Penn State Law
Penn State Law eLibrary

M&A Valuation Documents

9-25-2015

Clearwire Doc 5 2015.09.25 Expert Report Jarrell for Shs

Follow this and additional works at: https://elibrary.law.psu.edu/valuation

CONFIDENTIAL

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

ACP MASTER, LTD., AURELIUS CAPITAL MASTER, LTD., and AURELIUS OPPORTUNITIES FUND II, LLC, Plaintiffs, v. SPRINT CORPORATION, SPRINT COMMUNICATIONS, INC., ERIK PRUSCH, JOHN W. STANTON, WILLIAM R. BLESSING, BRUCE A. CHATTERLEY, MUFIT CINALI, JOSE A. COLLAZO, HOSSEIN ESLAMBOLCHI, DENNIS S. HERSCH, BRIAN P. MCANDREWS, KATHLEEN H. RAE, THEODORE H. SCHELL, JENNIFER L. VOGEL, SLADE GORTON, STARBURST I, INC., and SOFTBANK, CORP., Defendants.	)	C.A. No. 8508-VCL
ACP MASTER, LTD., AURELIUS CAPITAL MASTER, LTD., and AURELIUS OPPORTUNTIES FUND II, LLC, Petitioners, v. CLEARWIRE CORPORATION, Respondent.	)	C.A. No. 9042-VCL

EXPERT REPORT

of

GREGG A. JARRELL

September 25, 2015

TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY OF OPINIONS 1

II. QUALIFICATIONS AND COMPENSATION 2

III. MATERIALS REVIEWED 4

IV. BACKGROUND 5
- A. Clearwire Corporation 5
- B. Sprint Nextel Corporation 18
- C. DISH Network Corporation 19
- D. SoftBank Corp. 21
- E. Industry Outlook 23
- F. Macroeconomic Environment 28
- G. Background of the Transaction 29

V. DISH'S TWO PROPOSALS FOR A MINORITY STAKE IN CLEARWIRE 41
- A. Background 41
- B. Minority-Based Proposals 43

VI. DISCOUNTED CASH FLOW ANALYSIS 47
- A. Overview 47
- B. The Projections 49
  - i) Clearwire's Key Value Drivers 49
  - ii) Clearwire Management's Projections 50
  - iii) Sprint's Standalone Projections of Clearwire 60
  - iv) Profit Margins 86
  - v) Capital Expenditures 87
  - vi) Taxes and Net Operating Losses 92
  - vii) Stock-Based Compensation Expense 93
- C. Discount Rate 95
  - i) Capital Structure 96
  - ii) Cost of Debt 100
  - iii) Cost of Equity 106
  - iv) Computation of Cost of Capital 115
- D. Terminal Value 116
  - i) Normalized EBIT Margin in Terminal Period 118
  - ii) Transitional Growth Stage 121
  - iii) Perpetual Growth Rate 123
  - iv) Plowback Ratio 126

v) Calculation of Terminal Value 130
E. Net Debt and Fully Diluted Shares 131
F. Conclusion Based On My DCF Valuations 132
G. Reconciliation with Centerview's and Evercore's DCF Analyses 137

VII. MULTIPLES ANALYSIS 143

VIII. ASSET-BASED ANALYSIS 144

IX. VALUATION CONCLUSION 147

X. THE NOTE PURCHASE AGREEMENT 147
A. Background 147
B. Terms of the NPA and the Sprint Notes 152
C. Centerview's Valuation of the Sprint Notes 153
D. NPA Implies Exorbitant Financing Costs 159
E. Potential Dilution of Value to Clearwire's Minority Shareholders Due to NPA 159

I. INTRODUCTION AND SUMMARY OF OPINIONS

1. I have been retained by Robbins, Russell, Englert, Orseck, Untereiner & Sauber LLP, on behalf of the Plaintiffs/Petitioners in the above-captioned "fiduciary action" and "appraisal action," to opine on the fair value of Clearwire Corporation, a Delaware corporation ("Clearwire" or the "Company"), as of July 9, 2013 (the "Valuation Date").

2. On June 20, 2013, Clearwire agreed to be acquired by Sprint Nextel Corporation ("Sprint"), the Company's majority shareholder, for $5.00 per share in cash.[1] On July 9, 2013, the transaction was completed.[2]

3. I conclude that the fair value of Clearwire's equity as of July 9, 2013 was $11.27 per share, which is based on my independent discounted cash flow ("DCF") analysis that yields a range of $10.07 to $12.71 per share. This stand-alone, going-concern equity fair value of $11.27 per share properly reflects no minority discount, reflects no lack of marketability or illiquidity discount, and excludes any elements of value arising from the accomplishment or expectation of the Sprint/Clearwire merger. My DCF analysis is based on projections prepared approximately three weeks before the Valuation Date. These Sprint-prepared projections had better insight into Sprint's demand for Clearwire's 4G services than Clearwire's management team because Sprint was Clearwire's single-largest customer and only major wholesale customer. These projections also reflected Clearwire's operative reality on the Valuation Date by explicitly contemplating the completion of the SoftBank/Sprint transaction and its impact on Clearwire. Finally, Sprint

---

[1] *See* Clearwire's Schedule 14A Proxy Statement filed with the U.S. Securities and Exchange Commission ("SEC") on June 25, 2013 (the "June 25 Proxy Statement"), pp. S-9, S-13.

[2] *See* Clearwire's Form 8-K filed with the SEC on July 9, 2013.

represented to its board of directors that if the Sprint/Clearwire transaction was not completed, the projections that I am using would be the operative projections for Clearwire.

4. I attempted to conduct an independent multiples analysis of publicly-traded comparable companies and precedent comparable transactions. Because Clearwire has historically reported negative earnings (*i.e.*, negative EBITDA, negative EBIT, and negative net income) and was projected to continue such negative results through 2014/2015, any multiples analysis based on those metrics would be meaningless. Therefore, I did not perform these analyses.

5. I have not conducted an independent asset-based analysis. Plaintiffs instructed me to exclude this analysis from my report because Plaintiffs have retained a separate spectrum valuation expert.

II. QUALIFICATIONS AND COMPENSATION

6. I am currently a tenured Professor of Economics and Finance at the University of Rochester's Simon Business School, where I have been a member of the faculty since 1988. I hold a Ph.D. in Business Economics from the University of Chicago (1978), with major concentrations in Industrial Organization and Finance, as well as an MBA (1976) from the University of Chicago. I received a B.S. in Business Administration from the University of Delaware (1974). I attended high school at New York Military Academy (1967-70).

7. From 1977 to 1981, I was an Assistant Professor of Economics at the Graduate School of Management at the University of Rochester. From 1981 to 1983, I was a Post-Doctoral Research Fellow at the University of Chicago's Center for the Study of the Economy and the State. Thereafter, from 1983 to 1984, I was a Senior Economist with Lexecon, Inc., a Chicago-based economics consulting firm specializing in antitrust and securities litigation. I also

served as an expert in mergers and acquisitions on the 1983 United States Securities and Exchange Commission (the "SEC") Advisory Committee on Tender Offer Policy.

8. From 1984 through 1987, I was the Chief Economist for the SEC in Washington, D.C. I also served as an Adjunct Professor at the Georgetown University Law School in Washington, D.C. during 1985 and 1986, where I co-taught a course on securities regulation. After leaving Washington D.C. in 1987, I was the AT&T Foundation Resident Management Fellow at the University of Rochester's Simon Business School. From 1987 to 1988, I was the Senior Vice President and Director of Research at the Alcar Group, Inc., a Chicago-based management consulting and software firm specializing in financial valuations of businesses and securities.

9. Since joining the Simon Business School faculty at the University of Rochester as a tenured professor, I served from 1988 to 1990 as director of the school's Managerial Economics Research Center. I also served as director of the Bradley Policy Research Center at the Simon Business School from 1990 to 1994. At the Simon Business School, I teach a course titled Cases in Finance to second-year MBA students that covers, among other subjects, the operation of financial markets and the market for corporate control, the economics of mergers and acquisitions, valuation analysis for businesses and securities, the response of stock prices to publicly disclosed information, and financial regulation of securities markets. I also teach a price theory course called Managerial Economics that includes applications of intra-company pricing of transfers of products and services. I have received sixteen Superior Teaching Awards. I have authored or co-authored more than two dozen articles and studies in scholarly journals generally on the topics of mergers and acquisitions, the regulation of financial markets, and the response of stock prices to the release of information, among other things.

10. Over the past three decades, I have been an expert witness in over 190 business disputes involving litigation. I have been retained as an expert witness by both plaintiffs and defendants, as well as by the SEC, the Department of Justice, and the IRS. My curriculum vitae, with a list of publications and of recent cases in which I have testified as an expert at deposition or trial, is attached as Exhibit 1.

11. My compensation, which is not contingent upon the outcome of this matter, is based on my standard hourly rate of $650 per hour times the number of hours worked on this assignment, reimbursement of out-of-pocket expenses, plus a fraction of the total fees received by Forensic Economics, Inc. ("Forensic Economics"), whose employees assisted me and acted under my supervision and direction in connection with this case. Forensic Economics, located in Rochester, New York, was founded in 1989. All of Forensic Economics' senior staff hold masters or doctoral degrees with concentrations in finance or economics. Several senior staff members at Forensic Economics hold professional designations and have taught undergraduate or graduate-level courses in finance, economics, and mathematics. Forensic Economics' compensation, like mine, is not contingent on the outcome of this matter, and is based on standard hourly rates per hour multiplied by the number of hours worked on this assignment, and includes reimbursement of out-of-pocket expenses. The hourly rates of the employees of Forensic Economics who worked on this assignment range from $155 to $500.

III. MATERIALS REVIEWED

12. In the course of my assignment in this action, I (or employees of Forensic Economics acting under my supervision) reviewed numerous documents, including Clearwire's Schedule 14A Proxy Statements filed with the SEC on April 23, 2013 (the "April 23 Proxy Statement"), May 13, 2013 (the "May 13 Proxy Statement"), May 22, 2013 (the "May 22 Proxy

Statement"), June 13, 2013 (the "June 13 Proxy Statement"), and the June 25 Proxy Statement; the First Amended Verified Complaint dated December 20, 2013 (the "Complaint"); depositions of Clearwire directors and executives, Sprint executives, SoftBank Corp. ("SoftBank") executives, and representatives of Clearwire's financial advisors; and various other documents produced by those involved in this litigation. Attached as Exhibit 2 is a comprehensive list of such materials reviewed in connection with this report. I have cited in the text of this report specific documents and information that I relied upon in reaching my conclusions.

13. Unless otherwise stated in this report, I assumed, without independent verification, the accuracy and completeness of the materials in Exhibit 2 and those materials footnoted throughout this report.

IV. BACKGROUND

A. Clearwire Corporation

14. Clearwire was incorporated in Delaware and its Class A common stock was publicly traded on the NASDAQ Global Select Market ("NASDAQ") under the symbol "CLWR."[3]

15. As of June 30, 2013, Clearwire had 700,052,307 shares of Class A common stock and 773,732,672 shares of Class B common stock outstanding, of which Sprint had approximately 50.1% voting control.[4] In addition, Comcast Corporation, Intel Corporation, and Bright House Networks LLC collectively owned Clearwire shares giving them an effective voting and economic interest of approximately 13.0%.[5] According to Clearwire, its Class B

---

[3] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 1, 53.

[4] *See* Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 26.

[5] *See* Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 29.

common stock had equal voting rights to its Class A common stock, and one share of its Class B common stock along with one share of Class B common units was convertible into one share of Class A common stock.[6]

16. In March 2007, prior to its transaction with Sprint and five other investors in 2008, which resulted in "Clearwire" as defined in this report, Clearwire executed its initial public offering ("IPO") of Class A common stock.[7] In the IPO, Clearwire sold 24,000,000 shares of Class A common stock at a price of $25.00 per share, for total gross proceeds of $600 million.[8]

17. Although Clearwire raised $600 million in its IPO, the Company stated that "[t]he proceeds of this offering are expected to provide only a portion of the capital we believe necessary to implement our business strategy."[9]

18. Clearwire, as defined in this report, was formed on November 28, 2008, the result of a "landmark" transaction with Sprint and five other investors (the "2008 Transaction").[10] The terms of the transaction were originally announced on May 7, 2008.

> Clearwire Corporation… and Sprint Nextel Corporation (NYSE:S) announced today that they have completed the transaction to combine their next-generation wireless Internet businesses. With the closing, Sprint contributed all of its 2.5 GHz spectrum and its WiMAX-related assets, including its XOHM business, to Clearwire. In addition, Clearwire has received a $3.2 billion cash investment from Comcast, Intel, Time Warner Cable, Google and Bright House Networks. The transaction with Sprint and the new

---

[6] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 7-8.

[7] Source: Bloomberg. Clearwire's IPO had an effective date of March 7, 2007 and an initial trade date of March 8, 2007.

[8] *See* "Clearwire Announces Pricing of Its Initial Public Offering of Common Stock," *Business Wire*, March 8, 2007 at 8:00am.

[9] *See* Clearwire's Form S-1 filed with the SEC on December 19, 2006, p. 9.

[10] *See* "Clearwire Completes Landmark Transaction with Sprint Nextel to Combine 4G Mobile WiMAX Business," *Business Wire*, November 28, 2008 at 1:12pm.

> cash investment were completed on the terms originally announced on May 7, 2008.[11]

19. Upon consummation of the 2008 Transaction, Sprint would own the largest stake in the newly formed company, with 51% equity ownership. Existing Clearwire shareholders would own approximately 27% of the new company, and the additional five investors as a group would own the remaining 22%. The estimated ownership interests were based on an investment price of $20.00 per share.[12]

20. The total value of the transaction was estimated to be approximately $14.5 billion:

> The target price of $20.00 per share implies a total equity value of approximately $3.9 billion for the existing Clearwire business.
>
> Sprint will contribute all of its 2.5 GHz spectrum and its WiMAX-related assets into a subsidiary of the new company. The implied equity valuation of Sprint's contribution is approximately $7.4 billion which will result in approximately 51 percent ownership, based on the target price of $20.00 per share.
>
> Comcast will invest $1.05 billion, Intel Capital will invest $1.0 billion in addition to its previous investments made in Clearwire, Time Warner Cable will invest $550 million, Google will invest $500 million, and Bright House Networks will invest $100 million, for an aggregate total of $3.2 billion. The investments by Intel Capital, Comcast, Time Warner Cable and Bright House Networks and the contributions from Sprint will be made into a limited liability company subsidiary of the new company. Google will invest directly in the new Clearwire's Class A common stock. In a separate transaction to occur 90 days after closing, Trilogy Equity Partners will invest $10 million in the purchase of shares of Class A common stock on the same pricing terms as the other investors.
>
> The total transaction value will be approximately $14.5 billion, assuming an investment price of $20.00 per share.[13]

---

[11] *See* "Clearwire Completes Landmark Transaction with Sprint Nextel to Combine 4G Mobile WiMAX," *Business Wire*, November 28, 2008 at 1:12pm.

[12] *See* "Sprint and Clearwire to Combine WiMAX Businesses, Creating a New Mobile Broadband Company," *Business Wire*, May 7, 2008 at 6:00am.

[13] *See* "Sprint and Clearwire to Combine WiMAX Businesses, Creating a New Mobile

21. Clearwire's then chairman Craig O. McCaw commented on the creation of an unprecedented wireless network in the global wireless industry:

> The power of the mobile Internet, which offers speed and mobility, home and away, on any device or screen, will fundamentally transform the communications landscape in our country. We believe that the new Clearwire will operate one of the fastest and most capable broadband wireless networks ever conceived, giving us the opportunity to return the U.S. to a leadership position in the global wireless industry.[14]

22. Benjamin G. Wolff, then CEO of Clearwire, added:

> The combination of robust next-generation mobile WiMAX technology and nationwide spectrum that we believe is optimal for delivering mobile broadband services – coupled with substantial new financial resources, a team of experienced wireless industry veterans, and distribution and technology agreements with some of our nation's leading communications, technology and content companies – creates what I believe to be a once-in-a-lifetime opportunity.[15]

23. Clearwire described itself as a "…leading provider of fourth generation, or 4G, wireless broadband services. We build and operate next generation mobile broadband networks that provide high-speed mobile Internet and residential Internet access services in communities throughout the country. Our 4G mobile broadband network provides a connection anywhere within our coverage area."[16]

Broadband Company," *Business Wire*, May 7, 2008 at 6:00am.

[14] *See* "Sprint and Clearwire to Combine WiMAX Businesses, Creating a New Mobile Broadband Company," *Business Wire*, May 7, 2008 at 6:00am.

[15] *See* "Sprint and Clearwire to Combine WiMAX Businesses, Creating a New Mobile Broadband Company," *Business Wire*, May 7, 2008 at 6:00am.

[16] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 2.

24. Clearwire's 4G mobile broadband network operated on the Worldwide Interoperability of Microwave Access technology 802.16e standard, which was referred to as mobile WiMAX.[17]

25. As of December 31, 2012, Clearwire offered its services in 88 markets in the United States to an estimated population covering 137.4 million people, of which 135.1 million people in 71 of those markets were estimated to be covered by Clearwire's 4G mobile broadband network. Clearwire's 4G mobile broadband network in the United States included service offerings to approximately 1.4 million retail and 8.2 million wholesale subscribers.[18]

Business Strategy

26. According to Clearwire, its standalone business strategy consisted of the following:

> ***Deploying our LTE network**:* According to a recent forecast by Cisco, global mobile broadband data consumption is expected to grow at approximately a 92% compound annual growth rate from 2010 to 2015. To enable Sprint and other existing and future mobile broadband service providers to meet this growth and to take advantage of our deep spectrum position, we have begun to deploy LTE on our network. As of December 31, 2012 we have more than 1,000 LTE sites on air on our network. We expect to have 2,000 LTE sites on air by the end of June 2013 and anticipate expanding our LTE network to 5,000 sites by the end of the year. We are focusing primarily on sites in densely populated urban areas where we currently experience the highest concentration of usage of our mobile WiMAX services, although we will also consider sites in other areas where Sprint and other current and future wholesale partners express a need for excess data capacity and where we believe we will be most likely to generate sufficient revenues. We believe that the scope of our planned LTE deployment will provide us with the best opportunity to generate significant wholesale revenue from Sprint and other prospective wholesale partners.

---

[17] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 2.

[18] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 2.

> ***Leveraging our partnership with Sprint:*** We will continue to rely on our partnership with Sprint. Sprint currently offers our 4G mobile WiMAX services to its pre-paid subscribers as part of a bundled Sprint-branded offering. Sprint also agreed to purchase LTE services over our planned LTE network to supplement LTE services it plans to offer over its own network, subject to the satisfaction of certain conditions. Additionally, our agreements with Sprint enable us to leverage Sprint's existing infrastructure for our build out and network deployment. We believe that our wholesale agreements with Sprint will allow us to continue to leverage our current and developing technologies in our business.
>
> ***Adding new wholesale partners:*** To generate sufficient revenue to meet our needs, we believe that it is critical that we add new wholesale partners with substantial requirements for additional data capacity to supplement their own services. With our planned LTE network we believe we will be able to offer other carriers an unmatched opportunity to supplement their own networks' 4G data capacity with our services. We believe this opportunity will become critical as those carriers struggle to satisfy their subscribers' increasing demand for 4G mobile data within the constraints imposed by their spectrum holdings. We also believe that our services will potentially appeal to nontraditional providers of mobile data services, including Internet Service Providers, which we refer to as ISPs, Competitive Local Exchange Carriers, pre-paid Mobile Virtual Network Operators, which we refer to as MVNOs, retailers, machine-to-machine solution providers and satellite service providers. To date, while we have had a number of conversations with potential new wholesale partners about commercial agreements, we have not yet been successful in securing commitments from new partners that will meet our needs. However, we continue to pursue agreements with parties that have expressed interest.[19]

Service Offerings

27. As of the Valuation Date, Clearwire offered its services through its wholesale partners and through retail channels:

> **Wholesale Services:** We offer 4G mobile broadband services through one or more of our wholesale partners in each of our 71 4G markets. Approximately 23% of our wholesale subscribers

[19] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 9-10. *See also* Clearwire's Form 10-K filed with the SEC on February 16, 2012, p. 6.

were users of multi-mode 3G/4G devices residing in areas where we have not yet launched 4G service. Our wholesale partners offer our services as part of their branded offerings. Under existing commercial agreements, some of our wholesale partners are able to offer the same types of services as Clearwire in our 4G markets. Under the 4G MVNO Agreement, Sprint is paying us $925.9 million for unlimited 4G mobile WiMAX services for resale to its retail subscribers in 2012 and 2013…. We also entered into agreements with the following additional wholesale partners: CBeyond, NetZero/United Online, Simplexity, Earthlink, Freedom POP, Leap (dba Cricket Communications), Kajeet and Locus Telecommunications. Our agreements with each of our wholesale partners are non-exclusive; therefore, our wholesale partners have the ability to purchase services from other providers, and we have the ability to enter into additional wholesale agreements with other new partners.[20]

…

Retail Services (CLEAR^{tm} Mobile Broadband Services): As of December 31, 2012, we offered our CLEAR branded retail services over our 4G mobile broadband network in 71 markets in the United States covering an estimated 135.1 million people. Of these 135.1 million people, approximately 22.5 million are covered by sites built to satisfy the substantial service requirements of our Broadband Radio Service, which we refer to as BRS, and Educational Broadband Service, which we refer to as EBS, licenses, which are mandated by the FCC. While we do not actively market CLEAR retail service to the people covered by these sites, our 4G mobile broadband service can be activated and used in these areas by both retail and wholesale customers as well as our EBS partners.

We offer our CLEAR subscribers choice and simplicity in our service offerings, which can be combined in multiple ways to meet the subscribers' specific needs. Starting in 2011, we rolled out a more streamlined service offering that is exclusively no-contract, discontinues the equipment lease option in favor of a purchase-only model, and does not impose any usage caps or overage charges. These plans are available for fixed home, mobile USB, and mobile hotspot devices and offer two monthly recurring price

[20] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 11.

points based on download speed limitations. We also offer short term access plans in 2-hour, daily, or weekly increments.[21]

…

Retail Services (Clearwire[tm] Pre-4G Mobile Broadband Services): In 2011, we ceased sales activity in the 17 markets where we had historically offered Clearwire branded Pre-4G service and are no longer adding new customers in those areas. Subscribers to Clearwire's Pre-4G service continue to be supported under their original terms of service. Subscribers to Clearwire's VoIP service in these Pre-4G markets were part of the aforementioned transition to the Alianza hosted VoIP platform.[22]

28. The breakdown of Clearwire's revenue between its wholesale and retail service offerings is shown in Table 1 below:

TABLE 1
CLEARWIRE'S DISTRIBUTION OF REVENUE[23]
($ in thousands)

	2010	2011	2012
Revenue:			
Retail Revenue	$480,761	$758,254	$795,632
Wholesale Revenue	$50,593	$493,661	$468,469
Other Revenue	$3,749	$1,551	$593
Total	$535,103	$1,253,466	$1,264,694
% of Total Revenue:			
Retail Revenue	89.8%	60.5%	62.9%
Wholesale Revenue	9.5%	39.4%	37.0%
Other Revenue	0.7%	0.1%	0.0%
Total	100.0%	100.0%	100.0%

29. In 2011, Clearwire made a strategic decision to exit from its international markets, and by December 2012, Clearwire had completed the sale of its international operations in

[21] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 12.

[22] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 12.

[23] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 66.

Belgium, Germany, and Spain.[24] As of December 31, 2012, Clearwire offered services in 88 different markets exclusively in the United States.[25]

Related Party Revenues

30. A substantial percentage of Clearwire's historical revenues was derived from relationships with related-party vendors, with Sprint being by far the largest wholesale contributor.[26] In 2011 and 2012, Sprint accounted for "substantially all" of Clearwire's wholesale revenue.[27] Table 2 below outlines Sprint's percentage of Clearwire's total revenues, as well as Clearwire's related-party revenue as a whole:

TABLE 2
CUSTOMER CONCENTRATION[28]
($ in thousands)

	2011	2012
Wholesale Revenue:		
Total Wholesale Revenue	$493,661	$468,469
Related Parties Revenue[29]	$493,350	$465,295
% of total	*99.9%*	*99.3%*
Total Revenue:		
Clearwire's Total Revenue	$1,253,466	$1,264,694
% from Sprint	*39%*	*36%*

[24] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 18.

[25] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 2.

[26] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 122.

[27] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 67.

[28] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 67, 91 and 122; Clearwire's Form 10-K filed with the SEC on February 16, 2012, p. 79.

[29] Assumes that all related party revenue is categorized as wholesale revenue by Clearwire.

Financing Activities

31. Over the years, Clearwire has stated the need for additional financing to fund its business in the long term and to further develop its network. In addition to its IPO, Clearwire completed various offerings of senior secured notes, second-priority secured notes, exchangeable notes, private placements, and a secondary offering. Table 3 below summarizes this financing activity:

TABLE 3
CLEARWIRE'S FINANCING ACTIVITIES[30]
($ in millions)

Year	Type of Financing	Amount
2007	Initial Public Offering	$600.0
2008	2008 Transaction	$3,200.0
2009	Private Placement – Class B Common Stock	$1,564.0
2009	12% Senior Secured Notes Due 2015	$2,772.5
2010	12% Senior Secured Notes Due 2015	$175.0
2010	12% Second Priority Secured Notes Due 2017	$500.0
2010	8% Exchangeable Notes Due 2040	$729.2
2011	Secondary Equity Offering – Class A Common Stock	$402.5
2011	Class B Common and Class B Common Interests	$331.4
2012	14.75% Senior Secured Notes Due 2016	$300.0
2013	1% Exchangeable Notes Due 2018	$240.0
Total		$10,814.6

32. At around the time of the merger, the Company also stated that, without its current funding under its note purchase agreement and/or if its merger agreement with Sprint

[30] *See* "Clearwire Announces Pricing of Its Initial Public Offering of Common Stock," *Business Wire*, March 8, 2007 at 8:00am; Clearwire's Form 8-K filed with the SEC on May 7, 2008, pp. 15-16; Clearwire's Form 10-K filed with the SEC on February 24, 2010, pp. 89-91, 100-101; Clearwire's Form 10-K filed with the SEC on February 22, 2011, pp. 90-93, 103-107; Clearwire's Form 10-K filed with the SEC on February 16, 2012, pp. 90-92, 102-106; and Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 102-105, 116-119.

were to terminate, Clearwire would have difficulty meeting its financing obligations in 2013 and would need to find alternative sources of financing.

> If the Merger Agreement were to terminate and the funding under the Note Purchase Agreement would no longer be available to the Company, without alternative sources of additional capital, we would have to significantly curtail our LTE network build plan as currently contemplated to conserve cash and meet our operating and financing obligations during 2013.[31]
>
> Whether we would be able to successfully fulfill our additional capital needs in a timely manner is uncertain. If the Merger Agreement terminates, we will likely pursue various alternatives for securing additional capital. These alternatives include, among other things, obtaining additional equity and debt financing from a number of possible sources such as new and existing strategic investors, private or public offerings and vendors…
>
> …
>
> If the Merger Agreement terminates and we are unable to raise sufficient additional capital to fulfill our funding needs in a timely manner, or we fail to generate sufficient additional revenue from our wholesale and retail business to meet our obligations, our business prospects, financial condition and results of operations would likely be materially and adversely affected, and we would be forced to consider all available alternatives, including a financial restructuring, which could include seeking protection under the provisions of the United States Bankruptcy Code. These factors raise substantial doubt about our ability to continue as a going concern.[32]

33. The Company disclosed in the April 23 Proxy Statement that the "board of directors is actively considering whether to not make the June 1, 2013, interest payment on our

---

[31] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 27.

[32] *See* Clearwire's Form 10-Q filed with the SEC on April 26, 2013, pp. 10-11.

approximately $4.5 billion of outstanding debt."[33] On May 30, 2013, Clearwire announced that it intended to make its upcoming June 1 interest payment of $255 million.[34]

Financial Results

34. For the fiscal year ended December 31, 2012, Clearwire generated revenues of $1.3 billion and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA") of negative $474.1 million. Exhibit 3 details the historical financial results for Clearwire from 2008 to 2012 and the six months ended June 30, 2013.

35. Over the five-year period (2008-2012) prior to the Valuation Date, Clearwire's revenue grew at a compound annual growth rate ("CAGR") of 53.0%. Although Clearwire's revenue growth rates were positive in each year, they fluctuated considerably. For example, the revenue growth rate for 2009 was 5.7%, followed by 119.5% and 134.2% in 2010 and 2011. In 2012, revenue increased by only a modest 0.9% (*see* Exhibit 3).

36. Although Clearwire's revenues showed growth, Clearwire had a history of operating losses. Over the four-year period (2009-2012), Clearwire reported adjusted EBITDA that ranged from negative $1.5 billion in 2010 to negative $474.1 million in 2012. For the first six months of 2013, Clearwire reported an adjusted EBITDA of negative $204.5 million (*see* Exhibit 3). Clearwire has incurred net losses since its inception.[35] As of June 30, 2013, Clearwire had an accumulated deficit totaling $2.7 billion (*see* Exhibit 3).

37. As of June 30, 2013, the Company had 3.1 million stock options outstanding with a weighted average exercise price of $14.59 per share. Stock-based compensation expense

---

[33] *See* April 23 Proxy Statement, p. 79.

[34] *See* "Clearwire's Special Committee to Review Unsolicited Tender Offer from DISH," *Globe Newswire*, May 30, 2013 at 7:01pm.

[35] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 30.

related to stock options and restricted stock units was $20.0 million for the first six months of 2013, representing 3.1% of Clearwire's revenues.[36]

38. According to the April 23 Proxy Statement, Wall Street analysts had price targets for Clearwire's Class A common stock that ranged from $1.00 per share to $5.00 per share based on reports published between July 2012 and December 2012.[37]

39. Table 4 below identifies Clearwire's executive officers and the members of its Board of Directors, as of April 1, 2013:

TABLE 4
CLEARWIRE'S EXECUTIVE OFFICERS AND BOARD OF DIRECTORS[38]

Name	Position/Affiliation
John W. Stanton	Executive Chairman
William R. Blessing	Director
Bruce A. Chatterley	Director
Mufit Cinali	Director
Jose A. Collazo	Director
Hossein Eslambolchi	Director
Slade Gorton	Director
Dennis S. Hersch	Director and Chair of the Special Committee
Brian P. McAndrews	Director
Kathleen H. Rae	Director and Member of the Special Committee
Theodore H. Schell	Director and Member of the Special Committee
Jennifer L. Vogel	Director
Erik E. Prusch	Director, President and CEO
Hope F. Cochran	Chief Financial Officer and Senior VP
John C.B. Saw	Chief Technology Officer and Senior VP
Broady R. Hodder	General Counsel and Senior VP
Dow Draper	Senior VP and General Manager of Retail
Don A. Stroberg	Senior VP of Strategic Partnerships and Wholesale
Steve A. Ednie	Chief Accounting Officer

[36] *See* Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 25.

[37] *See* April 23 Proxy Statement, pp. 53, 71.

[38] *See* April 23 Proxy Statement, pp. 23, 148-151.

B. Sprint Nextel Corporation

40. Sprint is incorporated in Kansas, and its Series 1 common stock is publicly traded on the New York Stock Exchange ("NYSE") under the symbol "S."[39] As of July 9, 2013, Sprint had a market capitalization of $21.3 billion.[40] Sprint's net revenue for the year ended December 31, 2012 was $35.3 billion.[41]

41. Sprint, a communications company, offers a wide range of wireless and wireline products targeted to individual consumers, businesses, government subscribers, and resellers. Sprint offers its services to customers in all 50 U.S. States, Puerto Rico, and the U.S. Virgin Islands.[42] Sprint described itself as "…the third largest wireless communications company in the United States based on wireless revenue, one of the largest providers of wireline long distance services, and one of the largest Internet carriers in the nation."[43]

42. As of December 2012, Sprint utilized both third generation ("3G") and 4G networks in its service offerings.[44] Sprint "relie[d] on Clearwire" to provide most of its WiMAX 4G service, though Sprint had recently launched its own LTE 4G network "in limited markets."[45]

43. Table 5 below identifies Sprint's key executive officers involved in the Sprint/Clearwire transaction:

---

[39] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, cover page.

[40] $21.3 billion equals 3,017,997,967 shares multiplied by $7.06 per share. Source for Sprint's stock price as of July 9, 2013: Bloomberg. For shares outstanding, *see* Sprint's Form 10-Q filed with the SEC on May 6, 2013, cover page.

[41] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 32.

[42] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 1.

[43] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 1.

[44] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 1.

[45] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 26.

TABLE 5
SPRINT'S KEY EXECUTIVE OFFICERS

Name	Position
Daniel Hesse	President and Chief Executive Officer
Joseph Euteneuer	Chief Financial Officer
Keith Cowan	President - Strategic Planning and Corporate Initiatives
Michael Schwartz	Senior VP of Corporate Strategy and Development
Doug Lynn	VP of Corporate Development

44. On October 15, 2012, Sprint and SoftBank announced that SoftBank would invest $20.1 billion in Sprint, consisting of $12.1 billion to be distributed to Sprint shareholders and $8.0 billion of new capital for Sprint. The transaction was valued at $7.30 per share.[46]

45. On July 10, 2013 (one day after Sprint acquired Clearwire), the SoftBank/Sprint transaction was completed. Under the revised terms of the merger, SoftBank invested approximately $21.6 billion in Sprint, consisting of approximately $16.6 billion to be distributed to Sprint shareholders and $5 billion of new capital for Sprint. The transaction was valued at $7.65 per share. After its completion, SoftBank owned approximately 78% of Sprint, with the remaining 22% of Sprint shares continuing to be publicly traded on the NYSE.[47]

C. DISH Network Corporation

46. DISH Network Corporation ("DISH") is incorporated in Nevada, and its Class A common stock is publicly traded on NASDAQ under the ticker symbol "DISH."[48] As of July 9,

[46] *See* "SoftBank to Acquire 70% Stake in Sprint," *Business Wire*, October 15, 2012 at 4:23am.

[47] *See* "Sprint and SoftBank Announce Completion of Merger," *Business Wire*, July 10, 2013 at 6:00pm.

[48] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, cover page and p. 52.

2013, DISH had a market capitalization of $19.0 billion.[49] DISH's revenue for the year ended December 31, 2012 was $14.3 billion.[50]

47. As of December 31, 2012, DISH was the third largest pay-TV provider in the United States.[51] According to DISH, its subsidiaries operated in three primary business segments:

> **DISH.** The DISH branded direct broadcast satellite ("DBS") pay-TV service had 14.056 million subscribers in the United States as of December 31, 2012. The DISH branded pay-TV service consists of Federal Communications Commission ("FCC") licenses authorizing us to use DBS and Fixed Satellite Service ("FSS") spectrum, our owned and leased satellites, receiver systems, third-party broadcast operations, customer service facilities, a leased fiber network, in-home service and call center operations, and certain other assets utilized in our operations. In addition, we market broadband services under the dishNET™ brand.
>
> **Blockbuster.** On April 26, 2011, we completed the acquisition of most of the assets of Blockbuster, Inc. (the "Blockbuster Acquisition"). The financial results of our Blockbuster operations are included in our financial results beginning April 26, 2011. Blockbuster primarily offers movies and video games for sale and rental through multiple distribution channels such as retail stores, by-mail, digital devices, the blockbuster.com website and the BLOCKBUSTER On Demand® service.
>
> **Wireless Spectrum.** In 2008, we paid $712 million to acquire certain 700 MHz wireless spectrum licenses, which were granted to us by the FCC in February 2009 subject to certain build-out requirements. On March 9, 2012, we completed the acquisitions of 100% of the equity of reorganized DBSD North America, Inc. ("DBSD North America") and substantially all of the assets of

---

[49] $19.0 billion equals (217,570,466 shares Class A shares + 238,435,208 Class B shares) multiplied by $41.74 per share. Source for DISH's stock price on July 9, 2013: Bloomberg. I note that each share of DISH's Class B common stock is convertible into one share of Class A common stock. *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. F-45. For shares outstanding, *see* DISH's Form 10-Q filed with the SEC on August 6, 2013, p. 1.

[50] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. F-5.

[51] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. 1.

