

Public Utilities Commission of the State of South Dakota

DATE

MEMORANDA

12/3/97 Received Filing;
12/18/97 Received Check & Docketed;
12/10/97 TC Fee Filing;
3/26/98 Open Hearing COB,
5/26/98 Rocket Closed

TC97-190



8140 Ward Parkway
Kansas City, MO 64114
Telephone: (913) 624-6865
Fax: (913) 624-5681

Donald Low
Senior Attorney
State Regulatory Affairs Central Region

December 2, 1997

VIA AIRBORNE EXPRESS

Mr. William Bullard, Jr.
Executive Director
South Dakota Public Utilities Commission
500 E. Capitol Avenue, State Capitol
Pierre, SD 57501

RECEIVED
DEC 03 1997
SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Re: Application of Sprint Payphone Services, Inc. for Authority to Provide
Payphone Services in the State of South Dakota

Dear Mr. Bullard:

Enclosed for filing, are the original and ten copies of the Application of Sprint
Payphone Services, Inc. for Authority to Provide Payphone Services in the State of South
Dakota. Please return one file-stamped copy in the enclosed envelope.

Thank you for your assistance. Please call me if you have any questions.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Donald A. Low".

Donald A. Low

DAL:kmm
Enclosures

0145

TC97-190

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA

RECEIVED

DEC 03 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

In the Matter of the Application of Sprint)
Payphone Services, Inc. for Authority to Provide)
Payphone Services in the State of South Dakota)

Dkt. No. _____

APPLICATION

Sprint Payphone Services, Inc. ("SPSI"), by and through its undersigned attorney, hereby requests that the South Dakota Public Utilities Commission, pursuant to SDCL 49-31-3 and ARSD 20:10:24:02 and 20:10:24:05, issue a Certificate authorizing SPSI to provide payphone telecommunications services in the State of South Dakota. In support of this application, Applicant states as follows:

1. SPSI is a wholly owned subsidiary corporation of Sprint Corporation ("Sprint"). Applicant's principal place of business is 750 S. Northlake Blvd., Suite 1000., Altamonte Spring, Florida 32701.

2. All communications, orders and inquiries regarding this Application should be directed to the following:

Donald Low
8140 Ward Parkway - 5E
Kansas City, MO 64114
(913) 624-6865
FAX (913) 624-5681

3. SPSI was incorporated on March 21, 1994, under the laws of the state of Florida. Attached as Exhibit A is a list of the names and addresses of the officers of SPSI, none of whom are convicted felons. Attached as Exhibit B is the South Dakota Certificate of Authority to Transact Business for SPSI. SPSI does not have an office in the state of South Dakota. SPSI's

registered agent in South Dakota is: CT Corporation System, 319 S. Coteau St., Pierre, South Dakota.

4. SPSI intends to provide local payphone services through the use of Protel, Northern Telecom or other manufacturer's terminal or deskset instruments. SPSI is still developing its plans for marketing its services to premise and location owners but will not use a multi-level marketing approach. SPSI does not know where or how many locations it will ultimately serve but would intend to offer services throughout the state of South Dakota

5. SPSI has the financial, technical and managerial resources and experience to provide the proposed services. As a relatively new entity, SPSI does not have a substantial history of operating results but is supported by the resources of its parent company, Sprint Corporation. Exhibit C, the 1996 Sprint Annual Report, includes statements of operations and income, balance sheets and auditors report and shows that such financial resources are more than adequate. That Exhibit C also demonstrates that Sprint has vast experience and technical and managerial resources for the provision of telecommunications services. Those resources have been used in the formation and support of SPSI, which consequently has personnel and management with the experience and abilities necessary to provide the proposed services.

6. In compliance with Commission Rules 20:10:24.02 and 20:10:24.05, attached as Exhibit D is SPSI's tariff. That tariff sets forth the terms, conditions and rates for the provision of local calls, local Directory Assistance, and sent-paid intralATA long distance calls. Other services, such as interLATA long distance, which may be accessed from SPSI payphones will be provided by other entities with whom SPSI has contractual arrangements. Since the Federal Communications Commission in CC Docket No. 96-128, implementing §276 of the Telecommunications Act of 1996; has deregulated the local coin rate for payphone services as of

October of 1997, the inclusion of the local coin rate is for information purposes only. Inasmuch as the sent-paid intralATA toll rates are identical to the rates of U S West, SPSI requests a waiver of any requirement for cost support for such rates.

8. The Commission requirements for alternative operator services, contained in ARSD 20:10:24:05, are primarily applicable to long distance services and not the local payphone services to be provided by SPSI. However, to the extent that those requirements - such as the posting of notice concerning the long distance rates and the prohibition of call blocking - entail cooperation by SPSI with the AOS provider, SPSI will fully cooperate to ensure compliance. Furthermore, SPSI will fully comply with all the FCC's requirements concerning provision of payphone services, including the posting of the local coin rate on its payphone instruments and the provision of access to operator, emergency and telecommunications relay service.

9. SPSI will place the highest priority on providing satisfactory customer service and will promptly and responsibly address any customer complaints. SPSI intends to service and maintain its payphones through the utilization of full-time Sprint and manufacturer - trained and certified technicians and through Sprint qualified service, repair and maintenance contract support technicians. Customer complaints and inquiries, and inquiries or information concerning regulatory matters should, for the immediate future, be directed to the following:

Jeff Sargent,
Public Access Department, Sprint
5454 West 110th St.
Overland Park, KS 66211
1-888-371-5503

SPSI will inform the Commission of any future change in the appropriate contact:

10. SPSI is currently authorized to provide service in the state of Florida but is in the process of seeking certification in most other states. No state has rejected an SPSI request for

authority and no state or other authority has ever issued a cease and desist order to SPSI. SPSI does not have and is not required to have an FCC license. SPSI is not currently providing intrastate telephone services in South Dakota.

Wherefore, SPSI prays that the Commission enter an order granting SPSI a certification of authority to provide payphone services in South Dakota.

Dated: December 4, 1997

Respectfully submitted,
Sprint Payphone Services, Inc.



Donald A. Low
Sprint
8140 Ward Parkway- 5E
Kansas City, MO 64114
(913) 624-6865
FAX 624-5681

EXHIBIT A

NAMES AND ADDRESSES OF SPSI OFFICERS AND DIRECTORS.

<u>Officer</u>	<u>Address</u>
Vacant President	
David W. Roseman, General Manager	750 S. Northlake Blvd., Ste. 100 Altamonte Springs, FL 32701
M. Jeannine Strandjord Treasurer - Director	2330 Shawnee Mission Pkwy Westwood, KS 66205
Michael A. McCarthy Vice-President - Director	555 Lake Border Drive Apopka, FL 32703
Jerry M. Johns Secretary - Director	555 Lake Border Drive Apopka, FL 32703

EXHIBIT B

SOUTH DAKOTA CERTIFICATE OF AUTHORITY TO TRANSACT BUSINESS

State of South Dakota



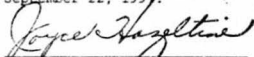
OFFICE OF THE SECRETARY OF STATE

CERTIFICATE OF AUTHORITY

I, JOYCE HAZELTINE, Secretary of State of the State of South Dakota, hereby certify that duplicate of the Application for a Certificate of Authority of SPRINT PAYPHONE SERVICES, INC. (FL) to transact business in this state duly signed and verified pursuant to the provisions of the South Dakota Corporation Acts, have been received in this office and are found to conform to law.

ACCORDINGLY and by virtue of the authority vested in me by law, I hereby issue this Certificate of Authority and attach hereto a duplicate of the application to transact business in this state under the name of SPRINT PAYPHONE SERVICES, INC.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of South Dakota, at Pierre, the Capital, this September 22, 1997.


JOYCE HAZELTINE
Secretary of State



SECRETARY OF STATE
STATE CAPITOL
500 E. CAPITOL
PIERRE, S.D. 57501-5071
605-773-4845
FAX (605) 773-4858

APPLICATION FOR CERTIFICATE OF AUTHORITY

RECEIVED

SEP 22 1997

Pursuant to the provisions of SDCL 47-6-7, the undersigned corporation hereby applies for a Certificate of Authority to transact business in the State of South Dakota and for that purpose submits the following statement:

(1) The name of the corporation is SPRINT PAYPHONE SERVICES, INC.
(Exact corporate name)

(2) If the name of the corporation does not contain the word "corporation", "company", "incorporated" or "limited" or does not contain an abbreviation of one of such words, then the name of the corporation with the word or abbreviation which it elects to add thereto for use in this state is

(3) State where incorporated Florida Federal Taxpayer ID# 59-3268090

(4) The date of its incorporation is March 21, 1994 and the period of its duration is perpetual

(5) The address of its principal office in the state or country under the laws of which it is incorporated is 750 S. Northlake Blvd., Suite 1000, Altamonte Springs, Florida 32701

(6) The street address, or a statement that there is no street address, of its proposed registered office in the State of South Dakota is C/O C T Corporation System, 319 S. Coteau Street, Pierre, South Dakota 57501 and the name of its proposed registered agent in the State of South Dakota at that address is C T Corporation System

(7) The purposes which it proposes to pursue in the transaction of business in the State of South Dakota are: To engage in the business of providing communications services.

(8) The names and respective addresses of its directors and officers are:

Name	Officer Title	Street Address	City	State	Zip
David W. Roseman	General Manager	750 S. Northlake Blvd., Suite 1000,	Altamonte Springs, Florida	32701	
Michael A. McCarthy	Vice President & Director	750 S. Northlake Blvd., Suite 1000,	Altamonte Springs, Florida	32701	
Jerry M. Johns	Secretary and Director	750 S. Northlake Blvd., Suite 1000,	Altamonte Springs, Florida	32701	
Jeannine Strandjord	Treasurer	8140 Ward Parkway,	Kansas City, Missouri		

(9) The aggregate number of shares which it has authority to issue, itemized by classes, par value of shares, shares without par value, and series, if any, within a class is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
2,000	common	(No series)	\$1.00

(S. D. - 258 - 9/10/92)

(10) The aggregate number of it issued shares, itemized by classes, par value of shares, shares without par value, and series, if any, within a class, is:

Number of shares	Class	Series	Par value per share or statement that shares are without par value
100	common	(No series)	\$1.00

(11) The amount of its stated capital is \$ 100

(12) This application is accompanied by a CERTIFICATE OF FACT duly acknowledged by the secretary of state or other officer having custody of corporate records in the state or country under whose laws it is

(13) That such corporation shall not directly or indirectly combine or make any contract with any incorporated company, foreign or domestic, through their stockholders or the trustees or assigns of such stockholders, or with any copartnership or association of persons, or in any manner whatever to fix the prices, limit the production or regulate the transportation of any product or commodity so as to prevent competition in such prices, production or transportation or to establish excessive prices therefor.

(14) That such corporation, as a consideration of its being permitted to begin or continue doing business within the State of South Dakota, will comply with all the laws of the said State with regard to foreign corporations.

The application must be signed by the chairman of the board of directors, or by the president or by another officer.

I DECLARE AND AFFIRM UNDER THE PENALTY OF PERJURY THAT THIS APPLICATION IS IN ALL THINGS, TRUE AND CORRECT.

Dated 9/9 1997

(Signature) Jerry Johns

Secretary
(Title)

State of Florida
County of SEMINOLE ORANGE

On this 9th day of SEPT., 1997, before me _____ known to me, or proved to me, to be personally appeared Jerry Johns the corporation that is described in and that executed the within instrument and acknowledged to me that such corporation executed same.

My commission expires Notary Public - State of Florida
My Commission Expires Dec. 28, 1999
Commission # CC 506654

(Notary Public)

The consent of Appointment below must be signed by the registered agent

CONSENT OF APPOINTMENT BY THE REGISTERED AGENT

I, C T Corporation System, hereby give my consent to serve as the (name of registered agent)

registered agent for SPRINT PAYPHONE SERVICES, INC. (corporate name)

Dated September 17, 97

By John J. Linnihan
(Signature of registered agent)
John J. Linnihan, Asst. Vice President

EXHIBIT C

1996 SPRINT ANNUAL REPORT

NEXT

DOCUMENT (S)

DISREGARD

BACKGROUND

Who will deliver?

WHEN THE BOUNDARIES ARE GONE ...



Who will serve up total communications solutions with *speed, responsiveness and simplicity* under one brand?



Sprint *will* deliver

WHY

Sprint is a company that breaks new ground. | Sprint built the first and only nationwide, 100% digital fiber-optic network in the United States. | Sprint is the world's largest carrier of Internet traffic.

IN THIS REPORT ...

From the Chairman You must ask tough questions to get the best answers. 2

ESSENTIAL ASSETS ...

National Brand We have made our brand stand for speed, responsiveness and simplicity. 6

Core Competencies We live and breathe the long distance, local and wireless businesses. 10

Strategic Alliances We have leveraged our resources to become a global force. 12

Mobilized Organizations We are marshaling our assets to serve an evolving marketplace. 16

1996 Year in Review The proof is in the performance. 18

Sprint at a Glance We are greater than the sum of our parts. 26

Financial and Corporate Information We know how to build shareholder value. 28

National
Brand



Page 6

Core
Competencies



Page 10

Strategic
Alliances



Page 12

Mobilized
Organizations



Page 16

Y?

Sprint built the world's largest integrated global data network. | Sprint was the first to offer nationwide commercial Asynchronous Transfer Mode, or ATM, service.

Our
vision



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Sprint.

Sprint 1996 Annual Report 1

FROM THE CHAIRMAN

You must ask ...

to get the best
answers.

It's our job to ask tough questions about the future and to develop the best answers that work in the interests of our customers, shareholders and employees.

Dear shareholder:

What seems remarkable about Sprint's shareholders is your willingness to look ahead and to imagine what might be. On behalf of all Sprint employees, I want to thank you for the vote of confidence in the future of Sprint which your ownership represents. We consider ourselves to be a forward-looking, growth-oriented company — an agent of change in a rapidly changing environment. We understand the impact and opportunities technological change can present to individual companies as well as to society. Seizing those opportunities quickly and effectively can be a basis for great new successes. We believe you share our vision. Together, we have accomplished some remarkable things. But our greatest opportunities are ahead of us.

In this annual letter, I not only want to celebrate the successes of 1996 but also to talk about the future and the necessary costs related to our future success.

We have much to be proud of this year.

- We enjoyed record profits. When our strategic joint ventures and non-recurring charges are excluded, income from continuing operations grew 35.5% in 1996 to \$1.4 billion. On the same basis, earnings per share increased from \$2.95 per share in 1995 to \$3.29 per share in 1996. That

Consolidated
Net Operating
Revenues Increased
10% in 1996
(see below)



Connecting the nation.

What's the replacement for traditional cellular communications? It's Sprint PCS, a joint venture (in which Sprint has a 40% interest) to provide personal communication services. Sprint and its partners will offer PCS to a population of nearly 260 million.

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Financial Highlights

(in millions, except per share and employee data)

	1996	1995	% Change
Net operating revenues			
Long distance communications services	\$ 8,302.1	\$ 7,277.4	14%
Local communications services	\$ 5,166.1	\$ 4,719.4	9%
Product distribution and directory publishing	\$ 1,225.9	\$ 1,148.0	7%
Consolidated	\$ 14,044.7	\$ 12,765.1	10%
Income from continuing operations ⁽¹⁾	\$ 1,226.9	\$ 1,001.5	23%
Earnings per common share from continuing operations ⁽¹⁾	\$ 2.87	\$ 2.85	1%
Dividends per common share	\$ 1.00	\$ 1.00	—
Weighted average number of common shares	426.0	350.1	22%
Total assets	\$ 16,953.0	\$ 15,195.9	12%
Employees (year-end)	48,024	48,265	—

⁽¹⁾ Income from continuing operations and the related per share amounts include the effects of nonrecurring charges. During 1996, Sprint recorded a nonrecurring charge related to litigation within its long distance division. During 1995, Sprint recorded a nonrecurring charge related to a restructuring within its local division. Including these nonrecurring charges, 1996 income from continuing operations was \$1,190.9 million (\$2.79 per share) compared with \$946.1 million (\$2.63 per share) in 1995.

increase was achieved while average shares outstanding grew by 22%, reflecting the purchase of 20% of Sprint by Deutsche Telekom and France Telecom.

- We are the fastest growing of the major long distance carriers in both revenues (at 14.1% for the year) and calling volume (at 20% for the year).
- We achieved growth rates among the best in the industry in local telephone revenues (at 9.5% for the year) and in local access lines (at 5.6% for the year).
- We had a 25.3% total return to shareholders in 1996, which exceeded local exchange carrier indices, long distance indices and broad market performance.
- We were rated No. 1 in customer satisfaction among long distance users by J.D. Power and Associates.

But it is more than our No. 1 rankings that has prompted analysts over the past year to comment so favorably about Sprint. They also recognize the potential of our various alliances, such as our Global One alliance with Deutsche Telekom and France Telecom, and our Sprint PCS venture, which will usher in a new era of wireless service.

Another new alliance is with RadioShack, which will create Sprint stores within 6,800 RadioShack stores. These stores-within-stores will sell Sprint-branded long distance and local telephone service, wireless personal communication services, Internet access, and paging, as well as our telephone sets and prepaid phone cards.

We have also begun to benefit from presenting the Sprint brand as a single face in the marketplace. We have put the Sprint name not only on long distance, but also on local service, on wireless, and on Internet access. We believe that a well-known brand is a distinct advantage as the range of consumer choices explodes.

After years of conceptualizing, planning and positioning, 1996 was a year in which you began to see our true potential. The year 1997 will be exciting, as we more fully execute our strategies and take advantage of our unique positioning.

Continued on next page



If business or residential customers need English- or Chinese-speaking assistance, they can get both from Sprint representative Rosalind Kong in San Mateo, California.

FROM THE CHAIRMAN

You must ask tough questions to get the best answers.

Continued from page 3

We must define our business differently for the future.

Historically, we have reported our operating results under the categories of long distance, local, and product distribution and directory publishing — and you will see the details of the performance of these units in the financial section of this report, beginning on page 28.

But this approach may be too limiting, too much a habit of the status quo, because our future is not necessarily going to break down that way. Sprint already can be viewed as two companies — as a company aggressively growing its core businesses and as a company aggressively pursuing emerging opportunities, such as newly competitive local markets, PCS, Internet products and international markets. These new businesses will change the very nature and direction of the entire company. Therefore, I expect that we will further reshape our traditional business units as our technology, our brand strategy and our customers' needs change the way we define ourselves as a company.

If we are resourceful in rethinking who we are, what we do, and how we do it, I am certain that our potential is now greater than it has ever been. We will no longer be simply a local company, or a long distance company. Instead we will be your complete telecommunications company, providing a total package of communications services and products whether they be wireless or wired; voice, data or video; local, long distance or international. We are prepared to service all of the communications needs of our customers.

Income from Continuing Operations Increased 23% in 1996 (in millions)



Excludes nonrecurring items



Industry benchmark

"One long distance company (Sprint) figured out that the simplicity of one-rate pricing would bring customers flocking. Now, the concept is quickly changing the entire industry."

— Business Week, January 13, 1997



DELIVERING ON OUR PROMISES

We have delivered on our promises in 1996 to offer our services to a much broader marketplace.

■ We delivered on our promise to join a global venture. Global One started operations in 1996 and is generating revenues at a \$1 billion annual run rate.

■ We delivered on our promise to begin our buildout of PCS wireless service on a national scale. At year-end 1996, Sprint PCS offered service in eight markets and is on schedule to serve 65 markets by this time next year.

■ We delivered on our promise to position Sprint ahead of the competition in rapidly growing data markets. Already, Sprint has established itself as the undisputed leader in data communications and the market leader in most data categories.

Earnings Per Share from Continuing Operations increased 1% in 1996



Excludes nonrecurring items

But what is the cost of this promising future?

Accompanying the unprecedented opportunities are significant upfront costs. We face the costs of fulfilling the potential of wireless, the costs of increasing the capacity and installing new technologies on our fiber-optic network, the challenge of seizing the newly created opportunities to compete in local markets nationwide, and the normal costs of investing for tomorrow. As expected, some of these new initiatives, including the Global One and Sprint PCS ventures, experienced losses in 1996.

I expect earnings from our core businesses to continue to grow significantly. However, in the near term, our new initiatives will likely cause overall earnings per share to be below last year's level. You may say, "Oh, that's bad." Well, no, that's good, because it shows we have created worthwhile opportunities in which to invest for our future. We know that we must incur significant upfront costs to achieve success in our emerging businesses. So while earnings per share may temporarily go down, the important thing to remember is that they are going to go down for the right reasons — we will be building large future businesses that will be of great importance to our company, and should generate considerable shareholder value.

Your own future-oriented outlook as investors has allowed those of us in Sprint management to commit the company to the exciting new opportunities we see. The extraordinary path Sprint is pursuing also says a great deal about the caliber and confidence of the people who work at this company. Their vision, teamwork and dedication is remarkable. Like you, they believe in the future, and I am proud to work alongside them.

