November 28, 2005

NEXTEL PARTNERS INC. (NXTP)

INITIATE COVERAGE

RECOMMENDATION: UNDERWEIGHT

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Target Price:	$22.40
Current Price:	$26.21
Difference:	(17.01 %)
52 Wk High:	$27.40
52 Wk Low:	$16.85
Shares Outs:	270 M
Market Cap:	$7.07 B

We initiate coverage on Nextel Partners, Inc. (NASDAQ: NXTP) with an underweight rating and a price target of $22.40 per share. We relied primarily on methods that give us an intrinsic value for the company such as discounted cash flow (DCF) while also looking at comparable acquisitions multiples such as EV/POP, EV/Revenues, and EV/EBITDA.

We recognize that the valuation for Nextel Partners remains solely contingent on the resolution of the put option that the company is currently exercising against Sprint Nextel. Given the lack of information regarding the negotiations of the appraisers on the final takeout price, we assumed that both parties have strong incentives to reach an agreement and avoid a third party involvement. Furthermore we assumed that both appraisers understand that a variant of Final Offer Arbitration (FOA) is embedded in the process, and that they will reach an agreement close to the middle of their extreme values. This scenario also supports our underweight rating.

Nextel Partners is a well-run company that has met or exceeded Street expectations for twenty three consecutive quarters in a row while showing strong subscriber and financial-metric growth. However, with the stock currently trading at 15.79x of EBITDA forecast (or $4,391 per subscriber) we think that the shares have been already psychologically hyped-up on the takeout. NXTP shares are already at a steep premium relative to other publicly-traded affiliates, and we believe that the negotiation process will ultimately yield a number below its current trading price.

Please see Important Disclaimer at the end of this report

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INVESTMENT THESIS

We initiate coverage on Nextel Partners, Inc. (NASDAQ: NXTP) – the only Nextel Communications, Inc. (Nextel) Affiliate – with an underweight rating and a price target of $22.40 per share.

Nextel Partners provides the same fully integrated digital wireless communications services available from Nextel (digital cellular, Direct Connect® digital two-way radio, wireless internet, and text/numeric paging) mainly in midsize and smaller U.S. markets.

Nextel Partners is exceptionally well run. Its management team has delivered outstanding performance, having met or exceeded Wall Street expectations for the past 23 quarters, and having achieved company record results for the last five quarters. Revenue drivers include: increasing average revenue per month (ARPU) and accelerated customer acquisition. NXTP shares have appreciated 49% since November 26, 2004.

Despite the management's ability to avoid industry risks (lower ARPU and higher churn) and to generate additional revenue from data and roaming services, there is uncertainty on the company's value. Ultimately, thirty two percent of Nextel Partners' shares are owned outright by Nextel, and the rest will be bought by the latter as a result of a put option.

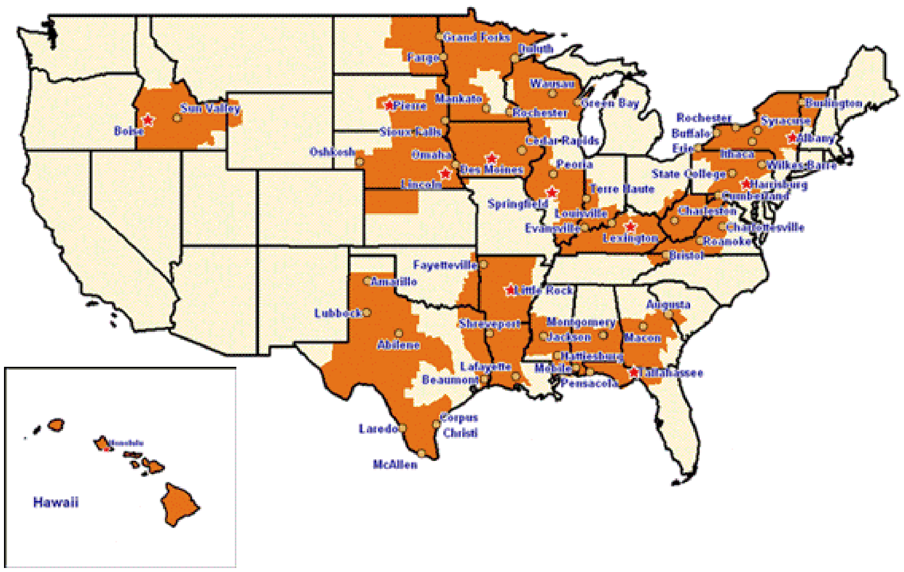
Sprint-Nextel recently announced via an 8-K filing[1] that it is going to pursue an appraisal process under Nextel Partners' put rights "rather than a negotiated acquisition." We believe that NXTP shares are already above the company's fundamental value. Although Nextel Partners will command a control premium, we anticipate that the valuation process will yield a number below its current trading price.

[1] 8-K filing form accompanied by Press release dated August 17, 2005: "Sprint Nextel says it intends to pursue appraisal process with Nextel Partners"

<u>COMPANY OVERVIEW[2]</u>

KIRKLAND, WA. Nextel Partners is a Fortune 1000 company that provides fully integrated wireless digital communications services using the Nextel brand name. As the only Nextel affiliate, Nextel Partners holds the right to use wireless frequencies in 58 markets where approximately 54 million people live or work (Pops). Licensed territory includes 13 of the top 100 Metropolitan Statistical Areas (MSAs) and 57 of the top 200 MSAs, as ranked by population.

NXTP FOOTPRINT (LICENSED TERRITORY)



Nextel Partners has the largest licensed footprint of any wireless affiliate.[3] Its affiliation agreement was created to accelerate Nextel Communications' build-out in selected midsize and smaller markets. Nextel contributed licenses and certain operating agreements in exchange for a 32% ownership stake in the company. In February 2000, Nextel Partners completed its initial public offering with proceeds in excess of $500 million. Through affiliation with Nextel, Nextel Partners customers have extensive coverage throughout North America.

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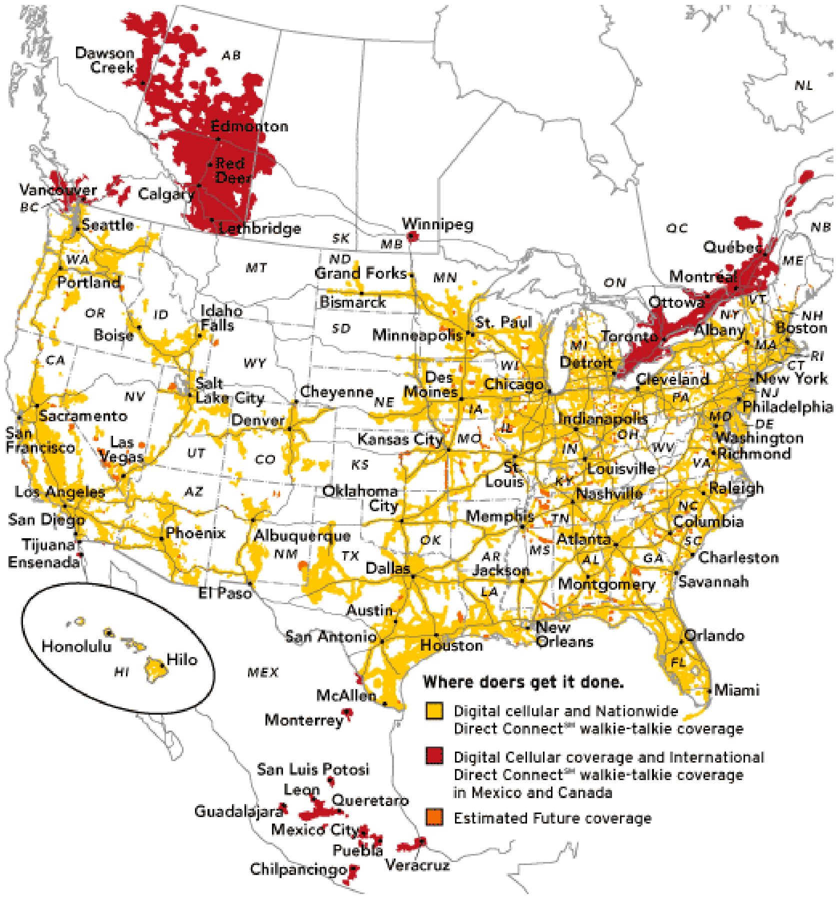
[2] Company webpage: 2004's Annual Report and 2004's 10-K.
[3] See comparable companies' appendix.

NXTP COVERAGE (THROUGH AFFILIATION WITH NEXTEL)



<u>Latest Company Results</u>[4]

For the nine months ended September 30, 2005, Nextel Partners' revenues rose 31% to $1.31B. Net income totaled $562.9MM, up from $17.4MM. Revenues reflect growth in net subscriber additions, higher average monthly revenue per subscriber unit (ARPU), and $378.5M in income tax benefits. Net income also benefited from debt reduction activity and non-cash fair market value gains.

[4] One Source: <u>Nextel Partners Company Profile</u>: http://businessbrowser.onesource.com

Business Model[5]

Nextel Partners offers four distinct wireless services in a single wireless handset. These services include International and Nationwide Direct Connect, digital cellular voice, short messaging and cellular internet access.

Primary sources of revenue include service (counting roaming) and equipment revenues, with the former constituting approximately 94% of total revenues.

Traditional methods of distribution include direct and indirect sales force. Although the company relies heavily on Nextel's infrastructure, it has successfully increased in-house sale resources over the past three years.

Nextel Partners benefits from its relationship with Nextel through the Nextel WIP operating agreements, which obligate Nextel WIP to share its experience in operating iDEN networks by granting Nextel Partners access to meetings and by participating in Nextel Partners' network build-out and enhancements.[6]

In addition, Nextel WIP is required to provide the following:

Marketing and Related Advertising Campaigns: These efforts are designed to increase awareness of the Nextel brand name and stimulate interest in and demand for Nextel services.

