

THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

Application of Sprint Nextel Corporation ) Case No. \_\_\_\_\_  
for Approval of the Transfer of Control of )  
Sprint Missouri, Inc., Sprint Long )  
Distance, Inc. and Sprint Payphone )  
Services, Inc. From Sprint Nextel )  
Corporation to LTD Holding Company. )

FILED<sup>2</sup>

MAR 07 2006

Missouri Public  
Service Commission

APPLICATION OF SPRINT NEXTEL CORPORATION FOR APPROVAL  
OF THE TRANSFER OF CONTROL

Sprint Nextel Corporation ("Sprint") respectfully submits this Application requesting the approval of the Missouri Public Service Commission ("Commission") for the transfer of control of Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. from Sprint to LTD Holding Company. Sprint submits this Application in compliance with and pursuant to Section 392.300, RSMo., Rule 4 CSR 240-2.060, 4 CSR 240-3.520 and any other applicable statutes.

I. INTRODUCTION

1. Sprint plans to separate its wireline local service operation into an independent stand alone operation. As part of that transaction, a new holding company, LTD Holding Company, has been created and control of the Sprint operating companies serving local customers will be transferred to that holding company.<sup>1</sup>

2. In connection with this separation, Sprint requests that the Commission approve: (1) the change of control of Sprint Missouri, Inc. from Sprint to LTD Holding

<sup>1</sup> In order to effectuate the separation, LTD Holding Company, a Delaware corporation, was created that will be the ultimate corporate parent of Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. (SPSI). The names of Sprint Missouri, Inc., Sprint Long Distance, Inc. and SPSI will change as LTD Holding Company separates from Sprint and chooses its new corporate name. Once chosen, any state-required registrations, filings or notifications related to the name change will be provided.

Company; (2) the change of control of Sprint Long Distance, Inc.<sup>2</sup> from Sprint to LTD Holding Company; and (3) the change of control of Sprint Payphone Services, Inc. from Sprint to LTD Holding Company.

3. As explained in detail below, this transaction is not detrimental to the public interest and meets the criteria of Section 392.300, RSMo. and 4 CSR 240-3.520. Sprint Missouri, Inc. will continue to have the requisite managerial, technical and financial capability to provide service. Moreover, the separation of Sprint's incumbent local wireline operations from its parent company will produce benefits for Sprint Missouri, Inc.'s residential and business customers. The separation will be transparent to customers upon day one, with the opportunity for an even better experience in the future.

4. The telecommunications industry is undergoing unprecedented changes. Competitors within the industry are responding to advances in technology, evolving marketplace dynamics and recent regulatory changes with new business strategies. Within Sprint, the strategic focus of Sprint's local wireline companies is beginning to diverge from Sprint's increasingly wireless-centric national focus. The separation of Sprint's wireline local service operation into an independent, stand-alone corporation will serve to create a company whose primary strategic focus will be building upon its local wireline capabilities by providing a full portfolio of quality services to residential and business customers in its local territory. This independent company will be better able to meet the needs of its customers in Missouri and its other local markets.

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<sup>2</sup> Hereinafter, for purposes of this Application, Sprint Long Distance, Inc. will be referred to as "LTD Long Distance". As more fully described *infra*, LTD Long Distance was recently formed for the purpose of providing long distance service to customers of Sprint's ILEC operations, including the customers of Sprint Missouri, Inc., and it will be the long distance entity affiliated with LTD Holding Company.

## II. THE PARTIES

5. Sprint Nextel Corporation is a publicly-traded Kansas corporation with executive headquarters at 2001 Edmund Halley Drive, Reston, Virginia 20191 and operational headquarters at 6200 Sprint Parkway, Overland Park, Kansas 66251. Sprint is a global communications company providing wireless, long distance, and local communications services. Sprint is authorized to do business in Missouri. *See Exhibit 1.* With respect to the requirements in 4 CSR 240-2.260(1)(1c) Sprint is a large national corporation that is often engaged in various litigations and administrative proceedings. Sprint respectfully contends that no action, proceeding or judgment involving customer service or rates should be relevant to the Commission's consideration of this particular Application seeking to transfer Sprint Missouri, Inc., LTD Long Distance and SPSI from Sprint to a new holding company, and Sprint will further discuss such matters upon request by the Commission. Sprint has no annual reports or assessment fees that are overdue. Sprint states that no transfer contemplated by this Application will impact the tax revenues of a political subdivision where its structures, facilities or equipment are located. Sprint's incumbent local operating companies (ILECs), including Sprint Missouri, Inc., provide a full portfolio of communications services, including local, long distance, high-speed data, wireless and video. As of December 31, 2004, Sprint's ILEC operations served approximately 7.7 million local access lines in 18 states, including approximately 234,000 access lines in Missouri.

6. On December 15, 2004, Sprint Corporation and Nextel Communications, Inc. ("Nextel") entered into a merger agreement pursuant to which, upon obtaining requisite Sprint and Nextel stockholder approval and satisfaction of the other conditions to the merger, Nextel was to merge with and into a wholly owned subsidiary of Sprint.

The conditions of the merger agreement have been satisfied, and the merger closed on August 12, 2005. The corporation's new name is "Sprint Nextel Corporation." In the merger agreement, Sprint and Nextel agreed to use their reasonable best efforts to separate the ILEC business of Sprint, by means of a tax-free spin-off, to the then existing stockholders of Sprint Nextel.

7. LTD Holding Company, a Delaware corporation, is a newly formed subsidiary of Sprint. Upon the separation, LTD Holding Company will realize control of Sprint Missouri, Inc., LTD Long Distance and Sprint Payphone Services, Inc., along with Sprint's other ILEC operations. At that time, LTD Holding Company will operate independently from Sprint and will have its own management team and board of directors. It is expected that current Sprint board members, Gerald L. Storch, Vice Chairman of Target Corporation, and Stephanie M. Shern, former Vice Chair of Ernst & Young, LLP and former Senior Vice President of Kurt Salmon Associates, will serve on the board of directors of LTD Holding Company and will resign from the Sprint board of directors at that time. Other board members will be named later. Upon separation from Sprint, LTD Holding Company will be the largest independent local telephone company in the United States, with 2004 annual revenues exceeding \$6 billion. Its corporate headquarters will be in the Kansas City metropolitan area.

