SPRINT CORP
Form 10-K/A
May 15, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

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

For the transition period from____________________to____________________

Commission file number 1-04721

SPRINT CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS	48-0457967
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
P.O. Box 11315, Kansas City, Missouri	64112
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (913) 624-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchang
FON Common Stock, Series 1, $2.00 par value, and FON Group Rights	New York Stock Exchange
PCS Common Stock, Series 1, $1.00 par value, and PCS Group Rights	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

Aggregate market value of voting and non-voting stock held by non-affiliates at February 28, 2001, was $37,426,477,728.

COMMON SHARES OUTSTANDING AT FEBRUARY 28, 2001:

FON COMMON STOCK	799,223,455
PCS COMMON STOCK	935,235,668
CLASS A COMMON STOCK	86,236,036

Documents incorporated by reference.

Registrant's definitive proxy statement filed under Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, which definitive proxy statement is to be filed within 120 days after the end of Registrant's fiscal year ended December 31, 2000, is incorporated by reference in Part III hereof.

EXPLANATORY NOTE

Sprint Corporation hereby amends its Annual Report on Form 10-K for the year ended December 31, 2000 (the "Form 10-K") as set forth in this Annual Report on Form 10-K/A (the "Form 10-K/A"). This Form 10-K/A includes amendments to the following sections of the Form 10-K:

- Item 1. Business;
- Item 5. Market for Registrant's Common Equity and Related Stockholder Matters;
- Item 6. Selected Financial Data;
- Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations;
- Item 8. Financial Statements and Supplementary Data; and
- Annex II and Annex III.

All other items of the Form 10-K are simply restated herein and have not been amended.

SECURITIES AND EXCHANGE COMMISSION

Part I

Item 1. Business

The Corporation

Sprint Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company.

Sprint is a global communications company and a leader in integrating long-distance, local service, and wireless communications. Sprint is also one of the largest carriers of Internet traffic using its tier one Internet protocol network, which provides connectivity to any point on the Internet either through its own network or via direct connections with another backbone provider. Sprint is the nation's third-largest provider of long distance services and operates nationwide, all-digital long distance and tier one Internet protocol networks using fiber-optic and electronic technology. In addition, Sprint's local division currently serves approximately 8.3 million access lines in 18 states. Sprint also operates the only 100% digital personal communications service, or PCS, wireless network in the United States with licenses to provide service nationwide using a single frequency band and a single technology. Sprint owns PCS licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands.

In November 1998, Sprint's shareholders approved the allocation of all of Sprint's assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc. (TCI), Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint issued additional low vote PCS shares in exchange for this interest.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and 1/2 share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom (FT) and Deutsche Telekom AG (DT) entitles FT and DT to one share of FON stock and 1/2 share of PCS stock. These transactions are referred to as the Recapitalization.

Operating Segments

Sprint's business is divided into four lines of business: the global markets division, the local division, the product distribution and directory publishing businesses and the PCS wireless telephony products and services business. The FON Group includes the global markets division, the local division and the product distribution and directory publishing businesses, and the PCS Group includes the PCS wireless telephony products and services business. The PCS common stock is intended to reflect the financial results and economic value of the PCS wireless telephony products and services business. The FON common stock is intended to reflect the financial results and economic value of the global markets division, the local division and the product distribution and directory publishing businesses. For financial information relating to Sprint's segments, see Note 16 to Sprint's consolidated financial statements under Item 8--Financial Statements and Supplementary Data in this Form 10-K/A.

During 2000, Sprint changed the FON Group's segment reporting to align financial reporting with changes in how Sprint manages the FON Group's operations and assesses its performance. As a result, all previously reported financial information relating to these segments has been restated to reflect the new composition of each segment.

Characteristics of Tracking Stock

FON common stock and PCS common stock are intended to reflect the performance of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track. Accordingly, FON and PCS shareholders are subject to the risks related to an equity investment in Sprint and all of Sprint's businesses, assets and liabilities. Shares of FON common stock and PCS common stock do not represent a direct legal interest in the assets and liabilities of the groups, as Sprint

1

owns all of the assets and liabilities of both of the groups. Sprint's Board may, subject to the restrictions in Sprint's articles of incorporation, change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval.

Holders of FON and PCS common stock generally vote as a single class on all matters submitted to a vote of Sprint's shareholders, including the election of directors. The vote per share of the PCS stock is different from the vote of the FON stock. The FON stock has one vote per share. The vote of the PCS stock is based on the market price of a share of PCS stock relative to the market price of a share of FON stock for a period of time prior to the record date for a shareholders meeting. The shares of PCS stock held by the Cable Partners have 1/10 of the vote per share of the publicly traded PCS stock except where there is a class vote. The shares held by the Cable Partners convert into full voting PCS stock upon sale to the public.

The market price of the FON common stock may not accurately reflect the reported financial results and prospects of the FON Group or the dividend policies established by Sprint's Board of Directors with respect to the FON common stock. The market price of the PCS common stock may not accurately reflect the reported financial results and prospects of the PCS group or the dividend policies established by Sprint's Board with respect to the PCS common stock. Events affecting Sprint generally or the results of one group could adversely affect the results of operations of the other group or the market price of the stock tracking the other group. Net losses of either group, and dividends or distributions on, or repurchases of, one stock will reduce Sprint funds legally available for dividends on both stocks. Debt incurred by either group could affect the credit rating of Sprint as a whole and increase borrowing costs for both groups.

Holders of one of the stocks may have different or conflicting interests from the holders of the other stock. For example, conflicts could arise with respect to decisions by the Sprint Board to (1) convert the outstanding shares of PCS stock into shares of FON stock, (2) sell assets of a group to a third party, (3) transfer assets from one group to the other group, (4) formulate public policy positions which could have an unequal effect on the interests of the FON Group and the PCS Group, (5) allocate consideration in a merger to holders of FON stock or PCS stock, and (6) make operational and financial decisions with respect to one group that could be considered to be detrimental to the other group. Material conflicts are addressed in accordance with the Tracking Stock Policies adopted by the Sprint Board. In addition, the Board has appointed a committee of its members (the Capital Stock Committee) to interpret and oversee the implementation of these policies.

Under the applicable corporate law, Sprint's Board owes its fiduciary duties to all of Sprint's shareholders. Neither the FON Group nor the PCS Group has a separate board of directors to represent solely the interests of the holders of FON common stock or PCS common stock. Consequently, there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. The Tracking Stock Policies provide that the Board, in resolving material matters in which the holders of FON common stock and PCS common stock have potentially divergent interests, will act in the best interests of Sprint and all of its common shareholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of Sprint common stock. The Tracking Stock Policies may be changed by the Board without shareholder approval.

If either the FON Group or the PCS Group were a stand-alone entity, a person that does not wish to negotiate with management could seek to acquire such group by means of a tender offer or proxy contest involving only that entity's shareholders. However, because the FON Group and the PCS Group are each part of Sprint, acquiring either group without negotiation with Sprint's management would require a proxy contest or tender offer that yielded control of Sprint generally and would likely require solicitations to shareholders of both groups.

Sprint FON Group

General Overview of the Sprint FON Group

The FON Group is comprised of the global markets division, the local division and the product distribution and directory publishing businesses. The main activities of the global markets division include domestic and international long distance communications (except for consumer long distance services used by customers within Sprint's local franchise territories), Sprint ION(SM), broadband fixed wireless services and certain other ventures. The activities of the local division include local exchange communications and consumer long distance services used by customers within Sprint's local franchise territories. The FON Group is the nation's third-largest provider of long distance services.

Global Markets Division

The global markets division's financial performance for 2000, 1999 and 1998 is summarized as follows:

	2000	1999	1998
		(millions)	
Net operating revenues	$ 10,528	$ 10,308	$ 9,541
Operating income/(1)/	$ 585	$ 1,175	$ 1,190

/(1)/ Includes a $238 million nonrecurring asset write-down in 2000.

General

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; data communications such as Internet and frame relay access and transport, web hosting, virtual private networks, and managed security services; and broadband services.

Sprint is deploying integrated communications services, referred to as Sprint ION. Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide advanced services in the competitive local service market. Sprint uses various advanced services last-mile technologies, including dedicated access and Digital Subscriber Line (xDSL), and expects to use Multipoint Multichannel Distribution Services (MMDS).

The global markets division also includes the operating results of the cable TV service operations of the broadband fixed wireless companies after their 1999 acquisition dates. During 2000, Sprint converted several markets served by MMDS capabilities from cable TV services to high-speed data services. The global markets division's operating results reflect the development costs and the operating revenues and expenses of these broadband fixed wireless services. Sprint intends to provide broadband data and voice services to additional markets served by these capabilities.

The global markets division also reflects the costs of establishing international operations beginning in 2000.

This division also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada; Intelig, a long distance provider in Brazil; and certain other telecommunications investments and ventures.

Competition

The division competes with AT&T, WorldCom and other telecommunications providers in all segments of the long distance communications market. AT&T continues to have the largest market share of the domestic long distance communications market. Emerging competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to fill their networks with traffic volume. Certain Regional Bell Operating Companies (RBOCS) have obtained authorization to provide in-region long distance service in certain states, which has heightened competition in those states. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability.

Strategy

In order to achieve profitable market share growth in an increasingly competitive long distance communications environment, the global markets division intends to leverage its principal strategic assets: its high-capacity national fiber-optic network, its tier one Internet Protocol network, its large base of business and residential customers, its established national brand, and offerings available from other FON Group operating entities and the PCS Group. The long distance operation will focus on expanding its presence in the high-growth data communications markets and intends to become the provider of choice for delivery of end-to-end service to business and residential customers. The

FON Group continues to deploy network and systems infrastructure which provides reliability, cost effectiveness and technological improvements. In order to create integrated product offerings for its customers, the FON Group is solidifying the linkage of its long distance operation with Sprint's other operations such as the local division and the PCS Group.

The long distance operation also supports Sprint ION activities. Sprint ION's integrated services capability is expected to generate increased demand for Sprint's products and services, and at the same time reduce the costs to provide those services.

Sprint ION intends to rely largely on the transmission infrastructure of the long distance operation, Sprint's MMDS capabilities and, to a lesser extent, on the

transmission infrastructure of the local division. Sprint will evaluate whether facilities should be built, leased or acquired where they currently do not exist. Because a great amount of future investment will be related to specific customer contracts, Sprint expects to manage its investment in Sprint ION consistent with customer demand.

Local Division

General

The local division (LTD) consists mainly of regulated local phone companies serving approximately 8.3 million access lines in 18 states. LTD provides local phone services, access by phone customers and other carriers to LTD's local network, consumer long distance services to customers within its franchise territories, sales of telecommunications equipment, and other long distance services within certain regional calling areas, or LATAs.

LTD's financial performance for 2000, 1999 and 1998 is summarized as follows:

	2000	1999	1998
		(millions)	
Net operating revenues	$ 6,155	$ 5,958	$ 5,599
Operating income	$ 1,763	$ 1,553	$ 1,401

AT&T is LTD's largest customer for network access services. The division's net operating revenues from services (mainly network access services) provided to AT&T were 8% in 2000, 10% in 1999 and 12% in 1998. Revenues from AT&T were 3% of the FON Group's revenues in 2000 and 4% in 1999 and 1998.

Competition

Because LTD operations are largely in secondary and tertiary markets, competition in its markets is occurring more gradually. There is already competition for business and residential customers in urban areas served by LTD and for business customers located in most areas. Telecommunications mergers may accelerate competition in the areas served by LTD. There continues to be significant competition in toll services. Competition in these services is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability. In addition, wireless services will continue to grow as an alternative to wireline services as a means of reaching local customers.

Strategy

LTD has embarked on a growth strategy whereby it will aggressively market to its local customers Sprint's entire product portfolio as well as its core product line of advanced network features and data products. LTD also supports the FON Group's initiatives with Sprint ION. See "Global Markets Division--Strategy" for more details.

Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

The financial performance for the product distribution and directory publishing businesses for 2000, 1999 and 1998 is summarized as follows:

	2000	1999	1998
		(millions)	
Net operating revenues	$ 1,936	$ 1,758	$ 1,709
Operating income	$ 284	$ 242	$ 231

Sprint PCS Group

General Overview of the Sprint PCS Group

The PCS Group includes Sprint's wireless personal communication services (PCS) operations. It operates a 100% digital PCS wireless network in the United States with licenses to provide service nationwide using a single frequency and a single technology. At year-end 2000, the PCS Group, together with affiliates, operated PCS systems in over 300 metropolitan markets, including the 50 largest U.S. metropolitan areas. The PCS Group has licenses to serve the entire U.S. population, including Puerto Rico and the U.S. Virgin Islands. The service offered by the PCS Group and its affiliates now reaches more than 220 million people. The PCS Group provides nationwide service through:

- operating its own digital network in major U.S. metropolitan areas,
- affiliating with other companies, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using dual-band/dual-mode handsets, and
- roaming on other providers' digital PCS networks that use code division multiple access (CDMA).

The PCS group also provides wholesale PCS services to companies that resell the services to their customers on a retail basis. These companies pay the PCS Group a discounted price for their customers' usage, but bear the costs of acquisition and customer service.

The PCS Group also includes its investment in Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso), a wireless PCS operation in Mexico. This investment is accounted for using the equity method.

The financial performance for the PCS Group for 2000, 1999 and 1998 is summarized as follows:

	2000	1999	1998
		(millions)	
Net operating revenues/(1)/	$ 6,341	$ 3,373	$ 1,294
Operating loss/(1),(2)/	$ (1,928)	$ (3,237)	$ (2,570)
Other partners' loss in Sprint PCS	$ -	$ -	$ 1,251

/(1)/ The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year.

/(2)/ Includes a $24 million charge in 2000 for costs associated with the terminated merger between Sprint and WorldCom and a nonrecurring charge to write-off $179 million of acquired in-process research and development costs related to the PCS Restructuring in 1998. For further discussion, see the PCS Group's "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Competition

Each of the markets in which the PCS Group competes is served by other two-way wireless service providers, including cellular and PCS operators and resellers. A majority of the markets will have five or more commercial mobile radio service (CMRS) providers and each of the top 50 metropolitan markets have at least one other PCS competitor in addition to two cellular incumbents. Many of these competitors have been operating for a number of years and currently serve a significant subscriber base.

Strategy

The business objective of the PCS Group is to expand network coverage and increase market penetration by aggressively marketing competitively priced PCS products and services under the Sprint and Sprint PCS brand names, offering enhanced services and seeking to provide superior customer service. The principal elements of the PCS Group's strategy for achieving these goals are:

- Operating a nationwide digital wireless network
- Leveraging Sprint's national brand
- Utilizing state-of-the-art CDMA technology
- Delivering superior value to its customers
- Growing its customer base using multiple distribution channels
- Continuing to expand coverage
- Offering PCS services in combination with FON Group services

Regulatory Developments

Sprint FON Group

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act) was designed to promote competition in all aspects of telecommunications. It eliminated legal and regulatory barriers to entry into local phone markets. It also required incumbent local exchange carriers (ILECs), 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. Sprint has obtained interconnection and collocation agreements with a number of ILECs, and is rolling out Sprint ION in selected cities across the nation, using collocation and unbundled network elements obtained from ILECs.

In January 1999, the Supreme Court affirmed the authority of the Federal Communications Commission (FCC) to establish rules and prices relating to interconnection and unbundling of the ILECs' networks. The FCC subsequently reaffirmed in large part the list of network elements incumbents are required to provide on an unbundled basis, and strengthened collocation requirements. It also took steps to speed the deployment of advanced technologies such as xDSL.

In July 2000, the U.S. Court of Appeals for the Eighth Circuit invalidated the pricing standards the FCC had adopted for unbundled network elements and resale of ILEC services. The court also refused to reconsider, in light of the Supreme Court decision discussed above, the court's prior holding that ILECs could not be required to combine unbundled network elements on behalf of other carriers. In January 2001, the U.S. Supreme Court granted certiorari of three issues from the Eighth Circuit decision. The Supreme Court will review whether the Telecom Act forecloses the cost methodology adopted by the FCC for interconnection rates with the ILECs. A related issue dealing with whether rejection of historical costs is a taking will also be considered. Finally, the Supreme Court will consider whether ILECs have a duty under the Telecom Act to combine previously uncombined network elements when requested and for a fee. If the Supreme Court affirms the Eighth Circuit's decision, the FCC or the state regulatory commissions would have to formulate new pricing standards for unbundled network elements and interconnection.

Separately, in a March 2000 decision, the U.S. Court of Appeals for the District of Columbia Circuit remanded to the FCC the issue of what types of equipment ILECs must allow competitors to collocate in their offices. The FCC has received comments and reply comments on whether and how to change its collocation rules in light of the D.C. Circuit's decision.

RBOC Long Distance Entry

The Telecom Act also allows RBOCs 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. The RBOC's have gained authorization to provide in-region long distance service in four states. Verizon obtained FCC authorization for New York in December 1999; SBC obtained FCC authorization to provide in-region services in Texas in June 2000 and in Oklahoma and Kansas in January 2001. RBOCs may gain such authorization in the near future in other states. The entry of the RBOCs into the long distance market will impact competition, but the extent of the impact will depend upon factors such as the RBOCs' competitive ability, the appeal of the RBOC brand to different market segments, and the response of competitors. Some of the impact on Sprint may be offset by wholesale revenues from those RBOCs which choose to resell Sprint services.

Customer Service Slamming

The Telecom Act also established liability for the unauthorized switching of a consumer's telephone service from one carrier to another (slamming). In late 1998, the FCC adopted new rules intended to prevent slamming and to compensate victims of slamming. The compensation rules were stayed by the Court of Appeals for the District of Columbia Circuit. In May 2000, the FCC modified the process for adjudicating alleged slams. The D.C. Circuit then lifted its stay and the new rules went into effect on November 28, 2000.

Mergers

A number of mergers received final regulatory approval in 2000 and early 2001. The Qwest- US West merger was approved by the FCC in March 2000; the Bell Atlantic-GTE merger was approved by the FCC in June 2000; and the AT&T-MediaOne merger was approved by the FCC in June 2000. Finally, the AOL-Time Warner merger received approval from the FCC in January 2001.

Universal Service Requirements

The FCC continues to address issues related to universal service and access reform. In May 2000, the FCC adopted an access reform plan that substantially reduced switched access charges paid by long distance carriers to the large ILECs and created a new universal service fund that offsets a portion of this reduction in access charges. In connection with its advocacy of this plan, Sprint committed that it would flow through the reductions in switched access costs over the five-year life of the plan to both business and residential customers. Sprint also committed to certain other pricing actions, including eliminating charges to residential and single-line business customers which had been used to pass through certain access costs that were eliminated by this plan, and maintaining, for the duration of the plan, at least one pricing option that does not include a minimum usage charge. The FCC order adopting this access reform plan requires Sprint to adhere to these commitments. The FCC's order has been appealed to the U.S. Court of Appeals for the Fifth Circuit.

The FCC and many states have established "universal service" programs to ensure affordable, quality local telecommunications services for all Americans. The FON Group's assessment to fund these programs is typically a percentage of interstate and international end-user revenues. Currently, management cannot predict the extent of the FON Group's future federal and state universal service assessments, or its ability to recover its contributions to the universal service fund from its customers.

Communications Assistance for Law Enforcement Act

The Communications Assistance for Law Enforcement Act (CALEA) was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law. CALEA requires telecommunications companies to meet certain "assistance capability requirements" by the end of June 2000 where circuit-switching is used and by September 2001 where packet-switching is used. Where circuit-switched technology was installed before 1995, reimbursement for hardware and software upgrades to facilitate CALEA compliance was authorized. The U.S. Department of Justice (DOJ) has published guidelines concerning what is required for it to support, at the FCC, petitions for extension of the CALEA enforcement deadlines; however, the FCC did not require carriers to have DOJ concurrence to seek an extension. LTD uses circuit-switching for the bulk of its traffic and most LTD switches were installed before 1995 and qualify for reimbursement if upgrades are required by the DOJ. Sprint ION uses packet switching for its local operations. In the case of Sprint ION, CALEA compliance capabilities are not currently available from equipment and software vendors involved in Sprint ION's deployment. LTD has obtained an extension for CALEA compliance until June 30, 2001 and has been in discussions with the DOJ which resulted in an agreement on a deployment schedule for CALEA within LTD. LTD expects the DOJ to provide a letter of support for use with the FCC in obtaining a further extension consistent with the agreed upon deployment schedule. Sprint ION will apply for an extension for the local packet-based services to allow for development of required hardware and software.

7

Sprint PCS Group

The FCC sets rules, regulations and policies to, among other things:

- grant licenses for PCS frequencies and license renewals,
- rule on assignments and transfers of control of PCS licenses,
- govern the interconnection of PCS networks with other wireless and wireline carriers,
- establish access and universal service funding provisions,
- impose fines and forfeitures for violations of any of the FCC's rules, and
- regulate the technical standards of PCS networks.

The FCC currently prohibits a single entity from having a combined attributable interest (20% or greater interest in any license) in broadband PCS, cellular and specialized mobile radio licenses totaling more than 45 megahertz (MHz) in any geographic area except that in rural service areas no licensee may have an attributable interest in more than 55 MHz of CMRS spectrum.

PCS License Transfers and Assignments

The FCC must approve any substantial changes in ownership or control of a PCS license. Noncontrolling interests in an entity that holds a PCS license or operates PCS networks generally may be bought or sold without prior FCC approval. In addition, the FCC now requires only post-consummation notification of certain pro forma assignments or transfers of control.

PCS License Conditions

All PCS licenses are granted for 10-year terms if the FCC's buildout requirements are followed. Based on those requirements, all 30 MHz broadband major trading area (MTA) licensees must build networks offering coverage to 1/3 of the population within five years and 2/3 within 10 years. In June 2000, the PCS Group met its five-year buildout requirement in all its MTA markets. All 10 MHz broadband PCS licensees must build networks offering coverage to at least 1/4 of the population within five years or make a showing of "substantial service" within that five-year period. Sprint anticipates that it will meet the 10 MHZ five-year buildout requirement by the April 2002 deadline. Licenses may be revoked if the rules are violated.

PCS licenses may be renewed for additional 10-year terms. Renewal applications are not subject to auctions. However, third parties may oppose renewal applications.

Other FCC Requirements

Broadband PCS providers cannot unreasonably restrict or prohibit other companies from reselling their services. They also cannot unreasonably discriminate against resellers. CMRS resale obligations will expire in 2002.

Local exchange carriers must program their networks to allow customers to retain, at the same location, existing telephone numbers when switching from one telecommunications carrier to another. This is referred to as service provider number portability. CMRS providers are currently required to deliver calls from their networks to ported numbers anywhere in the country. By November 24, 2002, all covered CMRS providers must provide a database solution for number portability. The solution must be able to support roaming. Covered CMRS providers must provide number portability in the 100 largest metropolitan statistical areas, in compliance with certain FCC performance criteria, but only at the request of another carrier (CMRS provider or local exchange carrier).

Broadband PCS and other CMRS providers may provide wireless local loop and other fixed services that would directly compete with the wireline services of local phone companies. Broadband PCS and other CMRS providers must implement enhanced emergency 911 capabilities in a two-tiered manner. In the first phase, wireless carriers must identify the base station from which a call originated. In the second phase, wireless carriers must provide location within a radius as small as fifty meters. Implementation of the more complex Phase II location requirements must begin by October 1, 2001.

