SETTLEMENT AGREEMENT

I. INTRODUCTION

1. Michigan Attorney General Mike Cox (the "Michigan AG" or the "AG") and Sprint Communications Company L.P. ("Sprint" or the "Company"), by their authorized representatives, enter into this Settlement Agreement ("Settlement Agreement" or "Agreement") to resolve the Complaint Michigan Public Service Commission ("MPSC" or "Commission") Case No. U-14336, filed by the Michigan AG regarding alleged non-compliance with the Michigan Telecommunications Act and Related Potential Claims.

2. The Michigan AG filed the Complaint based upon informal complaints lodged by Michigan consumers with the Commission and /or the AG. The complaints generally alleged that when consumers conducted transactions in Sprint PCS Retail Stores, the consumers' analog wireline intraLATA, interLATA, and in some instances local exchange services, were changed to Sprint allegedly without the consumers' authorization. Accordingly, the Michigan AG brought the Complaint on behalf of 11 Michigan consumers[1] considered representative of the complaints received and processed by the Commission and/or the AG.

II. DEFINITIONS

3. For purposes of this Settlement Agreement, the following definitions shall apply:

   a. "Complaint" means the formal complaint filed by the Michigan AG against Sprint assigned MPSC Case No. U-14336.

   b. "Effective Date" means the date on which the Commission issues an order dismissing MPSC Case No. U-14336 with prejudice.

   c. "Operational Audit" means an audit conducted on-site at a Sprint PCS store and includes the examination of whether store managers and sales representatives are complying with Sprint's methods and procedures governing sales of Sprint products and services at such stores.

   d. "Parties" means Sprint and the Michigan AG.

   e. "Related Potential Claims" means any violations under MCL 484.2502, 484.2505, MPSC slamming rules, and any related claims for fines, damages, liabilities, penalties, attorneys's fees, losses, costs and expenses, of any kind or character, at law or equity, known or unknown, prior to the Effective Date of this Agreement that involve any activities of Sprint, through Retail Stores or otherwise, to solicit or transfer Michigan consumers' analog wireline service providers to Sprint and includes allegations that some of these activities involved the switching or attempted switching of their analog wireline sevice provider without consumers knowledge, consent or authorization.

   f. "Retail Stores" means any of the following retail stores located in the State of

[1] The Michigan AG's original complaint included the allegation of 12 Michigan consumers, but one chose to withdraw and not participate in the case after filing.

Michigan that sell analog wireline services in conjunction with Sprint PCS services: Sprint PCS, PCS affiliate, and Radio Shack stores.

g. "Sprint" or the "Company" means directors, officers, employees, agents or any other person acting under, by, through, or on behalf of Sprint Communications Company L.P., directly or indirectly, or through any corporate or other device, including any subsidiaries, affiliates, and successors as well as any corporate predecessors or assigns controlling or controlled by Sprint

h. "Sales Representative" means an individual that markets services on behalf of Sprint in Retail Stores.

III. REPRESENTATIONS

4. Sprint represents and warrants it has good and sufficient funds available to meet fully all financial obligations called for in this Agreement.

5. Sprint and its representatives, agents, employees, or any other person who acts under, by, through, or on behalf of Sprint, directly or indirectly, or through any corporate or other device, shall not represent or imply that any activity hereinafter used or engaged in by Sprint has been approved, in whole or in part, by the Attorney General.

IV. APPLICATION

6. This Agreement shall be binding upon and inure to the benefit of the Parties and their successors and assigns. This Agreement shall also be binding upon and inure to the benefit of any corporate parent, holding company, d/b/a, affiliate or subsidiary of Sprint to the extent necessary to ensure that the rights and obligations created by this Agreement are effectuated and survive any merger, dissolution, or change in Sprint's legal name, identity, organization, or function.

6.1 For a period of two (2) years following the Effective Date, Sprint shall be responsible for making the substantive terms and conditions of this Agreement known to all appropriate persons responsible for implementing the terms and obligation set forth in this Agreement.

V. AGREEMENT

7. This Settlement Agreement covers the sale of analog wireline services by (except where otherwise noted) Sprint PCS Retail Stores through the Effective Date.

8. The Parties agree and acknowledge that this Settlement Agreement shall constitute a full and final settlement of the Complaint and all Related Potential Claims. The commitments undertaken herein have been or will be effectuated pursuant to the terms of the Settlement Agreement. In express reliance on the covenants and representations contained herein, and in order to avoid the further expenditure of scarce public resources, the Michigan AG agrees to the dismissal of the Complaint with prejudice and to waive, release, and compromise all Related Potential Claims. This Settlement Agreement does not release any claims based on activity that occurs after the Effective Date.

