notes will accrue at a rate of 11% per annum and is payable semi-annually in arrears on each February 15 and August 15, commencing February 15, 1997. Cash interest will not accrue or be payable on the Senior Discount Notes prior to August 15, 2001. Thereafter, cash interest on the Senior Discount Notes will accrue at a rate of 12½% per annum and will be payable semi-annually in arrears on each February 15 and August 15, commencing February 15, 2002. On August 15, 2001, the Issuers will be required to redeem an amount equal to \$384.772 per \$1,000 principal amount at maturity of each Senior Discount Note then outstanding (\$192 million in aggregate principal amount at maturity, assuming all of the Senior Discount Notes remain outstanding at such date). The proceeds of approximately \$509 million from the issuance of the Notes (net of approximately \$14 million of underwriting discounts, commissions, and offering expenses) will be used to fund capital expenditures, including the buildout of the nationwide PCS network, to fund working capital as required, to fund operating losses and for other partnership purposes.

Sources of funding for the Company's further financing requirements may include additional vendor financing, public offerings or private placements of equity and/or debt securities, commercial bank loans and/or capital contributions from Holdings or the Partners. There can be no assurance that any additional financing can be obtained on a timely basis and on terms acceptable to the Company and within limitations contained in the Note indentures, the agreements governing the Secured Financing and any new financing arrangements. Failure to obtain any such financing could result in the delay or abandonment of the Company's development and expansion plans and expenditures or the failure to meet regulatory requirements. It also could impair the Company's ability to meet its debt service requirements and could have a material adverse effect on its business.

For the year-to-date period ended September 30, 1996, Sprint Spectrum (As Reorganized) used cash of \$103 million in operating activities, which consisted of the operating loss of \$253 million which is offset, in part, by the equity in the loss of APC and increased payables and other accruals. Cash used in investing activities totaled \$600 million, consisting of capital expenditures and microwave relocation costs of \$428 million and advances to APC of \$172 million.

Results of Operations

For the Three Months Ended September 30, 1996

Sprint Spectrum (As Reorganized) incurred a loss of \$94 million for the three months ended September 30, 1996, which includes equity in APC loss of \$11 million through August 31, 1996. There was no amortization of licenses during the period as PCS service had not been launched commercially.

For the Nine Months Ended September 30, 1996

Sprint Spectrum (As Reorganized) incurred a loss of \$253 million for the nine months ended September 30, 1996, which includes equity in APC loss of \$92 million. There was no amortization of licenses during the period as PCS service had not been launched commercially.

Item 1. Legal Proceedings

There were no reportable events during the quarter ended September 30, 1996.

Item 2. Changes in Securities

There were no reportable events during the quarter ended September 30, 1996.

Item 3. Defaults On Senior Securities

There were no reportable events during the quarter ended September 30, 1996.

Item 4. Submission of Matters to Votes of Security Holders

There were no reportable events during the quarter ended September 30, 1996.

Item 5. Other Information

As of September 17, 1996, the Company entered into an agreement with Samsung Electronics Co., Ltd. ("Samsung") pursuant to which Samsung will provide handsets to the Company for a three-year term commencing on or around April 1, 1997, for an aggregate purchase price of approximately \$600 million.

As of September 10, 1996, the Company entered into a 10-year agreement with Sprint Communications Company, L.P. and Tandy Corporation, acting by and through its Radio Shack division ("Radio Shack"), pursuant to which Radio Shack will provide a nationwide distribution outlet for Sprint and Sprint PCS products and services. The agreement may be terminated after three years, with six months' prior notice.

As of July 15, 1996, the Company entered into an amendment to its procurement and services agreement with Lucent Technologies Inc. ("Lucent") pursuant to which the Company agrees to purchase additional equipment and services, including related software, from Lucent for approximately \$14 million.

Copies of the foregoing agreements have been filed as exhibits to this Form 10-Q for the period ended September 30, 1996. The foregoing summaries of certain provisions of the agreements do not purport to be complete and are subject to, and qualified in their entirety by reference to, all of the provisions of such respective agreements.

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are filed as part of this report:

- 3.1 Certificate of Limited Partnership of Sprint Spectrum L.P. (incorporated by reference to Form S-1 Registration Statement, Registration No. 333-06609, filed on June 21, 1996).
- 3.2 Agreement of Limited Partnership of MajorCo Sub, L.P. (renamed Sprint Spectrum L.P.) dated as of March 28, 1995, among MajorCo, L.P. and MinorCo L.P. (incorporated by reference to Form S-1 Registration Statement, Registration No. 333-06609, filed on June 21, 1996).
- 4.1 Senior Note Indenture, dated August 23, 1996, between Sprint Spectrum L.P., Sprint Spectrum Finance Corporation, and The Bank of New York, as Trustee.
- 4.2 Form of Senior Note (included in Exhibit 4.1)