> TerreStar Networks, Inc. ("TerreStar"), pursuant to which we acquired, among other things, 40 MHz of 2 GHz wireless spectrum licenses held by DBSD North America and TerreStar. The financial results of DBSD North America and TerreStar are included in our financial results beginning March 9, 2012. The total consideration to acquire these assets was approximately $2.860 billion. This amount includes $1.364 billion for DBSD North America (the "DBSD Transaction"), $1.382 billion for TerreStar (the "TerreStar Transaction"), and the net payment of $114 million to Sprint Nextel Corporation ("Sprint") pursuant to a settlement agreement. We are evaluating our options to commercialize these assets.[52]

48. DISH competes primarily with other satellite operators, cable television companies, wireless and wireline telecom companies, and internet service providers that facilitate the delivery of video content.[53] As of the Valuation Date, the vast majority of DISH's revenues were generated from its satellite subscriber base.[54]

49. Table 6 below identifies DISH's key executive officers involved in the Dish/Clearwire proposals:

TABLE 6
DISH'S KEY EXECUTIVE OFFICERS[55]

Name	Position
Charles W. Ergen	Chairman
Thomas A. Cullen	Executive Vice President, Corporate Development

D. SoftBank Corp.

50. As of March 31, 2013, SoftBank was an internet holding company headquartered in Tokyo, Japan, and its common stock was publicly traded on the Tokyo Stock Exchange under

[52] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. 1.

[53] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. 4.

[54] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. F-65.

[55] *See* DISH's Form 10-K filed with the SEC on February 20, 2013, p. 20.

the ticker symbol "9984."[56] As of July 9, 2013, SoftBank had a market capitalization of $67.7 billion.[57] SoftBank's revenue for its fiscal year ended March 31, 2013 was $40.7 billion.[58] As of March 2013, SoftBank, a holding company, comprised 235 subsidiaries and 108 affiliates.[59]

51. SoftBank's 2013 annual report broke down its business into four distinct segments, with over 64% of its 2012 fiscal year revenues coming from its mobile communications segment.[60]

> **Mobile Communications Segment -** Consisting of mobile communications services, sales of mobile phones, handsets, and mobile communications services-related businesses.
>
> **Broadband Infrastructure Segment -** Consisting of ADSL and ISP services, IP telephony services, and wireless LAN services.
>
> **Fixed-Line Telecommunications Segment -** Consisting of fixed-line telephone services, and data transmission and dedicated line services.
>
> **Internet Culture Segment -** Consisting of internet advertising, e-commerce, and membership services.

---

[56] *See* SoftBank's 2013 Annual Report, July 26, 2013, pp. 148-149.

[57] $67.7 billion equals 1,191,595,394 shares multiplied by $56.82 per share. Shares outstanding calculated as 1,200,660,365 shares issued less 9,064,971 treasury shares. Source for shares outstanding: SoftBank's Consolidated Financial Report for the three-month period ended June 30, 2013, p. 2, available at http://www.softbank.jp/en/corp/irinfo/financials/financial_reports. SoftBank's stock price as of July 9, 2013 calculated as ¥5740.0 at an exchange rate of 101.02 Japanese Yen for 1 U.S. dollar. Source for exchange rate on July 9, 2013: Bloomberg.

[58] $40.7 billion equals ¥3,378,365 million at the average exchange rate of 83.03 Japanese Yen for 1 U.S. dollar during the fiscal year. Source for SoftBank's revenue: Consolidated Financial Report for the fiscal year ended March 31, 2013, available at http://www.softbank.jp/en/corp/irinfo/financials/financial_reports. Source for exchange rate: Bloomberg.

[59] *See* SoftBank's 2013 Annual Report, July 26, 2013, p. 5.

[60] *See* SoftBank's 2013 Annual Report, July 26, 2013, p. 14-15.

52. SoftBank, like Clearwire, used and was developing the TDD-LTE standard on 2.5GHz for 4G services.[61] Both companies, since February 2011, had been members of a global consortium to promote the use of this standard.[62]

53. Table 7 below identifies SoftBank's key executive officers involved in the Sprint/Clearwire transaction:

TABLE 7
SOFTBANK'S KEY EXECUTIVE OFFICERS

Name	Position
Masayoshi Son	Chairman and Chief Executive Officer
Ronald D. Fisher	Director and President of SoftBank Holdings
Junichi Miyakawa	Director and Chief Technology Officer

E. Industry Outlook

Market Overview

54. As of 2012, the wireless industry was seeing a dramatic increase in the demand for data due to the popularity of smart phones such as the Apple iPhone:

> The wireless landscape has changed tremendously from the time CLWR initially went public in March 2007. Since that time, we have seen the release of the iPhone, the introduction of mobile app stores, and the resulting explosion in demand for mobile data. As the market has evolved, so too, has CLWR's strategy.[63]

55. A study by Cisco emphasized the projected growth in wireless data traffic:

> [E]stimates in CSCO's Visual Networking Index study [from early 2012] point to annualized growth of mobile data traffic of 84% in the U.S. from 2010-2015 – reaching a massive 915PBs [petabytes] of network-based traffic per month. This rapid acceleration of

[61] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 17; Deposition of Masayoshi Son, August 19, 2015 ("Son Dep."), p. 21.

[62] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 17.

[63] *See* "Initiating Coverage at Equal-Weight," Evercore Partners, February 6, 2012, p. 8.

> network traffic has left carriers capacity constrained in many major markets – leading all of the national carriers to highlight a need for more spectrum within the next several years. With limited near-term opportunities to acquire substantial blocks of incremental spectrum, and other offloading techniques (such as Wi-Fi) having drawbacks, it would seem to indicate CLWR is well-positioned to address this need.[64]

56. Wireless data traffic, like motor traffic, must travel on a kind of highway. That highway is a particular radio frequency. The set of radio frequencies that a wireless carrier has available to handle its data traffic is referred to as that carrier's "spectrum."[65] All else equal, the more spectrum a carrier has, the more wireless data traffic it can handle.[66]

57. There are multiple technologies capable of transmitting data over spectrum. Long-Term Evolution ("LTE") and WiMAX were two such technologies in use in 2012.[67] At that time, in the United States, LTE was more common than WiMAX.[68]

58. In its public filings, Clearwire recognized the importance of deploying LTE on its network to meet the growing demand for data usage in the wireless industry. Clearwire stated:

> According to a recent forecast by Cisco, global mobile broadband data consumption is expected to grow at approximately a 92% compound annual growth rate from 2010 to 2015. To enable Sprint and other existing and future mobile broadband service providers to meet this growth and to take advantage of our deep spectrum position, we have begun to deploy LTE on our network.[69]
>
> …
>
> [T]echnologies such as LTE are becoming more widely adopted in the industry, which has reduced demand for our current mobile

---

[64] *See id.*, p. 9.

[65] *See* Deposition of Hope Cochran, July 31, 2015 ("Cochran Dep."), pp. 41-42.

[66] *See* Deposition of Erik Prusch, July 28, 2015 ("Prusch Dep."), pp. 22-24.

[67] *See* Prusch Dep., pp. 24-26.

[68] *See* Prusch Dep., pp. 26-27.

[69] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 9.

> WiMAX services and is requiring us to deploy LTE technology…[70]

59. Due to the growth in data consumption, the wireless industry also saw a growing need for spectrum to build out LTE networks. An analyst at Macquarie saw Clearwire as a company that could shape the US wireless industry because "[a]ll of the major US carriers are in the midst of 4G LTE build-outs and have expressed needs for additional spectrum. Additionally, our bottom-up US mobile data model shows around 50% annual demand growth thru 2014…[t]his leaves DISH, CLWR and SpectrumCo. as the three probable sources of spectrum through mid-2014."[71]

60. An analyst at D.A. Davidson & Co. also commented on the growing demand for spectrum, stating:

> There is a shortage of supply in terms of spectrum availability in the marketplace. The major wireless carriers are all constantly on the lookout for potential spectrum assets. Thus, the price of spectrum has gone up by ~63% from 2006 to 2011.[72]

61. At least one other analyst reported this same sentiment:

> AT&T's CEO said at Q411 earnings that the number one issue for us as we move forward and for the industry…continues to be spectrum. We could not agree more. Spectrum *is* in short supply in the US; we estimate demand for at least 130-170MHz of spectrum from the US carriers for LTE build-outs thru 2014, far exceeding supply.[73]

---

[70] *See id.*, p. 30.

[71] *See* "Spectrum Lynchpin But Outcome Is Binary – Initiating Coverage with a Neutral Rating and $2.65 PT," Macquarie Equities Research, February 22, 2012, p. 3.

[72] *See* "Initiating Coverage: Clear Spectrum Value But lots of Hair!," D.A. Davidson & Co., August 22, 2012, p. 6.

[73] *See* "Spectrum Lynchpin But Outcome Is Binary – Initiating Coverage with a Neutral Rating and $2.65 PT," Macquarie Equities Research, February 22, 2012, p. 1.

Competition

62. As of December 31, 2012, the market for broadband services was highly competitive, and Clearwire competed with a number of firms using platforms such as 3G cellular, 4G, cable, DSL, satellite, etc., on the basis of portability, speed, reliability, price, and respective services.[74] According to Clearwire, its competition was categorized as follows:

> **Cellular and PCS Services -** Cellular and personal communications services, which we refer to as PCS, carriers are seeking to expand their capacity to provide data and voice services that are superior to ours. These providers have existing 2G and 3G networks with substantially broader geographic coverage than we have and, for the foreseeable future, than we expect to have. Furthermore, several of these carriers have begun deploying or have deployed 4G services on their networks. Carriers such as AT&T Inc., which we refer to as AT&T, T-Mobile USA Inc., which we refer to as T-Mobile, and Verizon Wireless, among others, have either begun to deploy, or have announced plans to deploy, LTE, which delivers performance that is similar to, or better than, and is more widely accepted than mobile WiMAX technology. Verizon Wireless has launched LTE in in [sic] over 476 markets to date, and has announced plans to cover its entire existing 3G footprint with LTE by the end of 2013. AT&T started deploying LTE on its network in late 2011 and has launched LTE in approximately 135 markets as of January 2013. Sprint has launched 4G LTE services over its network in 58 markets to date. T-Mobile has announced that it expects to reach broad deployment of LTE over the next two years, with service in the vast majority of the top 50 markets. T-Mobile and MetroPCS Communications, Inc., have announced that they have signed a definitive merger agreement. The combined company will have the expanded scale, spectrum and financial resources to aggressively compete with the other U.S. wireless carriers. The mobility and coverage offered by these carriers under their existing networks, combined with their new 4G networks, will provide even greater competition than we currently face.
>
> **Cable Modem and DSL Services -** We compete with companies that provide Internet connectivity through cable modems or DSL. Principal competitors include cable companies, such as Time

[74] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 19.

Warner Cable and Comcast, as well as incumbent telephone companies, such as AT&T, CenturyLink, Inc. and Verizon Communications, Inc., which we refer to as Verizon.

Wireless Broadband Service Providers - We also will face competition from other wireless broadband service providers that use licensed spectrum. Moreover, if we are successful, we expect these and other competitors to adopt or modify our technology or develop a technology similar to ours. We believe that, as network infrastructure based on 4G technologies becomes more widely available and manufacturers develop and sell handheld communications and consumer electronic devices that are enabled to communicate using these networks, other network operators will introduce 4G mobile broadband services comparable to ours in our markets.

Satellite - Satellite providers like WildBlue Communications, Inc. and Echostar Corporation offer broadband data services that address a niche market, mainly less densely populated areas that are unserved or underserved by competing service providers. Although satellite offers service to a large geographic area, latency caused by the time it takes for the signal to travel to and from the satellite may challenge the ability to provide some services, such as VoIP, and reduces the size of the addressable market.

WISPs and Wi-Fi - We also compete with other wireless Internet service providers, which we refer to as WISPs, which use unlicensed spectrum for services over Wi-Fi networks. In addition to these commercial operators, many local governments, universities and other governmental or quasi-governmental entities are providing or subsidizing Wi-Fi networks over unlicensed spectrum, in some cases at no cost to the user. Unlicensed spectrum may be subject to interference from other users of the spectrum, which can result in disruptions and interruptions of service. We rely exclusively on licensed spectrum for our networks and do not expect significant competition from providers using unlicensed spectrum to deliver services to their customers. However, the cable companies, AT&T and Verizon are launching Wi-Fi hotspots to offload their data capacity. This could augment their data capacity and reduce their need for additional data capacity from us.

Other - We believe other emerging technologies may also enter the broadband services market. For example, certain Internet service providers are working with electric distribution utilities to install broadband over power line, which we refer to as BPL, technology on electric distribution lines to provide broadband

> services. These Internet service and BPL providers are potential competitors. In addition, when the FCC submitted its National Broadband Plan to Congress in 2010, it committed to identifying an additional 500 MHz of spectrum for wireless broadband networks.[75]

F. Macroeconomic Environment

63. Over the one-year period ended July 9, 2013, the S&P 500 Total Return Index increased 26.0%, the Nasdaq Composite Index increased 20.7%, the S&P MidCap 400 Index (an index of mid-cap companies) increased 28.6%, the Russell 2000 Index (an index of small-cap companies) increased 28.0%, and the S&P 500 Wireless Services Index increased 60.6%. On July 9, 2013, oil was trading at $103.53 per barrel, which was also its 52-week high.[76]

64. As of the Valuation Date, the federal funds rate (the rate charged on overnight loans between banks) and prime rate (the interest rate that banks charge their most creditworthy customers) had remained at 0.25% and 3.25% since December 16, 2008.[77]

65. The annual rate of growth in nominal gross domestic product ("GDP") in 2009, 2010, 2011, and 2012 was -2.0%, 3.8%, 3.7%, and 4.1%. This compares to the long-term average historical nominal GDP growth rates that ranged from 6.5% (post the stock-market crash of 1929: 1930-2012) to 6.6% (post World War II: 1946-2012).[78] For the first quarter of 2013, nominal GDP increased at an annual rate of 1.8%.[79] Nominal GDP was expected to increase at

---

[75] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 19-20.

[76] Source: Bloomberg – S&P 500 Total Return Index (Bloomberg ticker: SPTR); Nasdaq Composite Index (CCMP); S&P MidCap 400 (MID); Russell 2000 Index (RTY); S&P 500 Wireless Services Sub Industry Index GICS Level 4 (S5WIRE); West Texas Intermediate Crude Oil Spot Price (USCRWTIC).

[77] Source: Bloomberg – Federal Funds Target Rate (FDTR), Prime Rate (PRIME).

[78] Source: Bloomberg – Nominal GDP (GDPACUR$).

[79] *See* "US Manufacturing Activity Likely Rebounded in June after Shrinking in May," *AP Newswire*, July 1, 2013 at 6:12am.

an annualized rate of between 1.5% and 2.0% in the second quarter of 2013.[80] Inflation during 2012 was 1.74%, and the long-term average historical rate of inflation was 3.26% (1930-2012) and 3.91% (1946-2012).[81] As of July 1, 2013, the Federal Reserve Bank of Cleveland indicated the expected long-term rate of inflation over the next thirty years was 2.07%.[82]

G. Background of the Transaction

66. On October 8, 2012, Sprint indicated to Clearwire that it was interested in acquiring 100% of Clearwire. Sprint also stressed the importance of acquiring, at a minimum, the stakes of one or more of the companies involved in the 2008 Transaction (the "SIGs"), as well as the urgency to complete a transaction.[83]

67. On October 11, 2012, various media outlets reported that SoftBank was in negotiations to buy a stake in Sprint. Those reports prompted rumors that Sprint would acquire Clearwire. Prior to this date, Clearwire was unaware of the potential transaction between SoftBank and Sprint.[84]

68. Later that day, Sprint publicly announced that it was indeed in discussions with SoftBank.[85] Clearwire's stock price increased 70.8% to close at $2.22 per share on October 11, 2012.[86] Following this announcement, on that same day, Sprint informed Clearwire it was also

---

[80] *See id.*

[81] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 210-211.

[82] *See* "Cleveland Fed Estimates of Inflation Expectations," Federal Reserve Bank of Cleveland,https://www.clevelandfed.org/en/Our%20Research/Indicators%20and%20Data/Datasets.aspx.

[83] *See* April 23 Proxy Statement, p. 20.

[84] *See id.*, p. 20.

[85] *See id.*, p. 21.

[86] Source: Bloomberg.

in discussions to purchase Clearwire shares held by one or more of the SIGs, including Eagle River.[87]

69. On October 15, 2012, Sprint and SoftBank issued a joint press release announcing that SoftBank would acquire a 70% stake in Sprint, which included $8 billion in additional capital financing for Sprint. The transaction was valued at $7.30 per share. The press release specifically stated that no actions regarding Clearwire were required.[88]

70. On October 17, 2012, Sprint elected to purchase 100% of Eagle River's stake in Clearwire at a price of $2.97 per share. Sprint agreed to pay Eagle River an additional "make whole payment" if Sprint subsequently acquired or disposed of its Clearwire shares over the next three years at a price higher than $2.97 per share, with the make whole payment equal to the excess of such higher price over the $2.97 per share price. As a result of this transaction, Sprint's interest in Clearwire increased from 48.1% to 50.4%. Two months later, on December 11, 2012, Sprint finalized its acquisition of the Clearwire shares held by Eagle River.[89]

71. On November 2, 2012, Mr. Stanton told SoftBank and Sprint that he believed that the SIGs would not agree to sell their Clearwire shares for less than the $2.97 per share received by Eagle River in October 2012.[90]

72. On November 13, 2012, Clearwire's board of directors formed a Special Committee (the "Special Committee") to oversee strategic alternatives available to Clearwire.

---

[87] *See* April 23 Proxy Statement, p. 21.

[88] *See id.*, p. 21; "SoftBank to Acquire 70% Stake in Sprint," *Business Wire*, October 15, 2012 at 4:23am.

[89] *See* April 23 Proxy Statement, p. 22; Clearwire's Schedule 13D filed with the SEC on October 18, 2012; Clearwire's Schedule 13D filed with the SEC on December 18, 2012.

[90] *See* April 23 Proxy Statement, p. 22.

The Special Committee consisted of board members Dennis Hersch, Kathleen Rae, and Ted Schell.[91]

73. The Special Committee was empowered "…to explore, review, reject, evaluate and negotiate strategic alternatives…" and to "…negotiate potential strategic transactions…, retain and compensate advisors, implement a shareholder rights plan, and/or terminate discussions with any counterparty… regarding any potential transaction."[92] The Special Committee was not obligated to recommend any strategic alternative, but it could submit its recommendation for strategic alternatives to the board of directors. The board of directors could not recommend strategic alternatives without approval from the Special Committee.[93]

74. On November 23, 2012, the Special Committee engaged Simpson Thacher & Bartlett LLP and Richards, Layton & Finger, P.A. as its legal advisors and Centerview Partners, LLC ("Centerview") as its financial advisor.[94,95]

75. On November 21, 2012, Sprint submitted a preliminary non-binding term sheet to purchase all of Clearwire's common stock not already owned by Sprint. While the term sheet itself did not state the merger consideration, Sprint conveyed to Clearwire its intent to offer

---

[91] *Se*e id., p. 23.

[92] *See id*., p. 23.

[93] *See id*., p. 23.

[94] *See id*., p. 23.

[95] While the Special Committee was negotiating the engagement of Centerview, Special Committee member Messrs. Schell and Hersch commented that Centerview's proposed engagement letter was "…way off the mark. The intent here is to negotiate a deal with Sprint – there isn't going to be a process of soliciting other buyers; it's not a competitive deal – one buyer; there's no book to prepare, there's likely no intensive due diligence – it's a price negotiation and we kind of know where we are going to wind up on it. There is a matter also of putting in place a facility to fund the company to assure no going concern issue etc. during the pendency of the transaction. What we need is a fairness opinion, and oversight/support for John." *See* Deposition of Dennis Hersch, August 11, 2015 ("Hersch Dep.") Ex. 8 at Bates No. SPComm_00003895.

$2.60 per share for both Class A and Class B shares of Clearwire. Sprint underscored the urgency to complete such a transaction with Clearwire "on an accelerated time schedule" to avoid regulatory delays in the SoftBank/Sprint merger.[96]

76. The term sheet also discussed interim financing to be provided to Clearwire by Sprint in the form of up to $600 million in exchangeable notes, exchangeable for common stock at a conversion price of $1.25 per share (for more background on the exchangeable notes, *see* Section IX. , "The Note Purchase Agreement").[97] On that day, Clearwire's stock price closed at $2.18 per share.[98]

77. On November 23, 2012, the Special Committee determined that Mr. Stanton, executive chairman of Clearwire's board of directors, should be the "primary negotiator" with Sprint on behalf of the Special Committee.[99]

78. On November 26, 2012, Clearwire provided Sprint access to an electronic data room as well as other information to support Sprint's due diligence.[100]

79. On December 3, 2012, Clearwire met with Sprint to discuss its $2.60 per share proposal. Clearwire presented to Sprint a counter proposal of $3.15 per share in cash. In the same meeting, Sprint indicated for the first time that it wanted Clearwire to "substantially accelerate construction of its LTE network."[101]

80. On December 6, 2012, Sprint sent Clearwire a revised term sheet with a counteroffer of $2.80 per share. In addition, the term sheet specified that all draws on the interim

---

[96] *See id.*, p. 24.
[97] *See id.*, p. 24.
[98] Source: Bloomberg.
[99] *See* April 23 Proxy Statement, p. 25.
[100] *See id.*, p. 25.
[101] *See id.*, p. 26.

financing would be conditioned on network build-out targets. The term sheet also included a revised conversion price of $1.50 per share for the exchangeable notes.[102] On that day, Clearwire's stock price closed at $2.53 per share.[103]

81. On that same day, Clearwire received a preliminary non-binding proposal from DISH to acquire certain of Clearwire's spectrum assets for $2.2 billion, with the option to purchase or lease additional spectrum.[104]

82. On December 7, 2012, Clearwire's board of directors retained Evercore Group, L.L.C. ("Evercore") as its financial advisor in connection with the Sprint merger.[105]

83. On December 9, 2012, Sprint proposed to Clearwire a revised merger consideration of $2.90 per share.[106]

84. On December 11, 2012, news stories surfaced reporting that Sprint was negotiating with Clearwire to acquire Clearwire's common stock that it did not already own. Clearwire's stock price increased 11.7 % to close at $2.68 on December 11, 2012.[107]

85. On December 13, 2012, before the market opened, Sprint publicly disclosed that it was in negotiations with Clearwire and was attempting to reach a definitive agreement for a merger to acquire all shares it did not own at a price of $2.90 per share, and provide $800 million in interim financing to Clearwire through an exchangeable note purchase agreement. Sprint also

---

[102] *See id.*, p. 27.
[103] Source: Bloomberg.
[104] *See* April 23 Proxy Statement, p. 27.
[105] *See id.*, p. 3.
[106] *See id.*, p. 28.
[107] *See id.*, p. 28.

disclosed that a Sprint/Clearwire transaction would require the consent of SoftBank.[108] Clearwire's stock price increased 14.9% to close at $3.16 per share on December 13, 2012.[109]

86. On December 14, 2012, Sprint informed Clearwire that SoftBank would not provide its consent to a Sprint/Clearwire transaction at any price higher than $2.97 per share.[110]

87. Later that day, the Special Committee's financial advisor, Centerview, contacted at least two potential strategic partners that had previously had discussions with Clearwire to gauge their interest in a possible transaction. Neither of the parties was interested.[111]

88. On December 16, 2012, the Special Committee received an opinion from Centerview that the merger consideration of $2.97 per share was fair, from a financial point of view. Evercore also delivered an opinion to Clearwire's board of directors that the merger consideration of $2.97 per share was fair, from a financial point of view.[112] Thereafter, all six Clearwire directors who were not designated by Sprint unanimously approved the Sprint/Clearwire merger, followed by the unanimous approval of Clearwire's entire board of directors.[113]

89. On December 17, 2012, before the market opened, Clearwire and Sprint entered into a definitive agreement and publicly announced that Sprint would acquire all of Clearwire's common stock it did not already own at a price of $2.97 per share. The announcement also disclosed that Clearwire and Sprint had entered into a note purchase agreement that provided up

---

[108] *See id.*, p. 29; Clearwire's Form Schedule 13D filed with the SEC on December 13, 2012 at 6:07am.

[109] Source: Bloomberg.

[110] *See* April 23 Proxy Statement, p. 30.

[111] *See id.*, p. 30; Email at Bates No. CVIEW00014382.

[112] *See* April 23 Proxy Statement, p. 32.

[113] *See id.*, p. 33.

to $800 million of financing for Clearwire in the form of exchangeable notes with a coupon of 1%.[114] Clearwire's stock price decreased 13.6% to close at $2.91 per share on December 17, 2012.[115] The $2.97 per share deal value represented a 128.5% premium to Clearwire's pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.

90. On December 28, 2012, DISH repeated its previous offer to purchase certain of Clearwire's spectrum assets for $2.2 billion but, this time, DISH proposed to acquire all of Clearwire's outstanding shares for $3.30 per share and proposed to provide Clearwire with interim financing. DISH's proposal, however, was contingent on Clearwire not drawing down on the financing associated with its exchangeable note purchase agreement with Sprint.[116]

91. On January 8, 2013, after the market closed, Clearwire issued a press release announcing the proposed tender offer from DISH to acquire up to 100% of Clearwire's common stock for $3.30 per share, subject to DISH obtaining at least 25% ownership of Clearwire's fully diluted shares. The proposed tender offer would not be dependent on Sprint's participation. The proposal also contemplated that DISH would have the right to appoint Clearwire board members consistent with its ownership percentage, as well as certain minority protections and preemptive rights. The proposed tender offer required that Clearwire terminate its exchangeable note purchase agreement with Sprint.[117] Clearwire's stock price increased 7.2% to close at $3.13 per share on January 9, 2013.[118] The $3.30 per share proposed tender offer represented a 153.8%

---

[114] *See id.*, p. 33; "Sprint to Acquire 100 Percent Ownership of Clearwire for $2.97 per Share," *Business Wire*, December 17, 2012 at 7:00am.

[115] Source: Bloomberg.

[116] *See* April 23 Proxy Statement, p. 33.

[117] *See id.*, pp. 33-35; "Clearwire Corporation Provides Transaction Update," *Globe Newswire*, January 8, 2013 at 5:15pm.

[118] Source: Bloomberg.

premium to Clearwire's pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.

92. The press release also stated that, in order for Clearwire to comply with DISH's terms and allow the Special Committee time to proceed with its evaluation of the DISH proposal, Clearwire revoked its initial $80 million draw notice under its note purchase agreement with Sprint. Sprint indicated that it did not believe that Clearwire's initial draw notice was revocable and that it reserved its rights on this matter.[119]

93. On February 1, 2013, Clearwire issued a press release stating that it had foregone its February $80 million draw for a second consecutive month as it continued to evaluate the DISH proposal.[120]

94. On February 27, 2013, Clearwire issued a press release stating that it would draw down $80 million in March under the exchangeable note purchase agreement with Sprint.[121]

95. On March 28, 2013, Clearwire issued another press release stating that it would draw down $80 million in April under the exchangeable note purchase agreement.[122]

96. On April 3, 2013, Clearwire received an unsolicited non-binding proposal from Crest Financial Limited offering Clearwire $240 million in convertible debt financing, convertible into common shares at a conversion price of $2.00 per share.[123]

---

[119] *See* April 23 Proxy Statement, pp. 35-36.
[120] *See id.*, p. 36.
[121] *See id.*, p. 37.
[122] *See id.*, p. 38.
[123] *See id.*, p. 38.

97. On April 8, 2013, Clearwire received an unsolicited non-binding proposal from Verizon Communications, Inc. offering to acquire certain of Clearwire's spectrum leases at a price of $1.0 billion to $1.5 billion, less the present value of spectrum leases.[124]

98. On April 9, 2013, Clearwire received an unsolicited non-binding proposal from Aurelius Capital Management, LP offering Clearwire $80 million in exchangeable notes financing, convertible into common shares at a conversion price of $2.00 per share.[125]

99. On April 8 and 9, 2013, Clearwire sent letters to Sprint requesting its consent to the Crest and Aurelius financing proposals. On April 10, 2013, Sprint declined to provide such consent.[126]

100. On April 15, 2013, DISH announced that it had submitted a proposal to Sprint to acquire 100% of Sprint's common stock for $25.5 billion in cash and stock, equivalent to $7.00 per share.[127]

101. On May 10, 2013, Institutional Shareholder Services, Inc., an independent proxy advisory firm, recommended that Clearwire shareholders vote in favor of the Sprint/Clearwire merger, while Glass Lewis & Co., another independent proxy advisory firm, recommended that Clearwire shareholders oppose the merger.[128]

---

[124] *See id*., p. 38.

[125] *See id*., p. 39.

[126] *See id*., pp. 38-39.

[127] *See id*., p. 39; "DISH Network Proposes Merger with Sprint Nextel Corporation for $25.5 Billion," *Business Wire*, April 15, 2013 at 6:30am.

[128] *See* May 22 Proxy Statement, p. S-9.

102. On May 20, 2013, Sprint increased its offer for Clearwire from $2.97 per share to $3.40 per share.[129] The $3.40 per share deal value represented a 161.5% premium to Clearwire's pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.

103. On May 21, 2013, both Centerview and Evercore opined that the merger consideration of $3.40 per share was fair from a financial point of view. Thereafter, all six Clearwire directors who were not designated by Sprint unanimously approved the revised Sprint/Clearwire merger, followed by the unanimous approval of Clearwire's entire board of directors. Clearwire and Sprint then executed the amended merger agreement. Also as of May 21, 2013, Clearwire and DISH had not had any substantive discussions since April 15, 2013.[130]

104. On May 22, 2013, before the market opened, Clearwire issued a press release stating that the amended merger agreement with Sprint for a price of $3.40 per share was approved by Clearwire's board of directors.[131] Clearwire's stock price decreased 0.6% to close at $3.38 per share on May 22, 2013.[132]

105. On May 29, 2013, two days before Clearwire's scheduled stockholders' meeting to vote on the Sprint/Clearwire transaction and after the market closed, DISH initiated a $4.40 per share tender offer (the "May 2013 DISH Tender Offer") for all of the outstanding shares of Clearwire's Class A common stock, with a 25% minimum tender requirement.[133] Clearwire's stock price increased 29.3% to close at $4.50 per share on May 30, 2013.[134] The $4.40 per share

---

[129] *See id.*, p. S-9.

[130] *See id.*, pp. S-10-11.

[131] *See id.*, p. S-11.

[132] Source: Bloomberg.

[133] *See* June 13 Proxy Statement, p. S-10; "DISH Network Announces Tender Offer in Letter to Clearwire Board of Directors," *Business Wire*, May 29, 2013 at 7:40pm.

[134] Source: Bloomberg.

proposal represented a 238.5% premium to Clearwire's pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.

106. On June 5, 2013, Clearwire sent Sprint a "Change of Recommendation Notice."[135]

107. On June 10, 2013, Sprint announced that its board of directors determined that DISH's April 15 proposal was not reasonably likely to lead to a "superior offer." Sprint and SoftBank also announced revised merger terms, with SoftBank to invest approximately $21.6 billion in Sprint, consisting of approximately $16.6 billion to be distributed to Sprint shareholders and $5 billion of new capital for Sprint. The transaction was valued at $7.65 per share.[136]

108. On June 12, 2013, both Centerview and Evercore opined that the May 2013 DISH Tender Offer of $4.40 per share was fair from a financial point of view.[137] The Special Committee unanimously determined, in light of the higher price of $4.40 per share May 2013 DISH Tender Offer, that the May 2013 DISH Tender Offer was fair to, and in the best interests of, Clearwire's shareholders. Clearwire's board of directors unanimously recommended that shareholders vote "AGAINST" the Sprint/Clearwire transaction and recommended that the Class A shareholders approve the May 2013 DISH Tender Offer.[138]

109. On June 19, 2013, five days before Clearwire's scheduled stockholders' meeting to vote on the Sprint/Clearwire transaction, Sprint and SoftBank contacted Clearwire and informed them that they were willing to increase their offer to Clearwire from $3.40 per share to $5.00 per share. This proposal "require[d] Clearwire and its representatives immediately to

---

[135] *See* June 13 Proxy Statement, p. S-11-12.

[136] *See* "Sprint and SoftBank Amend Merger Agreement to Deliver Greater Value to Sprint Stockholders," *Business Wire*, June 10, 2013 at 8:19pm.

[137] *See* June 13 Proxy Statement, p. S-13.

[138] *See id.*, p. S-7, S-13, 14.

cease and terminate any and all discussions and negotiations with DISH and its affiliates with respect to the DISH Tender Offer."[139]

110. On June 20, 2013, the Special Committee decided not to contact DISH prior to executing a revised agreement with Sprint. Both Centerview and Evercore opined that the merger consideration of $5.00 per share was fair from a financial point of view. Following approval from Clearwire's board of directors, Clearwire and Sprint then executed the amended merger agreement and issued a joint press release, during the trading day, announcing the transaction.[140] Clearwire's stock price increased 7.3% to close at $5.05 per share on June 20, 2013.[141] The $5.00 per share deal value represented a 284.6% premium to Clearwire's pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.

111. Afterwards on June 20, 2013, Clearwire terminated discussions with DISH.[142]

112. On June 26, 2013, DISH publicly announced the withdrawal of its tender offer.[143]

113. On July 8, 2013, Clearwire's shareholders approved the transaction with Sprint. Approximately 91% of the outstanding shares and approximately 82% of the shares purportedly unaffiliated with Sprint were voted in favor of the transaction, thereby satisfying the required majority-of-the-minority provision in the transaction.[144]

---

[139] *See* June 25 Proxy Statement, p. S-3, S-12.

[140] *See id.*, p. S-13; "Clearwire Special Committee and Board of Directors Change Recommendation in Favor of Sprint Merger Based on Revised Offer of $5.00 Per Share," *Globe Newswire*, June 20, 2013 at 2:30pm.

[141] Source: Bloomberg.

[142] *See* June 25 Proxy Statement, p. S-14.

[143] *See* "DISH Network Announces Withdrawal of Clearwire Tender Offer," *Business Wire*, June 26, 2013 at 4:02pm.

[144] 91% equals 1,346,284,355 shares voted in favor of the transaction divided by the sum of 698,846,925 Class A shares and 773,732,672 Class B shares eligible to vote. *See* Clearwire's Form 8-K filed with the SEC on July 9, 2013, pp. 1-2, Ex. 99.1.

114. On July 9, 2013, the Sprint/Clearwire transaction was completed.[145]

115. Table 8 below summarizes the offers/proposals received by Clearwire from Sprint and DISH in 2012 and 2013:

TABLE 8
SUMMARY OF OFFERS/PROPOSALS RECEIVED BY CLEARWIRE
(price per share)

	Sprint	DISH
November 21, 2012	$2.60	
December 6, 2012	$2.80	
December 9, 2012	$2.90	
December 14, 2012	$2.97	
December 28, 2012		$3.30
May 20, 2013	$3.40	
May 29, 2013		$4.40
June 19, 2013	$5.00	

V. DISH'S TWO PROPOSALS FOR A MINORITY STAKE IN CLEARWIRE

A. Background

116. DISH made two proposals to acquire a minority block of Clearwire's shares in 2012 and 2013. First, on December 28, 2012, Clearwire received an unsolicited, non-binding proposal from DISH to acquire shares at a price of $3.30 per share (the "December 2012 DISH Proposal"). The April 23 Proxy Statement described this proposal as "a preliminary indication of interest [that] is subject to numerous, material uncertainties and conditions, including the negotiation of multiple contractual arrangements being requested by DISH (some of which, as currently proposed, may not be permitted under the terms of Clearwire's current legal and contractual obligations). It is also subject to regulatory approval."[146]

[145] *See* Sprint's Form 8-K filed with the SEC on July 9, 2013, Ex. 99.1.

[146] *See* April 23 Proxy Statement, pp. 33-34; "Clearwire Corporation Provides

117. Then, on May 29, 2013, DISH increased its proposal to $4.40 per share for up to 100% of Clearwire's Class A shares. The following day, on May 30, 2013, DISH launched the May 2013 DISH Tender Offer.[147]

118. Both the non-binding proposal and the tender offer were subject to the following conditions:

a) Minimum Tender: Required that DISH acquire at least 25% of Clearwire's fully diluted shares;

b) Governance Rights: Required at least three board designees or a number of designees that corresponds to DISH's ownership percentage. Required the right to approve: (i) material changes to organizational documents; (ii) change of control transactions; and (iii) material transactions with related parties; and

c) Termination of Sprint Funding: Required termination of the Sprint Notes (as defined below) with no further borrowings, except for the June 2013 borrowing.[148]

119. The December 2012 DISH Proposal was also contingent upon DISH acquiring from Clearwire: (i) spectrum covering approximately 11.4 billion MHz-POPs, representing approximately 24% of Clearwire's total MHz-POPs of spectrum, for aggregate net cash proceeds of $2.2 billion; and (ii) up to an additional 2 MHz of spectrum in the form of a sale or a lease at a price consistent with the pricing of the 11.4 billion MHz-POPs.[149] The May 2013 DISH Tender Offer removed both of these conditions requiring the sale and/or lease of spectrum.[150]

Transaction Update," *Globe Newswire*, January 8, 2013 at 5:15pm.