With our employees' continued creativity and your continued vision, Sprint has great and exciting days ahead.

Bill Eary

William T. Eary
Chairman and Chief Executive Officer
March 7, 1997

Making the Difference

Chairman and CEO Bill Eary (far right) joins Sprint employees representing all parts of our business. They are, from left, Lori Smith, Bill Randall, Sanjeev Sharma, Sue Fowler, Mark Edmunds, Rina Aggarwal, Eugene Agre, Cynthia Liu, Ross Marsh, Rudy Moreno, Susan Sarma, Cynthia Florio, Jeff Goergen and Joanne Rochel.

NATIONAL BRAND

We have made our brand stand for ...

*responsiveness
& simplicity.*

We have invested more than \$1 billion to create one of the most valuable assets a company can possess — a brand that will help deliver explosive growth.

In the last 10 years, a newly opened long distance market gave us the rare opportunity to create a new and widely known brand. This achievement serves Sprint well today, as the entire U.S. communications market deregulates.

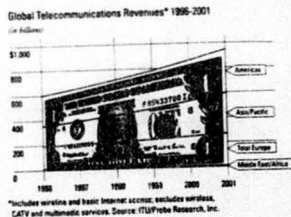
In these times of rapid change, the brand stands as a beacon to customers facing a proliferation of choice. Customers come to a familiar brand for quality and consistency. They rely on the brand to assure full service and a fair price. They look to the brand for assurance they will enjoy all the benefits of today's new technologies and products.

Be the mover

When Shannon Downer needs communications faster than she moves herself, she pushes the speed dial on her Sprint PCS™ phone in Portland, Oregon.

BURGEONING OPPORTUNITIES

By 2001, the global market for wireline telecommunications services alone is expected to approach \$1 trillion. Sprint is positioned to be one of a handful of communications companies with the resources and partnerships necessary to capture a significant share of both wireline and wireless markets worldwide.

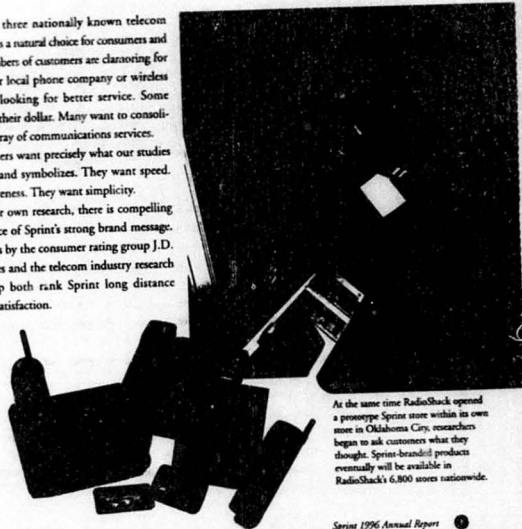


As one of only three nationally known telecom service brands, Sprint is a natural choice for consumers and businesses. Large numbers of customers are clamoring for an alternative to their local phone company or wireless provider. Some are looking for better service. Some want more value for their dollar. Many want to consolidate their growing array of communications services.

In fact, customers want precisely what our studies tell us the Sprint brand symbolizes. They want speed. They want responsiveness. They want simplicity.

Along with our own research, there is compelling independent evidence of Sprint's strong brand message. For example, surveys by the consumer rating group J.D. Power and Associates and the telecom industry research firm Yankee Group both rank Sprint long distance No. 1 in customer satisfaction.

Continued on next page



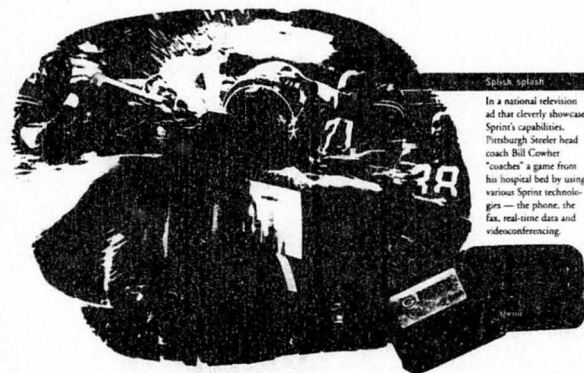
At the same time RadioShack opened a prototype Sprint store within its own store in Oklahoma City, researchers began to ask customers what they thought. Sprint-branded products eventually will be available in RadioShack's 6,800 stores nationwide.

Sprint 1996 Annual Report

NATIONAL BRAND

We have made our brand stand for speed, responsiveness and simplicity.

Continued from page 7



Splash, splash
In a national television ad that cleverly showcases Sprint's capabilities, Pittsburgh Steeler head coach Bill Cowher "coaches" a game from his hospital bed by using various Sprint technologies — the phone, the fax, real-time data and videoconferencing.

Marketing success stories such as Sprint Sense® and Fridays Free offer tangible proof of our brand's marketplace power. The simplicity of our Sprint Sense flat-rate, dime-a-minute calling plan has attracted record numbers of new residential customers for the long distance division. Sprint Business Sense® and Fridays Free are generating similar results among commercial customers.

Meanwhile, our local telephone companies in 19 states have retired their traditional names and adopted the Sprint identity. As a result, the Sprint brand now reinforces marketing across all our existing market segments.

This is only the beginning. Our objective is to leverage our brand to the fullest in new geographic and product markets.

The Sprint brand is pivotal to nationwide thrusts into the market for PCS wireless service and into newly competitive local telephone markets. The Sprint reputation also drives much of our growth in fast-expanding data markets. Among the data targets: Internet, Intranet and a variety of advanced switching applications.

An influential and respected brand packs even greater punch in combination with other high-powered names.

TELEMEDICINE: THE NEXT GENERATION

Saint Luke's-Shawnee Mission Health System didn't look for next-generation telemedicine and health data network services. The Kansas City-based hospitals signed a \$15 million agreement with Sprint in 1996 to develop a comprehensive healthcare network. It gives physicians, nurses and

administrators the ability to have a full complement of patient information at their fingertips. Healthcare is one of several niche markets Sprint is targeting. Others include education, entertainment/advertising, finance and government.

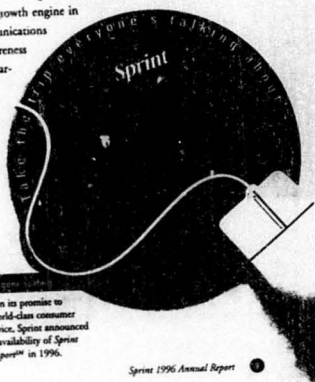


In the United States, we gained a savvy consumer marketing partner during the year in RadioShack. Sprint-branded pagers, long distance, wireless, Internet service and more will be sold in RadioShack stores nationwide, just a five-minute drive from home or work for 94% of the U.S. population. Combine this with other established distribution channels, and the Sprint brand is positioned to support sales at every level of customer awareness, through national advertising and in local communities.

Worldwide, Sprint is already well known as an international force, including our pioneering position as the developer of the world's largest integrated global data network, SprintNet®. By associating our brand with those of Deutsche Telekom and France Telecom through the Global One joint venture, we gain even more leverage on a global scale.

In the final analysis, our brand is a growth engine in and of itself. It helps us enter new communications markets, which helps ratchet up brand awareness all the more, in a self-reinforcing cycle of market penetration and reputation building.

Across consumer and business markets alike, Sprint is in all the right places as customers gain the opportunity to choose. Wherever they go they'll find Sprint — a name they can trust for every communications need.



Delivering on its promise to provide a world-class consumer Internet service, Sprint announced the general availability of Sprint Internet Passport™ in 1996.

Sprint 1996 Annual Report

CORE COMPETENCIES

We live and breathe the ...

long distance, local &

All the pieces are in place to deliver telecom's most comprehensive package — domestic and international long distance, local service, data transfer, Internet and wireless services.



To help generate record sales in 1996, Sprint sponsored small business seminars throughout the United States. In Washington, D.C., talk show host Larry King was a keynote speaker. *Friday's Free* calling delivers powerful incentives for small- and medium-sized businesses to use Sprint and become more productive and profitable.



To deliver in the 21st Century, a full-service company will need broad-based resources and knowledge. And the best kind of knowledge comes through first-hand experience. Sprint comes to the emerging market for integrated services with a solid and long-standing performance record in all major facets of telecommunications.

- We have in-depth knowledge of every major market segment, including consumer, business and government.
- We're a proven competitor in long distance.
- With local telephone companies across the United States, we know what local customers want and expect.
- We have extensive experience in providing wireless communications.
- We've been serving the international marketplace for more than a decade with what is now the world's largest global data network.
- We are an industry leader in both product distribution and directory publishing.

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SHE'S NO. 1 ... AGAIN

For the second year in a row, Sprint spokesperson Candice Bergen was ranked the nation's No. 1 celebrity endorser. In an annual survey, Video Storyboard Tests queries people across the country about the effectiveness and credibility of famous spokespeople in advertisements.

Ms. Bergen's humorous portrayal of the Dime Lady helped sales skyrocket for the dime-a-minute Sprint Sense® calling plan. For the first time, the Emmy Award-winning actress appeared in commercials designed to strengthen awareness of the Sprint brand in our local telephone markets.



wireless businesses.

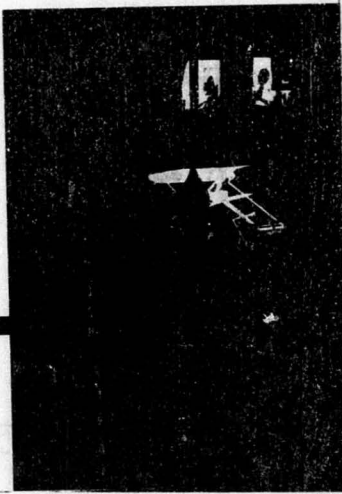
No company is better equipped to earn customer loyalty in the 21st Century.

Again and again we've led in bringing the most advanced data transmission technologies to the long distance marketplace. We lead all major local telephone companies in the percentage of customer lines served by digital switching. Through the Sprint PCS joint venture, we're joining our partners in building a nationwide wireless network based on unsurpassed digital technology.

Our approach: Blend this marketing and technological expertise to offer a complete selection of products and services, with full support — a package that makes communications simple, yet satisfies the most demanding and sophisticated of customers.

New market opportunities

A year ago, Comodoro, California, residents had only one choice in their local service. Since the passage of the Telecommunications Act of 1996, California residents in select communities have the opportunity to become Sprint local service customers. California is one of the first true battlegrounds for competitive local service in the United States.



STRATEGIC ALLIANCES

We have ...

leveraged our
to become
global

We've matched our experienced, diverse work force with the world's best partners. We will deliver an unparalleled level of quality and value.



"Here's the action!"
Frankfurt, Germany, is home to the Network Operations Control Center for Global One's massive worldwide telecommunications network.

To qualify as a premier full-service provider of integrated communications, today's competitor must extend its reach on a scale never before imagined. The resources required are massive, but achievable, if you select the right strategic partners.

Well-structured alliances enable us to fully leverage the solid market position Sprint has established for itself both domestically and internationally.

For example, critical new opportunities abound in expanding international markets. Sprint is fully engaged globally, with multifaceted strategies aimed at rapidly growing markets worldwide.

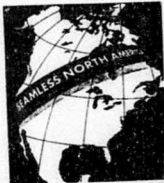
- To most efficiently deploy our resources, Sprint looks to those countries where we already have established relationships and where we can most easily apply our technological know-how.



A GROWING MARKET IN NORTH AMERICA

More than 28% of United States international trade is with its closest neighbors, Canada and Mexico. Sprint's North American strategy is to serve this growing market with a comprehensive array of voice, video and data services designed to simplify cross-border communications. Sprint-branded products and services are available in Canada through our equity

participation in Sprint Canada and in Mexico through a separate strategic alliance with Telefonos de Mexico (Telmex), Mexico's largest communications company. Sprint and its partners are positioned as the provider of choice for businesses operating in the area covered by the North American Free Trade Agreement (NAFTA).



force.

- To increase traffic on our domestic nationwide network, Sprint is targeting investment opportunities in countries with substantial long distance traffic to and from the United States. This approach adds profitable revenues while it also benefits our domestic customers who do business internationally.
- To ensure a balanced investment portfolio, we seek opportunities in both mature telecom markets opening to competition and in markets with lower telecom penetration but outstanding growth prospects.

More often than not, these investments involve alliances with other telecom providers.

Continued on next page



Sprint PCS engineer Dennis Hynes has a bird's-eye view of New York City while installing an antenna to accommodate a wireless revolution that will become a higher quality, more secure replacement for cellular communication.

Sprint 1996 Annual Report 11

STRATEGIC ALLIANCES

We have leveraged our resources to become a global force.

Continued from page 13

Sprint's North American presence features strategic alliances in both Canada and Mexico. These include a 25% interest in Call-Net Enterprises, which markets under the name Sprint Canada. Sprint also has an alliance to develop and provide cross-border services with Telefonos de Mexico (Telmex), Mexico's largest telecommunications carrier.

Our most far-reaching alliance by far is Global One. This worldwide partnership of Deutsche Telekom, France Telecom and Sprint takes the idea of global service to a new level. Unlike most other alliances, Global One is a company unto itself, with its own network and staff, serving consumers, businesses and other telecom carriers. It has the resources and the flexibility needed to bring true single-source global communications to customers of varying size and requirements.

Global One has met the criteria Sprint sets for its alliance commitments: strong, committed partners, minimal duplication of resources among the partners and maximal opportunities to penetrate new markets.

With Global One, Sprint and its partners retain control over their own domestic market agendas, along with freedom to pursue individual international initiatives outside the venture's scope. Within the venture, the partners achieve efficiencies by combining many of their international assets; they tap into valuable knowledge of markets and cultures worldwide; and they associate their brands with a comprehensive international business.

The venture also brought the infusion of new capital into Sprint, as Deutsche Telekom and France Telecom invested \$3.7 billion to acquire a 20% stake in Sprint.

In the United States market, we have a 40% interest in a partnership to provide nationwide personal communication services, or PCS. Marketing under the Sprint brand, the venture is aggressively introducing the replacement for traditional cellular communications.

With an investment of more than \$3.2 billion for PCS licenses and network construction, the capital required is substantial. Our strategic alliance with three of the nation's largest cable television companies offered an opportunity to share these upfront costs.



Sprint is leveraging its strong relationship with China Unicom and others to pursue worldwide telecommunications opportunities throughout Asia rapidly developing markets. A Sprint venture in Tianjin, China, involves construction of a modern local telephone network that will be capable of serving up to 300,000 customers in a city of 9 million.

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ANOTHER SPRINT MILESTONE

Sprint International's Julie D'Agostino, right, is a board member of Barak I.T.C., an international consortium that was awarded one of Israel's two alternative carrier licenses in 1996. The award represents the first direct

joint equity investment made since Sprint joined Deutsche Telekom and France Telecom in the Global One partnership early last year. Barak will be a model for similar efforts by the global partners throughout the world.



With the number of U.S. wireless subscribers expected to more than triple by 2005, the investment can yield extraordinary returns.

Sprint PCS will approach this market as the only wireless operator with the ability to provide 100% nationwide, 100% digital PCS service, using a single technology throughout the United States. As a result, customers will enjoy clearer, more secure and more convenient communications. In addition to marketing wireless service and phones through Sprint PCS CentersSM, the venture will also benefit from Sprint's marketing alliance with RadioShack, which includes Sprint PCS among products to be sold through RadioShack stores nationwide.

Both domestically and internationally, our strategic partners and marketing alliances give Sprint extended power to increase profitable market share and build shareholder value.



Sprint 1996 Annual Report

35

MOBILIZED ORGANIZATIONS

We are ...

our assets to *serve* an

Sprint is crossing traditional boundaries by mobilizing its organizations to provide a new kind of seamless, integrated service.



The Sprint team is seizing its advantage by systematically realigning our organization and our thinking.

We have two priorities. One is to sustain and grow our existing businesses. The other is to capitalize on those businesses as we explore new sources of revenues and earnings.

In the past, many of our business units operated independently to satisfy the requirements of regulation. Now they're learning to function as an integrated whole. And that has positive implications for customers and for shareholders.

Sprint will gain increased efficiencies as we continue to consolidate billing systems, customer service and other internal operations where it makes business sense.

It's just that simple.

Sprint represents speed, responsiveness and simplicity under one brand. Whether it's the new era of wireless service from Sprint PCS — or local, long distance, Internet or paging — you can simplify your life with Sprint.



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CONSOLIDATING FOR EFFICIENCY

Business process improvement is a Sprint priority. Continuing to increase efficiency and value of customer support operations, Sprint is creating two consolidated mainframe computer centers (in the metro Dallas and Kansas City areas) to support Sprint's centralized data processing needs.

To serve the customer billing needs of its local and long distance divisions, Sprint also has created three state-of-the-art mailing services centers — in Lenexa, Kansas; in Sacramento, California; and in Apopka, Florida, shown here with operations technician Tommy Bersinger.



evolving marketplace.

Sprint will have an edge in serving customers as our business units gain greater access to one another's advanced technologies.

Sprint will be an innovator in developing integrated service packages as we draw on the specialized expertise already present in our business units and among our strategic partners.

Most of all, Sprint will gain remarkable marketing leverage. We are in position to take full advantage of our simultaneous exposure to customers on a local, national and global scale, as we move quickly to cross-market under a single brand.

Across the board, this is a company that is well positioned and well prepared to create increasing value for its investors.

Pictured below, from left, are Sprint Business service representatives Valerie Sanderson, Pat Dawson, Mohammed Mohammed, Molly Contreras, Donna Clayton, Allyn Tyler-Shaw and Mae Hawkins.



We're No. 1

According to the J.D. Power Survey in 1996, Sprint led the long distance industry in overall customer satisfaction. Sprint employees in Dallas' Customer Service Center rank exceptional customer satisfaction as their highest goal.

11

1996 YEAR IN REVIEW

Sprint.

The proof is ...
in the

performance.

There has been speculation about Sprint's ability to deliver. 1996 put that to rest ... forever.

Extending the brand

The Sprint brand was extended to include more than 7 million local telephone customers in 1996. Signs like this one at the home of the Orlando Solar Bears are pervasive throughout Sprint's local service territories.

Targeting a market

Sprint accelerated its marketing efforts in 1996 to attract college students, who move quickly ... and make every dime count.

10 Sprint 1996 Annual Report

evolving marketplace.

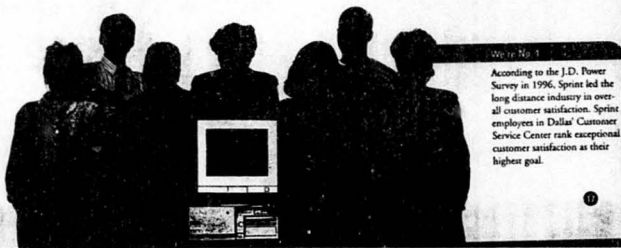
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Turnpoint's market

Sprint accelerated its marketing efforts in 1996 to attract college students, who move quickly ... and make every dime count.

11 Sprint 1996 Annual Report

Helping a glover

With Sprint PCS, Joe Salas is never out of touch, even when the field supervisor for Wayona Farms Foods checks a peach orchard like this one in Clovis, California.

ance.

Starting a business

Two brands that represent quality — Sprint and Sony — grace Sprint PCS Phones™. This marks the first time Sony has co-branded with a telecommunications company.

10

The media representatives who covered the 1996 Republican and Democratic national conventions enjoyed a Presidential Sprint FORWARD, commemorating the events in San Diego and Chicago.

Unprecedented Service

Sprint PCS, which will provide one wireless service, using one technology, marketed under one brand on a national scale, is an unprecedented offering. The notion of someone traveling from Los Angeles to New York with service features that work the same in each market will become a reality on a truly nationwide scale.

1996 YEAR IN REVIEW

Helping to define a new landscape

Despite the doubters, Sprint took a giant technological leap 10 years ago, with our investment in a nationwide network designed for advanced communications. Today, we have the resources, the know-how and the balance sheet needed to take full advantage of revolutionary competitive opportunities. Whether it's PCS, newly competitive local markets or selected international markets, Sprint is ready to deliver.

First steps

Sprint PCS has taken its first steps into the national wireless market. Geographic scope for Sprint-branded PCS will increase dramatically in the years ahead with coverage that includes nearly 260 million people across the United States, Puerto Rico and the U.S. Virgin Islands.



The proof
is in the
performance.

Continued from page 19

New local customers

Increased bandwidth at competitive prices was key in Segate Software's selecting Sprint for local service and advanced data and Internet capabilities near Orlando. From left are Segate's Ben Hill and Martin Palacios and Sprint's Paul Ryan.



Small business solution

Meredith Huggard — who runs the Merry Inn Bed and Breakfast in the Poconos with husband Christopher — had a simple problem. She turned to Sprint's Business Solutions Center in Louisville for the answer. An 800 number that followed Meredith on her cellular phone and a fax machine helped her business do more business.



ance.