Communications Assistance for Law Enforcement Act

CALEA requires telecommunications carriers, including Sprint, to modify their equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. In 1997, industry-setting organizations developed interim standards for wireline, cellular and broadband PCS carriers to comply with CALEA. In August 1999, the FCC supplemented the interim industry standards with six additional capabilities. For interim industry standards, the deadline for compliance was June 30, 2000, and for the additional standards established by the FCC, the deadline is September 30, 2001. In August 2000, an appellate court vacated the FCC's decision relative to four of the capabilities and remanded the matter for further FCC consideration.

8

Sprint PCS believes that it is in compliance with all existing CALEA requirements. However, Sprint PCS filed a petition for an extension of the June 30, 2000 deadline until June 30, 2001 in the event that the FCC determines that Sprint PCS must use a specific vendor solution to automatically provide mobile service assistance information under Section 103 (d) of CALEA. Specifically, this section requires a CMRS carrier to identify (a) whether a customer/interception subject is traveling "in network: but outside the customer's service area," and (b) the service provider if the subject is roaming on another CMRS network. While Sprint PCS is capable of providing this information upon a specific request by law enforcement, it cannot provide the information automatically. The FCC has not ruled on Sprint PCS' motion for an extension of the June 30, 2000 deadline; however, Sprint PCS is deemed to have an extension of the deadline until March 31, 2001 unless the FCC revokes the extension before that deadline or issues a final order with a different deadline.

Other Federal Regulations

Wireless systems must comply with certain FCC and Federal Aviation Administration regulations about the siting, lighting and construction of transmitter towers and antennas. In addition, FCC environmental regulations may cause certain cell site locations to come under National Environmental Policy

Act (NEPA) and National Historic Preservation Act (NHPA) regulation. The FCC's NEPA and NHPA rules require carriers to meet certain land use and radio frequency standards.

Universal Service Requirements

The FCC and many states have established "universal service" programs to ensure affordable, quality telecommunications services for all Americans. The PCS Group's "contribution" to these programs is typically a percentage of end-user revenues. Currently, management cannot predict the extent of the PCS Group's future federal and state universal service assessments, or its ability to recover its contributions from the universal service fund.

Environmental Compliance

Sprint's environmental compliance and remediation expenditures mainly result from the operation of standby power generators for its telecommunications equipment. The expenditures arise in connection with standards compliance, permits or occasional remediation, which are usually related to generators, batteries or fuel storage. Sprint has been identified as a potentially responsible party at sites relating to discontinued power generation operations. Sprint's environmental compliance and remediation expenditures have not been material to its financial statements or to its operations and are not expected to have any future material adverse effects on the FON Group or the PCS Group.

9

Patents, Trademarks and Licenses

Sprint owns numerous patents, patent applications, service marks and trademarks in the United States and other countries. Sprint expects to apply for and develop trademarks, service marks and patents for the benefit of the groups in the ordinary course of business. Sprint is a registered trademark of Sprint and Sprint PCS is a registered service mark of Sprint. Sprint is also licensed under domestic and foreign patents and trademarks owned by others. In total, these patents, patent applications, trademarks, service marks and licenses are of material importance to the business. Generally, Sprint's trademarks, trademark licenses and service marks have no limitation on duration; Sprint's patents and licensed patents have remaining lives generally ranging from one to 19 years.

Pursuant to certain of the PCS Group's third party supplier contracts, the PCS Group has certain rights to use third party supplier trademarks in connection with the buildout, marketing and operation of its network.

Employee Relations

At year-end 2000, Sprint had approximately 84,100 employees. Approximately 10,100 FON Group employees were represented by unions. During 2000, Sprint had no material work stoppages caused by labor controversies.

Management

For information concerning the executive officers of Sprint, see "Executive Officers of the Registrant" in this document.

Information as to Business Segments

For information required by this section, refer to Sprint's "Management's Discussion and Analysis of Financial Condition and Results of Operations" and also refer to Note 16 of Sprint's "Notes to Consolidated Financial Statements" section of the Financial Statements filed as part of this document.

Item 2. Properties

Sprint's gross property, plant and equipment totaled $43.1 billion at year-end 2000, of which $16.8 billion relates to the FON Group's local communications services, $12.5 billion relates to the FON Group's global markets communications services, $12.1 billion relates to the PCS Group's PCS wireless services and the remainder relates to the FON Group's product distribution and directory publishing businesses' properties and general support assets.

The FON Group's gross property, plant and equipment totaled $31.0 billion at year-end 2000. These properties mainly consist of land, buildings, digital fiber-optic network, switching equipment, microwave radio and cable and wire facilities. Sprint leases certain switching equipment and several general office facilities. The long distance operation has been granted easements, rights-of-way and rights-of-occupancy, mainly by railroads and other private landowners, for its fiber-optic network.

The product distribution and directory publishing businesses' properties mainly consist of office and warehouse facilities to support the business units in the distribution of telecommunications products and publication of telephone directories.

The PCS Group's properties consist of leased and owned office space for its corporate operations, network monitoring personnel, customer care centers and retail stores, and PCS network assets including base transceiver stations, switching equipment and towers. The PCS Group leases space for base station towers and switch sites for its PCS network. At year-end 2000, the PCS Group had under lease (or options to lease) approximately 17,300 cell sites.

Sprint owns its corporate headquarters building and is in the process of building a $1 billion corporate campus in the greater Kansas City metropolitan area.

Gross property, plant and equipment totaling $16.1 billion for the FON Group is either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Item 3. Legal Proceedings

In December 2000, Amalgamated Bank, an institutional shareholder, filed a derivative action purportedly on behalf of Sprint against certain of its current and former officers and directors in the Jackson County, Missouri, Circuit Court. The complaint alleges that the individual defendants breached their fiduciary duties to Sprint and were unjustly enriched by making undisclosed amendments to Sprint's stock option plans, by failing to disclose certain information concerning regulatory approval of the proposed merger of Sprint and WorldCom, and by overstating Sprint's earnings for the first quarter of 2000. The plaintiff seeks damages, to be paid to Sprint, in an unspecified amount. Two additional, substantially identical, derivative actions by other shareholders of Sprint have been filed.

The PCS Group has been involved in legal proceedings in various states concerning the suspension of the processing or approval of permits for wireless telecommunications towers, the denial of applications for permits and other issues arising in connection with tower siting. There can be no assurance that such litigation and similar actions taken by others seeking to block the construction of individual cell sites of the PCS Group's network will not, in the aggregate, significantly delay further expansion of the PCS Group's network coverage.

In early 2000, Sprint utilized the Environmental Protection Agency's (EPA's) self-policing policy and disclosed to the EPA its failure to maintain certain records and file certain reports for a portion of its facilities. Sprint also informed the EPA that it had corrected the violations and implemented policies to prevent a reoccurrence. After discussing the matter with the EPA, Sprint believes that it will be assessed a fine of approximately $250,000, which represents the EPA's estimate of the economic benefits that Sprint derived from the violations.

Sprint is involved in various other legal proceedings incidental to the conduct of its business. While it is not possible to determine the ultimate disposition of each of these proceedings, Sprint believes that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on Sprint's, the FON Group's or the PCS Group's financial conditions or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of 2000.

Item 10(b). Executive Officers of the Registrant

Office	Name
Chairman and Chief Executive Officer	William T. Esrey
President and Chief Operating Officer	Ronald T. LeMay
President--Local Telecommunications Division	Michael B. Fuller
President--Technology Services	Don G. Hallacy
President--National Integrated Services	Arthur A. Kurtze
President--Global Markets Group	Len J. Lauer
President--Sprint PCS	Charles E. Levine
Executive Vice President--General Counsel and External Affairs	J. Richard Devlin
Executive Vice President--Chief Financial Officer	Arthur B. Krause
Senior Vice President and Treasurer	Gene M. Betts
Senior Vice President--Public Affairs and Brand Management	Forrest E. Mattix
Senior Vice President and Controller	John P. Meyer
Senior Vice President--Strategic Planning/Corporate Development	Liane J. Pelletier
Senior Vice President--Human Resources	I. Benjamin Watson

/(1)/ Mr. Esrey was elected Chairman in 1990. He was elected Chief Executive Officer and a member of the Board of Directors in 1985.

/(2)/ Mr. LeMay was first elected President and Chief Operating Officer in 1996. From July 1997 to October 1997, he served as Chairman and Chief Executive Officer of Waste Management, Inc., a provider of comprehensive waste management services. He was re-elected President and Chief Operating Officer of Sprint effective October 1997. From 1995 to 1996 Mr. LeMay served as Vice Chairman of Sprint. He also served as Chief

Executive Officer of Sprint Spectrum Holding Company from 1995 to 1996. Mr. LeMay served on Sprint's Board of Directors from 1993 until he went to work for Waste Management, Inc. He was re-elected to Sprint's Board of Directors in December 1997.

/(3)/ Mr. Fuller was elected President--Local Telecommunications Division in 1996. From 1990 to 1996, he served as President of United Telephone--Midwest Group, an operating group of subsidiaries of Sprint.

/(4)/ Mr. Hallacy was elected President--Technology Services in October 2000. He had served as President of Sprint's Internet business unit since April 2000. Mr. Hallacy served as President and Chief Executive Officer of Eltrax Systems, Inc., a full service Internet application service provider, from April 1999 to April 2000. Prior to joining Eltrax, he had served since 1996 as a Vice President of Sprint/United Management Company, a subsidiary of Sprint. From 1995 to 1996, he was Assistant Vice President, Product Marketing for Sprint/United Management Company.

/(5)/ Mr. Kurtze was elected President--National Integrated Services in June 2000. He had served as Senior Vice President--One Sprint Strategic Development since February 1999. From 1995 to 1999, he served as Chief Operating Officer of Sprint Spectrum Holding Company.

/(6)/ Mr. Lauer became President--Global Markets Group in September 2000. He had been elected President--Sprint Business in June 2000. Mr. Lauer served as President--Consumer Services Group of Sprint/United Management Company from 1999 to 2000. He joined Sprint in 1998 as Senior Vice President--Quality, Development and Public Relations. From 1995 to 1998, he had been President and Chief Executive Officer of Bell Atlantic--New Jersey, a telecommunications company.

/(7)/ Mr. Levine was elected President--Sprint PCS in February 2001. He had served as Chief Operating Officer--PCS since October 2000. He had served as Chief Sales and Marketing Officer of Sprint Spectrum Holding Company since 1998. Mr. Levine joined Sprint Spectrum Holding Company in 1997 as Chief Marketing Officer. Before joining Sprint Spectrum Holding Company, he was President of Octel Link, a voice mail equipment and services provider, and Senior Vice President of Octel Services from 1994 to 1996.

/(8)/ Mr. Devlin was elected Executive Vice President--General Counsel and External Affairs in 1989.

/(9)/ Mr. Krause was elected Executive Vice President--Chief Financial Officer in 1988.

/(10)/ Mr. Betts was elected Senior Vice President in 1990. He was elected Treasurer in December 1998.

/(11)/ Mr. Mattix was elected Senior Vice President--Public Affairs and Brand Management in August 2000. He had served as Chief Public Relations Officer of Sprint Spectrum Holding Company since 1996. Before joining Sprint Spectrum Holding Company, he was Vice President--Public Relations for US WEST Communications, Inc., a communications company.

/(12)/ Mr. Meyer was elected Senior Vice President--Controller in 1993.

/(13)/ Ms. Pelletier was elected Senior Vice President--Strategic Planning/Corporate Development in August 2000. She had served as Vice President--Corporate Strategy of Sprint/United Management Company since 1995.

/(14)/ Mr. Watson was elected Senior Vice President--Human Resources in 1993.

There are no known family relationships between any of the persons named above or between any of these persons and any outside directors of Sprint. Officers are elected annually.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Common Stock Data

	2000 Market Price		
	High	Low	End of Period
FON Stock, Series 1			
First quarter	$ 67.81	$ 55.13	$ 63.00
Second quarter	67.00	50.98	51.50
Third quarter	54.81	24.31	29.31
Fourth quarter	29.56	19.63	20.31
PCS Stock, Series 1/(1)/			
First quarter	66.94	42.56	65.50
Second quarter	66.00	44.06	59.50
Third quarter	65.88	27.81	35.13
Fourth quarter	39.19	19.38	20.44

	1999 Market Price		
	High	Low	End of Period
FON Stock, Series 1/(2)/			
First quarter	$ 50.34	$ 36.88	$ 49.06
Second quarter	57.47	48.63	53.00
Third quarter	55.69	42.63	54.25
Fourth quarter	75.94	54.00	67.31
PCS Stock, Series 1/(1)/			
First quarter	24.16	10.44	22.16
Second quarter	30.38	20.75	28.50
Third quarter	39.13	26.47	37.28
Fourth quarter	57.22	33.41	51.25

(1/)/ In the 2000 first quarter, Sprint effected a two-for-one stock split of its Sprint PCS common stock. Market prices prior to the split have been restated.

/(2)/ In the 1999 second quarter, Sprint effected a two-for-one stock split of its Sprint FON common stock. Market prices prior to the split have been restated.

As of February 28, 2001, Sprint had approximately 71,000 FON stock, series 1 record holders, 64,000 PCS stock, series 1 record holders, two FON stock, series 3 record holders, four PCS stock, series 2 record holders, two PCS stock, series 3 record holders, and two Class A common stock record holders. The principal trading market for Sprint's FON stock, Series 1 and PCS stock, Series 1 is the New York Stock Exchange. The FON stock, Series 3, the PCS stock, Series 2 and 3 and the Class A common stock are not publicly traded. Adjusting for the effects of the two-for-one split of the FON Stock in the 1999 second quarter, Sprint paid a FON stock dividend of $0.125 per share in each of the quarters of 2000 and 1999. Sprint paid Class A common stock dividends of $0.125 per share in each of the quarters of 2000 and each of the last three quarters of 1999 and $0.25 per share in the first quarter of 1999. Sprint does not intend to pay dividends on the PCS stock in the foreseeable future.

12

Item 6. Selected Financial Data

Consolidated Selected Financial Data

	2000	1999	1998/(1)/
		(millions, except pe	
Results of Operations			
Net operating revenues	$ 23,613	$ 20,265	$ 17,144
Operating income (loss)	505	(307)	190
Income (Loss) from continuing operations	(576)	(745)	585
Earnings per Share and Dividends			
Earnings per Sprint common share from continuing operations:/(2)/			
Diluted	$ NA	$ NA	$ 2.19
Basic	NA	NA	2.23
Dividends per Sprint common share	NA	NA	0.75
Earnings (Loss) per Share and Dividends			
Earnings (Loss) per common share from continuing operations:/(2)/, /(3)/			
Sprint FON Group (diluted)	$ 1.45	$ 1.97	$ 0.18
Sprint FON Group (basic)	1.47	2.01	0.18
Sprint PCS Group (diluted and basic)	(1.95)	(2.71)	(0.63
Dividends per FON common share	0.50	0.50	0.125
Financial Position			

Total assets	$ 42,601	$ 39,250	$ 33,257
Property, plant and equipment, net	25,316	21,969	18,983
Total debt (including long-term borrowings and redeemable preferred stock)	18,975	17,028	12,445
Shareholders' equity	13,716	13,313	12,202

Cash Flow Data			
Net cash from operating activities -- continuing operations/(4)/	$ 4,315	$ 1,952	$ 4,199
Capital expenditures	7,152	6,114	4,231

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

/(1)/ Sprint's 1998 results of operations include Sprint PCS' operating results on a consolidated basis for the entire year. The cable partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. Sprint PCS' financial position at year-end 1998 has also been reflected on a consolidated basis. Cash flow data reflects Sprint PCS' cash flows only after the PCS Restructuring date. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General" for more information.

/(2)/ As discussed in Note 1 of Notes to Consolidated Financial Statements, the Recapitalization occurred in November 1998. As a result, earnings per share for Sprint common stock reflects earnings through the Recapitalization date, while earnings (loss) per share for FON common stock and PCS common stock reflects results from that date to year-end 1998.

/(3)/ In the 2000 first quarter, Sprint effected a two-for-one stock split of Sprint's PCS common stock. In the 1999 second quarter, Sprint effected a two-for-one stock split of its Sprint FON common stock. As a result, diluted and basic earnings per common share and dividends for Sprint FON common stock and diluted and basic loss per common share for Sprint PCS common stock have been restated for periods before these stock splits.

/(4)/ The 1996 amount was reduced by $600 million for cash required to terminate an accounts receivable sales agreement.

NA = Not applicable

Item 6. Selected Financial Data (continued)

Consolidating Selected Financial Data

	2000	1999	1998/(1)/
		(millions, except pe	
Results of Operations			
Net operating revenues			
Sprint FON Group	$ 17,688	$ 17,160	$ 15,958

Sprint PCS Group	6,341	3,373	1,294
Eliminations	(416)	(268)	(108
Consolidated	$ 23,613	$ 20,265	$ 17,144
Operating income (loss)/(3)/			
Sprint FON Group	$ 2,433	$ 2,930	$ 2,760
Sprint PCS Group	(1,928)	(3,237)	(2,570
Consolidated	$ 505	$ (307)	$ 190
Income (Loss) from continuing operations			
Sprint FON Group	$ 1,292	$ 1,736	$ 1,675
Sprint PCS Group	(1,868)	(2,481)	(1,090
Consolidated	$ (576)	$ (745)	$ 585
Earnings per Share and Dividends			
Earnings per Sprint common share from continuing operations:/(2)/, /(3)/, /(4)/			
Diluted	$ NA	$ NA	$ 2.19
Basic	NA	NA	2.23
Dividends per Sprint common share	$ NA	$ NA	$ 0.75
Earnings (Loss) per Share and Dividends			
Earnings (Loss) per common share from continuing operations:/(2)/, /(3)/, /(4)/, /(5)/			
Sprint FON Group (diluted)	$ 1.45	$ 1.97	$ 0.18
Sprint FON Group (basic)	1.47	2.01	0.18
Sprint PCS Group (diluted and basic)	(1.95)	(2.71)	(0.63
Dividends per FON common share	$ 0.50	$ 0.50	$ 0.125
Financial Position			
Total assets			
Sprint FON Group	$ 23,649	$ 21,803	$ 19,001
Sprint PCS Group	19,763	17,924	15,165
Eliminations	(811)	(477)	(909
Consolidated	$ 42,601	$ 39,250	$ 33,257
Property, plant and equipment, net			
Sprint FON Group	$ 15,833	$ 14,002	$ 12,464
Sprint PCS Group	9,522	7,996	6,535
Eliminations	(39)	(29)	(16
Consolidated	$ 25,316	$ 21,969	$ 18,983
Total debt (including long-term borrowings and redeemable preferred stock)			
Sprint FON Group	$ 4,518	$ 5,443	$ 4,452
Sprint PCS Group	14,906	12,015	8,721
Eliminations	(449)	(430)	(728
Consolidated	$ 18,975	$ 17,028	$ 12,445

Shareholders' equity			
Sprint FON Group	$ 12,343	$ 10,514	$ 9,024
Sprint PCS Group	1,366	2,794	3,229
Eliminations	7	5	(51
Consolidated	$ 13,716	$ 13,313	$ 12,202
Cash Flow Data			
Net cash from operating activities -- continuing operations/(6)/			
Sprint FON Group	$ 4,323	$ 3,713	$ 3,915
Sprint PCS Group	(8)	(1,692)	(159
Eliminations	-	(69)	443
Consolidated	$ 4,315	$ 1,952	$ 4,199
Capital expenditures			
Sprint FON Group	$ 4,105	$ 3,534	$ 3,159
Sprint PCS Group	3,047	2,580	1,072
Consolidated	$ 7,152	$ 6,114	$ 4,231

Item 6. Selected Financial Data (continued)

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

/(1)/ Sprint's 1998 results of operations include Sprint PCS' operating results on a consolidated basis for the entire year. The cable partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. Sprint PCS' financial position at year-end 1998 has also been reflected on a consolidated basis. Cash flow data reflects Sprint PCS' cash flows only after the PCS Restructuring date. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--General" for more information.

/(2)/ As discussed in Note 1 of Notes to Consolidated Financial Statements, the Recapitalization occurred in November 1998. As a result, earnings per share for Sprint common stock reflects earnings through the Recapitalization date, while earnings (loss) per share for FON common stock and PCS common stock reflects results from that date to year-end 1998.

/(3)/ In 2000, the FON Group recorded a nonrecurring charge of $238 million, which principally represents a write-down of goodwill, and a $163 million nonrecurring charge for costs associated with the proposed WorldCom merger, which was terminated. The PCS Group recorded costs associated with the terminated WorldCom merger of $24 million. These charges reduced operating income by $425 million and increased the loss from continuing operations by $273 million. In 1998, the PCS Group recorded a nonrecurring charge to write off $179 million of acquired in-process research and development costs related to the PCS Restructuring. This charge reduced operating income and income from continuing operations by $179 million. The FON Group recorded nonrecurring charges of $20 million in 1997 and $60 million in 1996 related to litigation within the global markets division. These charges reduced income from continuing operations by $13 million in 1997 and $36 million in 1996.

/(4)/ In 2000, the FON Group recorded nonrecurring charges of $122 million related to write-downs of certain equity investments. These charges increased the loss from continuing operations by $109 million. Also in 2000, the FON Group recorded net nonrecurring gains of $71 million from the sale of an independent directory publishing operation and from investment activities, which reduced the loss from continuing operations by $44 million. In 2000, the PCS Group recorded a net nonrecurring gain of $28 million from the sale of customers and network infrastructure to a PCS affiliate. This gain reduced the loss from continuing operations by $18 million. In 1999, the FON Group recorded net nonrecurring gains of $54 million from investment activities which reduced the loss from continuing operations by $35 million. In 1998, the FON Group recorded net nonrecurring gains of $104 million mainly from the sale of local exchanges. This increased income from continuing operations by $62 million. In 1997, the FON Group recorded nonrecurring gains of $71 million mainly from sales of local exchanges and certain investments. These gains increased income from continuing operations by $44 million.

/(5)/ In the 2000 first quarter, Sprint effected a two-for-one stock split of Sprint's PCS common stock. In the 1999 second quarter, Sprint effected a two-for-one stock split of its Sprint FON common stock. As a result, diluted and basic earnings per common share and dividends for Sprint FON common stock and diluted and basic loss per common share for Sprint PCS common stock have been restated for periods before these stock splits.

/(6)/ The 1996 amount was reduced by $600 million for cash required to terminate an accounts receivable sales agreement.

NA = Not applicable

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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Forward-looking Information

Sprint includes certain estimates, projections and other forward-looking statements in its reports, in presentations to analysts and others, and in other publicly available material. Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- the effects of vigorous competition in the markets in which Sprint operates;
- the costs and business risks associated with providing new services

and entering new markets necessary to provide nationwide or global services;
- the ability of the PCS Group to continue to grow a significant market presence;
- the effects of mergers and consolidations within the telecommunications industry;
- the uncertainties related to Sprint's strategic investments;
- the impact of any unusual items resulting from ongoing evaluations of Sprint's business strategies;
- unexpected results of litigation filed against Sprint;
- the possibility of one or more of the markets in which Sprint competes being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes including the impact of the Telecommunications Act of 1996 (Telecom Act), or other external factors over which Sprint has no control; and
- other risks referenced from time to time in Sprint's filings with the Securities and Exchange Commission.

The words "estimate," "project," "intend," "expect," "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout MD&A. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Sprint is not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report or unforeseen events.