Nationwide Roaming: Nextel's network allows NXTP's subscribers (and subscribers of Nextel) to use interconnect service to roam throughout the Nextel digital mobile network at no additional charge.

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[5] Company webpage: 2004 Annual Report and 2004 10-K.

[6] The iDEN technology shares the same basic platform as the wireless standards underlying GSM and TDMA. This technology shares many common components with the GSM technology that has been established as the digital cellular communications standard in Europe; furthermore, it is a variant of the GSM technology that is being deployed by certain cellular and PCS operators in the United States. The iDEN technology, when utilized for the two-way radio dispatch function, can be significantly more efficient than GSM or TDMA technology formats.

Operational Support: These services are designed to facilitate NXTP's operating requirements, including: switching facilities and network monitoring centers, back-office systems (customer activation and billing of national accounts) and technology improvements.

Relationships with Vendors and Distributors: NXTP leverages its affiliation with Nextel in order to achieve the same terms the latter receives from its vendors of equipment and services.

Nextel Partners adheres to the following business strategy in order to distinguish its wireless service offerings from those of its competitors:

Offer Differentiated Packages of Wireless Services that combine multiple communications options in a single wireless telephone. Nextel Partners emphasizes the differentiated features of iDEN technology and implements advancements in this technology platform as they become available.

Target Business Customers in order to achieve higher monthly average revenue per unit and lower average monthly service cancellations.

Rapidly Deploy a Robust Network that covers all key areas of a given market before launch. The company claims quick deployment allows capturing the current and projected wireless users more easily.

Operate in Mid-Sized and Smaller Markets that resemble Nextel's demographics. The company believes this strategy will rapidly increase penetration within underserved target segments.

Competition[7]

Nextel Partners competes with at least two established cellular licensees and as many as five PCS licensees (including Sprint PCS, Verizon Wireless, T-Mobile and Cingular Wireless) in each of its markets. Its ability to compete effectively depends on: 1) continued satisfactory performance of the iDEN technology, especially in relation to emerging next generation wireless technologies; 2) appropriate maintenance and competitive coverage of areas throughout its markets; 3) establishment and maintenance of roaming services; and 4) development of cost-effective direct and indirect channels of distribution.

Competitors provide some or all of the services available through Nextel Partners' network and they are expected to continue upgrading their systems. Furthermore, wireless and other technology and service enhancements will increase competition in the future. Additional competition could come from providers of traditional wireline telephone services and cable operators expanding their communications' services.

Consolidation has and may continue to result in additional large, well-capitalized competitors with substantial financial, technical, marketing and other resources. Some competitors are creating joint ventures that will fund and construct shared infrastructure to provide advanced services. They are also entering into roaming arrangements that provide similar benefits. By using these joint ventures and roaming arrangements, competitors may lower their cost of providing advanced services to their customers.

Nextel enjoys great reputation and foothold in two-way radio dispatch services. It has been available for over 10 years, offering a proven technology and developing a customer base of almost 18 million. However, similar services offered by personal communication services providers or cellular operators (including Verizon Wireless' push to talk service, Sprint's ReadyLink and Alltel's Touch2Talk) could impair Nextel Partners' competitive advantage of being uniquely able to combine that service with mobile telephone service.

[7] Company webpage: 2004 Annual Report and 2004 10-K.

Top Competitors

Verizon Wireless:[8] NEW YORK, NY. Verizon Communications Inc. (NYSE: VZ) is a provider of communications services with four operating segments: Domestic Telecom, Domestic Wireless, Information Services and International. For the nine months ended 30 September 2005, Verizon Communications Inc.'s revenues increased 5% to $55.79B. Net income from continuing operations increased 21% to $5.74B. Revenues reflect strong growth in total customers and increased demand for data services.

Cingular Wireless:[9] ATLANTA, GA. Cingular Wireless LLC is a joint venture between the domestic wireless divisions of SBC (NYSE: SBC) and BellSouth (NYSE: BLS). SBC owns 60 percent of the company and BellSouth owns 40 percent, based on the value of the assets both contributed to the venture. It is the largest wireless company in the United States, with more than 50 million subscribers.

Sprint-Nextel:[10] VIRGINIA, KS. Sprint Nextel Corporation formerly Sprint Corporation (Sprint) is a global communications company offering an extensive range of communication products and solutions. Sprint's operations are divided into three lines of business: Wireless, Local and Long distance operations. For the 9 months ended 30 September 2005, Sprint Nextel Corporation's revenues rose 14% to $23.38B. Net income applicable to Common totaled $1.58B vs. a loss of $1.46B. Revenues reflect sales increases from the PCS wireless division.

T-Mobile:[11] T-Mobile USA offers all digital voice, messaging and high-speed wireless data services to more than 20 million customers in the United States. T-Mobile is part of T-Mobile International AG & Co. K.G., the mobile communications subsidiary of Deutsche Telekom AG (NYSE: DT).

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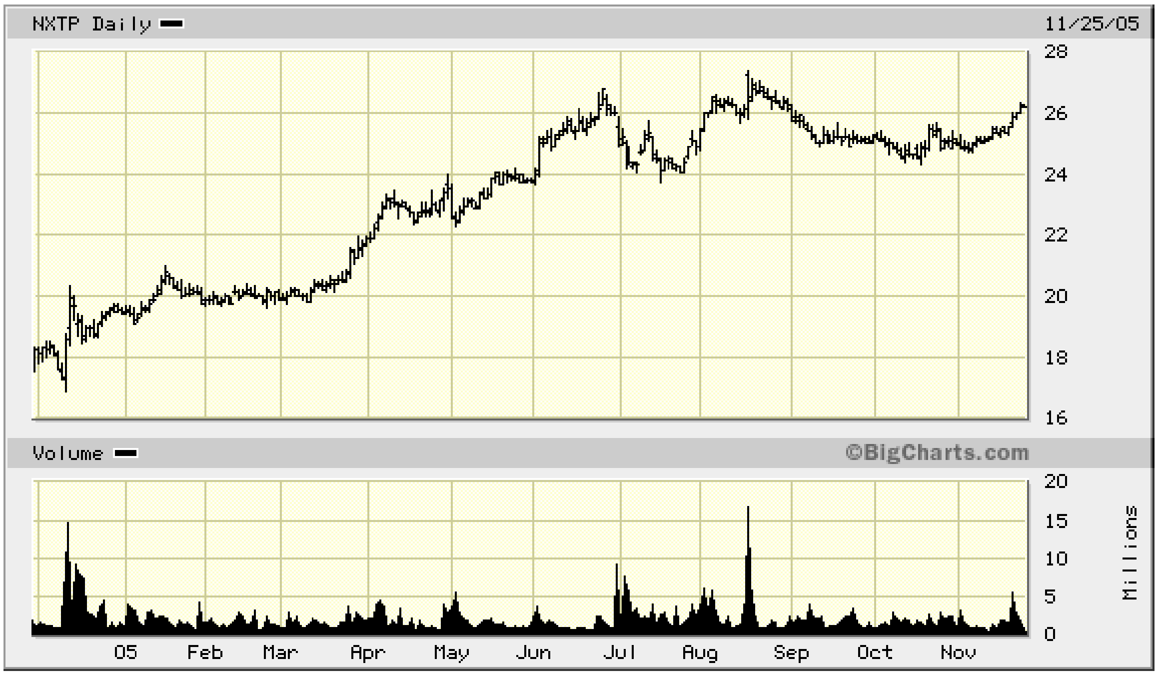
[8] One Source: Verizon Wireless Company Profile: http://businessbrowser.onesource.com
[9] Company webpage: http://www.cingular.com/about/company_overview
[10] One Source: Sprint Nextel Company Profile: http://businessbrowser.onesource.com
[11] Company webpage: http://www.t-mobile.com/company/

STOCK PRICE STATISTICS

Nextel Partners' stock price has shown an upward trajectory for the last 52 weeks. It closed at $26.21 on November 25, 2005.