- 4.3 Senior Discount Note Indenture, dated August 23, 1996, between Sprint Spectrum L.P., Sprint Spectrum Finance Corporation, and The Bank of New York as Trustee.
- 4.4 Form of Senior Discount Note (included in Exhibit 4.3).
- 10.1 Amendment No. 2 to the Lucent Technologies/Sprint Spectrum Procurement and Services Contract, dated as of July 15, 1996 between Sprint Spectrum Equipment Company, L.P. and Lucent Technologies, Inc.
- 10.2 First Amendment to Amended and Restated Trademark License Agreement, dated as of September 26, 1996, between Sprint Communications Company, L.P. and Sprint Spectrum Holding Company, L.P.
- 10.3 Assignment and Acceptance Agreement (regarding the Amended and Restated Trademark License Agreement, as amended) dated as of September 30, 1996 between Sprint Spectrum Holding Company, L.P. and Sprint Spectrum L.P.
- 10.4 Amended and Restated Assignment and Assumption Agreement (Leases), dated as of July 1, 1996, between Sprint Spectrum Holding Company, L.P., Sprint Spectrum L.P. and Sprint Spectrum Realty Company, L.P.
- 10.5 Employment Agreement, dated as of July 29, 1996, between Sprint Spectrum Holding Company, L.P. and Andrew Sukawaty (incorporated by reference to Form S-1 Registration Statement, Registration No. 333-06609, filed on August 12, 1996).
- 10.6 Registration Rights Agreement, dated as of August 23, 1996 among Sprint Spectrum L.P., Sprint Spectrum Finance Corporation and Sprint Corporation.
- 10.7 Amended and Restated Capital Contribution Agreement, dated as of October 2, 1996, among Sprint Corporation, Tele-communications, Inc., Comcast Corporation, Cox Communications, Inc. and Sprint Spectrum L.P.
- 10.8 Letter Agreement, dated as of August 31, 1996, between American PCS, L.P., American Personal Communications Inc., WirelessCo, L.P., Sprint Spectrum L.P. and Sprint Spectrum Holding Company, L.P. [Exhibits omitted] (incorporated by reference to Form 10-Q, filed on September 26, 1996).
- 10.9 Subscriber Unit Equipment Purchase and Supply Agreement, dated as of September 17, 1996, between Sprint Spectrum L.P. and Samsung Electronics Co., Ltd. [Certain schedules omitted].
- 10.10 Letter Agreement dated as of September 17, 1996, from Sprint Spectrum L.P. to Samsung Electronics Co., Ltd. and Samsung Electronics Co., Ltd./Samsung Telecommunications America, Inc.
- 10.11 Master Agreement, dated as of September 1996, between Sprint Communications Company, L.P., Sprint Spectrum L.P., Sprint United Management Company and Tandy Corporation, a Delaware corporation acting by and through its Radio Shack division [Certain schedules omitted].

27 Financial data schedule

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended September 30, 1996.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SPRINT SPECTRUM L.P.
(Registrant)

By 
Robert M. Neumeister, Jr.
Chief Financial Officer

Dated: November 12, 1996

INDEPENDENT AUDITORS' REPORT

Partners of Sprint Spectrum L.P.
Kansas City, Missouri

We have audited the accompanying consolidated balance sheets of Reorganized Sprint Spectrum L.P. and subsidiary (the "Partnership"), a development stage enterprise, as of December 31, 1995 and 1994, and the related consolidated statements of operations, changes in partners' capital and cash flows for the year ended December 31, 1995, for the period from October 24, 1994 (date of inception) to December 31, 1994, and for the cumulative period from October 24, 1994 (date of inception) to December 31, 1995. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Reorganized Sprint Spectrum L.P. and subsidiary at December 31, 1995 and 1994, and the results of their operations and their cash flows for the year ended December 31, 1995, for the period from October 24, 1994 (date of inception) to December 31, 1994, and for the cumulative period from October 24, 1994 (date of inception) to December 31, 1995, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, Reorganized Sprint Spectrum L.P. and subsidiary financial statements have been restated to retroactively reflect certain transactions between entities under common control in a manner similar to a pooling of interest.

As discussed in Note 2 to the consolidated financial statements, Reorganized Sprint Spectrum L.P. and its subsidiary are in the development stage as of December 31, 1995.

DELOITTE & TOUCHE LLP

Kansas City, Missouri
July 8, 1996

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

CONSOLIDATED BALANCE SHEETS (IN 000's)