8. Sprint Missouri, Inc. is now a direct wholly owned subsidiary of Sprint. Sprint Missouri, Inc. was originally incorporated in Missouri in 1929 as The United Telephone Company. A restatement of its certification was received in Case No. TA-88-87. Sprint Missouri, Inc. has received all necessary Commission and Secretary of State

approvals for subsequent name changes and is a corporation in good standing in Missouri. Evidence of proper name registrations was most recently provided to this Commission in Case No. TO-97-53 (Re: United Telephone Company of Missouri's Adoption Notice Designed to Change the Company's Name to United Telephone Company of Missouri d/b/a Sprint) and Case No. TO-98-107 (Application of United Telephone Company of Missouri d/b/a Sprint for Approval of Name Change to Sprint Missouri, Inc.). Sprint requests that the information in those cases be incorporated herein by reference. Sprint Missouri, Inc. is a Missouri corporation with headquarters at 6200 Sprint Parkway, Overland Park, Kansas and business offices at 319 Madison, Jefferson City, Missouri 65102. As a result of the transaction, control of Sprint Missouri, Inc. will be transferred from Sprint to LTD Holding Company.

9. LTD Long Distance is a Delaware corporation. LTD Long Distance's application for a certificate of authority is currently pending in Case No. LA 2006-0075. As a result of the transaction, control of LTD Long Distance will be transferred from Sprint to LTD Holding Company.

10. Sprint Payphone Services, Inc. (SPSI) is a Missouri corporation authorized by the Commission to provide payphone telephone services pursuant to Certificate No. TA-98-246, issued on February 3, 1998. As a result of the transaction, control of SPSI will be transferred from Sprint to LTD Holding Company.

11. The authorized representatives of Sprint in this proceeding are as follows:

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### **III. STANDARD OF REVIEW**

12. Section 392.300 RSMo. and 4 CSR 240-3.520 grant the Commission the authority to approve a transfer of control of telecommunications facilities for the purpose of providing service to Missouri customers. In making this determination under Rule 240-3.520, the Commission must determine if the transaction is detrimental to the public interest. The transfer of control of Sprint Missouri, Inc. to LTD Holding Company satisfies all applicable criteria. Sprint Missouri, Inc. will continue to have the technical, managerial, and financial capability to provide quality telecommunications services, and the transfer is not detrimental to the public interest for the reasons set forth in this Application.

### **IV. TRANSACTION AND NEW CORPORATE STRUCTURE**

13. As a result of the transaction, the local wireline operations will become an independent entity from Sprint. In order to complete the separation, Sprint formed a new holding company, LTD Holding Company. The stock of Sprint Missouri, Inc. (and other Sprint ILECs), LTD Long Distance, and SPSI will be contributed into LTD Holding

Company as well as other assets and liabilities related to the local wireline telecommunications business.

14. Sprint Missouri, Inc. will remain the regulated ILEC in Missouri but it will have a new corporate parent. Instead of its current ultimate parent, Sprint Corporation, the ultimate new corporate parent of Sprint Missouri, Inc. will be LTD Holding Company. Likewise, LTD Long Distance and SPSI will not change or become new entities, but will have a new corporate parent, LTD Holding Company.<sup>3</sup> Exhibit 2 shows the corporate structure of Sprint before its merger with Nextel, the corporate structure of Sprint after the merger of the two companies, and the corporate structure resulting from the creation of the independent LTD Holding Company.

15. As described above, Sprint Missouri, Inc., LTD Long Distance, and SPSI ultimately will be subsidiaries of a new parent holding company, LTD Holding Company. From an operational perspective, however, little will change. These entities will continue to be the entities operating in Missouri, and they will continue to have the same technical, financial and managerial ability to provide reliable service as they do today.

16. LTD Holding Company will be managed by capable and experienced executives. Daniel R. Hesse has been named Chief Executive Officer of Sprint's Local Telecommunications division and will be the Chief Executive Officer of the LTD Holding Company. Mr. Hesse has extensive experience in the telecommunications industry, including 23 years at AT&T, where he served as President and Chief Executive Officer of AT&T Wireless Services from 1997-2000. Most recently, Mr. Hesse was

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<sup>3</sup> As stated, the names of Sprint Missouri, Inc., LTD Long Distance and SPSI will change as LTD Holding Company separates from Sprint and chooses its new corporate name and brand. Once chosen, any state-required registrations, filings or notifications will be provided.

Chairman, President and Chief Executive Officer of Terabeam Corporation, a Seattle-based telecommunications company. Michael B. Fuller has been named the Chief Operating Officer of LTD Holding Company. Mr. Fuller, currently President and Chief Operating Officer of Sprint's Local Telecommunications division, has had responsibility for leading Sprint's local telephone operations since 1996. Gene Betts, formerly Sprint Corporation's Senior Vice President and Treasurer, has been named Chief Financial Officer of LTD Holding Company. Tom Gerke, formerly Executive Vice President-General Counsel and External Affairs of Sprint Corporation, has been named General Counsel for LTD Holding Company. James A. Hansen has been named the senior officer to lead LTD Holding Company's Network and Customer Service Organization. For Mr. Hansen, this represents a continuation of his current responsibilities and focus on the network operations of Sprint's ILECs. Exhibit 3 shows organizational charts of LTD Holding Company, identifying the named senior management team. The senior management team has an average tenure with Sprint or in the telecommunications industry of nearly 18 years, with approximately 170 years of combined Sprint experience.

17. Sprint Communications Company L.P. has been the long distance provider for Sprint Missouri, Inc.'s customers who selected Sprint as their long distance provider. Sprint Communications Company L.P. will remain a subsidiary of Sprint. LTD Long Distance was recently formed for the purpose of providing long distance service to customers of Sprint's ILEC operations, including the customers of Sprint Missouri, Inc., and it will be the long distance entity affiliated with LTD Holding Company.

18. LTD Long Distance is qualified to do business in the State of Missouri, and it recently submitted the necessary filings to the Missouri Public Service Commission



to obtain regulatory authority to operate as a long distance reseller in Missouri. After receiving regulatory approval to operate, newly connected local customers of Sprint Missouri, Inc. who choose Sprint for long distance service will receive their long distance service from LTD Long Distance. Upon completion of the separation, long distance customers of Sprint Communications Company L.P. in Sprint Missouri, Inc.'s franchise area will be served by LTD Long Distance, subject to applicable FCC and state approvals and after required customer notices.