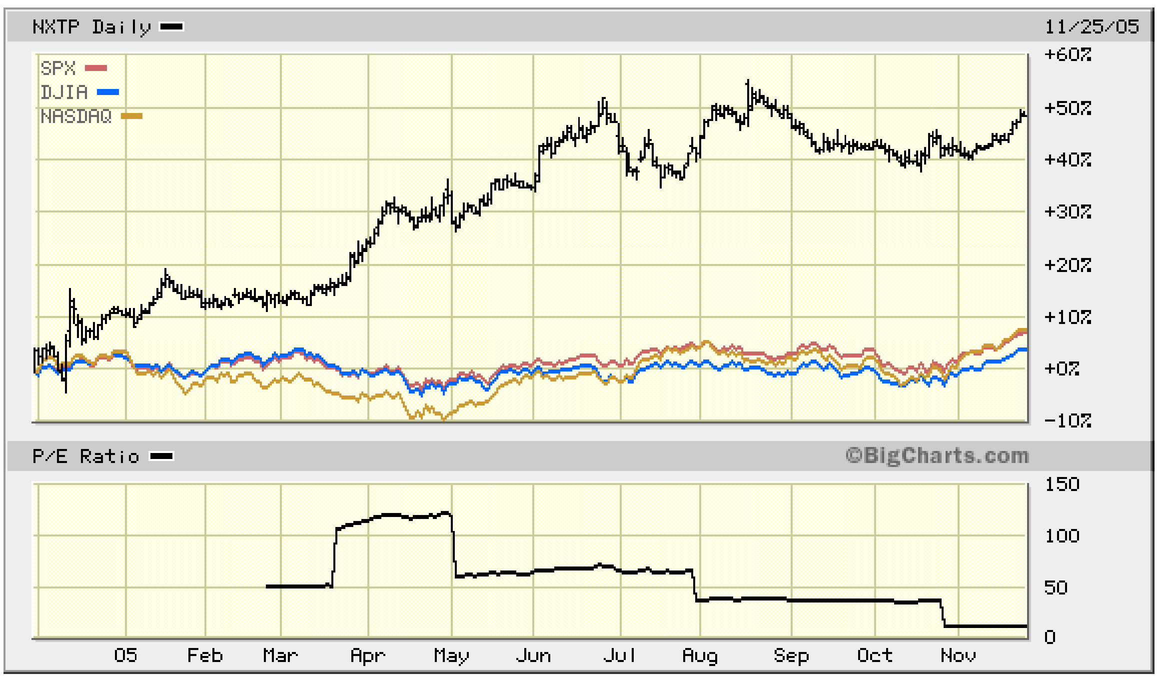


Several acquisitions took place during this period. On December 15, 2004, Sprint Corporation and Nextel Communications Inc. agreed to merge in a $35 billion deal that would create the nation's third largest wireless telephone service provider.[12] At the time, Nextel Partners was not only the single Nextel affiliate, but also the largest affiliate in the industry. NXTP's stock price appreciated more than 7% one month after Sprint-Nextel's acquisition and it would stay at that level until other acquisitions came along; namely, Horizon (by iPCS) in March 2005, US Unwired (by Sprint) in July 2005, IWO and Gulf Coast Wireless (by Sprint) in August 2005 and Alamosa (by Sprint) in November 2005.

[12] *Sprint-Nextel Deal? Done!* CBS News, December 15, 2004.

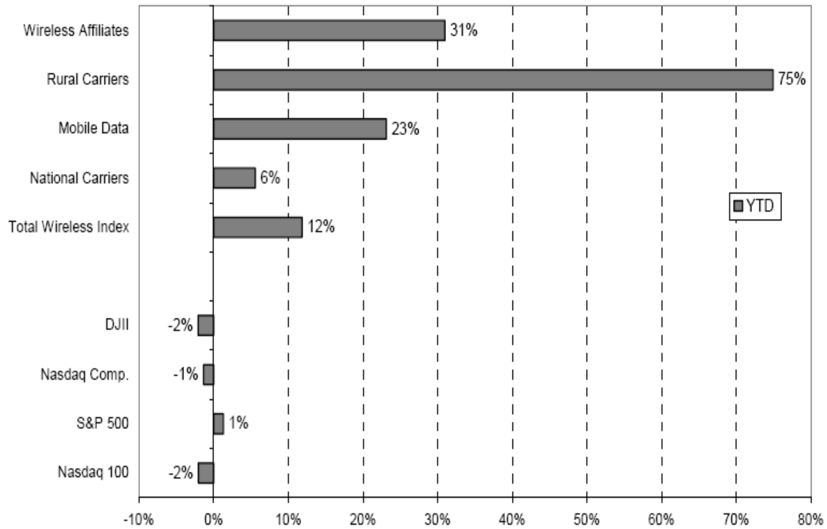
On Monday, November 21, 2005, Sprint-Nextel (NYSE: S) agreed to buy affiliate Alamosa Holdings Inc. for $4.3 billion cash following Sprint's merger with Nextel.[13] Sprint paid $18.75 a share, implying a 15% premium on Alamosa's Friday closing price. Alamosa would add 1.5 million customers in 19 states to Sprint Nextel's wireless business. Although not obvious, NXTP's share price seems to be on the appreciation path after Alamosa's acquisition. It jumped up 1.3% on the day of the announcement and it has appreciated more than 3% since the day of the announcement.

NXTP's share price has appreciated 49% over the last 12 months; furthermore, it has clearly outperformed the DJIA, S&P 500, and NASDAQ indices.



At the same time, the wireless sector as a whole has outperformed the S&P 500 and other broader market indices during 2005. Ultimately, rural cellular players have been at the top of the pile, followed by wireless affiliates and mobile data providers.

[13] *Sprint-Nextel to buy Alamosa Holdings for $4.3 billion.* AFX News on Yahoo! Finance, November 21, 2005.



Source: Bear Stearns: US Wireless Services, June 2005

Nextel Partners currently trades high above the largest wireless affiliates. In terms of relative valuation, the company is trading at 15.79x EV/EBITDA (LTM), which is well above the mean (12.45x) of the other players.[14]

[14] See comparable companies' section.

INVESTMENT POSITIVES

Exceptional ARPU: During 2004, average revenue per unit ended at $67 compared with $68 in 2003, demonstrating strong and continuous revenue performance. Furthermore, 2005's quarterly results include ARPU of $67, $68 and $69 for the first, second and third quarters, respectively.[15]

Even with sustained competitive pricing pressure, Nextel Partners has maintained this high level due to continued focus on high value customers, growth in minutes of use, and strong response to service packages such as International and Nationwide Direct Connect.

We expect Nextel Partners to continue realizing ARPU levels in the mid to high sixties - well above the industry average of $60 – given their sustained and outstanding operational performance; furthermore, we anticipate growth in data services (specifically GPS services), workforce management, navigation, and wireless payment solutions.

Strong Net Subscriber Additions: Net additions surpassed market expectations by 13% during 2005's third quarter. NXTP has continuously outperformed the market through:

- *Churn below industry benchmark of 2%*: Nextel Partners has been able to do so mainly because of the business nature of its customers, the quality and efficiency of its services (and those of Nextel), and the novelty of its products. Ultimately, churn has consistently remained below 1.5% and we expect the company to continue at this level, generating positive effects on its operating margin.
- *In-house sales force enhancement:* During 2004, low cost distribution channels (telesales, web-sales and company-owned stores) accounted for approximately 22% of gross additional new subscribers as compared to 14% during 2003.[16] Nextel Partners has recognized that company-owned stores attract high quality

[15] 2004 10-K and 2005 Quarterly Company Filed Reports.
[16] 2004 10-K Company Filed Report.

customers with lower acquisition cost than traditional distribution channels. As a result, it opened 33 new company-owned retail stores during 2004 ending the year with a total of 73 company-owned stores.[17] During its last conference call (October 27, 2005) - following its 2005 third quarter release – Nextel Partners announced an increase from 40 to 60 new stores during 2005.[18]

Improved Debt Structure: Nextel Partners has committed not only to reduce its cost of debt, but also to eliminate restrictive covenants and other contractual provisions.[19] The company has been able to do so mainly because of its outstanding operational performance.

Although Nextel Partners has registered losses on early retirement of debt amounting to $55M in 2004 and $824K in 2005, the markets have interpreted the company's debt redemption, repurchase and refinance moves as positive. Both S&P and Moody's have upgraded NXTP's securities in the past year. During November 2005, the former increased the company's corporate rating to BB from B+, its unsecured rating to BB- from B- and its credit facility rating to BBB- from B+.[20] The company's securities are currently trading at a premium.[21]

Ultimately, the company claims to have reduced weighted average cost of debt to 6.2% during 2004 (representing a 1.3% improvement over 2003) and to 5.4% during 2005.[22] The reduction in WACC of debt has a positive effect on the company's prospects and fundamental value.

Economies of Scale: Although cost of service will surely increase as Nextel Partners places more cell sites and the minutes of use increase (due to larger customer base), we

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[17] Ibid.
[18] Company webpage: 2005 3Q release conference call.
[19] Company webpage: 2004 10-K.
[20] Company webpage: press release and Bloomberg.
[21] Source: Bloomberg.
[22] Company webpage: 2004 10-K and 2005 3Q release conference call.

expect cost of service as a percentage of service revenues and cost per average minute of use to decrease as economies of scale continue to be realized.

***Lower Cost Spectrum and Network Build-Out*:** Nextel Partners acquires its SMR licenses at the same cost basis as Nextel does, thereby benefiting from the spectrum's low acquisition cost.

Beneficial R&D Position: NXTP does not spend money or test the adequacy of new technologies and equipment. Nextel performs these activities.

Management's Ability and Confidence*[23]*: Nextel Partners raised guidance for key metrics in 2005. It expects to close with net additions of 415k (up from 400k); service revenue should finish at $1.7 billion (up from $1.65 billion); and EBITDA should reach $575MM (up from $550) by the end of the year. In 2006, the company expects EBITDA of $760MM, implying growth of 32% from 2005. Finally, Churn and ARPU estimates remain unchanged going forward (less than 1.5% and mid to high $60s, respectively).

[23] Company webpage: 2005 3Q release conference call.

INVESTMENT NEGATIVES

Put Option Resolution: Although Nextel Partners has forced a takeout by Sprint Nextel, the fact that the latter chose the appraisal process over an acquisition agreement signals discrepancy on fundamental value assumptions by the two firms. Two major factors could impact the company's value:

- *Appraisal Value Disagreement*: This situation could lessen the importance of NXTP's excellent record of execution; going forward, we believe the stock will trade mainly on the outcome of the put option resolution.

- *Management Distraction*: The put process will challenge executives' ability to continue growth in a year of potential disturbance.

Increased Competition: Nextel Partners faces increased competition in all its MSAs. This industry wide situation challenges the company's performance (as well as everyone else's) in key metrics, such as ARPU and net additions.

A major threat arises from consolidation and partnership trends that may lower competitors' costs of providing advanced services and therefore reduce NXTP's attractiveness. In this situation, the company would have to compensate by offering different products or discounts, increasing retention costs and deviating from its core products. The higher cost of digital devices will also play a crucial role if competitors develop multi-functional analog equipment that can be offered at significant discount.

Technology Isolation: Nextel Partners' dispatch and cellular service is based on a proprietary iDEN technology developed by Motorola. This company and Nextel are the only users. Furthermore, Nextel's all-digital network is more limited than that of carriers who can operate on both analog and digital cellular networks and who have roaming agreements covering larger parts of the country.