	December 31,		March 31,
	1994	1995	1996
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 5,014	\$ 1,123	\$ 3,119
Receivables from affiliates	—	340	1,629
Prepaid expenses and other assets	10	188	226
Total current assets	5,024	1,651	4,974
INVESTMENT IN PCS LICENSES	118,438	2,124,594	2,124,594
INVESTMENT IN UNCONSOLIDATED PARTNERSHIP	—	85,546	49,314
NOTE RECEIVABLE—UNCONSOLIDATED PARTNERSHIP	—	655	83,655
PROPERTY, PLANT AND EQUIPMENT, Net	413	31,897	76,129
TOTAL ASSETS	\$123,875	\$2,244,343	\$2,338,666
LIABILITIES AND PARTNERS' CAPITAL			
CURRENT LIABILITIES:			
Accounts payable	\$ 3,745	\$ 47,503	\$ 86,698
Accrued expenses	—	1,700	9,878
Accrued interest—affiliate	—	214	294
Total current liabilities	3,745	49,417	96,870
DEFERRED COMPENSATION	—	1,856	4,247
NOTE PAYABLE—AFFILIATE	—	5,000	5,000
COMMITMENTS AND CONTINGENCIES			
LIMITED PARTNER INTEREST IN CONSOLIDATED			
SUBSIDIARY	—	5,000	5,000
PARTNERS' CAPITAL AND ACCUMULATED DEFICIT:			
Partners' capital	123,438	2,296,806	2,408,710
Deficit accumulated during the development stage	(3,308)	(113,736)	(181,161)
Total partners' capital	120,130	2,183,070	2,227,549
TOTAL LIABILITIES AND PARTNERS' CAPITAL	\$123,875	\$2,244,343	\$2,338,666

See notes to consolidated financial statements.

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF OPERATIONS (in 000's)

	Period from October 24, 1994 (date of inception) to December 31, 1994	Year Ended December 31, 1995	Cumulative Period from October 24, 1994 (date of inception) to December 31, 1995	Three Months Ended March 31,		Cumulative Period from October 24, 1994 (date of inception) to March 31, 1996
				1995	1996	
				(unaudited)		(unaudited)
OPERATING EXPENSES:						
General and administrative	\$ 1,371	\$ 37,460	\$ 38,831	\$ 1,273	\$ 19,862	\$ 58,693
Professional and legal fees	1,923	26,849	28,772	2,335	10,862	39,634
Depreciation	38	211	249	47	254	503
Total operating expenses	<u>3,332</u>	<u>64,520</u>	<u>67,852</u>	<u>3,655</u>	<u>30,978</u>	<u>98,830</u>
OTHER INCOME (EXPENSE):						
Interest income	24	260	284	275	(358)	(74)
Other income	—	38	38	—	143	181
Equity in loss of unconsolidated partnership	—	(46,206)	(46,206)	(3,409)	(36,232)	(82,438)
Total other income (expense)	<u>24</u>	<u>(45,908)</u>	<u>(45,884)</u>	<u>(3,134)</u>	<u>(36,447)</u>	<u>(82,331)</u>
NET LOSS	<u>\$(3,308)</u>	<u>\$(110,428)</u>	<u>\$(113,736)</u>	<u>\$(6,789)</u>	<u>\$(67,425)</u>	<u>\$(181,161)</u>

See notes to consolidated financial statements.

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL (in 000's)

	Period from	Year Ended	Cumulative	Three Months Ended		Cumulative
	October 24, 1994 (date of inception) to December 31, 1994		December 31, 1995	Period from October 24, 1994 (date of inception) to December 31, 1995	March 31,	
				1995	1996	
				(unaudited)		(unaudited)
PARTNERS' CAPITAL:						
Balance at beginning of period.....	\$ —	\$ 123,438	\$ —	\$123,438	\$2,296,806	\$ —
Contributions of capital	123,438	2,173,368	2,296,806	390,999	111,904	2,408,710
Receivable for capital contributions	—	—	—	(3,462)	—	—
Balance at end of period	123,438	2,296,806	2,296,806	510,975	2,408,710	2,408,710
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE:						
Balance at beginning of period.....	—	(3,308)	—	(3,308)	(113,736)	—
Net loss	(3,308)	(110,428)	(113,736)	(6,789)	(67,425)	(181,161)
Balance at end of period	(3,308)	(113,736)	(113,736)	(10,097)	(181,161)	(181,161)
TOTAL PARTNERS' CAPITAL	\$120,130	\$2,183,070	\$2,183,070	\$500,878	\$2,227,549	\$2,227,549

See notes to consolidated financial statements.

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS (In 000's)