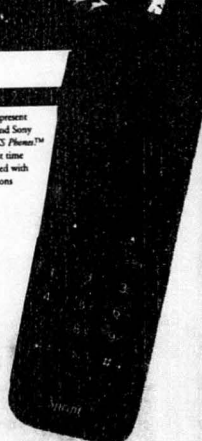


Sharing our past

Two brands that represent quality — Sprint and Sony — grace Sprint PCS Phones™. This marks the first time Sony has co-branded with a telecommunications company.

Whispering our past

The media representatives who covered the 1996 Republican and Democratic national conventions enjoyed a Presidential Series FORWARD, commemorating the events in San Diego and Chicago.



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Sprint 1996 Annual Report

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○ Sprint PCS Phase 1 market areas
85 markets in 1997

The proof is in the performance.

Continued from page 19

New local customers

Increased bandwidth at competitive prices was key in Seagate Software's selecting Sprint for local service and advanced data and Internet capabilities near Orlando. From left are Seagate's Ben Hui and Martin Palacios and Sprint's Paul Ryan.



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PCS Centers

Sprint PCS Centers™ will sell wireless service and PCS phones in markets nationwide throughout 1997. This PCS store in San Diego opened in December 1996.

PROFITS

QUARTER

Over the top

"Taking you over the top" was the theme of Sprint's Business Callers Plus Rewards and Benefits Program in 1996.

NFL experience

These youngsters were among thousands who attended a massive NFL Experience Exhibit co-sponsored by Sprint and Coca-Cola at the 1997 Super Bowl.

RICE
80

1996 YEAR IN REVIEW

The proof
is in the
performance.

Continued from page 21

Best bet in Vegas

Sprint is the only telecommunications company endorsed by the American Hotel & Motel Association. Sprint has a 57% telecommunications market share among Las Vegas' hotels, motels and casinos.

Mission accomplished

In 1996, NASA selected Sprint over AT&T for advanced network integration and transport services. Sprint will provide real-time support for NASA space missions.

At your fingertips

Thanks to a Sprint innovation in 1996, customers can withdraw more than just cash from an automated teller machine. At your fingertips is Sprint ATM™, a prepaid calling card voucher sold throughout the country.



PROFITS

QUARTER

Winning the top

"Taking you over the top" was the theme of Sprint's Business Caller's Plus Rewards and Benefit Program in 1996.

NFL experience

These youngsters were among thousands who attended a massive NFL Experience Exhibit co-sponsored by Sprint and Coca-Cola at the 1997 Super Bowl.

RICE 80

Mission accomplished

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Sprint ATM

YOU HAVE PURCHASED \$10 OF SPRINT PREPAID LONG DISTANCE

• TO PLACE CALLS:
1. DIAL 1-800-XXX-XXXX.
2. AT PROMPT ENTER 000-000-0000.
3. FOLLOW PROMPTS TO PLACE CALLS.
• NEXT CALL PRESS 1
• SECOND FOLLOW PROMPTS TO CUSTOMER SERVICE (24 HR)
1-800-344-2707
BATCH: 00000000
Expires: 01/01/97

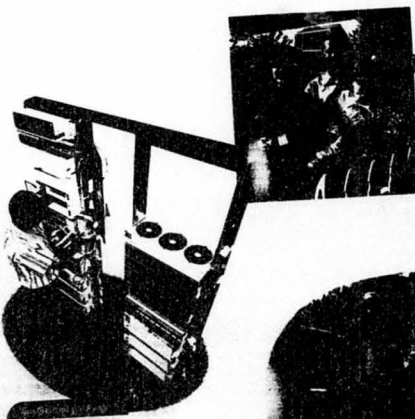
At your fingertips

Thanks to a Sprint innovation in 1996, customers can withdraw more than just cash from an automated teller machine. At your fingertips is Sprint ATM™, a prepaid calling card voucher sold throughout the country.

Sprint

World's foremost data provider

Sprint is the world's foremost provider of advanced data communication services, enabling companies worldwide to enhance their performance. An analysis by International Data Corporation in 1996 verified Sprint's overall market leadership. Data represents the fastest-growing segment of Sprint's business.



From engineering to installation, Sprint North Supply has the expertise and the systems to deliver a customized package of electronic communications solutions. For one order and one invoice, call 1-800-755-3094.

Sales force automation

Sales force automation is making Sprint Publishing & Advertising sales representatives like Carla Carter (foreground) more productive in serving such clients as Michele Seiber, owner of the Prestige Hair Salon in Worth, Illinois, a Chicago suburb.

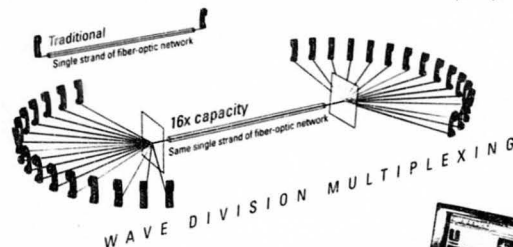
Smart delivery

Competition for local telephone service is now a reality in California. Dr. Tammy Hayton and Dr. Bruce Hayton (with daughter, Holly) of Fallbrook, California, selected Sprint for both local and long distance service.

1996 YEAR IN REVIEW

The proof is in the performance.

Continued from page 23



Bandwidth blowout

That was the headline in a *CommunicationsWeek* cover story touting a major technological advancement from Ciena Corporation — wave division multiplexing, which will allow Sprint to increase the capacity on its long distance network by 16 times.

Powerhouse data tips

Over the past five years, Sprint has helped Unilever build an advanced global data network. Unilever, a London and Rotterdam-based conglomerate with 308,000 employees and business operations in more than 90 countries, is a Global One customer.



Marketing partners

Virgin Atlantic Airways joined forces with Sprint in 1996, offering frequent flyer miles to its passengers who switched to Sprint long distance.

Record growth for Sprint Sense®

After a solid 1995 product launch, Sprint Sense continued to achieve record revenues in '96, becoming the most successful consumer product in Sprint's history. In two years, the simple dime-a-minute Sprint Sense rate has changed the industry, helping Sprint's long distance growth rate increase three times faster than AT&T's growth rate in 1996.

This Spree
Giveaway will
blow you away!

DANTE'S
DEATH

One of a Kind Network

In the 1996 making of blockbuster *Dante's Peak*, Sprint helped Universal Studios use our multimedia network called *Drawn*.[®] The product allows film-makers to make good, fast and profitable editing decisions in real time — even though they may be thousands of miles apart.

Game Day

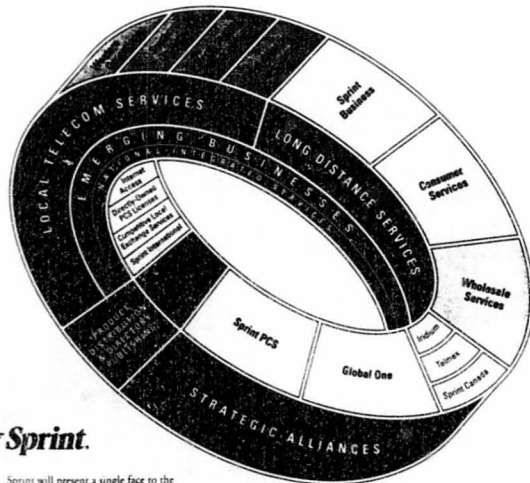
Sprint — the official telecommunications provider to the NFL and its member teams — unleashed a season-long *Sprint Sensé Dime Blitz* in 1996. The promotion allowed these Dallas Cowboy fans the chance to fly to a game in Chicago for just dimes in air fare and game tickets.

SPRINT AT A GLANCE

We are ...

... **for**
than the **sum**
of our **parts.**

Nimble, connected businesses focused on listening to the marketplace ... and delivering.



Sprint will present a single face to the customer across our growing existing markets and in burgeoning new wireline and wireless markets, both domestically and internationally.

CORE BUSINESSES

LONG DISTANCE SERVICES

See pages 25-28

Sprint's long-distance division provides voice, video and data services to more than 8 million residential, business and government customers. The company operates the only nationwide 100% digital, fiber-optic network in the United States.

Sprint Business products include Dial 1, toll-free services, FONCARD™ VPN, Internet networking, messaging, fax, videoconferencing, interactive services and prepaid cards. Advanced data services include Asynchronous

Transfer Mode (ATM), Frame Relay, LAN/WAN internet-working services, transaction services, private line and switched data services.

The **Consumer Services Group** offers Sprint Sense® flat-rate calling plus other plans. Other services include FONCARD, toll-free service, paging and prepaid cards.

The **Wholesale Services Group** provides products designed for facilities-based and non-facilities-based resellers. Included are toll-free and calling card services.

LOCAL TELECOMMUNICATIONS SERVICES

See pages 27-28

Sprint provides local telephone service through more than 7 million customer lines in 19 states.

Local customers are served through four regional units: Sprint's **Mid-Atlantic Operations**, **North Central Operations**, **Southern Operations** and **Western Operations**.

Products for residential customers include a variety of enhanced services (such as Call Waiting on Caller ID), and telephone equipment.

Local business customers turn to Sprint for a full range of telecommunications solutions, including fax, network-based services and customer premises equipment.

Advanced data services include ATM, Frame Relay, analog and digital private line, and analog and digital switched services such as Integrated Services Digital Network.

PRODUCT DISTRIBUTION AND DIRECTORY PUBLISHING

See page 28

Sprint North Supply is one of the nation's largest wholesale distributors of voice, data and tel.-conferencing equipment and security and alarm systems. The company serves telecommunications companies, product resellers, cable television companies, and security and alarm dealers.

Sprint Publishing & Advertising is the nation's 10th largest Yellow Pages publisher. The company publishes 329 telephone directories with an annual circulation of more than 17 million across 20 states.

EMERGING BUSINESSES

See page 28

Sprint's emerging businesses segment consists of:

- Competitive local exchange carrier services offered through **National Integrated Services**.
- International development activities outside the scope of Global One offered through **Sprint International**.
- Personal communication services controlled by Sprint.
- Consumer Internet access services.

STRATEGIC ALLIANCES

See pages 29-31

Sprint PCS

This venture will provide the nation's first single technology, all digital state-of-the-art, wireless network to provide PCS across the United States.

Global One

The Global One worldwide partnership offers a single source for the voice and data needs of businesses, carriers and consumers around the world.

North America

Sprint will create a seamless platform of cross-border communications services through its interest in Sprint Canada and a separate strategic alliance with Telefonos de Mexico (Telcel).

Other

Sprint is a participant in Iridium, Motorola's satellite-based wireless communications network.

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Selected Financial Data

(in millions, except per share data)

	1996	1995	1994	1993	1992
Results of Operations					
Net operating revenues	\$ 14,044.7	\$ 12,765.1	\$ 11,986.6	\$ 10,914.7	\$ 10,105.7
Operating income ⁽¹⁾	2,267.2	1,834.3	1,690.7	1,214.1	1,199.8
Income from continuing operations ^{(1),(2)}	1,190.9	946.1	899.2	517.1	550.6
Earnings per common share from continuing operations ^{(1),(2)}	2.79	2.69	2.57	1.50	1.62
Dividends per common share	1.00	1.00	1.00	1.00	1.00
Financial Position					
Total assets	\$ 16,953.0	\$ 15,195.9	\$ 14,547.5	\$ 13,898.1	\$ 13,431.7
Property, plant and equipment, net	10,464.1	9,715.8	10,258.8	9,883.1	9,895.6
Total debt (including short-term borrowings)	3,280.6	5,677.4	4,937.2	5,094.4	5,442.7
Redeemable preferred stock	11.8	32.5	37.1	38.6	40.2
Common stock and other shareholders' equity	8,519.9	4,642.6	4,524.8	3,918.3	3,971.6
Cash Flow Data					
Cash from operating activities - continuing operations ⁽³⁾	\$ 2,403.6	\$ 2,609.6	\$ 2,339.6	\$ 2,007.8	\$ 2,397.3
Capital expenditures	2,433.6	1,857.3	1,751.6	1,429.8	1,342.4

⁽¹⁾ During 1996, Sprint recorded a nonrecurring charge of \$60 million related to litigation within the long distance division. This charge reduced income from continuing operations by \$36 million (\$0.08 per share).

During 1995, Sprint recorded a nonrecurring charge of \$88 million related to a restructuring within the local division. This charge reduced income from continuing operations by \$55 million (\$0.16 per share).

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

⁽²⁾ During 1994, Sprint sold an investment in equity securities, realizing a gain of \$55 million, which increased income from continuing operations by \$22 million (\$0.06 per share).

During 1993, due to the enactment of the Revenue Reconciliation Act of 1993, Sprint adjusted its deferred income tax assets and liabilities to reflect the increased tax rate. This adjustment reduced income from continuing operations by \$11 million (\$0.03 per share).

During 1992, Sprint recognized gains related to sales of certain local telephone properties, which increased income from continuing operations by \$44 million (\$0.13 per share).

⁽³⁾ The 1996 amount was reduced by \$600 million for cash required to terminate an accounts receivable sales agreement. The 1992 amount includes \$100 million of cash proceeds from the sale of accounts receivable.

Review of Consolidated Results of Operations

General

Sprint Corporation and its subsidiaries (Sprint) include certain estimates, projections and other forward-looking statements in its reports, presentations to analysts and others, and 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 that 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 Sprint operates;
- the cost of entering new markets necessary to provide seamless services;
- the risks associated with Sprint's investments in Sprint Spectrum L.P. (Sprint PCS) and Global One, which are presently in the early stages of development;
- the impacts of any unusual items resulting from ongoing evaluations of Sprint's business strategies;
- requirements imposed on Sprint and its competitors by the Federal Communications Commission (FCC) and state regulatory commissions under the Telecommunications Act of 1996;
- unexpected results of litigation filed against Sprint; and
- the possibility of one or more of the markets in which Sprint competes being affected by variations in political, economic or other factors such as monetary policy, legal and regulatory changes or other external factors over which Sprint has no control.

Sprint's principal activities consist of the following:

Long Distance Communications Services

The long distance communications services division is the nation's third-largest long distance telephone company. It operates a nationwide, all-digital long distance communications network that uses state-of-the-art fiber-optic and electronic technology. The division primarily provides domestic and international voice, video and data communications services. The division offers its services to the public subject to different levels of state and federal regulation, but rates are not subject to rate-base regulation except nominally in some states.

Local Communications Services

The local communications services division consists of regulated local exchange carriers (LECs) that serve more than seven million access lines in 19 states. The division provides local exchange services, access by telephone customers and other carriers to Sprint's local exchange facilities, sales of telecommunications equipment, and long distance services within specified geographical areas.

Emerging Businesses

Emerging businesses consists of consumer Internet access services, competitive local exchange carrier (CLEC) services, international development activities (outside the scope of Global One), and personal communication services (PCS) controlled by Sprint.

Product Distribution and Directory Publishing

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.

Strategic Alliances

Global One — Sprint is a partner in Global One, a joint venture with Deutsche Telekom AG (DT) and France Telecom (FT) to provide seamless global telecommunications services to business, residential and carrier markets worldwide. Sprint is a one-third partner in Global One's operating group serving Europe (excluding France and Germany), and is a 50% partner in Global One's operating group for the worldwide activities outside the United States and Europe.

In connection with the formation of the Global One joint venture on January 31, 1996, the long distance division contributed certain assets and related operations of its international business unit to Global One.

On January 31, 1996, DT and FT acquired shares of a new class of Sprint convertible preference stock for a total of \$3.0 billion. This resulted in DT and FT each holding 7.5% of Sprint's voting power. In April 1996, following the March 1996 spin-off of Sprint's cellular and wireless communications services division (Cellular), the preference stock was converted into Sprint Class A common stock, and DT and FT each acquired additional shares of Class A common stock. Following their

total investment of \$3.7 billion. DT and FT each own shares of Class A common stock with 10% of Sprint's voting power. See Note 7 of Notes to Consolidated Financial Statements for further information.

Sprint PCS — Sprint is a 40% partner in Sprint PCS, a partnership with Tele-Communications Inc., Comcast Corporation and Cox Communications, Inc. Sprint PCS is building the nation's first single technology, all digital, state-of-the-art, wireless network to provide PCS across the United States. PCS uses digital technology, which has sound quality superior to existing cellular technology and is less susceptible to interference and eavesdropping. In addition, PCS offers additional features, such as paging, voice mail, Caller ID and data transmission.

Through 1996, the four partners had invested more than \$3.2 billion in Sprint PCS to fund the acquisition of licenses and the related network buildout.

During December 1996, Sprint PCS launched service in the first of 65 metropolitan markets. Sprint PCS expects to complete this first phase in 1997 and have service in markets covering nearly 100 million people by early 1998. Sprint PCS, through its affiliate, American Personal Communications (APC), launched the nation's first PCS system in the Washington, D.C., and Baltimore, Maryland, areas in November 1995.

As part of an overall strategy to increase PCS coverage, Sprint directly acquired the rights to PCS licenses in the FCC's most recent auction. The licenses cover 130 markets across the United States reaching a total population of 70 million people. Sprint expects to affiliate these licenses with Sprint PCS. With this affiliation, licensed coverage for Sprint-branded PCS will include nearly 260 million people across the United States, Puerto Rico and the U.S. Virgin Islands.

Beginning in 1996, discussions have taken place among the partners concerning the possible restructuring of their interests in Sprint PCS. Although discussions have continued, there is no certainty these discussions will result in any change to the partnership structure.

Telecommunications Law

The Telecommunications Act of 1996 (the Act), which was signed into law in February 1996, promotes

competition in all aspects of telecommunications. Of particular relevance to Sprint, the Act eliminates legal and regulatory barriers to entry into local telephone markets and requires incumbent LECs, among other things, to allow local resale at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to unbundled network elements and allow collocation of interconnection equipment by competitors. The Act also allows Bell Operating Companies (BOCs) to provide in-region long distance service once they obtain state certification of compliance with a competitive "checklist," have a facilities-based competitor, and obtain an FCC ruling that the provision of in-region long distance service is in the public interest. As part of its public interest inquiry, the FCC must solicit the views of the Department of Justice and give those views substantial weight.

The FCC adopted detailed rules in August 1996 to govern interconnection to incumbent local networks by new market entrants. Some LECs and state public service commissions appealed these rules to the U.S. Court of Appeals, which stayed some of the pricing rules pending full review by the court. A court decision is expected in mid-1997.

The FCC is also expected to issue decisions in 1997 on two related matters critical to local competition — universal service reform and access reform. Currently, local rates are subsidized through implicit subsidies, such as above-cost access charges imposed on long distance companies for connections to local customers. The purpose of universal service reform is to establish an explicit subsidy mechanism to replace the current implicit subsidies. Access reform will change the structure and level of access charges and will determine the degree of regulatory oversight for those charges.

The impact of the Act on Sprint cannot be determined because the rules for local competition are still being decided by regulators and the courts. Sprint intends to provide CLEC service and has filed for certification in most states in anticipation of the opening of local markets to competition. This CLEC activity is important to Sprint both from offensive and defensive perspectives because it will allow customers to look to Sprint for all their telecommunications needs. Because of high development costs, however, CLEC activities are unlikely to be profitable for the first few years.

In those areas where Sprint is the incumbent LEC, local competition is expected to eventually result in

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some loss of market share. However, because Sprint's LEC operations are geographically dispersed and largely in rural markets, local competition is expected to occur more gradually. Entry is most likely to be through the resale of Sprint LEC services or through the purchase of Sprint LEC unbundled network elements. This will allow Sprint to retain revenue for customers lost to CLEC competition.

The impact of local competition is also dependent on the outcome of the universal service reform and access reform dockets at the FCC. While Sprint has presented a proposal to the FCC that fairly balances the conflicting interests of industry participants, Sprint cannot predict what the FCC will do. If regulators were to require an immediate reduction in access subsidies flowing to local service without offsetting universal service support or giving LECs an opportunity to re-balance local rates, Sprint's local division would be adversely impacted. On the other hand, a reduction in access charges would benefit Sprint's long distance division (and other long distance companies) because access charges are the largest single cost of providing long distance service. Long distance companies should benefit from lower access charges even if these lower rates are flowed through to customers because lower long distance prices will likely stimulate additional demand.

Several BOCs claim that they meet the competitive checklist and will seek FCC approval to offer in-region long distance service in 1997. Given the absence of local competition ground rules and the absence of any meaningful local competition, Sprint believes these applications are premature. However, even if BOCs were to get authority to offer in-region long distance services, it is likely that any loss of Sprint customers at the retail level would be offset since Sprint is the underlying network provider to at least three of the seven regional Bell operating companies.

Spin-off of Cellular Division

In March 1996, Sprint completed the tax-free spin-off of Cellular (Spin-off) to Sprint common shareholders. The Spin-off was effected by distributing all shares of Cellular common stock to all of Sprint's common shareholders at a rate of one Cellular common share for every three Sprint common shares held. In connection with the

Spin-off, Cellular repaid \$1.4 billion of intercompany debt owed to Sprint. In addition, Sprint contributed to the equity capital of Cellular \$185 million of debt owed by Cellular in excess of the amount repaid. This equity contribution, together with Sprint's previous investments in Cellular, resulted in Sprint's net investment in Cellular totaling \$260 million at the date of the Spin-off.