DETERMINING THE TAKEOUT PRICE

On October 24, 2005, NXTP's shareholders - 99.9% of the 85% who voted – approved the enforcement of a put option that requires Sprint-Nextel to purchase (at fair market value) 68% of the remaining NXTP shares it does not already own.[24] Nextel Partners' put option was triggered by the $35 billion merger of Sprint and Nextel, which closed in August. Nextel Partners and Sprint-Nextel have been feuding over the price.

Nextel Partners has a market capitalization of $7 billion and its charter calls for it to be acquired at a premium. Sprint on the other hand has claimed that Nextel Partners' share price has increased so much in anticipation of the takeover that it already includes a substantial premium.

At this point, the parties have entered into an appraisal process that can take a maximum of 110 days, when the final valuation has to be made public. The sale price will be based on fairness opinions issued by Nextel Partners' and Sprint-Nextel's investment bankers. In the event that the bankers disagree, the final takeout price will be determined by an arbitrator.

The process to determine "Fair Market Value" must take into account the "most recent unaffected public market stock price," meaning Nextel Partners' valuation prior to market psychology bidding it up on a takeout. Specifically the following steps in the process will occur:[25]

1. Within 20 days, Nextel Partners had to select and identify to Sprint Nextel a nationally recognized investment banker or appraiser ("First Appraiser"). NXTP has already chosen Morgan Stanley & Co.

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[24] Sprint Nextel Affiliate Votes to Force Buyout. A Wall Street Journal Online News Roundup, October 25, 2005.
[25] Sprint-Nextel and Nextel Partners' filed 8-K.

2. Within 20 days, Sprint Nextel had to select and identify to NXTP a nationally recognized investment banker or appraiser ("Second Appraiser"). Sprint has already chosen Lazard.
3. The date when both appraisers have been identified is the "Start Date." That date was November 13, 2005.
4. Within 30 days of the Start Date, the First and Second Appraisers will each determine their views of Fair Market Value (FMV) of Nextel Partners, and consult with each other as to the results.
5. Within 45 days of the Start Date, the First and Second appraiser will each submit a written report on the FMV of Nextel Partners.
6. If the valuations do not differ by more than 10%, then the FMV will be the average of the two.
7. If the valuations do differ by more than 10%, the First and Second Appraisers will jointly designate another nationally recognized investment banker or appraiser ("Third Appraiser").
8. The Third Appraiser will not be informed of the values of the First or Second Appraisers. Within 30 days after the Third Appraiser is designated, it will deliver its written opinion.
9. If the Third value is within the middle 33% of the High/Low value spread, the FMV will be the Third value. If the Third value does not fall in the middle 33%, the value will be the average of the Third value and the closer of the High or Low value provided that the FMV can't be less than the Low or greater than the High.
10. FMV is final and binding unless, within twenty days, NXTP or Sprint Nextel issue a "Challenge." Twenty days after the Challenge, the challengers have ten days to give the challenged a list of all challenging shareholders.
11. The Challenger will be required to demonstrate that the FMV determined in the appraisal process was "grossly incorrect or fraudulently obtained." A Tribunal composed of one person selected by Sprint Nextel, one by NXTP, and the third selected by the first two company-sponsored members of the tribunal, will determine FMV within the Challenge Floor/Ceiling Price.

12. The Challenge Ceiling Price is the sum of each piece of the capital structure that would return a 30% IRR compounded annually from the date that the capital was contributed. The Challenge Floor Price is the sum of each piece of the capital structure that would return a 10% IRR compounded annually from the date that the capital was contributed.

STRATEGIC ANALYSIS OF TAKEOUT[26]

Assuming there is no additional psychological benefit from "winning," meaning that all value comes from the actual price resolution, we believe there are strong incentives for both companies to negotiate and avoid a third party involvement. We think that the banks do not want to split their fees with a third player, much less risk future Sprint business to a third player. Thus, we assume both parties understand that a variant of Final Offer Arbitration (FOA) is embedded in the process and that if they do not reach an agreement a third party would settle the FMV possibly at a bigger loss than if they compromise themselves.

Ultimately, going to extremes is a big gamble for any company since the arbitrator will either hit the 33% target (most likely because both parties chose their extreme values) or take the one closest to his value to calculate the average (most likely that of the company who did not choose its extreme value). In essence, both parties would like to be closer to the arbitrator's value, converging to the middle. As a result, the arbitrator becomes unnecessary for an agreement.

Following this reasoning, we believe Nextel Partners and Sprint-Nextel will reach an agreement close to the middle of their extreme values. NXTP will probably include an acquisition premium over the "most recent unaffected" market price; Sprint-Nextel will probably start at fundamental value.

[26] Based on *Arbitration Procedures* by Steven J. Brams, D. Marc Kilgour, and Samuel Merrill III.

Nextel Partners charter calls for it to be acquired at a premium. Ideally they want a premium on the current market share price. Sprint claims that they should pay just the DCF intrinsic value and not any additional control premium:

> "In our view, the appraisers will apply standard valuation techniques. One of these techniques is a DCF valuation. Although Partners' charter states that "[i]n all cases, Fair Market Value . . . will include a control premium and there will be no minority or illiquidity discount," we believe that DCF analysis already presumes the benefit of control over operations and cash flow. Accordingly, we believe that an additional control premium over a DCF value is not appropriate. If DCF value already has a control premium embedded into it, no additional premium is, we believe, needed to assure that the charter's requirement that a change of control premium will be included. In this regard, we referred to Delaware judicial authority to provide independent support for our opinion that it is improper to apply a control premium to a DCF valuation. It should be noted in this regard that Delaware law does not prohibit or mandate a particular valuation here; instead, the "fair market value" of Partners' stock will be determined by reference to Partners' certificate of incorporation.
>
> In the case we cited in our August 17th 8-K filing, a Delaware judge said, "Adding a control premium on top of a DCF is not, to this mind, intuitively or theoretically logical." In another recent Delaware case, another Delaware judge observed that "[a] DCF is a valuation that does not need any additional correction, such as a control premium." In so ruling, the judge referred to a standard legal textbook, which states: "[DCF] value should represent the full value of the future cash flows of the business. Excluding synergies, a company cannot be worth a premium over the value of its future cash flows. Thus, it is improper and illogical to add a control premium to a DCF valuation."[27]

While this issue will be solved by arbitration, we think that a 20 percent premium over the DCF implied share price should be applied. On the other hand, we don't think a 20 percent premium should be applied on the current stock price, as we believe that that is already hyped-up based on the imminent takeout.

Sprint may want to want to start at the intrinsic value of $18.67, whereas Nextel Partners may want to apply a 10% premium over the current price (which would mean a 20%

[27] According to an 8-K form filed by Sprint-Nextel on August 17, 2005: http://www.sec.gov/Archives/edgar/data/101830/000119312505196354/d8ka.htm

premium over "most recent unaffected" price) or $28.83. Based on those two values, the midpoint is $23.75.

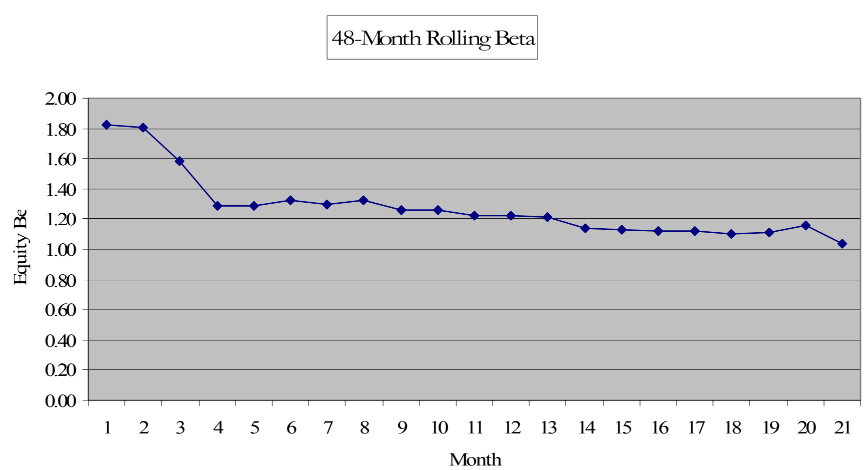
VALUATION METHODOLOGIES

The fact that Nextel Partners is in the early stages of operations and until recently was generating negative EBITDA does not help our valuation work. Because of this situation we rely more on methods that give us an intrinsic value for the company, such as discounted cash flow (DCF). We complete our valuation by looking at multiples, including EV/POP, EV/Revenues, and EV/EBITDA. However, we recognize that these multiples are very far from being the ultimate valuation tools, especially since most of Nextel Partners' value is derived from the terminal years. We realize that DCF valuations are extremely sensitive to assumptions on cost of capital, and exit multiples.

Discounted Cash Flow (DCF)

Discount Rate

In our DCF analysis, we started by estimating the discount rate. We first regressed NXTP stock returns versus market returns (S&P 500) starting from when Nextel Partners went public in February 2000. We had 60 observations and obtained a Beta of 1.24. R-square was 0.19. We also did a rolling 48-month beta using the same historical data. The rolling Beta graph is shown below:



As you can see in the rolling beta graph, the regressed beta is consistent with the average Beta obtained from the regression.

Thus, using an unlevered equity beta of 1.24, and levering up to the 26.50% D/V target ratio[28] we obtained a relevered beta of 1.40. Below we show the WACC calculations.