[147] *See* June 13 Proxy Statement, p. S-10; "DISH Network Announces Tender Offer in Letter to Clearwire Board of Directors," *Business Wire*, May 29, 2013 at 7:40pm; Clearwire's Schedule TO filed with the SEC on May 30, 2013.

[148] *See* April 23 Proxy Statement, pp. 34-35; "DISH Network Announces Tender Offer in Letter to Clearwire Board of Directors," *Business Wire*, May 29, 2013 at 7:40pm.

[149] *See* April 23 Proxy Statement, p. 34.

[150] *See* "DISH Network Announces Tender Offer in Letter to Clearwire Board of Directors," *Business Wire*, May 29, 2013 at 7:40pm.

120. On June 17, 2013, Sprint filed a lawsuit in the Delaware Court of Chancery against DISH and Clearwire, seeking:

> …to prevent the consummation of the DISH tender offer for Clearwire. Sprint believes the transaction violates Delaware law and the rights of both Sprint and Clearwire's other strategic investors under Clearwire's charter and under the Equity Holders Agreement ("EHA"). In addition to seeking to enjoin the tender offer, Sprint's lawsuit seeks to rescind certain parts of the tender offer agreement and seeks declaratory, injunctive, compensatory and other relief.[151]

121. As it relates to the governance rights sought by DISH, on June 20, 2013, DISH made representations to the Court that the May 2013 DISH Tender Offer was "…not conditioned on the availability or enforceability of those rights."[152] These representations were based on an amendment to the terms of the May 2013 DISH Tender Offer.[153] As a result, then Chancellor Strine made it clear that the Court would "…not indulge any damages claim from DISH…" for Clearwire's alleged failure to deliver to DISH its bargained for governance rights.[154]

B. Minority-Based Proposals

122. By definition, the May 2013 DISH Tender Offer for Clearwire's Class A common stock was for a minority block of Clearwire's fully diluted Class A and Class B shares that could range from 25.0% to no more than 36.9% (*i.e.*, 100% - Sprint's 50.1% ownership stake – SIGs' 13.0% ownership stake) because: (i) Sprint refused to participate in the tender offer;[155] and (ii)

---

[151] *See* "Sprint Files Lawsuit Against DISH Network and Clearwire Corporation Citing the Illegality of the DISH Tender Offer for Clearwire," *Business Wire*, June 17, 2013 at 7:18pm.

[152] *See Sprint Nextel Corporation, Sprint Holdco, LLC v. DISH Network and Clearwire Corporation*, C.A. No. 8650-CS (Del. Ch.), Office Conference, June 20, 2013, p. 16.

[153] *See* Clearwire's Schedule TO filed with the SEC on June 12, 2013, p. 12.

[154] *See Sprint Nextel Corporation, Sprint Holdco, LLC v. DISH Network and Clearwire Corporation*, C.A. No. 8650-CS (Del. Ch.), Office Conference, June 20, 2013, pp. 15-16.

[155] In January 2013, Sprint informed Clearwire's Special Committee in writing that: "…Sprint is neither required nor willing to agree to such waivers or modifications nor is Sprint

the SIGs were contractually obligated to vote in favor of the Sprint/Clearwire transaction.[156] Although DISH's proposals were both conditioned on DISH receiving certain governance rights (which Sprint claimed made the proposals "not actionable"),[157] even if one assumes hypothetically that Sprint would ever acquiesce to DISH's governance conditions, the presence of these kinds of governance conditions does not alter the status of DISH's proposals as being for a non-controlling, minority stake.[158]

---

willing to vote its shares in Clearwire in support of the DISH Proposal or the appointment of DISH nominees to the Board." *See* Sprint Letter, January 2, 2013 at Bates No. CLWRDEL-01586514. Again, in June 2013, Sprint informed Clearwire that: "Sprint will not vote in favor of the proposal, tender its shares in the offer or waive any of its rights as a stockholder or under the EHA." *See* Sprint Letter, June 3, 2013 at Bates No. CLWRDEL-01491167.

[156] The SIGs entered into a voting and support agreement, whereby the SIGs agreed to vote all of their shares in favor of the Sprint/Clearwire transaction Additionally, under the agreement regarding right of first offer, in the event that the Sprint/Clearwire transaction was terminated, then Sprint was required to purchase the SIGs shares. *See* April 23 Proxy Statement, pp. 125-128.

[157] *See* Sprint Letter, June 3, 2013 at Bates Nos. CLWRDEL-01491167-170.

[158] Mr. Pratt indicates that: "…control and lack of control do not have a bright line dividing point – they encompass a spectrum. Even minority shares can have some elements of control. *These elements of control may reduce, but rarely eliminate, the discount for lack of control*." *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, p. 398 (emphasis added). Mr. Pratt further states:

> For various reasons, certain blocks of stock may be granted a contractual right to appoint one or more directors. This is often the case in conjunction with venture capital financing. This *may reduce the discount for lack of control*. *See* S. Pratt, Business Valuation: Discounts and Premiums, Second Edition, John Wiley & Sons, Inc., 2009, p. 25 (emphasis added).
>
> …if a minority block of stock is large enough to prevent certain corporate actions, this condition is referred to as *blocking power*. Such a block normally is accorded some premium over a pure minority value for blocking power. Because such power is invoked only rarely, the premium tends to be modest, perhaps in the range of 5 to 15 percent. This premium could be applied to an actively traded minority value (before any discount for lack of marketability) or *could be reflected in a smaller discount for lack of control* if control value is the base. *See* S. Pratt, Business Valuation: Discounts and Premiums, Second Edition, John Wiley & Sons, Inc., 2009, pp. 23-24 (emphasis added).
>
> If the minority block is of sufficient size to block such actions, there may be cause

123. The public disclosures about the May 2013 DISH Tender Offer clearly recognized that, even if DISH's conditions were satisfied and DISH closed the tender offer, Sprint still would have been firmly in control of Clearwire due to its majority stake and unwillingness to sell it.

124. Clearwire was very explicit on this point when it issued a press release declaring that: "…Clearwire cannot be sold to another party without Sprint's approval. *It has been well documented that Sprint is not a willing seller*."[159]

125. Wall Street analysts and the financial press also recognized that DISH was bidding for a *minority* position in Clearwire:

> Sprint has made it clear that they will not sell their 63% stake, so *DISH can't take control of the asset*….[160]
>
> Assuming that Sprint is not a seller of its majority interest in Clearwire shares, this proposal would leave Dish spending a couple of billion dollars *for a minority interest in Clearwire with no ability to control its spectrum*.[161]

> to reduce the discount for lack of control. In most cases, *this would only be grounds for a slight reduction in the discount*. *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, pp. 398-399 (emphasis added).

According to Mr. Pratt, governance rights similar to those that DISH was seeking would likely *reduce* the minority discount, but it would not *eliminate* it. From an economic perspective, DISH would not enjoy the prerogatives of control that would still be held by Sprint. Therefore, DISH's proposals of $3.30 per share and $4.40 per share are not valid indications of Clearwire's control-based value or its fair value. Instead, these proposals from DISH are more closely associated with Clearwire's minority-based value.

[159] *See* Clearwire's Form 8-K filed with the SEC on May 29, 2013, Ex. 99.1 (emphasis added).

[160] *See* New Street Research, December 29, 2012 at Bates No. CVIEW00082496 (emphasis added).

[161] *See* "What Dish Gets Out of Its Latest Gambit," *Dow Jones News Service*, May 30, 2013 at 3:13pm (emphasis added).

> Dish would then have paid for a large minority stake *with limited power over Clearwire's strategy*.[162]
>
> *A complete takeover of Clearwire would be impossible without cooperation from Sprint*, which owns more than 50 percent of the shares… said Walter Piecyk, an analyst at BTIG LLC in New York.[163]

126. I believe that the May 2013 DISH Tender Offer does not provide a valid indication of Clearwire's control-based value, or of the fair value, of Clearwire's equity at that time. Because the May 2013 DISH Tender Offer, even assuming it was bona fide,[164] was in connection with a non-controlling, minority stake in Clearwire, I do not believe that the apparent contest between DISH and Sprint for the Clearwire Class A shares can be regarded as providing reliable evidence of the fair value of Clearwire at the time of the valuation. The only valid

---

[162] *See* "High-Stakes Wager for Clearwire," *The Wall Street Journal*, May 31, 2013 (emphasis added).

[163] *See* "Dish Chairman Ergen's Motives Questioned in Clearwire Bid," *Bloomberg News*, January 9, 2013 at 4:43pm (emphasis added).

[164] Special Committee member Theodore Schell testified that DISH's proposals were a "mythology":

Q. Did this potential tax liability affect the calculus of whether the Dish proposal made any sense?

A. There was no Dish proposal.

Q. Right. Excuse me.

A. Yes. But look, you're not going to spend and waste a whole hell of a lot of time over a proposal that doesn't materialize. And that was consistently an issue with virtually every single thing that Charlie put on the table. There was either no proposal or there was a proposal, which could not be executed because it was at variance with the governance terms and conditions of the contracts as between Sprint and Clearwire. So, I mean, we can talk about the details of all of these expected things, but *it was mythology*.

Q. When you were going through this process on December 3rd, did you know it was mythology?

A. Of course. We've been dealing with Charlie for months.

See Deposition of Theodore Schell, July 23, 2015 ("Schell Dep."), pp. 198-199 (emphasis added).

evidence of value from this apparent contest is the inference that Sprint's "reservation price"[165] for this minority stake in Clearwire's Class A shares was at least $5.00 per share at this time. According to the theory of revealed preference, a party reveals the lower bound of its true reservation price when it makes a bona fide offer, which Sprint did when it was effectively forced to outbid the $4.40 per share May 2013 DISH Tender Offer for a minority stake in Clearwire's Class A shares, despite Sprint's firm view that the $4.40 per share May 2013 DISH Tender Offer was rendered "not actionable" by its governance rights conditions.

127. The May 2013 DISH Tender Offer is more closely associated with Clearwire's minority-based value plus some elements of control because of the sought-after governance rights. These elements of control, however, do not equate to a control value or a fair value, which necessarily must exclude any minority discount. Moreover, given the powerful position of control Sprint had over the standalone Clearwire and its position as Clearwire's largest wholesale customer, and consistent with the large gap between the pre-SoftBank announcement $1.30 per share trading price of Clearwire relative to the minority-based $4.40 per share May 2013 DISH Tender Offer, it is clear that there is an unusually large difference between the minority and the majority values of Clearwire's Class A shares at the time of the valuation.

VI. DISCOUNTED CASH FLOW ANALYSIS

A. Overview

128. According to valuation theory, the value of a business equals the present value of the expected future free cash flows, discounted at the appropriate risk-adjusted rate. The

[165] Reservation price is "…the value to you of your best alternative to a negotiated agreement (BATNA). At prices above the buyer's reservation price, the buyer will walk away; at prices below the target's reservation price, the target will walk away." *See* R. Bruner, Applied Mergers & Acquisitions, John Wiley & Sons, 2004, p. 789.

discounted cash flow ("DCF") methodology does just that: it estimates value based on projected future free cash flows and an estimated discount rate. Free cash flow projections can depend on many factors, including actual financial results prior to the valuation date and expectations for future growth as of the valuation date. Free cash flows are often measured as:

Free cash flow = {EBIT x (1 - tax rate)} - Changes in Working Capital
+ Depreciation – Capital Expenditures,
where EBIT is Earnings Before Interest and Taxes.

129. A DCF model generally assumes that two stages of growth exist: a first stage based on specific year-by-year forecasts and a second stage with a constant growth rate in perpetuity. Often, a five or ten-year projection period is used for the first stage. The present value of all free cash flows received after the first-stage projection period represents the terminal value of the business.

130. Sometimes, however, the two-stage model is not consistent with the expected pattern of growth in future cash flows. Specifically, for companies featuring especially large first-stage growth rates, it might be illogical to assume a constant growth rate until sometime after the end of the first stage, when it becomes more appropriate. For such cases, it might well be preferable to use a three-stage DCF model, which includes a second stage prior to the terminal value.

131. Valuation practitioners and the Delaware Court of Chancery (the "Court") commonly rely on the DCF methodology to value a firm's assets or equity value. In some instances, the Court has relied on DCF analysis as its only method of valuation.[166] Generally, a reliable DCF analysis requires contemporaneous (to the valuation date) financial projections for

---

[166] *See*, for example, *Cede & Co. v. JRC Acquisition Corp.*, 2004 WL 286963 (Del. Ch. Feb. 10, 2004).

several years in the future. Those projections are usually provided by management of the firm being valued.[167]

B. The Projections

i) Clearwire's Key Value Drivers

132. Clearwire's projected revenue principally included: (i) retail revenue; (ii) wholesale WiMAX revenue; and (iii) wholesale LTE revenue. Both Clearwire and Sprint prepared projections of each of these sources of revenue – Clearwire to project its future revenue, and Sprint to project its future costs for use of Clearwire's spectrum. In 2012 and 2013, Clearwire prepared two sets of projections of its future revenue and costs. During the same time period, Sprint prepared a number of projections for its future payments to Clearwire for the use of Clearwire's spectrum, as well as projecting Clearwire's revenue and expenses. All of the relevant projections contemplated declining retail revenue for the next several years. They also forecasted that wholesale WiMAX revenues would dramatically decline in 2014 and be completely eliminated as a source of revenue by 2017. By contrast, in all of the relevant sets of projections, wholesale LTE revenue was expected to increase significantly over the next several years.[168]

133. As discussed below, most of Clearwire's anticipated revenue came from its wholesale business. There were two key drivers of Clearwire's future wholesale revenue: (i) the amount of data used over Clearwire's network, referred to as "tonnage" and measured in

---

[167] *See Gearreald v. Just Care, Inc.*, 2012 WL 1569818 (Del. Ch. Apr. 30, 2012).

[168] *See* May 22 Proxy Statement, pp. S-34; Cochran Dep. Ex. 12 at Bates Nos. CLWRDEL-01916569-570.

gigabytes per month; and (ii) the price charged per gigabyte ($/GB). Clearwire's projected wholesale revenue was calculated as tonnage multiplied by price per gigabyte.[169]

ii) Clearwire Management's Projections

134. From the outset, Clearwire's plan had been to function as the "Switzerland of Broadband."[170] It would offer wholesale network capacity to multiple wireless carriers including, but not limited to, Sprint. That plan continued into 2011 and 2012. According to Clearwire's Form 10-Ks filed with the SEC for fiscal years 2011 and 2012, the Company's stated "business strategy" included "adding new wholesale partners."[171] John Stanton, executive chairman of Clearwire's board of directors, testified at deposition that part of Clearwire's business model was to pursue a "…second, third, fourth [national wholesale customer]. I wouldn't necessarily limit it to one other customer."[172] Mr. Stanton also testified that Clearwire's board never adopted a business model that was limited to a Sprint-only wholesale model.[173] This is consistent with Clearwire's public goal of obtaining multiple customers.

Summer and Fall 2012

135. In the summer and fall of 2012, Clearwire's management was working with two sets of multi-year projections.[174] The first was the "plan of record" case[175] described by Mr.

---

[169] *See* Cochran Dep., p. 84.

[170] *See* Email, October 3, 2012 at Bates Nos. CLWRDEL-01923073, 01923116.

[171] *See* Clearwire's Form 10-Ks filed with the SEC on February 16, 2012, p. 6 and February 14, 2013, pp. 9-10.

[172] *See* Deposition of John W. Stanton, June 30, 2015 ("Stanton Dep."), p. 83.

[173] *See* Stanton Dep., p. 83.

[174] *See* Cochran Dep. Ex. 8, August 15, 2012 at Bates Nos. CLWRDEL-00607835-836.

[175] *See* "Sprint-SoftBank: Proxy Scenarios Support," January 31, 2013 at Bates Nos. SPRDEL-000036557, 571.

Stanton, under which Clearwire would have sold network capacity to a number of large customers.[176] That was referred to as the "multi-customer case" or the "MCC."

136. The second set of projections created by Clearwire in the summer and fall of 2012 was the "single-customer case" or the "SCC." In contrast to Clearwire's previous public filings, that case assumed that Clearwire would not be able to find a major wholesale customer other than Sprint. Based on a review of the record, the first attempt I could locate by Clearwire's management at modeling such a set of projections was in or around August 2012.[177]

137. Clearwire sent its two sets of projections, the SCC and MCC, to its financial advisors in the fourth quarter of 2012. The projections were sent to Evercore on October 30, 2012.[178] On November 27, 2012, Clearwire sent them to Centerview.[179] The financial advisors relied upon these projections when they rendered their fairness opinions on December 16, 2012 regarding the $2.97 per share Sprint/Clearwire transaction.[180]

138. The main difference between Clearwire's two sets of projections is the projected number of major wholesale LTE customers, and the corresponding usage of Clearwire's network capacity. The single-customer case projections assumed that Sprint would remain Clearwire's only major wholesale customer, with correspondingly lower usage or "tonnage." The multi-customer case projections assumed that Clearwire would obtain other major wholesale LTE

---

[176] *See* "September Wholesale Plan, Key Assumptions, Oct 2nd, 2012," at Bates Nos. CLWRDEL-00461544, 547.

[177] *See* Bates Nos. CLWRDEL-01916615-17; CWRDEL-00825270-80.

[178] *See* Bates Nos. EVER00017248, 251, 252.

[179] *See* Cochran Dep. Ex. 11 at Bates Nos. CVIEW00005841-844.

[180] *See* April 23 Proxy Statement, pp. 32, 57, 69; Deposition of David Hess, August 11, 2015 ("Hess Dep.") Ex. 59, "Project Canine," December 16, 2012, pp. 12-13; Deposition of Daniel Mendelow, August 5, 2015 ("Mendelow Dep.") Ex. 23, "Board of Directors Presentation," December 16, 2012 at Bates No. CLWRDEL-01312877.

customers, such as AT&T and T-Mobile, in 2014, and that the tonnage over Clearwire's network, and corresponding revenue, would be greater.[181] The projections for Sprint wholesale LTE revenue were not materially different in the single-customer case and the multi-customer case projections—in each, Clearwire assumed that Sprint would use the same amount of network capacity.[182] Clearwire developed the Sprint-usage component of the wholesale LTE revenue projections for both the single-customer case and the multi-customer case projections.[183] It based those numbers on its own estimates and projections.[184] Sprint did not inform Clearwire of the amount of network capacity it would be purchasing in the long term,[185] and so Clearwire had

---

[181] *See* April 23 Proxy Statement, pp. 80-81; Hess Dep. Ex. 59, "Project Canine," December 16, 2012, p. 12; Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097 ("MCC assumes multiple partners in addition to Sprint – AT&T and TMo both included, although you could get to the numbers a bunch of ways, but I think Tmo alone wouldn't do it.").

[182] *See* Cochran Dep., pp. 128-130, 134-135.

[183] *See* Cochran Dep. Ex. 14 at Bates Nos. CLWRDEL-01927097 ("Sprint LT revenue is our wholesale team's projection. I don't think we get projections that far out from Sprint, so the early part may be partly based on them (although I think they make other adjustments) but the rest is our buildup over time…"); Cochran Dep., p. 140 ("[Sprint] would provide tonnage forecasts for us. And I don't remember exactly how far out they went, but I would be surprised if they were more than a few quarters.").

[184] *See* Cochran Dep. Ex. 10 at Bates no. CLWRDEL-01919041.

[185] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., pp. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23 Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See* also, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

to rely on its best estimates without the benefit of those specific projections from its primary customer.

139. Despite Clearwire's continued pursuit of the multi-customer case strategy, in its December 2012 fairness opinion, Centerview commented on the feasibility of the multi-customer case projections:

> Despite a concerted effort over the past several years, [Clearwire] has yet to attract another meaningful wholesale customer other than [Sprint]. Given an estimated nine-month lead time to put traffic on-net, the MCC implies one or more very significant new-customer win(s) in the immediate future.[186]

140. The April 23 Proxy Statement discussed similar concerns:

> The members of the Special Committee and Audit Committee agreed that, in light of extensive efforts by the Company to attract a second significant wholesale customer over the course of the last few years and the obstacles that the Company had encountered in connection with such efforts (including the Company's ownership and governance structure), it was substantially uncertain whether the Company would be able to attract any such customer in the foreseeable future.[187]
>
> [T]he Special Committee considered… that, considering Clearwire's inability to attract a second significant wholesale customer despite significant efforts since 2010, there was significant uncertainty (i) that Clearwire would be able to do so in the future and that the viability of Clearwire's long term business plan was dependent on obtaining a second significant wholesale customer and (ii) of attaining the Multi-Customer Case financial projections of the Company prepared by management of the Company,… which assumes that Clearwire would achieve substantial non-Sprint network traffic beginning in 2014…[188]
>
> The Company, however, does not expect to be able to obtain a second significant wholesale customer and has been unable to

---

[186] *See* Hess Dep. Ex. 59, "Project Canine," December 16, 2012, p. 12.

[187] *See* April 23 Proxy Statement, p. 29.

[188] *See* April 23, Proxy Statement, p. 40.

> obtain a second significant wholesale customer in spite of its efforts to do so for the last two years.[189]

141. These cautionary statements are in contrast to Clearwire's prior publicly-stated objectives. According to Clearwire's Form 10-K filed with the SEC on February 14, 2013, the Company's stated "business strategy" included "adding new wholesale partners":

> To generate sufficient revenue to meet our needs, we believe that it is critical that we add new wholesale partners with substantial requirements for additional data capacity to supplement their own services. With our planned LTE network we believe we will be able to offer other carriers an unmatched opportunity to supplement their own networks' 4G data capacity with our services. We believe this opportunity will become critical as those carriers struggle to satisfy their subscribers' increasing demand for 4G mobile data within the constraints imposed by their spectrum holdings. We also believe that our services will potentially appeal to nontraditional providers of mobile data services, including Internet Service Providers, which we refer to as ISPs, Competitive Local Exchange Carriers, pre-paid Mobile Virtual Network Operators, which we refer to as MVNOs, retailers, machine-to-machine solution providers and satellite service providers. To date, while we have had a number of conversations with potential new wholesale partners about commercial agreements, we have not yet been successful in securing commitments from new partners that will meet our needs. However, we continue to pursue agreements with parties that have expressed interest.[190]

142. Consistent with this strategy, Clearwire's multi-customer case projections were sometimes referred to as the "base case" projections or "plan of record." For example, when Centerview was first introduced to Clearwire's management projections, the multi-customer case projections were referred to as the "base case":

---

[189] *See* April 23 Proxy Statement, p. 80.

[190] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 9-10.

> The first model is the base case we went through today – this includes the fast LTE buildout plan… as well as new WiMAX and LTE wholesale partners and revenue.[191]

143. Surajit Datta, a Managing Director at Evercore, described the multi-customer case projections to his colleagues as the "Management Base Case":

> Summary projections for Management Base Case (including S and wholesale partners)…[192,193]

144. A Sprint presentation referred to the MCC projections as the "Plan of record" and the plan to "strive for."[194]

145. A Clearwire email and presentation also referred to the multi-customer case projections as the "Base Case Model":

> Base Case Model (ties to Business Plan Overview)… [which stated] Wholesale Strategy "Switzerland of Broadband" wholesale model as all carriers face capacity constraints and seek to offer higher quality 4G service… Assumes Sprint and additional significant carrier customers on LTE[195]

146. A September 25, 2012, email referred to multi-customer case projections as the "Plan of record long-term model – this is the latest model that was shared with the board."[196]

<u>May/June 2013</u>

147. Clearwire updated its management projections as of May 10, 2013.[197] The financial advisors relied upon these updated projections when they rendered their fairness

[191] *See* Hess Dep. Ex. 23, Email, November 27, 2012 at Bates No. CVIEW00005841.

[192] *See* Mendelow Dep. Ex. 4, Email, October 10, 2012 at Bates No. EVER00005833.

[193] After referring to the multi-customer case projection as the "base case" on October 10, 2012, Evercore then referred to the single-customer case projections as the "base case" in an October 16, 2012 presentation. *See* Mendelow Dep. Ex. 9 at Bates No. EVER00010823.

[194] *See* "Sprint-SoftBank: Proxy Scenarios Support," January 31, 2013 at Bates Nos. SPRDEL-000036557, 571.

[195] *See* Email, October 3, 2012 at Bates Nos. CLWRDEL-01923073, 01923116.

[196] *See* Email, September 25, 2012 at Bates Nos. CLWRDEL-00691096-097.

opinions on May 21, 2013, regarding the $3.40 per share Sprint/Clearwire proposed transaction and again on June 20, 2013, regarding the $5.00 per share Sprint/Clearwire proposed transaction.[198]

148. The updated Clearwire management projections included eight years of forecasts from 2013 to 2020 for both the single-customer case projections (the "SCC Projections") and the multi-customer case projections (the "MCC Projections").[199] One of the primary updates made to the MCC Projections was to delay by six months the commencement of wholesale LTE revenue from a second major wholesale customer because of the "continued lack of success in attracting another meaningful customer."[200] These projections, however, were not adjusted to account for the anticipated acquisition of Clearwire's largest customer, Sprint, by SoftBank.[201]

149. In both its May and June 2013 fairness opinions, Centerview noted that Clearwire believed the "feasibility of achieving MCC is reduced relative to the end of 2012."[202]

---

[197] *See* May 22 Proxy Statement, p. S-34.

[198] *See* May 22 Proxy Statement, pp. S-10-11; Hess Dep. Ex. 49, "Project Canine," May 21, 2013 at Bates No. CLWRDEL-01315193-194; Clearwire's Schedule 13E-3 filed with the SEC on May 22, 2013, Ex. 99(c)(13), "Board of Directors Presentation," May 21, 2013, p. 7; June 25 Proxy Statement, pp. S-13; Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052781; Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No. CLWRDEL-01315307.

[199] *See* May 22 Proxy Statement, pp. S-34; Cochran Dep. Ex. 12 at Bates Nos. CLWRDEL-01916569-570.

[200] *See* Hess Dep. Ex. 49, "Project Canine," May 21, 2013 at Bates No. CLWRDEL-01315193.

[201] *See* Schell Dep., pp. 216-217; Cochran Dep., pp. 97-103, 122-130; Cochran Dep. Ex. 10, Email at Bates No. CLWRDEL-01919041; Cochran Dep. Ex. 11, Email at Bates No. CVIEW00005844; Cochran Dep. Ex. 12, Email at Bates No. CLWRDEL-01916570; Exhibit 5.

[202] *See* Hess Dep. Ex. 49, "Project Canine," May 21, 2013 at Bates No. CLWRDEL-01315193; Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052780.

150. Over the 2013 to 2020 projection period, the updated projections resulted in lower revenue and EBITDA, with EBITDA declining at a greater rate than the decline in revenues. Capital expenditures were increased in the SCC Projections and decreased in the MCC Projections as shown in Table 9 below and Exhibit 4:

TABLE 9
CLEARWIRE'S UPDATED PROJECTIONS[203]
($ in millions)

	2013-2020 Aggregates	
	SCC Projections	MCC Projections
Revenue:		
December 2012 Projections	$15,143	$34,376
May 2013 Projections	$14,468	$31,464
Decrease	*-$675*	*-$2,912*
% Decrease	*-4.5%*	*-8.5%*
Adjusted EBITDA:		
December 2012 Projections	$3,961	$22,531
May 2013 Projections	$3,592	$20,022
Decrease	*-$369*	*-$2,509*
% Decrease	*-9.3%*	*-11.1%*
Capital Expenditures:		
December 2012 Projections	$1,993	$3,829
May 2013 Projections	$2,127	$3,671
Increase/Decrease	*+$134*	*-$158*
% Increase/Decrease	*+6.7%*	*-4.1%*

151. As shown in Exhibit 5, the key drivers of projected tonnage and price per gigabyte that yielded Clearwire's LTE wholesale revenue from Sprint for the years 2013 through 2020 were identical in both the SCC Projections and the MCC Projections.[204]

[203] *See* Exhibit 4.

[204] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927099 ("Differences between

152. Centerview "…assumed, at the direction of the Special Committee, that the internal data [including the SCC Projections and the MCC Projections] were reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of the Company as to the matters covered thereby and Centerview relied, at the direction of the Special Committee, on the internal data for purposes of Centerview's analysis and opinion."[205]

153. David Hess, Managing Director at Centerview, testified that "in the case of the single-customer – single-customer case, there was a view that that was not a sustainable business model."[206] This view is consistent with Centerview's DCF analysis where nearly all (10 out of 12) equity values were negative when using the SCC Projections.[207]

154. The SCC and MCC Projections were based on an extensive spreadsheet model that contained 17 tabs (tabs are separate worksheets within an overall spreadsheet file). Within each tab, hundreds of rows are used to make the projections. For example, the single line item depicting total revenue is based on over 250 rows of data, capital expenditures on over 100 rows of data, and expenses on nearly 400 rows.[208]

155. Hope F. Cochran, Clearwire's Chief Financial Officer, testified that the wholesale revenue projections within the SCC and MCC Projections were the "best estimate" at the time.[209]

---

the SCC and MCC… Retail and Sprint wholesale assumptions remain the same.").

[205] *See* June 25 Proxy Statement, p. S-18.

[206] *See* Hess Dep., p. 172.

[207] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782.

[208] *See* Cochran Dep. Ex. 12 at Bates Nos. CLWRDEL-01916569-570. Revenue based on the spreadsheet tab "Revenue." Capital expenditures based on tab "Capex." Expenses based on the tabs "Network Opex," "Non-Network Costs," and "MS&F" [marketing, sales & fulfillment].

[209] *See* Cochran Dep., p. 247.

156. Erik E. Prusch, Clearwire's President and Chief Executive Officer, testified that the SCC and MCC Projections were the "outcome of… our best efforts to come up with those cases."[210]

157. Dennis S. Hersch, a Clearwire board member and Chair of the Special Committee, testified that: "I thought [the projections] were accurate. We discussed them with management and they seemed to be reasonable projections."[211] Mr. Hersch also thought Clearwire's management team was competent at creating projections.[212]

158. Sprint, however, was very critical of Clearwire's projections, declaring that the "MCC Business Case is Not Achievable."[213]

159. A May 2013 presentation by Sprint to Institutional Shareholder Services ("ISS") in support of the Sprint/Clearwire transaction pointed out the low level of projected capital expenditures in the SCC and MCC Projections compared to other wireless companies and then stated: "The SCC and MCC Cases lack realistic network expenditures."[214] Mr. Hesse added at deposition that it was "…unrealistic, especially for a small-scale company, to believe that its capex would only be 10 percent of revenue."[215]

160. The presentation to ISS also indicated that there were "aggressive operating assumptions embedded in this [MCC] case" that had a "[l]arge spike" in revenue in the

---

[210] *See* Prusch Dep., p. 88.

[211] *See* Hersch Dep., p. 93.

[212] *See* Hersch Dep., p. 93.

[213] *See* Deposition of Daniel Hesse, July 21, 2015 ("Hesse Dep.") Ex. 49, "Supplemental Clearwire Investor Information," May 2013 at Bates No. SPRDEL-000046434.

[214] *See* Hesse Dep. Ex. 49, "Supplemental Clearwire Investor Information," May 2013 at Bates Nos. SPRDEL-000046427, 435.

[215] *See* Hesse Dep., pp. 240-241.

"speculative out year projections" and assumed "…nearly 100% [EBITDA] margins on incremental revenues (versus the SCC Case)."[216]

iii) Sprint's Standalone Projections of Clearwire

161. Over the years, Sprint (Clearwire's majority shareholder and largest customer)[217] routinely made multi-year projections for Sprint's business that included projections for Clearwire on a standalone basis.[218] In 2012 and 2013, Sprint referred to these as "long-term plans" or "LTPs."[219] These projections were updated at various points in time based on different sets of assumptions or "scenarios."[220] Generally, these projections were collectively prepared by various members of Sprint's finance team, strategy team, and network team.[221] The LTP projections were shared with Sprint's CEO and CFO, the finance committee for Sprint's board of directors, Sprint's full board of directors, and SoftBank.[222]

162. It appears that the Clearwire-specific portions of the LTP projections were not shared with Clearwire,[223] which might explain the large differences between Sprint's projections

---

[216] *See* Hesse Dep. Ex. 49, "Supplemental Clearwire Investor Information," May 2013 at Bates Nos. SPRDEL-000046434, 436.

[217] *See supra*, ¶30.

[218] *See* Deposition of Brent Lilley, July 15, 2015 ("Lilley Dep."), pp. 164-165.

[219] *See* Deposition of Joseph Euteneuer, August 18, 2015 ("Euteneuer Dep."), p. 52.

[220] *See* Hesse Dep., p. 29; Lilley Dep., p. 165; Cowan Dep., p. 36.

[221] *See* Deposition of Keith Cowan, June 25, 2015 ("Cowan Dep."), p. 36; Lilley Dep., p. 103.

[222] *See*, for example, Cowan Dep. Ex. 13 at Bates Nos. SPRDEL-000012927-932, 959-983; Deposition of Douglas Lynn, July 16, 2015 ("Lynn Dep.") Ex. 24 at Bates No. SPRDEL-000064220; Sprint's Schedule 14A filed with the SEC on May 1, 2013, pp. 113-114.

[223] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23 Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial

for its payments to Clearwire, and Clearwire's projections for its revenue from Sprint (as described below).

Projections Prepared in 2012 by Sprint

The Long Term Plan - Compensation

163. In February 2012, Sprint prepared the "long-term plan – compensation" or "LTP-C" projections that were used for internal planning and executive long term incentive compensation purposes.[224]

164. In June 2012, the LTP-C projections were adjusted "for material changes in the business since the compensation targets were developed in the February 2012 Long Term Plan – Compensation.…"[225] These adjusted projections were referred to as the "LTP-C Adjusted" projections,[226] and a summary of these projections, which did not disclose Clearwire-specific projections, was ultimately used as the "baseline planning model" in a proxy filing by Sprint related to the SoftBank/Sprint transaction.[227] The LTP-C Adjusted projections contemplated aggregate Sprint payments to Clearwire of $5,363 million from 2013 to 2016, which was 156% above the SCC Projections and 14% above the MCC Projections.[228] It is important to note that

---

information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See* also, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

[224] *See* Cowan Dep. Ex. 12 at Bates No. SPRDEL-000002482; Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 113.

[225] *See* Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates No. SPRDEL-000002511.

[226] *See* "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036560.

[227] *See* Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 113.

[228] *See* "Sprint-SoftBank Proxy Scenarios Support," Bates No. SPRDEL-000036566.

Clearwire apparently did not have access to the LTP-C Adjusted projections and had no knowledge about this planned level of utilization by Sprint (its largest customer) of Clearwire's network.[229]

The Long Term Plan - Outlook

165. In August 2012, Sprint updated its business plan and developed the "long-term plan – outlook" or "LTP-O" projections, which it referred to as "downside," "current view" projections.[230] The LTP-O projections were based "on an extrapolation of industry trends, recent business performance, and as well as some overlays for specific business initiatives."[231] As support for the LTP-O projections, Sprint noted that:

> Expectations for Data Usage per Subscriber are consistent with analyst expectations and are driven by Smartphone penetration and content availability, especially video.[232]

---

[229] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23 Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See* also, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

[230] *See* "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036561; Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates Nos. SPRDEL-000002485, 2496.

[231] *See* Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates No. SPRDEL-000002482.

[232] *See* Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates No. SPRDEL-000002502.

166. The LTP-O projections for Sprint's usage of Clearwire's network contemplated that Sprint would use much more of Clearwire's network capacity than Clearwire anticipated. Specifically, the LTP-O projections contemplated that Clearwire's 4G wholesale tonnage from Sprint over the 2013 to 2016 projection period would be 188% greater than Clearwire had projected Sprint would use in the SCC Projections and 6% more tonnage than the combined usage of all wholesale customers forecasted in Clearwire's MCC Projections. *See* Table 10 below and Exhibit 6-A. As a result of that higher usage, the LTP-O projections indicated that Clearwire's 4G wholesale revenue from Sprint over the same period was expected by Sprint to be 156% greater than Clearwire's SCC Projections and 14% greater than the MCC Projections.