19. LTD Long Distance and Sprint Communications Company L.P. are both interexchange carrier subsidiaries of Sprint. Upon separation, Sprint Communications Company L.P. will remain a subsidiary of Sprint. LTD Long Distance is a reseller of long distance services. LTD Long Distance will purchase wholesale long distance services from Sprint Communications Company L.P. After separation, LTD Long Distance will continue to provide resold long distance services to customers of Sprint Missouri, Inc. As previously noted, the name of LTD Long Distance will change as LTD Holding Company separates from Sprint and chooses its new corporate name. Sprint Communications Company L.P. will continue to provide retail and wholesale services to customers throughout the nation, including in Missouri.

**V. SPRINT MISSOURI, INC., SPSI, AND LTD LONG DISTANCE  
REMAIN FULLY CAPABLE OF PROVIDING QUALITY  
SERVICE AND THE SEPARATION SATISFIES THE  
STATUTORY CRITERIA**

**A. Sprint Missouri, Inc., SPSI, and LTD Long Distance will  
continue to possess the requisite technical and managerial  
capability**

**1. The Separation will Not Affect the Certificated Entities'  
Technical Capability**

20. The certificated entities will continue to have the same technical capabilities after the separation that they possess today. All equipment, buildings, systems, software licenses and other assets owned by Sprint Missouri, Inc. will remain assets of Sprint Missouri, Inc.

21. Assets held by another Sprint entity and jointly used by Sprint Missouri, Inc. and one or more other Sprint entities are being reviewed to determine which Sprint entity has the predominant use of this shared asset today and will continue to have a need for that asset in the future.<sup>4</sup> As a result of this process, some of these shared assets will be transferred to LTD Holding Company or one of its subsidiaries. Others will stay with Sprint and its subsidiaries, and in that instance, LTD Holding Company, or its subsidiary, will decide whether to purchase or lease similar assets that best meet its future needs. The testimony of Mark Harper describes the process in greater detail but, generally, the decisions will be based on: a review of which business is the primary user of the asset; which entity maintains the asset and has the asset as part of its network; and the physical location of the asset. For example, pursuant to this process the Signaling System Seven

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<sup>4</sup> These assets are generally grouped into network assets, information technology (IT) assets, and real estate. Due to the number of shared assets and deliberateness of the review, the process is expected to be completed during the 4<sup>th</sup> quarter 2005.

(SS7) platform (used to provide Local Number Portability (LNP) call routing information and capabilities) will move to LTD Holding Company.

22. During the period that these shared assets are being reviewed and the necessary steps are being taken to implement the decisions, execute contracts, and make purchases, LTD Holding Company and its subsidiaries will continue to receive certain services from Sprint and its subsidiaries pursuant to Transition Services Agreements.<sup>5</sup> As a result, LTD Holding Company, together with Sprint Missouri, Inc., LTD Long Distance, and SPSI, will have all of the necessary network assets, and ordering, provisioning, billing, and customer care capabilities required to continue to provide high quality retail and wholesale services seamlessly after the separation.

23. Current agreements are being inventoried and reviewed to ensure that the agreements are appropriately transferred to LTD Holding Company.<sup>6</sup> In addition, LTD Long Distance is entering into a wholesale agreement with Sprint Communications Company L.P. to enable it to provide long distance services. This agreement will facilitate Sprint Missouri, Inc.'s offer of bundled local and long distance services to customers as it does today. LTD Long Distance also will enter into an arrangement with Sprint for the provision of wireless services to the customers of Sprint Missouri, Inc., enabling the continued offering of wireless services.

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<sup>5</sup> Transition Services Agreements will ensure continuity of services as LTD Holding Company separates from Sprint. At or prior to the end of the transition period, LTD Holding Company will arrange for necessary assets through purchase, lease or other arrangements.

<sup>6</sup> For example, Sprint Missouri, Inc. currently offers customers the opportunity to purchase a bundle of services, including satellite video services through a sales agency agreement with EchoStar. A review of the agreement is underway to ensure that appropriate steps are undertaken to enable the continued sale of satellite video services.

## **2. The Certificated Entities will Continue to Possess the Requisite Managerial Capability**

24. Sprint Missouri, Inc. will continue to employ personnel experienced and dedicated to the provision of service in Missouri. The customer service, network and operations functions that are critical to the company's success today will continue when the separation is complete, and the company will be staffed to ensure that continuity. The local operations of Sprint Missouri, Inc. will continue to be managed by employees with established ties to the community and extensive knowledge of the local telephone business. For example, Steve McMahon, Vice President Regional Operations, will continue to be responsible for Sprint Missouri, Inc.'s customer service operations after the separation as he is today. He has over 35 years of experience in the telecommunications industry.

25. Sprint Missouri, Inc., LTD Long Distance and SPSI will continue to receive certain management services, but from a new management company subsidiary of LTD Holding Company,<sup>7</sup> staffed by many of the same experienced and knowledgeable persons currently providing these services. In the past, these centralized functions included human resource services, finance services, tax services, communications services, legal services, planning services, general support services, and information services, allowing the individual operating companies to benefit from the efficiencies enjoyed with centralized support services.<sup>8</sup> After the separation, Sprint Missouri, Inc.,

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<sup>7</sup>In order to provide the management services post-separation, LTD Management Company, a Delaware corporation, was created. LTD Management Company is currently a subsidiary of Sprint Corporation. Post-separation it will be a subsidiary of LTD Holding Company.

<sup>8</sup> For the transition period, Sprint Missouri, Inc., LTD Long Distance and SPSI may continue to receive some of these centralized functions from Sprint as the new management company builds these capabilities. These Transition Services Agreements will ensure continuity of services as LTD Holding Company separates from Sprint.

LTD Long Distance and SPSI will continue to receive similar management services from LTD Management Company, thereby continuing to enjoy efficiencies from centralized support services and the benefits of an experienced staff. These new affiliate arrangements will comply with appropriate federal and state affiliate pricing and filing requirements.

26. The separation will not alter existing relationships between Sprint Missouri, Inc. and its bargaining unit employees and their representatives. Sprint Missouri, Inc. will continue to honor existing collective bargaining agreements, some of which are effective into 2006. For agreements expiring before the completion of the separation, the ILEC will seek new agreements covering those bargaining units. Discussions have begun with the international representatives of the unions representing its bargaining units to provide periodic updates on the separation and to allow a forum for discussion of issues of mutual interest.