WACC Assumptions

	Beta		Equity Risk Premium		Risk Free Rate		Equity Cost CAPM	Interest Rate		Tax Shield		Effective Debt Cost	Target Debt Structure	WACC
NXTP	**1.40**	**x**	**5.50%**	**+**	**4.52%**	**=**	**12.21%**	**5.40%**	**x 1-**	**34%**	**=**	**3.56%**	**26.50%**	**9.92%**

Projections:

We then started to estimate 4Q 2005 results by looking at NXTP's last seven quarters (1Q 2004 to 3Q 2005) results.[29] We calculated service revenue for the fourth quarter by multiplying expected subscribers (2.021 million) with expected average revenue per user or ARPU ($69). We then took the corresponding service, roaming and equipment revenue average percentages to calculate total proceeds for the quarter.

We maintained the same average percentage of operating expenses relative to operating revenues to estimate the fourth quarter's EBITDA and finally took out average D&A to estimate the last quarter's EBIT.

We added estimated 4Q 2005 results to previous 2005 quarterly results and obtained operating revenues, operating expenses, EBITDA and EBIT for the year.

Beyond 2005, we believe Nextel Partners will reach 6.75% penetration by 2011, showing compounded annual growth of 10.33% compared with 4.64% annual growth in the industry. This higher growth is a reflection of the much lower penetration rates that Partners has vis-à-vis comparable companies.

[28] This is Sprint-Nextel's D/V ratio according to Bloomberg: See Appendix also.
[29] See EBIT APPENDIX for further details.

At the end of 2005, ARPU is at $69 compared with an average $58 for the entire wireless industry. This figure suggests that Nextel Partners' revenues per subscriber will continue to lead the industry during 2005. Going forward, we estimate Nextel Partners' ARPU will fall to $65 by the end of 2011.

To calculate **annual revenues**, we multiplied average subscriber base with 12x ARPU. We estimated that revenues in 2006 amounted to more than 1.83B and amounted to $3.68B in 2011, showing a compounded annual growth of 12.36%.

Operational expenses have stabilized around 80% of operating revenues in the past 5 quarters. We believe Nextel Partners has yet to reach its operational equilibrium; thus, we expect operational expenses to drop at the 70% level by 2011.

The company's **EBITDA to service revenue** was most recently 33%. We believe Nextel Partners will operate above the industry benchmark of 30% because some of the most penetrated markets are also its fastest growing markets. In highly penetrated markets Nextel Partners can achieve scale effects and technology improvements that will translate into better ARPU and increased roaming volumes (additional revenues) which bodes well for EBITDA in the low 40%'s margin in the near horizon.

We increased **interest expense** to account for Nextel Partner's higher target D/V ratio, but also took into account the lower cost of debt that the company has going forward.

CAPEX has a direct impact on income statements, balance sheets, and cash flow statements. Too little CAPEX can lead to stunted growth while too much makes it difficult to obtain a good return on investment. Given the uncertainties of CAPEX, we look at some ratios to determine if they are consistent with other segments of the telecommunications industry. These benchmarks include:

CAPEX to revenues: This relates the amount of capital expenditures needed to keep revenues going. We expect this ratio to increase slightly over the next few years.

CAPEX to depreciation: Less CAPEX than depreciation in the out years of projections (the CAPEX to depreciation rate being lower than 1.0) implies that a company could end up with zero net assets, which is obviously a wrong assumption to make. CAPEX must be in line with depreciation. This is especially important given that, in Nextel Partners most of the value is placed in the out-years of the projections.

We observed that the **change in Net Working Capital** has been pretty insignificant historically, and we have no reason to believe that this will change.

As far as **taxes** go, the following note appears in the latest 10-Q:

> We recorded a tax benefit of $340.9 million for the three months ended September 30, 2005 compared to a tax provision of $8.1 million for income taxes for the three months ended September 30, 2004. The change from a provision for income taxes to an income tax benefit is related to the release of a significant portion of our valuation allowance on our federal and certain state deferred tax assets. The majority of these federal and state deferred tax assets are related to net operating loss carryforwards which now are more likely than not to be realized. See "Income Taxes" in the notes to consolidated condensed financial statements included elsewhere in this report for additional information. With the release of a significant portion of the valuation allowance we will begin to record income tax expense at the estimated annual federal and state effective tax rate of 40.1%. Income tax provisions for interim periods are based on estimated effective annual tax rates. Income tax expense varies from federal statutory rates primarily because of state taxes. We do not expect to pay cash taxes, other than the required AMT and state tax payments, until the net operating loss and tax credits have been fully utilized.

Their balance sheet for 3Q 2005 lists:

Deferred current income taxes	37,539
Deferred non-current income taxes	250,600

Consolidated Condensed Balance Sheets	September 30, 2005	December 31, 2004
	(Dollars in thousands, except per share amounts) (Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 195,675	$ 147,484
Short-term investments	29,402	117,095
Accounts and notes receivable, net of allowance $29,516 and $15,874, respectively	250,957	190,954
Subscriber equipment inventory	103,916	49,595
Deferred current income taxes	37,539	—
Other current assets	35,370	31,388
Total current assets	652,859	536,516
PROPERTY, PLANT AND EQUIPMENT, at cost	1,701,136	1,546,685
Less — accumulated	(623,120)	(503,967)
Property, plant and equipment, net	1,078,016	1,042,718
OTHER NON-CURRENT ASSETS:		
FCC licenses, net of accumulated amortization of $8,744	376,203	375,470
Deferred non-current income	250,600	—
Debt issuance costs and other, net of accumulated amortization of $8,963 and $6,456, respectively	17,960	20,995
Goodwill	1,514	—
Other intangible assets, net of	96	—
Total non-current assets	646,373	396,465
TOTAL ASSETS	$ 2,377,248	$ 1,975,699

Therefore, Nextel Partners has deferred income-tax assets of $288,139. We amortized that amount until it fully runs out, and assumed that the company will pay the Alternative Minimum Tax (AMT) which is about 5% of EBT until that date.

We amortized according to the table below:

Ammortization Schedule	**3Q 05**	**4Q 05 E**	**06 E**	**07 E**	**08 E**
Current and Noncurrent Deferred Taxes	$ 288,139	$ 252,593	$ 136,548	**$ (22,671)**	full tax paid
EBT		$ 101,560	$ 331,558	$ 454,909	$ 594,116
Tax Payable		$ 40,624	$ 132,623	$ 181,964	$ 243,588
Tax Paid		$ 5,078	$ 16,578	$ 22,745	$ 243,588
Deferred Taxes Amortization		$ 35,546	$ 116,045	$ 159,218	

Finally, our DCF yields a fair value of $18.67 per share. When we apply a 20% control premium we reach a target price of $22.40.

NPV of FCF 05E-11E	$	2,434,582
NPV of 2011E terminal value	$	3,939,011
Enterprise Value	$	6,373,593
Plus: Cash	$	195,675
Less: Debt	$	1,516,516
Value of Equity	$	5,052,752
# of shares		270,702
Value per Share	$	18.67
20 percent Control Premium	**$**	**22.40**

Comparable Acquisitions

Recent Transactions in the PCS spectrum are shown below with the appropriate statistics.

PCS Private Market Transaction Analysis

(In millions, except per POP and per sub values)

Buyer	Seller	Date	Markets	Enterprise Value	Adj. Enterprise Value / LTM POP	Sub	Revenue	LTM Operating Statistics POPs	Subs	Penetration	Revenues
Sprint	Nextel Partners	Unknown	Various	$5,349	<--------------------------------		2.4x				
				$6,687	<--------------------------------		3.0x				
				$7,801	<--------------------------------		3.5x				
Sprint	Alamosa	11-22-2005	Northwest	$4,313	$126	$2,914	3.33x	23.2	148	-	$1,180
Sprint	Gulf Coast Wireless	8-30-2005	Southeast	$288	$206	$3,032	3.66x	1.4	95	6.8%	-
Sprint	IWO	8-30-2005	Northeast	$427	$69	$1,800	2.2x	6.2	237	3.8%	$196.3
Sprint	US Unwired	7-11-2005	Southeast	$1,325	$117	$2,626	3.2x	11.3	505	4.5%	$433.9
iPCS	Horizon	3-17-2005	Various	$290	$39	$1,586	1.3x	7.4	183	5.2%	$217.8
Alamosa	Airgate	12-8-2004	Southeast	$592	$80	$1,540	1.8x	7.4	385	5.2%	337.1
Cin. Bell Wrls.	AWE / CBW	8-5-2004	OH	$417	$123	$843	1.6x	3.4	495	14.5%	258.9
				Average			**2.4x**				
				Weighted Average			**3.0x**				
				High End Multiple			**3.5x**				

Assuming the transaction is concluded next year and Sprint-Nextel pays between 2.4x and 3.0x of 2006 Revenue (the average and weighted average of recent transaction multiples), Sprint would have to appraise the enterprise value of Nextel Partners at the $5,349,349 to $6,686,686 range, which translates into a share price range of $14.88 to $19.82. Assuming a 3.5x revenue multiple (which is on the high end judging at past transactions) the value per share jumps to a little less than $24.

	Comparable Transactions **Average**	**Weighted Average**	**High-End Multiple**
Enterprise Value	$ 5,349,349	$6,686,686	$7,801,134
Plus: Cash	$ 195,675	$ 195,675	$ 195,675
Less: Debt	$ 1,516,516	$ 1,516,516	$ 1,516,516
Value of Equity	$ 4,028,508	$ 5,365,845	$ 6,480,293
# of shares	270,702	270,702	270,702
Value per Share	$ 14.88	$ 19.82	$ 23.94

Comparable Companies

With the stock currently trading at 15.79x of our EBITDA forecast (or $4,391 per subscriber), the company is valued at a steep premium to any other publicly-traded U.S. Affiliate.