TABLE 10
CLEARWIRE'S WHOLESALE 4G (LTE AND WIMAX) REVENUE
ACCORDING TO SPRINT'S LTP-O PROJECTIONS[233]
(in millions)

	2013-2016 Aggregates
Tonnage (gigabytes):	
SCC Projections *(Sprint only)*	322.4
MCC Projections *(multiple customers)*	881.2
LTP-O Projections *(Sprint only)*	930.0
% above SCC Projections	*+188%*
% above MCC Projections	*+6%*
Revenue:	
SCC Projections *(Sprint only)*	$2,095.6
MCC Projections *(multiple customers)*	$4,710.6
LTP-O Projections *(Sprint only)*	$5,363.0
% above SCC Projections	*+156%*
% above MCC Projections	*+14%*

[233] *See* Exhibit 6-A.

167. While the SoftBank/Sprint transaction was pending in the fall of 2012, the LTP-O projections were provided to SoftBank.[234] These projections were also used in a model referred to as the "Project Galaxy Model," which was provided to SoftBank and its financial advisor The Raine Group, LLC ("Raine") during the same time period as part of SoftBank's Sprint acquisition diligence.[235] Sprint further provided the LTP-O projections to SoftBank's lenders who were being asked to finance the SoftBank/Sprint transaction.[236] A summary of these projections, which did not disclose Clearwire-specific projections, was ultimately used as the "revised baseline model" in a proxy filing by Sprint related to the SoftBank/Sprint transaction.[237]

168. Again, it is important to note that Clearwire apparently did not have access to the LTP-O projections and had no knowledge about Sprint's planned level of utilization of Clearwire's network incorporated in these projections.[238] Indeed, Sprint clearly recognized that

---

[234] *See* Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 113; Bates Nos. SPRDEL-000258897-898.

[235] *See* Lilley Dep. Ex. 7 at Bates No. SPRDEL-000254791; Bates Nos. SPRDEL-000258897-898; SPRDEL-000064220; SPRDEL-000007708.

[236] *See* Lilley Dep. Ex. 6 at Bates Nos. SPRDEL-000258402-421.

[237] *See* Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 113; Euteneuer Dep., pp. 207-208.

[238] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23 Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See* also, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

Clearwire's management was greatly underestimating the revenue it would derive from Sprint in the future. On January 31, 2013, a presentation circulated within Sprint's finance department. It noted as part of a "Clearwire Reconciliation" that "MCC – similar wholesale revenue but generated from multiple carriers vs. only Sprint. Sprint revenue [was] assumed by CLWR to be far less than Sprint assumed."[239] Despite this acknowledgement, I have seen no evidence that Sprint made Clearwire aware of Sprint's much higher long-term estimates prior to the Valuation Date.

169. A summary of these projections, which did not disclose Clearwire-specific projections, was ultimately used as the "revised baseline model" in a proxy filing by Sprint related to the SoftBank/Sprint transaction.[240]

The Long Term Plan – Outlook with 2.5GHz Build

170. In September 2012, Sprint further adjusted the LTP-O projections to provide for an additional network build-out of Clearwire's 2.5GHz spectrum on approximately 24,000 Sprint-owned cell sites to offer expanded LTE service. These "illustrative" projections Sprint devised were referred to as the "LTP-O with 2.5GHz Build" and the "Baseline (Downside with Network Build)."[241] The LTP-O with 2.5GHz Build projections assumed that:

a) Sprint would host Clearwire's 2.5GHz spectrum on 24,000 Sprint-owned cell tower sites;

b) Sprint would finance the build-out of those sites;

---

[239] *See* Euteneuer Dep. Ex. 17, "Sprint-SoftBank Proxy Scenarios Support," at Bates No. SPRDEL-000036571.

[240] *See* Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 113; Euteneuer Dep., pp. 207-208.

[241] *See* "Project Galaxy," September 28, 2012 at Bates No. SPRDEL-000012929; Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates Nos. SPRDEL-000002482, 2496; "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036562.

c) Sprint would provide Clearwire funding in the future to maintain its solvency; and

d) Sprint would pay Clearwire nothing to use the spectrum hosted on Sprint's cell tower sites.[242]

171. In other words, Clearwire's wholesale 4G revenue from Sprint on Sprint cell sites was projected to be zero, regardless of the volume of data that Sprint used over Clearwire's spectrum. All Sprint would provide to Clearwire in exchange for the free use of its 2.5GHz spectrum would be sufficient funding to maintain Clearwire's solvency.[243]

172. Because of this no-cost assumption, by 2016, the last year projected in the LTP-O with 2.5GHz Build, Clearwire's wholesale 4G revenues collapse to $531 million, representing more than a 46% decline from the revenues projected in either the SCC or MCC Projections (*see* Table 11 below and Exhibit 6-A).

TABLE 11
CLEARWIRE'S WHOLESALE 4G (LTE AND WIMAX) REVENUE
ACCORDING TO SPRINT'S LTP-O WITH 2.5GHZ BUILD PROJECTIONS[244]
(in millions)

	2016
Revenue:	
SCC Projections *(Sprint only)*	$986.7
MCC Projections *(multiple customers)*	$2,790.5
LTP-O with 2.5GHz Build Projections *(Sprint only)*	$531.0
% below SCC Projections	*-46%*
% below MCC Projections	*-81%*

[242] *See* "Project Galaxy," September 28, 2012 at Bates No. SPRDEL-000012929; Cowan Dep. Ex. 12, "Board Deck: Long Term Outlook Update," September 21, 2012 at Bates Nos. SPRDEL-000002482, 2496; "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036562.

[243] *See* "Project Galaxy," September 28, 2012 at Bates No. SPRDEL-000012932; Hesse Dep., p. 60; Lilley Dep., p. 113-114; Lynn Dep., p. 154-155, 209.

[244] *See* Exhibit 6-A.

173. An April 2013 email and draft presentation from Brent Lilley (Sprint's Director of Corporate Development) listed the rationale for Sprint to acquire Clearwire and avoid continuing to transfer value from Sprint to Clearwire through increased wholesale payments to Clearwire. As part of this discussion, Mr. Lilley questioned the "no cost" assumption in the LTP-O with 2.5GHz Build:

> Without ownership, we shouldn't assume we will have access to 2.5GHz spectrum. At minimum, we should anticipate delayed access and deployment, which may have significant strategic implications.
>
> …
>
> Current projections assume access to spectrum at no cost, but in the past Sprint has not been able to reach agreement to buy, deploy, or lease spectrum, most recently exhibited in the Accelerated Build negotiations.[245]

174. Sprint had previously discussed with Clearwire the idea of spectrum leasing or hosting Clearwire's spectrum on Sprint's cell sites.[246] The economics of such an arrangement, however, prevented the parties from reaching an agreement.[247] Mr. Stanton testified that Clearwire would have agreed to such a "burn the boat strategy" if Sprint made "long term commitments to Clearwire for usage at a price that will give Clearwire the opportunity of being profitable and an agreement that we will be your only 4G partner."[248]

175. The LTP-O with 2.5GHz Build, like the LTP-C and the LTP-O, apparently was not shared with Clearwire.[249]

---

[245] *See* Lilley Dep. Ex. 18, "Clearwire Acquisition Discussion," April 2013 at Bates Nos. SPRDEL-000065652, 654.

[246] *See* Stanton Dep., pp. 363-364.

[247] *See* Stanton Dep., pp. 363-364.

[248] *See* Stanton Dep., pp. 366-367.

[249] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140,

176. A summary of the LTP-O with 2.5GHz Build projections, which did not disclose Clearwire-specific projections, was ultimately used as the "revised baseline model with additional network build" in a proxy filing by Sprint related to the SoftBank/Sprint transaction.[250]

177. Setting aside the LTP-O with 2.5GHz Build and its no-cost assumption, Sprint consistently projected throughout 2012 that Clearwire's wholesale 4G revenue would be significantly greater than Clearwire's own SCC Projections and more in-line with Clearwire's MCC Projections.

Projections Prepared in 2013 by Sprint

178. It appears that this preparation began in February 2013. In that month, Brent Lilley sent an internal email stating that "[w]e'll need to frame a current view of what we believe CLWR stand-alone would look like if there is a 'no vote'."[251] As of February 2013, Sprint's then current offer of $2.97 per share was below DISH's proposal of $3.30 per share.

179. In March 2013, Doug Lynn, Vice President of Corporate Development at Sprint, sent instructions that "[w]e need to refresh the analysis on what life looks like if we get a no vote on CW versus what it would cost to bump the [current $2.97] bid."[252]

180. On May 5, 2013, Mr. Schwartz and Mr. Lynn provided a transaction update to the Finance Committee of Sprint's board of directors regarding Sprint's pending acquisition of Clearwire.[253] At that meeting, Messrs. Schwartz and Lynn highlighted the importance of

---

145-146; Prusch Dep., p. 74.

[250] *See* Sprint's Schedule 14A filed with the SEC on May 1, 2013, p. 114.

[251] *See* Lilley Dep. Ex. 16 at Bates No. SPRDEL-000011296.

[252] *See* Lynn Dep. Ex. 32 at Bates No. SPRDEL-000065829.

[253] *See* Hesse Dep. Ex. 6, "Finance Committee Meeting," May 5, 2013 at Bates Nos. SPRDEL-000045892-899.

considering the cost concerns and strategic concerns to Sprint if Clearwire remained a standalone entity. This was especially relevant because of Sprint's plans to "rapidly deploy 2.5 GHz LTE"[254] after receiving an investment from SoftBank and the resulting expected increased demand for Clearwire's network capacity. The presentation used at the meeting indicated that:

> Without a Clearwire acquisition, Sprint will have to pay [Clearwire] for both (1) capacity on the Clearwire network (current agreement is $5 - $6 per GB) plus (2) what could be significant fees to secure access to deploy 2.5 GHz spectrum [on] the Sprint network.
>
> …
>
> Strategic Concerns: Sprint plans to rapidly deploy 2.5 GHz LTE; Reaching agreement with Clearwire could be time consuming resulting in further financial impact as well as strategic implications[;] In the past, Sprint has not been able to reach agreement to buy, lease or deploy on Clearwire spectrum[;] Difficulties negotiating with Clearwire most recently exhibited in the Accelerated Build negotiations[;] Clearwire could take certain actions that would most likely result in significant delays to network deployment
>
> Value Transfer Concerns: In the event of a no-vote, as noted above, Sprint may transfer value to other shareholders through wholesale payments (~33% of every $1 based on no-vote ownership) plus spectrum lease payments
>
> Clearwire may become more valuable as Sprint traffic and payments increase
>
> If value transfer occurs, a further acquisition of non-Sprint shares could be more costly[255]

181. On May 27, 2013, in preparation for an upcoming Compensation Committee meeting, Mr. Schwartz consulted with his corporate development team about the Clearwire

---

[254] *See* Hesse Dep. Ex. 6, "Finance Committee Meeting," May 5, 2013 at Bates No. SPRDEL-000045898.

[255] *See* Hesse Dep. Ex. 6, "Finance Committee Meeting," May 5, 2013 at Bates No. SPRDEL-000045898.

standalone projections they had been preparing.[256] The team had raised questions about how to treat Sprint's future demands for LTE usage, and Mr. Schwartz instructed his team that:

> Since we don't have another source of LTE capacity right now, I think that in the Standalone Model with CLWR Standalone, we should assume all the non-Sprint capacity comes from CLWR.[257]

182. In May 2013, Sprint's corporate development group under Mr. Schwartz and Mr. Garr, in conjunction with the finance group, worked on developing forecasts for Sprint's payments to Clearwire for use of Clearwire's network in the event the Sprint/Clearwire transaction was not consummated.[258]

183. On May 29, 2013, Sprint's Finance Committee again met to discuss the pending transaction. They "discussed the Company's options in the event the Clearwire transaction failed to obtain the requisite shareholder vote."[259] As of May 29, 2013, Sprint's then current offer was $3.40 per share and, after the Finance Committee meeting adjourned, DISH announced its tender offer at $4.40 per share. Fourteen people attended this committee meeting, including Sprint's CEO, CFO, Mr. Schwartz, and others.[260]

184. Mr. Schwartz's presentation to the committee again noted Sprint's need to access Clearwire's spectrum, even if the Sprint/Clearwire transaction failed. The presentation stated:

> Sprint's existing agreement to purchase 4G capacity from Clearwire is perpetual; 2014 and beyond pricing is $6 per GB declining to $5 per GB based on volume…

---

[256] *See* Schwartz Dep. Ex. 4 at Bates No. SPRDEL-000251480 ("Can you explain to me the assumptions you and Mark are using to take the Standalone Model and make Clearwire standalone.").

[257] *See* Schwartz Dep. Ex. 4 at Bates No. SPRDEL-000251478.

[258] *See* Bates Nos. SPRDEL-000155918-920

[259] *See* Schwartz Dep. Ex. 5 at Bates No. SPRDEL-000016766.

[260] *See* Schwartz Dep. Ex. 5 at Bates No. SPRDEL-000016765.

> Spectrum Use Agreement – to execute our current strategy, we will need to negotiate an agreement to buy, lease, or deploy on Clearwire spectrum.
>
> [If] No vote occurs… Mid-to long-term plan… Status Quo… Negotiate an agreement to gain access to 2.5 GHz on Sprint sites.[261]

185. On May 30, 2013, Mr. Schwartz made a presentation to Sprint's full board of directors that was similar to the one he provided to the Finance Committee the prior day.[262]

186. On June 16, 2013, Mark Maddry, Director of Financial Planning and Analysis at Sprint, sent an email to Joseph Euteneuer (Sprint's CFO), Mr. Schwartz, and other corporate development executives. The spreadsheet attached to that email contained "4 core scenarios" (including the "SoftBank" scenario), outlining Sprint's options in the case of a no vote.[263] That data was "backup information" regarding Clearwire standalone scenarios that Mr. Schwartz requested for the upcoming June 17 board meeting that he wanted to have ready in his "back pocket" in order to respond to any questions from the board.[264]

187. On June 17, 2013, before the start of Sprint's board meeting, Brett Garr, a Director of Corporate Development at Sprint, sent Mr. Schwartz additional backup information for the board meeting.[265] The email contained detailed standalone multi-year projections for the years 2013 through 2018 for Clearwire that Mr. Schwartz's team had been preparing for the last several weeks. I refer to these projections as the "June Projections."[266]

---

[261] *See* Schwartz Dep. Ex. 6 at Bates Nos. SPRDEL-000016401, 456, 458.

[262] *See* Schwartz Dep. Ex. 10 at Bates Nos. SPRDEL-000015221, 257.

[263] *See* Schwartz Dep. Ex. 26 at Bates No. SPRDEL-000249441-442.

[264] *See* Schwartz Dep. Ex. 26 at Bates No. SPRDEL-000249441; Schwartz Dep., pp. 246-247.

[265] *See* Schwartz Dep. Ex. 28 (with incorrect time stamp), 29 (with correct time stamp).

[266] *See* Bates No. SPRDEL-000068040.

188. The June Projections contained three different scenarios of Sprint's and Clearwire's businesses. The key differences among those plans was which entity, if any, would acquire Sprint, and how Sprint would utilize Clearwire's network. Thus, the three scenarios were: (i) the "SoftBank Plan" / "Base Plan"[267] (where SoftBank acquires Sprint); (ii) the "Standalone Plan" (where no entity acquires Sprint); and (iii) the "DISH Plan" (where DISH acquires Sprint).[268]

a) June Projections – SoftBank Plan: The June Projections using the SoftBank Plan overlay (the "June Projections – SoftBank Plan") presumed a SoftBank acquisition of Sprint, and no acquisition of Clearwire. This plan was described in a June 12, 2013 presentation that outlined an alternative labeled: "Don't Acquire Clearwire; Build With / Through Clearwire Via Contracts."[269] This plan contemplated that a "[c]ommercial agreement can be reached" between Sprint and Clearwire using the "LightSquared rate schedule."[270] This presentation showed an approximation of Clearwire's OIBDA for the years 2014 to 2018 as the annual differential between Sprint's adjusted OIBDA "With Clearwire" and "Without Clearwire."[271] These adjusted OIBDAs for Sprint were based on the "SoftBank Plan."[272]

b) June Projections – Standalone Plan: The June Projections using the Standalone Plan overlay (the "June Projections – Standalone Plan") assumed that SoftBank would not acquire Sprint, and that Clearwire would remain independent.[273] Because SoftBank's acquisition of Sprint had already received shareholder and regulatory approvals as of the Valuation Date,[274] I

[267] A June 11, 2013 email requested the following change: "Rename 'Base Plan' to 'SoftBank Plan'." *See* Email, June 11, 2013 at Bates No. SPRDEL-000011553.

[268] *See* Bates No. SPRDEL-000068040 (tab "Overlay Items").

[269] *See* Hesse Dep. Ex. 8, "Clearwire Alternatives," June 12, 2013 at Bates No. SPRDEL-000032026.

[270] *See* Hesse Dep. Ex. 8, "Clearwire Alternatives," June 12, 2013 at Bates No. SPRDEL-000032026.

[271] *See* Hesse Dep. Ex. 8, "Clearwire Alternatives," June 12, 2013 at Bates No. SPRDEL-000032026.

[272] *See* "Liquidity Scenarios," June 12, 2013 at Bates Nos. RAINE-SB-00035635-635, 00035638-639.

[273] *See* Lynn Dep. Ex. 38, "Liquidity Scenarios – CLWR Does Not Close," June 12, 2013 at Bates No. SPRDEL-000011594.

[274] *See* "Sprint Shareholders Overwhelmingly Approve Merger Agreement with

do not consider the June Projections – Standalone Plan relevant for purposes of my DCF analysis.

c) June Projections – DISH Plan: The June Projections using the DISH Plan overlay (the "June Projections – DISH Plan") assumed that DISH, not SoftBank, would acquire Sprint, and that Clearwire would remain independent.[275] Because DISH had dropped out of the bidding for Sprint on June 18, 2013 and because SoftBank's acquisition of Sprint had already received shareholder and regulatory approvals as of the Valuation Date,[276] I do not consider the June Projections – DISH Plan relevant for purposes of my DCF analysis.

189. Regardless of whether SoftBank, DISH, or neither acquired Sprint, Sprint projected that its usage of Clearwire's network, and payments to Clearwire for that usage, would increase greatly in the coming years.[277]

190. At the June 17, 2013 board meeting, board members discussed raising Sprint's then $3.40 per share offer to $5.00 per share.[278] Michael Schwartz provided a presentation to Sprint's full board of directors regarding Sprint's pending acquisition of Clearwire.[279] The presentation reiterated many of the same points provided in the May 5, 2013 Finance Committee meeting, and added that:

SoftBank," *Business Wire*, June 25, 2013 at 11:13am; "Federal Communications Commission Approves SoftBank's Investment in Sprint and Sprint's Acquisition of Clearwire," *Business Wire*, July 5, 2013 at 3:26pm.

[275] *See* Lynn Dep. Ex. 38, "Liquidity Scenarios – CLWR Does Not Close," June 12, 2013 at Bates No. SPRDEL-000011594; Euteneuer Dep., pp. 132-133; Schwartz Dep., pp. 179-180.

[276] *See* "DISH Issues Update on Sprint Proposal," *Business Wire*, June 18, 2013 at 6:35pm; "Sprint Shareholders Overwhelmingly Approve Merger Agreement with SoftBank," *Business Wire*, June 25, 2013 at 11:13am; "Federal Communications Commission Approves SoftBank's Investment in Sprint and Sprint's Acquisition of Clearwire," *Business Wire*, July 5, 2013 at 3:26pm.

[277] *See* Bates No. SPRDEL-000068040 (tab "Overlay Items").

[278] *See* Schwartz Dep. Ex. 1 at Bates No. SPRDEL-000085333-34.

[279] *See* Schwartz Dep. Ex. 30 at Bates No. SPRDEL-000015454.

> Sprint's preference is to acquire 100% of Clearwire, but with a fall back position if that was not possible, Sprint could reasonably expect to enter into a commercial agreement that would provide access to 2.5 GHz.[280]

191. In other words, Mr. Schwartz told Sprint's board of directors that if the Sprint/Clearwire transaction was not completed, then Sprint management's "fall back position" would be as set forth in the June Projections – SoftBank Plan.[281]

192. On or about June 18, 2013, Mr. Schwartz sent a presentation titled "Clearwire Alternatives" to SoftBank.[282] This presentation summarized four alternatives: (i) "Cost to Acquire Clearwire;" (ii) "Don't Acquire Clearwire; Build With / Through Clearwire Via Contracts," which represented the June Projections – SoftBank Plan; (iii) "2.5 GHz Use Limited to Current Clearwire Contract;" and (iv) "Spectrum Alternatives."[283] Mr. Schwartz had previously sent that same presentation to SoftBank's financial advisor, Raine, on June 14, 2013.[284]

193. It is important to note that, as with the LTP-C, LTP-O, and LTP-O with 2.5GHz Build, Clearwire apparently did not have access to the June Projections and had no knowledge about this planned level of utilization by Sprint (its largest customer) of Clearwire's network.[285]

---

[280] *See* Schwartz Dep. Ex. 30 at Bates No. SPRDEL-000015471.

[281] Another alternative discussed in the "Clearwire Alternatives" presentation prepared on June 12, 2013 was: "2.5 GHz Use Limited to Current Clearwire Contract." *See* Hesse Dep. Ex. 8, "Clearwire Alternatives," June 12, 2013 at Bates No. SPRDEL-000032026. Unlike the June Projections – SoftBank Plan that contemplated Sprint entering into a commercial agreement with Clearwire consistent with the "fall back position" discussed with Sprint's board of directors, this alternative limited the use of Clearwire's spectrum to the then current contract.

[282] *See* Schwartz Dep. Ex. 31 at Bates No. SPRDEL-000068200.

[283] *See* Schwartz Dep. Ex. 31 at Bates Nos. SPRDEL-000068204-207.

[284] *See* Schwartz Dep.Ex. 16 at Bates No. CITI_CLWR00109978.

[285] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23

194. Over the 2013 to 2018 projection period, Sprint projected Clearwire to generate revenue and EBIT that were *greater* than the SCC and MCC Projections, driven by Sprint's payments to Clearwire for use of its spectrum. According to Sprint, capital expenditures in the June Projections – SoftBank Plan were expected to be more than *four times greater* than in the MCC Projections as shown in Table 12 below:

TABLE 12
COMPARISON OF PROJECTIONS PREPARED BY CLEARWIRE AND SPRINT[286]
($ in millions)

	2013-2018 Aggregates		
	SCC Projections	MCC Projections	June Projections - SoftBank Plan
Revenue	$9,160	$17,783	$25,978
EBIT[287]	-$3,583	$4,763	$5,120
Capital Expenditures	$1,516	$2,303	$9,680

Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See also*, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

[286] *See* Exhibit 13.

[287] EBIT is reported after deducting non-cash expenses.

195. The June Projections – SoftBank Plan contemplated that Clearwire's LTE wholesale tonnage from Sprint over the 2013 to 2018 projection period [288]would be 644% greater than the tonnage projected by Clearwire in the SCC Projections (reflecting Sprint only) and 140% greater than the MCC Projections (based on multiple customers, not just Sprint) as shown in Table 13 below and Exhibit 6-B. Additionally, the June Projections – SoftBank Plan indicated that Clearwire's LTE wholesale revenue from Sprint over the same 2013 to 2018 period was expected by Sprint to be 350% greater than the SCC Projections and 59% greater than the MCC Projections. This is the case even though, as shown in Table 13 below, the June Projections – SoftBank Plan assumed that Sprint would pay Clearwire about $2 *less* per gigabyte than Sprint was obligated to pay Clearwire under its existing agreement. The use of this lower price per gigabyte results in lower revenue in the June Projections – SoftBank Plan, holding all else constant.

(Rest of Page Left Blank)

[288] The LTP-O projections only cover the period from 2013 to 2016.

TABLE 13
CLEARWIRE'S WHOLESALE LTE REVENUE
ACCORDING TO SPRINT'S JUNE PROJECTIONS – SOFTBANK PLAN[289]
(in millions)

	2013-2018 Aggregates
Tonnage (gigabytes):	
SCC Projections *(Sprint only)*	847.6
MCC Projections *(multiple customers)*	2,632.0
June Projections – SoftBank Plan *(Sprint only)*	6,306.2
% above SCC Projections	*+644%*
% above MCC Projections	*+140%*
Price Per Gigabyte:	
SCC Projections *(Sprint only)*	$5.46
MCC Projections *(multiple customers)*[290]	$4.99
June Projections – SoftBank Plan *(Sprint only)*[291]	$3.30
Revenue:	
SCC Projections *(Sprint only)*	$4,624.8
MCC Projections *(multiple customers)*	$13,120.8
June Projections – SoftBank Plan *(Sprint only)*	$20,816.1
% above SCC Projections	*+350%*
% above MCC Projections	*+59%*

[289] *See* Exhibit 6-B.

[290] The MCC Projections were based on Clearwire's then existing wholesale rate agreement for Mobile Virtual Network Operators or "MVNOs." This rate schedule charged between $5.00 and $6.00 per gigabyte for LTE service. *See* Bates No. CLWRDEL-01916570 ("Revenue" tab); "November 2011 Clearwire / Sprint Amendment to the 4G MVNO Agreement" at Bates Nos. CLWRDEL-01264362, 396.

[291] As shown in Exhibit 6-B, the price per gigabyte in the June Projections – SoftBank Plan starts at $6.00 per gigabyte in 2013 and declines each year to $2.80 per gigabyte by 2018. The June Projections – SoftBank Plan was based on the LightSquared or "L2" rate schedule. *See* Hesse Dep. Ex. 8, "Clearwire Alternatives," June 12, 2013 at Bates No. SPRDEL-000032026. In contrast, the price per gigabyte in the MCC Projections starts at $6.00 in 2013, and thereafter ranges from $4.82 to $6.00.

196. Michael Schwartz, Sprint's Senior Vice President of Corporate Strategy and Development, testified that he selected assumptions for use in projections that were "reasonable" and "within the realm of reason" and if others were using unreasonable assumptions, "I would tell him, let's adjust that."[292] Mr. Schwartz also testified that he attempted to make his analysis of Clearwire's alternatives credible and accurate.[293]

197. Doug Lynn, Sprint's Vice President of Corporate Development, testified that he used the best assumptions he could figure out when preparing Clearwire's standalone projections.[294]

198. Despite this, Mr. Schwartz testified at deposition that:

> …the biggest issue with [alternative] 2 ["Don't Acquire Clearwire; Build With / Through Clearwire Via Contracts"] is it is just not going to happen. One, you are not going to get the agreement done. Two, as a practical matter you are not going to take the risk of putting so much money in someone else's network. And then the economics of [alternative] 2 being worse than [alternative] 3 ["2.5 GHz Use Limited to Current Clearwire Contract"], which is true, is actually not the biggest reason you don't do [alternative] 2.… It is for the business reasons…. If Clearwire wasn't acquired, I think there is absolutely no chance they would have done [alternative] number 2.[295]

199. Mr. Hesse also testified that:

> …in essence we have a plan of what we would do with the 2.5 if we owned the spectrum and it is saying if we didn't own the spectrum, that is we didn't have Clearwire and we tried to build it with Clearwire still being around, that that would be ugly…. It is even worse than, if you were to pursue that, I think it is something we unlikely would have pursued in any event, but it is just saying

[292] *See* Schwartz Dep., pp. 83, 134.

[293] *See* Schwartz Dep., pp. 82-83.

[294] *See* Lynn Dep., p. 255.

[295] *See* Schwartz Dep., pp. 209-211.

> that, the way I read this it is like that's really not an alternative. That's even worse than paying 5 bucks a share.[296]

200. This deposition testimony appears to be somewhat inconsistent with the contemporaneous document provided by Sprint's management team to Sprint's board of directors on June 17, 2013.[297,298] Fifteen people attended this meeting, including ten members of Sprint's board.[299] In the presentation titled "Clearwire Acquisition Discussion," the first bullet point from this presentation clearly states that if the Sprint/Clearwire transaction fails, then the "fall back position" would be as portrayed in the June Projections – SoftBank Plan:[300]

> Sprint's preference is to acquire 100% of Clearwire, but with a *fall back position* if that was not possible, *Sprint could reasonably expect to enter into a commercial agreement that would provide access to 2.5 GHz*.[301]

201. This same presentation and other contemporaneous presentations provided by Sprint's management team to the Finance Committee of Sprint's board of directors and Sprint's full board of directors emphasized that, if the Sprint/Clearwire transaction did not close and Clearwire remained a standalone company, Clearwire would then be more valuable under that operative reality once Sprint started to "rapidly deploy 2.5 GHz LTE":[302]

---

[296] *See* Hesse Dep., p. 86.

[297] *See* Hesse Dep. Ex. 7, "Board of Directors Meeting," June 17, 2013 at Bates Nos. SPRDEL-000015453-454, 470-473.

[298] *See Del. Open MRI Radiology Assocs., P.A. v. Kessler*, 898 A.2d 290, 332 (Del. Ch. 2006) ("…we have regarded with rightful suspicion attempts by parties who produced such projections to later disclaim their reliability, when that denial serves their litigation objective.").

[299] *See* Schwartz Dep. Ex. 1, "Minutes of Meeting," June 17, 2013 at Bates No. SPRDEL-000085326.

[300] *See* Hesse Dep. Ex. 7, "Board of Directors Meeting," June 17, 2013 at Bates No. SPRDEL-000015471.

[301] *See id*. (emphasis added).

[302] *See* Hesse Dep. Ex. 6, "Finance Committee Meeting," May 5, 2013 at Bates Nos. SPRDEL-000045892-893, 897-898; Hesse Dep. Ex. 7, "Board of Directors Meeting," June 17,

> In the event of a no-vote, as noted above, *Sprint may transfer value to other shareholders* through wholesale payments (~33% of every $1 based on no-vote ownership) plus spectrum payments
>
> *Clearwire may become more valuable* as Sprint traffic and payments increase
>
> If value transfer occurs, *a future acquisition of non-Sprint shares could be more costly*[303]

202. As discussed above, during 2012 and 2013, Sprint prepared several projections of a standalone Clearwire (meaning no merger with Sprint), some of which are listed in Table 14 below:

TABLE 14
CLEARWIRE PROJECTIONS PREPARED BY SPRINT

Projections	Prepared In
LTP-C	February 2012
LTP-C Adjusted	June 2012
LTP-O	August 2012
LTP-O with 2.5GHz Build	September 2012
June Projections – SoftBank Plan	June 2013

203. I note that the June Projections – SoftBank Plan were prepared in closer proximity to the Valuation Date than any of the other projections prepared by Sprint. The June Projections – SoftBank Plan were prepared approximately three weeks before the Valuation Date, whereas the other projections pre-date the Valuation Date by ten months or more.[304]

2013 at Bates Nos. SPRDEL-000015453-454, 470, 472.

[303] *See* Hesse Dep. Ex. 6, "Finance Committee Meeting," May 5, 2013 at Bates Nos. SPRDEL-000045892-893, 897-898 (emphasis added); Hesse Dep. Ex. 7, "Board of Directors Meeting," June 17, 2013 at Bates Nos. SPRDEL-000015453-454, 470, 472 (emphasis added).

[304] *See Muoio & Co. v. Hallmark Entm't Invs. Co.*, 2011 WL 863007 (Del. Ch. Mar. 9, 2011) *citing In re Emerging Commc'ns, Inc. S'holders Litig.*, 2004 WL 1305745, at *14 (Del. Ch. May 3, 2004) ("This Court has consistently expressed a *preference for the most recently prepared management projections* available as of the merger date.") (emphasis added).

204. For purposes of my DCF analysis, I rely on Sprint management's contemporaneous representation to its board of directors that if the Sprint/Clearwire transaction failed, then the "fall back position" would have been as portrayed in the June Projections – SoftBank Plan. Therefore, I use the June Projections – SoftBank Plan in one of my DCF analyses, and ultimately rely on that DCF analysis as the central basis for my fair value opinion.

Reasonableness of the June Projections – SoftBank Plan

205. The Delaware Court of Chancery has expressed a clear preference for using management prepared projections:

> [M]anagement was in the best position to project the short-term prospects of the company, as they created projections *ex ante*, based upon information gleaned from their particular customers.[305]

> Delaware law clearly prefers valuations based on contemporaneously prepared management projections because *management ordinarily has the best first-hand knowledge of a company's operations*.[306]

206. Because of the unique facts and circumstances of this case, I believe that the Court's logic for preferring management projections also extends to Sprint's projections.

207. Sprint had uniquely extensive and detailed knowledge of Clearwire's operations and cost structure by virtue of the following:

a) Sprint was Clearwire's majority shareholder;

b) Sprint had been an investor in Clearwire since November 2008; and

---

[305] *See In re Emerging Commc'ns, Inc. S'holders Litig.*, 2004 WL 1305745, at *15 n.49 (Del. Ch. May 3, 2004) (emphasis added) *quoting Cede & Co. v. Technicolor, Inc.*, C.A. No. 7129, 2003 WL 23104613, at *3 (Del. Ch. Dec. 31, 2003).

[306] *See Muoio & Co. v. Hallmark Entm't Invs. Co.*, 2011 WL 863007, at *19 n.157 (Del. Ch. Mar. 9, 2011) (emphasis added) *quoting Doft & Co. v. Travelocity.com Inc.*, 2004 WL 1152338, at *5 (Del. Ch. May 20, 2004).

c) Sprint was Clearwire's single-largest customer and only major wholesale customer.[307]

208. Additionally, Sprint, by virtue of being the third largest wireless communications company in the United States in 2013, was a major participant within Clearwire's industry.[308]

209. Of these, the most relevant is Sprint's unique knowledge of Clearwire's future revenue based on its status as Clearwire's single-largest customer and only major wholesale customer. Sprint had a much deeper understanding of its projected level of utilization of Clearwire's network compared to Clearwire's management.[309] Because Sprint did not share with Clearwire the amount that it expected to pay Clearwire over time,[310] Clearwire's management was handicapped in its ability to prepare accurate long-range projections.

210. For these reasons, Sprint actually had better insight into Sprint's long-range demand for Clearwire's services than did Clearwire's management team.

211. The June Projections – SoftBank Plan prepared by Sprint indicate total revenue for the 2013 to 2018 projection period of $26.0 billion compared to the MCC Projections

---

[307] *See supra*, ¶30.

[308] *See* Sprint's Form 10-K filed with the SEC on February 28, 2013, p. 1.

[309] *See* Hesse Dep., pp. 277-278.

[310] *See* Cochran Dep. Ex. 14 at Bates No. CLWRDEL-01927097; Cochran Dep., p. 140, 145-146; Prusch Dep., p. 74. In contrast, Clearwire provided a full set of projections to Sprint via "access to an electronic data room" that provided information about Clearwire. *See* April 23 Proxy Statement, p. 25. This data room included the then-current versions of the single-customer and multi-customer models. *See* Bates Nos. CLWRDEL-00250923, CLWRDEL-00250121. By January, Sprint and its advisor had conducted analyses of the financial information contained in these models. *See* "Clearwire Offer – Sprint Perspective," January 22, 2013, at Bates No. SPRDEL-000242095, 242103-105; "Clearwire Sum of the Parts Valuation," January 24, 2013, at Bates No. SPRDEL-000007338, tabs "SCC DCF" and "MCC DCF." *See* also, Email, at Bates Nos. SPRDEL-000036113-114; "Clearwire Proxy Questions," January 23, 2012, at Bates Nos. SPRDEL-000036115-120; "Business Plan Discussion Materials," December 2012, at Bates nos. SPRDEL-000036121-137; Clearwire Data Room Index, at Bates No. CLWRDEL-00152639.

prepared by Clearwire that had revenue over the same period of $17.8 billion (*see* Table 15 below). This was despite that the MCC Projections assumed that Clearwire would have multiple major wholesale customers, while the June Projections – SoftBank Plan contained only revenue from the post-SoftBank Sprint. This comparison shows that Clearwire's management underestimated Sprint's demand for its services and had no knowledge about this planned level of utilization by Sprint.

212. Although the June Projections – SoftBank Plan contemplated greater revenue than the MCC Projections, the June Projections – SoftBank Plan have a projected profit margin of 19.7% that is *lower* than the 26.8% in the MCC Projections (*see* Table 15 below). The lower profit margin in the June Projections – SoftBank Plan is another indication that it is reasonable to use these projections as one of my DCF analyses.