	Period from October 24, 1994 (date of inception) to December 31, 1994	Year Ended December 31, 1995	Cumulative Period from October 24, 1994 (date of inception) to December 31, 1995	Three Months Ended March 31,		Cumulative Period from October 24, 1994 (date of inception) to March 31, 1996 (unaudited)
				1995 (unaudited)	1996 (unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net loss	\$ (3,308)	\$ (110,428)	\$ (113,736)	\$ (6,789)	\$ (67,425)	\$ (181,161)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:						
Equity in loss of unconsolidated partnership	—	46,206	46,206	3,409	36,232	82,438
Depreciation	38	211	249	47	254	503
Loss on sale of equipment	—	31	31	—	—	31
Changes in assets and liabilities:						
Receivables from affiliates prepaid expenses and other assets	(10)	(518)	(528)	(343)	(1,327)	(1,855)
Accounts payable	3,745	43,758	47,503	(14)	39,195	86,698
Accrued expenses	—	1,914	1,914	301	8,258	10,172
Deferred compensation	—	1,856	1,856	—	2,391	4,247
Net cash provided (used) by operating activities	465	(16,970)	(16,505)	(3,389)	17,578	1,073
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	(451)	(31,763)	(32,214)	(190)	(44,456)	(76,700)
Proceeds on sale of equipment	—	37	37	—	—	37
Purchase of PCS licenses	(118,438)	(2,006,156)	(2,124,594)	(318,092)	—	(2,124,594)
Investment in unconsolidated partnership	—	(131,752)	(131,752)	(47,946)	—	(131,752)
Loan to unconsolidated partnership	—	(655)	(655)	—	(83,000)	(83,655)
Net cash used by investing activities	(118,889)	(2,170,289)	(2,289,178)	(366,228)	(127,486)	(2,416,664)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Limited partner interest in consolidated subsidiary	—	5,000	5,000	—	—	5,000
Borrowings from affiliates	—	5,000	5,000	—	—	5,000
Partner capital contributions	123,438	2,173,368	2,296,806	387,537	111,904	2,408,710
Net cash provided by financing activities	123,438	2,183,368	2,306,806	387,537	111,904	2,418,710
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,014	(3,891)	1,123	17,920	1,996	3,119
CASH AND CASH EQUIVALENTS, Beginning of period	—	5,014	—	5,014	1,123	—
CASH AND CASH EQUIVALENTS, End of period	\$ 5,014	\$ 1,123	\$ 1,123	\$ 22,934	\$ 3,119	\$ 3,119

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION—REORGANIZED SPRINT SPECTRUM L.P.

Prior to July 1, 1996, substantially all wireless operations of Sprint Spectrum L.P. and subsidiary and Sprint Spectrum Holding Company, L.P. and subsidiaries ("Holdings") were conducted at Holdings and substantially all operating assets and liabilities, with the exception of the interest in an unconsolidated subsidiary (see Note 5) and the ownership interest in PCS licenses, were held at Holdings. As of July 1, 1996, Holdings transferred these net assets and assigned agreements related to the wireless operations to which it was a party to Sprint Spectrum L.P. (the "Reorganization").

For purposes of these financial statements, these transactions have been treated as transactions between entities under common control and accounted for in a manner similar to a pooling of interest.

Accordingly, Sprint Spectrum L.P.'s historical financial statements have been restated to reflect those operations of Holdings that were transferred on July 1, 1996 on a pooled basis. Information with respect to the financial position and results of operations of the separate operations pooled herein is as follows (in 000's):

	<u>Sprint Spectrum L.P.</u>	<u>Holdings</u>	<u>Combined</u>
Total Assets			
December 31, 1994.....	\$ 123,875	\$ 123,875	\$ 123,875
December 31, 1995.....	2,211,918	2,244,343	2,244,343
March 31, 1996 (unaudited)	2,258,861	2,338,666	2,338,666
Partners' Capital & Accumulated Deficit			
December 31, 1994.....	\$ 120,130	\$ 120,130	\$ 120,130
December 31, 1995.....	2,201,704	2,178,069	2,183,070
March 31, 1996 (unaudited)	2,248,405	2,224,298	2,227,549
Net Loss			
December 31, 1994.....	\$ (3,308)	\$ (3,308)	\$ (3,308)
December 31, 1995.....	(49,531)	(110,429)	(110,428)
March 31, 1996 (unaudited)	(36,299)	(67,425)	(67,425)

The Partnership, as used in these financial statements, refers to Sprint Spectrum L.P. and subsidiary inclusive of those operations of Holdings combined therewith.

The financial information as of March 31, 1996 and for the three month periods ended March 31, 1995 and 1996 is unaudited. The Partnership believes such information includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and cash flows.

2. ORGANIZATION

Sprint Spectrum L.P. is a limited partnership formed in Delaware on March 28, 1995, by Sprint Spectrum Holding Company, L.P. ("Holdings") and MinorCo, L.P. (collectively, the "Partners") which were formed by Sprint Enterprises, L.P. ("Sprint"), TCI Telephony Services, Inc. ("TCI"), Cox Telephony Partnership ("Cox") and Comcast Telephony Services ("Comcast"). The Partnership was formed pursuant to a reorganization of the operations of an existing partnership, WirelessCo, L.P. In March 1995, the partners of WirelessCo, L.P. transferred their interest in WirelessCo, L.P. to Holdings. The Partnership and certain other affiliated partnerships are doing business as Sprint Spectrum.

REORGANIZED SPRINT SPECTRUM L.P. AND SUBSIDIARY
(A Development Stage Enterprise)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Partnership is consolidated with its subsidiary, WirelessCo, L.P. These entities are development stage enterprises. The partners of Sprint Spectrum L.P. have the following ownership interests as of December 31, 1995:

Sprint Spectrum Holding Company, L.P. (general partner).....	99%
MinorCo, L.P. (limited partner)	1%

On February 29, 1996, the Partnership's name was changed from MajorCo Sub, L.P. to Sprint Spectrum L.P.