Results of Operations

Consolidated

Sprint's two primary divisions — long distance and local — generated record levels of net operating revenues and improved operating results in 1996. The long distance division generated a 20% growth in traffic volumes in 1996, and the number of access lines served by the local division grew 5.6%.

Total net operating revenues for 1996 were \$14.0 billion, a 10% increase from \$12.8 billion in 1995. Total net operating revenues for 1994 were \$12.0 billion. Income from continuing operations was \$1.2 billion (\$2.79 per share) for 1996 compared with \$946 million (\$2.69 per share) for 1995 and \$899 million (\$2.57 per share) for 1994. Income from continuing operations for 1996 includes a charge related to litigation in the long distance division (\$0.08 per share), while 1995 includes a charge for restructuring within the local division (\$0.16 per share). Income from continuing operations for 1994 includes a gain on the sale of an investment in equity securities (\$0.06 per share).

Nonoperating Items

Interest Expense

Interest costs consist of the following:

(in millions)	1996	1995	1994
Interest expense from continuing operations	\$ 196.7	\$ 260.7	\$ 360.7
Interest expense related to Cellular ⁽¹⁾	21.5	124.0	97.3
Capitalized interest costs	104.0	57.0	7.5
Total interest costs	\$ 322.2	\$ 441.7	\$ 465.5
Average debt outstanding	\$3,664.9	\$3,503.2	\$4,900.7
Effective interest rate	8.9%	8.0%	8.3%

⁽¹⁾ Interest expense related to Cellular is included in "Discontinued operations, net" on the Consolidated Statements of Income.

Sprint's average debt outstanding decreased \$1.9 billion in 1996, generally due to repayments funded by a portion of the cash received from DT and FT for their equity investments in Sprint and from Cellular's repayment of intercompany debt in connection with the Spin-off. In 1995, Sprint's average debt outstanding increased by \$605 million, mainly due to short-term borrowings incurred to fund investments in Sprint PCS.

Sprint capitalizes interest costs on borrowings related to its investment in Sprint PCS. Capitalized interest costs increased in 1996 and 1995 due to Sprint's increased investment in Sprint PCS. Sprint will continue to capitalize these interest costs until Sprint PCS is no longer in the development stage. Sprint does not expect that Sprint PCS will meet the criteria of a development stage company beyond mid-1997.

Beginning in 1997, Sprint expects to capitalize interest costs related to the investment in PCS licenses directly acquired by Sprint and the related network buildout.

Sprint's effective interest rate increased to 8.9% in 1996 from 8.0% in 1995 mainly due to the decrease in short-term borrowings as a percentage of total borrowings.

Other Expense, Net

Other income (expense) consists of the following:

(in millions)	1996	1995	1994
Equity in loss of Sprint PCS	\$ (191.8)	\$ (31.4)	\$ (1.3)
Equity in loss of Global One and related venture costs	(82.1)	(22.9)	(6.1)
Dividend and interest income	99.7	12.6	14.4
Gains on sales of assets	15.9	—	34.7
Loss on sales of accounts receivable	(4.2)	(38.6)	(28.7)
Other, net	3.9	(12.9)	(15.1)
Total other expense, net	\$ (158.6)	\$ (93.2)	\$ (2.1)

Income Tax Provision

Sprint's income tax provisions for 1996, 1995 and 1994 resulted in effective tax rates of 37.7%, 36.1% and 35.2%, respectively. See Note 4 of Notes to Consolidated Financial Statements for information regarding the differences that cause the effective income tax rates to vary from the statutory federal income tax rate.

Discontinued Operations

During 1996, 1995 and 1994, Sprint recognized income (losses) of \$(3), \$15, and \$(16) million, respectively, associated with its investment in Cellular, which was spun off to Sprint common shareholders in March 1996 (see Note 12 of Notes to Consolidated Financial Statements). During 1994, Sprint also recognized income of \$7 million for the settlement of matters related to another discontinued operation.

Extraordinary Items

During 1996, Sprint redeemed, prior to maturity, \$190 million of debt with interest rates ranging from 6.0% to 9.5%. These early redemptions resulted in a \$5 million (\$0.01 per share) after-tax loss.

At year-end 1995, 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 (see Note 11 of Notes to Consolidated Financial Statements). SFAS 71 requires the accounting recognition of regulators' rate actions where appropriate. Sprint determined that the local division no longer met the criteria for applying SFAS 71 due to changes in the regulatory framework and the evolving competitive environment. As a result, Sprint recorded an after-tax, noncash, extraordinary charge of \$565 million (\$1.61 per share).

Consolidated Statements of Income

Years ended December 31,

(in millions, except per share data)

	1996	1995	1994
Net Operating Revenues	\$ 14,044.7	\$ 12,765.1	\$ 11,986.6
Operating Expenses			
Costs of services and products	7,028.7	6,504.9	6,154.5
Selling, general and administrative	3,157.8	2,871.9	2,755.4
Depreciation and amortization	1,591.0	1,466.4	1,386.0
Restructuring costs	—	87.6	—
Total operating expenses	11,777.5	10,930.8	10,295.9
Operating income	2,267.2	1,834.3	1,690.7
Interest expense	(196.7)	(260.7)	(300.7)
Other expense, net	(158.6)	(93.2)	(2.1)
Income from continuing operations before income taxes	1,911.9	1,480.4	1,387.9
Income tax provision	(721.0)	(534.3)	(488.7)
Income from Continuing Operations	1,190.9	946.1	899.2
Discontinued operations, net	(2.6)	14.5	(8.5)
Extraordinary items, net	(4.5)	(565.3)	—
Net income	1,183.8	395.3	890.7
Preferred stock dividends	(1.3)	(2.6)	(2.7)
Earnings applicable to common stock	\$ 1,182.5	\$ 392.7	\$ 888.0
Earnings per Common Share			
Continuing operations	\$ 2.79	\$ 2.69	\$ 2.57
Discontinued operations	—	0.04	(0.02)
Extraordinary items	(0.01)	(1.61)	—
Total	\$ 2.78	\$ 1.12	\$ 2.55
Weighted average number of common shares	426.0	350.1	348.7
Dividends per common share	\$ 1.00	\$ 1.00	\$ 1.00

See accompanying Notes to Consolidated Financial Statements.

Review of Segmental Results of Operations

Long Distance Communications Services

	1996	1995	1994
Net operating revenues	\$8,302.1	\$7,277.4	\$6,805.1
Operating expenses	3,722.7	3,102.7	2,994.5
Interconnection	1,051.8	1,046.6	925.4
Operations			
Selling, general and administrative	1,970.3	1,839.7	1,737.0
Depreciation and amortization	633.3	581.6	550.5
Total operating expenses	7,378.1	6,570.6	6,207.4
Operating income	\$ 924.0 ⁽¹⁾	\$ 706.8	\$ 597.7
Operating margin	11.1%	9.7%	8.8%
Capital expenditures	\$ 1,133.7	\$ 861.7	\$ 774.1
Identifiable assets	\$ 6,040.6	\$ 4,912.2	\$ 4,546.0

⁽¹⁾ Excluding the \$60 million charge related to litigation, operating income and margin for 1996 would have been \$984 million and 11.9%, respectively.

On January 31, 1996, the long distance division contributed certain international assets and related operations to Global One (the Contribution to Global One). Accordingly, the operating results of the contributed operations have been reflected in the division's operating results only through the date of contribution. The contribution had two significant effects on the division's operating results. First, revenue was reduced because customers of Sprint's international operations became Global One customers. Because Global One traffic carried by the division is priced on a wholesale, rather than retail, basis, the division's revenue yield related to these international customers declined. Second, operating expenses were reduced to the extent they related to contributed operations. Had the Contribution to Global One occurred on January 1, 1994, year-over-year operating income growth would have been an estimated 29% in 1996 (excluding the nonrecurring charge) versus 21% in 1995. The related operating margins would have been an estimated 12.0% in 1996 (excluding the nonrecurring charge), 10.9% in 1995 and 9.5% in 1994.

Operating Margin



Net operating revenues increased 14% in 1996 and 7% in 1995. Traffic volumes increased 20% and 7% in the same periods. Revenue growth was mainly driven by strong volume growth in the residential, business and wholesale markets and continued growth in the data services markets. Growth in the residential market reflects the continuing success of Sprint Sense,[®] a flat-rate calling plan. The small-to-medium business market, which experienced declining revenue during 1995,

Traffic Volume Growth



produced increased revenue in 1996. This improvement generally reflects the success of the Fridays Free calling plan, which experienced strong domestic and international volume growth. Growth in the data services market, which includes sales of capacity on Sprint's network to Internet service providers, reflects continued growth in demand and expanded service offerings. The wholesale market experienced strong growth in both the international and domestic markets. Growth in the wholesale international market was due, in part, to Global One traffic. These increases in 1996 revenues were partly offset by reduced long distance rates. Average long distance rates have declined due to increased competition both domestically and internationally, and due to Global One traffic being priced on a wholesale, rather than retail, basis. Had the Contribution to Global One occurred as of January 1, 1994, the division's year-over-year growth in net operating revenues would have been an estimated 17% in 1996 and 6% in 1995.

Interconnection costs consist of amounts paid to LECs, other domestic service providers, and foreign telephone companies to complete calls made by the division's domestic customers. Interconnection costs increased during 1996 and 1995 mainly due to strong growth in both international outbound and domestic traffic volumes. Interconnection costs were 44.8% of net operating revenues in 1996 versus 42.6% in 1995

Review of Segmental Results of Operations continued

and 44.0% in 1994. The 1996 increase in interconnection costs as a percentage of net operating revenues reflects changes in revenue mix, particularly the growth in international traffic. These factors were partly offset by reduced rates charged by other domestic and international carriers for connecting to their networks. In addition, this percentage relationship was affected in 1996 by reduced long distance rates and reduced revenue due to the Contribution to Global One. Had the contribution occurred as of January 1, 1994, interconnection costs as a percentage of net operating revenues would have been an estimated 45.0% in 1996, 43.9% in 1995 and 45.0% in 1994.

Operations expense consists of costs related to operating and maintaining the long distance network; costs of providing various services such as operator services, public pay phones, telecommunications services for the hearing impaired, and video teleconferencing; and costs of data system sales. Operations expense increased less than 1% in 1996 and 13% in 1995. These increases were mainly due to overall revenue growth. The 1996 increase was offset by the Contribution to Global One. Had the contribution occurred as of January 1, 1994, operations expense would have increased an estimated 17% in 1996 and 6% in 1995. As a percentage of net operating revenues, operations expense would have been an estimated 12.5% in 1996, 12.4% in 1995 and 12.5% in 1994.

Selling, general and administrative (SG&A) expense increased 7% in 1996 and 6% in 1995. The 1996 increase reflects a \$60 million nonrecurring charge related to litigation (see Note 9 of Notes to Consolidated Financial Statements), partly offset by the Contribution to Global One. Excluding these items, the increases reflect the overall growth in the division's operating activities as well as increased advertising and marketing efforts due to the intensely competitive long distance marketplace. Had the Contribution to Global One occurred as of January 1, 1994, SG&A expense would have increased 8% in 1996 (excluding the nonrecurring charge) and 6% in 1995. As a percentage of net operating revenues, SG&A expense would have been an estimated 23.0% in 1996 (excluding the nonrecurring charge), 24.8% in 1995 and 24.9% in 1994. Depreciation and amortization expense increased \$52 million in 1996 and \$31 million in 1995, generally due to an increased asset base. The increased asset base supports data services revenue growth and expanded service capabilities.

Local Communications Services

(in millions)	1996	1995	1994
Net operating revenues	\$2,083.7	\$1,875.7	\$1,752.5
Local service	1,870.8	1,705.8	1,598.4
Network access	421.5	485.4	529.3
Toll service	790.1	652.5	532.8
Other	—	—	—
Total net operating revenues	5,166.1	4,719.4	4,412.8
Operating expenses	1,379.6	1,360.6	1,298.3
Plant operations	909.1	835.6	794.6
Depreciation and amortization	676.6	601.0	549.3
Customer operations	863.8	793.8	752.4
Other	—	87.0	—
Restructuring costs	8,829.1	3,678.6	3,394.6
Total operating expenses	\$1,357.0	\$1,040.0 ⁽¹⁾	\$1,018.2
Operating income	25.9%	22.1% ⁽¹⁾	21.0%
Capital expenditures	\$1,142.6	\$ 950.8	\$ 914.2
Identifiable assets	\$7,512.8	\$6,970.4	\$7,621.3

⁽¹⁾ Excluding the \$87.6 million restructuring charge, operating income and margin for 1995 would have been \$1,128.4 million and 23.9%, respectively.

At year-end 1995, Sprint adopted accounting principles for a competitive marketplace and discontinued applying SFAS 71 to its local division (see Note 11 of Notes to Consolidated Financial Statements). This resulted in a 1995 after-tax, noncash, extraordinary charge of \$565 million. Beginning in 1996, the local division's business transactions have been recorded based on their economic substance, and regulatory assets and liabilities based on SFAS 71 have not been recognized. The primary effects of Sprint's discontinued use of SFAS 71 were that certain accumulated depreciation balances were increased; plant asset lives were shortened to reflect their economic lives; and switch software costs, which were previously expensed as incurred, are now capitalized and amortized over their estimated economic lives.

Local service revenues, derived from local exchange services, increased 11% in 1996 and 7% in 1995 reflecting increases in customer access lines of 5.6% in 1996 and 4.7% in 1995. The growth in access lines reflects strong economic growth in the division's service areas and second-line service to existing business and residential customers to meet lifestyle and data access needs. Local service revenues also increased due to extended area calling plans and increased demand for advanced intelligent network services, including Caller ID, voice dialing and return call.

Network access revenues, derived from inter-exchange long distance carriers' use of the local network to complete calls, increased 10% in 1996 and 7% in 1995. The increases are largely due to increased

traffic volumes of 10% in 1996 and 9% in 1995, and the impact of the FCC's interim interstate price cap plan. Traffic volumes increased due to strong economic conditions in many of the division's service areas, the migration of traffic related to toll service revenues as described below, and the harsh 1996 winter season experienced on the East Coast.

The impact of the FCC's interim interstate price cap plan, which became effective in 1995, increased network access revenues for 1996 and had a nominal effect on 1995. Under the new plan, the local division adopted a rate formula based on the maximum productivity factors that effectively removes the earnings cap on the division's interstate access revenues. Interstate access revenues currently comprise approximately 60% of the division's network access revenues.

Access Line Growth



Review of Segmental Results of Operations continued

Toll service revenues, related to the provision of long distance services within specified geographical areas and the reselling of interexchange long distance services, decreased 13% in 1996 and 8% in 1995. The decreases primarily reflect increased competition in the intrastate long distance market since interexchange long distance carriers are now offering intra-ATA long distance service in certain states. In addition, toll service revenues have declined due to the expansion of extended local area calling plans. Reductions in toll service revenues were partly offset by increased local service and network access revenues.

Other revenues, including revenues from telecommunications equipment sales, directory publishing fees, and billing and collection services, increased 21% in 1996 and 22% in 1995. The increases were mainly due to business and residential equipment sales growth. A major factor in the 1996 growth was the introduction of several leading-edge telephone instruments, such as Caller ID.

Plant operations expense mainly includes network operations, and repair and maintenance costs related to property, plant and equipment. Plant operations expense increased 1% in 1996 and 5% in 1995. These increases mainly reflect increased service costs due to customer access line growth. In addition, the increases reflect repair and maintenance expenses in the division's Florida and Mid-Atlantic regions due to bad weather conditions, including severe storms and hurricanes. The 1996 increase was largely offset by the change in accounting for switch software costs.

Depreciation and amortization expense increased \$74 million in 1996 and \$41 million in 1995 mainly due to plant additions. The 1996 increase also reflects amortization of capitalized switch software costs, which largely offset the related decrease in plant operations expense discussed above.

Customer operations expense includes costs related to business office operations, billing services, marketing, and customer services, including operator and directory assistance. Customer operations expense increased 13% in 1996 and 9% in 1995. The increases were mainly due to increased marketing costs to promote new products and services, and increased customer service costs due to access line growth.

Other operating expenses increased \$70 million in 1996 and \$41 million in 1995 mainly due to the growth in equipment sales.

In 1995, Sprint initiated a restructuring within its local division in an effort to streamline certain processes and reduce costs in an increasingly competitive marketplace. These actions resulted in the planned elimination over several years of approximately 1,600 positions, mainly in the network and finance functions. As a result, the local division recorded an \$88 million nonrecurring charge in 1995. The accrued liability related to this charge specifically relates to the benefits that affected employees will receive upon termination. Through 1996, approximately 400 positions have been eliminated resulting in termination benefit payments of \$10 million, with an additional \$10 million to be paid in 1997. Substantially all of the remaining positions are expected to be eliminated during 1997, with the related costs expected to be paid during 1997 and 1998.

Emerging Businesses

	1996
(in millions)	\$ 0.5
Net operating revenues	\$ (0.3)
Operating loss	\$ (0.9)
Capital expenditures	\$ 138.4
Identifiable assets	

During 1996, Sprint established a new emerging businesses segment consisting of consumer Internet access services, CLEC services, international development activities (outside the scope of Global One), and PCS controlled by Sprint.

The 1996 operating results largely reflect activities related to Sprint Internet Passport.²⁰ Sprint's consumer Internet offering, which was launched in the 1996 fourth quarter, Sprint has substantially completed the buildout of its Internet access platform, which now contains more than 230 points of presence and can be reached by 85% of the nation's population through a local call.

In addition, the operating results reflect Sprint's efforts in entering newly competitive markets. Sprint has initiated efforts to enter local markets across the United States by filing for CLEC status. Through January 1997, Sprint had filed in 47 states and the District of Columbia, and gained regulatory approval to provide competitive local telephone service in 25 states and the District of Columbia. In January 1997, Sprint launched its initial competitive local service offering in Southern California.

As part of an overall strategy to achieve nationwide PCS coverage, Sprint directly acquired licenses in the FCC's recent auction for a total cost of \$544 million. The licenses cover 139 markets across the United States reaching a total population of 70 million people. Sprint expects to spend approximately \$1.5 billion over the next three years for the network buildout related to these licenses. Sprint plans to affiliate these licenses with the licenses previously acquired by Sprint PCS. With the affiliation of Sprint's licenses, licensed coverage for Sprint-branded PCS will include nearly 260 million people across the United States, Puerto Rico and the U.S. Virgin Islands.

Product Distribution and Directory Publishing

	1996	1995	1994
(in millions)			
Net operating revenues	\$ 1,225.9	\$ 1,148.0	\$ 1,108.7
Operating expenses:			
Costs of services and products	1,025.7	965.8	938.2
Selling, general and administrative	91.4	88.1	88.8
Depreciation and amortization	7.2	7.4	6.9
Total operating expenses	1,124.3	1,061.3	1,033.9
Operating income	\$ 101.6	\$ 86.7	\$ 74.8
Operating margin	8.3%	7.6%	6.7%
Capital expenditures	\$ 9.4	\$ 7.8	\$ 6.7
Identifiable assets	\$ 446.1	\$ 395.4	\$ 376.2

Product distribution and directory publishing's net operating revenues increased \$78 million in 1996 and \$39 million in 1995 mainly due to increased sales to customers not affiliated with Sprint. The 1995 increase also reflects overall price increases.

Consolidated Statements of Cash Flows

	1996	1995	1994
Years ended December 31:			
(in millions)			
Operating Activities			
Net income	\$ 1,183.8	\$ 395.3	\$ 890.7
Adjustments to reconcile net income to net cash provided by operating activities:			
Discontinued operations, net	2.6	(14.5)	8.5
Extraordinary items, net	4.9	565.3	—
Equity in net losses of affiliates	273.7	39.1	3.8
Depreciation and amortization	1,591.0	1,466.4	1,386.0
Deferred income taxes and investment tax credits	(10.3)	5.8	53.2
Changes in operating assets and liabilities:			
Accounts receivable, net	(988.8)	(135.8)	(226.5)
Inventories and other current assets	15.7	(38.6)	(1.1)
Accounts payable and other current liabilities	368.7	178.5	120.2
Noncurrent assets and liabilities, net	(23.7)	124.0	128.5
Other, net	(14.0)	24.1	31.3
Net cash provided by continuing operations	2,403.6	2,609.6	2,339.6
Net cash provided (used) by cellular division	(0.1)	162.5	179.9
Net cash provided by operating activities	2,403.5	2,772.1	2,519.5
Investing Activities			
Capital expenditures	(2,433.6)	(1,857.3)	(1,751.6)
Proceeds from sale of investment in equity securities	—	—	117.7
Investments in and advances to affiliates	(446.1)	(948.7)	(74.1)
Investment in affiliate debt securities	(100.0)	—	—
Deposit for PCS licenses	(84.0)	—	—
Other, net	(51.8)	(53.6)	(45.0)
Net cash used by continuing operations	(3,115.5)	(2,859.6)	(1,753.0)
Repayment by cellular division of intercompany advances	1,400.0	—	—
Net cash used by cellular division	(140.7)	(324.6)	(272.4)
Net cash used by investing activities	(1,856.2)	(3,184.2)	(2,025.4)
Financing Activities			
Proceeds from long-term debt	9.4	260.7	107.9
Retirements of long-term debt	(433.1)	(630.0)	(597.0)
Net increase (decrease) in short-term borrowings	(1,986.8)	1,109.5	321.5
Proceeds from common stock issued	20.5	16.9	42.7
Proceeds from Class A common stock issued	3,661.3	—	—
Proceeds from employee stock purchase installments	38.1	38.8	33.1
Dividends paid	(419.6)	(351.5)	(349.4)
Purchase of treasury stock	(407.2)	—	(9.8)
Other, net	(3.5)	(21.8)	(5.9)
Net cash provided (used) by financing activities	479.1	422.6	(456.9)
Increase in cash and equivalents	1,026.4	10.5	37.2
Cash and equivalents at beginning of year	124.2	113.7	76.5
Cash and equivalents at end of year	\$ 1,150.6	\$ 124.2	\$ 113.7

See accompanying Notes to Consolidated Financial Statements.