27. At the time of the separation, existing Sprint employees employed by LTD Holding Company and Sprint Missouri, Inc. are expected to have available to them a defined benefit pension plan, with terms and benefits reasonably equivalent to the Sprint plan. The benefit pension plan has been and will continue to be appropriately funded to meet current and future benefit obligations. Like other companies, LTD Holding Company will review its pension benefit plan from year-to-year in order to remain competitive in the market for employees.

28. LTD Holding Company will maintain and evolve comprehensive compensation and benefit programs that allow the company to recruit and retain highly qualified and motivated employees. While the dynamics of the labor and benefits

markets, irrespective of the separation, may necessitate changes to the company's compensation and benefit plans from year-to-year as has been the case in the past, the separation will not result in compensation and benefit changes that would hamper the company's ability to remain competitive in the market for employees.

**B. Sprint Missouri, Inc., SPSI and LTD Long Distance Will Continue to Possess the Required Financial Capability**

29. Upon completion of the separation, Sprint Missouri, Inc. will continue to be financially capable of fulfilling all of the requirements of a public utility in Missouri. This capability will be unaffected by the change in its ultimate corporate parent. See Testimony of Mark Harper. Exhibit MDH-1 to Mark Harper's Testimony contains a statement of operations for Sprint Missouri, Inc. for the twelve months ended 12/31/04 based on a total company, ARMIS basis. Exhibit MDH-2 to the testimony contains the 12/31/04 balance sheet for Sprint Missouri, Inc. based on a total company, ARMIS basis. Exhibit MDH-3 to the testimony contains a statement of cash flows for Sprint Missouri, Inc. for the twelve months ended 12/31/04 based on total company, ARMIS results.

30. Historically the ILEC operations of Sprint have operated with significant independence from the operations of the other Sprint divisions. The Sprint ILEC operations have always maintained separate financial records for regulatory purposes as well as separate property records for assets used in the provision of service. Consequently, the financial changes associated with the separation of LTD Holding Company are limited to the parent company and common services provided by the management company, and will have minimal effect on Sprint Missouri, Inc.

31. In addition, LTD Holding Company, which will among other things raise capital for Sprint Missouri, Inc., LTD Long Distance and SPSI, will possess the financial

capability to assist Sprint Missouri, Inc., LTD Long Distance and SPSI to provide quality service to their customers in Missouri. Upon completion of the separation, LTD Holding Company will be a financially secure Fortune 500 company.<sup>9</sup> Its stock is expected to be traded on the New York Stock Exchange.<sup>10</sup> LTD Holding Company will be the largest independent local exchange carrier in the nation, with 2004 annual revenues exceeding \$6 billion. It will have the ability to raise capital and invest in network, employees and systems to continue providing high quality service. Based upon its financial attributes, LTD Holding Company anticipates having financial characteristics consistent with those of companies that have been rated "investment grade" by major ratings agencies. In pursuit of that objective, Sprint has obtained indicative ratings for LTD Holding Company from major ratings agencies. Based upon the proven record of financial performance of Sprint's ILEC operations, it is expected that LTD Holding Company will both generate ample cash flow and pay a dividend that is attractive to investors. All of these characteristics help to ensure that LTD Holding Company will have the fiscal stability to position itself and pursue strategies necessary to assist Sprint Missouri, Inc. to succeed in a competitive environment.

32. Mark Harper explains in testimony that LTD Holding Company will have solid financial capabilities upon its creation as an independent entity apart from Sprint. Exhibit MDH-4 to the testimony contains an adjusted historical consolidated statement of operations for LTD Holding Company and its subsidiaries for the twelve-months ended

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<sup>9</sup> Had it operated on a standalone basis in 2004, the revenues of LTD Holding Company would place it at approximately 335 on the Fortune 500 List.

<sup>10</sup> The New York Stock Exchange (NYSE) rules require compliance with various financial metrics to obtain listing on the exchange and also to maintain that listing. The CEO of a NYSE listed company must annually certify compliance with the broad corporate governance rules adopted by the NYSE. Those rules, among other things, require a majority of independent directors, audit committee composition and governance standards, and adoption and disclosure of corporate governance guidelines and a code of business conduct and ethics.

12/31/04 including adjustments presented as if the separation occurred on January 1, 2004. Exhibit MDH-5 to Mark Harper's testimony contains a 12/31/04 adjusted historical condensed consolidated balance sheet for LTD Holding Company and its subsidiaries, including adjustments presented as if the separation occurred on January 1, 2004. Exhibit MDH-6 to Mark Harper's testimony contains an adjusted historical consolidated statement of cash flows for LTD Holding Company and its subsidiaries including adjustments presented as if the separation occurred on January 1, 2004.

33. An ideal capital structure for LTD Holding Company is a mix of debt and equity that balances financial risk with business risk while maintaining an appropriate cost of capital, thereby maximizing the value of the firm. The right mix of debt and equity should contain sufficient leverage to produce specific benefits for the company: lowering the company's overall cost of capital and providing tax benefits that have a positive impact on the company's cash flow. Insufficient leverage precludes a company from enjoying these benefits, just as excessive amounts of equity capital can burden a company in terms of dividend obligations. The capital structure and proposed dividend policy for LTD Holding Company are reasonable relative to the individual characteristics of LTD Holding Company, including its size, markets served, industry position, operating income and cash flow. The level of debt and equity is such that LTD Holding Company will exhibit the characteristics of other companies that obtain investment grade debt ratings.

34. The testimony of Kevin Collins demonstrates that LTD Holding Company, with its capital structure and dividend policy, will have the financial capability to invest in the networks, systems, and employees needed to provide services. The



financial analysis of Houlihan Lokey estimates a market value on the assets of LTD Holding Company relative to the valuations of companies in its peer group, thereby supporting the conclusion that the intended capital structure of LTD Holding Company is reasonable relative to the individual characteristics of LTD Holding Company. The testimony also concludes that the intended capital structure will ensure the company's ability to attract investor capital and future financing.