213. Additionally, the dollar level of EBIT in the MCC Projections for the 2013 to 2018 projection period is equivalent to 93% (*i.e.*, $4.763 billion ÷ $5.120 billion) of the EBIT in the June Projections – SoftBank Plan. This reflects that both sets of projections are relatively consistent with one another with regard to this key value-driver within DCF models (*see* Table 15 below).[311]

214. Lastly, the most significant difference between the two projections is the level of capital expenditures. The June Projections – SoftBank Plan estimate capital expenditures over the 2013 to 2018 projection period of $9.7 billion, which is *more than 4.2x* greater than the $2.3 billion contemplated in the MCC Projections (*see* Table 15 below). The greater the capital expenditures (holding all else constant), the lower the DCF value.

[311] I note that EBIT in the June Projections-SoftBank Plan incorporate greater non-cash depreciation expenses than does EBIT in the MCC Projections.

TABLE 15
PROJECTIONS FOR CLEARWIRE[312]
($ in millions)

	2013-2018 Aggregates	
	MCC Projections	June Projections - SoftBank Plan
Revenue	$17,783	$25,978
EBIT[313]	$4,763	$5,120
% of revenue	*26.8%*	*19.7%*
Capital Expenditures	$2,303	$9,680
% of revenue	*13.0%*	*37.3%*

215. Contemporaneous evidence indicates the June Projections – SoftBank Plan informed Sprint's board of Clearwire's standalone financial performance in the event of a "no vote" on Sprint's proposed purchase of all shares, and are more informed regarding demand than anything Clearwire projected, because Clearwire had no knowledge of Sprint's long-range projections for Clearwire.

216. Based on all of the above considerations regarding Clearwire's projections, I conclude that the June Projections – SoftBank Plan are reasonable for use in my DCF analysis.

Clearwire's Spectrum was Vital to Sprint's and SoftBank's Strategic Interests

217. Clearwire's financial advisor, Evercore, recognized that "Clearwire's spectrum is a limited resource that is extremely valuable [because] Sprint will run out of capacity soon

[312] *See* Exhibit 13.

[313] EBIT is reported after deducting non-cash expenses.

without Clearwire."[314] Evercore also thought Clearwire's spectrum was especially valuable to SoftBank "[b]ecause SoftBank had ambitions to be a big player in the U.S. wireless market, and to do that, you need spectrum."[315]

218. A SoftBank presentation discussing SoftBank's potential entrance into the U.S. wireless market indicated that Clearwire was "Key for our Success in US."[316] Mr. Masayoshi Son, SoftBank's Chairman and Chief Executive Officer, testified at deposition that he referred to Clearwire as "the treasure."[317]

219. An August 2012 Sprint presentation cautioned that: "[d]ue to the dramatic growth in data demand and limited new spectrum availability, the wireless industry is experiencing spectrum shortages."[318] According to Sprint's own internal estimates, Sprint would exhaust its spectrum capacity by 2013. If, however, Clearwire's spectrum was included in the analysis, then Sprint did not expect to exhaust the combined spectrum until 2019. The presentation also noted that: "Sprint is reliant on Clearwire for additional spectrum capacity."[319]

220. Another Sprint presentation dated one month before the Valuation Date again indicated that Sprint would exhaust its spectrum capacity in 2013, which could threaten Sprint's competitive position in the marketplace with customers as soon as 2015:

---

[314] *See* Mendelow Dep. Ex. 11 at Bates No. EVER00015555. *See also*, Mendelow Dep., pp. 135-139.

[315] *See* Mendelow Dep., pp. 136-137.

[316] *See* Deposition of Ronald Fisher, June 25, 2015 ("Fisher Dep.") Ex. 39, "Project Columbus," September 27, 2012 at Bates Nos. RAINE-SB-00052577, 604. *See also* Fisher Dep., p. 246.

[317] *See* Son Dep., p. 204.

[318] *See* "Finance Committee, Long Term Outlook, DRAFT – Do Not Distribute," August 2012 at Bates Nos. SPRDEL-000031496, 529.

[319] *See* "Finance Committee, Long Term Outlook, DRAFT – Do Not Distribute," August 2012 at Bates No. SPRDEL-000031529.

> We define exhaustion as not being able to maintain average speed targets of 6-8Mbps on Sprint's own spectrum…
>
> Our projections indicate we begin to run out of LTE capacity on our own spectrum in 2013. Customers will experience this decline as slower speeds…
>
> Without 2.5Ghz, customer speeds not competitive by 1H2015…
>
> Congestion is localized but wide spread in many markets.[320]

221. Mr. Son testified at deposition that "Clearwire was one of the way[s] [for SoftBank/Sprint] to enhance the competitive edge against AT&T/Verizon fight [because] Clearwire had 2.5 gigahertz spectrum."[321] Aside from SoftBank/Sprint acquiring T-Mobile, Mr. Son indicated that as of June 2013, there were "zero" alternatives for Sprint to expand its spectrum capacity.[322]

iv) Profit Margins

222. As shown in Table 16 below, all three sets of projections contemplate negative EBIT margins for the first three to four years followed by positive EBIT margins that appear to stabilize during the last two to three years of the projection period.

---

[320] *See* Bye Dep. Ex. 19, "Impacts of Eliminating 2.5 Deployment," June 12, 2013 at Bates Nos. SPRDEL-000032532, 534-536.

[321] *See* Son Dep., p. 20.

[322] *See* Son Dep., p. 285.

TABLE 16
CLEARWIRE'S PROJECTED EBIT MARGINS[323]
(after deducting non-cash expenses)

	SCC Projections	MCC Projections	June Projections - SoftBank Plan
2013E	-80.3%	-80.3%	-80.4%
2014E	-166.3%	-144.1%	-48.5%
2015E	-109.7%	-28.1%	-2.4%
2016E	-32.4%	37.1%	21.7%
2017E	6.5%	58.0%	40.8%
2018E	23.9%	66.1%	47.1%
2019E	32.2%	69.7%	n/a
2020E	33.5%	69.2%	n/a

223. The EBIT margins in the MCC Projections are noticeably greater than the margins in either the SCC Projections or the June Projections – SoftBank Plan. I also note that in May of 2013, Sprint was critical of the profit margins assumed by Clearwire's management in the MCC Projections.[324] In light of these criticisms, I assume that the lower EBIT margins in the June Projections – SoftBank Plan resolve Sprint's complaint.

v) Capital Expenditures

224. I examined Clearwire's historical and projected capital expenditures, as well as their relationship with revenue, which are shown in Exhibits 7 and 8, as well as Table 17 below:

[323] *See* Exhibit 13.

[324] *See* Hesse Dep. Ex. 49, "Supplemental Clearwire Investor Information," May 2013 at Bates No. SPRDEL-000046427, 436.

TABLE 17
CAPITAL EXPENDITURES[325]
($ in millions)

	Capital Expenditures	Weighted Average % of Revenue
Historical (2009-2012)	$4,609.1	139.8%
SCC Projections (2013-2020)	$2,127.5	14.7%
MCC Projections (2013-2020)	$3,670.5	11.7%
June Projections – SoftBank Plan (2013-2018)	$9,679.7	37.3%

225. During the historical period from 2009 to 2012, while Clearwire was building out and maintaining its 4G network,[326] the Company's total capital expenditures over this period were $4.6 billion. As shown in Table 17 above, both the SCC and MCC Projections forecasted capital expenditures at a lower aggregate dollar level than the Company's recent historical experience. Although the MCC Projections aggregate 2013 to 2020 capital expenditures of $3.7 billion were greater than the $2.1 billion in the SCC Projections, when compared as a percentage of revenue, the MCC Projections are lower than the SCC Projections (11.7% versus 14.7%). In contrast, the June Projections – SoftBank Plan forecasted capital expenditures of $9.7 billion over the shorter period of 2013 to 2018, which is significantly greater than Clearwire's historical period, and greater than the aggregate 2013 to 2020 SCC and MCC Projections.

226. Despite the significant differences in forecasts of capital expenditures, I note that the June Projections – SoftBank Plan and the MCC Projections had relatively comparable levels

[325] *See* Exhibit 7.

[326] *See* Clearwire's Form 10-K filed with the SEC on February 22, 2011, p. 63; Clearwire's Form 10-K filed with the SEC on February 16, 2012, p. 52; Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 59.

of EBIT (*see* Exhibits 7 and 8). EBIT was forecasted to be $4.8 billion in the MCC Projections and $5.1 billion in the June Projections – SoftBank Plan over the 2013 to 2018 period.

227. As shown in Table 18 below, the MCC Projections forecasted net new investment (*i.e.*, capital expenditures less depreciation and amortization) over the 2013 to 2018 period that was on aggregate a *negative* $451 million compared to the June Projections – SoftBank Plan, which in contrast projected a *positive* net new investment of $2.5 billion:

TABLE 18
NET NEW INVESTMENT (CAPITAL EXPENDITURES MINUS DEPRECIATION)[327]
($ in millions)

	MCC Projections	June Projections - SoftBank Plan
2013E	-$182.1	-$114.9
2014E	-$224.8	$1,293.5
2015E	-$426.7	$1,554.0
2016E	-$151.2	$344.6
2017E	$231.8	-$637.8
2018E	$302.0	$73.2
Total	-$451.0	$2,512.6

228. This negative net new investment, together with the revenue growth in the MCC Projections, implies vastly different fixed asset bases in the period 2013 to 2018 between the two sets of projections. I estimate that by 2018, under the MCC Projections, Clearwire would have only $1.8 billion in fixed assets, which is *lower* than the fixed asset levels in 2012, despite a more than four-fold increase in projected revenues from $1.3 billion in 2012 to $5.7 billion in 2018. This is readily apparent in Exhibits 7 and 8, where Clearwire's ratio of revenue to fixed

[327] *See* Exhibit 7.

assets spikes starting in the year 2015, reflecting this negative net new investment forecasted in MCC Projections. To the extent that the MCC Projections understated net new investment, it would inflate the DCF enterprise value of Clearwire (holding all else constant).

229. Sprint expressed similar concerns about the level of capital expenditures in the MCC Projections in a May 2013 presentation to ISS in support of the Sprint/Clearwire transaction, stating that: "The SCC and MCC Cases lack realistic network expenditures."[328] Mr. Hesse added at deposition that it was "…unrealistic, especially for a small-scale company, to believe that its capex would only be 10 percent of revenue."[329] I have seen no similar kind of evidence in the record that capital expenditures in the June Projections – SoftBank Plan were considered to be too low.

230. Although I am not an expert in projections for Clearwire, as the valuation expert, I have an over-riding, general obligation to be satisfied that the projections I use for my DCF analyses are economically reasonable and logical, as best I can determine. Based on my review discussed above, I am concerned that the net new investment in the MCC Projections understates to some degree the net new investment that would be required to support the growth in revenues and EBIT in the MCC Projections. Based on my examination above of the projected net new investment and implied ratio of revenue to fixed assets, as well as the deposition testimony regarding the adequacy of net new investment in the MCC Projections, there is a serious question in my mind whether the net new investment contemplated by the MCC Projections is adequate to support the corresponding revenue growth rates contained within those projections. In contrast, the June Projections – SoftBank Plan, with EBIT that are relatively similar to those in the MCC

---

[328] *See* "Supplemental Clearwire Investor Information," May 2013, Hesse Dep. Ex. 49 at Bate Nos. SPRDEL-000046427, 435.

[329] *See* Hesse Dep., pp. 240-241.

Projections are supported by much greater capital expenditures that to my knowledge have not been similarly challenged. To alleviate my concerns about the potential understatement of projected net new investment in the MCC Projections, I replace the $3.7 billion of capital expenditures used in the MCC Projections with the amount necessary to fix each year's fixed asset ratio (*i.e.*, revenue ÷ by property, plant, and equipment) to be equivalent to the fixed asset ratio from the June Projections – SoftBank Plan that Sprint apparently found adequate for its purposes. This increases capital expenditures in the MCC Projections from $3.7 billion to $5.7 billion. This replacement causes a decline in free cash flows for the MCC Projections, which in turn results in a lower DCF value (while holding all else constant) when using these modified MCC Projections (the "Modified MCC Projections").

231. In my view, this is a reasonable modification because the projected EBIT for the MCC Projections and June Projections – SoftBank Plan are reasonably similar, and I could find no basis to believe that the basic economic operating plans underlying the MCC Projections and the June Projections – SoftBank Plan were so fundamentally different as to require a level of capital expenditures that would result in a significantly different ratio of revenue to property, plant, and equipment.

232. I note that when using the Modified MCC Projections, the spike in the ratio of revenue to fixed assets (*see supra*, ¶228) is no longer present and that, by construction, this ratio is now equivalent to the ratio when using the June Projections – SoftBank Plan (*see* Exhibit 9).

233. Therefore, I conclude that the Modified MCC Projections are reasonable for use as one of my DCF analyses.

234. Despite these concerns about net new investment within the MCC Projections, I note that the MCC Projections were prepared by Clearwire's management team based on their "best estimate" and "best efforts" that were viewed to be "accurate."[330]

vi) Taxes and Net Operating Losses

235. For taxes in my DCF models, I use the same 38.0% tax rate that Clearwire's management used in the SCC Projections and the MCC Projections.[331] Centerview and Evercore also used a 38.0% tax rate.[332]

236. As of December 31, 2012, Clearwire had net operating losses ("NOLs") of $1.3 billion in the U.S. for federal income tax purposes, of which $1.1 billion were subject to Internal Revenue Code Section 382 annual limitations.[333] Clearwire indicated that it believed a change of control under Section 382 occurred in 2011 and 2012, and as a result, Clearwire would permanently be unable to use a significant portion of its NOLs that arose prior to such changes in control.[334] Therefore, I do not use the $1.3 billion NOL balance within my DCF model and instead set NOLs to the $130 million that Clearwire advised Evercore to use in its analysis as of December 31, 2012.[335] I also accumulate NOLs based on Clearwire's projected losses that would be available to offset the Company's future taxable income.[336]

---

[330] *See supra*, ¶¶155-157.

[331] *See* Cochran Dep. Ex. 12 at Bates Nos. CLWRDEL-01916569-570.

[332] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052783; Evercore spreadsheet at Bates No. EVER00038512 (tab "Val_DCF_Growth").

[333] *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 41.

[334] *See* Clearwire's Form 10-Q filed with the SEC on April 26, 2013, p. 16.

[335] *See* Evercore spreadsheet at Bates No. EVER00038512 (tab "Val_DCF_Multiple" cell E109).

[336] Evercore limited the projected accumulation of NOLs to be 47.5% of each year's taxable income (*see* Evercore spreadsheet at Bates No. EVER00038512 (tab "Val_DCF_Growth")), which apparently is based on the percentage of tax losses from Clearwire

237. As the NOLs are utilized each year during the projection period, the Company is shielded from what otherwise would have been its tax obligation. This tax shield is equal to:

Annual NOL Tax Shield = annual NOL utilization x tax rate.

238. Since my DCF enterprise value is based initially on the projections being fully taxed as if the NOLs did not exist, I separately compute the present value as of the Valuation Date of the NOLs and include this NOL benefit in Clearwire's enterprise value. According to my analysis, the sum of the present value of the NOL tax shields for each year during the projection period (using a discount rate of 10.22%) is $485.9 million based on the SCC Projections, $455.4 million based on the MCC Projections, and $358.3 million based on the June Projections – SoftBank Plan (*see* Exhibit 10).

vii) Stock-Based Compensation Expense

239. In the SCC Projections, stock-based compensation expense was expected to range between 1.2% and 3.7% of revenue per year (*see* Exhibit 13-A). In the MCC Projections, stock-based compensation expense was expected to range between 0.5% and 3.4% of revenue per year (*see* Exhibit 13-B). These projections are consistent with Clearwire's historical results, where stock-based compensation expense was 2.1% in 2011 and 2.3% in 2012.[337] Since the June

---

Communications LLC allocated to Clearwire according to its 47.5% ownership of the LLC. This reduces the value of NOLs to Clearwire. Just as Evercore did, I also limit the projected accumulation of NOLs to 47.5%. 47.5% equals 700,052,307 Class A shares divided by the sum of 700,052,307 Class A shares and 773,732,672 Class B shares (*see* Exhibit 12). Clearwire also advised Evercore to accumulate an additional $15.6 million during the projection period, which I do as well (*see* Bates No. EVER00007134).

[337] In 2011, 2012, and the first six months of 2013, no employee stock options were granted by Clearwire. For the year 2010, Clearwire used the Black-Scholes option pricing model to estimate the fair value of the 996,648 employee stock options granted that year. This model used expected volatility of 58.80% to 62.22%, risk free rates of 2.00% to 3.15%, expected terms of 6.25 years, and estimated option forfeitures. Clearwire also granted 17,857,468 restricted stock units in 2012 and 11,637,901 restricted stock units in the first six months of 2013. *See*

Projections – SoftBank Plan did not provide separate estimates for stock-based compensation expense, I find it reasonable to maintain the same relationship (*i.e.*, as a percentage of revenue) this expense had with revenue in the MCC Projections for the years 2013 to 2018.

240. To properly reflect the economic consequences resulting from the issuance of stock-based compensation during the forecast period and into perpetuity for Clearwire, I deduct management projected stock-based compensation expense from EBIT.[338] I treat this expense as tax deductible.[339] I do not, however, then add back the stock-based compensation expense in my DCF analysis. This reflects the economic reality that, given the enterprise value ignoring stock-based compensation expense, the equity value remaining for non-management stockholders must be lower the greater is stock-based compensation expense, all else constant.

Clearwire's Form 10-K filed with the SEC on February 14, 2013, pp. 80, 114-116; Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 25.

[338] For a point-by-point rebuttal of common arguments against the expensing of stock-based compensation, *see* Z. Bodie, R. Kaplan, R. Merton, "For the Last Time: Stock Options Are an Expense," *Harvard Business Review*, March 2003. Professors Bodie, Kaplan, and Merton are all world-class economists who have published over two dozen textbooks and countless articles in the fields of economics, finance, and accounting, and Professor Merton won the Nobel Prize in Economics in 1997 for his work in derivative pricing. For discussions regarding the economic consequences of stock-based compensation expense, *see*, for example, Statement of Financial Accounting Standards No. 123 (revised), *Share-Based Payment,* Financial Accounting Standards Board, December 2004, p. 2; A. Damodaran, Damodaran on Valuation, Second Edition, John Wiley & Sons, Inc., 2006, p. 377; A. Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, Third Edition, John Wiley & Sons, Inc., 2012, p. 448. For discussions about stock-based compensation expense within DCF models, *see*, for example, N. Antill, K. Lee, Company Valuation Under IFRS, Second Edition, Harriman House Ltd., 2008, p. 106; A. Damodaran, Damodaran on Valuation, Second Edition, John Wiley & Sons, Inc., 2006, p. 394; A. Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, Third Edition, John Wiley & Sons, Inc., 2012, pp. 445, 451.

[339] Although stock-based compensation expense is not tax deductible, I treat it as being deductible within the DCF model to approximate the anticipated tax deductions that will be available when the options are eventually exercised. This assumes that the options are non-qualified employee stock options, in which case, it is only when these options are exercised that a tax deduction becomes available to the Company. *See* A. Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, Third Edition, John Wiley & Sons, Inc., 2012, p. 446.

241. This is the same methodology and application for stock-based compensation expense that I used in *Ancestry*, where this Court agreed that "it makes sense to adjust earnings to take into account the dilutive effect of SBC [stock-based compensation]"[340] and found my "approach to be reasonable," and adopted it within the Court's determination of fair value.[341]

C. Discount Rate

242. I calculate Clearwire's discount rate to be 10.22% (*see* Exhibit 11). I base my discount rate on the weighted average cost of capital ("WACC") methodology, which is the most widely-used approach for calculating discount rates for use in DCF valuations of companies.[342] WACC is the weighted average cost of debt (net of tax savings) and cost of equity, where the respective weights are the ratio of debt to total market capitalization and the ratio of the market value of equity to total market capitalization.

243. The cost of equity for use in the WACC computation is commonly calculated based on the capital asset pricing model ("CAPM"). According to Ibbotson, CAPM "…is among the most widely used techniques to estimate the cost of equity."[343] Ibbotson describes CAPM as follows:

> The principal insight of the CAPM is that the expected return on an asset is related to its risk; that is, risk-taking is rewarded. The model assumes that there is a riskless rate of return that can be earned… [while a] risky investment… will provide the investor with a reward in the form of a risk premium—an expected return higher than the riskless rate. For a particular investment, the

---

[340] *See In re Appraisal of Ancestry.com, Inc.*, 2015 WL 399726, at *22 (Del. Ch. Jan. 30, 2015) *quoting Merion Capital, L.P. v. 3M Cogent, Inc.*, 2013 WL 3793896, at *13 (Del. Ch. July 8, 2013).

[341] *See In re Appraisal of Ancestry.com, Inc.*, 2015 WL 399726, at *22 (Del. Ch. Jan. 30, 2015).

[342] *See* A. Damodaran, Damodaran on Valuation, Second Edition, John Wiley & Sons, Inc., 2006, p. 64.

[343] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 43.

> CAPM indicates that the size of the risk premium is proportionate, in a linear fashion, to the amount of systematic risk taken…. The size of the risk premium is proportionate to the degree of co-movement of the security or portfolio (called beta) with the market portfolio consisting of all risky assets.
>
> According to the CAPM, the expected return on a security should consist of the riskless rate plus an additional return to compensate for the systematic risk of the security. The return in excess of the riskless rate is estimated in the context of the CAPM by multiplying the equity risk premium by β (beta). The equity risk premium is the return that compensates investors for taking on risk equal to the risk of the market as a whole (systematic risk). Beta measures the extent to which a security or portfolio is exposed to systematic risk…. The need for [a size] premium when using the CAPM arises because, even after adjusting for the systematic (beta) risk of small stocks, they outperform large stocks. The betas for small companies tend to be greater than those for large companies; however, these higher betas do not account for all of the risks faced by those who invest in small companies. This premium can be added directly to the results obtained using the CAPM.[344]

244. The formulas for WACC and CAPM cost of equity are:

$$\text{WACC} = \left(\frac{\text{market value of debt}}{\text{total capitalization}} \times \frac{\text{after tax}}{\text{cost of debt}}\right) + \left(\frac{\text{market value of equity}}{\text{total capitalization}} \times \frac{\text{cost of}}{\text{equity}}\right)$$

CAPM Cost of Equity = + risk-free rate
+ beta multiplied by market risk premium
+ equity size premium
= cost of equity

i) Capital Structure

245. I determine the appropriate "weight" or ratio of debt to total market capitalization by observing Clearwire's actual capital structure at different potentially relevant points in time as shown in Table 19 below:

---

[344] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 43, 46, 89.

TABLE 19
CLEARWIRE'S CAPITAL STRUCTURE

	Stock Price	Debt to Total Capitalization
October 10, 2012 (day before Sprint publicly confirmed possible SoftBank/Sprint transaction)	$1.30	72.0%[345]
July 9, 2013 (final deal price)	$5.00	36.5%[346]

246. Centerview, the Special Committee's financial advisor, used debt to total capitalization ratios of 70% from October 11, 2011, 70% from October 10, 2012, and 58% from November 26, 2012.[347] Evercore, the board of directors' financial advisor, used debt to total capitalization ratios of 70% from October 10, 2012 and 40% from an unspecified period.[348]

345 72.0% equals debt of $5,027.0 million (*see* Exhibit 12, column B) divided by total capitalization of $6,981.8 million. Total capitalization equals sum of $5,027.0 million in debt and $1,954.8 million in equity. Equity value of $1,954.8 million equals Clearwire's October 10, 2012 stock price of $1.30 per share multiplied by Clearwire's 1,503,703,265 fully diluted shares outstanding as of the Valuation Date (*see* Exhibit 12, column B).

346 36.5% equals debt of $4,787.0 million (*see* Exhibit 12, column D) divided by total capitalization of $13,115.5 million. Total capitalization equals sum of $4,787.0 million in debt and $8,328.5 million in equity. Equity value of $8,328.5 million equals Clearwire's deal price of $5.00 per share multiplied by Clearwire's 1,665,703,265 fully diluted shares outstanding as of the Valuation Date (*see* Exhibit 12, column D). If the debt to total capital ratio is measured net of cash, then the ratio is 33.4%, where 33.4% equals net debt of $4,180.7 million minus $3.5 million in warrant proceeds (*see* Exhibit 12, column D) divided by total capitalization of $12,505.7 million. Total capitalization equals sum of $4,180.7 million in debt, -$3.5 million in warrant proceeds and $8,328.5 million in equity. Equity value of $8,328.5 million equals Clearwire's deal price of $5.00 per share multiplied by Clearwire's 1,665,703,265 fully diluted shares outstanding as of the Valuation Date (*see* Exhibit 12, column D).

347 *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333.

348 *See* Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18.

247. A 72.0% debt to total capitalization ratio as of October 10, 2012, is inconsistent with the required "going-concern" premise underlying Delaware's definition of fair value because such high levels of debt relative to market capitalization were unlikely to be sustainable in the long-run. This unsustainability was illustrated when the April 23 Proxy Statement repeatedly cautioned investors that:

> …if the Company did not pursue the Merger, it would need to seek an alternative and, without another source of significant financing, it might be unable to meet its obligations to its creditors and may default under its existing notes and under its other existing contracts, which *may result in the Company being required to seek bankruptcy protection*…[349]

248. Given Clearwire's existing debt obligations, its debt to total capitalization ratio is largely determined by Clearwire's stock price. As Clearwire's stock price goes up, its debt to total capitalization ratio declines even though the dollar value of its debt obligations remains unchanged.

249. In my opinion, the most reliable measure of Clearwire's actual debt to total capitalization ratio is based on Clearwire's $5.00 per share deal price. This yields a debt to total capitalization ratio of 36.5% that: (i) is a firm-specific number, (ii) is derived from the facts at the time rather than from litigation, and (iii) avoids the circularity of basing the determination of debt to total capitalization ratio on an after-the-fact DCF-based value, which in turn depends on the debt to total capitalization ratio. Likewise, the Delaware Court of Chancery has previously indicated that it prefers to "avoid the circularity" "inherent in WACC" by using values that are "not litigation-driven."[350]

---

[349] *See* April 23 Proxy Statement, p. 41 (emphasis added). *See also*, pp. 4, 25, 79, 97.

[350] *See In re Emerging Commc'ns, Inc. S'Holders Litig*., 2004 WL 1305745, at *18 (Del. Ch., June 4, 2004).

250. My use of Clearwire's actual debt to total capitalization ratio of 36.5% is also in-line with the Delaware Court of Chancery's preference to use a company's actual capital structure for purposes of determining a company's WACC.[351] Moreover, this 36.5% debt to total capitalization ratio is also consistent with the capital structures implied by industry data from Clearwire's SIC Code 489, where Ibbotson reports that the most recent debt to total capitalization ratios as of March 2013 were: 31.1% (median); 36.6% (SIC Composite); and 39.5% (Large Composite).[352]

251. I recognize that using a debt to total capitalization ratio that is *less* than 36% implies a stock price for Clearwire that is *greater* than the $5.00 per share deal value, an implication that Defendants and Respondent would likely dispute. Moreover, and significantly, using a debt to total capitalization ratio that is *greater* than 36% would cause my WACC to decline (holding all else constant), thereby increasing my DCF value. This further supports my use of a 36.5% debt to total capitalization ratio for Clearwire.

252. Therefore, based upon Clearwire's actual capital structure as of the Valuation Date, I compute the appropriate long-term debt to total capitalization ratio for Clearwire as 36.5%, and I use 36.5% as the debt weight and 63.5% as the equity weight in my calculation of Clearwire's WACC.

---

[351] *See In re Radiology Assocs., Inc. Litig.*, 611 A.2d 485, 493 (Del. Ch. 1991) ("The entire focus of the discounted cash flow analysis is to determine the fair value of Radiology. I am not attempting to determine the potential maximum value of the company. Rather, I must value Radiology, not some theoretical company. … I will use Radiology's own debt to equity ratio in determining its WACC."). *See also Cede & Co. v. JRC Acquisition Corp.*, 2004 WL 286963, at *7-8 (Del. Ch. Feb. 10, 2004); *Hintmann v. Fred Weber, Inc.*, 1998 WL 83052, at *5 (Del. Ch. Feb. 17, 1998).

[352] Ibbotson's SIC Code 489 contains 25 companies, including Clearwire. *See* Ibbotson Cost of Capital: 2013 Yearbook, Morningstar, 2013.

ii) Cost of Debt

253. On October 10, 2012, Clearwire's publicly-traded debt had yields of approximately 15%. These yields were prior to Sprint's confirmation, on October 11, 2012, that it was in discussions with SoftBank about SoftBank acquiring control of Sprint.[353,354]

254. Immediately after October 10, 2012, the yields on Clearwire's publicly-traded debt decreased significantly as shown in Table 20 below:

TABLE 20
CLEARWIRE'S SENIOR SECURED NOTES[355]
($ in millions)

			Yield to Maturity[356]				
Coupon	Maturity	Par Value	Oct. 10, 2012	Oct. 11, 2012	Dec. 14, 2012	Dec. 17, 2012	July 9, 2013
12.00%	2015	$2,027.5	15.18%	10.16%	7.27%	6.54%	2.54%
12.00%	2015	$920.0	15.12%	10.80%	7.66%	7.32%	2.69%
14.75%	2016	$300.0	11.95%	7.42%	4.33%	4.12%	3.19%

[353] *See* April 23 Proxy Statement, p. 21; "Sprint Confirms Talks with SoftBank Over 'Substantial Investment,'" *Dow Jones News Service*, October 11, 2012 at 11:35am; "Japan's Softbank talking with Sprint About Making a Substantial Investment in the US Carrier," *AP Newswire*s, October 11, 2012 at 6:07pm ("Shares of Clearwire Corp. jumped 92 cents, or 70.1 percent, to $2.22 on news of the Softbank talks.").

[354] Sprint's confirmation of these discussions led to speculation that Sprint might acquire Clearwire. In this case, I am unable to disentangle the positive effects on Clearwire's stock price after October 10, 2012, due to: (i) rumors that Sprint might acquire Clearwire; and (ii) the expected positive impact of the anticipated completion of the SoftBank/Sprint transaction on Clearwire's prospects.

[355] Source: Bloomberg (ID numbers: EI0552352, EI0619920, EI9999380). Yield to maturities based on the mid-point of bid-ask prices obtained from Bloomberg Valuation Service "BVAL."

[356] October 10, 2012 is the trading day before Sprint confirmed it was in discussions with SoftBank on October 11, 2012. December 14, 2012 is the trading day before the Sprint/Clearwire deal was publicly announced on December 17, 2012. The Sprint/Clearwire transaction was completed on July 9, 2013.

255. In an October 22, 2012 presentation, JPMorgan indicated to Clearwire's management that a portion of Clearwire's $3.2 billion in senior secured notes could be refinanced at rates between 7.5% and 9.0%, in part, because of the recent increase in Clearwire's equity value and the corresponding improvement in its capital structure. JPMorgan highlighted that:

> In light of the recent announcement of Softbank's proposed acquisition of Sprint and Sprint's subsequent purchase of McCaw's stake, Clearwire's bonds experienced a significant rally across its entire capital structure[.]
>
> The rally when combined with favorable market conditions provides an ideal backdrop for Clearwire to consider addressing its near term 2015 maturities while reducing its ongoing cash interest costs[.] J.P. Morgan recommends that Clearwire tap the market quickly and take advantage of favorable conditions[.][357]

256. On December 12, 2012, Centerview advised the Special Committee that "[l]enders have indicated potential ability to refinance a portion of $3.2bn Senior Secured Notes…" at "8.00% - 9.00% coupon on new debt versus 12.00%-14.75% current coupon."[358] Centerview also commented that "[i]nvestors will demand call protection on new debt, limiting [Sprint's] ability to refinance post-merger."[359] This suggests that the 8% to 9% refinancing rates were based more on Clearwire's credit worthiness on a standalone basis than when combined with Sprint.[360]

---

[357] *See* "Financing Discussion," October 2012 at Bates Nos. CLWRDEL-00832651-653.

[358] *See* Hess Dep. Ex. 38, "Project Canine," December 12, 2012 at Bates No. CLWRDEL-01032098.

[359] *See* Hess Dep. Ex. 38, "Project Canine," December 12, 2012 at Bates No. CLWRDEL-01032098.

[360] *See* Cochran Dep., p. 158.

257. In May 2013, JPMorgan again proposed to refinance Clearwire's $2.9 billion 12% notes due in 2015, but this time with a new issue in the "6.00% area for a 7/8 year deal."[361] JPMorgan indicated that "investors believe a deal will happen an[d] if it doesn't the value of the spectrum has been validated."[362]

258. Clearwire's yields continued to decline, as shown above in Table 20, to approximately 4-7% on December 14, 2012, the day before Clearwire and Sprint announced their merger agreement with a deal price of $2.97 per share. By the time the transaction was completed on July 9, 2013, Clearwire's yields were as low as 2-3%.

259. Assuming for valuation purposes that the Sprint/Clearwire transaction did not close and that Clearwire remained a standalone company, Clearwire's operative reality as of the Valuation Date would have included that:

a) Sprint's shareholders had already approved the merger with SoftBank on June 25, 2013;[363]

b) The Federal Communications Commission (the "FCC") had already unanimously approved SoftBank's investment in Sprint on July 5, 2013;[364] and

c) Sprint expected to receive a cash infusion of $1.9 billion from SoftBank in early July 2013 bringing SoftBank's investment of new capital in Sprint to $5.0 billion, thereby enhancing the credit profile of Clearwire's single largest customer and single largest shareholder.[365]

---

[361] *See* Cochran Dep. Ex. 18, "Financing Discussion," May 2013 at Bates No. DIRECTOR-00050164.

[362] *See* Cochran Dep. Ex. 17 at Bates No. CLWRDEL-01032778.

[363] *See* "Sprint Shareholders Overwhelmingly Approve Merger Agreement with SoftBank," *Business Wire*, June 25, 2013 at 11:13am.

[364] *See* "Federal Communications Commission Approves SoftBank's Investment in Sprint and Sprint's Acquisition of Clearwire," *Business Wire*, July 5, 2013 at 3:26pm.

[365] *See* "Sprint and SoftBank Amend Merger Agreement to Deliver Greater Value to Sprint Stockholders," *Business Wire*, June 10, 2013 at 8:19pm.

260. According to Sprint, "…SoftBank will be investing approximately $5 billion in Sprint that will help strengthen Sprint's balance sheet. We believe that this transaction will enable Sprint to be a stronger and more robust competitor in the U.S. telecom market by significantly enhancing the company's financial position."[366]

261. After the SoftBank/Sprint transaction was announced, Moody's and Fitch both placed Sprint's credit rating under review for upgrade. These credit rating agencies indicated the rationale for this change as follows:

> **Moody's:** The $8.0 billion [$5.0 billion under amended terms] in new capital will improve the current highly leveraged financial position of Sprint and strengthen its operational flexibility. "Today's announced transaction is credit positive for Sprint. It provides the Company with much-needed capital to undertake the significant spending obligations of Network Vision, absorb the ongoing high subsidies associated with smartphones and address its need for additional spectrum," stated Moody's Senior Vice President, Dennis Saputo.[367]
>
> **Fitch:** The Rating Watch Positive reflects Fitch's belief that the strategic agreement with Softbank including the $8 billion cash infusion [$5.0 billion under amended terms] strengthens Sprint Nextel's financial and operating profile longer-term. With $8 billion in Softbank funding, Fitch believes Sprint Nextel could advance or accelerate certain strategic initiatives to improve its longer-term competitive position. Additional spectrum for Sprint Nextel's 4G network, other consolidation opportunities and accelerating LTE build outside of current plans could likely be a high priority.[368]

[366] *See* Sprint's Schedule 14A filed with the SEC on June 14, 2013.

[367] *See* "Moody's Reviews Sprint Nextel for Upgrade," *Bloomberg News*, October 15, 2012 at 4:37pm.

[368] *See* "Fitch Places Sprint Nextel's Ratings on Rating Watch Positive," *Business Wire*, October 16, 2012 at 10:49am.

262. When the SoftBank/Sprint transaction was ultimately completed on July 10, 2013, S&P raised Sprint's credit rating from "B+" to "BB-."[369]

263. Clearly, these positive enhancements to Sprint's credit profile also benefited Clearwire's standalone credit profile because its largest customer and largest shareholder, and likely source of future revenue, had significantly strengthened its balance sheet.