PCS Private Market Trading Comparables
(In millions, except per POP and per sub values)

$ in millions	Ticker	11/25/2005 Price USD	Shrs. Out. (M)	Market Cap	Net Debt	Enterprise Value	Estimated POPs	Subscribers	EV/Sub	EV/Revenue	EV/EBITDA
Public											
Nextel Partners	NXTP	$ 26.21	270	7,077	1,321	8,398	55.0	1,912,300	4,391	4.44x	15.790x
Alamosa	APCS	$ 18.43	180	3,320	993	4,313	23.2	1,480,000	2,914	3.33x	13.052x
Ubiquitel	UPCS	$ 9.68	94	910	327	1,237	10.0	434,000	2,851	3.00x	12.078x
Shentel	SHEN	$ 44.76	8	343	25	368	2.0	116,460	3,160	2.64x	8.884x

Our DCF valuation analysis supported by acquisition and comparable companies as well the arbitration scenario suggests a fair value for NXTP shares somewhere in the $20-$24 region.

APPENDICES

NXTP FCF PROJECTIONS:

Nextel Partners FCF Projections

	2000	2001	2002	2003	2004	1Q 2005	2Q 2005	3Q 2005	4Q 2005 E	2005E	2006E	2007E	2008E	2009E	2010E	2011E	Continuing Value
Operating Revenue	$ 135,870	$ 377,364	$ 670,688	$ 1,019,044	$ 1,368,427	$ 404,080	$ 434,822	$ 473,139	$ 514,833	$ 1,831,026	$ 2,228,895	$ 2,715,728	$ 3,045,182	$ 3,271,673	$ 3,510,528	$ 3,684,665	
Operating Expenses	$ 339,627	$ 572,961	$ 786,073	$ 976,152	$ 1,147,705	$ 322,476	$ 336,756	$ 358,171	$ 391,273	$ 1,408,676	$ 1,671,672	$ 2,009,639	$ 2,222,983	$ 2,388,321	$ 2,492,475	$ 2,579,265	
EBIT	$ (203,757)	$ (195,597)	$ (115,385)	$ 42,892	$ 220,722	$ 81,604	$ 98,066	$ 114,968	$ 123,560	$ 422,350	$ 557,224	$ 706,089	$ 822,199	$ 883,352	$ 1,018,053	$ 1,105,399	
EBIT Margin of Operating Revenue	*NM*	*NM*	*NM*	*4%*	*16%*	*20%*	*23%*	*24%*	*24.0%*	*23.1%*	*25.0%*	*26.0%*	*27.0%*	*27.0%*	*29.0%*	*30.0%*	
Less: Interest Expense	$ 126,104	$ 126,096	$ 160,156	$ 247,387	$ 161,471	$ 25,867	$ 25,183	$ 23,404	$ 24,000	$ 98,454	$ 107,315	$ 116,973	$ 127,501	$ 138,976	$ 151,484	$ 165,117	
Add: Interest Income	$ 63,132	$ 32,473	$ 7,091	$ 2,811	$ 2,891	$ 2,643	$ 1,010	$ 2,009	$ 2,000	$ 7,662	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	
EBT	$ (266,729)	$ (289,220)	$ (268,450)	$ (201,684)	$ 62,142	$ 58,380	$ 73,893	$ 93,573	$ 101,560	$ 331,558	$ 454,909	$ 594,116	$ 699,698	$ 749,376	$ 871,570	$ 945,282	
Less: Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,125	$ 4,615	$ 4,679	$ 12,419	$ 16,578	$ 22,745	$ 243,588	$ 309,173	$ 356,319	$ 386,890	
NOPAT	$ (203,757)	$ (195,597)	$ (115,385)	$ 42,892	$ 220,722	$ 81,604	$ 94,941	$ 110,353	$ 118,881	$ 409,932	$ 540,646	$ 683,344	$ 578,612	$ 574,179	$ 661,735	$ 718,510	
Add: Depreciation & Amortization	$ 38,044	$ 76,496	$ 101,197	$ 135,418	$ 149,712	$ 40,753	$ 41,433	$ 43,799	$ 45,000	$ 170,985	$ 194,923	$ 224,161	$ 260,027	$ 301,631	$ 349,893	$ 405,875	
Less: CAPEX	$ 303,573	$ 374,001	$ 250,841	$ 161,845	$ 164,845	$ 56,557	$ 62,310	$ 36,672	$ 51,846	$ 150,144	$ 219,392	$ 344,187	$ 386,610	$ 414,839	$ 434,771	$ 444,992	
Less: Change in Working Capital	$ 334,708	$ (332,416)	$ (335,160)	$ 80,691	$ 54,239	$ 65,806	$ (86,609)	$ 2,761	$ 27,029	$ (27,210)	$ (20,000)	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	
																	3.00%
Free Cash Flow	$ (803,994)	$ (160,686)	$ 70,131	$ (64,226)	$ 151,350	$ (6)	$ 160,673	$ 114,719	$ 85,006	$ 457,983	$ 536,177	$ 553,318	$ 442,028	$ 450,971	$ 566,856	$ 669,393	$ 6,895,769

NXTP REVENUE, INTEREST EXPENSE, TAX, DEPRECIATION, CAPEX AND NWC PROJECTIONS

	2000	2001	2002	2003	2004	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005	Q2 2005	Q3 2005	Q4 2005 E	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Operating Revenue	$ 135,870	$ 377,364	$ 670,688	$ 1,019,044	$ 1,368,427					$ 404,080	$ 434,822	$ 473,139	$ 514,833	$ 1,831,026	$ 2,228,895	$ 2,715,728	$ 3,045,182	$ 3,271,673	$ 3,510,528	$ 3,684,665
Trend		*178%*	*78%*	*52%*	*34%*						*7.6%*	*8.8%*	*8.8%*	*33.8%*	*21.7%*	*21.8%*	*12.1%*	*7.4%*	*7.3%*	*5.0%*
																				12.36%
Drivers																				
POPS	50,781,670	51,912,907	52,985,566	53,466,483	53,763,872					54,000,000	54,000,000	54,000,000	54,000,000	54,000,000	54,540,000	55,085,400	55,636,254	56,192,617	56,754,543	57,322,088
Trend		*2.2%*	*2.1%*	*0.9%*	*0.6%*						*0.0%*	*0.0%*	*0.0%*	*0.4%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*	*1.0%*
Penetration (of total Pops)	0.45%	0.99%	1.66%	2.31%	2.98%	2.46%	2.63%	2.80%	2.98%	3.15%	3.34%	3.54%	3.74%	3.74%	4.63%	5.50%	5.75%	6.25%	6.50%	6.75%
Trend		*121.93%*	*66.70%*	*39.22%*	*29.22%*	*-17.50%*	*6.96%*	*6.61%*	*6.30%*	*5.74%*	*6.07%*	*5.94%*	*5.70%*	*25.59%*	*23.69%*	*18.79%*	*4.55%*	*8.70%*	*4.00%*	*3.85%*
Subscribers	227,400	515,900	877,800	1,233,200	1,602,400	1,322,000	1,414,000	1,507,500	1,602,400	1,701,800	1,805,100	1,912,300	2,021,301	2,021,301	2,525,202	3,029,697	3,199,085	3,512,039	3,689,045	3,869,241
Trend		*126.9%*	*70.1%*	*40.5%*	*29.9%*	*7.2%*	*7.0%*	*6.6%*	*6.3%*	*6.2%*	*6.1%*	*5.9%*	*5.7%*	*26.1%*	*25.0%*	*15.0%*	*10.0%*	*8.0%*	*5.0%*	*3.0%*
				CAGR	**54.80%**														**CAGR**	**11.43%**
ARPU (excluding roaming)	$71	$71	$68	$68	$67					$67	$68	$69	$69	$68	$67	$66	$66	$65	$65	$65
12 Months									3											
Service Revenue (Voice + Data)	$104,454	$305,028	$565,717	$848,493	$1,128,330					$334,312	$355,807	$386,344	$424,978	$1,501,441	$1,827,694	$2,199,740	$2,466,598	$2,617,338	$2,808,423	$2,947,732
Trend		*192%*	*85%*	*50%*	*33%*						*6.4%*	*8.6%*	*10.0%*	*33.1%*	*21.7%*	*20.4%*	*12.1%*	*6.1%*	*7.3%*	*5.0%*
% of Operating Revenue	*77%*	*81%*	*84%*	*83%*	*82%*								*$1,501,441*	*82%*	*82%*	*81%*	*81%*	*80%*	*80%*	*80%*
Inbound Roaming	$25,671	$58,545	$80,452	$115,893	$163,022															
% of Operating Revenue	*19%*	*16%*	*12%*	*11%*	*12%*															
Equipment Revenue	$5,745	$13,791	$24,519	$54,658	$77,075															
% of Operating Revenue	4%	4%	4%	5%	6%															
Operating Revenue	$135,870	$377,364	$670,688	$1,019,044	$1,368,427									**$1,831,026.10**	**$2,228,895.42**	**$2,715,728.40**	**$3,045,182.12**	**$3,271,672.53**	**$3,510,528.36**	**$3,684,664.53**

	2000	2001	2002	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Operating Revenue	$ 135,870	$ 377,364	$ 670,688	$ 1,019,044	$ 1,368,427	$ 1,831,026	$ 2,228,895	$ 2,715,728	$ 3,045,182	$ 3,271,673	$ 3,510,528	$ 3,684,665
Trend		*178%*	*78%*	*52%*	*34%*	*33.8%*	*25%*	*15%*	*10%*	*8%*	*5%*	*2.5%*
Operating Expenses	$ 339,627	$ 572,961	$ 786,073	$ 976,152	$ 1,147,705	$ 1,408,676	$ 1,671,672	$ 2,009,639	$ 2,222,983	$ 2,388,321	$ 2,492,475	$ 2,579,265
Trend		*69%*	*37%*	*24%*	*18%*	*22.7%*	*18.7%*	*20.2%*	*10.6%*	*7.4%*	*4.4%*	*3.5%*
% of Oper. Revenues	250%	152%	117%	96%	84%	77%	75%	74%	73%	73%	71%	70%