**VI. THE ESTABLISHMENT OF SPRINT'S WIRELINE LOCAL SERVICE OPERATIONS AS AN INDEPENDENT BUSINESS IS IN THE PUBLIC INTEREST**

35. Sprint Missouri, Inc., LTD Long Distance, and SPSI operate in an industry that has been and continues to be subject to technological advances, evolving consumer preferences, and dynamic change. These factors, combined with recent regulatory developments, result in a market environment in which it is likely that the interest of Sprint's local wireline operations will begin to diverge from Sprint's increasingly wireless-centric focus. The establishment of Sprint's wireline local service operations as an independent, stand-alone corporation will serve the public interest *by creating a company whose primary strategic focus will be building upon its local wireline capabilities by providing a full portfolio of quality services to residential and business customers in its local franchised territory.* This separation establishes a heightened level of clarity in terms of the company's vision and purpose; a level of clarity that has the beneficial effect of better aligning the interests of the company with the interests of its customers. The company's focus will allow a stronger local emphasis and permit it to provide services tailored to the needs of its local customers. Simply put, the separation produces:

- **Clarity of Vision:** The company seeks to be the preferred hometown communications company. The company's single-minded focus will be on its local markets, first and foremost—not as a communications carrier that is part of a national wireless or national long distance carrier.
- **Clarity of Purpose:** The company will emphasize meeting local customer needs and meeting local market demands. Success as the preferred hometown communications carrier requires a single-minded emphasis on meeting the needs of the local customer: delivering a full portfolio of services that meet the targeted customers' needs. Local market responsiveness is essential for success.
- **Clear Alignment of Interests:** Both customers and the company benefit from the single-minded focus on the local market and enhanced competition fostered by the separation. Customers benefit from the increased focus on their needs and the company benefits from retaining and attracting those customers whose needs are satisfied by the company's offerings, service quality, and customer care.
- **Transparency to Customers:** The separation transition will be virtually transparent to the customer's experience. The company will ensure that service quality and the customer experience remain high priorities. The customers in LTD Holding Company's local operations will experience business as usual, only better, as the company's clarity of vision and purpose enhances service delivery, product development, and customer interaction.

**A. Clarity of Vision: Being the Preferred Hometown Communications Company**

36. At the end of the first quarter, 2005, Sprint served nearly three times as many wireless customers, directly and through affiliates, as it does local wireline customers. With the completion of the merger, Sprint now serves five times as many wireless customers as wireline customers. Given the predominance of wireless customers, Sprint will naturally place greater emphasis on its nationwide business built around wireless services and its nationwide fiber optic and global IP network. The separation of Sprint's ILEC operations will allow its local customers to be served by a company whose primary strategic interests are the specific local franchised areas in which it operates as the local telecommunications company. The result: a company that

seeks to be the preferred hometown communications company with a single-minded focus on its local markets.

37. Sprint has a rich history of providing telecommunications services to local communities that dates back over a hundred years. Establishing the ILEC operations as a separate company will provide Sprint Missouri, Inc. the opportunity to strengthen further its local community roots and build on that foundation as it continues to meet the communications needs of customers. Sprint Missouri, Inc.'s primary role will be as a communications provider anchored by wireline service in its existing territory, rather than as a subset of a nationwide, predominantly wireless, company. The impact of this locally focused strategy is significant, and will be visible on many levels, as more fully explained in the attached testimony of Richard Lawson, State Executive for Missouri, and Dr. John Mayo.

**B. Clarity of Purpose: Delivering a Full Portfolio of Services that Meet the Local Customer Needs**

38. Success as the preferred hometown communications carrier requires a single-minded emphasis on delivering a full portfolio of services that meet the demands of Sprint Missouri, Inc.'s customers. With this more targeted local focus, it can enhance its local presence to be more responsive in service delivery, product development and customer interaction than a national wireless company<sup>11</sup> - targeting broader and different markets - would be. In this new role, it will be better positioned to respond to its customers' needs, and to serve those needs by tailoring products specifically to its local customer base. For example, in recent years, many of Sprint's wireline and wireless

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<sup>11</sup> Sprint will be the leading independent wireless carrier with a nationwide fiber optic and global IP network that will offer nationwide broadband wireless and integrated communications services to customers—a focus much different from the more targeted local focus of Sprint Missouri, Inc.

business and residential offerings have concentrated on product bundles that target national urban markets. Since many of LTD Holding Company's local customers live in more rural regions, their needs are sometimes different from the needs of Sprint's nationwide customer base. By establishing LTD Holding Company's operations as a separate, stand-alone entity, this new company will have more options to create a variety of products designed to better reflect the preferences of Sprint Missouri, Inc.'s local customers. For example, LTD Holding Company is considering offering wireless plans with fewer minutes that complement wireline service rather than replace it as an offering that may be more attractive to its customers. LTD Holding Company will have the ability and incentive to address this need.

**C. Clear Alignment of Customer and Company Interests:  
Enhancing the Competitive Environment**

39. Establishing Sprint's ILEC operations as a stand-alone corporation provides the company with greater opportunity to compete effectively to retain and grow its customer base, a complete independence the company would not have as part of a larger corporation with a predominantly wireless and national focus. As a result, customers benefit. They benefit from the company's single-minded focus on the local market and its local customers' communications requirements, and the company benefits from retaining and attracting customers whose needs are satisfied by the company's offerings, service quality, and customer care.

40. The separation will allow LTD Holding Company to be a more effective competitor in three distinct ways. First, the separation of the ILEC business will eliminate any emerging tension between Sprint's anticipated national wireless strategy and LTD Holding Company's local wireline strategy. Sprint has stated publicly that it

expects to pursue an aggressive strategy of serving as a wireless alternative to wireline service and to advance competition by, for example, enabling cable companies' voice offerings or using other technologies. Simply stated, Sprint's evolving goal of replacing existing local wireline service is inconsistent with LTD Holding Company's goal of building on its local wireline capabilities. Second, the separation will increase the speed of decision-making and will allow for greater flexibility in creating bundles and expanding the product portfolio in specific markets to defend against competitive erosion. As a focused company with fewer competing demands in product development, LTD Holding Company will be able to bring new products to market more rapidly, and to quickly respond to new offerings from alternate providers. For example, responsibility for responding to the needs of business customers is being shifted from an organization with a national focus to an organization targeted to the businesses located in the ILEC's service territory. This will enable the company to meet the local business customer's needs better than it could through a nationally focused, larger-scale organization. Third, as described above, operating independently will allow the company to focus on the development of products targeted to its customers in its local serving area. As the testimony of Richard Lawson describes, geographically focused, cross-functional teams will be formed to better respond to local market demands.