On May 15, 1996, Sprint Spectrum Equipment Company, L.P. ("EquipmentCo") and Sprint Spectrum Realty Company, L.P. ("RealtyCo") were organized as subsidiaries of Sprint Spectrum L.P. and MinorCo, L.P. for the purpose of holding PCS network-related assets. On May 20, 1996, an additional subsidiary of Sprint Spectrum L.P., Sprint Spectrum Finance Corporation, was also formed to be a co-obligor of certain proposed debt financing.

Venture Formation and Structure—A Joint Venture Formation Agreement (the "Formation Agreement"), dated as of October 24, 1994, and subsequently amended as of March 28, 1995, and January 31, 1996, was entered into by Sprint Corporation, Tele-Communications, Inc., Cox Communications, Inc., and Comcast Corporation (collectively, the "Parents"), pursuant to which the parties agreed to form certain entities to (i) provide national wireless telecommunications services, including acquisition and development of personal communications service ("PCS") licenses, (ii) develop a PCS wireless system in the Los Angeles-San Diego Major Trading Area ("MTA"), and (iii) take certain other actions.

On October 24, 1994, WirelessCo, L.P. was formed and on March 28, 1995, additional partnerships were formed consisting of Holdings, MinorCo, L.P., NewTelco, L.P., and Sprint Spectrum L.P. As of December 31, 1995, Holdings held ownership interests in NewTelco, L.P. and Sprint Spectrum L.P. (which holds a 99% general partner interest in WirelessCo, L.P.). MinorCo, L.P. held the remaining ownership interests in NewTelco, L.P., Sprint Spectrum L.P. and WirelessCo, L.P. at December 31, 1995. An additional partnership, Cox-California PCS, L.P., is proposed to be formed by Holdings and another entity affiliated with Cox Communications, Inc. for the purpose of holding and developing a PCS system using the LA-San Diego Pioneer's Preference License.

The Partners have agreed to contribute up to an aggregate of \$4.2 billion of equity to Holdings to the extent required by the annual budget of Holdings, as approved by the Partners. As of March 31, 1996, approximately \$2.4 billion had been contributed to Holdings, of which approximately \$2.2 billion had been contributed to Sprint Spectrum L.P. and its subsidiary and the remaining \$0.2 billion had been contributed or advanced to an unconsolidated partnership investee (see Note 5).

Partnership Agreement—The Amended and Restated Agreement of Limited Partnership of MajorCo Sub, L.P., (the "MajorCo Sub Agreement"), dated as of March 28, 1995, among Holdings and MinorCo, L.P. provides that the purpose of the Partnership is to engage in wireless communications services. The MajorCo Sub Agreement provides for the governance and administration of partnership business, allocation of profits and losses (including provisions for special and curative allocations), tax allocations, transactions with partners, disposition of partnership interests and other matters.

The MajorCo Sub Agreement provides for capital to be contributed by the Partners, pursuant to circumstances defined in the MajorCo Sub Agreement, equal to Holdings' interest in WirelessCo, L.P. and cash in the amount of \$5,000,000 for MinorCo, L.P.'s interest.

The MajorCo Sub Agreement generally provides for the allocation of profits and losses first to the general partner (Holdings) and secondly to the limited partner (MinorCo, L.P.), after giving effect to special allocations.

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After special allocations, profits are allocated first to the general partner to the extent of cumulative net losses previously allocated. Secondly, the limited partner is allocated profits to the extent of cumulative net losses previously allocated and then up to the cumulative Preferred Return, as defined. The general partner is allocated all remaining profits. Losses are allocated, after considering special allocations, to the general partner until its capital account is zero and secondly to the limited partner to the extent of its capital account balance. Any remaining losses are allocated to the general partner.

The financial statements have been prepared from the date of inception, October 24, 1994, for WirelessCo, L.P., and March 28, 1995, for other consolidated subsidiaries, through December 31, 1995 and restated to include certain operations of Holdings as discussed in Note 1 above. The assets, liabilities, results of operations and cash flows of entities in which the Partnership has a controlling interest have been consolidated.

The limited partnership interest of MinorCo, L.P. in WirelessCo, L.P. is reflected as a minority interest. Pursuant to the Amended and Restated Agreement of Limited Partnership of WirelessCo, L.P. ("WirelessCo Agreement"), MinorCo, L.P. has not been allocated any losses incurred by WirelessCo, L.P. The WirelessCo Agreement stipulates that all losses are to be allocated to Sprint Spectrum L.P., the general partner, until the general partner's capital account is depleted. All significant intercompany accounts and transactions have been eliminated.

Parent Undertaking—In addition to the MajorCo Sub Agreement, each Parent has entered into an agreement which provides for certain undertakings by each Parent in favor of other Partners and which addresses certain obligations of the Parent pertaining to items including provision of services, confidentiality, foreign ownership, purchasing, restrictions on disposition and certain other matters.

Development Stage Enterprises—The Partnership and its subsidiary are development stage enterprises. The success of their development is dependent on a number of business factors, including securing financing to complete network construction and fund initial operations, successfully deploying the PCS network and attaining profitable levels of market demand for Partnership products and services. The Partnership and its subsidiaries have not yet generated operating revenues.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents—The Partnership considers all highly liquid instruments with original maturities of three months or less to be cash equivalents.