9. In consideration for dismissal of the Complaint and waiver, release and compromise of all Related Potential Claims, Sprint agrees to the terms, conditions, and procedures contained herein. Further, the Michigan AG will not solicit consumers, encourage consumers or aid consumers in filing any complaints, actions or proceeding against Sprint pertaining to the Complaint and all Related Potential Claims for activity that occured before the Effective Date.

10. This Agreement does not prohibit, whether by the doctrine of res judicata or otherwise, any other person, entity or government agency, including but not limited to the MPSC, from pursuing any rights or any available remedy or remedies that they might have pursuant to applicable law. Nothing herein shall be construed as a compromise or waiver of any private right of action by any non-party. This Agreement does not create any private rights or causes of action in any third parties.

11. The Parties agree that this Settlement Agreement does not constitute either an adjudication on the merits or a factual or legal finding or determination regarding any compliance or non-compliance by Sprint with the requirements of the Michigan Telecommunications Act, the federal Telecommunications Act of 1996, the MPSC's rules, or any other statute, order or rule. It shall not be proper for the AG, the MPSC or any person or entity to utilize this Settlement Agreement, which is the product of compromise, to prejudice Sprint or the AG in any future proceedings or action. The Parties agree that this Settlement Agreement is for settlement purposes only and that while agreeing to this Settlement Agreement, Sprint denies liability and denies violating the Michigan Telecommunications Act, the Telecommunications Act of 1996, the MPSC's rules and any other statute, order or rule in connection with matters described in the Complaint and all Related Potential Claims.

12. In consideration for final resolution of the Complaint and all Related Potential Claims and in accordance with the terms of this Settlement Agreement, Sprint agrees to the terms, conditions, and procedures described below in subparts (a)-(j), which concern the sale of analog wireline long distance service in Sprint PCS retail stores and where explicitly indicated below in all Retail Stores. Unless otherwise noted, beginning 60 days after the Effective Date of the Settlement Agreement, Sprint agrees to implement the Compliance Plan delineated below. Nothing in this Compliance Plan shall alter Sprint's obligation to comply with governing federal and state statutes, rules and orders, subject to paragraph 15 below. Accordingly, Sprint agrees to:

a. Payment – Sprint shall pay the State of Michigan the amount of $450,000 to reimburse the Attorney General for legal, investigative, and administrative expenses and other consideration. Payment shall be made by check payable to the "State of Michigan" and remitted to the Assistant-in-Charge, Katharyn Barron, Consumer Protection Division, P.O. Box 30213, Lansing, MI 48909. The check shall reference "Sprint Communications Company L.P.". The payment shall be made within thirty calendar days after the Effective Date. Sprint shall donate 2,500 new Nokia 3588i wireless handsets, satisfying the requirement in the FCC's *E911 First Memorandum Opinion and Order*, issued in 1997, that CMRS carriers forward all 911 calls to public safety answering points (PSAPs) regardless of their service-subscription status, with a cumulative value of approximately $373,000 to a Michigan charity or

charities at the direction of and to be identified by the Michigan AG. Sprint shall donate 10,000 Domestic Phone Cards with a cumulative value of $100,000 to a Michigan charity or charities at the direction of and to be identified by the Michigan AG. Sprint shall donate 30,000 International/Domestic Phone Cards with a cumulative value of $300,000 to Michigan military bases and/or the Michigan National Guard at the direction of and as specified by the Michigan AG. All donations shall occur within sixty calendar days after the Effective Date, or longer, not to exceed 90 days, as directed by the Michigan AG. The Michigan AG must provide Sprint reasonable notice to allow time for processing and distribution. None of the donations shall include "marketing materials," and the AG must approve the communication that accompanies the donations. "Marketing materials," for purposes of this paragraph, shall not include Sprint brands and trademarks appearing on phone and phone cards and shall not include the user manual and terms and conditions of service that are prepackaged with Sprint phones.

b. Marketing - In Retail Stores, implement and/or maintain a process change to include a confirmation card that will be given to consumers at the time the transaction occurs in order to inform them that completing a third party verification call ("TPV") or, alternatively, signing a Letter of Agency ("LOA") to change a subscriber's residential long distance service will mean that the wireline long distance service(s) will be changed to Sprint for any residential wireline telephone number(s) provided by the consumer. The confirmation card will state that the service in question is for "home long distance service" and not PCS wireless service. The confirmation card will be provided in sales training materials. When TPV is used for verification, a consumer also will be notified and requested to confirm during the TPV that the service at issue is for "home long distance service."

c. Employee Training – Sprint will ensure that new Sales Representatives employed in the Sprint PCS stores will complete training regarding selling wireline long distance services within thirty (30) days of beginning their employment. The training will include Sprint's sales procedures and emphasize Sprint's prohibitions regarding deceptive marketing practices and unauthorized switches of preferred carriers; guidelines for ethical behavior in making retail sales; and rules regarding procedures carriers must follow prior to submitting or executing a change in a consumer's preferred long distance service provider. Sprint also agrees to require Sales Representatives employed by Sprint to complete refresher training on Sprint's sales procedures and guidelines for ethical sales behavior, including information on using the Sprint Ethics Helpline as a means of reporting conduct that may violate Sprint's sales procedures.