Operating Activities - Continuing Operations

Investing Activities – Continuing Operations

**Cash Flows
from Operating
Activities**
(in millions)

Continuing operations

Discontinued Operations

Prior to the Spin-off, Cellular's 1996 investing activities required net cash of \$141 million, mainly for the acquisition of additional cellular properties and capital expenditures.

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Financing Activities

Capital Expenditures
(in millions)

Sprint paid dividends to common, preference and preferred shareholders of \$420, \$352 and \$349 million in 1996, 1995 and 1994, respectively. Sprint's indicated annual dividend rate on common stock is currently \$1.00 per share.

Discontinued Operations

Prior to the Spin-off, Cellular's 1996 investing activities required net cash of \$141 million, mainly for the acquisition of additional cellular properties and capital expenditures.

Consolidated Balance Sheets

December 31.

(in millions, except per share data)

Assets

Current assets

Cash and equivalents	\$ 1,150.6	\$ 124.2
Accounts receivable, net of allowance for doubtful accounts of \$117.4 and \$125.8	2,465.5	1,523.7
Receivable from cellular division	—	1,400.0
Other	738.7	571.5
Total current assets	4,352.8	3,619.4
Investments in equity securities	254.5	262.9
Property, plant and equipment		
Long distance communications services	7,390.8	6,773.7
Local communications services	13,368.7	12,603.1
Other	651.3	539.1
	21,410.8	19,915.9
Less accumulated depreciation	10,946.7	10,200.1
	10,464.1	9,715.8
Investments in and advances to affiliates	1,527.1	1,195.7
Net investment in cellular division	—	106.9
Other assets	354.5	295.2
	\$ 16,953.0	\$ 15,195.9

Liabilities and Shareholders' Equity

Current liabilities

Current maturities of long-term debt	\$ 99.1	\$ 280.4
Short-term borrowings	200.0	2,144.0
Accounts payable	1,026.7	938.9
Accrued interconnection costs	828.9	617.7
Accrued taxes	189.2	235.5
Advance billings	199.7	202.9
Other	770.6	722.7
Total current liabilities	3,314.2	5,142.1
Long-term debt	2,981.5	3,253.0
Deferred credits and other liabilities		
Deferred income taxes and investment tax credits	846.9	843.4
Pension and other benefit obligations	919.7	889.2
Other	359.0	393.6
	2,125.6	2,126.2
Total liabilities and fund assets	11.8	32.5

Redeemable preferred stock

Common stock and other shareholders' equity

Common stock, par value \$2.50 per share, authorized 1,000,000 shares,
issued 350,3 and 349.2 shares, and outstanding 343.9 and 349.2 shares

Class A common stock, par value \$2.50 per share, authorized
500,0 shares, issued and outstanding 86.2 shares

Capital in excess of par or stated value

Retained earnings

Treasury stock, at cost, 6.4 shares

Other

See accompanying Notes to Consolidated Financial Statements

Financial Condition

Sprint's financial condition at year-end 1996 compared with year-end 1995 mainly reflects the completion of strategic initiatives during the first half of 1996. A portion of the cash received from DT's and FT's investments in Sprint and from Cellular's repayment of intercompany debt was used to reduce short- and long-term debt. In addition, Sprint used a portion of the cash to terminate a \$600 million accounts receivable sales agreement and to meet its commitments related to Sprint PCS. The remaining proceeds were invested on a temporary basis.

Sprint's accounts receivable increased \$940 million in 1996, reflecting the termination of the accounts receivable sales agreement as well as the 10% increase in consolidated net operating revenues.

The allowance for doubtful accounts as a percentage of gross accounts receivable decreased to 5% at year-end 1996 from 8% at year-end 1995 generally because the termination of the accounts receivable sales agreement did not require a related increase in the allowance for doubtful accounts. Property, plant and equipment, net of accumulated depreciation, increased \$748 million in 1996. This increase was mainly due to increased capital expenditures to enhance and upgrade Sprint's networks, expand service capabilities and increase productivity.

At year-end 1996, Sprint's total capitalization was \$11.8 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) declined to 27.8% of total capitalization at year-end 1996 from 34.8% at year-end 1995.

Book Value per Share



Capital Requirements

Sprint expects its 1997 investing activities, consisting of capital expenditures and investments in affiliates, to require cash of \$4.5 to \$5.0 billion. In addition, Sprint expects to pay dividends totaling \$430 million. Sprint intends to fund these 1997 cash requirements with cash from operating activities, cash on hand, and from external sources.

Capital expenditures of \$4.1 to \$4.4 billion are anticipated in 1997. Capital expenditures for the long distance and local divisions are expected to total \$2.5 billion. In early 1997, Sprint will pay \$460 million for the balance due on the PCS licenses directly acquired in the recent FCC auction. The balance of anticipated capital expenditures will primarily be used to build out the network for these new PCS markets and the emerging CLEC markets.

Sprint expects to invest \$400 to \$600 million in its affiliates during 1997. Sprint PCS will require \$350 to \$500 million in 1997 to continue its network buildout and for operating cash requirements. Sprint also expects that Global One will require partner contributions for ongoing development activities.

In addition to these investing activities, international development opportunities apart from Global One may create further cash requirements during 1997.

Sprint expects to borrow \$1.0 to \$1.5 billion during 1997, excluding any borrowings that may be required to take advantage of any new international opportunities. A combination of long- and short-term borrowings will be used depending on capital market conditions during the year.

Debt-to-Capital Ratio



Cash Paid for Dividends (in millions)



Liquidity

At year-end 1996, Sprint had the ability to borrow \$1.3 billion under a revolving credit agreement 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. In addition, as of year-end 1996, Sprint could offer for sale \$900 million of debt securities pursuant to shelf registration statements filed with the Securities and Exchange Commission.

Additional borrowings that may be incurred are ultimately limited by certain covenants contained in existing debt agreements. At year-end 1996, Sprint had borrowing capacity of \$13.2 billion under the most restrictive of its debt covenants.

The most restrictive covenant related to dividends results from Sprint's revolving credit agreement. Among other restrictions, the agreement requires Sprint to maintain specified levels of net worth. Due to this requirement, \$2.5 billion of Sprint's \$3.2 billion retained earnings were effectively restricted from the payment of dividends at the end of 1996.

Ratio of Earnings to Fixed Charges



*Excludes non-recurring charges

Sprint controls its exposure to credit risk through credit approvals, credit limits, and internal monitoring procedures. Sprint believes its credit risk exposure is limited.

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 exposure from Sprint's use of derivative instruments is immaterial to its overall operations, financial condition and liquidity. See Note 10 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 exposure to interest rate movements, 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 uses 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.

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 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). These liabilities consist of charges from overseas telephone companies for terminating international calls made by Sprint's domestic customers.

General Hedging Policies

Sprint uses certain derivative instruments in an effort to manage exposure to interest rate risk and foreign exchange risk. Sprint's use of these derivative instruments related to hedging activities is limited to interest rate swap agreements, interest rate caps and forward contracts and options in foreign currencies. As is customary for these types of derivative instruments, Sprint does not require collateral or other security from the counterparties to the agreements. However, since

Consolidated Statements of Common Stock and Other Shareholders' Equity

Year ended December 31,
(in millions)

	1996	1995	1994
Common Stock			
Balance beginning of year	\$ 872.9	\$ 871.4	\$ 858.5
Common stock issued	2.5	1.4	12.8
Other, net	0.3	0.1	0.1
Balance end of year	875.7	872.9	871.4
Class A Common Stock			
Balance beginning of year	—	—	—
Class A common stock issued (86.2 shares)	215.6	—	—
Balance end of year	215.6	—	—
Capital in Excess of Par or Stated Value			
Balance beginning of year	960.0	942.9	827.4
Common stock issued	17.5	13.5	111.9
Class A common stock issued	3,436.3	—	—
Other, net	12.1	3.6	3.6
Balance end of year	4,425.9	960.0	942.9
Retained Earnings			
Balance beginning of year	2,763.0	2,730.9	2,184.2
Net income	1,183.8	395.3	890.7
Common stock dividends	(346.1)	(348.9)	(346.7)
Class A common stock and preference stock dividends	(74.9)	—	—
Preferred stock dividends	(1.3)	(2.6)	(2.7)
Spin-off of cellular division	(260.2)	(3.5)	—
Treasury stock issued	(52.9)	(8.2)	5.4
Other, net	0.4	—	—
Balance end of year	3,211.8	2,763.0	2,730.9
Treasury Stock			
Balance beginning of year	—	(9.6)	(0.3)
Treasury stock purchased	(407.2)	—	(9.8)
Treasury stock issued	145.0	9.6	0.5
Balance end of year	(262.2)	—	(9.6)
Other			
Balance beginning of year	46.7	(10.8)	48.5
Change in unrealized holding gains on investments, net	2.9	54.6	(20.5)
Other, net	3.5	2.9	(38.8)
Balance end of year	53.1	46.7	(10.8)
Balance end of year	\$ 8,519.9	\$ 4,642.6	\$ 4,524.8
Total common stock and other shareholders' equity			
Balance beginning of year	349.2	348.3	343.4
Common stock issued (including Class A common stock)	87.3	0.6	5.2
Treasury stock purchased	(10.1)	—	(0.3)
Treasury stock issued	3.7	0.3	—
Balance end of year	430.1	349.2	348.3

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basic of Consolidation and Presentation

The consolidated financial statements include the accounts of Sprint Corporation and its wholly-owned and majority-owned subsidiaries (Sprint). Investments in entities in which Sprint exercises significant influence, but does not control, are accounted for using the equity method (see Note 2).

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

Certain amounts previously reported have been reclassified to conform to the current year presentation in the consolidated financial statements. These 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 resulting from transactions between Sprint's nonregulated operations and its regulated local exchange carriers were not eliminated in the consolidated financial statements before 1996. Revenues related to these intercompany transactions were \$202 and \$285 million in 1995 and 1994, respectively. 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 division offers its services to the public 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 of regulated telephone companies. These operations provide local exchange services; access by telephone customers and other carriers to local exchange facilities; sales of telecommunications equipment and long distance services within specified geographical areas.

Emerging businesses consists of activities related to consumer Internet access services, competitive local exchange carrier (CLEC) services, personal communication services (PCS) controlled by Sprint and international development activities outside the scope of the Global One joint venture.

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

Revenue Recognition

Sprint recognizes operating revenues as services are rendered or as products are delivered to customers. The long distance division records operating revenues net of an estimate for uncollectible accounts.

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 uses controlled disbursement banking arrangements. At year-end 1996 and 1995, outstanding checks in excess of cash balances of \$127 and \$131 million, respectively, were included in accounts payable. Sprint had sufficient funds available to fund these outstanding checks when they were presented for payment.

Investments in Debt and Equity Securities

Investments in debt and equity securities are classified as available for sale and reported at fair value (estimated based on quoted market prices). Gross unrealized holding gains and losses are reflected as adjustments to "Common stock and other shareholders' equity — Other," net of related income taxes.

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 is 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.

Depreciation

The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Prior to the discontinued use of SFAS 71 as of year-end 1995, the cost of property, plant and equipment for Sprint's local division had been generally depreciated on a straight-line basis over the lives prescribed by regulatory commissions.

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

Sprint capitalizes interest costs related to the construction of capital assets and to its investment in Sprint Spectrum L.P. (Sprint PCS). Capitalized interest totaled \$104, \$57 and \$8 million in 1996, 1995 and 1994, respectively.

Earnings Per Share (EPS)

EPS is based on the weighted average of both outstanding and issuable shares assuming all dilutive options are exercised, as applicable.

Had the Class A common stock discussed in Note 7 been issued as of January 1, 1996, and the related proceeds been used to repay debt or invested on a temporary basis at that time, Sprint's 1996 EPS from continuing operations would have decreased from \$2.79 per share to an estimated \$2.76 per share.

2. Investments

Investment in Affiliate Debt Securities

In August 1996, Sprint purchased \$183 million (face value) of Sprint PCS Senior Discount bonds for \$100 million. The bonds mature in 2006. At year-end 1996, the accreted cost of the bonds was \$104 million and gross unrealized holding gains totaled \$18 million. This investment has been included in "Current assets — Other" on the 1996 Consolidated Balance Sheet.

Investments in Equity Securities

The cost of equity securities was \$105 and \$109 million at year-end 1996 and 1995, respectively. Gross unrealized holding gains were \$149 million in 1996 and \$154 million in 1995.

Investments in and Advances to Affiliates

Investments accounted for using the equity method mainly consist of Sprint's investments in Sprint PCS and Global One.

Sprint is a 40% partner in Sprint PCS, a partnership with Tele-Communications Inc., Comcast Corporation and Cox Communications, Inc. Sprint PCS is building a wireless network to provide PCS on a broad geographic basis within the United States.

In 1996, Sprint became a partner in Global One, a joint venture with Deutsche Telekom AG (DT) and France Telecom (FT). Global One was formed to provide seamless global telecommunications services to business, residential and carrier markets worldwide. Sprint is a one-third partner in Global One's operating group serving Europe (excluding France and Germany), and is a 50% partner in Global One's operating group for the worldwide activities outside the United States

Notes to Consolidated Financial Statements continued

and Europe. At year-end 1996, Sprint's share of underlying equity in Global One's net assets exceeded the carrying value of Sprint's investment in Global One by \$186 million. This difference is being amortized through January 2001.

Combined, summarized financial information (100% basis) of all entities accounted for using the equity method is as follows:

(in millions)	1996	1995	1994
Results of operations			
Net operating revenues	\$1,727.0	\$ 779.5	\$ 520.5
Operating loss	\$ (794.0)	\$ (58.3)	\$ (22.3)
Net loss	\$ (844.3)	\$ (90.6)	\$ (23.3)
Financial position			
Current assets	\$1,360.7	\$ 384.4	
Noncurrent assets	6,779.3	2,613.4	
	\$8,140.0	\$2,997.8	
Current liabilities	\$1,185.5	\$ 223.7	
Noncurrent liabilities	2,042.1	135.4	
Owners' equity	4,912.4	2,638.7	
	\$8,140.0	\$2,997.8	

During 1996, 1995 and 1994, Sprint recorded net income (losses) in affiliates accounted for using the equity method of \$(264), \$(23) and \$3 million, respectively. These amounts are included in "Other expense, net" on the Consolidated Statements of Income.

As of year-end 1996, Sprint had loaned Sprint PCS \$67 million.

3. Employee Benefit Plans

Defined Benefit Pension Plan

Substantially all Sprint employees are covered by a noncontributory defined benefit pension plan. Benefits for plan participants represented by collective bargaining units are based on negotiated schedules of defined amounts. For participants not covered by collective bargaining agreements, the plan provides pension benefits based on years of service and participants' compensation.

Sprint's policy is to make annual plan contributions 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. At year-end 1996, the plan's assets consisted mainly of investments in corporate equity securities and U.S. government and corporate debt securities.

The net pension cost (credit) and related weighted average assumptions consist of the following:

(in millions)	1996	1995	1994
Service cost — benefits earned during the period	\$ 65.4	\$ 51.8	\$ 61.6
Interest cost on projected benefit obligation	138.5	129.7	121.6
Actual return on plan assets	(353.0)	(472.1)	(1.1)
Net amortization and deferral	159.4	287.9	(176.6)
Net pension cost (credit)	\$ 10.3	\$ (2.7)	\$ 3.5
Discount rate	7.25%	8.50%	7.50%
Expected long-term rate of return on plan assets	9.50%	9.50%	9.50%
Anticipated composite rate of future increases in compensation	4.25%	5.00%	4.50%

The funded status and amounts recognized in the Consolidated Balance Sheets for the plan, at year-end, are as follows:

(in millions)	1996	1995
Actual present value of benefit obligations		
Vested benefit obligation	\$1,713.6	\$1,705.1
Accumulated benefit obligation	\$1,864.1	\$1,866.0
Projected benefit obligation	\$1,967.0	\$1,962.7
Plan assets at fair value	2,584.2	2,331.3
Plan assets in excess of the projected benefit obligations	617.2	368.6
Unrecognized net gains	(481.8)	(199.2)
Unrecognized prior service cost	100.4	101.1
Unamortized transition asset	(147.1)	(170.9)
Prepaid pension cost	\$ 88.7	\$ 99.4
Discount rate	7.75%	7.25%
Anticipated composite rate of future increases in compensation	4.75%	4.25%

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 on 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 Sprint common stock equal to 50% of participants' contributions up to 6% of their compensation. In addition, Sprint may, at the discretion of the Board of Directors, provide matching contributions based on the performance of Sprint common stock compared with other telecommunications companies. Sprint's matching contributions were \$56, \$51 and \$47 million in 1996, 1995 and 1994, respectively. At year-end 1996, the plans held 22 million shares of Sprint common stock.

Postretirement Benefits

Sprint provides postretirement benefits (principally medical benefits) to substantially all employees. Employees retiring before specified dates are eligible for benefits at no cost, or at a reduced cost. Employees retiring after specified dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

The net postretirement benefits cost consists of the following:

(in millions)	1996	1995	1994
Service cost - benefits earned during the period	\$ 21.7	\$ 22.2	\$ 23.2
Interest on accumulated postretirement benefit obligation	49.9	58.7	53.2
Net amortization and deferral	(13.7)	(9.4)	(1.9)
Net postretirement benefits cost	\$ 57.9	\$ 71.5	\$ 74.5

For measurement purposes, a weighted average annual health care cost trend rate of 9.6% was assumed for 1996, gradually decreasing to an ultimate level of 5% by 2001. The effect of a 1% increase in the

assumed trend rates would have increased the 1996 net postretirement benefits cost by an estimated \$12 million. The discount rates for 1996, 1995 and 1994 were 7.25%, 8.50% and 7.50%, respectively.

The amounts recognized in the Consolidated Balance Sheets, at year-end, are as follows:

(in millions)	1996	1995
Accumulated postretirement benefit obligation	\$ 277.9	\$ 312.4
Retirees	127.6	118.3
Active plan participants - fully eligible	320.7	328.6
Active plan participants - other	726.2	759.3
Unrecognized prior service benefit	5.7	5.6
Unrecognized net gains	178.7	115.3
Accrued postretirement benefits cost	\$ 910.6	\$ 880.2

The year-end 1996 and 1995 accumulated benefit obligations were based on discount rates of 7.75% and 7.25%, respectively. The assumed 1997 annual health care cost trend rate was 9%, gradually decreasing to an ultimate level of 5% by 2005. The effect of a 1% annual increase in the assumed health care cost trend rates would have increased the year-end 1996 accumulated postretirement benefit obligation by an estimated \$96 million.

4. Income Taxes

The income tax provisions allocated to continuing operations consist of the following:

(in millions)	1996	1995	1994
Current income tax provision	\$ 655.4	\$ 437.4	\$ 355.7
Federal	75.9	91.1	79.8
State	731.3	528.5	435.5
Deferred income tax provision (benefits)	(22.2)	45.9	81.6
Federal	23.5	(23.6)	(6.4)
State	(11.6)	(16.5)	(22.0)
Amortization of deferred investment tax credits	(10.3)	5.8	55.2
Total income tax provision	\$ 721.0	\$ 534.3	\$ 488.7

Notes to Consolidated Financial Statements continued

The differences that cause the effective income tax rate to vary from the statutory federal income tax rate of 35% are as follows:

(in millions)	1996	1995	1994
Income tax provision at the statutory rate	\$ 669.2	\$ 518.1	\$ 485.8
Less investment tax credits included in income	11.6	16.5	22.0
Expected federal income tax provision after investment tax credits	657.6	501.6	463.8
Effect of:			
State income taxes, net of federal income tax effect	64.6	43.9	47.7
Equity in losses of foreign joint venture	8.6	—	—
Other, net	(9.8)	(11.2)	(22.8)
Income tax provision, including investment tax credits	\$ 721.0	\$ 534.3	\$ 488.7
Effective income tax rate	37.7%	36.1%	35.2%

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

(in millions)	1996	1995	1994
Discontinued operations	\$ 7.0	\$ 31.2	\$ 0.7
Extraordinary items	(2.9)	(43.7)	—
Unrealized holding gains on investments ⁽¹⁾	1.7	30.7	(11.6)
Stock ownership, purchase and options arrangements ⁽¹⁾	(14.1)	(7.5)	(8.4)

⁽¹⁾ These amounts have been recorded directly to "Common stock and other shareholders' equity - Other."