Property, Plant and Equipment—Property, plant and equipment are stated at cost. Construction work in progress represents costs incurred to design and construct the PCS network. Repair and maintenance costs are charged to expense as incurred. When telecommunications plant is retired, or otherwise disposed of, its book value, net of salvage, is charged to accumulated depreciation. Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives of the assets. Depreciable lives range from 3 to 20 years.

Investment in PCS Licenses and Other Intangibles—During 1994 and 1995, the Federal Communications Commission ("FCC") auctioned PCS licenses in specific geographic service areas. The FCC grants licenses for terms of up to ten years, and generally grants renewals if the licensee has complied with its license obligations. The Partnership believes it has and will continue to meet all requirements necessary to secure renewal of its PCS licenses. The Partnership has also incurred costs associated with microwave relocation in the construction of the

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PCS network. Amortization of PCS licenses and microwave relocation costs will commence as each service area becomes operational, over estimated useful lives of 40 years. No amortization expense was recorded in 1995, or in the period from October 24, 1994 (date of inception) to December 31, 1994. No interest has been incurred or capitalized pertaining to the acquisition of the PCS licenses.

The ongoing value and remaining useful life of intangible assets are subject to periodic evaluation. The Partnership currently expects the carrying amounts to be fully recoverable. Impairments of intangibles and long-lived assets are assessed based on an undiscounted cash flow methodology.

Income Taxes—The Partnership has not provided for federal or state income taxes since such taxes are the responsibility of the individual Partners.

Financial Instruments—All of the Partnership's financial instruments, including cash and cash equivalents, receivables from affiliates and accounts payable are short-term in nature. Accordingly, the balance sheet amounts approximate the fair value of the Partnership's financial instruments.

Use of Estimates—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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 1995 and 1994:

	1994	1995
Office furniture and fixtures	\$450,910	\$ 2,901,633
Telecommunications plant—construction work in progress ..	—	29,200,467
	450,910	32,102,100
Less accumulated depreciation	(37,716)	(204,721)
	\$413,194	\$31,897,379

5. INVESTMENT IN UNCONSOLIDATED PARTNERSHIP

On January 9, 1995, WirelessCo, L.P., acquired a 49% limited partnership interest in American PCS, L.P. ("APC"). American Personal Communications, Inc. ("APC, Inc.") is the general partner. The investment in APC is accounted for under the equity method. Summarized financial information of APC as of and for the year ended December 31, 1995, is as follows:

Total assets	\$237,325,784
Total liabilities	171,179,908
Total revenues	5,153,469
Net loss	51,551,446

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The following table summarizes the status and results of WirelessCo, L.P.'s investment in APC as of December 31, 1995:

Beginning investment	\$23,442,000
Payment for call option	10,000,000
Capital contributions	98,330,068
Equity in losses	(46,206,097)
Ending investment	<u>\$85,545,971</u>

The unamortized excess of WirelessCo, L.P.'s investment over its equity in the underlying net assets of APC at the date of acquisition was \$10,139,459. The excess investment amount is amortized on a straight line basis over an estimated useful life of 40 years. Amortization included in equity in loss of unconsolidated partnership was \$239,727 for the year ended December 31, 1995.

WirelessCo, L.P. receives an affiliation fee of 3% of gross revenues from APC for APC's affiliation with the Sprint Spectrum business.

The call option in APC acquired on January 9, 1995, provides WirelessCo, L.P. with the right to purchase an additional interest in APC from APC, Inc. in annual increments beginning five years after the initial PCS network build-out is completed. The first increment, an additional 20% of the APC, Inc. ownership interest, can be acquired in each of the fifth through seventh years with the remaining interest available for purchase in the eighth through tenth year. APC, Inc. also has the right to put a portion of its ownership interest to WirelessCo, L.P. on an annual basis in an amount representing the greater of (i) one-fifth of APC, Inc.'s initial percentage interest of 51% in APC or (ii) the portion of APC, Inc.'s interest equal to APC, Inc.'s obligation for annual FCC payments to be made by APC, beginning after the completion of the initial PCS network build-out, through the fifth anniversary date. The exercise price of the call and put options are based on the Fair Value, as defined, of APC at the date of exercise.

During the initial five year build-out period, which began in December 1994, APC, Inc. and WirelessCo, L.P. are obligated as follows: (a) APC, Inc. is obligated to make capital contributions in an amount equal to the aggregate principal and interest payments to the FCC, provided APC, Inc. has sufficient cash flows or can obtain financing from a third party; (b) if APC, Inc. is unable to meet such obligation, WirelessCo, L.P. is required to contribute the shortfall, upon ten days prior notice; (c) WirelessCo, L.P. is required to contribute equity to APC necessary for operations up to an amount of approximately \$98 million; and (d) WirelessCo, L.P. is obligated to fund the cash requirements of APC in excess of that described in (a), (b), and (c) above, in the form of either loans or additional capital up to a total of \$275 million (including the amount in (c) above). Contributions in excess of \$275 million, however, require approval of WirelessCo, L.P. and may be made in the form of additional equity or loans. Under certain circumstances, APC, Inc. has the right and is obligated to exercise its put right to the extent necessary to fund additional capital contributions. As of December 31, 1995, \$98 million of equity had been contributed and \$654,982 of partner advances had been extended. Outstanding partner advances will be non-recourse and bear interest at an agreed upon rate and will be payable at such time when APC has sufficient funds to permit repayment. Subsequent to December 31, 1995, and through March 31, 1996, \$83 million of additional advances were extended to APC.