264. Even more relevant to Clearwire's credit profile was the revelation to the marketplace that Clearwire's value was significantly greater than its $1.30 per share pre-SoftBank announcement stock price from October 10, 2012. Once the market appreciated the effect that SoftBank's acquisition of control of Sprint could have on Clearwire, Clearwire's equity value increased. This resulted in a lower debt to total capitalization ratio, lower debt risk, and a lower cost of debt as evidenced by lower debt yields.

265. Based on this, I conclude that Clearwire's debt yields of approximately 15% from October 10, 2012 are <u>not</u> relevant for performing a valuation as of the Valuation Date. Those yields fail to account for the effects of SoftBank's investment in Sprint. Without those effects, the equity cushion protecting debt holders was only $1.30 per share, resulting in a debt to total capitalization ratio of 72%, which is not consistent with Clearwire's prospects as of the Valuation Date.

266. Likewise, I also conclude that Clearwire's debt yields of approximately 3% from July 9, 2013 are <u>not</u> relevant for purposes of a determining fair value because those yields likely reflect the expectation of the accomplishment of the Sprint/Clearwire merger.

---

[369] *See* "S&P Raises Sprint Nextel Rtg to 'BB-' from B+'; Outlook Stable," *Bloomberg News*, July 10, 2013 at 4:13pm.

267. To estimate Clearwire's long-term cost of debt as of the Valuation Date, I use Clearwire's "CCC" credit rating from S&P that was in place throughout all of 2012. I note that after the Sprint/Clearwire transaction was completed, S&P increased Clearwire's credit rating from "CCC" to "BB-" (bypassing the "B" category) on July 10, 2013.[370]

268. I select the Bank of America Merrill Lynch 7-10 Year CCC & Lower US High Yield Index with a yield to maturity of 9.34% as of the Valuation Date, which ensures that my estimate of Clearwire's cost of debt is not affected by the Sprint/Clearwire transaction.[371]

269. This 9.34% yield is *lower* than Clearwire's debt yields of approximately 15% from October 10, 2012, when Clearwire's stock price was only $1.30 per share and its debt to total capitalization ratio was approximately 72%. The 9.34% yield, however, is *greater* than Clearwire's yields on the Valuation Date, and *greater* than the refinancing rates highlighted by Centerview of 8.0% to 9.0% proposed by Wall Street firms.

270. Therefore, I conclude that Clearwire's standalone pre-tax cost of debt was 9.34%. Using a 38.0% tax rate yields an after-tax cost of debt of 5.79%, which I use in the WACC formula for my discount rate (*see* Exhibit 11).

271. Centerview used three different pre-tax cost of debt rates: (i) 27.4%, representing Clearwire's maximum debt yield from October 11, 2011 (1¾ years prior to the Valuation Date); (ii) 12.5%, the yield on October 10, 2012; and (iii) 9.2%, the "pre-leak" yield from December 10, 2012.[372] Evercore used two different pre-tax cost of debt rates in its WACC analysis: (i) 13.0%,

---

[370] *See* "S&P Raises Clearwire Rtg to 'BB-' from 'CCC'; Outlook Stable," *Dow Jones Newswires*, July 10, 2013 at 4:31pm.

[371] Source: Bloomberg (H4CU Index).

[372] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052783.

the yield on October 10, 2012; and (ii) 10.0% "based on current bond yields."[373] Although Evercore initially used these debt rates in its WACC analysis, it apparently abandoned that work[374] and instead used a simple cost of debt plus a premium to estimate Clearwire's discount rate. For this non-traditional analysis, Evercore used debt yields ranging from 13.0% to 29.9%, with the upper-end again representing Clearwire's maximum debt yield from October 11, 2011.[375]

272. I note that my 9.34% cost of debt, though calculated differently, is consistent with Centerview's 9.2% "pre-leak" yield and Evercore's 10.0% "current" yield as of November 2012.

iii) Cost of Equity

273. Using the CAPM formula, I calculate Clearwire's cost of equity to be 12.76%. I detail the calculation of the cost of equity below and in Exhibit 11:

CAPM = 3.36% + (1.26 x 6.11%) + 1.70% = 12.76%

Risk-Free Rate

274. For a risk-free rate, I used the twenty-year Constant Maturity Treasury Bond with a yield of 3.36% on July 9, 2013.[376,377]

---

[373] *See* Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-19.

[374] I note that Evercore's 10.0% cost of debt was greater than its corresponding 9.2% cost of equity, which is illogical.

[375] *See* Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004415, 4419.

[376] Source: Bloomberg.

[377] According to Ibbotson, the horizon of the risk-free rate for a going-concern business "…should be that of a long-term Treasury bond…" to "…match the time horizon of… the investment, not the investor." To maintain consistency between Ibbotson's construction of its long-horizon equity premium and the risk-free rate, Ibbotson recommends using a 20-year Treasury bond for the risk-free rate, which is the "…standard Ibbotson used for its data series." *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 44-45.

Equity Risk Premium

275. For the equity risk premium, I use the long-horizon supply-side equity risk premium from 1926 to 2012 of 6.11% from Ibbotson Associates.[378,379,380] The expected equity risk premium can be defined as the additional return an investor can expect to receive to compensate for the additional risk associated with investing in the general equity market as opposed to investing in risk-free assets.[381] Ibbotson's supply-side equity risk premium only includes equity returns attributable to inflation, income returns, and growth in real earnings per share while excluding any growth in the P/E ratio.[382]

---

[378] Ibbotson states, "...the long-horizon equity risk premium is preferable for use in most business-valuation settings...." *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 55.

[379] Many academic researchers and valuation practitioners recommend use of the supply-side equity risk premium. *See*, for example, Roger G. Ibbotson and Peng Chen, "Long-Run Stock Returns: Participating in the Real Economy," *Financial Analysts Journal*, Jan./Feb. 2003, 88-98; Jeremy Siegel, "Perspectives on the Equity Risk Premium," *Financial Analysts Journal* (2005) 61-73; Shannon Pratt, "Valuers Should Lower Equity Risk Premium Component of Discount Rate," *Business Valuation Update* (Nov. 2003); Shannon Pratt and Roger Grabowski, Cost of Capital: Applications and Examples, (3rd ed. 2008) 89-113; and Ivo Welch, "The Consensus Estimate for the Equity Premium by Academic Financial Economists in December 2007" (Jan. 2008).

[380] The Court has also embraced the use of the supply-side equity risk premium, *see for example: Global GT LP v. Golden Telecom, Inc.* 993 A.2d 497, 517 (Del. Ch. 2010) (then-Vice Chancellor Strine stating that Ibbotson "…makes a strong argument for the supply side method…" and that the supply side equity risk premium "…comports with the strong weight of professional and academic thinking…"); *Gearreald v. Just Care, Inc*. 2012 WL 1569818, at *10 (Del. Ch. April 30, 2012) ("[A]lthough experts and this Court traditionally have applied the historical equity risk premium, the academic community in recent years has gravitated toward greater support for utilizing the supply side equity risk premium."); *In re Appraisal of Orchard Enters., Inc.*, 2012 WL 2923305, at *19 (Del. Ch. July 18, 2012) ("I therefore find that the Ibbotson Yearbook's supply-side equity risk premium of 5.2% is an appropriate metric to be applied in valuing Orchard under the CAPM."); *Merion Capital, L.P. v 3M Cogent, Inc*., 2013 WL 3793896 (Del. Ch. July 8, 2013).

[381] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 53.

[382] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 65.

Beta

276. To estimate Clearwire's beta (systematic risk), I show in Table 21 several potentially relevant measures of beta over different time periods that all end prior to Sprint's confirmation, on October 11, 2012, that it was in discussions with SoftBank about SoftBank acquiring control of Sprint.[383,384,385]

[383] *See* April 23 Proxy Statement, p. 21; "Sprint Confirms Talks with SoftBank Over 'Substantial Investment,'" *Dow Jones News Service*, October 11, 2012 at 11:35am; "Japan's Softbank talking with Sprint About Making a Substantial Investment in the US Carrier," *AP Newswire*s, October 11, 2012 at 6:07pm ("Shares of Clearwire Corp. jumped 92 cents, or 70.1 percent, to $2.22 on news of the Softbank talks.").

[384] Academic empirical research shows that the beta of takeover targets approaches zero after deals are announced. *See*, for example, M. Mitchell, T. Pulvino, "Characteristics of Risk and Return in Risk Arbitrage," *The Journal of Finance*, Vol. 56, No. 6, Dec. 2001 at Table III (2154). Recognizing the problems of measuring beta with post-announcement data, Messrs. Pratt and Grabowski advise that: "The period during which beta is determined should exclude dates on which the market was influenced by the transaction which led to the appraisal. In *Technicolor* in 1990, Chancellor Allen rejected a beta… based on the company's market prices in a period which included the tender offer through which control was purchased and instead adopted a beta… based on Technicolor's pre-tender market prices." *See* S. Pratt, R. Grabowski, Cost of Capital in Litigation, John Wiley & Sons, Inc., 2011, p. 172 (*citing Cede & Co. v. Technicolor, Inc.*, 1990 Del. Ch. LEXIS 259 at *96-97). Consistent with these empirical findings, Clearwire's raw daily beta over the period from October 11, 2012 to July 9, 2013 was 0.06.

[385] Sprint's confirmation of these discussions led to speculation that Sprint might acquire Clearwire. In this case, I am unable to disentangle the positive effects on Clearwire's stock price after October 10, 2012, due to: (i) rumors that Sprint might acquire Clearwire; and (ii) the expected positive impact of the anticipated completion of the SoftBank/Sprint transaction on Clearwire's prospects. Therefore, I measure betas using data ending on October 10, 2012, even though such data does not reflect the benefit to Clearwire of the SoftBank/Sprint transaction.

TABLE 21
CLEARWIRE'S HISTORICAL BETAS[386]

	Time Period	# of Obsv.	Raw Beta	Adj. Beta
Monthly:[387]				
5-Year	9/28/2007 – 9/28/2012	60	1.15	1.10
4-Year	9/30/2008 – 9/28/2012	48	1.38	1.26
3.9-Year (Sprint Period)	11/28/2008 – 9/28/2012	46	1.29	1.20
Weekly:[388]				
5-Year	10/12/2007 – 10/5/2012	260	1.81	1.54
4-Year	10/10/2008 – 10/5/2012	208	1.95	1.63
3.9-Year (Sprint Period)	11/28/2008 – 10/5/2012	201	1.48	1.32
3.3-Year (Post-Credit Crisis)	7/2/2009 – 10/5/2012	170	1.12	1.08
3-Year	10/9/2009 – 10/5/2012	156	0.92	0.95
1-Year	10/7/2011 – 10/5/2012	52	2.40	1.93
Daily:				
5-Year	10/11/2007 – 10/10/2012	1,260	0.89	0.93
4-Year	10/10/2008 – 10/10/2012	1,008	0.97	0.98
3.9-Year (Sprint Period)	11/28/2008 – 10/10/2012	974	0.91	0.94
3.3-Year (Post-Credit Crisis)	7/1/2009 – 10/10/2012	827	0.96	0.98
3-Year	10/12/2009 – 10/10/2012	756	0.91	0.94
2-Year	10/12/2010 – 10/10/2012	504	0.78	0.85
1-Year	10/11/2011 – 10/10/2012	252	0.82	0.88
Daily (Sum Beta):[389]				
5-Year	10/11/2007 – 10/10/2012	1,260	1.46	1.31
4-Year	10/10/2008 – 10/10/2012	1,008	1.52	1.35
3.9-Year (Sprint Period)	11/28/2008 – 10/10/2012	974	1.22	1.15
3.3-Year (Post-Credit Crisis)	7/1/2009 – 10/10/2012	827	1.26	1.17

[386] The "Sprint period" represents the time period since Sprint's November 2008 investment in Clearwire. The "post-credit crisis period" represents the time period since the U.S. recession ended in June 2009.

[387] I exclude the three-year and 3.3 year (post-credit crisis) adjusted betas of 0.66 and 0.91 because they are not statistically significant.

[388] I exclude the two-year weekly adjusted beta of 0.93 because it was not statistically significant.

[389] I exclude the one, two, and three year adjusted daily sum betas of 1.28, 1.00, and 1.11 because their lagged coefficients are not statistically significant.

277. I use regression analyses to directly calculate Clearwire's beta.[390] I use various time periods from one year to five years, as well as the 3.9-year period since Sprint's November 2008 investment in Clearwire[391] and the 3.3-year post-credit crisis period.[392] I measure adjusted monthly betas of 1.10 to 1.26, adjusted daily betas of 0.85 to 0.98, and adjusted daily sum betas of 1.15 to 1.35.[393,394] I found the adjusted weekly betas that range from 0.95 to 1.93 to be too dispersed to provide a reliable indication of Clearwire's beta.[395] The daily, weekly, and monthly

---

[390] I found that the trading market on NASDAQ for Clearwire's Class A common stock was characterized by active trading, low trading costs, and a sizeable market capitalization. These traits are all hallmarks of stocks that trade in an open, developed, and efficient marketplace.

[391] Sprint completed its investment in Clearwire on November 28, 2008 (announced during trading hours). *See* "Clearwire Completes Landmark Transaction with Sprint Nextel to Combine 4G Mobile WiMAX Businesses," *Business Wire*, November 28, 2008 at 1:12pm.

[392] The recession ended in June 2009. *See* http://nber.org/cycles/sept2010.html.

[393] Clearwire's raw beta was calculated by regressing stock returns (adjusted for rights offering valued at $0.45 per share on the ex-date of December 24, 2009) for the time period indicated in the table (prior to rumors that Clearwire might be acquired by Sprint after Sprint confirmed publicly on October 11, 2012, during the trading day, that it was engaged in discussion with SoftBank about a potential change of control transaction) on the returns of the S&P 500 Total Return Index. The raw beta was then adjusted to equal the raw beta multiplied by 0.67 plus the market beta of one multiplied by 0.33.

[394] According to Ibbotson, "[i]n calculating beta estimates for cost of capital projections, we are seeking a forward-looking or prospective beta. What we have measured using historical data in the beta regression is a historical beta." A "common technique[ ] used to adjust betas from historical to prospective or forward-looking" is the Blume adjustment. "One of the first academics to study whether historical betas are reliable estimates of future systematic risk was Marshall Blume. What Blume found is that betas tend to revert toward their mean value, or the market beta of one…. Blume suggests that all betas using historical regression techniques should be adjusted in this fashion. The closer a historical beta is to 1.0, the less the magnitude of the adjustment. The Blume equation is often referred to as the 1/3 + 2/3 adjustment. When simplified, the adjustment procedure takes 1/3 plus 2/3(β_0). Use of this type of adjustment procedure is common…" *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 77-78.

[395] The four-year adjusted weekly beta of 1.6, in particular, is highly unstable. For example, when the 208 observations in this four-year period are slightly reduced to 201 observations (representing the 3.9-year Sprint ownership period), the beta collapses to 1.32. In contrast, when the four-year monthly beta of 1.26 is reduced to the 3.9-year period the beta declines to only 1.20. Likewise, when the four-year daily beta of 0.98 is reduced to the 3.9-year

betas reported in Table 21 are all statistically significant at the 95% confidence level or greater. Table 22 below shows the average debt to total capitalization ratios over the periods that I measure beta:

TABLE 22
CLEARWIRE'S HISTORICAL DEBT TO TOTAL CAPITALIZATION RATIO[396]

	Time Period	Average Daily Debt to Total Capitalization Ratio
5-Year	10/11/2007 – 10/10/2012	42.1%
4-Year	10/10/2008 – 10/10/2012	43.6%
3.9-Year (Sprint Period)	11/28/2008 – 10/10/2012	43.3%
3.3-Year (Post-Credit Crisis)	7/1/2009 – 10/10/2012	44.7%
3-Year	10/12/2009 – 10/10/2012	47.0%
2-Year	10/12/2010 – 10/10/2012	56.9%
1-Year	10/11/2011 – 10/10/2012	66.9%

278. Clearwire's betas measured over periods of 3.3 years or longer in duration correspond with average daily debt to total capitalization ratios of between 42.1% and 44.7%. Because these are not too different than the capital structure of 36.5% debt to total capitalization ratio that I use in my WACC analysis, I do not unlever and re-lever these betas to my 36.5% debt to total capitalization ratio. If such an adjustment were made, then all of the calculated betas would be lower than those shown above in Table 21, which would (while holding all else constant) increase my DCF value.

period the beta declines to only 0.94.

[396] The daily debt to total capitalization ratios are calculated using daily stock prices obtained from Bloomberg, quarterly data for Class A and Class B shares outstanding obtained from Clearwire's SEC filings, and quarterly data for debt (based on carrying value as reported on balance sheets) and capital lease obligations obtained from Clearwire's SEC filings.

279. I observe that the four-year monthly beta of 1.26 is:

a) the *highest* of the adjusted monthly betas, where adjusted monthly betas range from 1.10 to 1.26;

b) *consistent* with the four and five-year adjusted daily sum betas of 1.35 and 1.31, and *greater* than the 3.3-year and the 3.9-year betas of 1.17 and 1.15; and

c) *equal* to Ibbotson's highest reported beta for companies in SIC Code 489 (Communications Services).[397]

280. Based on this evidence, I conclude that a reasonable adjusted beta to calculate Clearwire's CAPM cost of equity is 1.26 using four years of monthly data.

281. I note that Centerview used five-year adjusted weekly betas for Clearwire that ranged from 1.44 to 1.53[398] and Evercore used five-year adjusted weekly betas for Clearwire that ranged from 0.89 to 1.53.[399,400] I note that all of the betas relied upon by Centerview and Evercore were based on capital structures with debt to total capitalization ratios that are greater than the 36.5% that I use. If Centerview's and Evercore's betas were unlevered and then re-

[397] Ibbotson's SIC Code 489 contains 25 companies, including Clearwire. *See* Ibbotson Cost of Capital: 2013 Yearbook, Morningstar, 2013. Ibbotson measured adjusted monthly betas over the five-year period ending March 31, 2013. Ibbotson reports that the most recent debt to total capitalization ratios as of March 2013 were: 31.1% (median); 36.6% (SIC Composite); and 39.5% (Large Composite).

[398] *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333; Hess Dep. Ex. 51, "Project Canine," June 12, 2013 at Bates No. SPComm_00009025. These weekly betas were measured over the five-year periods ending: October 11, 2011 (1.46; because Clearwire's initial public offering was on March 7, 2007, this beta was measured over a 4.6-year period); October 10, 2012 (1.53); and November 26, 2012 (1.44).

[399] *See* Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607. Evercore measured the adjusted weekly beta of 1.53 over the five-year period ending October 10, 2012. Evercore indicated that this beta reflected Clearwire's then current debt to total capitalization ratio of 69.8%. Evercore also unlevered the 1.53 beta and then re-levered it to 0.89 using a debt to total capitalization ratio of 40%.

[400] I also note that Sprint's four-year monthly adjusted beta for the period ended September 2012 was 0.91.

levered using my 36.5% debt to total capitalization ratio, then their betas would be lower than my beta of 1.26.

Size Premium

282. To determine my equity size premium, I use Ibbotson's research on the relationship between firm size and excess return for publicly-traded companies from 1926 to 2012.[401] Ibbotson has measured equity size premiums by constructing ten equally-populated portfolios or deciles ranked by market capitalization[402] of NYSE/AMEX/NASDAQ listed equity securities from 1926 through 2012.

283. Table 23 shows the range of market capitalizations and corresponding size premiums that are potentially relevant to Clearwire's DCF valuation:

[401] The Court has noted that "[a] size premium [is] used consistently with the practice of most current users of CAPM in the appraisal and valuation context…." *See Reis v. Hazelett Strip-Casting Corp.*, 28 A.3d 442, 475 (Del. Ch. 2011) (quoting *Del. Open MRI Radiology Assocs., P.A. v. Kessler*, 2006 WL 4764042, at *33 (Del. Ch. Apr. 26, 2006)). *See also In re Orchard Enters., Inc.*, 2012 WL 2923305, at *18 (Del. Ch. July 18, 2012) ("A size premium is a generally acceptable addition to the CAPM formula in the valuation of smaller companies to account for the higher rate of return that investors demand as compensation for the greater risk associated with small company equity."); *Gearreald v. Just Care, Inc.*, 2012 WL 1569818, at *10 (Del. Ch. Apr. 30, 2012) ("[A]n equity size premium generally is added to the company's cost of equity in the valuation of smaller companies to account for the higher rate of return demanded by investors to compensate for the greater risk associated with small company equity.").

[402] Ibbotson defines "market capitalization" as "[t]he current market price of a security determined by the most recently recorded trade multiplied by the number of issues outstanding of that security. For equities, market capitalization is computed by taking the share price of a stock times the number of shares outstanding." *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 221.

TABLE 23
BREAKDOWN OF IBBOTSON ASSOCIATES DECILES 3 – 6 SIZE PREMIUMS[403]

	Clearwire	Market Capitalization	Size Premium
Decile 3	$7,369M	$4,250M - $7,687M	0.92%
Decile 4	$4,053M	$2,773M - $4,228M	1.14%
Decile 5	$1,916M	$1,912M - $2,759M	1.70%
Decile 6	n/a	$1,347M - $1,909M	1.72%

284. The market value of Clearwire's equity on the Valuation Date based on its pre-SoftBank announcement stock price of $1.30 per share on October 10, 2012 was $1,915.9 million,[404] which is at the bottom of decile 5. The market value of Clearwire's equity on the Valuation Date based on its pre-announcement stock price of $2.75 per share on December 12, 2012 was $4,052.9 million,[405] which is at the upper-end of decile 4. The $5.00 per share deal value of Clearwire's equity was $7,368.9 million,[406] which is at the upper-end of decile 3.

285. Because Ibbotson's empirical study of size premiums is based *entirely* on a ranking of market capitalizations calculated from publicly-traded stock prices,[407] I generally believe it to be most appropriate to rely on the unaffected market value of a subject-company when choosing a size premium, so that I am using exactly the same "apples-to-apples" basis that

---

[403] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 216.

[404] $1,915.9 million equals $1.30 stock price multiplied by Clearwire's 700,052,307 Class A shares and 773,732,672 Class B shares. *See* Exhibit 12.

[405] $4,052.9 million equals $2.75 stock price multiplied by Clearwire's 700,052,307 Class A shares and 773,732,672 Class B shares. *See* Exhibit 12.

[406] $7,368.9 million equals $5.00 stock price multiplied by Clearwire's 700,052,307 Class A shares and 773,732,672 Class B shares. *See* Exhibit 12.

[407] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 85 (emphasis added) ("The companies are then split into 10 equally populated groups, or deciles. Eligible companies traded on the NYSE, the NYSE Amex (AMEX), and the Nasdaq National Market (NASDAQ) are then *assigned to the appropriate deciles according to their capitalization* in relation to the NYSE breakpoints.").

Ibbotson uses in the construction of those size premiums.[408] Therefore, I use the decile 5 size premium of 1.70% to perform my DCF valuation of the Company. Use of either decile 3 or 4 size premiums (while holding all else constant) would increase my DCF value.

iv) Computation of Cost of Capital

286. Based on Clearwire's cost of equity, cost of debt, and capital-structure weights, I calculate Clearwire's discount rate to be 10.22% (*see* Exhibit 11). I generate a range of discount rates by adding and subtracting 25 basis points (9.97% to 10.47%) to show the sensitivity of DCF values to changes in WACC.

287. I use my estimate of WACC to determine the present value of Clearwire's future free cash flows. Since Clearwire's historical revenues and losses materialize approximately evenly over the year,[409] I use a mid-year discounting factor.

288. I disregard Centerview's and Evercore's WACC calculations based on stale maximum debt yields of 27-29% from 2011 (*see infra*, ¶342) and also disregard Evercore's non-traditional calculation of discount rates. The financial advisors' remaining estimates of WACC, along with those reported by Ibbotson, are as follows:

---

[408] In this case, I am unable to disentangle the positive effects on Clearwire's stock price after October 10, 2012, due to: (i) rumors that Sprint might acquire Clearwire; and (ii) the expected positive impact of the anticipated completion of the SoftBank/Sprint transaction on Clearwire's prospects. Therefore, I use the $1.30 per share stock price from October 10, 2012, even though it does not reflect the benefit to Clearwire of the SoftBank/Sprint transaction.

[409] A popular valuation textbook states, "...it seems more reasonable to assume that cash flows are received (or at least available) more or less evenly throughout the year. This projection can be reflected in the discounted economic income model by using the *midyear discounting convention*. This convention projects cash flows as being received at the middle rather than the end of each year, thus more or less approximating the valuation effect of even cash flows throughout the year." *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, pp. 220-221, 249-251 (emphasis in original). *See* Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 127.

TABLE 24
COMPARISON OF WACCS[410]

Jarrell Opinion:	10.22%
Centerview:	
"Pre-Leak" (December 12, 2012)	8.9%
Prior to Sprint/SoftBank Announcement (October 10, 2012)	9.8%
Evercore:	
Current Yields and 40% Debt/Cap	8.0%
October 10, 2012 Yields and 70% Debt/Cap	9.7%
Ibbotson (SIC Code 489):[411]	
WACC (based on CAPM + Size Premium)	8.12% - 9.58%

289. My 10.22% estimate for Clearwire's discount rate is *greater* than either of the financial advisors' remaining estimates and is also *greater* than those reported by Ibbotson. I note that using any of these lower WACCs (while holding all else constant) would increase my DCF value.

D. Terminal Value

290. In addition to computing the present value of the forecasted cash flows, DCF analyses require an estimate of the value of the company at the end of the forecast period, which is sometimes called the "terminal value." Terminal values are often expressed either as an "exit multiple" or using a "perpetuity growth model."

[410] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052783; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607.

[411] Ibbotson's SIC Code 489 contains 25 companies, including Clearwire. *See* Ibbotson Cost of Capital: 2013 Yearbook, Morningstar, 2013. Ibbotson reports that the most recent debt to total capitalization ratios as of March 2013 were: 31.1% (median); 36.6% (SIC Composite); and 39.5% (Large Composite).

291. Although investment bankers typically use exit multiples to compute terminal value in their DCF analyses, this approach has been criticized especially by academics for being inconsistent with economic theory.[412] I concur with this criticism and, thus, I favor using the perpetuity growth model to estimate terminal value in my DCF work.[413]

292. The perpetuity growth model is one of the most common techniques used for the calculation of terminal value.[414] The formula is:

---

[412] *See* A. Damodaran, Investment Valuation: Tools and Techniques for Determining the Value of Any Asset, Third Edition, John Wiley & Sons, Inc., 2012, p. 306 ("…using multiples to estimate terminal value… results in a dangerous mix of relative and discounted cash flow valuation…. [A] discounted cash flow valuation should provide you with an estimate of intrinsic value, not relative value. Consequently, the only consistent way of estimating terminal value in a discounted cash flow model is to use either a liquidation value or a stable growth model."); S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, p. 220 ("Many investment bankers are prone to use the market multiple method…. The market multiple method introduces into the income approach the added dimension of projecting a market multiple as of the end of the projection period. As noted earlier, the terminal value often accounts for half or more of the value indicated by the DCF method. The market multiple brings a major element of the market approach into the income approach. Many valuation analysts prefer to keep the income approach and the market approach as distinct from each other as possible."); S. Pratt, R. Grabowski, Cost of Capital, Fifth Edition, John Wiley & Sons, Inc., 2014, pp. 48-49 ("Some practitioners use a market multiple… to estimate terminal value. The authors of this book believe that use of a market-derived multiple for calculation of the terminal value is not appropriate in the income approach as it mixes elements of the market and income approaches and does not represent a true income approach. In addition to mixing valuation approaches, it is not clear that a current average industry multiple reflects a long-term estimate of growth consistent with the company's sustainable long-term growth rate in net cash flows in the residual period. If the growth rate embedded in the multiple is inconsistent, utilizing this method could either overvalue or undervalue the business…. the use of an EBITDA multiple to calculate a terminal value is a perilous shortcut for use of a Gordon Growth Model.").

[413] The Court, too, has embraced the perpetuity growth model. *See, e.g., In re PNB Holding Co. S'holders Litig.*, C.A. No. 28-N, 2006 WL 2403999 at *31 (Del. Ch. Aug. 18, 2006) ("Hargrove used an exit multiple… a less favored technique…. Clarke, by contrast, used the preferred method of estimating a perpetual growth rate…."); *Cede & Co. v. JRC Acq. Corp.*, 2004 WL 286963, at *5 (Del. Ch. Feb. 10, 2004); *Crescent/Mach I P'ship, L.P. v. Turner*, 2007 WL 1342263, at *14 (Del. Ch. May 2, 2007); *Gholl v. Emachines, Inc.*, 2004 WL 2847865, at *13 (Del. Ch. Nov. 24, 2004).

[414] *See* for example, R.A. Brealey, S.C. Myers and F. Allen, Principles of Corporate

Terminal Value = $(NOPAT_{T+1})$(1-Plowback Ratio) / (WACC - G)

where

$NOPAT_{T+1}$ = the normalized level of net operating profits after taxes (on a cash basis) in the first year after the explicit forecast period that ends at time T;

Plowback Ratio = capital expenditures less depreciation divided by NOPAT;

WACC = weighted average cost of capital; and

G = NOPAT's expected nominal annual growth rate in perpetuity.

293. Besides the WACC, which I calculate to be 10.22%, the terminal value requires a determination of the appropriate assumptions for the normalized EBIT (and NOPAT), constant annual growth rate, and the plowback ratio for the terminal period.[415] I explain my assumptions and bases for these inputs in the terminal value formula below.

i) Normalized EBIT Margin in Terminal Period

294. As noted in several valuation treatises, a company's profit margin must be normalized to a sustainable level in the terminal period before calculating terminal value:

> …when estimating the continuing-value parameters [of a perpetuity growth formula]… *[t]he level of NOPLAT should be based on a normalized* level of revenues and *sustainable margin* and return on invested capital (ROIC).[416]

Finance, Eighth Edition, McGraw Hill, (2006), Chapter 19, pp. 509-512; S. Ross, R. Westerfield and J. Jaffe, Corporate Finance, Sixth Edition, McGraw Hill, (2002), pp. 83-86; B. Cornell, Corporate Valuation: Tools for Effective Appraisal and Decision Making, McGraw Hill, (1993), pp. 144-160; Ibbotson SBBI Valuation Edition 2012 Yearbook, Ibbotson Associates, pp. 47-50.

[415] If a company has already achieved a steady-state by the final year of its projection period (*i.e.*, EBIT, NOPAT, and plowback ratio require no further normalization in the terminal period), then terminal value can simply be calculated as: [(free cash flow in final year of projection period) (1 + G)] / (WACC - G).

[416] *See* T. Koller, M. Goedhart, D. Wessels, Valuation: Measuring and Managing the Value of Companies, Fifth Edition, John Wiley & Sons, Inc., 2010, p. 214 (emphasis added).

> The Constant Cash Flow Growth Model:… *It is important that the forecast cash flows for the year ending at the terminal date be properly normalized*. As will become evident, errors in the normalized cash flow forecast at the terminal date translate into equal percentage errors in the continuing value…. *[M]argins* and new investment *must be at their long-run equilibrium* values…[417]
>
> In order for the capitalized economic income method to produce a realistic value indication, *the numerator should be a realistic sustainable base of expected economic income*…. Of course, the analyst may consider company budgets, plans, forecasts, and other forward-looking data in *the estimation of the normalized (or sustainable) economic income measure*.[418]

295. The Court also recognizes the need to normalize terminal year free cash flows:

> [Normalization is premised on] the sound valuation principle that because the terminal value is meant to capture the present value of all future cash flows of the company, *typically the net cash flow figure used to generate the terminal value should be normalized*, rather than "unrealistically extrapolate[ ] [a company's] short run circumstances into perpetuity.[419]

296. As shown in Table 25 below, all three sets of projections contemplate negative EBIT margins for the first three to four years followed by positive EBIT margins that appear to stabilize during the last two to three years of the projection period.

---

[417] *See* B. Cornell, Corporate Valuation: Tools for Effective Appraisal and Decision Making, McGraw Hill, 1993, pp. 146-147, 157 (emphasis added).

[418] *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, p. 247 (emphasis in original).

[419] *See In re Orchard Enters., Inc.*, 2012 WL 2923305, at *15 (Del. Ch. July 18, 2012) (citation omitted, emphasis added). *See also In re Appraisal of Ancestry.com, Inc.*, 2015 WL 399726, at *20 (Del. Ch. Jan. 30, 2015) ("I find Jarrell's averaging of the 2013 through 2016 EBIT margin projections, which figure was then used as his future projection, appropriate.").

TABLE 25
CLEARWIRE'S PROJECTED EBIT MARGINS[420]
(after deducting non-cash expenses)

	SCC Projections	MCC Projections	June Projections - SoftBank Plan
2013E	-80.3%	-80.3%	-80.4%
2014E	-166.3%	-144.1%	-48.5%
2015E	-109.7%	-28.1%	-2.4%
2016E	-32.4%	37.1%	21.7%
2017E	6.5%	58.0%	40.8%
2018E	23.9%	66.1%	47.1%
2019E	32.2%	69.7%	n/a
2020E	33.5%	69.2%	n/a
Average	-36.6%	6.0%	-3.6%
Average (2018-2020)	29.9%	68.4%	47.1%

297. Based on this, after each projection period ends, I use the following long-term normalized EBIT margins in the terminal period:

a) SCC Projections: 29.9%;

b) MCC Projections: 68.4%; and

c) June Projections – SoftBank Plan: 47.1%.[421]

298. The normalized EBIT margin of 47.1% that I use in the June Projections – SoftBank Plan is *lower* than all but one of the positive projected EBIT margins made by Clearwire's management in the MCC Projections.

420 *See* Exhibit 13.

421 Because the June Projections – SoftBank Plan end in 2018, the three-year average for 2018 to 2020 is based solely on the 2018 margin. I note that in both the SCC and MCC Projections, their margins in 2019 and 2020 were higher than 2018. This indicates that my use of the margin from 2018 likely understates the three-year average.

ii) Transitional Growth Stage

299. In cases when the projected revenue growth in the last year of the forecast period is much greater than the constant growth rate assumed for all years thereafter into perpetuity, a three-stage DCF model may be used instead of the typical two-stage model described above. Specifically, the three-stage model inserts a second stage to transition from the first, high-growth-stage forecast period to the last-stage perpetuity period. The analyst then typically assumes that revenue growth rates decline monotonically over this second stage from the last year in the forecast period to a level consistent with a reasonable constant growth rate in the perpetuity period.[422] The Court has recognized the need to use a three-stage DCF model on a number of occasions where companies had yet to reach a steady state of growth.[423]

300. A transitional stage is typically only considered when the difference between the growth rate in the last year of the forecast period and the terminal-period growth rate imply a disproportionate decline in growth rates. In this case, the growth rates used in the SCC and

[422] For example, Prof. Damodaran states that "[s]ince the model allows for three stages of growth and for a gradual decline from high to stable growth, it is the appropriate model to use to value firms with very high growth rates currently." *See* A. Damodaran, Investment Valuation, Third Edition, John Wiley & Sons, 2012, p. 367. Prof. Damodaran also states that "[f]or firms growing at a moderate rate, the two-stage discounted cash flow model should provide enough flexibility in terms of capturing changes in the underlying characteristics of the firm, while a three-stage or n-stage model may be needed to capture the longer transitions to stable growth that are inherent in high-growth-rate firms." *See* A. Damodaran, Investment Valuation, Third Edition, John Wiley & Sons, 2012, p. 933.

[423] *See In re Rural Metro Corp.,* 88 A.3d 54, 108 (Del. Ch. March 7, 2014) ("the technique of extending the projections deals with the valuation difficulties more forthrightly by making its assumptions explicitly and enabling them to be evaluated and tested. The revised expert analyses will use the explicit method of extending the projections…"); *Merion, L.P. v. 3M Cogent, Inc.*, 2013 WL 3793896, at *22 (Del. Ch. July 8, 2013) ("I believe that Bailey's three-stage model best reflects Cogent's expected growth over time and adopt that approach."); *Andaloro v. PFPC Worldwide, Inc.*, 2005 WL 2045640, at *12 (Del. Ch. Aug. 19, 2005) ("I have chosen to apply the three stage method."); *Prescott Group Small Cap, L.P. v. Coleman Co.*, 2004 WL 2059515, at *29-30 (Del. Ch. Sept. 8, 2004) (rejecting two-stage model and instead approving use of a three-stage model).