	1999	2000	2001	2002	2003	2004	1Q 2005	2Q 2005	3Q 2005	4Q E 2005	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Less: Interest Expense	$ 65,362	$ 126,104	$ 126,096	$ 160,156	$ 247,387	$ 161,471	$ 25,867	$ 25,183	$ 23,404	$ 24,000	$ 98,454	$ 107,315	$ 116,973	$ 127,501	$ 138,976	$ 151,484	$ 165,117
						-35%					-39%						11%
Tax/EBT									*20.36%*		*23.3%*						

	1999	2000	2001	2002	2003	2004	2005 Q1	2005 Q2	2005 Q3	2005 Q4 E	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Add: Interest Income	$ 24,585	$ 63,132	$ 32,473	$ 7,091	$ 2,811	$ 2,891	$ 2,643	$ 1,010	$ 2,009	$ 2,000	$ 7,662	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000
Tax/EBT									*1.75%*		*1.8%*						

	1999	2000	2001	2002	2003	2004	2005 Q1	2005 Q2	2005 Q3	2005 Q4 E	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Less: Cash Paid for Taxes		$ -	$ -	$ -	$ -	$ -	$ -	$ 3,125	$ 4,615	$ 4,679	$ 12,419	$ 16,578	$ 22,745	$ 243,588	$ 309,173	$ 356,319	$ 386,890
Tax/EBT							*0.00%*	*4.23%*	*4.93%*	*5%*	*3.7%*	*4.0%*	*5.0%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*
Y-O-Y Percentage Change																	

$ 288,139
ammortized until it runs out
meanwhile have to pay AMT 5%

Deferred Tax Asset : Current and Non-current as of 09/30/2005

Ammortization Schedule
Current and Noncurrent Deferred Taxes
EBT
Tax Payable
Tax Paid
Deferred Taxes Amortization

Ammortization Schedule	**3Q 05**	**4Q 05 E**	**06 E**	**07 E**	**08 E**	**09 E**	**10E**	**11E**
Current and Noncurrent Deferred Taxes	$ 288,139	$ 252,593	$ 136,548	**$ (22,671)**	full tax paid	full tax paid	full tax paid	full tax paid
EBT		$ 101,560	$ 331,558	$ 454,909	$ 594,116			
Tax Payable		$ 40,624	$ 132,623	$ 181,964	$ 243,588			
Tax Paid		$ 5,078	$ 16,578	$ 22,745	$ 243,588			
Deferred Taxes Amortization		$ 35,546	$ 116,045	$ 159,218				

	1999	2000	2001	2002	2003	2004	2005	2005	2005	2005	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Plus: Depreciation and Amortization	**$ 12,689**	**$ 38,044**	**$ 76,496**	**$ 101,197**	**$ 135,418**	**$ 149,712**	**$ 40,753**	**$ 41,433**	**$ 43,799**	**$ 45,000**	**$ 170,985**	**$ 194,923**	**$ 224,161**	**$ 260,027**	**$ 301,631**	**$ 349,893**	**$ 405,875**
Y-O-Y Percentage Change		*199.8%*	*101.1%*	*32.3%*	*33.8%*	*10.6%*					*14%*	*14.0%*	*15.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Depreciation/ Total Assets		*2.1%*	*4.2%*	*5.8%*	*7.2%*	*7.6%*					*7.8%*						
Depreciation / Service Revenues		*36.4%*	*25.1%*	*17.9%*	*16.0%*	*13.3%*					*14%*	*15.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Service Revenue (Voice + Data)		$104,454	$305,028	$565,717	$848,493	$1,128,330					$1,501,441	$1,828,267	$2,151,170	$2,416,314	$2,592,743	$2,717,318	$2,781,201

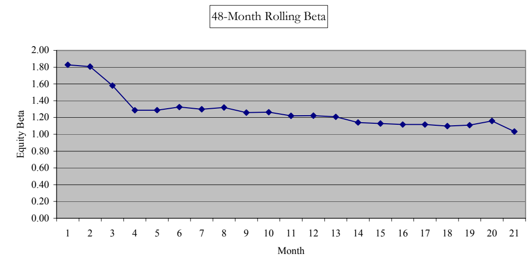
	1999	2000	2001	2002	2003	2004	2005 Q1	2005 Q2	2005 Q3	2005 Q4 E	2005E	2006E	2007E	2008E	2009E	2010E	2011E
Less: CAPEX		**$ 303,573**	**$ 374,001**	**$ 250,841**	**$ 161,845**	**$ 164,845**	$ 56,557	$ 62,310	$ 36,672	$ 51,846	**$ 150,144**	**$ 219,392**	**$ 344,187**	**$ 386,610**	**$ 414,839**	**$ 434,771**	**$ 444,992**
Y-O-Y Percentage Change			*23.2%*	*-32.9%*	*-35.5%*	*1.9%*					*-9%*	*46.1%*	*56.9%*	*12.3%*	*7.3%*	*4.8%*	*2.4%*
Capex / Service Revenue		*290.6%*	*122.6%*	*44.3%*	*19.1%*	*14.6%*					*10.0%*	*12.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*	*16.0%*
Capex/Total Assets		*16.9%*	*20.5%*	*14.4%*	*8.6%*	*8.3%*					*6.9%*						
						15%											
Service Revenue (Voice + Data)		$104,454	$305,028	$565,717	$848,493	$1,128,330					$1,501,441	$1,828,267	$2,151,170	$2,416,314	$2,592,743	$2,717,318	$2,781,201
Current Assets	$ 587,298	$ 983,926	$ 659,059	$ 357,494	$ 462,043	$ 536,516	**$ 605,022**	**$ 553,407**	**$ 652,859**	**$ 603,763**	$ 603,343						
Current Liabilities	$ 58,503	$ 120,423	$ 127,972	$ 161,567	$ 185,425	$ 205,659	**$ 208,359**	**$ 243,353**	**$ 340,044**	**$ 263,919**	$ 282,439						
Working Capital	$ 528,795	$ 863,503	$ 531,087	$ 195,927	$ 276,618	$ 330,857	**$ 396,663**	**$ 310,054**	**$ 312,815**	**$ 339,844**	$ 339,844						
Total Assets	$ 1,015,327	$ 1,793,084	$ 1,821,721	$ 1,735,925	$ 1,889,310	$ 1,975,699	**$ 2,060,128**	**$ 2,029,943**	**$ 2,377,248**	**$ 2,155,773**	$ 2,187,655						
Total Liabilities	$ 844,711	$ 1,195,352	$ 1,471,196	$ 1,624,575	$ 1,902,606	$ 1,924,384	**$ 1,928,838**	**$ 1,814,555**	**$ 1,716,466**	**$ 1,819,953**	$ 1,783,658						

							Q1	Q2	Q3	Q4 E							
	1999	2000	2001	2002	2003	2004		2005			2005E	2006E	2007E	2008E	2009E	2010E	2011E
Less: Change in Working Capital		**$ 334,708**	**$ (332,416)**	**$ (335,160)**	**$ 80,691**	**$ 54,239**	**$ 65,806**	**$ (86,609)**	**$ 2,761**	**$ 27,029**	**$ (27,210)**	**$ (20,000)**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ 10,000**
Y-O-Y Percentage Change			-199%	1%	-124%	-33%	21%	-232%	-103%	879%	-201%	-26%	-150%	0%	0%	0%	0%
% of total assets		*18.7%*	*-18.2%*	*-19.3%*	*4.3%*	*2.7%*					*-1%*						
% of service revenues		*246.3%*	*-88.1%*	*-50.0%*	*7.9%*	*4.0%*					*-1.8%*	*-1.1%*	*0.5%*	*0.4%*	*0.4%*	*0.4%*	*0.4%*
Service Revenue (Voice + Data)		$104,454	$305,028	$565,717	$848,493	$1,128,330					$1,501,441	$1,828,267	$2,151,170	$2,416,314	$2,592,743	$2,717,318	$2,781,201
Current Assets	$ 587,298	$ 983,926	$ 659,059	$ 357,494	$ 462,043	$ 536,516	$ 605,022	$ 553,407	$ 652,859	$ 603,763	$ 603,343						
Current Liabilities	$ 58,503	$ 120,423	$ 127,972	$ 161,567	$ 185,425	$ 205,659	$ 208,359	$ 243,353	$ 340,044	$ 263,919	$ 282,439						
Working Capital	$ 528,795	$ 863,503	$ 531,087	$ 195,927	$ 276,618	$ 330,857	$ 396,663	$ 310,054	$ 312,815	$ 339,844	$ 339,844	$ -	$ -	$ -	$ -	$ -	$ -
Total Assets	$ 1,015,327	$ 1,793,084	$ 1,821,721	$ 1,735,925	$ 1,889,310	$ 1,975,699	$ 2,060,128	$ 2,029,943	$ 2,377,248	$ 2,155,773	$ 2,187,655						
Total Liabilities	$ 844,711	$ 1,195,352	$ 1,471,196	$ 1,624,575	$ 1,902,606	$ 1,924,384	$ 1,928,838	$ 1,814,555	$ 1,716,466	$ 1,819,953	$ 1,783,658						