General

Sprint is a global communications company and a leader in integrating long-distance, local service, and wireless communications. Sprint is also one of the largest carriers of Internet traffic using its tier one Internet protocol network, which provides connectivity to any point on the Internet either through its own network or via direct connections with another backbone provider. Sprint is the nation's third-largest provider of long distance services and operates nationwide, all-digital long distance and tier one Internet protocol networks using fiber-optic and electronic technology. In addition, the local division currently serves approximately 8.3 million access lines in 18 states. Sprint also operates the only 100% digital PCS, wireless network in the United States with licenses to provide service nationwide using a single frequency band and a single technology. Sprint owns PCS licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands.

On July 13, 2000, Sprint and WorldCom, Inc. (WorldCom) announced that the boards of directors of both companies terminated their merger agreement, previously announced in October 1999, as a result of regulatory opposition to the merger. In the 2000 second quarter, Sprint recognized a one-time, pre-tax charge of $187 million for costs associated with the terminated merger.

In the 2000 fourth quarter, Sprint completed its analysis of the valuation of various FON Group assets and investments resulting from its reassessment of the FON Group's business strategies in response to recent changes in the overall telecommunications industry. This analysis resulted in two asset impairment charges. The first was a $238 million pre-tax charge primarily related to goodwill associated with Sprint's Paranet operations. The second was an $87 million pre-tax charge related to the write-down of an equity method investment.

In January 2000, Sprint reached a definitive agreement with France Telecom (FT) and Deutsche Telekom AG (DT) to sell its interest in Global One. In February 2000, Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One. Sprint's equity share of the results of Global One has been reported as a discontinued operation in Sprint's earnings for all periods presented.

15

In November 1998, Sprint's shareholders approved the allocation of all of Sprint's assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint issued additional low vote PCS shares in exchange for this interest.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and 1/2 share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by FT and DT entitles FT and DT to one share of FON stock and 1/2 share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their voting power in Sprint (Top-up).

Operating Segments

Sprint's business is divided into four lines of business: the global markets division, the local division, the product distribution and directory publishing businesses and the PCS wireless telephony products and services business. The FON Group includes the global markets division, the local division and the product distribution and directory publishing businesses, and the PCS Group includes the PCS wireless telephony products and services business. The PCS common stock is intended to reflect the financial results and economic value of the PCS wireless telephony products and services business. The FON common stock is intended to reflect the financial results and economic value of the global markets division, the local division and the product distribution and directory publishing businesses.

During 2000, Sprint changed the FON Group's segment reporting to align financial reporting with changes in how Sprint manages the FON Group's operations and assesses its performance. As a result, all previously reported financial information relating to these segments has been restated to reflect the new composition of each segment.

Board Discretion Regarding Tracking Stocks

Sprint's Board has the discretion to, among other things, make operating and financial decisions that could favor one group over the other and, subject to the restrictions in Sprint's articles of incorporation, to change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without stockholder approval. Under the applicable corporate law, Sprint's Board owes its fiduciary duties to all of Sprint's shareholders and there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. The Tracking Stock Policies provide that the Board, in resolving material matters in which the holders of FON common stock and PCS common stock have potentially divergent interests, will act in the best interests of Sprint and all of its common shareholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of Sprint common stock. These policies may be changed by the Board without shareholder approval. Given the Board's discretion in these matters, it may be difficult to assess the future prospects of each Group based on past performance.

The FON Group and PCS Group are part of Sprint and, as a result, separate financial statements for the Groups are not required. Sprint has, however, included as Annex I and Annex II to this Form 10-K/A additional financial information relating to each Group to help investors assess the financial performance of the tracked businesses.

General Overview of the Sprint FON Group

Global Markets Division

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; Internet; data communications such as frame relay access and transport, web hosting, virtual private networks, and managed security services; and broadband services.

Sprint is deploying integrated communications services, referred to as Sprint ION(SM). Sprint ION

16

extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide advanced services in the competitive local service market. Sprint uses various advanced services last-mile technologies, including dedicated access and Digital Subscriber Line (xDSL), and expects to use Multipoint Multichannel Distribution Services (MMDS).

The global markets division also includes the operating results of the cable TV service operations of the broadband fixed wireless companies after their 1999 acquisition dates. During 2000, Sprint converted several markets served by MMDS capabilities from cable TV services to high-speed data services. Global markets division's operating results reflect the development costs and the operating revenues and expenses of these broadband fixed wireless services. Sprint intends to provide broadband data and voice services to additional markets served by these capabilities.

Included in the global markets division are the costs of establishing international operations beginning in 2000.

This division also includes the FON Group's investments in EarthLink, Inc., an Internet service provider; Call-Net, a long distance provider in Canada; Intelig, a long distance provider in Brazil; and certain other telecommunications investments and ventures.

Local Division

The local division consists mainly of regulated local phone companies serving approximately 8.3 million access lines in 18 states. It provides local phone services, access by phone customers and other carriers to its local network, consumer long distance services to customers within its franchise territories, sales of telecommunications equipment, and other long distance services within certain regional calling areas.

Product Distribution and Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

General Overview of the Sprint PCS Group

The PCS Group includes Sprint's wireless PCS operations. It operates the only 100% digital PCS wireless network in the United States with licenses to provide service nationwide using a single frequency and a single technology. At year-end 2000, the PCS Group, together with affiliates, operated PCS systems in over 300 metropolitan markets, including the 50 largest U.S. metropolitan areas. The PCS Group has licenses to serve more than 280 million people in all 50 states, Puerto Rico and the U.S. Virgin Islands. The PCS Group's service, including affiliates, now reaches more than 220 million people. The PCS Group provides nationwide service through:

- operating its own digital network in major U.S. metropolitan areas,
- affiliating with other companies, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers' analog cellular networks using dual-band/dual-mode handsets, and
- roaming on other providers' digital PCS networks that use code division multiple access (CDMA).

The PCS Group also provides wholesale PCS services to companies that resell the services to their customers on a retail basis. These companies pay the PCS Group a discounted price for their customers' usage, but bear the costs of acquisition and customer service.

The PCS Group also includes its investment in Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso), a wireless PCS operation in Mexico. This investment is accounted for using the equity method.

The wireless industry, including the PCS Group, typically generates a significantly higher number of subscriber additions and handset sales in the fourth quarter of each year compared to the remaining quarters. This is due to the use of retail distribution, which is dependent on the holiday shopping season; the timing of new products and service introductions; and aggressive marketing and sales promotions.

Consolidated Results of Operations

Total net operating revenues were as follows:

	2000	1999	1998
		(millions)	
FON Group	$ 17,688	$ 17,160	$ 15,958
PCS Group	6,341	3,373	1,294

Intergroup eliminations	(416)	(268)	(108)
Net operating revenues	$ 23,613	$ 20,265	$ 17,144

Income (Loss) from continuing operations was as follows:

	2000	1999	1998
		(millions)	
FON Group	$ 1,292	$ 1,736	$ 1,675
PCS Group	(1,868)	(2,481)	(1,090)
Income (Loss) from continuing operations	$ (576)	$ (745)	$ 585

17

The PCS Group's 1999 results of operations reflect the first full year of combined results after the PCS Restructuring. The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year.

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 25% of net operating revenues in 2000, 28% in 1999 and 25% in 1998.

Income (loss) from continuing operations as presented in the above table includes nonrecurring items. In the 2000 fourth quarter, Sprint completed analyses of the valuation of various FON Group assets and equity method investments resulting from its reassessment of the FON Group's business strategies in response to changes in the overall telecommunications industry. These analyses resulted in nonrecurring charges of $152 million primarily related to a write-down of goodwill associated with the FON Group's Paranet operations, which declined significantly, $87 million for the write-down of the FON Group's equity method investment in Call-Net, which had an other than temporary decline in market value, and $22 million for the write-down of certain FON Group investment securities, which had an other than temporary decline in market value.

The 2000 nonrecurring items also include charges of $121 million for costs associated with the terminated WorldCom merger, net gains of $44 million from the sale of an independent directory publishing operation and investment activities in the FON Group, and an $18 million gain from the sale of customers and network infrastructure to a PCS affiliate. 1999 includes a gain of $35 million from investment activities in the FON Group. 1998 includes a charge to write-off $179 million of acquired in-process research and development costs related to the PCS restructuring, and a gain of $62 million mainly from the sale of local exchanges by the FON group.

Segmental Results of Operations

Beginning in 2000, the FON Group combined its long distance operation, Sprint ION, broadband fixed wireless services and certain other ventures into one division, global markets, to align financial reporting with changes in how Sprint manages operations and assesses performance. The global markets division now includes four major revenue streams: voice, data, Internet and other. In connection with the resegmentation, the FON Group shifted the recognition of consumer long distance revenues and expenses associated with customers in its local franchise territories from the global markets division to the local division. Prior periods have been restated to reflect these changes.

Global Markets Division

	2000	1999	1998
		(millions)	
Net operating revenues			
Voice	$ 7,094	$ 7,445	$ 7,079
Data	1,937	1,696	1,396
Internet	920	615	434
Other	577	552	632
Total net operating revenues	10,528	10,308	9,541
Operating expenses			
Costs of services and products	5,558	4,947	4,784
Selling, general and administrative	3,026	3,141	2,639
Depreciation and amortization	1,121	1,045	928
Asset write-down	238	-	-
Total operating expenses	9,943	9,133	8,351
Operating income	$ 585	$ 1,175	$ 1,190
Operating margin	5.6%	11.4%	12.5%
Capital expenditures	$ 2,294	$ 1,774	$ 1,518

Net Operating Revenues

Net operating revenues increased 2% in 2000 and 8% in 1999. The increases mainly reflect strong data communications services revenue growth. A more competitive pricing environment and a change in the mix of products sold more than offset minute growth of 18% in 2000. Strong minute growth of 22% in 1999 was partly offset by a more competitive pricing environment and a change in the mix of products sold. The minute growth in 2000 was also offset by a reduction in access cost pass-throughs resulting from the implementation of the Coalition for Affordable Local and Long Distance Service proposal (CALLS).

Voice Revenues

Voice revenues decreased 5% in 2000 and increased 5% in 1999. The 2000 decrease was largely due to a decline in consumer voice revenues as a result of a more competitive pricing environment, lower calling card usage due to the increased use of wireless phones, and the implementation of CALLS. The 1999 increase mainly reflects increased wholesale voice revenues due to strong minute growth mainly from international calls and increased inbound and outbound toll-free calls.

Data Revenues

Data revenues reflect sales of current-generation data services including asynchronous transfer mode and frame relay services. These revenues increased 14% in 2000 and 21% in 1999 due to increased sales as a result of an increase emphasis on these services.

Internet Revenues

Internet revenues increased 50% in 2000 and 42% in 1999 due to strong growth in dial-up Internet service provider-related revenues and dedicated service revenues. Internet revenues showed strong growth because of continued demand and increased use of the Internet.

Other Revenues

Other revenues increased 5% in 2000 and decreased 13% in 1999. The 2000 increase was due to sales of capacity on transoceanic cable and the inclusion of a full year of revenues from the cable TV service operations of the broadband fixed wireless companies purchased in 1999 largely offset by a decline in legacy data services. The 1999 decrease was due to a decline in legacy data services.

Costs of Services and Products

Costs of services and products include interconnection costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by the division's domestic customers, costs to operate and maintain the long distance network, costs of equipment and transmission capacity sales, and costs related to the development and deployment of Sprint ION. These costs increased 12% in 2000 and 3% in 1999.

Interconnection costs remained flat in 2000 and increased 3% in 1999. Reductions in per-minute international access costs as well as domestic access costs offset the impact of increased calling volumes in 2000. Increased calling volumes in 1999 were partly offset by reductions in per-minute costs for both domestic and international access. The domestic rate reductions were generally due to the FCC-mandated access rate reductions that took effect in January and July 1998, July 1999 and July 2000. The access rate reductions in July 2000 included the implementation of CALLS.

All other costs of services and products increased 42% in 2000 and 5% in 1999. The 2000 increase was largely due to the expansion of Sprint ION business services nationwide and the launch of consumer services in select markets as well as increased sales of capacity on transoceanic cable. Increased costs of services and products in both 2000 and 1999 were driven by growth in data services. The 1999 increase was also impacted by increases in network equipment operating leases expense.

Total costs of services and products for global markets were 52.8% of net operating revenues in 2000, 48.0% in 1999 and 50.1% in 1998.

Selling, General and Administrative Expense

Selling, general and administrative (SG&A) expense decreased 4% in 2000 and increased 19% in 1999. The 2000 decrease is due to a strong emphasis on cost control. The 1999 increase mainly reflects the overall growth of the business as well as increased marketing and promotions to support products and services, including the rollout of an airline alliance program which enabled customers to earn frequent flyer miles when they used Sprint's services.

SG&A expense includes costs associated with the continued development and deployment activities for Sprint ION, including costs for systems and operations development, product development and advertising associated with market launches. SG&A expense for Sprint ION was $281 million in 2000, $320 million in 1999 and $138 million in 1998.

Total SG&A expense for the global markets division was 28.7% of net operating revenues in 2000, 30.5% in 1999 and 27.7% in 1998.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 7% in 2000 and 13% in 1999. The increases mainly reflect a rapidly increasing asset base for Sprint ION as well as an increased asset base to enhance network reliability, meet increased demand for voice and data-related services and upgrade capabilities for providing new products and services. Depreciation and amortization expense was 10.6% of net operating revenues in 2000, 10.1% in 1999 and 9.7% in 1998.

Local Division

	2000	1999	1998
		(millions)	
Net operating revenues			
Local service	$ 2,846	$ 2,677	$ 2,469
Network access	1,987	1,918	1,894
Toll service	717	611	503
Other	605	752	733
Total net operating revenues	6,155	5,958	5,599
Operating expenses			
Costs of services and products	1,965	2,016	1,889
Selling, general and administrative	1,288	1,320	1,325
Depreciation and amortization	1,139	1,069	984
Total operating expenses	4,392	4,405	4,198

Operating income	$ 1,763	$ 1,553	$ 1,401
Operating margin	28.6%	26.1%	25.0%
Capital expenditures	$ 1,371	$ 1,354	$ 1,374

Beginning in July 2000, Sprint changed its transfer pricing for certain transactions between FON Group entities to more accurately reflect market pricing. The main effect of this change was a reduction in the local division's "Net Operating Revenues--Other Revenues." In addition, Sprint's local division transferred a customer service and telemarketing organization to the PCS Group at the beginning of the 2000 second quarter and sold approximately 81,000 access lines in Illinois in November 1998. For comparative purposes, the following discussion of local division results assumes the transfer pricing change, the transfer of the customer service and telemarketing organization, and the sale of exchanges occurred at the beginning of 1998. Adjusting for these changes, operating margins would have been 28.4% in 2000, 25.7% in 1999 and 24.4% in 1998.

Net Operating Revenues

Net operating revenues increased 5% in 2000 and 7% in 1999. These increases mainly reflect increased sales of network-based services such as Caller ID and Call Waiting, increased long distance revenues, and customer access line growth. Sales of network-based services and long distance services increased due to strong demand for bundled services which combine local service, network-based features and long distance calling. Customer access lines increased 4% in 2000 and 5% in 1999. Net operating revenues were $6.1 billion in 2000, $5.8 billion in 1999 and $5.5 billion in 1998.

Local Service Revenues

Local service revenues, derived from local exchange services, grew 6% in 2000 and 9% in 1999 because of continued demand for network-based services, customer access line growth and growth in data products. Revenue growth in 1999 also reflects increased revenues from maintaining customer wiring and equipment.

Network Access Revenues

Network access revenues, derived from long distance phone companies using the local network to complete calls, increased 4% in 2000 and 2% in 1999. These revenues reflect increased revenues from special access services and a 2% and 4% increase in minutes of use in 2000 and 1999, respectively. These increases were offset by FCC-mandated access rate reductions. Access rate reductions took effect in January and July 1998, July 1999 and July 2000.

Toll Service Revenues

Toll service revenues are mainly derived from providing consumer long distance services to customers within Sprint's local franchise territories and other long distance services within specified regional calling areas, or LATAs, that are beyond the local calling area. These revenues increased 17% in 2000 and 22% in 1999. These increases reflect the success of bundled services which include long distance calling.

Other Revenues

Other revenues decreased 11% in 2000 and 1% in 1999. The decrease in 2000 was mainly due to a decrease in equipment sales as a result of a planned shift in focus to selling higher margin products.

Costs of Services and Products

Costs of services and products include costs to operate and maintain the local network and costs of equipment sales. These costs decreased 1% in 2000 and increased 6% in 1999. The 2000 decrease was due to a decline in equipment sales and the success of cost control initiatives. The 1999 increase was driven by customer access line growth, an increased emphasis on service levels and storm related costs. Costs of services and products were 31.9% of net operating revenues in 2000, 33.8% in 1999 and 34.1% in 1998.

20

Selling, General and Administrative Expense

SG&A expenses decreased 1% in 2000 and remained flat in 1999. The 2000 decrease was due to a strong emphasis on cost control. In 1999, increased marketing costs to promote new products and services and increased customer service costs related to customer access line growth was offset by a strong emphasis on cost control. SG&A expense was 21.0% of net operating revenues in 2000, 22.3% in 1999 and 23.6% in 1998.

Depreciation and Amortization Expense

Depreciation and amortization expense increased 7% in 2000 and 9% in 1999, mainly from increased capital expenditures in switching and transport technologies which have shorter asset lives. Depreciation and amortization expense was 18.7% of net operating revenues in 2000, 18.2% in 1999 and 17.9% in 1998.

Product Distribution and Directory Publishing Businesses

	2000	1999	1998
		(millions)	
Net operating revenues	$ 1,936	$ 1,758	$ 1,709
Operating expenses			
Costs of services and products	1,460	1,345	1,330
Selling, general and administrative	176	154	135
Depreciation and amortization	16	17	13
Total operating expenses	1,652	1,516	1,478
Operating income	$ 284	$ 242	$ 231

Operating margin	14.7%	13.8%	13.5%
Capital expenditures	$ 8	$ 36	$ 9

Net operating revenues increased 10% in 2000 and 3% in 1999. Nonaffiliated revenues accounted for over 60% of revenues in 2000 and 1999. These revenues increased 11% in 2000 and 12% in 1999. The increase in nonaffiliated revenues in 2000 was mainly due to the consolidation of a directory publishing partnership. In the second half of 2000, the directory publishing partnership, previously accounted for as an equity method investment, was fully consolidated due to a restructuring in the partnership management. Sales to affiliates increased 8% in 2000 and decreased 10% in 1999 due to changes in the local division's capital program.

Costs of services and products increased 9% in 2000 and increased 1% in 1999 reflecting increased equipment sales. The 2000 increase was also due to the consolidation of the directory publishing partnership. SG&A expense increased 14% in 2000 and 1999. The 2000 increase was due to costs related to the transformation of the product distribution business to a web-enabled business as well as the consolidation of the directory publishing partnership. The 1999 increase was the result of staffing demands related to nonaffiliated sales growth.

PCS Group

	2000	1999	1998
		(millions)	
Net operating revenues	$ 6,341	$ 3,373	$ 1,294
Operating expenses	8,269	6,610	3,864
Operating loss	$ (1,928)	$ (3,237)	$ (2,570)
Loss from continuing operations	$ (1,868)	$ (2,481)	$ (1,090)
Capital expenditures	$ 3,047	$ 2,580	$ 1,072

The PCS Group's 1999 results of operations reflect the first full year of combined results after the PCS Restructuring. The PCS Group's 1998 results of operations included SprintCom's operating results as well as Sprint PCS' operating results on a consolidated basis for the entire year. (See "Pro Forma Sprint PCS Group" section below for a discussion of pro forma results of operations.)

In 2000, operating expenses include a nonrecurring charge of $24 million for costs associated with the terminated WorldCom merger. This charge increased the loss from continuing operations by $16 million. Also included in the 2000 loss from continuing operations is a nonrecurring gain of $18 million from the sale of customers and network infrastructure to a PCS affiliate. In 1998, operating expenses and loss from continuing operations include a write-off of $179 million associated with the cost of nine in-process research and development projects acquired in connection with the PCS Restructuring.

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 25% of net operating revenues in 2000, 28% in 1999 and 25% in 1998.

21

Pro Forma Sprint PCS Group

To provide a more meaningful analysis of the PCS Group's underlying operating results, the following supplemental discussion presents 1998 on a pro forma basis and assumes the PCS Restructuring and the write-off of acquired in-process research and development costs occurred prior to 1998.

	2000	1999	1998
		(millions)	
Net operating revenues	$ 6,341	$ 3,373	$ 1,294
Operating expenses	8,269	6,610	3,934
Operating loss	$ (1,928)	$ (3,237)	$ (2,640)
Capital expenditures (including capital lease obligations)	$ 3,047	$ 2,616	$ 2,904

Net Operating Revenues

	2000	1999	1998
Customers at year-end (millions)	9.5	5.7	2.6
Average monthly service revenue per user (ARPU)	$ 59	$ 58	$ 60

Net operating revenues include subscriber revenues and sales of handsets and accessory equipment. Subscriber revenues consist of monthly recurring charges, usage charges and activation fees. Subscriber revenues increased 94% in 2000 mainly reflecting an increase in the average number of customers. The PCS Group added 3.8 million customers in 2000 to end the year with over 9.5 million customers in more than 300 metropolitan markets nationwide. The increase in ARPU in 2000 was partly due to the implementation of activation charges in the second quarter. Subscriber revenues were also aided by the increase in resale customers. The companies that the PCS Group serves on a wholesale basis added

238,000 customers in 2000, ending the year with approximately 310,000 customers.

In 2000, the customer churn rate improved to 2.8% from 3.4% in 1999 and 3.3% in 1998. The improvement reflects expanded network coverage and the success of several customer retention initiatives.

Revenues from sales of handsets and accessories were approximately 14% of net operating revenues in 2000, 17% in 1999 and 18% in 1998. As part of the PCS Group's marketing plans, handsets are normally sold at prices below the PCS Group's cost.

22

Operating Expenses

Costs of services and products mainly include handset and accessory costs, switch and cell site expenses and other network-related costs. These costs increased 25% in 2000 and 79% in 1999 reflecting the significant growth in customers and expanded market coverage, partly offset by a reduction in handset unit costs.

SG&A expense mainly includes marketing costs to promote products and services as well as salary and benefit costs. SG&A expense increased 25% in 2000 and 70% in 1999 reflecting an expanded workforce to support subscriber growth and increased marketing and selling costs.

Acquisition costs per gross customer addition, including equipment subsidies and marketing costs, have improved approximately 19% in 2000 and 26% in 1999. Lower handset unit costs and scale benefits from greater customer additions have contributed to the improvement.

Cash costs per user (CCPU) consists of costs of service revenues, service delivery and other general and administrative costs. CCPU was $35 in 2000, $48 in 1999 and $73 in 1998. The improvements reflect successful expense management and scale benefits resulting from the increased customer base.

Depreciation and amortization expense consists mainly of depreciation of network assets and amortization of intangible assets. The intangible assets include goodwill, PCS licenses, customer base, microwave relocation costs and assembled workforce.

Depreciation and amortization expense increased 23% in 2000 and 47% in 1999 mainly reflecting depreciation of the network assets placed in service during 2000 and 1999. The increases also reflects amortization of intangible assets acquired in the Cox PCS purchase in the 1999 second quarter.

23

Nonoperating Items

Interest Expense

The effective interest rates in the following table reflect interest expense on long-term debt only. Interest costs on short-term borrowings classified as long-term debt, deferred compensation plans and customer deposits have been excluded so as not to distort the effective interest rates on long-term debt.