MCC Projections in 2020 for Clearwire are projected to be approximately 6%, and (as discussed next) I use a perpetuity growth rate of 4.5%. In my opinion, such a narrow gap between growth rates negates any justification for using a transitional stage within the DCF model. Therefore, I use a traditional two-stage DCF model for my valuation of Clearwire when using the SCC Projections and the MCC Projections. In contrast, as shown below in Table 26, the gap between the growth rate of 14.8% in the June Projections – SoftBank Plan and the perpetuity growth rate of 4.5% is much larger:

TABLE 26
CLEARWIRE'S END-OF-PROJECTION PERIOD REVENUE GROWTH RATES[424]

	SCC Projections	MCC Projections	June Projections - SoftBank Plan
Projection Period Ending Year	2020	2020	2018
Growth Rates:			
Last Year of Projection Period	6.1%	6.0%	14.8%
Terminal Period	4.5%	4.5%	4.5%
Difference	1.6%	1.5%	10.3%

301. In general, the greater this growth rate difference, the more years are included in the second-stage, so as to gradually transition annual growth rates to the perpetuity growth rate. In this case, for the June Projections – SoftBank Plan, I introduce two additional years (2019 and 2020) with a growth rate of 11.4% in 2019 (*i.e.*, 14.8% - 3.4%) and 8.0% in 2020 (*i.e.*, 11.4% - 3.4%) to transition from the forecast period to the perpetuity period in my three-stage DCF

[424] *See* Exhibit 13.

model.[425] By using a two-year transition stage, the June Projections – SoftBank Plan end in 2020, which is the same ending year for both the SCC Projections and the MCC Projections.

iii) Perpetual Growth Rate

302. To compute terminal value, I estimate a constant nominal annual growth rate for use into perpetuity. Valuation practitioners recognize that generally the minimum reasonable estimate for the perpetuity growth rate for a company which is considered to be a profitable and viable going-concern (as Clearwire would be, following SoftBank's investment in Sprint) is the long-term rate of inflation.[426] Since a projected growth rate equal to inflation implies zero projected real growth, this is generally considered to be an unreasonably pessimistic outlook for viable going-concerns that are expected to be viable long-term competitors in their markets.[427]

303. On the other hand, valuation practitioners generally are reluctant to use perpetuity growth rates that are much in excess of the long-term historical nominal GDP growth rate of the U.S. economy. The use of perpetuity period growth rates in excess of historical or expected

---

[425] In this transition stage, I assume that Clearwire's growth rates decline monotonically by 3.4% each year until ultimately stabilizing at my 4.5% perpetuity growth rate. This 3.4% annual decline is equals to: (14.8% growth rate in 2018 – 4.5% perpetuity growth rate) divided by three years.

[426] *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, p. 248 ("If the company is in an industry subject to vigorous competitive pressure, with little prospect for real growth without large capital expenditures, then perpetual growth at the rate of expected long-term inflation may be reasonable (i.e., zero real growth)."); P. Hunt, Structuring Mergers & Acquisitions: A Guide to Creating Shareholder Value, Aspen Publishers, 2009, p. 51 ("As a proxy for long-term growth, inflation assumes a company can pass along increases in its costs, but cannot necessarily increase its volume."); *Global GT LP v. Golden Telecom, Inc.* 993 A.2d 497, 511 (Del. Ch. April 23, 2010) ("A viable company should grow at least at the rate of inflation,… the rate of inflation is the floor for a terminal value estimate for a solidly profitable company that does not have an identifiable risk of insolvency."); *Lane v. Cancer Treatment Ctrs. Of Am., Inc.*, 2004 WL 1752847, at *31 (Del. Ch. July 30, 2004) (rejecting a terminal growth rate below inflation as unreasonable because "it must be assumed that [the company] would continue to grow at least at the rate of inflation.").

[427] *See supra*, footnote 426.

future GDP growth should be done with caution and only when the facts and circumstances clearly warrant such growth, according to a widely-cited valuation treatise.[428] Therefore, typical perpetuity growth rates are bound on the lower-end by expected long-term inflation rate, and are bound on the upper-end by expected long-term GDP growth rates.

304. Table 27 sets forth nominal and real U.S. GDP growth rates and inflation over various historical time periods:

TABLE 27
HISTORICAL AVERAGE U.S. GDP GROWTH RATES AND INFLATION[429]

	Nominal GDP Growth	Real GDP Growth	Inflation
5 Yrs. (2008-2012)	2.2%	0.6%	1.8%
10 Yrs. (2003-2012)	4.0%	1.8%	2.4%
20 Yrs. (1993-2012)	**4.6%**	**2.6%**	**2.4%**
30 Yrs. (1983-2012)	5.4%	2.9%	2.9%
40 Yrs. (1973-2012)	6.6%	2.8%	4.4%
50 Yrs. (1963-2012)	6.8%	3.1%	4.2%
60 Yrs. (1953-2012)	6.5%	3.1%	3.7%
67 Yrs. (1946-2012)	**6.6%**	**3.0%**	**3.9%**
70 Yrs. (1943-2012)	6.8%	3.2%	3.9%
80 Yrs. (1933-2012)	7.4%	3.9%	3.7%
83 Yrs. (1930-2012)	**6.5%**	**3.4%**	**3.3%**

305. Notable average historical real U.S. GDP growth rates in Table 27 include the post-great stock market crash of 1929 period (*i.e.*, 1930-2012) of 3.4% and the post-World War

[428] *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, p. 248 ("Many analysts argue that the terminal growth rate should never be higher than the expected long-term nominal growth rate of the general economy, which includes both inflation and real growth.").

[429] Source: Bloomberg – Nominal GDP (GDPACUR$), Real GDP (GDPAANN%); Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 210-211.

II period (*i.e.*, 1946-2012) of 3.0%. In contrast, more recently, real U.S. GDP growth averaged only 2.6% over the last twenty years.[430]

306. Table 27 above also shows that the average historical long-term annual rate of inflation for those same periods ranged from 3.3% (post-great stock market crash of 1929: 1930-2012) to 3.9% (post-World War II: 1946-2012), although it averaged only 2.4% the last twenty years.[431] As of July 1, 2013, the Federal Reserve Bank of Cleveland indicated that the expected long-term rate of inflation over the next thirty years was 2.1%.[432]

307. The combination of the Federal Reserve's expected inflation rate of 2.1% with an expected real U.S. GDP growth rate of 2.6% (based on the twenty-year historical average) yields an expected nominal U.S. GDP growth rate of 4.7%.

308. SoftBank's investment in Clearwire's largest customer significantly enhanced the probability that Clearwire would be a profitable company in the long term, as reflected in Sprint's own projections. Therefore, I assume Clearwire's nominal growth rate into perpetuity is 4.5% annually. I also add and subtract 25 basis points to generate a range of 4.25% to 4.75% to show the sensitivity of DCF values to changes in this key assumption.[433]

---

[430] Nominal GDP was expected to increase at an annualized rate of 3.0% in the first quarter of 2013. *See* "US manufacturing likely grew in March for the fourth straight month," *AP Newswire*, April 1, 2013.

[431] *See* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, pp. 210-211.

[432] *See* "Cleveland Fed Estimates of Inflation Expectations," Federal Reserve Bank of Cleveland, https://www.clevelandfed.org/~/media/Files/xcel/20150324-inflation-expectations/20150324-inflation-expectations.xls?la=en.

[433] *See Merion Capital, L.P. v. 3M Cogent, Inc.*, C.A. No. 6247-VCP, 2013 WL 3793896, at *21 (Del. Ch. July 8, 2013) (adopting a 4.5% perpetuity growth rate that was developed based "on historical GDP and inflation data, economic analysts projections, and the growth prospects of the biometrics industry"); *Gearreald v. Just Care, Inc.*, C.A. No. 5233-VCP, 2012 WL 1569818, at *7 & n.50 (Del. Ch. Apr. 30, 2012) (applying terminal growth rate of 5.5%); *Global GT LP v. Golden Telecom, Inc.*, 993 A.2d 497, 513 (Del. Ch. Apr. 23, 2010) (adopting a 5% terminal growth rate, which was "the mid-point between the forecasted long-term

iv) Plowback Ratio

309. Additionally, in calculating a terminal value, economists generally consider it economically illogical to assume that NOPAT can grow into perpetuity if capital expenditures are projected to simply equal depreciation. Rather, it is economically necessary to assume that to adequately support a perpetual growth rate in excess of expected inflation (*i.e.*, positive real growth) a firm must have projected capital expenditures in excess of projected depreciation. Moreover, the greater is the projected growth rate into perpetuity, the greater this gap between capital expenditures and depreciation must be in order to be economically logical.[434,435]

Russian nominal GDP growth of 6.2%, and a forecasted inflation rate to 2030 of 3.9%"); *In re PNB Holding Co. S'holder Litig.*, C.A. No. 28-N, 2006 WL 2403999, at *31 (Del. Ch. Aug. 18, 2006) ("PNB does have growth prospects. I have used modest growth assumptions during the projection period, and a 5% terminal value simply provides for some additional period of real growth higher than the growth of the economy as a whole."); *Del. Open MRI Radiology Assocs., P.A. v. Kessler*, 898 A.2d 290, 337 (Del. Ch. 2006) ("Mitchell captures a modest increment of growth for the MRI Centers above the growth in the entire economy that is realistically achievable, and I adopt his [4%] perpetuity assumption."); *Henke v. Trilithic Inc.*, 2005 WL 2899677, at *10 (Del. Ch. Oct. 28, 2005) ("The Court will assume continued growth of 5% into the terminal period. Assuming an inflation rate of 2-3%, 5% growth implies 200 to 300 basis points of real growth in the cable television industry."); *Andaloro v. PFPC Worldwide, Inc.*, 2005 WL 2045640, at *13 (Del. Ch. Aug. 19, 2005) (applying 5%); *Gholl v. eMachines, Inc.*, C.A. No. 19444-NC, 2004 WL 2847865, at *13 (Del. Ch. Nov. 24, 2004) ("This Court agrees that a 14% growth rate is too high, when compared to the economy's long-term growth rate of 3-4% and the domestic PC industry's projected growth of 4.67%. . . . [T]he Court finds it more reasonable to assume continued growth of 5% into the terminal period. Moreover, assuming a 3-4% inflation rate, 5% growth implies less than 200 basis points of *real* growth into the future, and is roughly in-line with the forecasted trend for the domestic PC industry." (footnotes omitted)); *Dobler v. Montgomery Cellular Holding Co., Inc.*, 2004 WL 2271592, at *7, *17 (Del. Ch. Sept. 30, 2004) (applying 4%), *aff'd in part, rev'd in part*, 880 A.2d 206 (Del. 2005); *Prescott Gp. Small Cap, L.P. v. Coleman Co., Inc.*, 2004 WL 2059515, at *30 (Del. Ch. Sept. 8, 2004) (applying 5%); *Lane v. Cancer Treatment Centers of Am., Inc.*, C.A. No. 12207-NC, 2004 WL 1752847, at *31 (Del. Ch. July 30, 2004) ("I will assume a 5% growth rate for perpetuity.").

[434] Shannon Pratt's authoritative book on business valuations cautions readers that "Common Errors" in DCF models include: "Projecting Growth Beyond What the Capital Being Valued Will Support. As businesses grow, they typically need additional working capital and capital expenditures to support the increased level of operations. One of the many advantages of using net cash flow as the prospective economic income measure is that it forces the analyst to

310. As Prof. Damodaran states:

> Any growth company valuation that combines high growth rates in revenues and operating income with little or no reinvestment will overvalue the firm.[436]

311. The Court has adopted this concept in prior cases.[437]

312. To account for this required reinvestment for growth in the DCF model, the analyst must determine the appropriate plowback ratio (k), which is multiplied times NOPAT to yield free cash flows. Specifically, plowback ratio (k) is defined as the ratio of the difference between capital expenditures (capx) and depreciation (dep), often called "Net New Investment" (NNI = capx – dep), expressed as a fraction (or percentage) of NOPAT (k = NNI / NOPAT).

---

explicitly consider these needs. Nevertheless, they are often underestimated." *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, pp. 229-230.

[435] In The Handbook of Business Valuation and Intellectual Property Analysis, it states: "Analysts sometimes make the mistake of applying the Gordon growth model to a terminal year cash flow that includes projected depreciation expense substantially in excess of projected capital expenditures. This phenomenon is clearly impossible in a perpetuity model. The common practice of setting depreciation equal to capital expenditures is similarly incorrect, except in nongrowth situations. If the company is growing,… then normalized capital expenditures must exceed projected depreciation expense." *See* R. Reilly, R. Schweihs, The Handbook of Business Valuation and Intellectual Property Analysis, The McGraw-Hill Companies, Inc., 2004, p. 223.

[436] *See* A. Damodaran, The Dark Side of Valuation, Second Edition, FT Press, 2010, p. 274.

[437] *See In re Appraisal of Ancestry.com, Inc.*, 2015 WL 399726, at *12 (Del. Ch. Jan. 30, 2015) ("The idea [of the plowback ratio] is that '[i]n order to adequately support a perpetual growth rate in excess of expected inflation (i.e., positive real growth), a firm will need to reinvest in capital expenditures at a sustainable rate that is above that of projected depreciation.'" (citation omitted)); *IQ Holdings, Inc. v. Am. Commercial Lines Inc.*, 2012 WL 3877790, at *11 (Del. Ch. Aug. 30, 2012) (noting that "capital-intensive businesses … can endure extended periods, longer than the traditional five-year discounted cash flow period, during which capital expenditures outpace depreciation"); *Kleinwort Benson Ltd. v. Silgan Corp.*, 1995 WL 376911, at *7-8 (Del. Ch. June 15, 1995) (finding that petitioner's expert "unrealistically extrapolate[d] Silgan's short run circumstances," in which depreciation exceeded capital expenditures, into perpetuity, whereas respondent's expert "correctly recognized the need for an adjustment in the data so that capital investment relates to growth and depreciation in a sustainable manner" because "capital investment should slightly exceed depreciation to sustain perpetual growth").

The plowback ratio (k) is assumed constant into perpetuity, as is the case with the EBIT margin, WACC, perpetuity growth rate (G), etc. in the terminal value formula.

313. To account for this in the perpetuity model, NOPAT is reduced by the incremental gap between capital investment and depreciation (plowback), which differential (capital expenditures - depreciation) is expressed as a percentage of NOPAT. I refer to this as the plowback ratio (k).

314. Moreover, according to economic theory, in the perpetuity constant-growth DCF model, there is a rigorous, algebraic relationship among three variables – real growth rate (g), plowback ratio (k), and real return on investment (r) that is shown below as equation (1). This simple equation must hold in theory for the constant-growth DCF model to be economically valid.

$$g = k * r \qquad \text{EQUATION (1)}$$

where,

g = real constant, perpetuity growth rate in free cash flows (nominal growth rate (G) minus inflation);
k = plowback ratio; and
r = constant, perpetuity real average rate of return on investment ("ROI") (nominal ROI minus inflation).[438]

---

[438] *See* Michael Bradley and Gregg A. Jarrell, "Expected Inflation and the Constant-Growth Valuation Model," *Journal of Applied Corporate Finance*, Vol. 20(2), Spring 2008. In addition, *see* also, T. Koller, M Goedhart, and D. Wessels, Valuation, Measuring and Managing the Value of Companies, Fifth Edition, Wiley, (2010), Chapter 2, pp. 38-39; A. Damodaran, The Dark Side of Valuation, Second Edition, Pearson, (2010), Chapter 2, p. 41; A. Damodaran, Damodaran on Valuation, Second Edition, Wiley, (2006), Chapter 4, p 133; A. Damodaran, Investment Valuation, Tools and Techniques for Determining the Value of Any Asset, Third Edition, Wiley, (2012), Chapter 12, p. 313; R.A. Brealey, S.C. Myers and F. Allen, Principles of Corporate Finance, Eighth Edition, McGraw Hill, (2006), back cover page; S.A. Ross, R.W. Westerfield, and J. Jaffe, Corporate Finance, Sixth Edition, McGraw Hill, (2002), Chapter 5, p. 113; Z. Bodie and R.C. Merton, Finance, Prentice Hall, (2000), Chapter 9, p. 239; A.C. Shapiro and S.D. Balbirer, Modern Corporate Finance, Prentice Hall, (2000), Chapter 5, p. 159; and A.J. Keown, D.F. Scott, J.D. Martin, and J.W. Petty, Basic Financial Management, Seventh Edition,

315. This equation is intuitively logical. It says that given real ROI (r), the greater is plowback (k), the greater will be the real growth rate (g) in the free cash flows over the perpetuity period. It also says that given plowback (k), the greater is real ROI (r), the greater will be growth (g). For example, if a company's real ROI equals 20%, and the company is forecasting positive real growth of 2% annually into perpetuity, then equation (1) above shows that the company must plowback 10% (*i.e.*, 2% real growth = 10% plowback x 20% real ROI) of its cash NOPAT annually into perpetuity in order for the model to be internally consistent and mathematically valid.

316. Importantly, equation (1) above also shows that it is mathematically impossible in a constant-growth, perpetuity DCF model to achieve positive real growth (g) in free cash flows if plowback (k) equals zero in perpetuity, regardless of the firm's real ROI (r). This is because when any positive real ROI is multiplied by zero plowback (k = 0), the resulting real growth rate (g) must equal zero.

317. Any firm that earns a return on investment greater than its cost of capital is earning an excess return. The excess returns are the result of a firm's competitive advantage or barriers to entry into the industry. High excess returns locked in for a very long time period (*i.e.*, the perpetuity period) imply that the firm has a permanent competitive advantage.[439] Since Clearwire operates in a competitive industry, I determined the plowback rate by assuming that the return on investment would approach (but not equal) Clearwire's cost of capital as excess profits were competed away. As Professor Damodaran explains:

Prentice Hall, (1996), Chapter 4, p. 143.

[439] *See* A. Damodaran, The Dark Side of Valuation, Second Edition, FT Press, 2010, p. 132 ("In a competitive marketplace, excess returns attract competitors, and competition drives out excess returns….).

> *The focus on growth rates* in revenue and earnings at growth firms *often diverts attention from a variable that is just as critical in determining value*. This variable is the *reinvestment* that the firm must make to deliver this growth….
>
> *With reinvestment, the key assumption is the return on capital that we assume for the stable growth phase*. While some analysts believe that the return on capital should be set equal to the cost of capital in stable growth, we would preserve some company-specific flexibility. *We suggest that the difference between return on capital and cost of capital should narrow during stable growth to a sustainable level (less than 4 or 5%)*.[440]

318. To determine an appropriate plowback ratio for use into perpetuity, I first set the terminal period's nominal return on invested capital equal to 14.22%, which is my 10.22% discount rate plus 4%. This is consistent with Prof. Damodaran's guidance discussed above. This yields a real return on invested capital of 12.15% (*i.e.*, 14.22% - 2.07% expected inflation). Based on the relationship between a firm's growth rate and return on invested capital, this implies a plowback ratio of 20.0%.[441] In my opinion, a plowback ratio of 20.0% is reasonable for Clearwire to support a perpetuity growth rate of 4.5%.

v) Calculation of Terminal Value

319. Using a perpetuity growth rate of 4.5% and a plowback ratio of 20%, I determine the terminal value of Clearwire at the end of the year 2020 when using the June Projection – SoftBank Plan (for example) along with the two-year transitional stage as shown in Exhibit 13-D to be:

---

[440] *See* A. Damodaran, The Dark Side of Valuation, Second Edition, FT Press, 2010, pp. 273, 286.

[441] As shown in Equation (1), real growth rate = plowback ratio x real return on invested capital. When this equation is algebraically rearranged:

Plowback ratio = real growth rate ÷ real return on investment:

20.0% = (4.5% perpetuity growth rate – 2.07% inflation) ÷ 12.15% real ROI.

See M. Bradley and G.A. Jarrell, "Expected Inflation and Constant-Growth Valuation Model," *Journal of Applied Corporate Finance*, Volume 20 Number 2 (Spring 2008), p. 77.

Terminal Value = ((NOPAT$_{2021}$)(1-Plowback Ratio) + Non Cash Exp) / (WACC - G);

Terminal Value$_{end\ 2020}$ = (($2,678.29 million)(1 - 20%) + $268.02 million) / (10.22% - 4.5%)

= $42,144.3 million.

320. I then discount this value from the middle of the year 2020 back to the Valuation Date:[442]

Terminal Value$_{(T=0)}$ = $42,144.3 million / (1 + 10.22%)^6.98 years

= $21,367.9 million.[443]

321. I calculate Clearwire's enterprise value of $23,326.6 million as: (i) the sum of the present value of free cash flows during the projection period from 2013 to 2020 of $1,600.4 million; plus (ii) the present value of the terminal value based on constant growth of $21,367.9 million; plus (iii) the present value of the NOL tax benefit of $358.3 million (*see* Exhibit 13-D).

E. Net Debt and Fully Diluted Shares

322. To ascertain the value of a company's equity from its aggregate enterprise value, non-equity claims on the company need to be subtracted. Non-equity claims generally include interest-bearing liabilities and capital leases. Before subtracting these claims from enterprise value, they must be reduced by all cash balances. Hence the term "net debt" simply means debt minus cash.

323. To calculate net debt, I examine Clearwire's balance sheet for the quarter ended June 30, 2013, merely nine days before the merger closed. On that date, before taking into account the possible conversion into common stock of certain exchangeable debt securities, the Company had total debt with a par value of $4,769.7 million (*see* Exhibit 12, column A) and an estimated market value (*i.e.*, present value) of $5,027.0 million (*see* Exhibit 12, column B). To

---

[442] *See* S. Pratt, Valuing a Business: The Analysis and Appraisal of Closely Held Companies, Fifth Edition, McGraw Hill, 2008, pp. 249-251.

[443] *See* Exhibit 13-D.

be consistent with my calculation of Clearwire's cost of debt that is lower than the Company's stated coupon rates, I measure net debt using the estimated market value of debt, which is *higher* than its face value.[444,445] I note that using the *lower* face value of debt (while holding all else constant) would increase my DCF values.

324. The market value of Clearwire's debt was $5,027.0 million before taking into account the possible conversion into common stock of certain exchangeable debt securities. The Company's cash balances were $606.3 million. These result in net debt of $4,420.7 million (*see* Exhibit 12, column B). I also account for the conversion of exchangeable debt securities into common stock once those securities are in-the-money. For example, Clearwire's 2040 Exchangeable Notes are convertible into common stock at a price of $7.08 per share. Once the value I calculate for Clearwire's stock price reaches $7.08 per share, I remove the 2040 Exchangeable Notes from my calculation of Clearwire's debt and simultaneously reflect the issuance of 88.9 million common shares (*see* Exhibit 12, column E). This results in net debt of $3,551.4 million and 1,754,580,360 fully diluted shares (*see* Exhibit 12, column E).

F. Conclusion Based On My DCF Valuations

325. I calculate Clearwire's enterprise value as the sum of: (i) the present value of free cash flows during the projection period from 2013 to 2020; (ii) the present value of the terminal value based on constant growth; and (iii) the present value of the NOL tax benefit. I calculate

---

[444] *See* A. Damodaran, The Dark Side of Valuation, Prentice Hall, 2001, p. 219 ("To get the value of the equity from the firm value, you subtract the nonequity claims on the firm. Nonequity claims would include debt…. The debt that you considered in computing the cost of capital will be the debt that you should be netting out from firm value to get to the value of equity. To be consistent, therefore, you should consider both interest-bearing liabilities and leases (in present value terms) to be debt and use the estimated market value for both.").

[445] I estimate the market value of non-convertible debt by discounting the promised coupon payments and the principal repayment back to the valuation date at Clearwire's 9.34% cost of debt. *See* Exhibit 12.

Clearwire's equity value as: (i) enterprise value; less (ii) net debt; plus (iii) proceeds from the exercise of warrants and options. The per share equity value equals the total equity value divided by the number of fully-diluted shares as set forth in Exhibit 12.

326. To determine my opinion on Clearwire's fair value, I examined DCF analyses that result in equity values for Clearwire as of the Valuation Date of $1.14 per share based on the SCC Projections, $14.91 per share based on the MCC Projections, $14.00 per share based on the Modified MCC Projections, and $11.27 based on the June Projections – SoftBank Plan, as shown in Table 28 and in Exhibit 13.[446,447]

TABLE 28
SUMMARY OF DCF ANALYSES
(price per share)

	Jarrell Opinion	Range
SCC Projections	$1.14	$0.73 - $1.62
MCC Projections	$14.91	$13.53 - $16.56
Modified MCC Projections	$14.00	$12.62 - $15.64
June Projections – SoftBank Plan	$11.27	$10.07 - $12.71

[446] I have been asked by counsel to alternatively assume that the NPA (defined later in this report) is rescinded. This would cause Clearwire's cash balances to decrease by $240 million (*i.e.*, returning loan proceeds) and its fully diluted shares outstanding to decrease by 160 million shares (*i.e.*, $240 million ÷ $1.50 conversion price). Based on this assumption, the DCF value based on: (i) the SCC Projections would remain unchanged at $1.14 per share; (ii) the MCC Projections would be $16.26 per share; (iii) the Modified MCC Projections would be $15.25 per share; and (iv) the June Projections – SoftBank Plan would be $12.25 per share.

[447] I note that these projections and their resulting DCF values do not include Clearwire's excess spectrum assets. To the extent that such excess spectrum assets exist, these DCF values would need to be increased by the value of these assets. I have not attempted to calculate the amount of such an increase.

327. The SCC Projections do <u>not</u> reflect Clearwire's operative reality as of the Valuation Date mainly because those projections fail to account for SoftBank's acquisition of Sprint and the increased tonnage that Sprint expected to use over Clearwire's network even without a SoftBank acquisition of Sprint.[448] Instead, the SCC Projections are more indicative of an entity struggling to remain a going-concern. The SCC Projections result in a DCF value that is even less than the pre-SoftBank announcement stock price of $1.30 per share as of October 10, 2012.[449] Therefore, I reject the DCF value of $1.14 per share obtained from the SCC Projections and do not consider it a relevant indication of Clearwire's fair value.

328. The MCC Projections have been criticized for assuming that Clearwire would obtain a second major wholesale customer despite the Company's failure to sign such a customer over the last several years.[450] While this criticism may have been relevant prior to October 11, 2012, it no longer has any merit now that SoftBank was acquiring Sprint. This transaction effectively makes SoftBank the second major wholesale customer for Clearwire. This viewpoint is consistent with, among other things, the relatively comparable levels of EBIT in both the MCC Projections and the June Projections – SoftBank Plan.[451]

329. As discussed earlier, however, there is a serious question whether the net new investment (*i.e.*, capital expenditures – depreciation) contemplated by the MCC Projections are

---

[448] *See supra*, ¶148.

[449] *See ACP Master, Ltd., et al. v. Sprint Corporation, et al.*, C.A. No. 8508-VCL (Del. Ch.), Oral Argument Defendant's Motions to Dismiss and the Court's Rulings, June 18, 2014, p. 103 ("The size of the premium, while something the defendants like to cite in their favor, also suggests that the preannouncement price was fairly depressed. And so one could question whether that was indeed because of the company's financial situation or because of other reasons. A premium geared off that depressed price for a controlled company isn't necessarily indicative.").

[450] *See supra*, ¶¶139-140.

[451] *See supra*, ¶226.

adequate to support the corresponding revenue growth rates contained within those projections.[452] To the extent that the MCC Projections understated net new investment, the resulting DCF value of $14.91 per share would overstate fair value. I also considered what I call the Modified MCC Projections, which are identical to the MCC Projections except they replace net new investment in the MCC Projections with the net new investment in the June Projections – SoftBank Plan.

330. To remove this potentially understated net new investment, I consider the Modified MCC Projections with a DCF value of $14.00 per share to be a relevant indication of Clearwire's fair value principally because these projections:

a) Reflect Clearwire's operative reality as of the Valuation Date, where Clearwire's management made a reasonable estimate of demand for its services as validated by the June Projections – SoftBank Plan despite Clearwire's assumption that AT&T and/or T-Mobile would be their second major wholesale customer, not SoftBank; and

b) Aside from the value-reducing modification to net new investment, the Modified MCC Projections were used by its financial advisors in their fairness opinions,[453] included in proxy filings with the SEC,[454] and prepared by Clearwire's management team based on their "best estimate" and "best efforts" that were viewed to be "accurate."[455]

331. That said, I consider the June Projections – SoftBank Plan with a DCF value of $11.27 per share to be the most reasonable, conservative indication of Clearwire's fair value as of the Valuation Date mainly because:

a) Sprint had better insight into Sprint's long-range demand for Clearwire's 4G services than Clearwire's management team because: (i) Sprint was Clearwire's single-largest customer and only major wholesale customer; and

---

[452] *See supra*, ¶230.

[453] *See supra*, ¶147.

[454] *See supra*, ¶147.

[455] *See supra*, ¶¶155-157.

(ii) Sprint was Clearwire's majority shareholder and had been an investor in Clearwire since November 2008;[456]

b) Sprint, by virtue of being the third largest wireless communications company in the United States in 2013, was a major participant within Clearwire's industry;[457]

c) These projections were prepared approximately three weeks before the Valuation Date, which is more than seven months after the SCC and MCC projections prepared in October/November 2012 and two months after the SCC and MCC Projections were updated in May 2013;[458]

d) These projections reflect Clearwire's operative reality on the Valuation Date by explicitly contemplating the completion of the SoftBank/Sprint transaction and its impact on Clearwire; and

e) Sprint's management told its board of directors at a June 17, 2013 board meeting that if the Sprint/Clearwire transaction was not completed, then Sprint's management's "fall back position" would be as set forth in the June Projections – SoftBank Plan.[459]

332. My $11.27 per share DCF value based on the June Projections – SoftBank Plan is further supported by the Modified MCC Projections that yield a DCF value of $14.00 per share value. This provides some comfort that my fair value of $11.27 per share is reasonable and conservative.

333. I also compared my DCF-based fair value of $11.27 per share with the DCF analyses performed by Centerview and Evercore as part of their fairness opinions. Based on what I consider to be the financial advisors' only supportable discount rate of 10.0% and on their maximum perpetuity growth rates of 3.0% and 4.0%,[460] Centerview's DCF value based on the MCC Projections as disclosed in the June 25 Proxy Statement was $13.94 per share and

[456] *See supra*, ¶207.

[457] *See supra*, ¶208.

[458] *See supra*, ¶¶137, 147, 187.

[459] *See supra*, ¶¶189-191, 200.

[460] *See infra*, ¶343.

Evercore's was $16.77 per share[461] that yields an average of $15.36 per share, which is more than three times the $5.00 per share deal value, and is 37% greater than my $11.27 fair value opinion.[462]

334. In sum, I conclude that the fair value of Clearwire's equity as of the Valuation Date was $11.27 per share. This stand-alone, going-concern equity fair value reflects no minority discount, reflects no non-marketability or illiquidity discount, and excludes any element of value arising from the accomplishment or expectation of the Sprint/Clearwire transaction.

335. Exhibit 14 compares per-share values for Clearwire's common equity based on my various DCF analyses.

G. Reconciliation with Centerview's and Evercore's DCF Analyses

336. Although I perform DCF analyses using all three sets of projections (the SCC Projections, the MCC Projections, and the June Projections – SoftBank Plan), it is my understanding that neither Centerview nor Evercore had access to the June Projections – SoftBank Plan. Instead, Centerview and Evercore used the SCC Projections and the MCC

---

[461] *See* June 25 Proxy Statement, pp. S-25, S-34.

[462] I also note that the Sprint presentation titled "Clearwire Alternatives" that was sent to SoftBank on or about June 18, 2013 (one day after the June 17, 2013 board meeting), indicated under alternative #2 "Don't Acquire Clearwire; Build With / Through Clearwire Via Contracts" (which represented the June Projections – SoftBank Plan) that this alternative had a negative net present value or "NPV" of $23.9 billion. Because this NPV measures the differential to Sprint's adjusted OIBDA "With Clearwire" and "Without Clearwire," this differential represents a rough approximation of Clearwire's stand-alone enterprise value under these assumptions. This NPV calculation from a contemporaneous document prepared by Sprint indicates that Sprint understood that Clearwire as a standalone entity was worth considerably more than the $5.00 per share deal value that Sprint was offering to Clearwire's minority shareholders. Sprint calculated the $23.9 billion NPV as the present value of the OIBDA differential on an after-tax basis using a 38% tax rate and 10% WACC and a terminal value based on a perpetuity growth rate of 0%. By comparing adjusted OIBDA numbers, Sprint did not account for capital expenditures. On the other hand, by assuming a perpetuity growth rate of 0%, Sprint did not account for long-term growth. *See* Schwartz Dep. Ex. 31 at Bates Nos. SPRDEL-000068204-205. For unrounded OIBDA annual numbers, *see* Bates Nos. SPRDEL-000250388, 000250393.

Projections in their DCF analyses. Therefore, I limit my discussion in this section to a reconciliation of DCF models using the SCC Projections and the MCC Projections.

337. Despite using the same projections, our conclusions on value based on such DCF analyses are significantly different as shown in Table 29 below.

TABLE 29
COMPARISON OF DCF ANALYSES[463]
(price per share)

	SCC Projections	MCC Projections
Centerview	-\$2.25 to \$0.68	\$3.27 to \$13.94
Evercore	-\$1.91 to \$1.94	\$3.81 to \$16.77
Jarrell	\$0.73 to \$1.62	\$13.53 to \$16.56

338. There are several differences among these DCF analyses that individually cause my DCF values to either *increase or decrease* (holding all else constant) relative to Centerview's and Evercore's DCF values.

339. The differences that *increase* my SCC and MCC Projection-based DCF values relative to Centerview's and Evercore's (holding all else constant) are primarily as follows (in no particular order):[464]

a) Centerview and Evercore both use discount rates that range from 10.0% to 17.5%, whereas I use a discount rate of 10.22% and a range of 9.97% to 10.47%;[465]

[463] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782; Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No. CLWRDEL-01315308; Exhibit 13.

[464] I do not comment on some of the differences with Centerview because its DCF model does not appear to have been produced, and therefore, I have been unable to replicate its DCF model.

b) Centerview uses betas of 1.44, 1.46, and 1.53 and Evercore uses betas of 0.89 and 1.53, whereas I use 1.26;[466]

c) Centerview uses the historical market risk premium of 6.62% and Evercore uses an unspecified 6.50%, whereas I use the supply-side market risk premium of 6.11%;[467]

d) Centerview uses costs of debt of 9.2%, 12.5%, and 27.4% and Evercore uses 10.0% and 13.0% in its WACC and 13.0% to 29.9% in its non-WACC discount rate, whereas I use 9.34%;[468]

e) Centerview uses perpetuity growth rates of 1-3% and Evercore uses perpetuity growth rates of 2-4%, whereas I use perpetuity growth rates that range from 4.25% to 4.75%;[469] and

f) Evercore uses a valuation date of June 30, 2013, whereas I use a valuation date of July 9, 2013.[470]

---

[465] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782; Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No.CLWRDEL-01315308; Exhibit 11.

[466] *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607; Exhibit 11. I recognize that while the financial advisors "use" these inputs in their WACC calculations, they ultimately select a range of discount rates informed, in part, by their WACC analysis.

[467] *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607; Exhibit 11. I recognize that while the financial advisors "use" these inputs in their WACC calculations, they ultimately select a range of discount rates informed, in part, by their WACC analysis.

[468] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052783; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER0004415, 17-18; *see also* Bates Nos. EVER00035606-607; Exhibit 11. I recognize that while the financial advisors "use" these inputs in their WACC calculations, they ultimately select a range of discount rates informed, in part, by their WACC analysis.

[469] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782; Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No. CLWRDEL-01315308; Exhibit 13.

[470] *See* Evercore spreadsheet at Bates No. EVER00038512; Exhibit 13.

340. The differences that *decrease* my SCC and MCC Projection-based DCF values relative to Centerview's and Evercore's (holding all else constant) are primarily as follows (in no particular order):

a) Evercore added back stock-based compensation expense to free cash flows, whereas I took into account the effect from the future issuance of stock-based compensation;[471]

b) Evercore uses capital expenditures from 2020 in its terminal period and sets depreciation in the terminal period equal to 95% of capital expenditures, whereas I use a 20% reinvestment or plowback ratio in the terminal period;[472]

c) Evercore uses NOLs during the projection period that include losses from interest expense, whereas I do not;

d) Evercore uses the par value of debt, whereas I use debt that is $276 million higher largely because I estimate the market value of debt using my 9.34% cost of debt;[473]

e) Centerview uses risk free rates based on the ten-year treasury of 1.66%, 1.72%, and 2.18% in its discount rate (due to its calculation of the WACC at three points in time) and Evercore uses the ten-year treasury of 1.63%, whereas I use the twenty-year treasury of 3.36%;[474] and

f) Centerview uses debt to total capitalization ratios of 58% and 70% and Evercore uses 40.0% and 69.8%, whereas I use a ratio of 36.5%.[475]

---

[471] *See* Evercore spreadsheet at Bates No. EVER00038512; Exhibit 13.

