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SPRINT CORP
Form 8-K
January 08, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) January 3, 2003

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

| | | |
|--------------------------|--------------------------|---|
| Kansas | 1-04721 | 48-0457967 |
| (State of Incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| 6200 Sprint Parkway, Overland Park, Kansas | 66251 |
| (Address of principal executive offices) | (Zip Code) |

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

(Former name or former address, if changed since last report)

P. O. Box 11315, Kansas City, Missouri 64112
(Mailing address of principal executive offices)

Item 2. Acquisition or Disposition of Assets.

On January 3, 2003, Sprint Corporation ("Sprint") closed the sale to R.H. Donnelley Corporation, a Delaware corporation ("Donnelley"), of all of the issued and outstanding shares of capital stock of DirectoriesAmerica, Inc. and Centel Directory Company for approximately \$2.23 billion in cash. DirectoriesAmerica, Inc. owns all of the issued and outstanding capital stock of Sprint Publishing and Advertising, Inc., a Kansas corporation which publishes white and yellow page directories in certain of the local exchange areas served by Sprint's local division. Centel Directory Company owns a membership interest in CenDon, LLC, a Delaware limited liability company which publishes white and yellow page telephone directories in the remaining local exchange areas served by Sprint's local division. The amount of the consideration was derived through arm's length negotiations.

Before the sale Donnelley owned a membership interest in CenDon, LLC and served as the exclusive sales agent for the limited liability company.

Item 7. Financial Statements and Exhibits

(b) Pro Forma Financial Information

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UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited pro forma condensed consolidated balance sheet as of September 30, 2002 gives effect to this sale as if the transaction had occurred on September 30, 2002.

The accompanying unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 give effect to the sale as if the transaction occurred January 1, 2001. The non-recurring one-time gain associated with this transaction is not included.

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Sprint Corporation
 Pro Forma Condensed Consolidated Balance Sheet (Unaudited)
 September 30, 2002
 (millions)

| | Historical Sprint Corporation (A) | Pro For Adjustme (B) |
|--|--|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and equivalents | \$ 738 | \$ |
| Other current assets | 5,451 | |
| | 6,189 | |
| Total current assets | 6,189 | |
| Assets of discontinued operation | 332 | |
| Net property, plant and equipment | 28,902 | |
| Net intangibles | 9,042 | |
| Other assets | 1,538 | |
| | \$ 46,003 | \$ |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Short-term borrowings and current maturities of long-term debt | \$ 1,226 | \$ |
| Other current liabilities | 6,027 | |

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| | | |
|--|-----------|----|
| Total current liabilities | 7,253 | |
| Liabilities of discontinued operation | 229 | |
| Noncurrent liabilities | | |
| Long-term debt and capital lease obligations | 19,433 | |
| Equity unit notes | 1,725 | |
| Other noncurrent liabilities | 4,060 | |
| Total noncurrent liabilities | 25,218 | |
| Redeemable preferred stock | 256 | |
| Shareholders' equity | | |
| Common stock | | |
| Class A FT | 22 | |
| FON | 1,787 | |
| PCS | 998 | |
| Retained earnings | 323 | |
| Other shareholders' equity | 9,917 | |
| Total shareholders' equity | 13,047 | |
| Total | \$ 46,003 | \$ |

See Notes to Pro Forma Condensed Consolidated Financial Statements

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Sprint Corporation
Pro Forma Condensed Consolidated Statement of Operations (Unaudited)
Nine Months Ended September 30, 2002
(millions)

| | Historical Sprint Corporation (A) | Pro Forma Adjustment |
|-------------------------------------|--|-------------------------|
| Net Operating Revenues | \$ 20,102 | \$ |
| Operating Expenses | | |
| Costs of services and products | 9,210 | |
| Selling, general and administrative | 5,407 | |

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| | | |
|---|---------|----|
| Depreciation | 3,625 | |
| Amortization | 4 | |
| Restructuring and asset impairments | 144 | |
| | ----- | |
| Total operating expenses | 18,390 | |
| | ----- | |
| Operating Income | 1,712 | |
| Interest expense | (1,044) | |
| Other expense, net | (234) | |
| | ----- | |
| Income from continuing operations before income taxes | 434 | |
| Income tax (expense) benefit | 37 | |
| | ----- | |
| Income from Continuing Operations | \$ 471 | \$ |
| | ----- | |

