
Suit May Fuel Nextel Partners Price Dispute

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A former Sprint Nextel Corp. executive's allegations of fraudulent sales reporting at Nextel Partners Inc. could raise fresh questions about whether Sprint overpaid for the smaller wireless provider in 2006.

Joanne Marie Toledo Hamm, who oversaw Sprint's integration of Nextel Partners in Hawaii, sued Sprint Nextel Thursday for wrongful dismissal in First Circuit Court in Honolulu, saying she was fired after claiming that Nextel Partners had been artificially pumping up sales numbers prior to its acquisition by Sprint.

Nextel Partners was a partly owned affiliate of national wireless provider Nextel Communications Inc., using the Nextel brand to sell wireless service to about two million customers. Sprint Corp.'s acquisition of Nextel Communications in 2005 for \$35 billion triggered a "put" clause in Nextel Partners' affiliate agreement that forced the newly merged Sprint Nextel to buy out the 68.6% of Partners it didn't al-

ready control.

The two sides sparred for months over how much Sprint Nextel should be required to pay, eventually agreeing on a \$6.5 billion price tag. The two sides had to work through an arbitration panel to resolve their dispute, bringing in appraisers on both sides. Sprint argued Nextel Partners's operational results didn't justify the nearly \$7 billion market capitalization it had at the time.

Ms. Hamm's suit goes to the heart of that dispute. It alleges that employees of Nextel Partners ordered phones for customers without their consent to inflate sales numbers, which improved the appearance of Partners' results and in turn increased the price that Sprint eventually paid to acquire it. To hide the fraudulent sales, the suit alleges, the phones were essentially shipped from one part of Nextel Partners' warehouse to another, and credits were issued to cover the cost of the equipment and services on customers' bills.

Ms. Hamm, who was multi-channel director for Sprint in Hawaii, alleged the practice ex-

tended beyond Hawaii. In the lawsuit, she claimed she completed an investigation into the activity in late 2006 and brought it to the attention of her supervisor, Dennis McSweeney, in a series of emails early this year, but that Mr. McSweeney "actively discouraged" her from doing anything about the issue.

Sprint spokeswoman Leigh Horner said Ms. Hamm's termination "had nothing to do with her bringing to management claims of fraudulent activity," but was rather the result of separate complaints that Ms. Hamm violated the company's code of conduct. Ms. Horner declined to be more specific.

Ms. Horner also declined to comment directly on Ms. Hamm's specific allegations of corporate misconduct but said Sprint Nextel conducted thorough due diligence on Nextel Partners' methods of calculating its financial metrics prior to the deal and found that a limited number of employees at Nextel Partners had engaged in "inappropriate behavior." Those individuals, who had already left the company at the

time of the audit, had their severance payments halted, she said. "The internal audit looked at lots of different practices across Partners—it was thorough," she said.

The suit claims Ms. Hamm suffered from this alleged misconduct as a minority Sprint shareholder and asks for unspecified damages. It also claims she was fired unfairly for blowing the whistle on the activity, and separately was the victim of gender and age discrimination at the company. Ms. Hamm's attorney, Jerry M. Hiatt, said in a telephone interview the suit "will show clear and documentary evidence of false sales of products and services by Nextel."

Nextel Partners was one of several affiliates Sprint was forced to acquire after its union with Nextel Communications. That megamerger itself has gone sour in the past two years, as the company has suffered from poor customer service and high subscriber turnover. Sprint shares have been battered as a consequence and the company was recently forced to write down almost the entire value of the Nextel Communications merger.

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