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 at year-end 1996 and 1995, along with the income tax effect of each, are as follows:

(in millions)	1996 Deferred Income Tax		1995 Deferred Income Tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	\$ —	\$ 1,304.3	\$ —	\$ 1,276.7
Postretirement and other benefits	360.3	—	347.0	—
Reserves and allowances	115.6	—	94.9	—
Unrealized holding gains on securities	—	57.3	—	55.6
Other, net	106.8	—	152.0	—
	582.7	1,361.6	573.9	1,332.3
Less valuation allowance	13.7	—	17.4	—
Total	\$ 569.0	\$ 1,361.6	\$ 556.5	\$ 1,332.3

During 1996, 1995 and 1994, the valuation allowance related to deferred income tax assets decreased \$4, \$4 and \$1 million, respectively.

Sprint's management believes 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 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.

At year-end 1996, Sprint had available, for income tax purposes, \$3 million of state alternative minimum tax credit carryforwards to offset state income tax payable in future years, and tax benefits of \$18 million related to state operating loss carryforwards. The loss carryforwards expire in varying amounts per year from 1997 through 2011.

5. Borrowings

Long-term Debt
Long-term debt, at year-end, is as follows:

(in millions)	Maturing	1996	1995
Corporate			
Senior notes		\$	\$
10.45%	1996	—	100.0
9.2% to 9.8%	1997 to 2001	325.3	325.3
8.1% to 9.5%	2002 to 2006	350.0	350.0
Debentures			
9.24%	2022	200.0	200.0
Other			
8.25% ⁽¹⁾	2060	146.4	138.4
Long Distance Division			
Vendor financing agreements			
7.4% to 10.2%	1997 to 1999	67.9	177.6

Local Division

First mortgage bonds			
5.3% to 6.5%	1996	—	51.6
2.0% to 9.4%	1997 to 2001	291.7	311.3
4.0% to 7.8%	2002 to 2006	507.1	510.9
6.0% to 9.8%	2007 to 2011	151.7	151.7
6.9% to 7.5%	2012 to 2016	90.0	90.0
8.8% to 9.9%	2017 to 2021	325.5	297.7
7.1% to 8.4%	2022 to 2026	145.0	173.8
Debentures and notes			
5.0% to 9.0%	1997 to 2016	275.3	415.6
Notes payable and commercial paper			
Other	1996	—	42.8
2.0% to 19.5%	1997 to 2009	6.2	9.8
Other			
Debentures			
9.00%	2019	150.0	150.0
Other			
5.4% to 12.5%	1997 to 2003	48.5	56.9
		3,080.6	3,533.4
		99.1	280.4
Less current maturities		\$2,981.3	\$3,253.0
Long-term debt			

⁽¹⁾ Notes may be exchanged at maturity for shares of Southern New England Telecommunications Corporation (SNET) common stock owned by Sprint, or cash. Based on SNET's closing market price, had the notes matured at year-end 1996 or 1995, they could have been exchanged for 3.8 million shares of SNET stock. At year-end 1996 and 1995, Sprint held 4.2 and 4.4 million shares, respectively, of SNET stock, which have been included in "Investments in equity securities" on the Consolidated Balance Sheet.

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

(in millions)	1997	1998	1999	2000	2001
	\$ 99.1	128.5	30.9	648.4	37.8

Property, plant and equipment with a total cost of \$12.4 billion is either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

During 1996, Sprint redeemed, prior to scheduled maturities, \$190 million of debt with interest rates ranging from 6.0% to 9.5%. These early redemptions resulted in a \$5 million after-tax extraordinary loss.

Short-term Borrowings

Notes payable and commercial paper outstanding and related weighted average interest rates, at year-end, are as follows:

(in millions)	1996	1995
Bank notes, 5.9%	\$ 200.0	\$1,551.8
Commercial paper, 6.3%	—	635.0
Total notes payable and commercial paper	\$ 200.0	\$2,186.8

At year-end 1995, \$43 million of notes payable and commercial paper were classified as long-term debt based on Sprint's ability and intent to refinance the 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 on loan commitments. Lines of credit could be withdrawn by the banks if there were a material adverse change in Sprint's financial condition. At year-end 1996, Sprint's unused bank lines of credit totaled \$1.3 billion.

Other

Sprint is in compliance with all restrictive or financial covenants relating to its debt arrangements at year-end 1996.

6. Redeemable Preferred Stock

Sprint has approximately 25 million authorized shares of preferred stock, including nonredeemable preferred stock. The redeemable preferred stock outstanding, at year-end, is as follows:

(in millions, except per share and share data)	1996	1995
Third series — stated value \$100 per share, shares — 184,000, nonparticipating, nonvoting, cumulative 7.75% annual dividend rate	\$ —	\$ 18.4
Fifth series — stated value \$100,000 per share, shares — 95, voting, cumulative 6% annual dividend rate	9.5	9.5
Other — stated values ranging from \$25 to \$100 per share, shares — 22,800 and 110,675, annual dividend rates ranging from 4.7% to 5.0%	2.3	4.6
Total redeemable preferred stock	\$ 11.8	\$ 32.5

In 1996, 24,000 shares of Sprint's third series preferred stock were redeemed at \$100.00 per share and 160,000 shares were redeemed at \$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 the dividend payment for six dividend periods, the holders of the fifth series preferred stock may elect a majority of directors standing for election until all arrears in dividend payments have been paid.

7. Common Stock

Common Stock

At year-end 1996, common stock reserved for future grants under stock option plans or for future issuances under various arrangements was as follows:

(in millions)	Number of Shares
Employees Stock Purchase Plan (ESPP)	6.2
Employee saving plans	3.4
Automatic Dividend Reinvestment Plan	1.2
Officer and key employees' and directors' stock options	13.8
Conversion of preferred stock and other	1.5
Total	26.1

Under a Shareholder Rights plan, one-half of a Preferred Stock Purchase Right is attached to each share of Sprint common stock and Class A common stock. Each Right is exercisable and detachable only if certain takeover events occur. The Rights entitle shareholders to buy units consisting of one one-hundredth of a newly issued Preferred Stock-Fourth Series, Junior Participating share at \$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 generally equal 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 year-end 1996. The Rights may be redeemed by Sprint at \$0.01 per Right and will expire in September 1999.

During 1996, 1995 and 1994, Sprint declared and paid annual common stock dividends of \$1.00 per share. The most restrictive covenant related to common stock dividends results from Sprint's \$1.5 billion revolving credit agreement. Among other restrictions, this agreement requires Sprint to maintain specified levels of consolidated net worth, as defined. Due to this requirement, \$2.5 billion of Sprint's \$3.2 billion consolidated retained earnings were effectively

restricted from the payment of dividends at year-end 1996. 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, \$145 million of the related subsidiaries' \$1.2 billion total retained earnings were restricted at year-end 1996. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

During 1990, the Savings Plan Trust, an employee savings plan, acquired common stock from Sprint in exchange for a \$75 million promissory note payable to Sprint. The note bears interest at 9% and is to be repaid from the common stock dividends received by the plan and the contributions made to the plan by Sprint according to plan provisions. The remaining \$51.2 million note receivable balance at year-end 1996 is reflected as a reduction to "Common stock and other shareholders' equity—Other."

Class A Common Stock

On January 31, 1996, DT and FT acquired shares of a new class of convertible preference stock for a total of \$3.0 billion. This resulted in DT and FT each holding 7.5% of Sprint's voting power. In April 1996, following the spin-off of Sprint's cellular and wireless communications services division (Cellular) (see Note 12), the preference stock was converted into Class A common stock, and DT and FT each acquired additional shares of Class A common stock. Following their total investment of \$3.7 billion, DT and FT each own shares of Class A common stock with 10% of Sprint's voting power. During 1996, Sprint declared and paid dividends of \$0.16 per share for the preference stock and \$0.75 per share for the Class A common stock.

DT and FT, as the holders of the Class A common stock, have the right in most circumstances to proportionate representation on Sprint's Board of Directors and to purchase additional shares of Class A common stock from Sprint to maintain their total ownership level at 20%. In addition, the holders of Class A

common stock have disapproval rights with respect to Sprint's undertaking certain types of transactions. DT and FT have entered into a standstill agreement with Sprint that contains restrictions on their ability to acquire voting securities of Sprint other than as contemplated by their investment agreement with Sprint and related agreements. The standstill agreement also contains customary provisions restricting DT and FT from initiating or participating in any proposal with respect to the control of Sprint.

8. Stock-based Compensation

Sprint's Management Incentive Stock Option Plan (MISOP) provides for the granting of stock options to employees who are eligible to receive annual incentive compensation. Eligible employees are entitled to receive stock options in lieu of a portion of the target incentive under Sprint's management incentive plans. The options generally become exercisable on December 31 of the year granted and have a maximum term of 10 years. MISOP options are granted with exercise prices equal to the market price of Sprint's common stock on the grant date. At year-end 1996, authorized shares under this plan approximated eight million. This amount increased by approximately three million shares on January 1, 1997.

The Sprint Corporation Stock Option Plan (SOP) provides for the granting of stock options to officers and key employees. The options generally become exercisable at the rate of 25% per year, beginning one year from the grant date, and have a maximum term of 10 years. SOP options are granted with exercise prices equal to the market price of Sprint's common stock on the grant date. At year-end 1996, authorized shares under these plans approximated 18 million. This amount increased by approximately two million shares on January 1, 1997.

Every two years, the ESPP offers all employees the election to purchase Sprint common stock at a price equal to 85% of the market value on the grant or exercise date, whichever is less. At year-end 1996, authorized shares under this plan approximated 18 million.

In 1996, Sprint adopted the pro forma disclosure requirements under SFAS No. 123, "Accounting for Stock-based Compensation," and continued to apply Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," to its stock option and employee stock purchase plans. Under APB 25, Sprint has recognized no compensation expense related to these plans.

Pro forma net income and EPS have been determined as if Sprint had used the fair value method of accounting for its stock option grants and ESPP share elections after 1994. Under this method, these pro forma amounts have been reduced for compensation expense. Compensation expense is recognized over the applicable vesting periods and is based on the number of shares under option and their related fair values on the grant date.

The following pro forma information will not likely represent the information reported in future years because options granted and ESPP shares elected after 1994 will continue to vest over the next several years. In addition, compensation expense resulting from the spin-off of Cellular will decline over the next several years.

Sprint's pro forma net income and EPS for 1996 and 1995 are as follows:

	1996 ⁽¹⁾	1995
(in millions, except per share data)		
Pro forma net income	\$ 1,158	\$ 388
Pro forma EPS	\$ 2.72	\$ 1.10

⁽¹⁾ Pro forma net income was reduced by \$6 million (\$0.01 per share) in 1996 due to additional compensation resulting from modifications in terms of options and ESPP share elections made in connection with the spin-off of Cellular.

During 1996, Sprint employees elected to purchase 2.8 million ESPP shares with a weighted average fair value (using the Black-Scholes pricing model) of \$10.06 per share. No ESPP shares were offered in 1995.

The following tables reflect the weighted average fair value per option granted during the year, as well as the significant weighted average assumptions used in determining those fair values using the Black-Scholes pricing model:

	MISOP	SOP
1996		
Fair value on grant date	\$ 9.17	\$ 10.96
Risk-free interest rate	5.2%	5.2%
Expected volatility	23.3%	23.3%
Expected dividend yield	2.5%	2.5%
Expected life (years)	4	6
1995		
Fair value on grant date	\$ 6.67	\$ 8.73
Risk-free interest rate	6.9%	7.2%
Expected volatility	23.3%	23.3%
Expected dividend yield	2.5%	2.5%
Expected life (years)	4	6

A summary of stock option plan activity is as follows:

	Number of Shares ⁽¹⁾	Weighted Average per Share Exercise Price ⁽²⁾
<i>(in millions, except per share data)</i>		
Outstanding January 1, 1994	7.8	\$ 21.38
Granted	3.5	30.02
Exercised	1.2	17.25
Forfeited/Expired	0.6	20.40
Outstanding December 31, 1994	9.5	24.67
Granted	4.3	24.69
Exercised	0.8	19.81
Forfeited/Expired	0.5	27.06
Outstanding December 31, 1995	12.3	24.88
Granted	4.9	36.94
Exercised	2.6	22.28
Forfeited/Expired	1.0	29.22
Outstanding December 31, 1996	13.6	\$ 23.42

⁽¹⁾ Due to the spin-off of Cellular, the number of shares and the related exercise price have been adjusted to maximize both the total fair market value of common stock underlying the options and the relationship between the market value of Sprint's common stock and the option's exercise price.

Outstanding options held by Cellular employees were converted into options and grants to purchase Cellular common stock and are not included in the above table.

After adjustment for the spin-off of Cellular, options exercisable at year-end 1995 and 1994 were 6.4 and 4.5 million, respectively. The following table summarizes outstanding and exercisable options at year-end 1996:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number Outstanding (in millions)	Weighted Average Remaining Contract Life (in years)	Weighted Average Exercise Price	Number Exercisable (in millions)	Weighted Average Exercise Price	
\$11.56-\$14.96	0.3	2.3	\$13.14	0.3	\$13.14	
\$15.18-\$19.24	0.3	4.3	17.69	0.3	17.69	
\$20.08-\$24.50	3.9	6.8	23.48	2.2	22.79	
\$25.07-\$29.96	2.6	5.4	27.32	2.0	26.62	
\$30.12-\$34.80	2.0	7.2	30.60	1.8	30.27	
\$35.32-\$39.88	4.4	9.1	36.84	1.8	36.82	
\$40.19-\$44.00	0.1	5.9	42.12	—	—	

9. Commitments and Contingencies

Litigation, Claims and Assessments

In December 1996, an arbitration panel entered a \$61 million award in favor of Network 2000 Communications Corporation (Network 2000) on its breach of contract claim against Sprint. The arbitrators directed Sprint to pay one-half of this award to Network 2000, and the remaining amount to the Missouri state court in which a proposed class action by Network 2000's independent marketing representatives (IMRs) against Network 2000 and Sprint is pending. The arbitrators denied all other claims by Network 2000, including claims of fraud and deceit.

In December 1996, Sprint filed an action in federal district court in Kansas City, Missouri, naming as defendants Network 2000, Network 2000's attorneys, and representatives of a proposed class of IMRs. Sprint seeks to have the arbitration panel's award vacated, modified, or corrected, and has asked the court to enter an order regarding the distribution of the award among the defendants.

In the proposed class action, the IMRs seek to certify a class to pursue breach of contract and tort claims against Network 2000 and Sprint. Sprint believes the IMRs' contract claims have been or will be addressed by the arbitration panel's award and the related federal court action filed by Sprint. Further, Sprint believes the IMRs' tort claims are not appropriate for class action treatment.

In 1996, Sprint accrued \$60 million based on its ongoing assessment of the potential liability related to actions by Network 2000 and its IMRs. This charge reduced income from continuing operations by \$36 million (\$0.08 per share).

Following the announcement in 1992 of Sprint's merger agreement with Centel Corporation (Centel), class action suits were filed against Centel and certain of its officers and directors in federal and state courts. The state suits were dismissed. In June 1996, Centel and the other defendants were granted summary judgment in the federal action. The plaintiffs have appealed the court's order. In October 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 order dismissing the claims was affirmed on appeal by the intermediate appellate court in New York. 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.

Commitments

Sprint expects to invest \$400 to \$600 million in its affiliates during 1997. Sprint PCS will require \$350 to \$500 million in 1997 to continue its network buildout and for operating cash requirements. Sprint also expects Global One will require partner contributions for ongoing development activities.

In the FCC's recently completed PCS license auctions, Sprint directly acquired licenses for a total of \$544 million. Sprint will pay the \$460 million balance due on these licenses in early 1997.

Operating Leases

Minimum rental commitments at year-end 1996 for all noncancelable operating leases, consisting mainly of leases for data processing equipment and real estate, are as follows:

<i>(in millions)</i>	
1997	\$ 207.6
1998	203.7
1999	177.7
2000	127.2
2001	92.0
Thereafter	252.4

Gross rental expense totaled \$401, \$402 and \$379 million in 1996, 1995 and 1994, respectively. Rental commitments for subleases, contingent rentals and executory costs are not significant.

10. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. Accordingly, the following estimates 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 values presented at year-end 1996, those amounts have been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 1996 may differ significantly from the amounts presented below. The carrying amounts and estimated fair values of Sprint's financial instruments, at year-end, are as follows:

<i>(in millions)</i>	1996		1995	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets:				
Cash and equivalents	\$1,150.6	\$1,150.6	\$ 124.2	\$ 124.2
Investment in affiliate debt securities	122.5	122.5	—	—
Investments in equity securities	254.5	254.5	262.9	262.9
Financial liabilities:				
Short-term borrowings	200.0	200.0	2,144.0	2,144.0
Long-term debt	1,021.7	1,142.1	1,113.7	1,282.9
Corporate Long distance division	67.9	69.0	177.6	184.5
Local division	1,792.5	1,855.8	2,035.2	2,237.5
Other	198.5	206.8	206.9	242.8
Other financial instruments:				
Interest rate swap agreements	—	0.2	—	(5.4)
Foreign currency contracts	(0.5)	(0.5)	0.5	0.4

The carrying values of Sprint's cash and equivalents approximate fair value at year-end 1996 and 1995. The fair value of Sprint's investments in debt and equity securities is estimated based on quoted market prices. The fair value of Sprint's long-term debt is estimated based on quoted market prices for publicly traded issues.

The fair value of all other issues is estimated based on the present value of estimated future cash flows using a discount rate based on the risks involved. The fair value of interest rate swap agreements is estimated as the amount Sprint would receive (pay) to terminate the swap agreements at year-end 1996 and 1995, 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 year-end 1996 and 1995, taking into account the then-current foreign currency exchange rates.

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 contract terms. Notional principal amounts are often 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 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 associated with these agreements. Sprint controls credit risk and 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.

Interest Rate Swap Agreements

Sprint uses interest rate swap agreements as part of its interest rate risk management program. Net interest paid or received related to these 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 \$350 and \$275 million outstanding at year-end 1996 and 1995,

respectively. Net interest expense (income) related to interest rate swap agreements was \$2 million, \$(400,000) and \$1 million for 1996, 1995 and 1994, respectively. There were no deferred gains or losses related to any terminated interest rate swap agreements at year-end 1996, 1995 or 1994.

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 \$46 and \$13 million of open forward contracts to buy various foreign currencies at year-end 1996 and 1995, respectively.

Sprint had \$3 and \$24 million of outstanding open purchase option contracts to call various foreign currencies at year-end 1996 and 1995, respectively. The premium paid for an option is expensed as incurred and the fair value of an option is recorded as an asset at the end of each period. The forward contracts open at year-end 1996 and 1995 all had original maturities of six months or less. The net gain or loss recorded to reflect the fair value of these contracts is recorded in the period incurred. Total net losses of \$400,000, \$1 million and \$2 million were recorded related to foreign currency transactions and contracts for 1996, 1995 and 1994, respectively.

11. Adoption of Accounting Principles for a Competitive Marketplace

As of year-end 1995, Sprint determined that its local division no longer met the criteria necessary for the continued use of SFAS 71. As a result, 1995 results include a noncash, extraordinary charge of \$565 million, net of income tax benefits of \$437 million.

The decision to discontinue the use of SFAS 71 was based on changes in the regulatory framework and the convergence of competition in the telecommunications industry.

The 1995 extraordinary charge recognized upon the discontinued use of SFAS 71 consisted of the following:

(in millions)	Pre-Tax	After-Tax
Increase in accumulated depreciation	\$ 979.1	\$ 607.9
Recognition of switch software asset	(99.5)	(61.7)
Elimination of other net regulatory assets	125.1	76.3
Total	\$ 1,004.7	622.5
Tax related net regulatory liabilities		(43.9)
Accelerated amortization of investment tax credits		(13.3)
Extraordinary charge		\$ 565.3

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

The discontinued use of SFAS 71 also required Sprint to eliminate from the Consolidated Balance Sheets the effects of any actions of regulators that had been recognized as assets and liabilities under SFAS 71, but would not have been recognized as assets and liabilities by enterprises in general. The elimination of net regulatory assets mainly related to deferred postretirement benefit obligations and deferred debt financing costs.