	2000	1999	1998
Effective interest rate on long-term debt/(1)/	6.9%	7.0%	8.6%

/(1)/ The effective interest rate on long-term debt for 1998 is on a pro forma basis as if Sprint PCS' long-term debt had been included in Sprint's outstanding long-term debt balance all year.

Sprint's effective interest rate on long-term debt decreased in 1999 and 2000. In the 1998 fourth quarter, Sprint refinanced $3.3 billion of the PCS Group's debt with borrowings which have lower interest rates. The decreases also reflect additional borrowings with lower interest rates.

Other Partners' Loss in Sprint PCS

Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations.

Other Income (Expense), Net

Other income (expense) consisted of the following:

	2000	1999	1998
		(millions)	
Dividend and interest income	$ 30	$ 23	$ 93
Equity in net losses of affiliates	(236)	(73)	(41)
Gains on sales of assets	92	102	156
Net losses from investments	(102)	(15)	-
Other, net	(1)	38	(37)
Total	$ (217)	$ 75	$ 171

Dividend and interest income for all years reflects dividends earned on cost method investments and interest earned on temporary investments. For 1998, it also reflects interest earned on loans to unconsolidated affiliates, interest earned on partner contributions from the Sprint PCS partners prior to the PCS Restructuring and interest earned on short-term investments following Sprint's $5.0 billion debt offering in late 1998.

Equity in net losses of affiliates mainly includes losses from Intelig, Call-Net, EarthLink and Pegaso. The 2000 increase is mainly due to increased Intelig losses and losses from Pegaso after the PCS Group's 2000 second quarter initial investment.

Gain on sales of assets in 2000 include the sale of an independent publishing operation and the sale of certain wireless customers and associated network infrastructure. The 1999 gains include a gain on the sale of an investment security and a gain on the sale of network infrastructure. The 1998 gains mainly reflect net gains on sales of local exchanges. Net losses from investments in 2000 mainly include write-downs of certain equity investments.

Income Taxes

Sprint's consolidated effective tax rates were 17.9% in 2000, 30.5% in 1999 and 43.7% in 1998. See Note 9 of Notes to Consolidated Financial Statements for information about the differences that caused the effective income tax rates to vary from the statutory federal rate for income taxes related to continuing operations.

Discontinued Operation, Net

In the 2000 first quarter, Sprint sold its interest in Global One to France Telecom and Deutsche Telekom AG. Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One. As a result of Sprint's sale of its interest in Global One, Sprint's gain on sale and its equity share of the results of Global One have been reported as a discontinued operation for all periods presented.

In 2000, Sprint recorded an after-tax gain related to the sale of its interest in Global One of $675 million. Sprint recorded after-tax losses related to Global One of $130 million in 1999 and $135 million in 1998.

Extraordinary Items, Net

In 2000, Sprint redeemed, prior to scheduled maturities, $25 million of debt allocated to the FON Group and $127 million of debt allocated to the PCS Group. These borrowings had interest rates ranging from 7.8% to 9.7%. This resulted in a $4 million after-tax extraordinary loss for Sprint.

In 1999, Sprint redeemed, prior to scheduled maturities, $575 million of the broadband fixed wireless companies' debt assumed by the FON Group and $2.2 billion of revolving credit facilities and other borrowings allocated to the PCS Group. These borrowings had interest rates ranging from 5.6% to 14.5%. This resulted in a $60 million after-tax extraordinary loss for Sprint.

In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of debt allocated to the FON Group and $3.3 billion of debt allocated to the PCS Group. These borrowings had interest rates ranging from 7.9% to 9.3%. This resulted in a $36 million after-tax extraordinary loss for Sprint.

Financial Condition

	2000	1999
	(millions)	
Consolidated assets	$ 42,601	$ 39,250

Sprint's consolidated assets increased $3.4 billion in 2000. Net property, plant and equipment increased $3.3 billion reflecting capital expenditures to support the PCS network buildout, long distance and local network enhancements, and

Sprint ION development and hardware deployment, partly offset by depreciation and network asset sales. Investments in affiliates and other assets increased $715 million, mainly reflecting capital contributions to Sprint's equity method investees, partly offset by equity in net losses of those affiliates and the write-down of certain equity method investments. Offsetting decreases in Sprint's consolidated assets primarily include the exchange of investments in equity securities for certain notes payable, the write-down of goodwill and the sale of the net assets of the Global One discontinued operation. Sprint's debt-to-capital ratio, including redeemable preferred stock, was 57.3% at year-end 2000 versus 55.3% at year-end 1999. See "Liquidity and Capital Resources" for more information about changes in Sprint's Consolidated Balance Sheets.

Liquidity and Capital Resources

Sprint's Board exercises discretion regarding the liquidity and capital resource needs of each group. This includes the ability to prioritize the use of capital and debt capacity, to determine cash management policies and to make decisions regarding the timing and amount of capital expenditures. The actions of the Board of Directors are subject to its fiduciary duties to all shareholders of Sprint and not just to the holders of a particular class of common stock. Given the Board's discretion in these matters, it may be difficult to assess each group's liquidity and capital resource needs and future prospects based on past performance.

Consolidated cash flows for 1998 include Sprint PCS' cash flows only after the PCS Restructuring date.

Operating Activities

	2000	1999	1998
		(millions)	
FON Group	$ 4,323	$ 3,713	$ 3,915
PCS Group	(8)	(1,692)	(159)
Intergroup eliminations	-	(69)	443
Cash flows provided by operating activities	$ 4,315	$ 1,952	$ 4,199

Operating cash flows increased $2.4 billion in 2000 and decreased $2.2 billion in 1999. The 2000 increase reflects decreases in working capital requirements in both the FON Group and the PCS Group and improved operating results in the PCS Group. The 1999 decrease mainly reflects increases in working capital in both the FON Group and the PCS Group and the increased operating losses of the PCS Group, partly offset by the FON Groups improved operating results.

Investing Activities

	2000	1999	1998

		(millions)	
FON Group	$ (3,336)	$ (4,349)	$ (3,366)
PCS Group	(3,054)	(2,509)	(861)
Intergroup eliminations	(17)	(299)	(259)
Cash flows used by investing activities	$ (6,407)	$ (7,157)	$ (4,486)

The FON Group's capital expenditures totaled $4.1 billion in 2000, $3.5 billion in 1999 and $3.2 billion in 1998. Global markets division capital expenditures were incurred mainly to enhance network reliability, meet increased demand for voice and data-related services, upgrade capabilities for providing new products and services and to continue development and hardware deployment of Sprint ION. The local division incurred capital expenditures to accommodate access line growth, provide additional capacity for increased Internet traffic and expand capabilities for providing enhanced services. Other FON Group capital expenditures were incurred mainly for Sprint's World Headquarters Campus. PCS Group capital expenditures, totaling $3.0 billion in 2000, $2.6 billion in 1999 and $1.1 billion in 1998, were incurred to support the PCS network buildout.

In 2000, investing activities include $1.4 billion of proceeds from the sale of the FON Group's interest in Global One. Investing activities also include proceeds from sales of other assets totaling $258 million in 2000, $243 million in 1999 and $230 million in 1998. In 1999, Sprint purchased several broadband fixed wireless companies for $618 million excluding assumed debt.

"Investments in and loans to affiliates, net" were $889 million in 2000, $135 million in 1999 and $423 million in 1998. These amounts were for investments in affiliates accounted for using the equity method, primarily EarthLink, Intelig and Pegaso. Amounts for 1998 also include contributions and advances to Sprint PCS prior to the PCS Restructuring.

Financing Activities

	2000	1999	1998
		(millions)	
FON Group	$ (969)	$ 308	$ (219)
PCS Group	3,163	4,044	1,193
Intergroup eliminations	17	368	(184)
Cash flows provided by financing activities	$ 2,211	$ 4,720	$ 790

Financing activities reflect net proceeds from long-term debt of $2.3 billion in 2000, $4.0 billion in 1999 and $1.4 billion in 1998. These net proceeds were used mainly for capital investments and to fund the PCS Group's operating losses. Sprint paid dividends of $448 million in 2000, $441 million in 1999 and $430 million in 1998.

Also included in financing activities is proceeds from Sprint's employee stock purchase plan of $182 million in 2000, $136 million in 1999 and $24 million in 1998.

Capital Requirements

Sprint's 2001 investing activities, mainly consisting of capital expenditures and investments in affiliates, are expected to require cash of $9.7 to $10.0 billion. FON Group capital expenditures are expected to be $5.9 billion, and PCS Group capital expenditures are expected to be between $3.3 and $3.5 billion. Investments in affiliates are expected to be between $450 and $550 million. Dividend payments are expected to approximate $455 million in 2001.

In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement that provides for the allocation of income taxes between the FON Group and the PCS Group. Sprint expects the FON Group to continue to make significant payments to the PCS

Group under this agreement because of expected PCS Group operating losses in the near future and from using the PCS Group's net operating loss carryforwards. These payments reflect the PCS Group's incremental cumulative effect on Sprint's consolidated federal and state tax liability and tax credit position. The PCS Group received payments from the FON Group totaling $872 million in 2000, $764 million in 1999 and $20 million in 1998. See Note 1 of Notes to Consolidated Financial Statements, "Allocation of Federal and State Income Taxes," for more details.

Liquidity

Sprint mainly uses commercial paper to fund its short-term working capital needs. Sprint also uses the long-term bond market as well as other debt markets to fund its needs. Sprint intends to continue borrowing funds through the U.S. and international money and capital markets and bank credit markets to fund capital expenditures and operating and working capital requirements.

Sprint also intends to sell $3 billion of PCS common stock in an underwritten public offering when market or other conditions indicate that such a course of action is advisable.

Sprint currently has revolving credit facilities with syndicates of domestic and international banks totaling $5 billion; $3 billion of which is a 364 day facility, renewed in August 2000, expiring in 2001, and $2 billion is a 5 year facility expiring in 2003. Commercial paper and certain bank notes are supported by Sprint's revolving credit facilities. Certain other notes payable relate to a separate revolving credit facility which expires in 2002. At year-end 2000, Sprint had total unused lines of credit of $1.8 billion.

In June 2000, Sprint issued $1.25 billion of debt securities under its $4 billion shelf registration statement with the SEC. These borrowings mature in 2002 and have interest rates ranging from 6.9% to 7.6%. At year-end 2000, Sprint had issued a total of $2 billion of debt securities under the shelf. In January 2001, Sprint issued debt securities using the remainder of the shelf. See Note 19 of Notes to Consolidated Financial Statements.

In June 1999, Sprint entered into a $1 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 2000, Sprint had borrowed $900 million with a weighted average interest rate of 6.9% under this agreement. These borrowings mature in 2002.

Any borrowings Sprint may incur are ultimately limited by certain debt covenants. Sprint could borrow up to an additional $9.6 billion at year-end 2000 under the most restrictive of its debt covenants.

Regulatory Developments

See "Regulatory Developments" in Part I. of this filing.

Financial Strategies

General Hedging Policies

Sprint selectively enters into interest rate swap and cap agreements to manage its exposure to interest rate changes on its debt. Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint seeks to minimize counterparty credit risk through stringent credit approval and review processes, the selection of only the most creditworthy counterparties, continual review and monitoring of all counterparties, and thorough legal review of contracts. Sprint also controls exposure to market risk by regularly monitoring changes in foreign exchange and interest rate positions under normal and stress conditions to ensure they do not exceed established limits.

Sprint's derivative transactions are used for hedging purposes only and comply with Board-approved policies. Senior management receives frequent status updates of all outstanding derivative positions.

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- and fixed-rate debt, and minimizing liquidity risk. Sprint uses simulation analysis to assess its interest rate exposure and establish the desired ratio of floating- and fixed-rate debt. To the extent possible, Sprint manages interest rate exposure and the floating-to-fixed ratio through its borrowings, but sometimes uses interest rate swaps and caps to adjust its risk profile.

Foreign Exchange Risk Management

Sprint's foreign exchange risk management program focuses on hedging transaction exposure to optimize consolidated cash flow. Sprint's main transaction exposure results from net payments made to

overseas telecommunications companies for completing international calls made by Sprint's domestic customers. These international operations were not material to the consolidated financial position, results of operations or cash flows at year-end 2000. In addition, foreign currency transaction gains and losses were not material to Sprint's 2000 results of operations. Sprint has not entered into any significant foreign currency forward contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign exchange rates. As a result, Sprint was not subject to material foreign exchange risk.

Recently Issued Accounting Pronouncements

See Note 17 of Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

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Sprint's exposure to market risk--through derivative financial instruments, other financial instruments, such as investments in marketable securities and long-term debt, from changes in interest rates and from changes in foreign currency exchange rates--is not material.

Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

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No reportable items.

Part III

Item 10. Directors and Executive Officers of the Registrant

Pursuant to Instruction G(3) to Form 10-K, the information relating to Directors of Sprint required by Item 10 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2000.

For information pertaining to Executive Officers of Sprint, as required by Instruction 3 of Paragraph (b) of Item 401 of Regulation S-K, refer to the "Executive Officers of the Registrant" section of Part I of this document.

Pursuant to Instruction G(3) to Form 10-K, the information relating to compliance with Section 16(a) required by Item 10 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2000.

Item 11. Executive Compensation

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 11 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2000.

Item 12. Security Ownership of Certain Beneficial Owners and Management

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Pursuant to Instruction G(3) to Form 10-K, the information required by Item 12 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2000.

Item 13. Certain Relationships and Related Transactions

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 13 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2000.

Part IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. The consolidated financial statements of Sprint filed as part of this report are listed in the Index to Financial Statements, Financial Statement Schedule and Exhibits.

2. The consolidated financial statement schedule of Sprint filed as part of this report are listed in the Index to Financial Statements, Financial Statement Schedule and Exhibits.

3. The following exhibits are filed as part of this report:

EXHIBITS

(3) Articles of Incorporation and Bylaws:

(a) Articles of Incorporation, as amended (filed as Exhibit 3(a) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).

(b) Bylaws, as amended (filed as Exhibit 3(b) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000 and incorporated herein by reference).

(4) Instruments defining the Rights of Sprint's Security Holders:

(a) The rights of Sprint's equity security holders are defined in the Fifth, Sixth, Seventh and Eighth Articles of Sprint's Articles of Incorporation. See Exhibit 3(a).

(b) Rights Agreement dated as of November 23, 1998, between Sprint Corporation and UMB Bank, n.a. (filed as Exhibit 4.1 to Amendment No. 1 to Sprint Corporation's Registration

Statement on Form 8-A relating to Sprint's PCS Group Rights, filed November 25, 1998, and incorporated herein by reference).

(c) Tracking Stock Policies of Sprint Corporation (filed as Exhibit 4D to Post-Effective Amendment No. 2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference).

(d) Amended and Restated Standstill Agreement dated November 23, 1998, by and among Sprint Corporation, France Telecom and Deutsche Telekom AG (filed as Exhibit 4E to Post-Effective Amendment No.2 to Sprint Corporation's Registration Statement on Form S-3 (No. 33-58488) and incorporated herein by reference) as amended by the Master Transfer Agreement dated January 21, 2000 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH, Atlas Telecommunications, S.A., Sprint Corporation, Sprint Global Venture, Inc. and the JV Entities set forth in Schedule II thereto (filed as Exhibit 2 to Sprint Corporation's Current Report on Form 8-K dated January 26, 2000 and incorporated herein by reference).

(e) Indenture, dated as of October 1, 1998, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference).

(f) First Supplemental Indenture, dated as of January 15, 1999, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation Current Report on Form 8-K dated February 2, 1999 and incorporated herein by reference).

30

(g) Indenture, dated as of October 1, 1998, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference).

(h) First Supplemental Indenture, dated as of January 15, 1999, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation Current Report on Form 8-K dated February 2, 1999 and incorporated herein by reference).

(10) Material Agreements

(a) Amended and Restated Stockholders' Agreement among France Telecom, Deutsche Telekom AG and Sprint Corporation, dated as of November 23, 1998 (filed as Exhibit 10(c) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference) as amended by the Master Transfer Agreement dated January 21, 2000 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH, Atlas Telecommunications, S.A., Sprint Corporation, Sprint Global Venture, Inc. and the JV Entities set forth in Schedule II thereto (filed as Exhibit 2 to Sprint Corporation's Current Report on Form 8-K dated January 26, 2000 and incorporated herein by reference).

(b) Amended and Restated Registration Rights Agreement, dated as of November 23, 1998, among Sprint Corporation, France Telecom and Deutsche Telekom A.G. (filed as Exhibit 10.1 to Amendment No. 1 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference) as amended by the Master Transfer Agreement dated January 21, 2000 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH, Atlas Telecommunications, S.A., Sprint Corporation, Sprint Global Venture, Inc. and the JV Entities set forth in Schedule II thereto (filed as Exhibit 2 to Sprint Corporation's Current Report on Form 8-K dated January 26, 2000 and incorporated herein by reference) and as further amended by the Offering Process Agreement dated as of February 20, 2001 between and among France Telecom, Deutsche Telekom AG, NAB Nordamerika Beteiligungs Holding GmbH and Sprint Corporation (filed as Exhibit 10(b) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(c) Registration Rights Agreement, dated as of November 23, 1998, among Sprint Corporation, Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (filed as Exhibit 10.2 to Amendment No. 1 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(d) Standstill Agreements, dated May 26, 1996, between Sprint Corporation and each of Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (filed as Exhibit 10(g) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

(e) 364-Day Credit Agreement, dated as of August 4, 2000, among Sprint Corporation and Sprint Capital Corporation, as Borrowers, and the initial Lenders named therein, as Initial Lenders, and Citibank, N.A., as Administrative Agent, and Salomon Smith Barney Inc., as Book Manager and Arranger, and Morgan Guaranty Trust Company of New York, as Syndication Agent, and Bank of America, N.A. and The Chase Manhattan Bank, as Documentation Agents (filed as Exhibit 10(a) to Sprint Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).

(f) Five-Year Credit Agreement, dated as of August 7, 1998, among Sprint Corporation and Sprint Capital Corporation, as Borrowers, and the initial Lenders named therein, as Initial Lenders, and Citibank, N.A., as Administrative Agent, and Morgan Guaranty Trust Company of New York, as Syndication Agent, and Bank of America National Trust and Savings Association and The Chase Manhattan Bank, as Documentation Agents (filed as Exhibit 10.24 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(10) Executive Compensation Plans and Arrangements:

(g) 1990 Stock Option Plan, as amended (filed as Exhibit 10(g) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(h) 1990 Restricted Stock Plan, as amended (filed as Exhibit 10(h) to Sprint Corporation Annual Report on Form 10-K for the year ended December 3, 1999 and incorporated herein by reference).

(i) Executive Deferred Compensation Plan, as amended (filed as Exhibit 10(i) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference). Summary of Amendments to the Executive Deferred Compensation Plan (filed as Exhibit 10(i) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(j) Management Incentive Stock Option Plan, as amended (filed as Exhibit 10(j) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herin by reference).

(k) 1997 Long-Term Stock Incentive Program, as amended (filed as Exhibit 10(d) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).

(l) Sprint Supplemental Executive Retirement Plan (filed as Exhibit (10)(i) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1995 and incorporated herein by reference).

(m) Amended and Restated Centel Directors Deferred Compensation Plan (filed as Exhibit 10(m) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

(n) Restated Memorandum Agreements Respecting Supplemental Pension Benefits between Sprint Corporation (formerly United Telecommunications, Inc.) and two of its current and former executive officers (filed as Exhibit 10(i) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference).

(o) Executive Long-Term Incentive Plan (filed as Exhibit 10(j) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

(p) Executive Management Incentive Plan (filed as Exhibit 10(k) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

(q) Long-Term Incentive Compensation Plan, as amended (filed as Exhibit 10(i) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, and incorporated herein by reference).

(r) Management Incentive Plan, as amended (filed as Exhibit 10(r) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(s) Retirement Plan for Directors, as amended (filed as Exhibit (10)(u) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1996 and incorporated herein by reference).

(t) Key Management Benefit Plan, as amended (filed as Exhibit 10(g) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1996 and incorporated herein by reference).

(u) Agreements Regarding Special Compensation and Post Employment Restrictive Covenants between Sprint Corporation and certain of its Executive Officers (filed as Exhibit 10(d) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, Exhibit 10(h) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended March 31, 1996, Exhibit 10(w) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1997, Exhibit 10(b) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended June 30, 1998, and Exhibit 10.4 to Sprint Spectrum L.P. Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 and incorporated herein by reference).

(v) Director's Deferred Fee Plan, as amended (filed as Exhibit 10 (v) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

(w) Form of Contingency Employment Agreements between Sprint Corporation and certain of its executive officers (filed as Exhibit 10(h) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).

(x) Form of Indemnification Agreements between Sprint Corporation (formerly United Telecommunications, Inc.) and its Directors and Officers (filed as Exhibit 10(s) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1991, and incorporated herein by reference).

(y) Summary of Executive Officer Benefits and Board of Directors Benefits and Fees (filed as Exhibit 10(y) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(z) Amended and Restated Centel Director Stock Option Plan (filed as Exhibit 10(aa) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1993, and incorporated herein by reference).

(aa) Special Incentive Plan (filed as Exhibit 10(g) to Sprint Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).

(bb) Employment Agreements dated as of February 26, 2001 by and among Sprint Corporation, Sprint/United Management Company and William T. Esrey and Ronald T. LeMay (filed as Exhibit 10(bb) to Sprint Corporation's Annual Report on Form 10-K for the year ended December 3, 2000 and incorporated herein by reference).

(12) Computation of Ratio of Earnings to Fixed Charges

(21) Subsidiaries of Registrant

(23) (a) Consent of Ernst & Young LLP

(b) Consent of Deloitte & Touche LLP

(99) Supplementary Information

(a) Annex I - Sprint FON Group Combined Financial Information
(b) Annex II - Sprint PCS Group Combined Financial Information

Sprint will furnish to the Securities and Exchange Commission, upon request, a copy of the instruments defining the rights of holders of its long-term debt. The total amount of securities authorized under any of said instruments (other than those listed above) does not exceed 10% of the total assets of Sprint.

(b) Reports on Form 8-K

On October 17, 2000, Sprint filed a Current Report on Form 8-K dated October 17, 2000, in which it reported that it had announced that its Board of Directors had approved a proposal to offer employees a choice to cancel certain stock options granted to them in 2000 in exchange for new options, to be granted six months and one day from the date the old options are cancelled, to purchase an equal number of the same class of shares.

On February 20, 2001, Sprint filed a Current Report on Form 8-K dated December 13, 2000, in which it reported that it had announced fourth quarter 2000 and calendar year 2000 results. It also reported that, on December 13, 2000, a shareholder had filed a derivative action purportedly on behalf of Sprint against certain of its current and former officers and directors.

The news release regarding fourth quarter 2000 and calendar year 2000 results, which was included in the Current Report, included the following financial information:

FON Group Combined Statements of Operations
FON Group Selected Operating Results
FON Group Proforma Financial Information
FON Group Supplemental Operating Information
FON Group Condensed Combined Balance Sheets
FON Group Condensed Combined Cash Flow Information
PCS Group Combined Statements of Operations

PCS Group Supplemental Operating Information
PCS Group Net Customer Additions
PCS Group Condensed Combined Balance Sheets
PCS Group Condensed Combined Cash Flow Information
Sprint Corporation Condensed Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information

(c) Exhibits are listed in Item 14(a).