41. Separation of Sprint's ILEC operations will also allow the parent company, Sprint, to compete more vigorously in the local market as an alternative full-service provider. Sprint will benefit from increased freedom and flexibility to pursue bundling and partnership opportunities that use its wireless and nationwide fiber optic and global IP networks, offering an alternative to the incumbent LEC. This opportunity

to increase competition in the wireline market (including RBOC markets) is critical in light of recent regulatory rulings that have led to an increased emphasis on intermodal and facilities-based competition, rather than competition reliant upon the use of the incumbent's network.<sup>12</sup>

**D. Transparency To Customers**

42. Ensuring the continuation of high quality service and customer experience during the transition to an independent company is vitally important. Sprint Missouri, Inc. understands that continuing to meet the customer's needs is its top priority. To that end, on the day after the separation, Sprint Missouri, Inc. will offer the same full range of products and services that it offered the day prior to separation, at the same prices, and under the same terms and conditions. Currently, Sprint Missouri, Inc. offers bundles of local calling and custom calling features combined with high-speed data capabilities, long distance service, wireless services, or satellite video services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. As described above, Sprint Missouri, Inc. and LTD Long Distance will enter into the necessary long distance and wireless arrangements to allow them to facilitate Sprint Missouri, Inc.'s continued offering of these bundled services.

43. Equally important, the customer interface will not change. As the testimony of Richard Lawson discusses, customers will continue to call existing numbers to obtain new services, to report service problems, and to address billing or other

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<sup>12</sup> See, e.g., *In the Matter of Unbundled Access to Network Elements; Review of the Section 251 Unbundling Obligation of Incumbent Local Exchange Carriers*, WC Docket No. 04-313 and CC Docket No. 01-338, *Order on Remand*, FCC 04-290 (released February 4, 2005).

customer care issues. Employees of Sprint's ILEC operations will continue to be focused on the local operations of the stand-alone entity (and without the distractions from a nationally-focused wireless parent) and local affairs will continue to be managed by men and women with established local connections and extensive knowledge of the local telephone business. Sprint Missouri, Inc.'s ongoing role in the local community will continue to be important. Furthermore, the senior executive team of LTD Holding Company and Sprint Missouri, Inc. is made up of many of the same executives that have guided Sprint's local operations in the past. Their experience and expertise, combined with new flexibility to pursue strategic goals, ensures that service quality and standards will remain at the highest levels.

44. Sprint Missouri, Inc. will continue to provide local exchange service, and to offer long distance service, subject to the same rules, regulations and applicable tariffs. Sprint Missouri, Inc. will remain subject to its existing price regulation plan, service quality obligations, and tariffs,<sup>13</sup> as modified by any future Commission decisions. Future end user rate changes will continue to be governed by the same rules and procedures as today, again, as modified by future Commission decisions. Likewise, the terms and prices for existing wholesale services under Sprint Missouri, Inc.'s access tariffs will be unchanged as a result of this transaction. Moreover, this transaction will have no impact on the terms of any existing interconnection agreements or Sprint Missouri, Inc.'s obligations under state and federal laws regarding interconnection.<sup>14</sup>

45. The public interest consequently will be served by the separation, allowing increased focus and attention to customers in Missouri.

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<sup>13</sup> As the name of the company changes, a filing will be made to change the name on the tariff.

<sup>14</sup> In fact, Sprint Missouri, Inc. continues to offer UNE-P replacement contracts to CLECs for the continued availability of a UNE-P-type offering at market based rates.

WHEREFORE, for the foregoing reasons, Sprint has demonstrated that the transfer of control of the Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. to LTD Holding Company satisfies Section 392.300 RSMo, 4 CSR 240-3.520 and any other applicable statutes, in that the transfer of control of telecommunications facilities of Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. to LTD Holding Company is not detrimental to the public interest. Furthermore, Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Service, Inc. will continue to have the technical, managerial, and financial capability to provide quality communications services. Consequently, Sprint requests approval of the transaction as described above including: (1) the change of control of Sprint Missouri, Inc. from Sprint to Local Holding Company; (2) the change of control of Sprint Long Distance, Inc. from Sprint to Local Holding Company; and (3) the change of control of Sprint Payphone Services, Inc. to LTD Holding Company.



Respectfully submitted this 23<sup>rd</sup> day of August, 2005,

**SPRINT NEXTEL CORPORATION**

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By:



Counsel for Sprint

## VERIFICATION

I, Brett D. Leopold, an attorney and duly authorized representative of Sprint Missouri, Inc. hereby verify and affirm that I have read the foregoing Application, and verify that the statements contained therein are true and correct to the best of my information and belief.

Brett D Leopold  
Brett D. Leopold

Subscribed and sworn to before me on this 23<sup>rd</sup> day of August, 2005.

Mary K Joshi  
Notary Public

My Appointment Expires: March 5, 2009

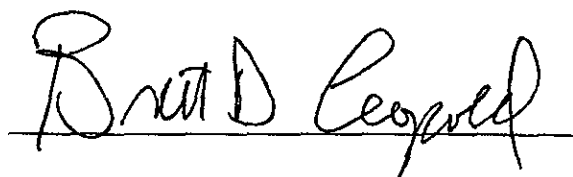


## CERTIFICATE OF SERVICE

The undersigned hereby certifies that on this 23rd day of August, 2005, a copy of the above and foregoing Application was served via electronic mail to each of the following:

Office of the General Counsel  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, Missouri 65102  
[gencounsel@psc.mo.gov](mailto:gencounsel@psc.mo.gov)

Office of the Public Counsel  
P. O. Box 2230  
Jefferson City, MO 65101  
[opcservice@ded.mo.gov](mailto:opcservice@ded.mo.gov)

A handwritten signature in black ink, reading "Brett D. Leonard", is written over a horizontal line.

STATE OF MISSOURI



Robin Carnahan  
Secretary of State

CORPORATION DIVISION  
CERTIFICATE OF GOOD STANDING

ROBIN CARNAHAN, Secretary of the State of Missouri, do hereby certify that the records  
my office and in my care and custody reveal that

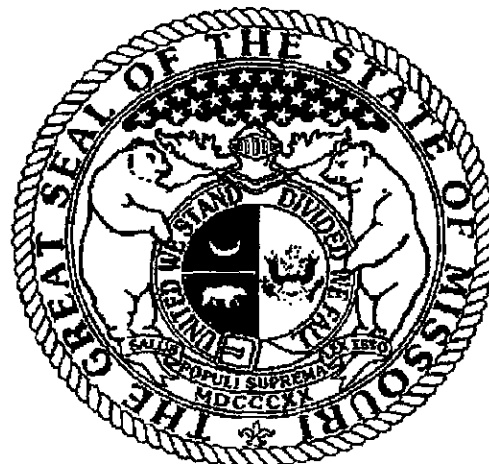
SPRINT MISSOURI, INC.  
T00000533

as created under the laws of this State on the 10th day of January, 1929, and is in good  
standing, having fully complied with all requirements of this office.