d. Training of Sales Representatives not employed by Sprint – For those Retail Stores not owned by Sprint, provide sales training materials which shall include Sprint's sales procedures and emphasize Sprint's zero-tolerance policy for slamming and deceptive marketing practices. The training materials shall include the notification language in the confirmation card referenced in Paragraph 12(b) above and an overview of Sprint's guidelines for ethical behavior in making retail sales. Sprint further agrees to use its commercially reasonable best efforts to include a training requirement in new contracts with any retailer selling Sprint's analog residential wireline long distance services in

conjunction with its PCS services. The training requirement shall provide that, at a minimum, agents are to make the training materials available to Sales Representatives and disclose that Sprint monitors compliance with the Company's policies.

e. Verification and Authorization - For Retail Stores, implement and/or maintain a process under which a Primary Interexchange Carrier (PIC) change order for analog wireline long distance service purchased in a Retail Store will not be submitted unless either (a) there is TPV of the sale; or (b) the written (paper or electronic) LOA has been submitted to a centralized verification organization for review and approval.

f. Record Retention – Unless or until all analog wireline long distance service sales purchased in a Retail Store are confirmed by TPV, maintain a process under which all LOAs that will be used to demonstrate compliance with verification procedures will be stored at a centralized location or repository managed by Sprint.

g. Post Sales Confirmation – Upon a sale of its analog wireline long distance service(s) in a Retail Store, confirm authorization of Sprint as the subscriber's preferred carrier by sending to each customer a "welcome kit" that identifies the subscriber of record for the Sprint account, the service plan(s) selected by the subscriber, the services selected, a toll free customer service telephone number that consumers can call if they believe that their wireline analog long distance service has been switched without authorization, terms and conditions of the service(s), and information regarding what to do in the event of an unauthorized preferred carrier change.

h. Sprint Call Center Complaint Resolution – Maintain a specially trained group of employees, such as the Sprint Slamming Action Center, to handle consumer calls alleging that an unauthorized preferred carrier change has occurred. Upon receiving such calls, Sprint will transfer them to this specially trained group. These subject matter experts will research the customer's account during the customer's call whenever feasible, and when not feasible, will arrange to call the customer back. Where TPVs or LOAs are not found within 30 days of receipt of the complaint, all charges billed to the account during the first 30 days after the unauthorized change will be absolved; if the subscriber was billed directly by Sprint and has paid the charges, a refund shall be issued, and where the charges are unpaid or the charges were paid but were billed on Sprint's behalf by the subscriber's local telephone company, a credit shall be applied to the account. Where TPVs or LOAs are found, credits may be provided to customers based on factors such as the time that has elapsed between the customer's switch and the registry of his or her complaint, the amount due, and the customer's payment history. The system used by the subject matter experts will allow Sprint to record relevant information provided by the customer, such as transaction location (e.g., Sprint PCS or other retailer), any allegations of fraud (e.g., forgery or identity theft), and/or deceptive marketing, without regard to the merits of the allegations made. Sprint shall compile this information received from customer calls on a monthly basis to identify any problems that may require retraining, and Operational Audit or other proactive measures to ensure future compliance with the Company's policies. The specially trained group of employees handling

these calls and complaints shall not derive commission based compensation tied to the volume of sales generated.

i. Complaint Resolution Process – Sprint shall send written correspondence to consumers who file complaints with a relevant governmental agency detailing the Company's findings regarding the complaint and any actions taken by the Company as a result of the account research conducted by Sprint. At the request of the AG, Sprint shall identify a direct contact in its legal department to assist in promptly resolving any consumer complaints referred by the Michigan AG. Irrespective of how Sprint receives a consumer's complaint (whether via the Sprint Call Center or via a relevant governmental agency), where a TPV or LOA is found and Sprint has credible evidence that the preferred carrier change was verified as a result of fraud, Sprint shall absolve the subscriber of all charges billed as a result of the unauthorized change and terminate the account at the consumer's request; refunds shall be issued to the subscriber, if billed directly by Sprint, for any charges paid; and credits shall be issued for unpaid charges billed to the account or for paid charges in the case of subscribers billed on behalf of Sprint by the subscriber's local telephone company. In cases where Sprint has submitted adverse information to a credit bureau based on an unauthorized preferred carrier change as determined by a relevant governmental agency or fraudulent verification as demonstrated by credible evidence, Sprint shall submit information to the credit bureau to correct the adverse report and notify the affected consumer that it has done so.