34

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPRINT CORPORATION
(Registrant)

By /s/ W. T. Esrey
William T. Esrey
Chairman and Chief Executive Officer

Date: May 15, 2001

35

Index to Financial Statements, Financial Statement Schedule and Exhibits

Sprint Corporation

Exhibits

(12) - Computation of Ratio of Earnings to Fixed Charges
(21) - Subsidiaries of Registrant
(23) (a) - Consent of Ernst & Young LLP
(23) (b) - Consent of Deloitte & Touche LLP
(99)(a) - Supplementary Information - Annex I - FON Group
(99)(b) - Supplementary Information - Annex II - PCS Group

F-1

MANAGEMENT REPORT

Sprint Corporation's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

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

The financial statements included in this document have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted using auditing standards generally accepted in the United States and their reports are included herein.

The Board of Director's responsibility 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.

/s/ W. T. Esrey

William T. Esrey
Chairman and Chief Executive Officer

/s/ Arthur B. Krause

Arthur B. Krause
Executive Vice President and Chief Financial Officer

F-2

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, 2000 and 1999, and the related consolidated statements of operations, comprehensive income (loss), cash flows and shareholders' equity for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index to Financial Statements, Financial Statement Schedule and Exhibits. These financial statements and the schedule are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits. We did not audit the 1998 consolidated financial statements of Sprint Spectrum Holding Company, L.P., a wholly owned subsidiary of Sprint as of December 31, 1998 and an investment in which Sprint had a 40% interest through November 23, 1998 (as discussed in Note 1). Such financial statements reflect revenues of $1.2 billion for the year ended December 31, 1998. The consolidated financial statements and financial statement schedule of Sprint Spectrum Holding Company, L.P. have been audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the 1998 revenues for Sprint Spectrum Holding Company, L.P., is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sprint at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 7 to the consolidated financial statements, in 2000 Sprint changed its accounting for service activation and certain installation fee revenues.

Ernst & Young LLP

Kansas City, Missouri
February 1, 2001

REPORT OF INDEPENDENT AUDITORS

The Board of Directors of Sprint Corporation and Partners of Sprint Spectrum Holding Company, L.P.

We have audited the consolidated statements of operations and cash flows of Sprint Spectrum Holding Company, L.P. and subsidiaries for the year ended December 31, 1998. Our audit also included the 1998 financial statement schedule (Schedule II). These financial statements and Schedule II are the responsibility of Partnership management. Our responsibility is to express an opinion on these consolidated financial statements and Schedule II based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Sprint Spectrum Holding Company, L.P. and subsidiaries for the year ended December 31,1998, in conformity with generally accepted accounting principles. Also, in our opinion, Schedule II, when considered in relation to the basic 1998 consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche LLP

Kansas City, Missouri
February 2, 1999

CONSOLIDATED STATEMENTS OF OPERATIONS
(millions)

	Sprint Corporatio	
	Consolidated	
Years Ended December 31,	2000	1999
Net Operating Revenues	$ 23,613	$ 20,265
Operating Expenses		
Costs of services and products	11,620	10,363
Selling, general and administrative	6,919	6,557
Depreciation	3,538	3,146
Amortization	606	506
Asset write down and merger related costs	425	-
Acquired in-process research and development costs	-	-
Total operating expenses	23,108	20,572
Operating Income (Loss)	505	(307)
Interest expense	(990)	(860)
Other partners' loss in Sprint PCS	-	-
Minority interest	-	20
Other income (expense), net	(217)	75
Income (loss) from continuing operations before income taxes	(702)	(1,072)
Income tax (expense) benefit	126	327
Income (Loss) from Continuing Operations	(576)	(745)
Discontinued operation, net	675	(130)
Extraordinary items, net	(4)	(60)
Cumulative effect of change in		

accounting principle, net		(2)		-
Net Income (Loss)		93		(935)
Preferred stock dividends (paid) received		(7)		(8)
Earnings (loss) applicable to common stock	$	86	$	943

Eliminations/Reclassifications			Sprint FON Group			
2000	1999	1998	2000	1999	1998 (1)	200
$ (416)	$ (268)	$ (108)	$ 17,688	$ 17,160	$ 15,958	$ 6
(416)	(268)	(108)	8,094	7,481	7,163	3
-	-	-	4,493	4,620	4,114	2
-	-	-	2,199	2,086	1,878	1
-	-	-	68	43	43	
-	-	-	401	-	-	
-	-	-	-	-	-	
(416)	(268)	(108)	15,255	14,230	13,198	8
-	-	-	2,433	2,930	2,760	(1
19	20	16	(76)	(182)	(243)	
-	-	-	-	-	-	
-	-	-	-	-	-	
(19)	(20)	(16)	(187)	49	153	
-	-	-	2,170	2,797	2,670	(2
-	-	-	(878)	(1,061)	(995)	1
			1,292	1,736	1,675	(1
-	-	-	675	(130)	(135)	
-	-	-	(1)	(39)	(5)	
-	-	-	(2)	-	-	
-	-	-	1,964	1,567	1,535	(1
-	-	-	7	7	N/M	
$ -	$ -	$ -	$ 1,971	$ 1,574	N/M	$ (1

N/M - Not Meaningful

(1) As discussed in Note 1 of Notes to Consolidated Financial Statements, the Recapitalization occurred in November 1998. As a result, earnings per share for Sprint common stock reflects earnings through the Recapitalization date, while earnings (loss) per share for FON common stock and PCS common stock reflects results from that date to year-end 1998.

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS (continued) Sprint Corporation
(millions, except per share data)

Years Ended December 31,	2000	1999
FON COMMON STOCK		
Earnings applicable to common stock	$ 1,971	$ 1,574
Diluted Earnings per Common Share/(2)/		
Continuing operations	$ 1.45	$ 1.97
Discontinued operation	0.76	(0.15
Extraordinary items	-	(0.04
Total	$ 2.21	$ 1.78
Diluted weighted average common shares	892.4	887.2
Basic Earnings per Common Share/(2)/		
Continuing operations	$ 1.47	$ 2.01
Discontinued operation	0.77	(0.15
Extraordinary items	-	(0.05
Total	$ 2.24	$ 1.81
Basic weighted average common shares	880.9	868.0
PCS COMMON STOCK		
Loss applicable to common stock	$ (1,885)	$ (2,517
Basic and Diluted Loss per Common Share/(2)/		
Continuing operations	$ (1.95)	$ (2.71
Extraordinary items	-	(0.02
Total	$ (1.95)	$ (2.73
Basic and diluted weighted average common shares	966.5	920.4
SPRINT COMMON STOCK		
Earnings applicable to common stock		
Diluted Earnings per Common Share		
Continuing operations		

Discontinued operation		
Extraordinary items		
Total		
Diluted weighted average common shares		
Basic Earnings per Common Share		
Continuing operations		
Discontinued operation		
Extraordinary items		
Total		
Basic weighted average common shares		
DIVIDENDS PER COMMON SHARE		
FON common stock/(2)/	$ 0.50	$ 0.50
Class A common stock	$ 0.50	$ 0.62
Sprint common stock		

/(1)/ As discussed in Note 1 of Notes to Consolidated Financial Statements, the Recapitalization occurred in November 1998. As a result, earnings per share for Sprint common stock reflects earnings through the Recapitalization date, while earnings (loss) per share for FON common stock and PCS common stock reflects results from that date to year-end 1998.

/(2)/ In the 2000 first quarter, Sprint effected a two-for-one stock split of its PCS common stock. In the 1999 second quarter, Sprint effected a two-for-one stock split of its Sprint FON common stock. As a result, basic and diluted earnings per common share, weighted average common shares and dividends for Sprint FON common stock and Sprint PCS common stock have been restated for periods prior to these stock splits.

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(millions)

	Sprint Corporatio	
	Consolidated	
Years Ended December 31,	2000	1999
Net Income (Loss)	$ 93	$ (935)
Other Comprehensive Income (Loss)		
Unrealized holding gains (losses) on securities	(64)	54

Income tax (expense) benefit	23	(20)
Net unrealized holding gains (losses) on securities during the period	(41)	34
Reclassification adjustment for gains included in net income	(10)	(57)
Total net unrealized holding gains (losses) on securities	(51)	(23)
Foreign currency translation adjustments	(9)	-
Total other comprehensive income (loss)	(60)	(23)
Comprehensive Income (Loss)	$ 33	$ (958)

Eliminations/Reclassifications			Sprint FON Group			
2000	1999	1998	2000	1999	1998	2000
$ -	$ -	$ -	$ 1,964	$ 1,567	$ 1,535	$ (1,871
-	13	(7)	(69)	33	28	5
-	(5)	2	25	(12)	(10)	(2
-	8	(5)	(44)	21	18	3
-	-	-	(2)	(57)	-	(8
-	8	(5)	(46)	(36)	18	(5
-	-	-	(12)	-	(2)	3
-	8	(5)	(58)	(36)	16	(2
$ -	$ 8	$ (5)	$ 1,906	$ 1,531	$ 1,551	$ (1,873

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(millions)	Spr
December 31,	2000

Assets	
Current assets	
Cash and equivalents	$
Accounts receivable, net of consolidated allowance for doubtful accounts of $389 and $274	4
Inventories	
Prepaid expenses	
Income tax receivable	
Investments in equity securities	
Receivable from the PCS Group	
Current tax benefit receivable from the FON Group	
Other	
Total current assets	5
Property, plant and equipment	
FON Group	30
PCS Group	12
Total property, plant and equipment	43
Accumulated depreciation	(17
Net property, plant and equipment	25
Investments in and advances to affiliates	
Intangible assets	
Goodwill	5
PCS licenses	3
PCS customer base	
PCS microwave relocation costs	
Other	
Total intangible assets	10
Accumulated amortization	(1
Net intangible assets	8
Net assets of discontinued operation	
Other assets	1
Total	$ 42

Eliminations/Reclassifications		Sprint FON Group		Sprint PC
2000	1999	2000	1999	2000
$ -	$ -	$ 122	$ 104	$ 117
-	-	3,126	2,836	902
-	-	434	441	515
-	-	276	251	90
-	411	-	-	-
-	1	-	316	-
(361)	(136)	361	136	-
(26)	(293)	-	-	26
(2)	-	193	198	200

(389)	(17)	4,512	4,282	1,850
-	-	30,998	27,687	-
-	-	-	-	12,117
-	-	30,998	27,687	12,117
(39)	(29)	(15,165)	(13,685)	(2,595)
(39)	(29)	15,833	14,002	9,522
(383)	(431)	842	883	148
-	-	877	1,223	4,548
-	-	-	-	3,059
-	-	-	-	747
-	-	-	-	411
-	-	384	296	46
-	-	1,261	1,519	8,811
-	-	(57)	(140)	(1,077)
-	-	1,204	1,379	7,734
-	-	-	394	-
-	-	1,258	863	509
$ (811)	$ (477)	$ 23,649	$ 21,803	$ 19,763

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS (continued)

(millions, except per share data)	Spr
December 31,	2000
Liabilities and Shareholders' Equity	
Current liabilities	
Current maturities of long-term debt	$ 1
Accounts payable	2
Construction obligations	
Accrued interconnection costs	
Accrued taxes	
Advance billings	
Payroll and employee benefits	
Accrued interest	
Payables to the FON Group	
Other	1
Total current liabilities	7

Long-term debt and capital lease obligations	17
Deferred credits and other liabilities	
Deferred income taxes and investment tax credits	1
Postretirement and other benefit obligations	1
Other	
Total deferred credits and other liabilities	3
Redeemable preferred stock	
Shareholders' equity	
Common stock	
Class A common stock, par value $2.50 per share, 200.0 shares authorized, 86.2 shares issued and outstanding (each share represents the right to one FON share and 1/2 PCS share)	
FON, par value $2.00 per share, 4,200.0 shares authorized, 798.8 and 788.0 shares issued and 798.4 and 788.0 shares outstanding	1
PCS, par value $1.00 per share, 2,350.0 shares authorized, 933.1 and 910.4 shares issued and outstanding	
Capital in excess of par or stated value	9
Retained earnings	1
Treasury stock, at cost, 0.4 and 0.0 shares	
Accumulated other comprehensive income	
Other	
Combined attributed net assets	
Total shareholders' equity	13
Total	$ 42

Eliminations/Reclassifications		Sprint FON Group		Sprint PCS
2000	1999	2000	1999	2000
$ (65)	$ -	$ 1,026	$ 902	$ 244
-	-	1,598	1,012	687
-	-	-	-	997
-	-	547	683	-
(27)	118	264	162	203
-	-	462	323	145
-	-	377	557	121
-	-	136	144	119
(296)	(136)	-	-	296
(40)	(29)	594	518	580
(428)	(47)	5,004	4,301	3,392
(104)	(150)	3,482	4,531	14,136
(6)	(6)	1,276	935	90
-	-	1,077	1,064	-
-	1	457	448	253
(6)	(5)	2,810	2,447	343
(280)	(280)	10	10	526

216	216	-	-	-
1,598	1,576	-	-	-
933	910	-	-	-
9,380	8,569	-	-	-
1,578	1,961	-	-	-
(10)	(2)	-	-	-
21	81	-	-	-
-	2	-	-	-
(13,709)	(13,308)	12,343	10,514	1,366
7	5	-	-	-
$ (811)	$ (477)	$ 23,649	$ 21,803	$ 19,763

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions)	Sprint Corpora	
	Consolidate	
Years Ended December 31,	2000	1999
Operating Activities		
Net income (loss)	$ 93	$ (93
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Discontinued operation, net	(675)	13
Extraordinary items, net	4	6
Equity in net losses of affiliates	256	7
Depreciation and amortization	4,144	3,65
Acquired in-process research and development costs	-	
Deferred income taxes and investment tax credits	(205)	(33
Current tax benefit used by the FON Group	-	
Net gains on sales of assets	(130)	(18
Net losses on write-down of assets	365	10
Changes in assets and liabilities:		
Accounts receivable, net	(640)	(70
Inventories and other current assets	146	(77
Accounts payable and other current liabilities	947	90
Current tax benefit receivable from the FON Group	-	
Affiliate receivables and payables, net	-	
Noncurrent assets and liabilities, net	(26)	(6
Other, net	36	2

Net cash provided (used) by operating activities	4,315	1,95
Investing Activities		
Capital expenditures	(7,152)	(6,11
Repayments from (investments in and loans to) Sprint PCS	-	
Investments in and loans to other affiliates, net	(889)	(13
Net proceeds from sales of assets	258	24
Purchase of broadband fixed wireless companies, net of cash acquired	-	(61
Advances to (from) the PCS Group	-	
Net assets transferred from the PCS Group	-	
Cash acquired in the PCS Restructuring	-	
Investments in Sprint PCS	-	
Other, net	(27)	(14
Net cash used by continuing operations	(7,810)	(6,77
Proceeds from sale of investment in Global One	1,403	
Net investing activities of discontinued operation	-	(38
Net cash used by investing activities	(6,407)	(7,15
Financing Activities		
Proceeds from long-term debt	3,613	6,92
Payments on long-term debt	(1,356)	(2,94
Proceeds from common stock issued	269	95
Proceeds from treasury stock issued	12	13
Advances from (to) the FON Group	-	
Dividends paid	(448)	(44
Treasury stock purchased	(61)	(4
Net assets transferred to the FON Group	-	
Current tax benefit used by the FON Group	-	
Other, net	182	14
Net cash provided (used) by financing activities	2,211	4,72
Increase (Decrease) in Cash and Equivalents	119	(48
Cash and Equivalents at Beginning of Period	120	60
Cash and Equivalents at End of Period	$ 239	$ 12

See accompanying Notes to Consolidated Financial Statements.

Eliminations/Reclassifications			Sprint FON Group			S
2000	1999	1998	2000	1999	1998	2000
$ -	$ -	$ -	$ 1,964	$ 1,567	$ 1,535	$ (1,87
-	-	-	(675)	130	135	
-	-	-	1	39	1	
-	-	-	201	70	52	5
-	-	-	2,267	2,129	1,921	1,87

–	–	–	–	–	–	
–	–	(1)	386	220	60	(59
–	–	460	–	–	–	
–	–	–	(83)	(158)	(104)	(4
–	–	–	365	102	–	
–	–	–	(316)	(459)	102	(32
411	(411)	(170)	39	(130)	(19)	(30
(411)	391	–	711	152	347	64
(267)	123	170	–	–	–	26
267	(123)	(17)	(422)	88	(84)	15
–	–	–	(103)	(76)	(24)	7
–	(49)	1	(12)	39	(7)	4
–	(69)	443	4,323	3,713	3,915	(
–	–	–				
–	(314)	154	(4,105)	(3,534)	(3,159)	(3,04
–	–	(187)	–	314	(154)	
–	–	–	(686)	(135)	(236)	(20
			51	90	230	20
–	–	–				
(17)	–	64	–	(618)	–	
–	–	(340)	17	–	(64)	
–	–	(244)	–	–	340	
–	–	33	–	–	–	
–	15	261	–	–	–	
			(16)	(82)	(55)	(1
(17)	(299)	(259)	(4,739)	(3,965)	(3,098)	(3,05
–	–	–	1,403	–	–	
–	–	–	–	(384)	(268)	
(17)	(299)	(259)	(3,336)	(4,349)	(3,366)	(3,05
–	–	–	344	1,020	785	3,26
–	314	–	(949)	(529)	(388)	(40
–	–	–	148	52	–	12
–	–	–	12	134	60	
17	–	(64)	–	–	–	(1
–	–	–	(433)	(426)	(430)	(1
–	–	–	(61)	(48)	(321)	
–	–	340	–	–	–	
–	–	(460)	–	–	–	
–	54	–	(30)	105	75	21
17	368	(184)	(969)	308	(219)	3,16
–	–	–	18	(328)	330	10
–	–	–	104	432	102	1
$ –	$ –	$ –	$ 122	$ 104	$ 432	$ 117

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY Sprint Corporation
(millions)

	Sprint Common Stock	FON Common Stock	PCS Common Stock	Capital In Excess of Par or Stated Value	Retai Earni
Beginning 1998 balance	$ 1,092	$ -	$ -	$ 4,458	$ 3,69
Net income	-	-	-	-	41
Common stock dividends	-	-	-	-	(34
Class A common stock dividends	-	-	-	-	(8
Sprint common stock recapitalized	(876)	701	175	-	
PCS Series 2 common stock issued	-	-	195	3,005	
PCS Series 3 common stock issued	-	-	5	80	
Treasury stock purchased	-	-	-	-	
Treasury stock issued	-	-	-	-	(2
Tax benefit from stock compensation	-	-	-	49	
Other, net	-	-	-	(6)	(
Ending 1998 balance	216	701	375	7,586	3,65
Net loss	-	-	-	-	(93
FON common stock dividends	-	-	-	-	(38
Class A common stock dividends	-	-	-	-	(5
PCS preferred stock dividends	-	-	-	-	(
FON Series 3 common stock issued	-	2	-	50	
PCS Series 1 common stock issued	-	-	27	674	
PCS Series 2 common stock issued	-	-	24	1,122	
PCS Series 3 common stock issued	-	-	7	210	
Two-for-one stock splits	-	873	477	(1,350)	
Treasury stock purchased	-	-	-	-	
Treasury stock issued	-	-	-	-	(31
Tax benefit from stock compensation	-	-	-	254	
Other, net	-	-	-	23	
Ending 1999 balance	216	1,576	910	8,569	1,96
Net income	-	-	-	-	9
FON common stock dividends	-	-	-	-	(39
Class A common stock dividends	-	-	-	-	(4
PCS preferred stock dividends	-	-	-	-	(
FON Series 1 common stock issued	-	22	-	180	
PCS Series 1 common stock issued	-	-	23	207	
Treasury stock purchased	-	-	-	-	
Treasury stock issued	-	-	-	-	(2
Tax benefit from stock compensation	-	-	-	424	
Other, net	-	-	-	-	
Ending 2000 balance	$ 216	$ 1,598	$ 933	$ 9,380	$ 1,57

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued) Sprint Corporation
(millions)

	Sprint Common Stock	FON Common Stock
Shares Outstanding		
Beginning 1998 balance	430.0	-
Sprint common stock recapitalized	(350.3)	350.3
Treasury shares recapitalized	5.4	(5.4)
Treasury stock purchased	(4.2)	(0.5)
Treasury stock issued	5.3	0.1
PCS Series 2 common stock issued	-	-
PCS Series 3 common stock issued	-	-
Ending 1998 balance	86.2	344.5
FON Series 3 common stock issued	-	1.2
PCS Series 1 common stock issued	-	-
PCS Series 2 common stock issued	-	-
PCS Series 3 common stock issued	-	-
Two-for-one stock splits	-	433.5
Treasury stock purchased	-	(0.6)
Treasury stock issued	-	9.4
Ending 1999 balance	86.2	788.0
FON Series 1 common stock issued	-	10.8
PCS Series 1 common stock issued	-	-
Treasury stock purchased	-	(2.0)
Treasury stock issued	-	1.6
Ending 2000 balance	86.2	798.4

See accompanying Notes to Consolidated Financial Statements.

F-11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Sprint Corporation

1. Summary of Significant Accounting Policies

Tracking Stock Formation

In November 1998, Sprint's shareholders approved the allocation of all of Sprint's assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners special low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares. The purchase of the Cable Partners' interests is referred to as the PCS Restructuring. In the 1999 second quarter, Sprint acquired the remaining minority interest in Cox PCS.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and 1/2 share of PCS stock. This recapitalization was tax-free to shareholders. Each Class A common share owned by France Telecom (FT) and Deutsche Telekom AG (DT) entitles FT and DT to one share of FON stock and 1/2 share of PCS stock. These transactions are referred to as the Recapitalization.

In connection with the PCS Restructuring, FT and DT purchased 5.1 million additional PCS shares (pre-split basis) to maintain their voting power in Sprint (Top-up).

FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track. Accordingly, FON and PCS shareholders are subject to the risks related to an equity investment in Sprint and all of Sprint's businesses, assets and liabilities. Shares of FON common stock and PCS common stock do not represent a direct legal interest in the assets and liabilities allocated to either group, as Sprint owns all of the assets and liabilities of both of the groups. Sprint's Board may, subject to the restrictions in Sprint's articles of incorporation, change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval.

Board Discretion Regarding Tracking Stocks

Sprint's Board has the discretion to, among other things, make operating and financial decisions that could favor one group over the other and, subject to the restrictions in Sprint's articles of incorporation, to change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval. Under the applicable corporate law, Sprint's Board owes its fiduciary duties to all of Sprint's shareholders and there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. The Tracking Stock Policies provide that the Board, in resolving material matters in which the holders of FON common stock and PCS common stock have potentially divergent interests, will act in the best interests of Sprint and all of its commmon shareholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of Sprint common stock. These policies may be changed by the Board without shareholder approval. Given the Board's discretion in these matters, it may be difficult to assess the future prospects of each group based on past performance.

The FON Group and PCS Group are part of Sprint and as a result separate financial statements for the groups are not required. Sprint has, however, included as Annex I and Annex II to this Form 10-K/A additional financial information relating to each group to help investors assess the financial performance of the tracked businesses.

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Sprint and its wholly owned and majority-owned subsidiaries. Sprint PCS' results of operations for 1998 have been consolidated for the entire year. The Cable Partners' share of losses through the PCS Restructuring date has been reflected as "Other partners' loss in Sprint PCS" in the Consolidated Statements of Operations. Sprint PCS' financial position has been reflected on a consolidated basis at year-end 1998. Before 1998, Sprint's investment in Sprint PCS was accounted for using the equity method. Sprint's cash flows include Sprint PCS' cash flows only after the PCS Restructuring date.