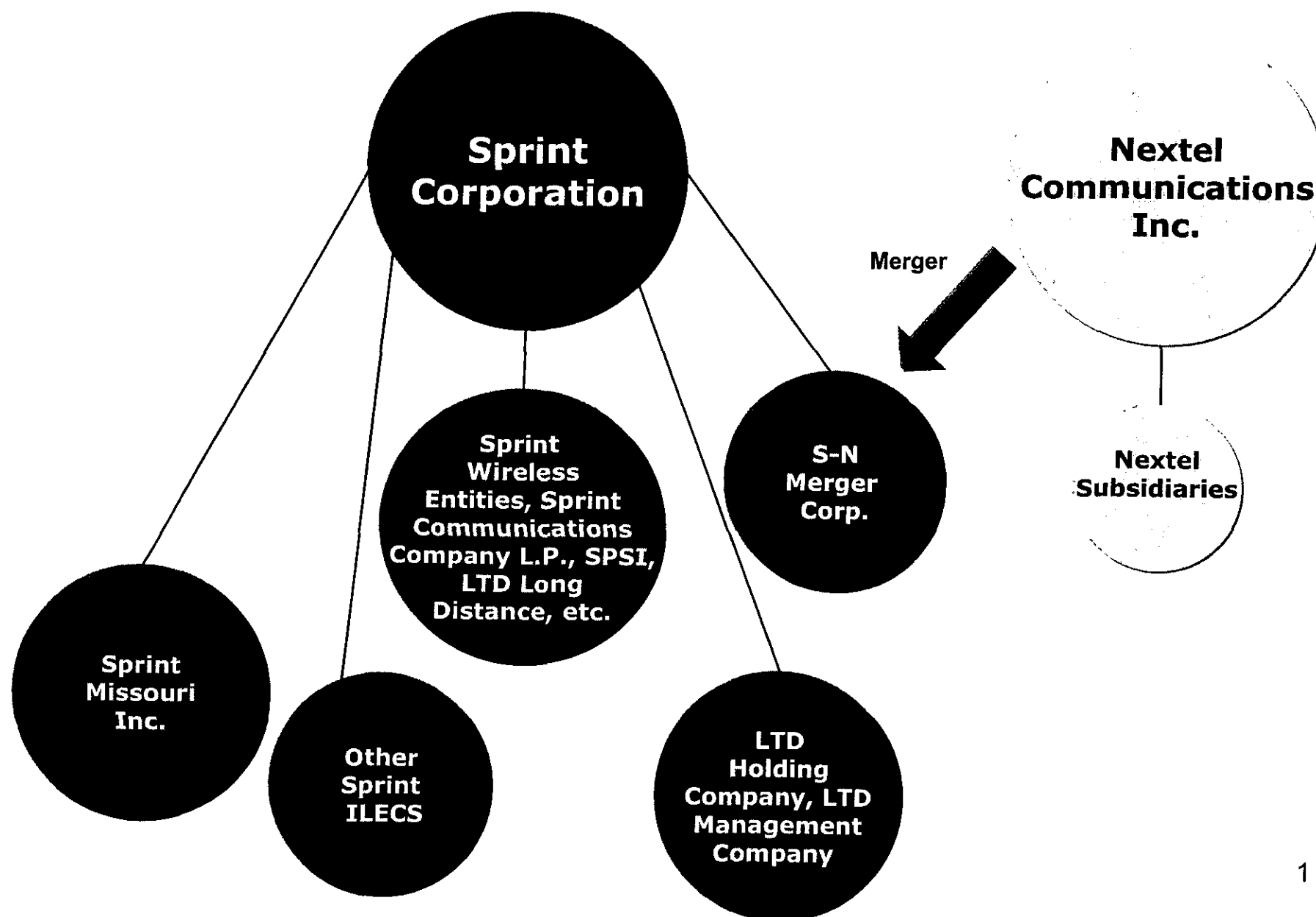
IN TESTIMONY WHEREOF, I have set my  
hand and imprinted the GREAT SEAL of the  
State of Missouri, on this, the 17th day of June,  
2005