The partnership agreement between WirelessCo, L.P. and APC, Inc. specifies that losses are allocated based on capital contributions and certain other factors. Under the equity method, WirelessCo, L.P. has recognized the majority of the partnership losses to date in its financial statements based on its capital contributions and commitments to provide initial funding. Loss allocations in the future may vary depending on additional capital contributions of APC, Inc.

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6. EMPLOYEE BENEFITS

The Partnership maintains short-term and long-term incentive plans. All exempt employees are eligible for the short-term incentive plan commencing at date of hire. Short-term incentive compensation is based on incentive targets established for each position based on the Partnership's overall compensation strategy. Targets contain both an objective Partnership component and a personal objective component.

Employees meeting certain eligibility requirements are considered participants in the long-term incentive plan. Long-term incentive compensation is based upon individual performance, the achievement of certain partnership goals and the management of departmental costs.

Employees performing services for the Partnership were employed by Sprint Corporation through December 31, 1995. Amounts paid to Sprint Corporation relating to pension expense and employer contributions to the Sprint Corporation 401(k) plan for these employees approximated \$323,000 in 1995. No payments were made through December 31, 1994.

Savings and Retirement Plan—Effective January, 1996, the Partnership established a savings and retirement program (the "Savings Plan") for certain employees, which is intended to qualify under Section 401(k) of the Internal Revenue Code. Most permanent full-time, and certain part-time, employees are eligible to become participants in the plan. Participants make contributions to a basic before tax account and supplemental before tax account. The maximum contribution for any participant for any year is 16% of such participant's compensation. For each eligible employee who elects to participate in the Savings Plan and makes a contribution to the basic before tax account, the Partnership makes a matching contribution. The matching contributions equal 50% of the amount of the basic before tax contribution of each participant up to 6% of such employee's contribution. Contributions to the Savings Plan are invested, at the participants discretion, in several designated investment funds. Distributions from the Savings Plan generally will be made only upon retirement or other termination of employment, unless deferred by the participant.

Profit Sharing (Retirement) Plan—Effective January, 1996, the Partnership established a profit sharing plan for its employees. Employees are eligible to participate in the plan after completing one year of service. Profit sharing contributions are based on the compensation, age, and years of service of the employee. Profit sharing contributions are deposited into individual accounts of the Partnership's 401(k) plan. Vesting occurs once a participant completes five years of service.

7. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Operating Leases—Minimum rental commitments as of December 31, 1995, for all noncancelable operating leases, consisting principally of leases for office space and cell and switch sites, are as follows:

1996	\$1,642,415
1997	1,315,215
1998	1,318,578
1999	1,335,398
2000	1,231,998
Thereafter	40,370
	<u>\$6,883,974</u>

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Subsequent to December 31, 1995, and through March 31, 1996, the Partnership entered into several significant operating leases with minimum rental commitments over the lives of the leases of approximately \$58 million.

Gross rental expense aggregated \$687,486 and \$104,573 for the year ended December 31, 1995 and for the period from October 24, 1994 (date of inception) to December 31, 1994, respectively, and is included in general and administrative expense in the consolidated statements of operations. Certain leases contain renewal options that may be exercised from time to time and are excluded from the above amounts.

Procurement Contracts—On January 31, 1996, the Partnership entered into procurement and services contracts (the "Procurement Contracts") with AT&T Corp. (subsequently assigned to Lucent Technologies, Inc., "Lucent") and Northern Telecom, Inc. ("Nortel" and together with Lucent, the "Vendors") for the engineering and construction of a PCS network. Each contract provides for an initial term of ten years with renewals for additional one-year periods. The Vendors must achieve substantial completion of the PCS network within an established time frame and in accordance with criteria specified in the Procurement Contracts. Pricing for the initial equipment, software and engineering services has been established in the Procurement Contracts. The Procurement Contracts provide for payment terms based on delivery dates, substantial completion dates, and final acceptance dates. In the event of delay in the completion of the PCS network, the Procurement Contracts provide for certain amounts to be paid to the Partnership by the Vendors. The minimum commitments for the initial term are \$0.8 billion and \$1.0 billion from Lucent and Nortel, respectively, which include, but are not limited to, all equipment required for the establishment and installation of the PCS network.

Purchase Commitments—The Partnership has also entered into agreements to acquire various cell and switch sites. Commitments to site acquisition vendors are approximately \$152 million and commitments for construction contracts and purchases of equipment, handsets and other services are approximately \$469 million. Such agreements have been executed by, or assigned to, Sprint Spectrum L.P. or its subsidiaries on or before July 1, 1996.