Investments in entities in which Sprint exercises significant influence, but does not control, are accounted for using the equity method (see Note 3).

The consolidated financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders' equity as previously reported.

Classification of Operations

The PCS stock is intended to reflect the performance of Sprint's wireless PCS operations. The FON stock is intended to reflect the performance of all of Sprint's other operations. Sprint operates in four lines of business: the global markets division, the local telecommunications division, the product distribution and directory publishing businesses and the PCS wireless telephony products and services business, known as the PCS Group.

Global Markets Division

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; data communications such as Internet and frame relay access and transport web hosting, virtual private networks, and managed security services; and broadband services.

Sprint is deploying integrated communications services, referred to as Sprint ION(SM). Sprint ION extends Sprint's existing network capabilities to the customer and enables Sprint to provide the network infrastructure to meet customers' demands for advanced services including integrated voice, data, Internet and video. It is also expected to be the foundation for Sprint to provide advanced services in the competitive local service market. Sprint uses various advanced services last-mile technologies, including dedicated access and Digital Subscriber Line (xDSL), and expects to use Multipoint Multichannel Distribution Services (MMDS).

The global markets division also includes the operating results of the cable TV service operations of the broadband fixed wireless companies after their 1999 acquisition dates. During 2000, Sprint converted several markets served by MMDS capabilities from cable TV services to high-speed data services. The global markets division's operating results reflect the development costs and the operating revenues and expenses of these broadband fixed wireless services. Sprint intends to provide broadband data and voice services to additional markets served by these capabilities.

Included in the global markets division are the costs of establishing international operations beginning in 2000.

This division also includes the FON Group's investments in EarthLink, Inc., an

Internet service provider; Call-Net, a long distance provider in Canada operating under the Sprint brand name; Intelig, a long distance provider in Brazil; and certain other telecommunications investments and ventures.

Local Division

The local division consists mainly of regulated local phone companies serving approximately 8.3 million access lines in 18 states. It provides local services, access by phone customers and other carriers to the local network, consumer long distance services to customers within its franchise territories, sales of telecommunications equipment, and other long distance services within certain regional calling areas, or LATAs.

Product Distribution & Directory Publishing Businesses

The product distribution business provides wholesale distribution services of telecommunications products. The directory publishing business publishes and markets white and yellow page phone directories.

Sprint PCS Group

The PCS Group includes Sprint's wireless PCS operations. It operates the only 100% digital PCS wireless network in the United States with licenses to provide service nationwide using a single frequency and a single technology. At year-end 2000, the PCS Group, together with affiliates, operated PCS systems in over 300 metropolitan markets, including the 50 largest U.S. metropolitan areas.

Intergroup Transactions and Allocations
Intergroup Transactions

The PCS Group uses the long distance operation as its interexchange carrier and purchases wholesale long distance for resale to its customers. Additionally, the FON Group provides the PCS Group with Caller ID services and various other goods and services. Charges to the PCS Group for these items totaled $381 million in 2000, $264 million in 1999 and $21 million from the PCS Restructuring date to year-end 1998. These amounts are included in FON Group's net operating revenues.

The PCS Group provides the FON Group with access to its network and telemarketing and various other services. Charges to the FON Group for these items totaled $35 million in 2000 and $4 million in 1999. These amounts are included in PCS Group's net operating revenues.

The FON Group provides management, printing, mailing and warehousing services to the PCS Group. Charges to the PCS Group for these services totaled $150 million in 2000, $65 million in 1999 and $5 million from the PCS Restructuring date to year-end 1998. These amounts are included in PCS Group operating expenses.

Related Party Transactions

The Cable Partners advanced PhillieCo, L.P. $26 million in 1998. These advances were repaid in the 1999 first quarter.

The following discussion reflects related party transactions between Sprint and Sprint PCS prior to the PCS Restructuring:

Sprint provided Sprint PCS with billing and operator services, and switching equipment. Sprint PCS also used the long distance operation as its interexchange carrier. Charges to Sprint PCS for these services totaled $87 million in 1998.

Sprint provided management, printing, mailing and warehousing services to Sprint PCS. Charges to Sprint PCS for these services totaled $25 million in 1998.

Sprint had a vendor financing loan to Sprint PCS for $300 million at year-end 1997 which was repaid in 1998. Sprint also loaned Sprint PCS $114 million in 1998, which was repaid in the 1999 first quarter.

Allocation of Shared Services

Sprint directly assigns, where possible, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses other indirect methods, including time studies, to estimate the assignment of costs to each group. Cost allocation methods other than time studies include factors (general, marketing or headcount) derived from the operating unit's relative share of the predefined category referenced (e.g. headcount). Sprint believes that the costs allocated are comparable to the costs that would be incurred if the groups would have been operating on a stand-alone basis. Allocated costs totaled approximately $590 million in 2000, $643 million in 1999 and $547 million in 1998. The percentage of these costs allocated to the PCS Group were approximately 14% in 2000, 8% in 1999 and less than 1% in 1998 with the balance remaining in the FON Group. The allocation of shared services may change at the discretion of Sprint and does not require shareholder approval.

Allocation of Group Financing

Financing activities for the groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the groups is specifically allocated to and reflected in the financial statements of the applicable group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guaranty by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint's actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group's interest expense and totaled $235 million in 2000, $167 million in 1999 and $11 million in 1998.

The FON Group earned intergroup interest income and the PCS Group incurred intergroup interest expense of $19 million in 2000, $20 million in 1999 and $16 million in 1998 primarily related to the FON Group's investment in PCS Group debt securities. These amounts are included in "Other income, net" in the Sprint FON Group Combined Statements of Operations and "Interest Expense" in the Sprint PCS Group Combined Statements of Operations.

Under Sprint's centralized cash management program, one group may advance funds to the other group. These advances are accounted for as short-term borrowings between the groups and bear interest at a market rate that is substantially equal to the rate that group would be able to obtain from third parties on a short-term basis.

The allocation of group financing activities may change at the discretion of Sprint and does not require shareholder approval.

Allocation of Federal and State Income Taxes

Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. In connection with the PCS Restructuring, Sprint adopted a tax sharing agreement which provides for the allocation of income taxes between the two groups. The FON Group's income taxes are calculated as if it files returns which exclude the PCS Group. The PCS Group's income taxes reflect the PCS Group's incremental cumulative impact on Sprint's consolidated income taxes. Intergroup tax payments are satisfied on the date Sprint's related tax payment is due to or the refund is received from the applicable tax authority.

The tax sharing agreement applies to tax years ending on or before December 31, 2001. For periods after December 31, 2001, Sprint's board of directors will adopt a tax sharing arrangement that will be designed to allocate tax benefits and burdens fairly between the FON Group and the PCS Group.

Income Taxes

Sprint records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Revenue Recognition

Sprint recognizes operating revenues as services are rendered or as products are delivered to customers. Service activation and certain installation fees are deferred and amortized over the average life of the service. Sprint's directory publishing business recognizes revenues for directory services over the life of the related directory (amortization method).

Cash and Equivalents

Cash equivalents generally include highly liquid investments with original maturities of three months or less. They are stated at cost, which approximates market value. Sprint uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks in excess of cash balances, which were included in accounts payable, totaled $636 million at year-end 2000 and $204 million at year-end 1999. Sprint had sufficient funds available to fund the outstanding checks when they were presented for payment.

Investments in Equity Securities

Investments in 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 in the Consolidated Balance Sheets as adjustments to "Shareholders' equity--Accumulated other comprehensive income," net of related income taxes.

Inventories

Inventories for the FON Group are stated at the lower of cost (principally first-in, first-out method) or market value. Inventories for the PCS Group are stated at the lower of cost (principally first-in, first-out) or replacement value.

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. The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Repair and maintenance costs are expensed as incurred.

Capitalized Interest

Capitalized interest totaled $175 million in 2000, $151 million in 1999 and $167 million in 1998. Capitalized interest mainly reflects capitalized costs related to the PCS Group's network buildout and PCS licenses as well as the FON Group's construction of capital assets.

Intangible Assets

Sprint evaluates the recoverability of intangible assets when events or circumstances indicate that such assets might be impaired. Sprint determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying value. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for as purchases. Goodwill is being amortized over five to 40 years using the straight-line method. Accumulated amortization totaled $259 million at year-end 2000 and $210 million at year-end 1999.

PCS Licenses

The PCS Group acquired licenses from the Federal Communications Commission to operate as a PCS service provider. These licenses are granted for up to 10-year terms with renewals for additional 10-year terms if license obligations are met. These licenses are recorded at cost and are amortized on a straight-line basis over 40 years when service begins in a specific geographic area. Accumulated amortization totaled $206 million at year-end 2000 and $130 million at year-end 1999.

Earnings per Share

Earnings per share (EPS) was calculated on a consolidated basis until the PCS stock and FON stock were created as part of the November 1998 PCS Restructuring and Recapitalization. From that time forward, EPS is computed individually for the FON Group and PCS Group. As a part of the Recapitalization, each Class A common share owned by FT and DT was reclassified such that each share represents a right to one share of FON common stock and 1/2 share of PCS common stock. In order to give effect to this interest when determining earnings per share, the number of equivalent shares are included in the calculation of the weighted average FON and PCS common stock outstanding.

In the 2000 first quarter, Sprint effected a two-for-one stock split of its PCS common stock. In the 1999 second quarter, Sprint effected a two-for-one split of its FON common stock. As a result, basic and diluted earnings per common share and weighted average common shares for Sprint FON common stock and Sprint PCS common stock and dividends for Sprint FON common stock have been restated for periods prior to these stock splits.

The FON Group's convertible preferred dividends totaled $1 million in 2000 and 1999 and dilutive

securities (mainly options) totaled 11.5 million shares in 2000 and 19.2 million shares in 1999. From the Recapitalization date to year-end 1998, the FON Group's convertible preferred dividends totaled $0.1 million and dilutive securities (mainly options) totaled 13.8 million shares. Dilutive securities for the PCS Group mainly include options, warrants and convertible preferred stock. These securities did not have a dilutive effect on loss per share because the PCS Group incurred net losses for 2000, 1999 and 1998. As a result, diluted loss per share equaled basic loss per share.

Sprint's convertible preferred dividends totaled $0.5 million in 1998 through the Recapitalization date. Dilutive securities, such as options, included in the calculation of diluted weighted average common shares totaled 7.8 million in 1998 through the Recapitalization.

Stock-based Compensation

Sprint adopted the pro forma disclosure requirements under Statement of Financial Accounting Standards (SFAS) No. 123, "Stock-based Compensation," and continues to apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations to its stock option and employee stock purchase plans.

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2. Business Combinations

Broadband Fixed Wireless Companies

In the second half of 1999, Sprint acquired People's Choice TV Corp. (PCTV), American Telecasting, Inc. (ATI), Videotron USA and the operating subsidiaries of WBS America, LLC. These companies own broadband fixed wireless licenses in the Midwest, Southwest, North Central, Western and Southeastern United States. Sprint paid $618 million for the companies' outstanding stock and assumed $575 million of the companies' debt. These notes were redeemed, prior to scheduled maturities, in the 1999 fourth quarter (see Note 10).

These acquisitions were accounted for as purchases. The results of these companies have been included in Sprint's consolidated financial statements after the acquisition dates. The excess of the purchase price over the net liabilities acquired totaled $835 million and was allocated to goodwill, which is being amortized on a straight-line basis over 40 years.

Cox PCS

In the 1999 second quarter, Cox Communications, Inc. exercised a put option requiring Sprint to purchase the remaining 40.8% interest in Cox PCS. Sprint's existing 59.2% interest in Cox PCS was reflected in Sprint's consolidated financial statements on a consolidated basis. Sprint issued 24.3 million shares of low-vote PCS stock (pre-split basis) in exchange for the remaining interest. The shares were valued at $1.1 billion. Sprint accounted for the transaction as a purchase.

The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1999
	(millions)
Purchase price	$ 1,146
Net liabilities acquired	99
Fair value assigned to customer base acquired	(45)
Fair value assigned to PCS licenses	(99)

Deferred taxes established on acquired assets and liabilities	88
Goodwill	$ 1,189

Goodwill is being amortized on a straight-line basis over 40 years.

PCS Restructuring

In November 1998, Sprint acquired the remaining interest in Sprint PCS (except for the minority interest in Cox PCS) from the Cable Partners. In exchange, Sprint issued the Cable Partners 195.1 million low-vote shares of PCS stock and 12.5 million warrants to purchase additional shares of PCS stock (on a pre-split basis). The purchase price was $3.2 billion. In addition, Sprint issued the Cable Partners shares of a new class of preferred stock convertible into PCS shares.

Sprint accounted for the transaction as a purchase. The excess of the purchase price over the fair value of the net liabilities acquired was allocated as follows:

	1998
	(millions)
Purchase price including transaction costs	$ 3,226
Net liabilities acquired	281
Fair value assigned to customer base acquired	(681)
Fair value assigned to assembled workforce acquired	(45)
Increase in property, plant and equipment to fair value	(204)
Mark-to-market of long-term debt	85
Deferred taxes established on acquired assets and liabilities	678
In-process research and development costs	(179)
Goodwill	$ 3,161

Goodwill is being amortized on a straight-line basis over 40 years.

With respect to the purchase price attributed to in-process research and development (IPR&D), the acquired IPR&D was limited to significant new products under development that were intended to address new and emerging market needs and requirements, such as the rapid adoption of the Internet and the rapid convergence of voice, data, and video. No routine research and development projects, minor refinements, normal enhancements, or production activities were included in the acquired IPR&D.

The income approach was the primary technique utilized in valuing the acquired

IPR&D. This approach included, but was not limited to, an analysis of (1) the markets for each product; (2) the completion costs for projects; (3) the expected cash flows attributable to the IPR&D projects; (4) the risks related to achieving these cash flows; and (5) the stage of development of each project. The issue of alternative future use was extensively evaluated and these technologies, once completed, could only be economically used for their intended purposes.

Pro Forma Results

The following unaudited pro forma consolidated results of operations assume the PCS Restructuring, Recapitalization, Top-up and the write-off of acquired IPR&D costs occurred prior to 1998. These pro forma amounts are for comparative purposes only and do not necessarily represent what actual results of operations would have been had the transactions occurred prior to 1998, nor do they indicate the results of future operations. Pro forma results were as follows:

	1998
	(millions, except per share data)
Net operating revenues	$ 17,144
Loss from continuing operations	$ (172)
Net loss	$ (343)
Basic and diluted loss per PCS common share:	
Loss before extraordinary item	$ (2.21)
Extraordinary item	(0.04)
Total	$ (2.25)

3. Investments

Investments in Securities

The cost of investments in securities was $13 million at year-end 2000 and $154 million at year-end 1999. Gross unrealized holding gains were $53 million at year-end 2000 and $310 million at year-end 1999.

The accumulated unrealized gains on investments in securities, net of income taxes and the impact of the related debt instruments, were $33 million at year-end 2000 and $84 million at year-end 1999 and are included in "Accumulated other comprehensive income" in the Sprint Consolidated Balance Sheets.

In the 2000 fourth quarter, Sprint recorded a write-down of securities with a cost basis of $48 million due to a decline in market value that was considered other than temporary. The $48 million charge was included in "Other income (expense), net" in Sprint's Consolidated Statements of Operations.

During 2000, Sprint used equity securities with a cost basis of $94 million to retire debt instruments (see Note 10). Sprint recorded a $45 million gain associated with the transaction which was included in "Other income (expense), net" in Sprint's Consolidated Statements of Operations. At year-end 1999, the fair value of these equity securities were classified as current assets.

During 1999, Sprint sold available-for-sale securities with a cost basis of $14 million for $104 million. The $90 million gain was included in "Other income (expense), net" in Sprint's Consolidated Statements of Operations.

Investments in and Advances to Affiliates

At year-end 2000, investments accounted for using the equity method consisted of the FON Group's investments in Intelig, EarthLink and other strategic investments and the PCS Group's investment in Pegaso Telecomunicaciones, S.A. de C.V., a wireless PCS operation in Mexico. In February 2001, Sprint modified its relationship with EarthLink which resulted in its investment being accounted for as a cost method investment beginning that month (see Note 19).

In the 2000 fourth quarter, Sprint completed an analysis of the valuation of its equity method investments in response to changes in the overall telecommunications industry. The analysis resulted in an $87 million charge for the write-down of an equity method investment which was included in "Other income (expense), net" in Sprint's Consolidated Statements of Operations.

In November 1998, Sprint assumed 100% ownership of Sprint PCS; as a result, Sprint consolidated Sprint PCS' results in 1998.

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

	2000	1999	1998
		(millions)	
Results of operations			
Net operating revenues	$ 2,195	$ 1,571	$ 1,242
Operating income (loss)	$ (826)	$ (192)	$ 67
Net loss	$ (1,062)	$ (329)	$ (145)
Financial position			
Current assets	$ 1,470	$ 1,524	$ 1,038
Noncurrent assets	2,900	$ 2,749	2,401
Total	$ 4,370	$ 4,273	$ 3,439
Current liabilities	$ 1,102	$ 599	$ 538
Noncurrent liabilities	533	1,644	1,004
Owners'			

equity	2,735	2,030	1,897
Total	$ 4,370	$ 4,273	$ 3,439

4. Asset Write-down

In the 2000 fourth quarter, Sprint completed its analysis of the valuation of various FON Group assets resulting from its reassessment of the FON Group's business strategies in response to recent changes within the overall telecommunications industry. This analysis resulted in a $238 million pre-tax charge, primarily related to the impairment of goodwill associated with the global markets division's Paranet operations.

5. Merger Termination

On July 13, 2000, Sprint and WorldCom, Inc. announced that the boards of directors of both companies terminated their merger agreement, previously announced in October 1999, as a result of regulatory opposition to the merger. In the 2000 second quarter, Sprint recognized a one-time, pre-tax charge of $187 million for costs associated with the merger.

6. Discontinued Operation

In the 2000 first quarter, Sprint sold its interest in Global One to France Telecom and Deutsche Telekom AG. Sprint received $1.1 billion in cash and was repaid $276 million for advances for its entire stake in Global One. As a result of Sprint's sale of its interest in Global One, Sprint's gain on the sale and equity share of the results of Global One have been reported as a discontinued operation for all periods presented.

In 2000, Sprint recorded an after-tax gain related to the sale of its interest in Global One of $675 million. Sprint recorded after-tax losses related to Global One totaling $130 million in 1999 and $135 million in 1998.

7. Cumulative Effect of Change in Accounting Principle

Sprint implemented SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," during the fourth quarter of 2000, effective as of the beginning of the year. This bulletin requires activation and installation fee revenues that do not represent a separate earnings process to be deferred and recognized over the estimated service period. Associated incremental direct costs may also be deferred, but only to the extent of revenues subject to referral. The FON Group recorded a $2 million charge for the cumulative effect of change in accounting principle in 2000. The effect of the change on the nine months ended September 30, 2000 was to decrease revenues and expenses by $68 million.

8. Employee Benefit Plans

Defined Benefit Pension Plan

Most FON Group and PCS Group employees are covered by a noncontributory defined benefit pension plan. Benefits for plan participants belonging to unions are based on negotiated schedules. For non-union participants, pension benefits are based on years of service and the participants' compensation.

Sprint's policy is to make plan contributions equal to an actuarially determined amount consistent with federal tax regulations. The funding objective is to accumulate funds at a relatively stable rate over the participants' working lives so benefits are fully funded at retirement.

The following table shows the changes in the projected benefit obligation:

	2000	1999
	(millions)	
Beginning balance	$ 2,401	$ 2,579
Service cost	77	86
Interest cost	194	177
Amendments	8	7
Actuarial (gain) loss	90	(326)
Benefits paid	(136)	(122)
Ending balance	$ 2,634	$ 2,401

The following table shows the changes in plan assets:

	2000	1999
	(millions)	
Beginning balance	$ 3,669	$ 3,169
Actual return on plan assets	(157)	622
Benefits paid	(136)	(122)
Ending balance	$ 3,376	$ 3,669

At year-end, the funded status and amounts recognized in the Consolidated Balance Sheets for the plan were as follows:

	2000	1999
	(millions)	
Plan assets in excess of the projected benefit obligation	$ 742	$ 1,268

Unrecognized net gains	(396)	(1,016)
Unrecognized prior service cost	96	100
Unamortized transition asset	(47)	(72)
Prepaid pension cost	$ 395	$ 280
Discount rate	8.00%	8.25%
Expected blended rate of future pay raises	4.50%	5.25%

The net pension credit consisted of the following:

	2000	1999	1998
		(millions)	
Service cost -- benefits earned during the year	$ 77	$ 86	$ 72
Interest on projected benefit obligation	194	177	165
Expected return on plan assets	(336)	(300)	(265)
Amortization of unrecognized transition asset	(25)	(25)	(25)
Recognition of prior service cost	12	12	11
Recognition of actuarial gains	(37)	(8)	(4)
Net pension credit	$ (115)	$ (58)	$ (46)
Discount rate	8.25%	7.00%	7.25%
Expected long-term rate of return on plan assets	10.00%	10.00%	10.00%
Expected blended rate of future pay raises	5.25%	4.00%	4.25%

Defined Contribution Plans

Sprint sponsors defined contribution employee savings plans covering most FON Group and PCS Group employees. Participants may contribute portions of their pay to the plans. For union employees, Sprint matches contributions based on negotiated amounts. Sprint also matches contributions of non-union employees in FON stock and PCS stock. The matching is equal to 50% of participants' contributions up to 6% of their pay. In addition, Sprint may, at the discretion of the Board of Directors, provide additional matching contributions based on the performance of FON stock and PCS stock compared to other telecommunications companies' stock. Sprint's matching contributions were $112 million in 2000, $83 million in 1999 and $54 million in 1998. At year-end 2000, the plans held 34 million FON shares and 31 million PCS shares.

Prior to January 1999, Sprint PCS sponsored a savings and retirement program for certain employees. Sprint PCS matched contributions equal to 50% of the contribution of each participant, up to the first 6% that the employee elected to contribute. Expense under the savings plan was $7 million in 1998.

Postretirement Benefits

Sprint provides postretirement benefits (mainly medical and life insurance) to most FON Group and PCS Group employees. Employees retiring before certain dates are eligible for benefits at no cost, or at a reduced cost. Employees retiring after certain dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid.

The following table shows the changes in the accumulated postretirement benefit obligation:

	2000	1999
	(millions)	
Beginning balance	$ 876	$ 864
Service cost	17	21
Interest cost	71	59
Actuarial gains	(2)	(30)
Benefits paid	(52)	(38)
Ending balance	$ 910	$ 876

Amounts included in the Consolidated Balance Sheets at year-end were as follows:

	2000	1999
	(millions)	
Accumulated postretirement benefit obligation	$ 910	$ 876
Unrecognized prior service cost	74	53
Unrecognized net gains	75	120
Accrued postretirement benefits cost	$ 1,059	$ 1,049
Discount rate	8.00%	8.25%

The assumed 2001 annual health care cost trend rates are 9.0% before Medicare eligibility and 9.5% after Medicare eligibility. Both rates gradually decrease to an ultimate level of 5% by 2010. A 1% increase in the rates would have increased the 2000 accumulated postretirement benefit obligation by an estimated $161 million. A 1% decrease would have reduced the obligation by an estimated $119 million.