NXTP BETA ESIMATION

DATE	Re	Rm	Rf	Re-Rf (A)	Rm-Rf (B)			
2000-04-01	-0.243448276	-0.03079582	-0.036923077	-0.206525	0.006127			
2000-05-01	-0.225159526	-0.021914998	0.068690096	-0.293850	-0.090605			
2000-06-01	0.915294118	0.023933549	-0.058295964	0.973590	0.082230			
2000-07-01	-0.030712531	-0.016341262	-0.019047619	-0.011665	0.002706			
2000-08-01	-0.043409379	0.060699035	-0.019417476	-0.023992	0.080117			
2000-09-01	-0.035442199	-0.053482948	-0.021452145	-0.013990	-0.032031			
2000-10-01	-0.158653846	-0.004949496	-0.02529511	-0.133359	0.020346			
2000-11-01	-0.342040816	-0.08006856	-0.01384083	-0.328200	-0.066228			
2000-12-01	0.04280397	0.004053386	-0.092982456	0.135786	0.097036			
2001-01-01	0.234384295	0.034636592	-0.059961315	0.294346	0.094598			
2001-02-01	-0.06313253	-0.092290686	0.00617284	-0.069305	-0.098464			
2001-03-01	-0.29372428	-0.06420472	-0.051124744	-0.242600	-0.013080			
2001-04-01	0.252002913	0.076814355	0.025862069	0.226141	0.050952			
2001-05-01	-0.124490983	0.005090199	0.035714286	-0.160205	-0.030624			
2001-06-01	0.031229236	-0.025035435	-0.024340771	0.055570	-0.000695			
2001-07-01	-0.042525773	-0.01074013	-0.01039501	-0.032131	-0.000345			
2001-08-01	-0.310228802	-0.064108386	-0.039915966	-0.270313	-0.024192			
2001-09-01	-0.343414634	-0.08172339	-0.098468271	-0.244946	0.016745			
2001-10-01	-0.205052006	0.018099026	-0.050970874	-0.154081	0.069070			
2001-11-01	0.798130841	0.07517598	0.015345269	0.782786	0.059831			
2001-12-01	0.247401247	0.007573829	0.105793451	0.141608	-0.098220			
2002-01-01	-0.473333333	-0.015573828	-0.011389522	-0.461944	-0.004184			
2002-02-01	-0.151898734	-0.020766236	-0.00921659	-0.142682	-0.011550			
2002-03-01	0.123134328	0.036738861	0.102325581	0.020809	-0.065587			
2002-04-01	-0.15448505	-0.061417652	-0.018987342	-0.135498	-0.042430			
2002-05-01	0	-0.009081455	-0.034408602	0.034409	0.025327			
2002-06-01	-0.465618861	-0.072455348	-0.066815145	-0.398804	-0.005640			
2002-07-01	0.4375	-0.079004263	-0.090692124	0.528192	0.011688			
2002-08-01	0.396419437	0.00488142	-0.13648294	0.532902	0.141364			
2002-09-01	-0.014652015	-0.110024343	-0.106382979	0.091731	-0.003641			
2002-10-01	0.321561338	0.086448827	0.003401361	0.318160	0.083047			
2002-11-01	-0.071729958	0.057069635	0.033898305	-0.105628	0.023171			
2002-12-01	-0.08030303	-0.060332582	-0.006557377	-0.073746	-0.053775			
2003-01-01	-0.13509061	-0.027414698	0.00660066	-0.141691	-0.034015			
2003-02-01	0.07047619	-0.017003623	-0.049180328	0.119657	0.032177			
2003-03-01	-0.103202847	0.008357606	-0.04137931	-0.061824	0.049737			
2003-04-01	0.152777778	0.081044118	0.053956835	0.098821	0.027087			
2003-05-01	-0.061962134	0.050898661	-0.139931741	0.077970	0.190830			
2003-06-01	0.346788991	0.011322243	-0.099206349	0.445995	0.110529			
2003-07-01	0.209809264	0.016223704	0.264317181	-0.054508	-0.248093			
2003-08-01	-0.073198198	0.017873191	0.174216028	-0.247414	-0.156343			
2003-09-01	-0.046172539	-0.011944326	-0.056379822	0.010207	0.044435			
2003-10-01	0.52611465	0.054961495	0.003144654	0.522970	0.051817			
2003-11-01	-0.015859766	0.007128513	0.031347962	-0.047208	-0.024219			
2003-12-01	0.140797286	0.050765451	-0.006079027	0.146876	0.056844			
2004-01-01	-0.03866171	0.017276423	-0.04587156	0.007210	0.063148	**COVAR(A,B)**	**VARP(B)**	**BETA**
2004-02-01	-0.008507347	0.01220903	-0.016025641	0.007518	0.028235	0.010303	0.005636	1.828021
2004-03-01	-0.012480499	-0.016358936	-0.091205212	0.078725	0.074846	0.010345	0.005726	1.806597
2004-04-01	0.05450237	-0.016790829	0.215053763	-0.160551	-0.231845	0.010665	0.006748	1.580466
2004-05-01	0.221722846	0.012083446	0.135693215	0.086030	-0.123610	0.008971	0.006974	1.286340
2004-06-01	-0.023911711	0.017989078	0.020779221	-0.044691	-0.002790	0.008979	0.006975	1.287348
2004-07-01	0.009422111	-0.034290523	-0.061068702	0.070491	0.026778	0.009081	0.006859	1.324074
2004-08-01	-0.102675793	0.002287333	-0.059620596	-0.043055	0.061908	0.008970	0.006908	1.298572
2004-09-01	0.149791956	0.009363906	-0.031700288	0.181492	0.041064	0.009149	0.006931	1.319922
2004-10-01	0.015681544	0.014014248	-0.00297619	0.018658	0.016990	0.008597	0.006827	1.259388
2004-11-01	0.074228029	0.038594939	0.053731343	0.020497	-0.015136	0.008407	0.006653	1.263615
2004-12-01	0.080154782	0.032458128	0.019830028	0.060325	0.012628	0.007900	0.006476	1.220004
2005-01-01	0.017911975	-0.025290448	0.030555556	-0.012644	-0.055846	0.007740	0.006332	1.222424
2005-02-01	0.00100553	0.018903384	0.016172507	-0.015167	0.002731	0.007647	0.006326	1.208730
2005-03-01	0.100954294	-0.019117647	0.106100796	-0.005147	-0.125218	0.007545	0.006613	1.140985
2005-04-01	0.072992701	-0.02010859	-0.040767386	0.113760	0.020659	0.007455	0.006603	1.129173
2005-05-01	0.009778912	0.029952025	-0.0375	0.047279	0.067452	0.007471	0.006696	1.115745
2005-06-01	0.059789474	-0.000142677	-0.020779221	0.080569	0.020637	0.007485	0.006704	1.116556
2005-07-01	-0.010727056	0.035968204	0.055702918	-0.066430	-0.019735	0.007360	0.006699	1.098666
2005-08-01	0.053815261	-0.011222026	0.035175879	0.018639	-0.046398	0.007481	0.006743	1.109455
2005-09-01	-0.043445122	0.00694894	-0.026699029	-0.016746	0.033648	0.007732	0.006667	1.159770
2005-10-01	0.001992032	-0.017740741	0.079800499	-0.077808	-0.097541	0.007013	0.006783	1.033814
AVERAGE MONTHLY RETURN	**0.024194**	**-0.002297**	**-0.003438**	**0.027632**	**0.001141**	**0.008395**	**0.006613**	**1.276651**
EST. ANNUAL RETURN	**29.03%**	**-2.76%**	**-4.13%**	**33.16%**	**1.37%**			

Holding Period Returns
S&P 500 Composite
5 Yr Bill Return



SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.436684834
R Square	0.190693645
Adjusted R Square	0.176740087
Standard Error	0.202602436
Observations	60

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	0.56097123	0.56097123	13.66630982	0.000486153
Residual	58	2.380769334	0.041047747		
Total	59	2.941740564			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.025862953	0.026155896	0.988800104	0.326868181	-0.026493761	0.078219667	-0.026493761	0.078219667
NXTP Beta	**1.24033461**	0.335515997	3.696797238	0.000486153	0.568726378	1.911942841	0.568726378	1.911942841

R_e	**12.21%**	**Description**
Rf	4.52%	5 year treasury (Nov 2005)
B_e	1.40	Calculated from monthly historical returns
Rp	5.50%	Historic market premium

Target D/V	26.50%
Rd	5.40%
Re	12.21%
Tc	34.00%
WACC	**9.92%**

Company Debt (D)	14.00%
Company Equity (E)	86.00%
Company D/E	16.28%
Company Taxes (Tc)	40.10%
Unlevered Beta	1.13
D/E Comparable Company	36.05%
Taxes Comparable Company	34.00%
Relevered Beta	**1.40**

SPRINT –NEXTEL CAPITAL STRUCTURE (NXTP TARGET DEBT RATIO)

<HELP> for explanation, <MENU> for similar functions. N170 Equity **WACC**

WEIGHTED AVERAGE COST OF CAPITAL

S US Sprint Nextel Corp

Equity Capital Structure		Debt Capital Structure	
Market Cap	70162.89	Short Term Debt	1760.00
Preferred Equity	247.00	Long Term Debt	23538.00
Common Weight	73.31%	Short Debt Weight	1.84%
Preferred Weight	0.26%	Long Debt Weight	24.59%

Cost Structure and Rates

Long Term Growth Rate	12.76%	Cost of Equity	10.53%
Country Premium	5.06	Cost of Preferred	2.83%
Applied Beta	1.20	Cost of Debt	3.27%
1)Risk Premium	6.09%	Wgt Avg Cost Cap	8.59%
Pre-Tax Cost S.T. Debt	4.85%		
Pre-Tax Cost L.T. Debt	5.25%	Total Capital	95707.89
		Net Operating Income	3065.00
Ref Curve USD US Industrial A-	F 7	Return on Capital	3.20%
Tax Rate	37.37%	Roc/Wacc Ratio	0.37
Credit Rating	A-	Economic Value Added	-5154.53

IMPORTANT DISCLAIMER