j. Store Audits – Sprint will conduct an Operational Audit of each Sprint PCS store at least every six months. For any Sprint PCS store whose Complaint Rate, as defined below, exceeds the average for all Sprint PCS stores by more than one standard deviation in any calendar month following its last Operational Audit, that store's next Operational Audit shall include a review of that store's adherence to Sprint's procedures for selling analog wireline long distance service. Such audit will include a randomly selected, unannounced observation at the subject store of the store's selling methods and adherence to Sprint's sales procedures and principles of business conduct. If the audit discloses any material departure from Sprint's sales procedures and principles of business conduct, a written report that includes recommendations to the store manager for an action plan for the store to improve its compliance will be prepared within one month of the Operational Audit and will be furnished to the store manager and his or her supervisor. For purposes of this paragraph, "Complaint Rate" means the number of complaints without regard to the merits of the complaints received by Sprint associated with sales at the store divided by the number of analog wireline long distance sales by the store. A Compliance Report regarding the material findings of an Operational Audit shall be made available to the AG upon specific request provided that no such request shall be made until 6 months following the Effective Date and that the AG shall allow at least 6 months to elapse between such requests.

13. Sprint's agreement to enter into this Settlement Agreement is expressly contingent upon the issuance of an Order by the MPSC that shall dismiss the Complaint with prejudice.

14. In the event that this Settlement Agreement is rendered invalid by any court of competent jurisdiction, it shall become null and void and may not be used in any manner in any legal proceeding.

15. The Parties agree that if any provision of the Settlement Agreement conflicts with any subsequent federal or state statute or rule or order adopted by the FCC or the MPSC, where compliance with the provision of the Settlement Agreement would result in a violation, that provision will be superseded by such MPSC or FCC rule or order.

16. The Parties agree that the commitments made by Sprint in paragraphs 12(b)-(j) shall expire two (2) years after the Effective Date. At that time, Sprint shall remain committed to full compliance with the applicable rules, statutes and orders that are effective at that time.

17. This Settlement Agreement constitutes the entire Settlement Agreement between the Parties with regard to compromising and settling the Complaints and all Related Potential Claims and all prior negotiations and understandings relating thereto between the Parties shall be deemed merged into this Agreement.

18. No representations, warranties, or inducements have been made by the Parties to each other concerning this Settlement Agreement, other than those representations, warranties and covenants contained in this Settlement Agreement.

19. No waiver, modification or amendment of the terms of this Settlement Agreement shall be valid or binding unless made in writing, and signed by all Parties affected and then only to the extent set forth in such written waiver, modification, or amendment.

20. Except for the Parties' respective obligations hereunder, and for and in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the sufficiency of which are hereby acknowledged, the Michigan AG does hereby and forever discharge and release Sprint, and its respective parent, subsidiary and affiliate corporations, officers, directors, shareholders, employees, agents, successors, consultants, representatives, attorneys and assigns, of and from the Complaint and all Related Potential Claims.

21. Each of the Parties participated in the drafting of this Settlement Agreement, and therefore the terms of this Settlement Agreement are not intended to be construed against any of the Parties by virtue of draftsmanship.

22. Sprint shall not effect any change in its form of doing business or its organizational identity as a method of avoiding the terms and conditions set forth in this Agreement.

23. Any failure by any Party to the Agreement to insist on strict performance by any other Party of any provision of this Agreement shall not be deemed a future waiver of any of the provisions of this Agreement, and such Party, notwithstanding such failure, shall have the right to insist upon the specific performance of any and all of the provisions of this Agreement.

24. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Michigan, including, but not limited to, its conflict of laws principles.

25. The Parties agree that venue for any and all matters or disputes arising out of this Agreement and asserted by or against the AG shall lie solely in Ingham County,

Michigan.

26. Sprint has caused this Agreement to be executed by an authorized representative, as true act and deed, as of the date affixed next to his/her signature. Said representative and Sprint respectively affirm and warrant that s/he is acting in his/her capacity and within his/her authority as a corporate officer of Sprint and that by his/her signature said representative is binding Sprint to the terms and conditions of this Agreement. Sprint further represents that it has been represented by counsel in connection with this Agreement and that Sprint is fully satisfied with the representation of its counsel.

27. This Settlement Agreement is not severable. Each provision of the Settlement Agreement is dependent upon all other provisions of the Settlement Agreement. Failure to comply with any provision of the Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the MPSC rejects or modifies this Settlement Agreement or any provision of the Settlement Agreement, the Settlement Agreement shall be withdrawn and shall not constitute any part of the record of this proceeding or be used for any other purpose.

28. This Settlement Agreement may be signed in counterparts.

For the Michigan Attorney General

By: _____
Michael E. Moody
Assistant Attorney General

Date: February 16, 2005

For Sprint

By: W. Richard Morris
Richard Morris,
Vice President

Date: February 15, 2005

For Sprint

By: Thomas E Mateer
Thomas E. Mateer,
Vice President