F-20

The net postretirement benefits cost consisted of the following:

	2000	1999	1998
		(millions)	
Service cost -- benefits earned during the year	$ 17	$ 21	$ 20
Interest on accumulated postretirement benefit obligation	71	59	58
Recognition of prior service cost	(9)	(8)	(6)
Recognition of actuarial gains	(17)	(17)	(21)
Net postretirement benefits cost	$ 62	$ 55	$ 51
Discount rate	8.25%	7.00%	7.25%

For measurement purposes, the assumed 2000 weighted average annual health care cost trend rates were 9.6% before Medicare eligibility and 10.0% after Medicare eligibility. Both rates gradually decrease to an ultimate level of 5% by 2010. A 1% increase in the rates would have increased the 2000 postretirement benefits service and interest costs by an estimated $17 million. A 1% decrease would have reduced the 2000 postretirement benefits service and interest costs by an estimated $12 million.

9. Income Taxes

Income tax expense (benefit) allocated to continuing operations consists of the following:

	2000	1999	1998
		(millions)	
Current income tax			

expense (benefit)			
Federal	$ 24	$ (34)	$ 283
State	55	40	44
Total current	79	6	327
Deferred income tax expense (benefit)			
Federal	(173)	(309)	120
State	(32)	(24)	7
Total deferred	(205)	(333)	127
Total	$ (126)	$ (327)	$ 454

The differences that caused Sprint's effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

	2000	1999	1998
	(millions)		
Income tax expense (benefit) at the federal statutory rate	$ (246)	$ (375)	$ 364
Effect of:			
State income taxes, net of federal income tax effect	15	10	33
Equity in losses of foreign joint ventures	48	18	6
Write down of equity method investment	30	-	-
Write-off of in-process research and development costs	-	-	63
Goodwill amortization	52	37	3
Other, net	(25)	(17)	(15)
Income tax expense (benefit)	$ (126)	$ (327)	$ 454
Effective income tax rate	17.9%	30.5%	43.7%

Income tax expense (benefit) allocated to other items was as follows:

	2000	1999	1998
	(millions)		
Discontinued operation	$ 370	$ (111)	$ (62)
Extraordinary items	(3)	(34)	(23)
Unrealized holding gains (losses) on investments/(1)/	(29)	(13)	8
Stock ownership, purchase and options arrangements/(2)/	(424)	(254)	(49)

/(1)/ These amounts have been recorded directly to "Shareholders' equity--Accumulated other comprehensive income" in the Consolidated Balance Sheets.

/(2)/ These amounts have been recorded directly to "Shareholders' equity--Capital in excess of par or stated value" in the Consolidated Balance Sheets.

Sprint recognizes deferred income taxes for the temporary differences between the carrying amounts of its 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 2000 and 1999, along with the income tax effect of each, were as follows:

	2000 Deferred Income Tax	
	Assets	Liabilities
	(millions)	
Property, plant and equipment	$ -	$ 3,161
Intangibles	-	386
Postretirement and other benefits	428	-
Reserves and allowances	214	-
Unrealized holding gains on investments	-	19
Operating loss carryforwards	2,011	-
Tax credit carryforwards	127	-
Other, net	162	-
	2,942	3,566
Less valuation allowance	598	-
Total	$ 2,344	$ 3,566

	1999 Deferred Income Tax	

	Assets	Liabilities
	(millions)	
Property, plant and equipment	$ -	$ 2,473
Intangibles	-	452
Postretirement and other benefits	422	-
Reserves and allowances	149	-
Unrealized holding gains on investments	-	48
Operating loss carryforwards	1,203	-
Tax credit carryforwards	75	-
Other, net	177	-
	2,026	2,973
Less valuation allowance	480	-
Total	$ 1,546	$ 2,973

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 of these deferred income tax assets.

The valuation allowance related to deferred income tax assets increased $118 million in 2000 and $231 million in 1999.

In 1999, Sprint acquired approximately $193 million of potential tax benefits related to net operating loss carryforwards in the acquisitions of the broadband fixed wireless companies. In 1998, Sprint acquired approximately $229 million of potential tax benefits related to net operating loss carryforwards in the PCS Restructuring. The benefits from the acquisitions and PCS Restructuring are subject to certain realization restrictions under various tax laws. A valuation allowance was provided for the total of these benefits. If these benefits are subsequently recognized, they will reduce goodwill or other noncurrent intangible assets resulting from the application of the purchase method of accounting for these transactions.

In connection with the PCS Restructuring, the PCS Group is required to reimburse the FON Group and the Cable Partners for net operating loss and tax credit carryforward benefits generated prior to the PCS Restructuring if realization by the PCS Group produces a cash benefit that would not otherwise have been realized. The reimbursement will equal 60% of the net cash benefit received by the PCS Group and will be made to the FON Group in cash and to the Cable Partners in shares of Series 2 PCS stock. The carryforward benefits subject to this requirement total $259 million, which includes the $229 million acquired in the PCS Restructuring.

At year-end 2000, Sprint had federal operating loss carryforwards of approximately $4.7 billion and state operating loss carryforwards of approximately $8.1 billion. Related to these loss carryforwards are federal tax benefits of $1.6 billion and state tax benefits of $575 million. In addition, Sprint had available for income tax purposes federal alternative minimum tax credit carryforwards of $33 million, state alternative minimum tax credit carryforwards of $5 million, federal alternative minimum tax net operating loss carryforwards of $2.2 billion and state alternative minimum tax net operating loss carryforwards of $682 million. The loss carryforwards expire in varying amounts through 2020.

10. Long-term Debt and Capital Lease Obligations

Sprint's consolidated long-term debt and capital lease obligations at year-end was as follows:

		2000			19	
	Maturing	Sprint FON Group	Sprint PCS Group	Consolidated	Sprint FON Group	Spr P Gr
				(millions)		
Senior notes						
5.7% to 7.6%/(1)/	2001 to 2028	$ 1,105	$ 9,395	$ 10,500	$ 1,105	$ 8
8.1% to 9.8%	2000 to 2003	382	-	382	632	
11.0% to 12.5%/(2)/	2001 to 2006	-	776	607	-	
Debentures and notes 5.8% to 9.6%	2000 to 2022	500	-	500	565	
Notes payable and commercial paper	-	157	3,797	3,954	294	1
First mortgage bonds 5.9% to 9.9%	2000 to 2025	1,085	-	1,085	1,295	
Capital lease obligations 5.2% to 14.0%	2000 to 2008	61	408	469	69	
Revolving credit facilities Variable rates	2002	900	-	900	900	
Other 2.0% to 10.0%	2000 to 2006	318	4	322	573	
		4,508	14,380	18,719	5,433	11
Less: current maturities/(2)/		1,026	244	1,205	902	
Long-term debt and capital lease obligations/(2)/		$ 3,482	$ 14,136	$ 17,514	$ 4,531	$ 11

/(1)/ These borrowings were incurred by Sprint and allocated to the applicable group. Sprint's weighted average interest rate related to these borrowings was 6.7% at year-end 2000 and 6.6% at year-end 1999. The weighted average interest rate related to the borrowings allocated to the PCS Group was approximately 8.8% at year-end 2000 and 8.7% at year-end 1999. See Note 1 for a more detailed description of how Sprint allocates financing to each of the groups.

/(2)/ Consolidated debt does not equal the total of PCS Group and FON Group debt due to intergroup debt eliminated in consolidation. The FON Group had an investment in the PCS Group's Senior Discount notes totaling $169 million at year-end 2000, including $65 million classified as current, and $150 million at year-end 1999.

Scheduled principal payments, excluding reclassified short-term borrowings, during each of the next five years are as follows:

	Sprint FON Group	Sprint PCS Group	Sprint
		(millions)	
2001/(1)/	$ 1,026	$ 258	$ 1,214
2002	1,339	1,309	2,648
2003	372	1,060	1,432
2004	144	1,062	1,206
2005	122	61	183

/(1)/ The 2001 scheduled principal payments do not equal current maturities as these amounts reflect the maturity value of the scheduled payment on the PCS Group's Senior Discount notes.

Included in the above schedule are payments on PCS Group debt that are to be made in Japanese yen. The yen needed to satisfy the obligations is currently held on deposit by the PCS Group and included in "Other assets" on the PCS Group's Combined Balance Sheets. The scheduled yen payments included in the above schedule are $1 million in 2003, $20 million in 2004 and $43 million in 2005.

Sprint

Short-term Borrowings

Sprint had bank notes payable totaling $676 million at year-end 2000 and $670 million at year-end 1999. In addition, Sprint had commercial paper borrowings totaling $3.3 billion at year-end 2000 and $1.6 billion at year-end 1999. Though these borrowings are renewable at various dates throughout the year, they were classified as long-term debt because of Sprint's intent and ability to refinance these borrowings on a long-term basis through unused credit facilities and unissued debt under Sprint's shelf registration.

Sprint currently has revolving credit facilities with syndicates of domestic and international banks totaling $5 billion; $3 billion of which is a 364 day facility, renewed in August 2000, expiring in 2001, and $2 billion is a 5 year facility expiring in 2003. Commercial paper and certain bank notes are supported by Sprint's revolving credit facilities. Certain other notes payable relate to a separate revolving credit facility which expires in 2002. At year-end 2000, Sprint had total unused lines of credit of $1.8 billion.

Bank notes outstanding had weighted average interest rates of 7.1% at year-end 2000 and 6.3% at year-end 1999. The weighted average interest rate of commercial paper was 7.5% at year-end 2000 and 6.4% at year-end 1999.

Long-term Debt

In June 2000, Sprint issued $1.25 billion of debt securities under its $4 billion shelf registration statement with the SEC. These borrowings mature in 2002 and have interest rates ranging from 6.9% to 7.6%. At year-end 2000, Sprint had issued a total of $2 billion of debt securities under the shelf. In January 2001, Sprint issued securities using the remaining amount of the shelf (see Note 19).

In June 1999, Sprint entered into a $1 billion financing agreement to sell, on a continuous basis with recourse, undivided percentage ownership interests in a designated pool of its accounts receivable. Subsequent collections of receivables sold to investors are typically reinvested in new receivables. At year-end 2000, Sprint had borrowed $900 million with a weighted average interest rate of 6.9% under this agreement. These borrowings mature in 2002.

Sprint FON Group

In 2000, the FON Group received an allocation of $344 million of debt from Sprint. This debt was mainly used to repay existing debt and to fund new capital investments. See Note 1 for a more detailed description of how Sprint allocates debt to the groups.

In the 2000 fourth quarter, Sprint redeemed, prior to scheduled maturities, $25 million of FON Group debt with a weighted average interest rate of 9.6%. This resulted in a $1 million after-tax extraordinary loss for the FON Group.

In the 2000 first quarter, Sprint exchanged 6.6 million common shares of SBC Communications, Inc. for certain notes payable of the FON Group. The notes had a market value of $275 million on the maturity date and $316 million at year-end 1999. The notes had an interest rate of 8.3%.

In the 1999 fourth quarter, Sprint redeemed, prior to scheduled maturities, $575 million of the assumed broadband fixed wireless companies' debt with interest rates ranging from 13.1% to 14.5%. This resulted in a $39 million after-tax extraordinary loss for the FON Group.

In 1998, Sprint redeemed, prior to scheduled maturities, $138 million of FON Group debt with

F-24

interest rates ranging from 7.9% to 9.3%. This resulted in a $5 million after-tax extraordinary loss for the FON Group.

FON Group gross property, plant and equipment totaling $16.1 billion was either pledged as security for first mortgage bonds and certain notes or is restricted for use as mortgaged property.

Sprint PCS Group

In 2000, Sprint allocated $3.3 billion of debt to the PCS Group. This debt was mainly used to fund new capital investments and to repay existing debt.

In the 2000 first quarter, Sprint repaid, prior to scheduled maturities, $127 million of the PCS Group's notes payable to the FCC. These notes had an interest rate of 7.8%. This resulted in a $3 million after-tax extraordinary loss.

In 1999, the PCS Group repaid $2.2 billion of its revolving credit facilities and other borrowings prior to scheduled maturities. This resulted in a $21 million after-tax extraordianary loss.

In 1998, Sprint redeemed, prior to scheduled maturities, $3.3 billion of PCS Group debt with a weighted average interest rate of 8.3%. This resulted in a $31 million after-tax extraordinary loss for the PCS Group.

Other

Sprint, including the FON Group and the PCS Group, had complied with all restrictive or financial covenants relating to its debt arrangements at year-end 2000.

11. Redeemable Preferred Stock

The redeemable preferred stock outstanding, at year-end, is as follows:

	2000
	(million and sha
Seventh series preferred stock - Stated value $1,000 per share, 246,766 shares, voting, cumulative $6.73 quarterly dividend rate	$ 246
Fifth series preferred stock - stated value $100,000 per share, shares - 95, voting, cumulative 6% annual dividend rate	10
	$ 256

Seventh Series Preferred Stock

As part of the PCS Restructuring, Sprint issued to the Cable Partners a new class of convertible preferred stock convertible into PCS shares. Shares of Seventh series preferred stock are generally not redeemable before the third anniversary of the PCS Restructuring. If not converted by the holder or earlier redeemed by Sprint, the Seventh series preferred stock will become mandatorily redeemable on the tenth anniversary of the PCS Restructuring.

Fifth Series Preferred Stock

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 dividends in arrears exceed an amount equal to the dividends for six dividend periods, the Fifth series preferred shareholders may elect a majority of directors standing for election until all dividends in arrears have been paid.

F-25

12. Common Stock

Sprint FON Stock and Sprint PCS Stock

On December 14, 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's PCS common stock in the form of a stock dividend which was distributed on February 4, 2000 to the PCS shareholders.

On April 20, 1999, the Sprint Board of Directors authorized a two-for-one stock split of Sprint's FON common stock in the form of a stock dividend which was distributed on June 4, 1999 to the FON shareholders.

All share, earnings per share and dividends per share amounts have been restated to reflect the stock splits.

In November 1998, Sprint recapitalized its common stock into FON stock and PCS stock and restructured its interests in Sprint PCS. As a result, Sprint created the following series of common stock:

- Series 1 FON stock and Series 1 PCS stock

  Existing Sprint common shareholders received one share of FON stock and 1/2 share of PCS stock for each Sprint share owned. Authorized shares totaled 2.5 billion for the Series 1 FON stock and 1.25 billion for the Series 1 PCS stock. Shares issued at year-end 2000 were 710.2 million and 507.4 million, respectively. Shares outstanding at year-end 2000 were 709.8 million and 507.4 million, respectively.

- Series 2 FON stock and Series 2 PCS stock

  The Cable Partners received PCS shares for their ownership interests in Sprint PCS. These shares have 1/10 the voting power of the Series 1 and Series 3 PCS shares. Authorized shares totaled 500 million for both the Series 2 FON stock and Series 2 PCS stock. PCS shares issued and outstanding at year-end 2000 were 355.4 million. No FON shares have been issued.

- Series 3 FON stock and Series 3 PCS stock

  To maintain their voting power, FT and DT purchased a combined total of 5.1 million Series 3 PCS shares (pre-split basis) for $85 million at the time of the Restructuring. Series 3 FON and PCS stock is also used whenever FT and DT purchase stock to maintain their voting power and could be used if FT and DT were to elect to convert their Class A common shares into FON and PCS stock. Authorized shares totaled 1.2 billion for the Series 3 FON stock and 600 million for the Series 3 PCS stock. Shares issued and outstanding at year-end 2000 were 88.6 million and 70.3 million, respectively.

At year-end 1999, Sprint had 22 thousand PCS treasury shares, which were recorded at cost. The PCS shares were held by the FON Group and represented an intergroup interest in the PCS Group which was eliminated in the Sprint Consolidated financial statements.

Beginning in November 2001, Sprint has the option to convert PCS shares into FON shares.

Class A and Series 3 Common Stock

FT and DT own Series 3 FON common shares, Series 3 PCS common shares and Class A common shares which represent approximately 19% of Sprint's voting power at year end 2000. Sprint declared and paid Class A common dividends of 50 cents per share in 2000, 62.5 cents per share in 1999 and $1.00 per share in 1998.

In February 1999, FT and DT purchased an aggregate of 12.2 million Series 3 PCS shares for $169 million in conjunction with the registered public offering of 48.8 million shares of Series 1 PCS stock .

During 1999, FT and DT purchased an aggregate of 1.2 million shares of Series 3 FON shares and 1.6 million additional Series 3 PCS shares for $100 million to maintain their voting power.

Additionally, during 1999, FT and DT bought Series 1 FON and Series 1 PCS shares on the open market to maintain their voting power. These shares converted into Series 3 FON and Series 3 PCS shares. FT and DT did not purchase any FON or PCS shares from Sprint or on the open market during 2000.

In November 1998, 86.2 million Class A common shares were reclassified to represent an equity interest in the FON Group (86.2 million shares) and the PCS Group (43.1 million shares). FT and DT maintained their voting power in Sprint by purchasing an additional 10.2 million Series 3 PCS shares for $85 million.

FT and DT may purchase additional shares of FON stock and PCS stock from Sprint to maintain their current ownership level. FT and DT have entered into a standstill agreement with Sprint restricting their ability to acquire Sprint voting shares (other than as intended by their agreements with Sprint). The

standstill agreement also contains customary provisions restricting FT and DT from initiating or participating in any proposal with respect to the control of Sprint. In February 2001, a registration statement covering the FON shares FT and DT own was filed with the SEC for public sale (see Note 19).

Common Stock Reserved for Future Grants

At year-end 2000, common stock reserved for future grants under stock option plans or for future issuances under various other arrangements was as follows:

Sprint FON Group

	Shares
	(millions)
Employees Stock Purchase Plan	10.5
Employee savings plans	5.4
Automatic Dividend Reinvestment Plan	2.3
Officer and key employees' and directors' stock options	22.1
Other	1.4
	41.7

Sprint PCS Group

	Shares
	(millions)

Employees Stock Purchase Plan	3.7
Employee savings plans	2.3
Officer and key employees' and directors' stock options	19.8
Warrants issued to Cable Partners	24.9
Conversion of preferred stock and other	18.5
	69.2

Shareholder Rights Plan

Under Sprint's Shareholder Rights Plan, one half of a preferred stock purchase right is attached to each share of FON stock and PCS stock and one preferred stock purchase right is attached to each share of Class A common stock. The rights may be redeemed by Sprint at $0.01 per right and will expire in June 2007, unless extended. The rights are exercisable only if certain takeover events occur and are entitled to the following:

- Each FON stock right entitles the holder to purchase 1/1,000 of a share (Unit) of a no par Preferred Stock-Sixth Series at $275 per Unit.
- Each PCS stock right entitles the holder to purchase a Unit of a no par Preferred Stock-Eighth Series at $150 per Unit.
- Each Class A right entitles the holder to purchase 1/2 Unit of Preferred Stock-Sixth Series at $137.50 per 1/2 Unit and 1/4 Unit of Preferred Stock-Eighth Series at $37.50 per 1/4 Unit.

Preferred Stock-Sixth Series is voting, cumulative and accrues dividends on a quarterly basis generally equal to the greater of $100 per share or 2,000 times the total per share amount of all FON stock common dividends. Preferred Stock-Eighth Series has the same features as the Sixth Series, but applies to PCS shares. No Preferred Stock-Sixth Series or Preferred Stock-Eighth Series were issued or outstanding at year-end 2000 or 1999.

Other

The indentures and financing agreements of certain of Sprint's subsidiaries contain provisions limiting cash dividend payments on subsidiary common stock held by Sprint. As a result, $545 million of those subsidiaries' $1.6 billion total retained earnings was restricted at year-end 2000. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

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13. Stock-based Compensation

Due to the Recapitalization and the FON and PCS stock splits, the number of shares and the related exercise prices have been adjusted to maintain both the total fair value of common stock underlying the options and Employee Stock Purchase Plan (ESPP) share elections, and the relationship between the market value of the common stock and the exercise prices of the options and ESPP share elections.

During 2000, the FON Group paid $80 million to the PCS Group to compensate for the net amount of PCS stock-based compensation granted to FON Group employees and FON stock-based compensation granted to PCS Group employees. The value paid for stock-based compensation is determined at the time of the grants.

During 2000, options outstanding for more than one year at the date of shareholder approval of Sprint's proposed merger with WorldCom became fully vested as of that date.

During 2000, the Sprint Board of Directors approved an Exchange Program to give Sprint employees a choice to cancel stock options granted to them in

2000 in exchange for an equal number of new options in the future. The new options will be granted on May 11, 2001, and the exercise price will be the market price on that date. No members of Sprint's Board of Directors were eligible for the Exchange Program. Options cancelled on November 10, 2000 under the terms of the Exchange Program were 16.2 million FON options and 13.1 million PCS options.

Management Incentive Stock Option Plan

Under the Management Incentive Stock Option Plan (MISOP), Sprint has granted 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 the underlying common stock on the grant date. At year-end 2000, authorized FON shares under this plan approximated 27.4 million and authorized PCS shares approximated 16.8 million. The authorized number of shares was increased by approximately 7.2 million FON shares and 7.8 million PCS shares on January 1, 2001.

Stock Option Plan

Under the Sprint Stock Option Plan (SOP), Sprint has granted 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 the underlying common stock on the grant date. At year-end 2000, authorized FON shares under this plan approximated 54.8 million and authorized PCS shares approximated 42.6 million.

In 2000, Sprint granted special stock options (Retention) to executives who agreed to defer the benefit of the accelerated vesting of stock options until the close or cancellation of the proposed WorldCom merger. These options were designed to retain these executives following Sprint's special meeting of shareholders in connection with the proposed WorldCom merger. In addition, Sprint granted a portion of the annual options grants (Accelerated) normally expected to be made in early 2001 to officers and key employees. The granting of these options was accelerated to help retain employees.

In 1997, Sprint granted performance-based stock options to certain key executives. The FON Group expensed $5 million in 2000, $9 million in 1999 and $14 million in 1998 and the PCS Group expensed $3 million in 2000, $5 million in 1999 and $1 million in 1998 related to these performance-based stock options. The 2000 amount reflects expense through the date of the shareholder approval of the proposed WorldCom merger. At that time, all of these options became vested. An additional $29 million of expense related to these options was included in "Asset write-down and merger related costs" in Sprint's Consolidated Statements of Operations.

Employees Stock Purchase Plan

Under Sprint's ESPP, employees may elect to purchase FON common stock or PCS common stock at a price equal to 85% of the market value on the grant or exercise date, whichever is less. At year-end 2000, authorized FON shares under this plan approximated 12.1 million and authorized PCS shares approximated 7.6 million.

Sprint PCS Long-term Incentive Plan

Prior to 1999, PCS Group employees meeting certain eligibility requirements were included in Sprint PCS' long-term incentive plan (LTIP). Under this plan, participants received appreciation units based on independent appraisals. Appreciation on the units was based on annual independent appraisals. The 1997 plan year appreciation units vested 25% per year beginning one year from the grant date and also expire after 10 years.

In connection with the PCS Restructuring, Sprint discontinued the Sprint PCS LTIP plan. The appreciation units were converted to PCS shares and options to buy PCS shares, based on a formula designed to replace the appreciated value of the units at the beginning of July 1998. For vested units at year-end 1998, participants could elect to receive the appreciation in cash, or in shares and options. Most elected to receive shares and options.

In 1999, Sprint began issuing the shares, and options became exercisable, based on the vesting requirements of the converted units. At the end of 2000, all replacement options and shares were fully vested.