*Robin Carnahan*

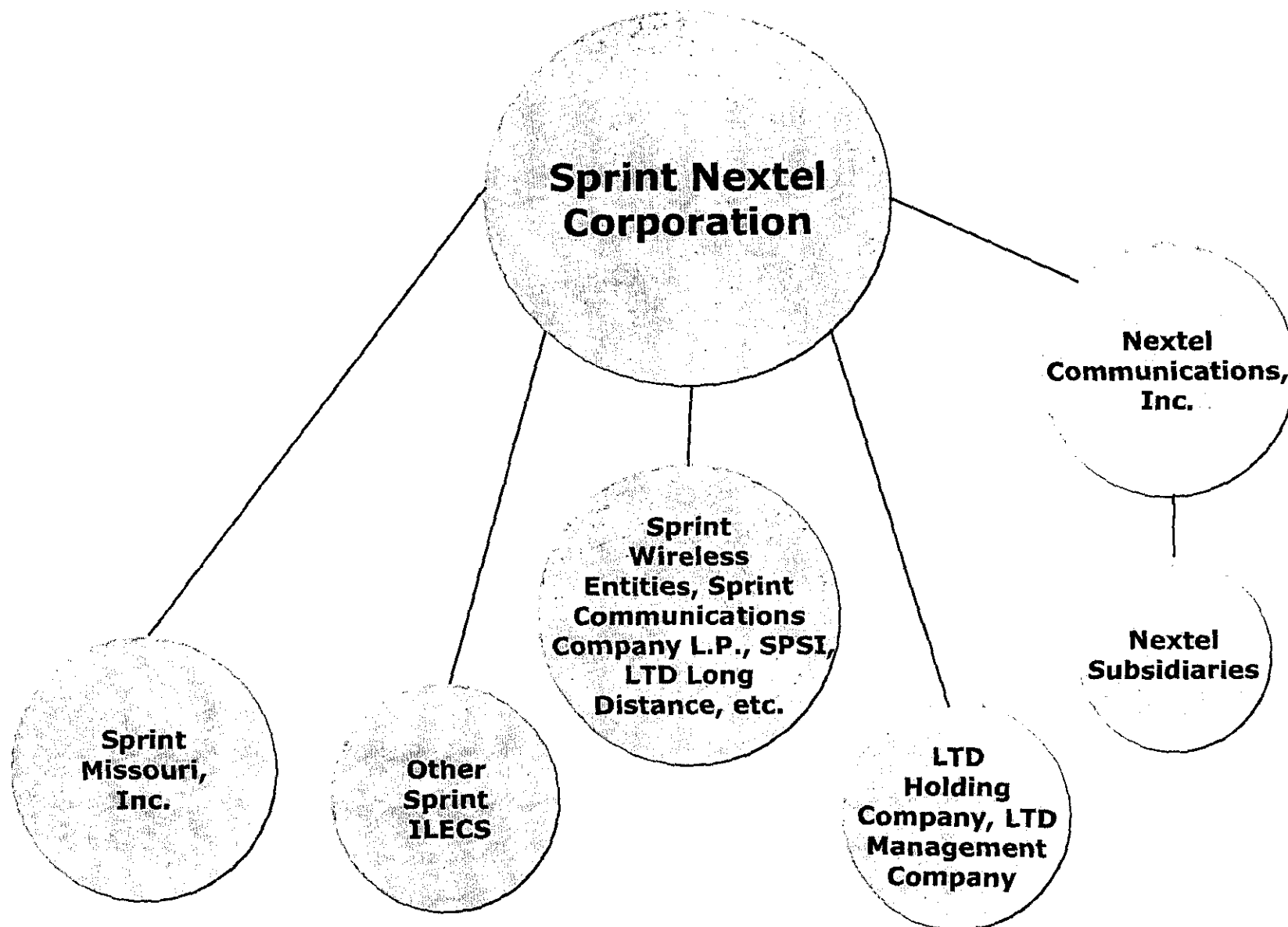
Secretary of State



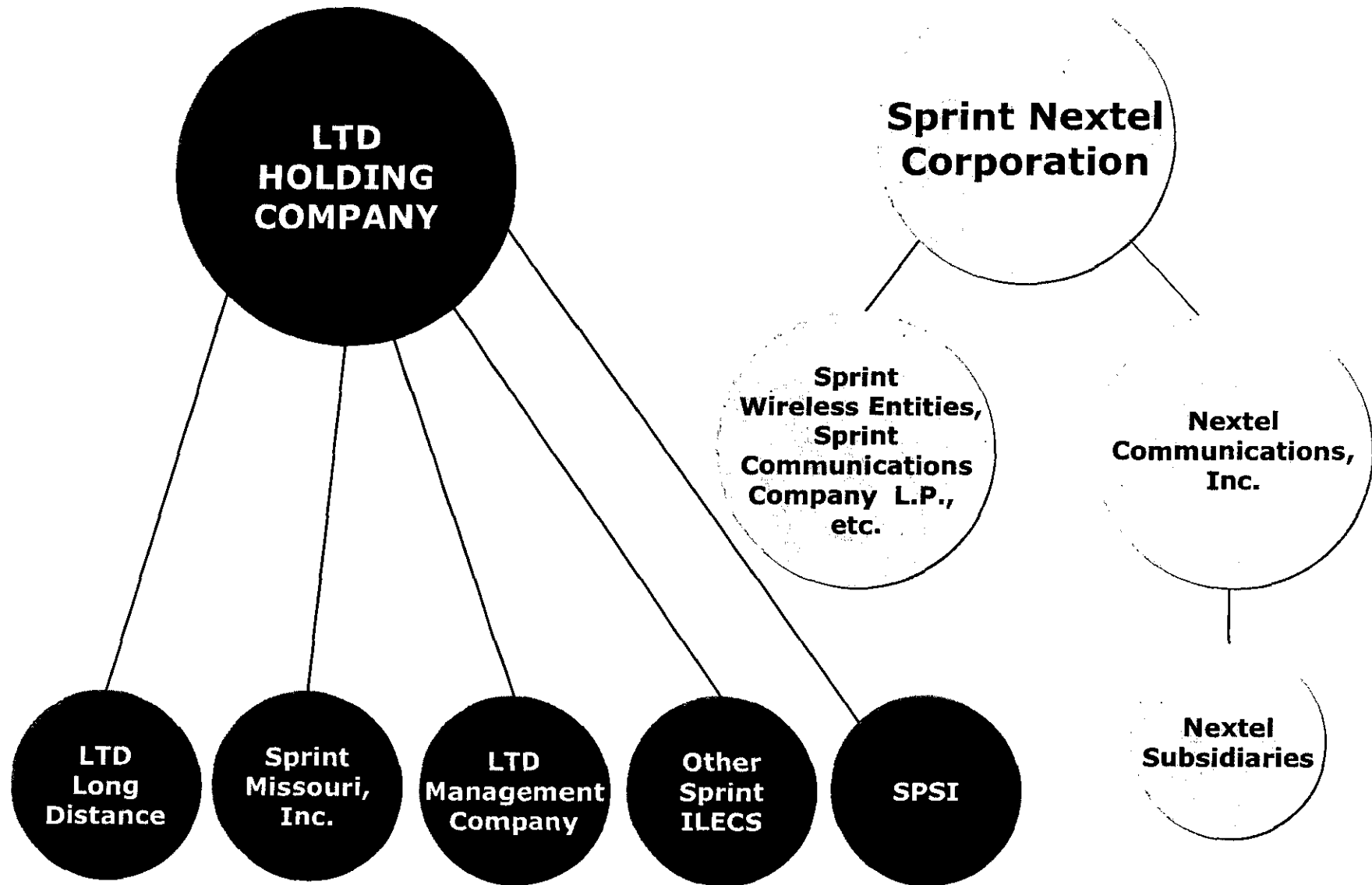
## Sprint and Nextel - Pre-Merger



## Sprint Nextel – Post Merger



## LTD Holding Company Separation from Sprint Nextel



# LTD Holding Company Organizational Structure