Vendor Financing—The Partnership has obtained financing commitments from Nortel dated June 11, 1996 for \$1.3 billion and from Lucent dated June 21, 1996 for \$1.8 billion of multiple drawdown term loan facilities (the "Vendor Financing"). The proceeds of such facilities would be used to finance the purchase of goods and services provided by the Vendors under the Procurement Contracts. The Vendor Financing would be non-recourse to, and will not be guaranteed by, the Parents and the Partners.

Borrowings under the Vendor Financing would be collateralized by a first priority lien (the "Shared Lien") on (i) all of the partnership interests in WirelessCo, L.P., RealtyCo and EquipmentCo, (ii) certain intangible property assets and (iii) any real property having a value greater than \$15 million. The Shared Lien would serve as collateral for the Vendor Financing and certain other financing from banks or other parties, not to exceed a specified level. Such financing would be unconditionally guaranteed by WirelessCo, L.P., RealtyCo and EquipmentCo.

Loans under the Vendor Financing would amortize quarterly over the five year period commencing on the date that is 39 months after the end of the one-year period during which such loans were made.

Under the Vendor Financing, subject to certain conditions, the Partnership would be required to make mandatory prepayments of 100% of the net cash proceeds of any sale or disposition of subsidiaries or any sale of material assets that are not reinvested in the wireless telecommunications businesses.

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The Partnership would be able to elect that all or any portion of the borrowings under the Vendor Financing bear interest at a rate per annum equal to either (i) the ABR plus an applicable margin or (ii) the Eurodollar rate (LIBOR) plus an applicable margin. The ABR is the higher of (x) the rate of interest publicly announced by a commercial bank to be determined as its prime rate in effect at its principal office in New York City and (y) the federal funds effective rate plus 0.5%.

The Nortel portion of the Vendor Financing requires, as a condition to funding, the commitment of certain additional financing from third-parties.

Bank Credit Facility—The Partnership has received a commitment from Chemical Bank to provide a fully underwritten senior credit facility, (the "Bank Credit Facility") in the amount of \$2.0 billion. The proceeds of the loans under the Bank Credit Facility would be used to finance capital expenditures, operating losses, the working capital needs of Sprint Spectrum L.P. and for partnership purposes.

Borrowings under the Bank Credit Facility would be unconditionally guaranteed by WirelessCo L.P., RealtyCo and EquipmentCo. In addition, borrowings under the Bank Credit Facility would be collateralized by the Shared Lien. The Bank Credit Facility would be non-recourse to, and would not be guaranteed by, the Parents or the Partners.

The Bank Credit Facility is expected to automatically reduce quarterly commencing five years and three months following the closing date of such facility and ending nine years after the closing date. Subject to certain conditions, the Partnership would be required to make mandatory prepayments or apply a portion of its excess cash flow to ratably reduce commitments under the Bank Credit Facility and prepay loans under the Vendor Financing.

The Partnership would be able to elect that all or a portion of the borrowings under the Bank Credit Facility bear interest at a rate per annum equal to (i) the ABR plus an applicable margin or (ii) the Eurodollar Rate (LIBOR) plus an applicable margin. The ABR is the higher of (x) the rate of interest publicly announced by the administrative agent as its prime rate in effect at its principal office in New York City and (y) the federal funds effective rate from time to time plus 0.5%.

The Bank Credit Facility and the Vendor Financing would contain a number of financial operating covenants that, among other things, limit the ability of the Partnership to incur additional indebtedness, create liens and other encumbrances, make guarantee obligations, make distributions to partners and repurchases of equity, make acquisitions, investments, loans and advances, merge or consolidate with another entity or engage in any business other than the telecommunications business and related businesses as well as restrictions on the ability of WirelessCo, RealtyCo, and EquipmentCo to incur liabilities or engage in non-designated activities.

8. RELATED PARTY TRANSACTIONS

The Partnership reimburses Sprint Corporation for certain accounting, data processing, and other related services, and for certain cash payments made by Sprint Corporation on behalf of the Partnership. The Partnership is allocated the costs of such services based on direct usage. Allocated expenses of approximately \$2,646,000 are included in general and administrative expense in the consolidated statement of operations for 1995. No reimbursement was made through December 31, 1994.

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PhillieCo, L.P. and a Cox affiliate were formed by certain Partners, individually and collectively, for the purposes of providing PCS wireless services in their respective geographic areas. The Partnership, having made certain cash payments on behalf of PhillieCo, L.P. and Cox's affiliate, will receive reimbursements for direct costs incurred plus an amount for management services provided to PhillieCo, L.P. and Cox's affiliate. Included in receivables from affiliates are receivables for services provided as of December 31, 1995, of \$183,225 and \$156,528 due from PhillieCo, L.P. and, Cox's affiliate, respectively.

Sprint acts as agent for the Partnership in sales of paging services, purchased for resale by the Partnership from a third-party provider.