See Notes to Pro Forma Condensed Consolidated Financial Statements

3

Sprint Corporation
Pro Forma Condensed Consolidated Statement of Operations (Unaudited)
Year Ended December 31, 2001
(millions)

| | Historical Sprint Corporation (A) | Pro Adjus (|
|-------------------------------------|--|-------------------|
| Net Operating Revenues | \$ 26,071 | \$ |
| Operating Expenses | | |
| Costs of services and products | 12,995 | |
| Selling, general and administrative | 7,325 | |
| Depreciation | 4,217 | |
| Amortization | 382 | |
| Restructuring and asset impairments | 1,814 | |
| | ----- | |

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| | | |
|---|------------|-------|
| Total operating expenses | 26,733 | |
| | | ----- |
| Operating Loss | (662) | |
| Interest expense | (1,181) | |
| Other expense, net | (183) | |
| | | ----- |
| Loss from continuing operations before income taxes | (2,026) | |
| Income tax (expense) benefit | 624 | |
| | | ----- |
| Loss from Continuing Operations | \$ (1,402) | \$ |
| | | ----- |

See Notes to Pro Forma Condensed Consolidated Financial Statements

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Sprint Corporation
Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)

- A. Reflects the historical financial position and results of operations of Sprint. Effective September 30, 2002, all assets, liabilities, and results of operations of Sprint's directory publishing business were transferred to Sprint Nextel Corporation.
- B. To record the removal of the directory publishing assets and liabilities as a result of the sale on the sale, and the estimated after-tax gain. The following table summarizes this transaction.

(millions)

| | |
|---|----------|
| Sale proceeds | \$ 2,230 |
| Less: Net estimated transaction and settlement costs | (13) |
| | ----- |
| Net cash proceeds | 2,217 |
| Less net assets removed as of September 30, 2002 consisting of the following: | |
| Gross assets removed | (332) |
| Gross liabilities removed | 229 |
| Adjustments to certain assets and liabilities | |

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| | |
|--|----------|
| liabilities related to the directory publishing business retained by Sprint: | |
| Other assets | (13) |
| Other current liabilities | (5) |
| Other non-current liabilities | 40 |
| | ----- |
| Estimated gain on sale | 2,136 |
| Less: Estimated tax expense | (826) |
| | ----- |
| Net gain on sale | \$ 1,310 |
| | ----- |

Sprint retains certain assets and liabilities associated with the directory publishing business with deferred income taxes, accrued income taxes, and post retirement and other benefit obligations. The net gain on sale is calculated using Sprint's estimated statutory Federal and state income tax rates. Any tax loss carry-forwards from this transaction will be substantially offset by loss carry-forwards.

- C. To reflect reduced interest expense assuming reduction of outstanding borrowings resulting from net cash proceeds provided by the sale of Sprint's directory publishing business. Interest expense is calculated using Sprint's weighted average effective interest rate on long-term debt.
- D. To record the impact on income taxes of pro forma adjustment C using Sprint's estimated statutory Federal and state income tax rates.
- E. To reflect the adjustments to continuing operations to remove the results of Sprint's directory publishing business unless otherwise identified by footnotes C and D.

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Item 7. Financial Statements and Exhibits

(c) Exhibits

- 2(a) Stock Purchase Agreement, by and between Sprint Corporation, Centel Directories LLC and R.H. Donnelley Corporation, dated as of September 21, 2002 (filed as Exhibit 2 to Sprint Corporation Current Report on Form 8-K dated September 21, 2002 and incorporated herein by reference).
- 2(b) Supplemental Agreement to Stock Purchase Agreement, by and between Sprint Corporation, Centel Directories LLC and R.H. Donnelley Corporation, dated as of December 31, 2002.

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SIGNATURE

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

SPRINT CORPORATION

Date: January 7, 2003

By: /s/ Michael T. Hyde
Michael T. Hyde, Assistant Secretary

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EXHIBIT INDEX

| Exhibit Number | Description | Page |
|-------------------|---|------|
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