The tax-related adjustments were required to adjust deferred income taxes 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 related investment tax credits were adjusted to reduce the unamortized balance by a corresponding amount.

12. Spin-off of Cellular Division

In March 1996, Sprint completed the tax-free spin-off of Cellular (Spin-off) to the holders of Sprint common stock. The Spin-off was effected by distributing to all holders of Sprint common stock all shares of Cellular common stock at a rate of one share of Cellular common stock for every three shares of Sprint common stock held. In connection with the Spin-off, Cellular repaid \$1.4 billion of intercompany debt owed by Cellular to Sprint. In addition, Sprint contributed to the equity capital of Cellular \$185 million of debt owed by Cellular in excess of the amount repaid. This equity contribution, together with Sprint's previous investment in Cellular, resulted in Sprint's net investment in Cellular totaling \$260 million at the date of the Spin-off.

Cellular's net operating results, as summarized below, have been separately classified as discontinued operations in the Consolidated Statements of Income. Interest expense was 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 Sprint's general corporate overhead expenses. These expenses, totaling \$2, \$13 and \$12 million for 1996, 1995 and 1994, respectively, were reallocated to Sprint's other operating segments.

(in millions)	1996 ⁽¹⁾	1995	1994
Net operating revenues	\$ 190.2	\$ 834.4	\$ 626.5
Operating expenses	156.0	675.6	529.4
Operating income	34.2	158.8	97.1
Interest expense	(21.5)	(124.0)	(97.3)
Other income (expense), net	(8.3)	10.9	(5.6)
Income (Loss) before income taxes			
Income taxes	4.4	45.7	(5.8)
Income tax provision	(7.0)	(31.2)	(9.7)
Income (Loss) from cellular division	\$ (2.6)	\$ 14.5	\$ (15.5)

⁽¹⁾ 1996 reflects Cellular's operating results only through the date of the Spin-off.

In 1995, Cellular's net assets and liabilities, as summarized below, were separately classified as "Net investment in cellular division" on the Consolidated Balance Sheets.

(in millions)	1995
Current assets	\$ 153.9
Noncurrent assets	1,799.0
Advance payable to Sprint	(1,433.0)
Other current liabilities	(166.6)
Noncurrent liabilities	(246.4)
Net investment in cellular division	\$ 106.9

13. Additional Financial Information

Segment Information

Information related to Sprint's operating business segments is included in "Review of Segmental Results of Operations." The net operating revenues and operating expenses shown in those tables include revenues and expenses eliminated in consolidation. The amounts eliminated are as follows:

(in millions)	1996	1995	1994
Long distance division	\$ 30.9	\$ 38.9	\$ 41.6
Local division	293.1	266.4	233.1
Product distribution and directory publishing	325.9	336.8	350.8
Intercompany revenues not eliminated under SFAS 71	—	(262.4)	(285.5)
Net operating revenues	649.9	\$ 379.7	\$ 340.0
Operating expenses	618.3	\$ 379.7	\$ 340.0
Operating income	\$ 31.6	\$ —	\$ —

Capital expenditures and identifiable assets not related to operating segments are as follows:

(in millions)	1996	1995	1994
Capital expenditures	\$ 98.0	\$ 37.0	\$ 56.6
Identifiable assets ⁽¹⁾	\$ 2,815.2	\$ 2,917.9	\$ 1,804.0

⁽¹⁾ 1995 and 1994 amounts include the net assets of the discontinued cellular division.

Realignment and Restructuring Charge

In 1995, Sprint initiated a restructuring within its local division in an effort to streamline certain processes and reduce costs in an increasingly competitive marketplace. These actions resulted in the planned elimination over several years of approximately 1,600 positions, mainly in the network and finance functions. As a result, the local division recorded an \$88 million nonrecurring charge in 1995, which reduced income from continuing operations by \$55 million (\$0.16 per share). The accrued liability related to this charge specifically relates to the benefits that affected employees will receive upon termination.

Through 1996, approximately 400 positions have been eliminated resulting in termination benefit payments of \$10 million, with an additional \$10 million to be paid in 1997. Substantially all of the remaining positions are expected to be eliminated during 1997 with the related costs expected to be paid during 1997 and 1998.

Accounts Receivable Sold with Recourse

Under an agreement available through year-end 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. Sprint elected to terminate this agreement in early 1996 and repaid the \$600 million in receivables that were uncollected at year-end 1995.

Supplemental Cash Flows Information

(in millions)	1996	1995	1994
Cash paid for:			
Interest (net of amounts capitalized)	\$ 212.1	\$ 263.3	\$ 329.8
Continuing operations	\$ 21.5	\$ 124.0	\$ 97.3
Cellular division	\$ 695.3	\$ 532.8	\$ 435.1
Income taxes			

On January 31, 1996, in connection with the formation of the Global One joint venture, Sprint contributed cash, property, plant and equipment, and other assets and liabilities of certain of its international operations to Global One. The net book value of the noncash assets and liabilities contributed to Global One totaled \$73 million.

During 1996 and 1994, in connection with the ESPP, Sprint issued common stock totaling \$65 and \$53 million, respectively.

During 1996, as discussed in Note 12, Sprint completed the Spin-off which had no immediate effect on cash flows other than Cellular's repayment of \$1.4 billion in intercompany debt owed to Sprint.

During 1994, Sprint contributed previously unissued common stock to the employee savings plans. The stock had a market value of \$31 million.

Related Party Transactions

During 1996, Sprint provided various voice, data and administrative services to Global One totaling \$361 million. In addition, Global One provided data and administrative services to Sprint totaling \$130 million. At year-end 1996, Sprint's receivable due from Global One was \$163 million and Sprint's payable to Global One was \$49 million.

14. Quarterly Financial Data (Unaudited)

(in millions, except per share data)	Quarter			
	1st	2nd	3rd	4th
Net operating revenues	\$ 3,371.9	\$ 3,506.4	\$ 3,544.4	\$ 3,622.0
Operating income	\$ 74.9	\$ 80.9	\$ 98.9	\$ 12.5
Income before extraordinary items	\$ 89.8	\$ 116.8	\$ 116.2	\$ 246.0
Net income	\$ 89.3	\$ 116.8	\$ 112.4	\$ 245.3
EPS from income before extraordinary items	\$ 0.77	\$ 0.73	\$ 0.73	\$ 0.57

(in millions, except per share data)	Quarter			
	1st	2nd	3rd	4th
Net operating revenues	\$ 3,079.1	\$ 3,142.1	\$ 3,205.3	\$ 3,338.6
Operating income	\$ 442.8	\$ 461.8	\$ 497.1	\$ 432.6
Income before extraordinary items	\$ 224.8	\$ 248.7	\$ 268.4	\$ 222.1
Net income (loss)	\$ 224.3	\$ 245.7	\$ 268.5	\$ (343.2)
EPS from income before extraordinary items	\$ 0.64	\$ 0.70	\$ 0.76	\$ 0.63

⁽¹⁾ During the 1996 fourth quarter, Sprint recorded a nonrecurring charge of \$60 million related to litigation within the long distance division. This charge reduced income from continuing operations by \$36 million (\$0.08 per share) (see Note 13).

⁽²⁾ During the 1995 fourth quarter, Sprint recorded a nonrecurring charge of \$88 million related to a restructuring within the local division. This charge reduced income from continuing operations by \$55 million (\$0.16 per share) (see Note 13).

During the 1995 fourth quarter, Sprint adopted accounting principles for a competitive marketplace for its local division and discontinued the use of SFAS 71. As a result, Sprint recorded a noncash, after-tax extraordinary charge of \$365 million (\$1.61 per share) (see Note 12).

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 system of internal controls and supports an extensive program of internal audits. It 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.

Report of Independent Auditors

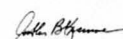
The Board of Directors and Shareholders, Sprint Corporation
We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 1996 and 1995, and the related consolidated statements of income, cash flows, and common stock and other shareholders' equity for each of the three years in the period ended December 31, 1996, appearing on pages 34, 40, 42 and 45 through 60. 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

The responsibility of the Board of Directors for these financial statements is pursued mainly 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. Estey
Chairman and Chief Executive Officer

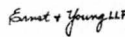


Arthur B. Krause
Executive Vice President and Chief Financial Officer

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, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

As discussed in Note 11 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.



Kansas City, Missouri
February 4, 1997

Board of Directors

DuBoise Ausley is chairman of Ausley & McMullen, a law firm in Tallahassee, Florida. He is also chairman of the Capital City Bank Group, Inc. He has been a Sprint director since 1993.

Warren L. Batts is chairman and chief executive officer of Tupperware Corporation in Orlando, Florida. He is also chairman of Premark International, Inc. He has been a Sprint director since 1982. Batts is chairman of the audit committee and a member of the executive committee.

Michel Bon 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.

Ruth M. Davis 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.

William T. Estey 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. Estey is chairman of the Board's executive committee.

Donald J. Hall 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.

Harold S. Hook is chairman 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.

Ronald T. LeMay is president and chief operating officer of Sprint. Prior to that, he was vice chairman of Sprint, and chief executive officer of Sprint Spectrum L.P. (Sprint PCS). 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.

Linda Koch Lormer is vice president and secretary of Yale University, in New Haven, Connecticut. She has been a director of Sprint since 1993. She is a member of the organization, compensation and nominating committee.

Charles E. Rice 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.

Ron Sommer 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. Sommer is a member of the organization, compensation and nominating committee.

Stewart Turley is chairman of Eckerd Corporation, in Clearwater, Florida. He has been a Sprint director since 1980. Turley is chairman of the organization, compensation and nominating committee, and a member of the executive committee.

Principal Corporate Officers

William T. Esrey
Chairman and Chief
Executive Officer

Ronald T. LeMay
President and Chief
Operating Officer

J. Richard Devlin
Executive Vice President
Law and External Affairs

Gary D. Forsee
President and Chief
Operating Officer
Long Distance Division

Michael B. Fuller
President and Chief
Operating Officer
Local Telecommunications
Division

Arthur B. Krause
Executive Vice President
Chief Financial Officer

D. Wayne Peterson
President
National Integrated Services

Gene M. Betts
Senior Vice President
Corporate Finance

John R. Hoffman
Senior Vice President
External Affairs

John P. Meyer
Senior Vice President
Controller

Theodore H. Schell
Senior Vice President
Strategic Planning and
Corporate Development

Richard C. Smith Jr.
Senior Vice President
Quality Development and
Public Relations

M. Jeannine Strandford
Senior Vice President
Treasurer

I. Benjamin Watson
Senior Vice President
Human Resources

Dori A. Jensen
Vice President
Secretary

Principal Operating Company Officers

Long Distance Division

Robba L. Benjamin
Senior Vice President
Staff Operations

Kevin E. Brauer
President
Sprint Business

R. Michael Franz
President
Wholesale Services Group

George N. Focia
President
Technology Services

William J. Gunter
Senior Vice President
Finance

Thomas E. Weigman
President
Consumer Services Group

Local Telecommunications Division

J. Darrell Kelley
President
Southern Operations

William E. McDonald
President
Mid-Atlantic Operations

Randy W. Osler
President
North Central Operations

Robert E. Thompson III
President
Western Operations

William C. Prout
Senior Vice President
Network

National Integrated Services Division

Bruce H. Brannan
Senior Vice President
Marketing, Sales and
Service

Product Distribution/
Directory Publishing
Division

William G. Obermayer
President
Sprint North Supply

Robert J. Walsh
President
Sprint Publishing &
Advertising

Shareholder Information and Common Stock Data

Annual Meeting: The Annual Meeting of Shareholders will be held Tuesday, April 15, 1997, at the world headquarters.

Common Stock Dividends: 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 1996 was 25 cents per share, or an indicated annual dividend of \$1.00 per common share.

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

Automatic Dividend Reinvestment Plan: 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.

Form 10-K: 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.

Investor Inquiries: 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.

Shareholder Inquiries: 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 below) or by calling the above 800 number and connecting with the transfer agent.

Quarterly Financial Information: 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 and request a copy of printed quarterly results.

Sprint on the Internet: Sprint's World Wide Web site (www.sprint.com) 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.

Corporate Headquarters Mailing Address:
Sprint
Post Office Box 11315
Kansas City, Missouri 64112

Shareholder Relations:
(913) 624-2541

Auditors:
Ernst & Young LLP, Kansas City, Missouri

Stock Transfer Agent, Registrar and Dividend Paying Agent:
UMB Bank, n.a.
Post Office Box 410664
Kansas City, Missouri 64141-0664
(816) 860-7786

Co-Transfer Agent and Registrar:
Chase/Mellon Shareholder Services, L.L.C.
New York, New York

Dividend Reinvestment Agent:
UMB Bank, n.a.
Kansas City, Missouri

Stock Exchange Listings:
Common Stock:
New York Stock Exchange
Chicago Stock Exchange
Pacific Stock Exchange
Convertible Preferred Stock:
New York Stock Exchange

Stock Symbol: FON

Common Stock Data

	Market Price Per Share					
	1996			1995*		
	High	Low	End of Period	High	Low	End of Period
First quarter	38 ^{1/4}	33 ^{1/4}	38	26 ^{1/4}	21 ^{1/4}	24 ^{1/4}
Second quarter	44 ^{1/4}	37 ^{1/2}	42	29 ^{1/4}	25 ^{1/4}	27 ^{1/4}
Third quarter	42 ^{1/4}	34 ^{1/2}	38 ^{1/4}	30 ^{1/4}	26 ^{1/4}	28 ^{1/4}
Fourth quarter	44	37 ^{1/2}	39 ^{1/4}	33 ^{1/4}	27 ^{1/4}	32 ^{1/4}

*Adjusted to reflect spin-off of cellular division.

One call does it all

To switch your long distance service to Sprint and enjoy other communications benefits, call 1-800-538-0952. Simplify your life with Sprint — whether you need long distance, pagers, Internet, PCS, calling cards or telephone equipment.

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

Sprint's Long Distance Division

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

Sprint Business
(Businesses, state and local governments, universities and day phone markets)
Business Marketing
5420 LB Freeway
Dallas, TX 75240
(214) 405-3000

Consumer Services Group
(Residential customers)
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

Government Services Division
(Federal government)
13221 Woodland Park Road
Herndon, VA 22071
(703) 904-2000

Wholesale Services Group
(Wholesale solutions)
8140 Ward Parkway
Kansas City, MO 64114
(913) 624-6000

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Free Internet Package

Sprint and non-Sprint customers can call 1-800-359-3900 to receive a free Internet package that includes everything needed to take full advantage of Sprint's world-class Internet Passport consumer product.

Sprint's Local Telecommunications Division

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

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

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

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

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

Sprint's Product Distribution/Directory Publishing Division

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

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

Strategic Alliances

Global One
(Corporate and European headquarters)
Park Atrium
Rue des Colonies 11
B-1000 Brussels, Belgium
(011) 32-2-545-2000

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

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

Sprint ^{will} deliver

BECAUSE

we know
how to
listen
to the
market.



EXHIBIT D

SPSI SOUTH DAKOTA TARIFFS

TARIFF FILING OF
SPRINT PAYPHONE SERVICES, INC.
FOR PROVISION OF PAY TELEPHONE
COMMUNICATIONS SERVICES

OFFICERS RESPONSIBLE FOR PROVIDING INFORMATION WITH
RESPECT TO COMPANY'S OPERATION PROCEDURE:

David Roseman
General Manager
407/332-2224
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

CHECK SHEET

* Asterisk indicates changes in current tariff filing. Current sheets in this tariff are as follows.

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14	Original
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16	Original
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18	Original
19	Original

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

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ISSUED:

David Roseman
SPS1 - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

EXPLANATION OF SYMBOLS

When changes are made on any tariff sheet, a revised page will be issued canceling the tariff page affected; such changes will be identified through the use of the following symbols:

- C - To signify **Changed** regulation or rate.
- D - To signify the **Deletion/Discontinuance** of rates, regulations, and/or text.
- I - Change resulting in an **Increase** to a customer's bill.
- M - To signify matter **Moved/Relocated** within the tariff with no change to the material.
- N - To signify **New** text, regulation, service, and/or rates.
- R - Change resulting in a **Reduction** to a customer's bill.
- T - To signify a **Text Change** in text, but no change in rate or regulation.
- Z - To signify a **Correction**.

The above symbols will apply except where additional symbols are identified at the bottom of an individual page.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

1. APPLICATION OF TARIFF

This tariff contains the regulations and rates applicable for the furnishing of payphone telecommunications services provided by Sprint Payphone Services, Inc. (SPSI) within the State of South Dakota.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

TERMS AND CONDITIONS.1 DefinitionsAnswer Supervision

This feature provides the capability of delivering "off-hook" supervisory signals from the subscriber's serving central office to a line interface at the customer's premises. These supervisory signals indicate when the called party has answered an incoming call (gone "off hook").

Bill to Third Party

Denotes a billing arrangement by which an Expanded Local Calling Area call or long distance call may be charged to an authorized station as determined by the Company other than the station originating the call or the station where the call is terminated.

Billing Agent

A company which has billing and collection agreements with various US West Operating Companies and independent telephone companies and which, through intermediaries, provides billing and collection services to the Company.

Called Station

The terminating point (i.e. called number) for a call.

Calling Station

The originating point (i.e., telephone number from which the call is placed) for a call.

Calling Card Call

A call which is charged to a valid calling card issued by a regulated local exchange company or long distance carrier with whom the Company, through intermediaries has billing and collection arrangements.

Carrier - Company

The terms "Carrier and Company" refer to Sprint Payphone Services, Inc. unless they refer specifically to the Local Exchange Company (LEC).

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued).1 Definitions (Continued)Completed Call

A completed call is a calling attempt by the subscriber that results in an off-hook condition at the receiving end. Such conditions shall include the following actions:

- .1 The called party responds by personally answering the call.
- .2 A customer controlled automatic answering device responds by answering the call.
- .3 A Company recording, under the control of the called party, responds to the calling attempt except for attempts defined as incomplete calls (e.g. Call Block and other similar services would be completed calls).
- .4 The calling attempt, when under the control of the called party (e.g. Call Forwarding Busy Line, Call Forwarding Don't Answer, etc.) is forwarded to another telephone number that results in one of the conditions described in .1, .2, and .3 preceding.

Connection Fee

A fee imposed for the call, in addition to the flat rate charge or charge based on distance.

Customer

The person who is responsible for paying for the call.

Day

The term "Day" denotes 8.00 a.m. to 4:59 p.m. local time at the originating terminal on Monday through Friday.

Dial Collect Call

A call made by dialing "0", plus called station number, and is charged to the called station with the approval of a customer who answers the telephone at the called station.

Dial Calling Card Station-to-Station

A call made by dialing "0", then the called station number and the calling card number, and in which the call is completed without the assistance of a live operator.

ISSUED:

David Roerman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued).1 Definitions (Continued)End User

Any person, firm, corporation, partnership or other entity which uses the services of the Carrier under the provisions and regulations of this tariff. The end user is responsible for payment unless the charges for the services utilized are accepted and paid by another customer.

Evening

The term "Evening" denotes 5:00 p.m. to 10:59 p.m. local time at the originating terminal on Sunday through Friday.

Holidays

The term "Holidays" denotes all Carrier specified holidays as follows: New Year's Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. Evening rates are applicable, unless a lower rate normally applies.

Night

The term "Night" denotes 11:00 p.m. to 7:59 a.m. local time at the originating terminal on Monday through Friday, any time on Saturday, Sunday 8:00 a.m. to 4:59 p.m. and 11:00 p.m. to 7:59 a.m.

Payphone Telephone

Any pay station instrument through which the Company's services may be assessed.

Person-to-Person Call

The long distance service where the person originating the call specifies to the Company operator a particular person to be reached, a particular station to be reached through a through a miscellaneous Common Carrier attendant, or a particular station, department, or office to be reached through a PBX, ESSX-1, or Centrex attendant. When the person originating the call agrees to talk to anyone other than the one specified, the classification of the call remains person to person.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

.1 Definitions (Continued)

Public Telephone

An exchange main station installed on the Company's initiative or at the Company's option, at a location chosen or accepted as suitable and necessary for furnishing service to the general public.

Station-to-Station Sent Paid Call

A call made by dialing the called station (preceded by "1" plus area code, if long distance) and paid for the customer by depositing money into the telephone.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

2. Undertaking of the Carrier

Sprint Payphone Services, Inc. undertakes to provide 24-hour local and long distance payphone services, subject to the availability of facilities, in accordance with the terms and conditions set forth in this tariff.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)**3. Limitation of Service**

This tariff applies only to intrastate services furnished within the State of South Dakota by Sprint Payphone Services, Inc. (SPSI), herein after referred to as the "Company", subject to the jurisdiction of the South Dakota Public Utilities Commission. This tariff supersedes all other tariffs of the Company issued and effective prior to the effective dates shown on individual sheets of this tariff.

The Company does not undertake to transmit messages, but instead offers the use of its facilities, where available, for communication between parties subject to the terms and conditions contained in this tariff.

