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# Sprint to acquire iPCS to end lawsuit

by Marguerite Reardon

Sprint Nextel has settled its legal dispute with its wireless affiliate iPCS by striking a deal to acquire the company in a transaction valued at around $831 million.

Sprint **announced Monday that it plans to buy iPCS** for $24 a share, a 34 percent premium to its Friday closing price of $17.88, which means the company will be spending about $426 million in cash. Sprint also agreed to assume $405 million of debt, bringing the total price tag to $831 million.

The deal is expected to close in late 2009 or early 2010. And once it is completed, the companies plan to suspend litigation.

The original agreement between Sprint and iPCS precluded Sprint from operating a competing wireless service in its territory. When the company **bought Nextel in 2005**, it violated this agreement, iPCS has argued.

The courts have sided with iPCS on this issue. Last year, the Supreme Court of Illinois **upheld a lower court's ruling** that Sprint must stop owning, operating, and managing its Nextel iDEN network in Sprint affiliate iPCS's territory.

Sprint was given 360 days to divest itself of the iDEN assets in that territory or strike some kind of deal with iPCS. Given that Nextel is the only operator that has used the iDEN wireless technology in the U.S., divesting these assets appeared unlikely.

As the deadline looms, it appears that Sprint was either unable or unwilling to get rid of its Nextel iDEN assets in this area and has instead decided to strike a deal with the company.

Once the merger is completed, Sprint said that it will no longer have to divest its iDEN network in the iPCS markets.

Sprint's merger with Nextel has been **blamed for many of the problems** facing the wireless operator today. One if its main problems has been a steady loss of valuable wireless subscribers. Since its new CEO Dan Hesse **came on board** nearly two years ago, the company has worked to improve its network and customer service. It's also been trying to repair its damaged reputation.

But even Hesse has admitted that customer perceptions do not change overnight.

Sprint said the iPCS transaction is valued at 6.4 times estimated 2010 adjusted earnings before income, taxes and depreciation. The company forecasts $30 million of annual cost savings and expects the deal to add to free cash flow in 2010.

Marguerite Reardon has been a CNET News reporter since 2004, covering cell phone services, broadband, citywide Wi-Fi, the Net neutrality debate, as well as the ongoing consolidation of the phone companies. E-mail Maggie.