Pro Forma Disclosures

Pro forma net income (loss) and earnings (loss) per share have been determined as if Sprint had used the fair value method of accounting for its stock option grants and ESPP share elections. Under this method, compensation expense is recognized over the applicable vesting periods and is based on the shares under option and their related fair values on the grant date.

Sprints pro forma net loss was $467 million for 2000 and $1,144 million for 1999. From the Recapitalization date through year-end 1998, Sprint's pro forma net loss was $453 million.

Prior to the Recapitalization date, Sprint's pro forma net income was $785 million in 1998 and pro forma diluted earnings per share was $1.79 in 1998.

The FON Group's pro forma net income was $1,668 million for 2000 and $1,434 million for 1999 and pro forma diluted EPS was $1.88 for 2000 and $1.63 for 1999. From the Recapitalization date through year-end 1998, the FON Group's pro forma net income was $103 million and pro forma diluted EPS was $0.12. The FON Group's pro forma net income was reduced by $10 million or $0.01 per FON share in 2000 and 1999, and $19 million or $0.02 per FON share in 1998 due to additional compensation resulting from modifications to terms of options and ESPP share elections related to the Recapitalization.

The PCS Group's pro forma net loss was $2,135 million in 2000 and $2,578 million in 1999 and pro forma diluted loss per share was $2.22 in 2000 and $2.82 in 1999. The application of SFAS No. 123 did not have a material impact on the PCS Group's pro forma net loss from the Recapitalization date through year-end 1998.

Fair Value Disclosures

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

FON Common Stock

2000	MISOP	SOP
Fair value on grant date	$ 24.24	$ 23.86
Risk-free interest rate	6.8%	6.1%
Expected volatility	26.7%	26.6%
Expected dividend yield	0.8%	0.8%
Expected life (years)	6	6

2000	Accelerated	Retention
Fair value on grant date	$ 13.77	$ 22.92
Risk-free interest rate	6.1%	6.6%
Expected volatility	33.2%	26.7%
Expected dividend yield	1.4%	0.8%
Expected life (years)	6	6

1999	MISOP	SOP
Fair value on grant date	$ 9.86	$ 12.09
Risk-free interest rate	4.8%	4.8%
Expected volatility	26.6%	26.6%
Expected dividend yield	1.3%	1.3%
Expected life (years)	4	6

PCS Common Stock

2000	MISOP	SOP
Fair value on grant date	$ 33.06	$ 33.93
Risk-free interest rate	6.8%	6.1%
Expected volatility	63.2%	67.7%
Expected dividend yield	-	-
Expected life (years)	6	6

2000	Accelerated	Retention
Fair value on grant date	$ 35.30	$ 34.83
Risk-free interest rate	6.1%	6.6%
Expected volatility	63.8%	63.2%
Expected dividend yield	-	-
Expected life (years)	6	6

1999	MISOP	SOP
Fair value on grant date	$ 8.55	$ 10.12
Risk-free interest rate	4.8%	4.8%
Expected volatility	67.7%	67.7%
Expected dividend yield	-	-
Expected life (years)	4	6

1998	SOP
Fair value on grant date	$ 5.44
Risk-free interest rate	4.4%
Expected volatility	75.0%
Expected dividend yield	-
Expected life (years)	6

Sprint Common Stock

1998	MISOP	SOP
Fair value on grant date	$ 14.58	$ 16.00
Risk-free interest rate	5.5%	5.5%
Expected volatility	21.7%	21.7%
Expected dividend yield	1.7%	1.7%
Expected life (years)	5	6

Employees Stock Purchase Plan

During 2000, FON Group and PCS Group employees elected to purchase 2.3 million FON and 5.4 million PCS ESPP shares. Using the Black-Scholes pricing model, the weighted average fair value was $12.99 per share for each FON election and $20.68 per share for each PCS election.

During 1999, FON Group and PCS Group employees elected to purchase 1.3 million FON and 6.5 million PCS ESPP shares. Using the Black-Scholes pricing model, the weighted average fair value was $11.12 per share for each FON election and $8.08 per share for each PCS election.

During 1998, FON Group employees elected to purchase 2.1 million ESPP shares with each election having a weighted average fair value (using the Black-Scholes pricing model) of $13.90 per share.

Stock Options

Stock option plan activity was as follows:

FON Common Stock

	Sprint FON Shares	Weighted Average per Share Exercise Price

	(millions)	
Converted in November 1998	47.6	$ 21.01
Exercised	(0.2)	15.95
Outstanding, year-end 1998	47.4	21.03
Granted	20.9	41.51
Exercised	(13.5)	18.93
Forfeited/Expired	(2.8)	28.61
Outstanding, year-end 1999	52.0	29.48
Granted	24.3	58.61
Exercised	(11.5)	26.32
Forfeited/Expired	(20.0)	58.48
Outstanding, year-end 2000	44.8	$ 33.12

PCS Common Stock

	Sprint PCS Shares	Weighted Average per Share Exercise Price
	(millions)	
Converted in November 1998	23.8	$ 4.58
Granted	5.4	7.92
Outstanding, year-end 1998	29.2	5.20
Granted	21.8	17.67
Exercised	(9.2)	6.05
Forfeited/Expired	(2.0)	9.64
Outstanding, year-end 1999	39.8	11.64
Granted	19.1	52.68
Exercised	(16.2)	10.84
Forfeited/Expired	(15.8)	52.08
Outstanding, year-end 2000	26.9	$ 17.43

Sprint Common Stock

	Sprint Shares	Weighted Average per Share Exercise Price
	(millions)	
Outstanding, beginning of 1998	18.7	$ 37.85

Granted	9.1	59.73
Exercised	(3.4)	33.54
Forfeited/ Expired	(0.6)	47.28

Converted in November 1998	23.8	$ 46.60

The following tables summarize outstanding and exercisable options at year-end 2000:

FON Common Stock

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
	(millions)	(years)	
$ 5.00 -$ 9.99	0.2	0.5	$ 8.67
10.00 - 19.99	8.1	5.2	16.62
20.00 - 29.99	14.4	6.8	24.73
30.00 - 39.99	14.8	8.0	38.51
40.00 - 49.99	2.3	5.9	44.64
50.00 - 59.99	0.7	5.5	53.63
60.00 - 69.99	3.9	7.9	64.71
70.00 - 79.99	0.4	5.6	74.02

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price
	(millions)	
$ 5.00 -$ 9.99	0.2	$ 8.67
10.00 - 19.99	8.1	16.62
20.00 - 29.99	14.3	24.71
30.00 - 39.99	13.9	38.63
40.00 - 49.99	1.4	45.60
50.00 - 59.99	0.4	52.08
60.00 - 69.99	1.5	64.73
70.00 - 79.99	0.4	74.02

PCS Common Stock

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
	(millions)	(years)	
$ 2.00 -$ 9.99	11.5	6.2	$ 5.26
10.00 - 19.99	10.6	8.0	15.60
20.00 - 29.99	0.3	5.8	26.59
30.00 - 39.99	0.3	6.4	33.16
40.00 - 49.99	0.4	6.3	46.44
50.00 - 59.99	3.4	8.4	53.07
60.00 - 69.99	0.4	7.3	62.82

	Options Exercisable	
Range of Exercise Prices	Number Exercisable	Weighted Average Exercise Price
	(millions)	
$ 2.00 - $ 9.99	11.5	$ 5.26
10.00 - 19.99	10.6	15.60
20.00 - 29.99	0.2	27.10
30.00 - 39.99	0.2	32.78
40.00 - 49.99	0.2	45.88
50.00 - 59.99	1.4	52.32

14. Commitments and Contingencies

Litigation, Claims and Assessments

In December 2000, Amalgamated Bank, an institutional shareholder, filed a derivative action purportedly on behalf of Sprint against certain of its current and former officers and directors in the Jackson County, Missouri, Circuit Court. The complaint alleges that the individual defendants breached their fiduciary duties to Sprint and were unjustly enriched by making undisclosed amendments to Sprint's stock option plans, by failing to disclose certain information concerning regulatory approval of the proposed merger of Sprint and WorldCom, and by overstating Sprint's earnings for the first quarter of 2000. The plaintiff seeks damages, to be paid to Sprint, in an unspecified amount. Two additional, substantially identical, derivative actions by other shareholders have been filed.

Various other suits arising in the ordinary course of business are pending against Sprint. Management cannot predict the final outcome of these actions but believes they will not be material to Sprint's consolidated financial statements.

Commitments

The PCS Group has purchase commitments with various vendors to purchase handsets and other equipment through 2001. Outstanding commitments at year-end 2000 were approximately $830 million. Purchases under these commitments during 2000 totaled approximately $2 million.

Operating Leases

Sprint's minimum rental commitments at year-end 2000 for all noncancelable operating leases, consisting mainly of leases for data processing equipment, real estate, cell and switch sites, and office space, are as follows:

	(millions)
2001	$ 577
2002	409
2003	283
2004	194
2005	119
Thereafter	364

Sprint's gross rental expense totaled $1.0 billion in 2000, $890 million in 1999 and $730 million in 1998. Rental commitments for subleases, contingent rentals and executory costs were not significant. The table excludes renewal options related to certain cell and switch site leases. These renewal options generally have five-year terms and may be exercised from time to time.

15. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values Sprint could realize in a current market exchange. Although management is not aware of any factors that would affect the year-end 2000 estimated fair values, those amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, estimates of fair value after year-end 2000 may differ significantly from the amounts presented below.

The carrying amounts and estimated fair values of Sprint's financial instruments at year-end were as follows:

	2000	
	Carrying Amount	Estimated Fair Value
	(millions)	

Cash and equivalents	$ 239	$ 239
Investments in securities	66	66
Long-term debt and capital lease obligations	18,719	17,823
Redeemable preferred stock	256	385

	1999	
	Carrying Amount	Estimated Fair Value
	(millions)	
Cash and equivalents	$ 120	$ 120
Investments in securities	464	464
Long-term debt and capital lease obligations	16,772	16,126
Redeemable preferred stock	256	374

The carrying amounts of Sprint's cash and equivalents approximate fair value at year-end 2000 and 1999. The estimated fair value of investments in equity securities was based on quoted market prices. The estimated fair value of long-term debt was based on quoted market prices for publicly traded issues. The estimated fair value of all other issues was based on either the Black-Scholes pricing model or the present value of estimated future cash flows using a discount rate based on the risks involved.

Concentrations of Credit Risk

Sprint's accounts receivable are not subject to any concentration of credit risk. Sprint controls credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits and internal monitoring procedures. 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 to these agreements.

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 $1.0 billion outstanding at year-end 2000 and $598 million outstanding at year-end 1999. Net interest expense related to interest rate swap agreements was $2 million in 2000, $1 million in 1999 and $0.1 million in 1998.

In 1998, Sprint deferred losses from the termination of interest rate swap agreements used to hedge a portion of a $5.0 billion debt offering. These losses, totaling $75 million, are being amortized to interest expense using the effective interest method over the term of the debt. At year-end 2000, the remaining unamortized deferred loss totaled $61 million.

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 open forward contracts to buy various foreign currencies of $23 million at year-end 2000 and $14 million at year-end 1999. Sprint had outstanding open purchase option contracts to call various foreign currencies of $1 million at year-end 1999. There were no such contracts open at year-end 2000. The premium paid for an option is deferred and amortized over the life of the option. The forward contracts and options open at year-end 2000 and 1999 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. Including hedge costs, a net gain of $0.4 million was recorded in 2000, a net loss of $0.3 million was recorded in 1999, and a net loss of $0.6 million was recorded in 1998.

F-33

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16. Additional Financial Information

Segment Information

Sprint's business is divided into four lines of business: the global markets division, the local division, the product distribution and directory publishing businesses and the PCS wireless telephony products and services business, also known as the PCS Group.

Sprint manages its segments to the operating income (loss) level of reporting. Items below that level are held at a corporate level and only attributed to the group level. That reconciliation is shown on the face of the Consolidated Statements of Operations in the consolidation information.

Sprint generally accounts for transactions between segments based on fully distributed costs, which Sprint believes approximates fair value.

Beginning in 2000, Sprint aligned financial reporting with changes in how management operates and assesses performance. Using several factors, Sprint combined its long distance operation, Sprint ION, broadband fixed wireless services and certain other ventures into one division, global markets. The global markets division now includes four major revenue streams: voice, data, Internet and other. Additionally, Sprint shifted the recognition of consumer long distance revenues and expenses associated with customers in its local franchise territories from the global markets division to the local division. The product distribution and directory publishing business segment is an aggregation of product and service lines that are provided to similar customers. The PCS Group is managed based on the products and services it provides to the market.

Prior periods have been restated to reflect these changes.

Segment financial information was as follows:

	Global	Product Distribution &	C

	Markets Division	Local Division	Directory Publishing	PCS Group	Elimi
			(millions)		
2000					
Net operating revenues	$ 10,528	$ 6,155	$ 1,936	$ 6,341	$
Affiliated revenues	424	194	694	35	
Depreciation and amortization	1,121	1,139	16	1,877	
Operating expenses	9,943	4,392	1,652	8,269	
Operating income (loss)	585	1,763	284	(1,928)	
Operating margin	5.6%	28.6%	14.7%	NM	
Equity in earnings (losses) of affiliates	(200)	9	10	(55)	
Capital expenditures	2,294	1,371	8	3,047	
Total assets	12,042	9,219	845	19,763	
1999					
Net operating revenues	$ 10,308	$ 5,958	$ 1,758	$ 3,373	$
Affiliated revenues	290	197	641	4	
Depreciation and amortization	1,045	1,069	17	1,523	
Operating expenses	9,133	4,405	1,516	6,610	
Operating income (loss)	1,175	1,553	242	(3,237)	
Operating margin	11.4%	26.1%	13.8%	NM	
Equity in earnings (losses) of affiliates	(97)	7	17	-	
Capital expenditures	1,774	1,354	36	2,580	
Total assets	10,661	8,641	651	17,924	
1998					
Net operating revenues	$ 9,541	$ 5,599	$ 1,709	$ 1,294	$
Affiliated revenues	146	142	711	-	
Depreciation and amortization	928	984	13	789	
Operating expenses	8,351	4,198	1,478	3,864	
Operating income (loss)	1,190	1,401	231	(2,570)	
Operating margin	12.5%	25.0%	13.5%	NM	
Other partners' loss in Sprint PCS	-	-	-	1,251	
Equity in earnings (losses) of affiliates	(67)	10	16	-	
Capital expenditures	1,518	1,374	9	1,072	
Total assets	8,008	8,176	612	15,165	

NM = Not meaningful

/(1)/ Revenues eliminated in consolidation consist primarily of local access charged to the global markets division, equipment purchases from the product distribution business, interexchange services provided to the local division, long distance services provided to the PCS Group for resale to PCS customers and for internal business use, caller ID services provided by the local division and access to the PCS network. In 2000, corporate operating loss includes a $163 million charge for the FON Group costs associated with the terminated WorldCom merger. The PCS Group operating expenses include a $24 million charge for merger termination costs. Corporate capital expenditures were incurred mainly for Sprint's

World Headquarters Campus.

More than 95% of Sprint's revenues are from domestic customers located within the United States.

Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers represent approximately 25% of the PCS Group's net operating revenues in 2000, 28% in 1999 and 25% in 1998.

Net operating revenues by product and services were as follows:

	Global Markets Division	Local Division	Product Distribution & Directory Publishing	PCS Group	Elimin
			(millions)		
2000					
Voice	$ 7,094	$ -	$ -	$ -	$ (
Data	1,937	-	-	-	
Internet	920	-	-	-	
Local service	-	2,846	-	-	
Network access	-	1,987	-	-	(
Toll service	-	717	-	-	
Product distribution	-	-	1,468	-	(
Directory publishing	-	-	468	-	
Wireless services	-	-	-	6,341	
Other	577	605	-	-	
Total net operating revenues	$ 10,528	$ 6,155	$ 1,936	$ 6,341	$ (1,
1999					
Voice	$ 7,445	$ -	$ -	$ -	$ (
Data	1,696	-	-	-	
Internet	615	-	-	-	
Local service	-	2,677	-	-	
Network access	-	1,918	-	-	(
Toll service	-	611	-	-	
Product distribution	-	-	1,350	-	(
Directory publishing	-	-	408	-	
Wireless services	-	-	-	3,373	
Other	552	752	-	-	
Total net operating revenues	$ 10,308	$ 5,958	$ 1,758	$ 3,373	$ (1,
1998					
Voice	$ 7,079	$ -	$ -	$ -	$ (
Data	1,396	-	-	-	
Internet	434	-	-	-	
Local service	-	2,469	-	-	
Network access	-	1,894	-	-	(
Toll service	-	503	-	-	
Product distribution	-	-	1,315	-	(

Directory publishing	-	-	394	-	
Wireless services	-	-	-	1,294	
Other	632	733	-	-	
Total net operating revenues	$ 9,541	$ 5,599	$ 1,709	$ 1,294	$ (

Supplemental Cash Flows Information

Sprint's cash paid (received) for interest and income taxes was as follows:

	2000	1999	1998
		(millions)	
Interest (net of capitalized interest)	$ 1,022	$ 714	$ 217
Income taxes	$ (386)	$ (131)	$ 307

Sprint's noncash activities included the following:

	2000	1999	1998
		(millions)	
Tax benefit from stock options exercised	$ 424	$ 254	$ 49
Stock received for stock options exercised	$ 69	$ 118	$ 18
Noncash extinguishment of debt	$ 275	$ 78	$ -
Common stock issued under Sprint's employee benefit stock plans	$ 255	$ 144	$ 99
Capital lease obligations	$ -	$ 77	$ 460
Common stock issued for Cox PCS acquisition	$ -	$ 1,146	$ -

Debt assumed in the broadband fixed wireless acquisitions	$ -	$ 575	$ -
Common stock issued to the Cable Partners to purchase Sprint PCS	$ -	$ -	$ 3,200
Preferred stock issued to the Cable Partners in exchange for interim financing	$ -	$ -	$ 247

See Note 2 for more details about the assets and liabilities acquired in business combinations.

Related Party Transactions

The Cable Partners advanced PhillieCo $26 million in 1998. This advance was repaid in the 1999 first quarter.

17. Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This standard requires all derivatives to be recorded on the balance sheet as either assets or liabilities and be measured at fair value. Gains or losses from changes in the derivative values are to be accounted for based on how the derivative is used and whether it qualifies for hedge accounting. When this statement was adopted in January 2001, it had no material impact on Sprint's consolidated financial statements.

In September 2000, the Financial Accounting Standards Board issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities--a replacement of FASB Statement No. 125." This statement revises the standards for accounting for securitizations and other transfers of financial assets and provides consistent standards for distinguishing transfers from sales and secured borrowings. This statement is effective for transactions occurring after March 31, 2001 and is not expected to have a material impact on Sprint's consolidated financial statements.

F-36

18. Quarterly Financial Data (Unaudited)

	Quarter		
2000	1/st/	2/nd/	3/rd/

	(millions, except per share da		
Net operating revenues/(2),(3)/	$ 5,529	$ 5,821	$ 6,040
Operating income (loss)	156	122	357
Loss from continuing operations	(65)	(91)	(6
Net income (loss)/(3)/	605	(91)	(6
Earnings (Loss) per common share from continuing operations			
FON common stock			
Diluted	0.50	0.41	0.43
Basic	0.51	0.42	0.44
PCS common stock			
Diluted and Basic	(0.54)	(0.48)	(0.41

	Quarter		
1999	1/st/	2/nd/	3/rd/
	(millions, except per share da		
Net operating revenues/(2)/	$ 4,735	$ 4,982	$ 5,158
Operating income (loss)	(90)	28	(64
Loss from continuing operations	(171)	(103)	(196
Net loss	(220)	(169)	(256
Earnings (Loss) per common share from continuing operations/(4),(5)/			
FON common stock			
Diluted	0.49	0.51	0.48
Basic	0.50	0.52	0.49
PCS common stock			
Diluted and Basic	(0.71)	(0.61)	(0.65

/(1)/ See Notes 3 and 4 of Notes to Consolidated Financial Statements for information about nonrecurring charges recorded in the 2000 fourth quarter.

/(2)/ Certain reclassifications were made between net operating revenues and operating expenses from amounts reported in the 2000 reports on Form 10-Q to conform to industry events or practices. These reclassifications had no impact on operating income (loss) as previously reported.

/(3)/ In the 2000 first quarter, Sprint adopted SEC Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," (SAB 101). As required by SAB 101, 2000 net operating revenues have been restated from amounts reported in the 2000 quarterly reports on Form 10-Q. Net operating revenues were reduced by $4 million in the 2000 first quarter, $31 million in the 2000 second quarter and $33 million in the 2000 third quarter. Sprint also restated the 2000 first quarter net income by recording a $2 million loss for the cumulative effect of change in accounting principle at the effective adoption date of SAB 101.

/(4)/ In the 1999 second quarter, Sprint effected a two-for-one stock split of its FON stock. FON Group earnings per share for prior periods have been restated to reflect this stock split.

/(5)/ In the 2000 first quarter, Sprint effected a two-for-one stock split of its PCS stock. PCS Group loss per share for prior periods have been restated to reflect this stock split.

19. Subsequent Events (Unaudited)

In January 2001, Sprint issued $2.4 billion of debt securities. Sprint had $2 billion of unissued securities under its existing shelf registration statement with the SEC, and registered an additional $400 million prior to the issuance. These borrowings have interest rates ranging from 7.1% to 7.6% and have scheduled maturities in 2006 and 2011. The proceeds were allocated to the PCS Group and used mainly to repay existing debt.

In February 2001, Sprint agreed to end its exclusive alliance with EarthLink and relinquished its seats on EarthLink's Board of Directors. As a result of these changes, Sprint will now treat its investment in EarthLink as a cost method investment.

In February 2001, Sprint filed a registration statement with the SEC for a secondary offering of 174.8 million shares of FON stock (including 22.8 million shares to cover over-allotments) owned by FT and DT, including the FON stock underlying the Class A common stock. Sprint will not receive any of the proceeds from the sale of this stock.

In February 2001, Sprint's Board of Directors declared dividends of 12.5 cents per share on the Sprint FON common stock and Class A common stock. Dividends will be paid March 30, 2001.

SPRINT CORPORATION

SCHEDULE II--CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Years Ended December 31, 2000, 1999 and 1998

		Additions (Deductions)			
	Balance Beginning of Year	PCS Restructuring	Charged to Income	Charged to Other Accounts	Ded
			(millions)		
2000					
Allowance for doubtful accounts	$ 274	$ -	$ 666	$ 8	$
Valuation allowance - deferred income tax assets	$ 480	$ -	$ 115	$ 3	$

1999					
Allowance for doubtful accounts	$ 182	$ -	$ 584	$ 7	$
Valuation allowance - deferred income tax assets	$ 249	$ -	$ 47	$ 193/(4)/	$
1998					
Allowance for doubtful accounts	$ 147	$ 8/(2)/	$ 367	$ 3	$
Valuation allowance - deferred income tax assets	$ 12	$ 229/(3)/	$ -	$ 16	$

/(1)/ Accounts written off, net of recoveries.

/(2)/ As discussed in Note 2, the PCS Group's assets and liabilities were recorded at their fair values on the PCS Restructuring date. Therefore, the data presented in this Schedule reflects activity since the PCS Restructuring.

/(3)/ Represents a valuation allowance for deferred income tax assets recorded in connection with the PCS Restructuring.

/(4)/ Represents a valuation allowance for deferred income tax assets relating to the net operating loss carryforwards acquired in the purchase of the broadband fixed wireless companies.

F-39