The Services offered by the Company subject to this tariff are limited to:

1. Long Distance Sent Paid Calls
2. Local Calls
3. Directory Assistance

All other services (such as the charging of calls to third parties and other operator services) which may be accessed from pay telephones owned by the Company are provided by other entities with whom the Company has contractual arrangements. Such other entities are registered with the South Dakota Public Utilities Commission and have filed appropriate tariffs pertaining to the services furnished by them, where required. Failure of this Company to contract with entities in good standing with the South Dakota Public Utilities Commission can result in disconnection of services.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued).4 Establishment and Furnishing of Services.1 Maintenance and Repairs

All costs of maintenance and repair or facilities furnished by the Company will be borne by the Company, except as specified elsewhere in this tariff.

.2 Termination or Denial of Services

- .1 The Company's obligation to furnish service is dependent upon its ability to secure and retain, without unreasonable expense, suitable facilities and contractual rights necessary for the provision of the service.
- .2 Pay Telephone Service is furnished by the Company only for use by the customer in a lawful manner, and the service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraud includes:
 - .1 The use of services or facilities of the Company to transmit a message or to locate a person or otherwise to give or obtain information without payment of the charge applicable for service.
 - .2 The obtaining or attempting to obtain, or assisting another to obtain or attempt to obtain service by rearranging, tampering with or making connections with any facilities of the Company, or by any trick, scheme, false representation, or false credit device, or by or through any other fraudulent means or device whatsoever with intent to avoid the payment, in whole or part, of the regular charge for such service.
 - .3 The use of service or facilities of the Company for a call or calls, anonymous or otherwise, in a manner reasonable to be expected to frighten, abuse, torment, or harass another.
 - .4 The use of profane or obscene language.
 - .5 The use of the service in such manner as to interfere unreasonably with the use of the service by one or more other customers.
 - .6 The impersonation of another.
 - .7 Furnishing information in connection with any unlawful gambling scheme, business or device or for any other unlawful purpose.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 158809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

4. Establishment and Furnishing of Services

2. Termination or Denial of Services (Continued)

- 3. The Company may refuse to provide service without prior notice if the customer attempts to use a calling card issued by an issuer with which the Company or its billing agents do not have billing arrangements, when the calling card issuer does not authorize the charge, and when the customer (for dial collect calls) refuses to authorize the charge.
- 4. The Company may refuse to provide service when, in the opinion of the Company, the manner of use constitutes an abuse or fraud by the customer, or there are reasonable grounds to suspect that the customer may intend to use the service in an abusive or fraudulent manner.
- 5. The Company may refuse to provide service as otherwise provided by local, state or federal laws.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued)

5. Rendering and Payment of Bills

1. Payment for Service

1. Charges for sent paid calls are paid at the time the call is made.
2. All other charges due from the customer are payable to any billing agent authorized to receive such payments and which renders a bill detailing such charges.
3. The customer is responsible for payment of all charges for services provided.
4. The Company will, through contractual arrangements with billing agents, render bills on a cyclical basis. Normally, bills will be rendered by the local exchange service of the area in which the customer is located. The billing cycle will depend upon the cycle of the local exchange service providing the billing service.
5. Bills are due as specified on the invoice and must be paid in accordance with instructions appearing on the bill and under the terms and conditions imposed by law and tariff which control the relationship between the customer and the local exchange company providing service to the telephone number to which a call was billed.
6. Complaints concerning charges or services described herein shall be handled as provided in the rules concerning dispute resolution promulgated by US West Communications, Inc. and adopted by the South Dakota Public Utilities Commission.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

2. TERMS AND CONDITIONS (Continued).6 Limitation of Liability.1 Liability of the Company

- .1 The liability of the Company, if any, for damages arising out of mistakes, omissions, interruptions, delays, errors, or defects in transmission during the course of furnishing service shall in no event exceed an amount equivalent to the charge to customer for the service during which such mistakes, omissions, interruptions, delay, errors, or defects in transmission occurred. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act of customer, or which arise from facilities or equipment used by customer, shall not result in the imposition of any liability whatsoever upon the Company. The Company is not liable for the quality of service provided by any local exchange carrier. The Company is not liable for any act, omission or negligence of any local exchange carrier or other provider whose facilities are used in furnishing any portion of the service received by the customer. Under no circumstances whatever shall the Company or its officers, agents, or employees be liable for indirect, incidental, special or consequential damages. The Company shall not be liable for any failure of performance hereunder, due to causes beyond its control, including but not limited to civil disorders, labor problems, and fire, flood, atmospheric conditions or other phenomena of nature, such as radiation. In addition, the Company shall not be liable for any failure of performance hereunder due to necessary network reconfiguration, system modifications due to technical upgrades, or regulations established or actions taken by any court or government agency having jurisdiction over the Company.
- .2 The customer indemnifies and saves the Company harmless against claims for libel, slander, or infringement of copyright arising from the material transmitted or recorded over its facilities and all other claims arising out of any act or omission of the customer in connection with facilities provided by the Company.

ISSUED:David Roseman
SPSI - General Manager
P. O. Box 150809

EFFECTIVE:

Altamonte Springs, Florida 32715-0809

2. TERMS AND CONDITIONS (Continued)**6. Limitation of Liability (Continued)****2. Overpayment**

The Company shall not be obligated to refund any overpayment by a customer unless a written claim for such overpayment, together with substantiating evidence which will allow the Company to verify such claim, is submitted within two (2) years from the date of the alleged overpayment.

3. Disclaimer of Warranties

Except as expressly provided in this tariff, the Company makes no understanding, agreements, representations or warranties, expressed or implied (including any regarding the merchantability or fitness for a particular purpose).

4. Refunds for Interruption of Service

Interruptions or failure in service may occasionally occur because of human error or equipment malfunctions. Reimbursements will be made for money lost because of such events. It shall be the obligation of the customer to immediately notify the Company of any service interruption. In the event of foreknowledge of an interruption of service by the Company, for a period exceeding 24 hours, the customer will be notified in writing, by mail, at least one week in advance.

7. Use of Service

Neither subscribers nor their authorized users may use the services furnished by the Company for any unlawful purpose.

8. Adjustment for Municipality Payments

When any municipality, other political subdivision, local agency of government, or the South Dakota Public Utilities Commission imposes upon and collects from Sprint Payphone Services, Inc. a gross receipts tax, occupation tax, license tax, permit fee, franchise fee or regulatory fee, such taxes and fees shall, insofar as practicable, be billed pro rata to the Sprint Payphone Services, Inc. customers receiving service within the territorial limits of such municipality, other political subdivision, local agency of government, or public service commission.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION

.1 Application of Service and Rates

Services provided from the Company's Payphones:

.1 Long Distance Sent Paid Calls

Pay telephones are programmed to handle customer calls through automated operator services for sent paid calls.

Long distance sent paid calls are offered at the rates as listed in Section 4.1.1 and shall be rounded up to the nearest \$.05. In addition, Operator Services connection fee is set forth in Section 4.1.2 apply.

.2 Local Calls

Local calls are charged on a per-call basis.

.3 Directory Assistance

Directory Assistance will be charged for each call. Access to local (411) directory assistance is provided for a per call charge. Long distance directory assistance (555-1212) which may be accessed from pay telephones owned by the Sprint Payphone Services, Inc. (SPSI) are provided by other entities with whom the Company has contractual arrangements.

Customers will not be charged by Sprint Payphone Services, Inc. for the following calls:

- .1 1-800/888 (toll free) calls.
- .2 Emergency (911) calls.
- .3 All other applicable N11 calls.
- .4 "0-" calls, which default to the local exchange company operator.
- .5 00, which provides access to the long distance carrier selected by the Company to provide operator services from the Pay Phone.
- .6 10XXX and 1010XXX or any other number which provides access to the customer's long distance carrier of choice.
- .7 Telephone number for repairs and refunds.
- .8 0+ calls billed to calling/credit cards (non-sent paid)
- .9 00+ calls billed to calling/credit cards (non-sent paid).

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

3. SERVICE AND RATE DESCRIPTION(Continued)2. Change of Rates

Any change in rates or regulations prescribed by the South Dakota Public Utilities Commission modifies the terms and regulations contained herein, to the extent of such change. The Company, upon notification of the changes will immediately revise its tariff to reflect the new regulations.

3. Measurement and Timing of Messages

1. The airline mileage between rate centers associated with originating and terminating points is used to determine the applicable per minute rate step to be applied to each call.
2. Completed calls are measured in whole minutes, with a one (1) minute minimum.
3. On sent paid calls, chargeable time begins when connection is established between the calling station and the called station. Chargeable time ends when the calling station "hangs up." If the called station "hangs up", but the calling station does not, chargeable time ends when the network connection is released either by automatic time equipment in the network or by the equipment furnished by the Company.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809

EFFECTIVE:

Altamonte Springs, Florida 32715-0809

3. SERVICE AND RATE DESCRIPTION(Continued).4 Branding and Connection Fee.1 Branding

The identity of the Company providing operator service will be provided to customers placing dial calling card, station-to-station, or dial collect calls, prior to completion of the call.

.2 Connection Fee

In addition to the per-minute rates set forth in Section 4.1.1, the following connection fee applies:

.1 Station-to-Station Connection Fee

IntraLATA long distance sent paid calls made by the Customer and paid for by depositing coins in the Company's instrument will be billed the station-to-station connection fee, as set forth in Section 4.1.2.

ISSUED:

David Roseman
SPSI - General Manager
P. O. Box 150809
Altamonte Springs, Florida 32715-0809

EFFECTIVE:

4. RATES.1 Long Distance Sent Paid Calls

Mileage based charges for long distance sent paid calls when the customer deposits the coins in the Company's instrument shall be calculated by using the following rate table and rounding up to the nearest five cents increment.

.1 Intral-ATA Per-Minute Usage Rates

Mileage	Initial Minute			Additional Minute		
	Day	Evening	Night/ Weekend	Day	Evening	Night/ Weekend
0-10	.2100	.1575	.1260	.1500	.1125	.0960
11-16	.2600	.1950	.1560	.1600	.1200	.0960
17-22	.3000	.2250	.1800	.1800	.1350	.1080
23-30	.3400	.2550	.2040	.2100	.1575	.1260
31-40	.3600	.2700	.2160	.2400	.1800	.1440
41-55	.3900	.2925	.2340	.2500	.1875	.1500
56-85	.4000	.3000	.2400	.2600	.1950	.1560
86-124	.4100	.3075	.2460	.2700	.2025	.1620
125-244	.4300	.3225	.2580	.2900	.2175	.1740
245-475	.4400	.3300	.2640	.3000	.2250	.1800

.2 Station-to-Station Connection Fee

Per-Call \$1.30

.2 Local Calls

Per-Call \$0.35

.3 Directory Assistance

Per-Call \$0.35

ISSUED:

David Rosman
SPS1 - General Manager
P. O. Box 150809

Altamonte Springs, Florida 32715-0809

EFFECTIVE:



South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



VIA FAX: 913-624-5681

December 3, 1997

Mr. Donald A. Low
Senior Attorney
Sprint Communications Company L.P.
8140 Ward Parkway
Kansas City, MO 64114

Capitol Office
Telephone (605) 773-3201
FAX (605) 773-3809

Transportation/
Warehouse Division
Telephone (605) 773-5280
FAX (605) 773-3225

Consumer Hotline
1-800-332-3782

TTY Through
Relay South Dakota
1-800-877-1113

Internet
bill@pac.state.sd.us

♦
Jim Burg
Chairman
Pam Nelson
Vice-Chairman
Linda Schneiderfelder
Commissioner

William Bullard Jr.
Executive Director

Edward R. Anderson
Harlan Host
Martin C. Bettsman
Charlie Holle
Sue Cohen
Karen E. Cramer
Marlette Fuchsbach
Sharon Fugitt
Lewis Hammond
Katie Hartford
Lena Healy
Cameron Housick
Dave Jacobson
Bob Kauder
Delaine Kolbo
Jeffrey P. Lorenson
Terry Norum
Gregory A. Ralov
Terumi Stangor
Steven M. Wegman
Bekayne Aults West

RE: APPLICATION FOR CERTIFICATE OF AUTHORITY
Sprint Payphone Services, Inc.

Dear Mr. Low:

We received your Application for a Certificate of Authority to operate as a telecommunications company in the state of South Dakota. Pursuant to SDCL 49-31-3, telecommunication companies shall submit a \$250 application fee when filing

SDCL 49-31-3: Each telecommunications company shall file an application for a certificate of authority with the commission no less than sixty days prior to initiating any telecommunications service in this state. Each telecommunications company shall submit a two hundred fifty dollar application fee with its application which shall be deposited into the gross receipts tax fund established pursuant to § 49-1A-2.

We cannot take any action on your application until we receive the applicable fee.

Thank you for your cooperation in this matter.

Sincerely,

Delaine Kolbo
Legal Secretary



South Dakota Public Utilities Commission

State Capitol Building, 500 East Capitol Avenue, Pierre, South Dakota 57501-5070



VIA FAX: 913-624-5681

December 3, 1997

Mr. Donald A. Low
Senior Attorney
Sprint Communications Company L.P.
8140 Ward Parkway
Kansas City, MO 64114

RECEIVED

DEC 08 1997

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

RE: APPLICATION FOR CERTIFICATE OF AUTHORITY
Sprint Payphone Services, Inc.

Dear Mr. Low:

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We cannot take any action on your application until we receive the applicable fee.

Thank you for your cooperation in this matter.

Sincerely,

Delaine Kolbo

Delaine Kolbo
Legal Secretary

Capitol Office
Telephone (605) 773-3201
FAX (605) 773-3809

Transportation/
Warehousing Division
Telephone (605) 773-5289
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1-800-332-1782

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Helen Young Dakota
1-800-677-1113

Internet
sdutiles.state.sd.us

Joe Bird
Chairman
Pat Nelson
Vice-Chairman
Linda Schuchardt-Rider
Commissioner

William Dillard Jr.
Executive Director

Edward R. Anderson
Harriet Hall
Martha C. Dismukes
Charles Little
Sam Gibson
Karna E. Cresser
Marlene Finkbeiner
Shirleen Fugitt
Laura Hunsbaker
Katie Hatfield
Lynn Healy
Cynthia Hensch
Doree Jacobson
Bob Keadle
Delaine Kolbo
Jeffrey P. Lammann
Tara Norum
Gregory A. Rinder
Teresa Ringold
Steven M. Wagoner
Ridgely Jilla Wines

01-000-003608702

SPRINT

00869471

VOUCHER NUMBER	INVOICE NUMBER	PURCHASE ORDER	INVOICE DATE	AMOUNT	DISCOUNT	NET AMOUNT
3S1671	FILING FEE DON LOW		12-04-97	250.00	.00	250.0
TOTALS				250.00	.00	250.0

TC97-190

PLEASE DETACH BEFORE DEPOSITING

**Sprint.**

Sprint Corporation
901 E. 104th
Kansas City, MO 64131
816-854-5424

Paying Agents for Itself and Affiliates:
Sprint Services
Sprint/United Management Company

18-2
411

869471

12/17/97 UNTIL: C/O 1998 & C/O 1999 (BLACK) (RED) (BLUE) (GREEN) (YELLOW) (PINK) (WHITE) (BLACK) (BLUE)

PAY

DATE
12/05/97

CHECK NO.
00869471

NET AMOUNT
*****250.0

TWO HUNDRED FIFTY AND 00/100 DOLLARS

TO THE
ORDER OF

PUBLIC UTILITIES COMMISSION
STATE CAPITOL
PIERRE, SD 57501-5070

VOID AFTER 180 DAYS

Northwest Bank Van Wert, N. A.
Van Wert, OH 45881
1-800-827-8535

M. Ramini Standiford
Authorized Signature

⑈869471⑈ ⑆041203824⑆ 9600002223⑈

South Dakota
Public Utilities Commission
State Capitol 500 E. Capitol
Pierre, SD 57501-5070
Phone: (800) 332-1762
Fax: (605) 773-3809

TELECOMMUNICATIONS SERVICE FILINGS

These are the telecommunications service filings that the Commission has received for the period of:

12/05/97 through 12/10/97

If you need a complete copy of a filing faxed, overnight expressed, or mailed to you, please contact Delaine Kolbo within five days of this filing.

DOCKET NUMBER	TITLE/STAFF/SYNOPSIS	DATE FILED	INTERVENTION DEADLINE
REQUEST FOR CERTIFICATE OF AUTHORITY			
TC97-190	Application by Sprint Payphone Services, Inc. (SPSI) for a Certificate of Authority to operate as a tele-communications company within the state of South Dakota. (Staff: TS/KC) "SPSI intends to provide local payphone services through the use of Protel, Northern Telecom or other manufacturer's terminal or deskset instruments...[The filed] tariff sets forth the terms, conditions and rates for the provision of local calls, local Directory Assistance, and sent-paid intralATA long distance calls. Other services, such as interLATA long distance, which may be accessed from SPSI payphones will be provided by other entities with whom SPSI has contractual arrangements."	12/08/97	12/28/97

Important Notice: The Commission is compiling a list of internet addresses. If you have an internet address please notify the Commission by E-mailing it to Terry Hurum at: terryh@pub.state.sd.us Faxing the address to the Commission at: 605-773-3809

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF SOUTH DAKOTA**

IN THE MATTER OF THE APPLICATION OF)	ORDER GRANTING
SPRINT PAYPHONE SERVICES, INC. FOR A)	CERTIFICATE OF
CERTIFICATE OF AUTHORITY TO PROVIDE)	AUTHORITY
TELECOMMUNICATIONS SERVICES IN)	
SOUTH DAKOTA)	TC97-190

On December 8, 1997, the Public Utilities Commission (Commission), in accordance with SDCL 49-31-3 and ARSD 20:10:24.02, received an application for a certificate of authority from Sprint Payphone Services, Inc. (SPSI).

SPSI intends to provide local payphone services through the use of Protel, Northern Telecom or other manufacturer's terminal or deskset instruments. . . [The filed] tariff sets forth the terms, conditions and rates for the provision of local calls, local Directory Assistance, and sent-paid intraLATA long distance calls. Other services, such as interLATA long distance, which may be accessed from SPSI payphones will be provided by other entities with whom SPSI has contractual arrangements. A proposed tariff was filed by SPSI. SPSI requested a waiver of ARSD 20:10:24.02(12). The Commission has classified long distance service as fully competitive.

On December 10, 1997, the Commission electronically transmitted notice of the filing and the intervention deadline of December 26, 1997, to interested individuals and entities. No petitions to intervene or comments were filed and at its regularly scheduled May 12, 1998, meeting, the Commission considered SPSI's request for a certificate of authority. Commission Staff recommended granting a certificate of authority. Commission Staff further recommended a waiver of 20:10:24.02(12).

The Commission finds that it has jurisdiction over this matter pursuant to Chapter 49-31, specifically 49-31-3 and ARSD 20:10:24.02 and 20:10:24.03. The Commission finds that SPSI has met the legal requirements established for the granting of a certificate of authority. SPSI has, in accordance with SDCL 49-31-3, demonstrated sufficient technical, financial and managerial capabilities to offer telecommunications services in South Dakota. Further, the Commission finds that there is good cause to waive subparagraph (12) of ARSD 20:10:24.02. The Commission approves SPSI's application for a certificate of authority provided that 911 services are provided at no charge. As the Commission's final decision in this matter, it is therefore:

ORDERED, that SPSI's application for a certificate of authority is hereby granted provided that 911 services are provided at no charge; and it is

FURTHER ORDERED, that SPSI shall file informational copies of tariff changes with the Commission as the changes occur; and it is

FURTHER ORDERED, that the Commission finds good cause to waive subparagraph (12) of ARSD 20:10:24.02.

Dated at Pierre, South Dakota, this 26th day of May, 1998.

CERTIFICATE OF SERVICE

The undersigned hereby certifies that this document has been served today upon all parties of record in this docket, as listed on the docket service list, by first class mail, in properly addressed envelopes, with charges prepaid thereon.

By

Robert T. Halbo

Date

5/26/98

(OFFICIAL SEAL)

BY ORDER OF THE COMMISSION:

James A. Burg
JAMES A. BURG, Chairman

Pam Nelson
PAM NELSON, Commissioner

Laska Schoenfelder
LASKA SCHOENFELDER, Commissioner

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

CERTIFICATE OF AUTHORITY

To Conduct Business As A Telecommunications Company
Within The State Of South Dakota

Authority was Granted May 12, 1998
Docket No. TC97-190

This is to certify that

SPRINT PAYPHONE SERVICES, INC.

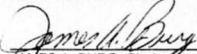
is authorized to provide telecommunications services in South Dakota.

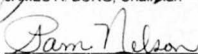
This certificate is issued in accordance with SDCL 49-31-3 and ARSD 20 10 24.02, and is subject to all of the conditions and limitations contained in the rules and statutes governing its conduct of offering telecommunications services

Dated at Pierre, South Dakota, this 26th day of May, 1998.

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION:




JAMES A. BURG, Chairman


PAM NELSON, Commissioner


LASKA SCHOENFELDER, Commissioner