[472] *See* Evercore spreadsheet at Bates No. EVER00038512; Exhibit 13.

[473] *See* Evercore spreadsheet at Bates No. EVER00038512; Exhibit 13.

[474] *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607; Exhibit 11. I recognize that while the financial advisors "use" these inputs in their WACC calculations, they ultimately select a range of discount rates informed, in part, by their WACC analysis.

[475] *See* Hess Dep. Ex. 31, "Project Galaxy," November 2012 at Bates No. CVIEW00046333; Mendelow Dep. Ex. 22, "Board Book – Consolidated Backup Pages," December 12, 2012 at Bates Nos. EVER00004417-18; *see also* Bates Nos. EVER00035606-607; Exhibit 11. I recognize that while the financial advisors "use" these inputs in their WACC calculations, they ultimately select a range of discount rates informed, in part, by their WACC analysis.

341. Based on my review, I conclude that Centerview's and Evercore's DCF analyses result in a significant understatement of Clearwire's DCF value primarily because both Centerview and Evercore: (i) overstated Clearwire's discount rate by using debt yields of 27-29% from 2011 in their cost of debt analysis; and (ii) vastly understated the terminal period value by using perpetuity growth rates that reflect little to no real growth. Taken together, these flaws cause Centerview's and Evercore's DCF values to be artificially understated, in my opinion.

342. Both Centerview and Evercore have an unusually wide range of discount rates that go from 10.0% to 17.5%. Such a large range assures that a wide range of potential transaction prices would be found by them to be "fair." By introducing an old, worst-case scenario cost of debt of 27-29% into their calculation of discount rates, the financial advisors pushed their high-end estimate of WACC to 17.5%.[476] Centerview and Evercore both refer to this cost of debt as Clearwire's "maximum" debt yield from October 2011, nearly two years before the Valuation Date. Such a stale input has no more relevance to the fairness of the Sprint/Clearwire transaction than does Clearwire's IPO price of $25.00 per share from March 2007.

---

[476] Although I discuss the valuation work of Centerview and Evercore as if they worked independently of each other, it appears that the financial advisors were coordinating their analyses to some extent. For example, prior to December 1, 2012, Evercore's discount rates ranged from 10% to 15%. *See* "Consolidated Materials," November 30, 2012, Bates No. EVER00008809. On December 1, 2012, Centerview emailed a draft of its presentation and valuation work directly to Evercore. Upon receipt, Surajit Datta of Evercore asked a colleague: "Can you repopulate the DCF output page using [Clearwire's] range of WACC and per growth… so that we know what nos are different." *See* Bates No. EVER00009063. Shortly thereafter, on December 12, 2012, Evercore changed its highest discount rate to be identical to the 17.5% used by Centerview. *See* Mendelow Dep. Ex. 49, "Board of Directors Presentation," December 12, 2012, p. 15. By the time of its June 20, 2013 fairness opinion, Evercore's discount rates ranged from 10.0% to 17.5%, identical with Centerview's range. *See* Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No. CLWRDEL-01315308; Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782.

343. To understand how the use of the maximum debt yield skewed Centerview's and Evercore's valuations of Clearwire requires looking at their other discount rates. If the 27-29% maximum cost of debt is disregarded, then all of their remaining WACC calculations indicate rates that are between 8.0% and 9.8%. Table 30 shows Clearwire's DCF values for the MCC Projections as calculated by Centerview and Evercore when using their only supportable discount rate of 10% and their maximum perpetuity growth rates of 3% and 4% compared to my DCF value.

TABLE 30
DCF VALUES REPORTED BY CENTERVIEW AND EVERCORE
BASED ON MCC PROJECTIONS AND WACC OF 10%[477]
(price per share)

	WACC	Perpetuity Growth Rate	MCC Projections
Centerview	10.00%	3.0%	$13.94
Evercore	10.00%	4.0%	$16.77
Jarrell	10.22%	4.5%	$14.91

344. Table 30 reveals that the financial advisors' DCF values for Clearwire when using the MCC Projections are $13.94 per share to $16.77 per share that yields an average of $15.36 per share, which is more than three times the $5.00 per share deal value.[478,479]

---

[477] *See* Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052782; Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No.CLWRDEL-01315308; Exhibit 13.

[478] In addition to the inappropriate use of a worst-case debt yield, Centerview made a calculation error in its cost of equity measurement. The well-known equation as set forth by Ibbotson (*see* Ibbotson SBBI 2013 Valuation Yearbook, Morningstar, p. 46) for the CAPM cost of equity is:

VII. MULTIPLES ANALYSIS

345. I attempted to conduct an independent multiples analysis of publicly-traded comparable companies and precedent comparable transactions. Because Clearwire has historically reported negative earnings (*i.e.*, negative EBITDA, negative EBIT, and negative net income) (*see* Exhibit 3) and was projected to continue such negative results through 2013 and 2014 (*see* Exhibit 13), any multiples analysis based on those metrics would be meaningless. I also considered multiples of enterprise value to revenue, but rejected this metric as an indication of value for Clearwire because of the lack of positive profit margins at Clearwire. Since the "key determinant of revenue multiples is the profit margin," it would be inappropriate to apply a revenue multiple from a business with a profit margin that differs considerably from Clearwire's profit margin.[480]

CAPM Cost of Equity =	+ risk-free rate
	+ beta multiplied by market risk premium
	+ equity size premium
	= cost of equity

Specifically, notice that beta is multiplied by only the market risk premium. Centerview, however, incorrectly multiplies beta by both the market risk premium and the equity size premium. The size premium should not be multiplied by beta. Centerview's error causes it to overstate the cost of equity and WACC, which in turn then understates the DCF value.

[479] Mr. Hess, Managing Director at Centerview, testified at deposition that "…we work extraordinarily hard to make sure it's right the first time." When asked if there was a formula for calculating the cost of equity, Mr. Hess responded: "A. There is, although I'm sure I can't repeat it for you right now. Q. Well, I'm going to ask you to do just that. I'm going to give you a piece of paper. A. I'm telling you I'm not going to be – I'm not going to – I can't write down for you right now what the – what the formula is to get from risk-free rate to cost of equity. Q. You can't do that? A. No…. Q. But as sure as you're sitting there, you think you got it right? A. I'm quite confident that my team and I got this right." When asked again to perform the calculation, Mr. Hess responded: "I'm not – I'm not going to sit here and do – … mathematical gymnastics. This is offensive." *See* Hess Dep., pp. 226-230, 233-234.

[480] *See* A. Damodaran, Investment Valuation, Third Edition, John Wiley & Sons, 2012, p. 550.

346. I also note that neither Centerview nor Evercore performed a multiples analysis of publicly-traded comparable companies or precedent comparable transactions using financial variables like revenue or earnings.[481] These financial advisors, however, did perform asset-based analyses of Clearwire's spectrum.[482]

VIII. ASSET-BASED ANALYSIS

347. I have not conducted an independent asset-based analysis. Plaintiffs instructed me to exclude this analysis from my report because Plaintiffs have retained a separate spectrum valuation expert.

348. I have, however, been asked to express on a per share basis the spectrum asset value determined by Plaintiffs' and Petitioners' spectrum expert, Mr. Coleman Bazelon. My calculation of the per share asset value of the spectrum is based on Mr. Bazelon's opined aggregate asset value, and I perform no independent verification of his opinion or the bases for his opinion.

349. In the Expert Report of Coleman Bazelon dated September 25, 2015 (the "Bazelon Report"), Mr. Bazelon opines that Clearwire's spectrum asset value on an aggregate basis is $33.960 billion.

350. Next, I calculate Clearwire's equity value as: (i) spectrum asset value;[483] less (ii) net debt as set forth in Exhibit 12;[484] plus (iii) proceeds from the exercise of warrants and options

[481] *See* June 25 Proxy Statement, pp. S-17 to S-35.

[482] *See* June 25 Proxy Statement, pp. S-21 to S-22, S-30 to S-33.

[483] I do not deduct a capital gains tax from the spectrum asset value because: (i) a sale of Clearwire's entire spectrum assets was not contemplated as of the Valuation Date; (ii) the incurrence of such a hypothetical future tax obligation is inconsistent with the going-concern premise of fair value; (iii) if such a sale were contemplated, then it would most likely be more

as set forth in Exhibit 12; less (iv) the present value of spectrum lease expense.[485] The per share equity value equals the total equity value divided by the number of fully-diluted shares as set

---

tax efficient to structure such a transaction as a sale of the entire company (not just its assets) that would likely result in no corporate-level tax, only a shareholder-level tax; and (iv) it is consistent with the Delaware Court of Chancery's rulings in other cases. *See*, for example, *Reis v. Hazelett Strip-Casting Corp.,* 2011 WL 303207 (Del. Ch. Jan. 21, 2011) ("The final step in the analysis is to add the value of non-operating assets…. Although both experts deducted the costs incurred in selling the properties and the taxes to be paid on the gain, Delaware law does not permit these deductions when valuing a corporation as a going concern."); *Berger v. Pubco Corp.,* 2010 WL 2025483 (Del. Ch. May 10, 2010) ("…as to the capital gains tax issue, I conclude it is not appropriate to reduce the value of Pubco's securities portfolio based on projected capital gain tax liability that might (or might not) be incurred if the securities portfolio is in fact ever sold. …I believe this issue is controlled by *Paskill Corp. v. Alcoma Corp.*, where the Supreme Court held that it was improper to apply a deduction to an asset valuation based on speculative future tax liabilities attributable to sales that were not specifically contemplated at the merger date. The *Paskill* holding was based on the bedrock principle of Delaware appraisal law that entitles '[t]he dissenter in an appraisal action . . . to receive a proportionate share of fair value in the *going concern* on the date of the merger, rather than value that is determined on a liquidated basis.' Adjusting the value of Pubco's entire portfolio of securities for the taxes Pubco would have to pay if those securities were sold caused plaintiff to receive her proportionate share of the liquidated value of the portfolio, rather than the going concern value of the portfolio."); *U.S. Cellular Operating Co.,* WL 43994, at *17 (Del. Ch. Jan. 6, 2005) ("Sanders' deduction of a capital gains tax from his terminal value, however, was improper. Sanders adjusted his terminal value, which he characterized as a hypothetical sale, for capital gains taxes because 'not all of the proceeds of such a sale would be distributed among a company's shareholders, but rather some would go to the government in the form of a capital gains tax.' This adjustment does not accurately reflect the intrinsic value of the Companies. Such a capital gains tax would be paid to the government by the shareholders, not the Companies. Moreover, such a capital gains tax should not affect the value of the Companies as a going concern. Accordingly, the Court finds the deduction of a capital gains tax from the terminal value improper.").

[484] I also considered including Clearwire's other non-spectrum assets (net of liabilities and after accounting for my separate calculation of net debt in Exhibit 12) that were listed on Clearwire's June 30, 2013 balance sheet. *See* Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 2. Although Clearwire's net assets were positive, I do not include this value-increasing category in this asset-based analysis because I recognize that Clearwire's balance sheet was based, to some extent, on potentially stale book values that may not be indicative of their true underlying value.

[485] I calculate the present value of Clearwire's spectrum lease expense using: (A) half of Clearwire's annual spectrum lease expense of $180 million in 2013 with mid-year discounting using a 9.34% discount rate based on my pre-tax cost of debt (*see* Exhibit 11); and (B) the perpetuity growth model with mid-year discounting applied to: (i) Clearwire's annual spectrum lease expense of $180 million; (ii) a 9.34% discount rate; and (iii) a 3.0% expected growth rate

forth in Exhibit 12. My analysis results in equity values for Clearwire as of the Valuation Date of $15.61 per share, as shown in Table 31 and in Exhibit 15.

TABLE 31
SPECTRUM ASSET VALUE ANALYSIS
(in millions, except per share amounts)

Spectrum Asset Value (pre-tax)	$33,960.0
Net Debt	-$3,551.4
Present Value of Spectrum Lease Expense	-$3,012.3
Warrant/Option Proceeds	$49.0
Equity Value	$27,445.3
Fully Diluted Shares	1,757.7
Price Per Share[486]	$15.61

in spectrum lease expense. Both the SCC and MCC Projections forecasted spectrum lease expense of $180 million in 2013 that was expected to increase 3.5% in 2014 and 3.0% annually through 2020. *See* Bates No. CLWRDEL-01916570. The June Projections – SoftBank Plan forecasted spectrum lease expense of $179 million in 2013 that was expected to increase 3.0% annually through 2018. *See* Bates No. SPRDEL-000068040. Similar to my analysis, Evercore used: (i) the perpetuity growth model to calculate the present value of spectrum lease expense; and (ii) the same $180 million in annual spectrum lease expense. Evercore used a 12.0% pre-tax cost of debt and a 2.0% expected growth rate in spectrum lease expense. Both Evercore's and Centerview's present value of spectrum lease expense was $1.8 billion. *See* Bates No. EVER00038512 ("Val_Spectrum" tab); Mendelow Dep. Ex. 3, "Board of Directors Presentation," June 20, 2013 at Bates No. CLWRDEL-01315302; Hess Dep. Ex. 29, "Project Canine," June 20, 2013 at Bates No. DIRECTOR-00052773. Their $1.8 billion estimate is lower than my estimated present value of spectrum lease expense of $2.8 billion. I note that a higher present value of spectrum lease expense results in a lower implied price per share, holding all else constant.

[486] I have been asked by counsel to alternatively assume that the NPA (defined later in this report) is rescinded. This would cause Clearwire's cash balances to decrease by $240 million (*i.e.*, returning loan proceeds) and its fully diluted shares outstanding to decrease by 160 million shares (*i.e.*, $240 million ÷ $1.50 conversion price). Based on this assumption, Clearwire's spectrum asset value would be $17.03 per share.

IX. VALUATION CONCLUSION

351. I conclude that the fair value of Clearwire's equity as of the Valuation Date was $11.27 per share, which is based on my independent discounted cash flow analysis that yields a range of $10.07 to $12.71 per share. This stand-alone, going-concern equity fair value of $11.27 per share properly reflects no minority discount, reflects no lack of marketability or illiquidity discount, and excludes any elements of value arising from the accomplishment or expectation of the Sprint/Clearwire merger.

X. THE NOTE PURCHASE AGREEMENT

A. Background

352. On October 11, 2012, Sprint publicly confirmed that it was in discussions with SoftBank regarding a potential substantial investment by SoftBank in Sprint. That report prompted rumors that Sprint would acquire Clearwire. Prior to Sprint's announcement, Clearwire's stock closed at $1.30 on October 10, 2012.[487]

353. On October 22, 2012, JPMorgan indicated to Clearwire's management that a portion of Clearwire's $3.2 billion in senior secured notes could be refinanced at rates between 7.5% and 9.0%, in part because of the perceived increase in Clearwire's value on account of SoftBank's proposed investment in Sprint. JPMorgan explained that:

> In light of the recent announcement of Softbank's proposed acquisition of Sprint and Sprint's subsequent purchase of McCaw's stake, Clearwire's bonds experienced a significant rally across its entire capital structure.

---

[487] *See* April 23 Proxy Statement, p. 21; Source for Clearwire's stock price: Bloomberg. In this case, I am unable to disentangle the positive effects on Clearwire's stock price after October 10, 2012, due to: (i) rumors that Sprint might acquire Clearwire; and (ii) the expected positive impact of the anticipated completion of the SoftBank/Sprint transaction on Clearwire's prospects.

> The rally when combined with favorable market conditions provides an ideal backdrop for Clearwire to consider addressing its near term 2015 maturities while reducing its ongoing cash interest costs. J.P. Morgan recommends that Clearwire tap the market quickly and take advantage of favorable conditions.[488,489]

354. On November 21, 2012, in conjunction with Sprint's proposal to purchase all of Clearwire's common stock not already owned by Sprint for $2.60 per share, Sprint also proposed providing interim financing of up to $600 million with a 1% coupon to Clearwire in the form of notes that were exchangeable for common stock at a price of $1.25 per share.[490] Clearwire's stock price closed at $2.18 per share on November 21, 2012, implying a conversion-price *discount* of 42.7% based on the proposed conversion price of $1.25 per share.[491]

355. On December 3, 2012, Clearwire's Special Committee discussed Sprint's financing proposal and "…agreed that Sprint should finance any accelerated build requests beyond the Company's currently proposed build plans, that the aggregate amount of the proposed financing should be greater and that the Company should request more favorable terms with respect to the other financing terms, *including a higher exchange price*."[492] Clearwire's stock price closed at $2.40 per share on December 3, 2012, implying a conversion-price *discount* of 47.9% based on the proposed conversion price of $1.25 per share.[493]

---

[488] *See* "Financing Discussion," October 2012 at Bates Nos. CLWRDEL-00832651-653.

[489] According to Bloomberg, Clearwire's largest publicly-traded debt (its $2 billion senior secured notes) increased 6.7% from a pre-SoftBank announcement price of $99.31 on October 10, 2012 to $105.94 on November 21, 2012, when Sprint first proposed providing financing to Clearwire. Source: Bloomberg (ID numbers: EI0552352).

[490] *See* April 23 Proxy Statement, p. 24.

[491] Source for Clearwire's stock price: Bloomberg.

[492] *See* "Minutes of Meeting of the Special Committee of the Board of Directors of Clearwire Corporation," December 3, 2012 at Bates No. CLWRDEL-00007140 (emphasis added).

[493] Source for Clearwire's stock price: Bloomberg.

356. On December 6, 2012, Sprint increased the proposed conversion price for the exchangeable notes from $1.25 per share to $1.50 per share.[494] Clearwire's stock closed at $2.53 on December 6, 2012, implying a conversion-price *discount* of 40.7% based on the proposed conversion price of $1.50 per share.[495]

357. On December 7, 2012, the Special Committee directed Clearwire management and Mr. Stanton to continue its negotiations with Sprint and to request a conversion price for the exchangeable notes of $2.20 per share with a 2% coupon.[496] Clearwire's stock closed at $2.39 on December 7, 2012, implying a conversion-price *discount* of 7.9% based on the proposed conversion price of $2.20 per share.[497]

358. On December 12, 2012, in a presentation to the Special Committee and Board of Directors by Centerview, the terms of Sprint's financing proposal were discussed.[498] Clearwire's stock closed at $2.75 on December 12, 2012, implying a conversion-price *discount* of 45.5% based on the proposed conversion price of $1.50 per share.[499]

359. Before the opening of the market on December 17, 2012, Clearwire and Sprint jointly announced that Sprint would acquire Clearwire for $2.97 per share. The announcement also disclosed that Clearwire and Sprint had entered into a note purchase agreement (the "Note Purchase Agreement" or "NPA") that provided up to $800 million of financing for Clearwire in the form of exchangeable notes with a coupon of 1% (the "Sprint Notes").[500] I discuss the terms

---

[494] *See* April 23 Proxy Statement, p. 27.

[495] Source for Clearwire's stock price: Bloomberg.

[496] *See* April 23 Proxy Statement, p. 27.

[497] Source for Clearwire's stock price: Bloomberg.

[498] *See* April 23 Proxy Statement, p. 28.

[499] Source for Clearwire's stock prices: Bloomberg.

[500] *See* April 23 Proxy Statement, p. 33; "Sprint to Acquire 100 Percent Ownership of

of the Sprint Notes in the next section. Clearwire's stock price closed at $2.91 on December 17, 2012, implying a conversion-price *discount* of 48.5% based on the agreed upon conversion price of $1.50 per share.[501]

360. On December 28, 2012, DISH sent Clearwire a proposal to acquire up to all of Clearwire's minority shares outstanding at $3.30 per share. The proposal was conditioned on Clearwire not drawing down on the Sprint Notes, among other conditions.[502]

361. On January 8, 2013, Clearwire issued a press release announcing DISH's $3.30 per share proposed tender offer and that the proposed tender offer required Clearwire to terminate the NPA.[503] The press release also stated that, in order for Clearwire to comply with DISH's terms and allow the Special Committee time to proceed with its evaluation of the DISH proposal, Clearwire revoked its initial $80 million draw notice under the NPA. Sprint indicated that it did not believe that Clearwire's initial draw notice was revocable and that it reserved its rights on this matter.[504]

362. On February 1, 2013, Clearwire issued a press release stating that it had foregone its February $80 million draw for a second consecutive month as it continued to evaluate the DISH proposal.[505]

363. On February 27, 2013, Clearwire issued a press release stating that it would draw down $80 million in March under the NPA.[506]

Clearwire for $2.97 per Share," *Business Wire*, December 17, 2012 at 7:00am.

[501] Source for Clearwire's stock prices: Bloomberg.

[502] *See* April 23 Proxy Statement, p. 33.

[503] *See id*., pp. 33-34; "Clearwire Corporation Provides Transaction Update," *Globe Newswire*, January 8, 2013 at 5:15pm.

[504] *See* April 23 Proxy Statement, pp. 35-36.

[505] *See id*., p. 36.

364. On March 28, 2013, Clearwire issued another press release stating that it would draw down $80 million in April under the NPA.[507]

365. On April 3, 2013, Clearwire received an unsolicited, non-binding proposal from Crest Financial Limited ("Crest"), the largest non-SIG minority shareholder of Clearwire, in which Crest proposed to provide Clearwire $240 million in convertible debt financing. The notes would be exchangeable for Clearwire's stock at $2.00 per share and have a coupon of 1%.[508] The Crest notes would remain available even if Clearwire's stockholders were to reject the merger with Sprint and, in that case, the Crest notes would not become exchangeable until the maturity date in June 2018.[509] These terms on their face are superior to the terms of the Sprint Notes from the standpoint of Clearwire.

366. On April 9, 2013, Clearwire received an unsolicited, non-binding proposal from Aurelius Capital Management, LP ("Aurelius"), in which Aurelius offered to provide $80 million of financing on terms substantially similar to the NPA, except that Aurelius' notes would be exchangeable for Clearwire's stock at $2.00 per share. This offer was intended to supplement Crest's financing offer.[510]

367. On April 8 and 9, 2013, Clearwire sent letters to Sprint requesting its consent to the Crest and Aurelius financing proposals. On April 10, 2013, Sprint declined to provide such

---

[506] *See id.*, p. 37.

[507] *See id.*, p. 38.

[508] *See* id., p. 38.

[509] *See* "Crest Proposes Debt Financing to Clearwire As Alternative to Sprint Financing," Dow Jones Newswires, April 3, 2013 at 2:46pm.

[510] *See* April 23 Proxy Statement, p. 39; Letter from Aurelius to Clearwire, April 9, 2013 at Bates Nos. CLWRDEL-00712476-478.

consent.[511] I note that the terms of the NPA were not improved after these financing alternatives were rejected at Sprint's demand.

368. On May 30, 2013, DISH commenced a tender offer for all the outstanding Class A shares of Clearwire at an offer price of $4.40 per share. Among other conditions, the proposal required termination of the NPA with no further borrowings, except for an anticipated June 2013 borrowing that did not occur.[512]

369. As of the Valuation Date, Clearwire had borrowed $240 million under the NPA, drawing down $80 million each in March, April, and May 2013.[513] The $240 million of Sprint Notes was convertible into 160 million Clearwire shares.[514]

B. Terms of the NPA and the Sprint Notes

370. When Clearwire and Sprint entered into the NPA on December 17, 2012, it contained the following terms for the Sprint Notes:

a) Aggregate Principal Amount: Clearwire, at its discretion, could borrow up to $800 million, in ten monthly installments of $80 million starting in January 2013; the last three installments required an agreement between Sprint and Clearwire about an accelerated network build out plan;

b) Coupon: 1% coupon, paid semi-annually;

c) Maturity: Due June 1, 2018;

d) Exchange Rate: Convertible into Clearwire's common stock at $1.50 per share (*i.e.*, maximum $800 million of notes could be converted into 533.3 million shares);

e) Exchangeable: Exchangeable at the option of Sprint any time prior to maturity; exchangeable at the option of Clearwire if Sprint terminates the

---

[511] *See* April 23 Proxy Statement, pp. 38-39.

[512] *See* June 13 Proxy Statement, p. S-10; "DISH Network Announces Tender Offer in Letter to Clearwire Board of Directors," *Business Wire*, May 29, 2013 at 7:40pm.

[513] *See* Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, p. 12.

[514] 160 million shares equals $240 million divided by $1.50 per share conversion price.

Sprint/Clearwire transaction in connection with the termination of the SoftBank/Sprint transaction;

f) Termination Fee: If the Sprint/Clearwire transaction is terminated in connection with the failure of the SoftBank/Sprint transaction, then Sprint will forgive $120 million of the Sprint Notes and Clearwire will have the option to exchange the remaining outstanding Sprint Notes at an exchange rate of $1.50 per share within 15 business days following the termination;

g) Termination: The NPA could be terminated: (i) by mutual consent; (ii) automatically if the required vote to approve the Sprint/Clearwire transaction is not obtained at Clearwire's stockholder meeting; or (iii) Sprint/Clearwire transaction is terminated; and

h) Other: Clearwire did not have the option to call or force the redemption of the Sprint Notes, and Sprint did not have the right to force repayment of the Sprint Notes.[515]

C. Centerview's Valuation of the Sprint Notes

371. Convertible debt, like the Sprint Notes, is a hybrid financing instrument that is generally viewed as combining the following two elements for financial valuation purposes:

- a fixed income debt obligation referred to as straight debt; and
- a conversion option (similar to a call option) whereby the straight debt is surrendered, often at the discretion of the debt holder, in order to exercise the call option and receive common shares in return.

372. One accepted method for valuing such an instrument is the Black-Scholes option pricing model,[516] which Centerview used when it performed an "illustrative convertible bond valuation" of the Sprint Notes in December 2012.[517]

---

[515] *See* Mendelow Dep. Ex. 23, "Board of Directors Presentation," December 16, 2012 at Bates No. CLWRDEL-01312871; April 23 Proxy Statement, pp. 131-132.

[516] *See* F. Fabozzi, Bond Markets, Analysis and Strategies, Third Edition, Prentice-Hall, 1996, pp. 380-381.

[517] *See* Bates Nos. CVIEW00009295-9296, 9299-9300.

373. After replicating Centerview's model, I updated three inputs to reflect the actual terms of the NPA.[518] I use all other assumptions, except Centerview's reference price, *i.e.*, the stock price to which the conversion price was compared for valuation purposes.[519]

374. I calculate the value of the Sprint Notes using four alternative reference stock prices: (i) the $1.30 per share stock price on October 10, 2012, the day before news of the SoftBank/Sprint transaction;[520] (ii) the $2.97 per share initial deal value agreed upon on December 17, 2012; (iii) the $3.37 per share stock price on December 14, 2012, the trading day before Clearwire signed the NPA and publicly announced its merger with Sprint; and (iv) the $5.00 per share deal value. Table 32 below and Exhibit 16 shows the changes in the value of the Sprint Notes when holding all else in Centerview's model constant:

[518] The three inputs are: (i) changed coupon from 2.0% to 1.0%; (ii) changed time to maturity from 5.0 years to 5.5 years and set first coupon payment to be on June 1, 2013, not December 1, 2013; and (iii) changed the conversion price from $2.78 per share to $1.50 per share. *See* Exhibit 16.

[519] The other assumptions include: (i) volatility of 40%; (ii) risk-free rate of 0.62%; and (iii) market yield of 10.75%. *See* Exhibit 16.

[520] *See* May 13 Proxy Statement, Ex. 99.1, p. 3 ("The $1.50 exchange rate represents a premium to the unaffected share price prior to the Sprint-SoftBank rumors when Clearwire was speculated to be part of that transaction – Clearwire shares closed at $1.30 on October 10, 2012.").

TABLE 32
VALUATION OF THE SPRINT NOTES USING CENTERVIEW'S MODEL
($ in millions, except per share amounts)

	Based on Clearwire's Stock Prices of:			
	Before SoftBank News	**Initial Deal Value**	**Stock Price Trading Before NPA Signed**	**June Deal Value**
	$1.30	**$2.97**	**$3.37**	**$5.00**
Value of Sprint Notes	$717	$1,425	$1,618	$2,438
Amount Paid by Sprint for Sprint Notes	$800	$800	$800	$800
Profit to Sprint (loss)	*-$83*	*+$625*	*+$818*	*+$1,638*
% profit to Sprint (loss)	*-10.4%*	*78.2%*	*102.3%*	*204.8%*

375. The valuation of the Sprint Notes is largely driven by whether the reference stock price is above or below the $1.50 per share conversion price (*i.e.*, in-the-money or out-of-the-money). When one uses a reference stock price of $1.30 per share, the conversion option is considered to be out-of-the-money and less valuable. As Table 32 above shows, this results in the Sprint Notes having a value of $717 million according to Centerview's model. The $1.30 per share reference price also implies a conversion premium because the conversion price is above the reference price. This purported conversion premium, however, only exists when using the $1.30 reference price that pre-dates the signing of the NPA by more than two months. The more traditional measure of conversion premiums is to use a reference price that is within approximately one trading day of announcing the financing transaction. In this case, Clearwire's stock price was $2.91 per share when the NPA was signed, implying a negative conversion "premium" of -48.5%.

376. Such a conversion *discount* is highly peculiar for convertible bonds and notes. Empirical evidence on convertible bond premiums shows that it is extremely rare to have

conversion-price discounts, where the conversion price is set lower than the current stock price.[521] Moreover, the very definitions of a convertible bonds in authoritative sources contemplate conversion-price premiums, not discounts. *See* Appendix A for a random sample of such definitions from finance textbooks and internet information sources in finance terms.

---

[521] Conversion premiums on U.S. convertible securities have been studied in several academic papers that have consistently found *premiums* that generally range from 20% to more than 30%. These findings suggest that the NPA's conversion premium of -48.5% based on Clearwire's stock price of $2.91 per share when it signed the NPA on December 17, 2012, and the $1.50 per share conversion price is highly unusual. *See*, for example, E. Duca, M. Dutordoir, C. Veld, P. Verwijmeren, "Why are Convertible Bond Announcements Associated with Increasingly Negative Issuer Stock Returns? An Arbitrage-Based Explanation," *Journal of Banking & Finance*, 36 (2012) 2884-2889 (finding average and median conversion premiums on non-financial, non-utilities firms of 22.2%/22.0% based on 727 observations from 1/1/1984 to 12/31/1999, 32.7%/30.0% based on 645 observations from 1/1/2000 to 9/14/2008, and 22.7%/25.0% based on 64 observations from 9/15/2008 to 12/31/2009); B. Henderson, B. Zhao, "More than Meets the Eye: Convertible Bond Issuers' Concurrent Transactions," *Journal of Corporate Finance*, 24 (2014) 57-79 (finding an average conversion premium of 31.7% based on 947 observations excluding firms in the financial and utilities industries); H. Li, H. Liu, A. Siganos, "A Comparison of the Stock Market Reaction of Convertible Bond Offerings Between Financial and Non-Financial Institutions: Do They Differ?" forthcoming in *International Review of Financial Analysis* (finding average and median conversion premiums on non-financial firms of 30.7% and 25.0%); T. Chemmanur, K. Simonyan, "What Drives the Issuance of Putable Convertibles: Risk-Shifting, Asymmetric Information, or Taxes?" *Financial Management*, (2010) 1027-1067 (finding average and median conversion premiums of 34.3%/30.2% for putable convertible offerings based on 332 observations, 23.6%/22.1% for ordinary (nonputable) convertible offerings based on 1,146 observations); S. Brown, B. Grundy, C. Lewis, P. Verwijmeren, "Convertibles and Hedge Funds as Distributors of Equity Exposure," *The Review of Financial Studies*, 25(10) (2012) 3077-3112 (finding average and median conversion premiums of 31%/27% for convertibles without call feature and 35%/32% based on 803 observations); C. Rotaru, "Underpricing of New Convertible Debt Issues of U.S. Firms: 1980-2003 --Empirical Analysis," *Journal of Financial Management and Analysis*, 19(1) (2006) 45-56 (finding an average conversion premium on non-financial firms of 21.1% prior to 1990 and 29.4% on or after 1990 based on 164 and 89 observations); C. Marquardt, C. Wiedman, "Earnings Management through Transaction Structuring: Contingent Convertible Debt and Diluted Earnings per Share" *Journal of Accounting Research*, 43(2) (2005) 205-243 (finding average and median conversion premiums of 29.3%/29.8% based on 207 observations); S. Krishnaswami, D. Yaman, "The Role of Convertible Bonds in Alleviating Contracting Costs," *The Quarterly Review of Economics and Finance*, 48 (2008) 792–816 (finding average and median conversion premiums of 21.8%/21.9% based on 704 observations excluding financial and utilities firms).

377. Indeed, it is economically illogical in theory for a value-maximizing company to issue a convertible bond that can be immediately converted into common stock at a discounted price as opposed to selling the common equity itself at its higher post-announcement market price, unless the discounted new equity is issued via a rights offering that gives all shareholders a fair pro-rata opportunity to participate in the sale of the discount-priced new stock. This is why the definitions of convertible bonds naturally assume that the conversion price will be at a significant premium to the then current market price of the equity for a public company.

378. Furthermore, the $1.50 conversion price of the Sprint Notes and the apparent use of this $1.30 per share "pre-SoftBank" reference stock price is inconsistent with the following:

a) Clearwire and its financial advisors understood that a $1.30 per share reference stock price no longer represented the current market price and that the $1.50 conversion price was well below the current or market price;[522]

b) Clearwire's $2.26 per share average closing stock price from October 11, 2012 to December 14, 2012, the trading day before Clearwire signed the NPA;

c) Clearwire's $3.37 per share closing stock price on December 14, 2012, the trading day before Clearwire signed the NPA;

d) Clearwire's $2.91 per share closing stock price on December 17, 2012, when Clearwire signed the NPA;

e) Clearwire's $3.13 per share closing stock price on February 28, 2013, before Clearwire borrowed its first $80 million under the NPA;

f) Clearwire's closing stock prices on every trading day after October 10, 2012 that were all greater than $1.50 per share (*see* Exhibit 17);

---

[522] Clearwire and its advisors understood that a $1.50 per share conversion price was below market levels. *See* Deposition of Rosanne Kurmaniak, August 21, 2015 ("Kurmaniak Dep.") Ex. 20 at Bates No. CITI_CLWR00057742 (Mr. Stanton believed that a "conversion price of $2.20" was "market based"); Kurmaniak Dep. Ex. 23 at Bates Nos. CITI_CLWR00041928-929 (Evercore indicated that "this security is below market levels"); Kurmaniak Dep. Ex. 24 at Bates No. CITI_CLWR00070303 (Evercore indicated that "this convert is being struck <u>so</u> below market") (emphasis added).

g) Sprint's offers to acquire Clearwire for $2.97 per share and $3.40 per share and the ultimate deal value of $5.00 per share;

h) DISH's proposals to acquire Clearwire for $3.30 per share before Clearwire borrowed its first $80 million under the NPA and DISH's subsequent proposal of $4.40 per share;

i) Clearwire's operative reality that includes the expected completion of the SoftBank/Sprint transaction and its impact on Clearwire;

j) The Modified MCC Projections that imply DCF values for Clearwire that are substantially greater than $1.50 per share;

k) The June Projections – SoftBank Plan that imply DCF values for Clearwire that are substantially greater than $1.50 per share; and

l) Sprint's negative $23.9 billion NPV analysis that imply rough DCF values for Clearwire that are substantially greater than $1.50 per share.

379. When one uses the $2.97 per share initial deal value agreed upon on December 17, 2012 as the reference price instead of the $1.30 per share stock price, the $1.50 conversion option is well in-the-money and the value of the Sprint Notes increases substantially to $1.4 billion according to my analysis using Centerview's model, representing a potential $625 million profit (+78%) to Sprint based on an $800 million cost (*see* Exhibit 16).[523]

380. When one uses the traded market price of Clearwire's stock immediately before Clearwire signed the NPA as the reference price, the $1.50 conversion option is well in-the-money and the value of the Sprint Notes increases substantially to $1.6 billion according to my analysis using Centerview's model, representing a potential $818 million profit (+102%) to Sprint based on an $800 million cost (*see* Exhibit 16).

381. Finally, if the $5.00 per share deal value is used as the reference price, then my analysis using Centerview's model indicates that the Sprint Notes would be worth $2.4 billion,

[523] This profit is only economically relevant when assuming the Sprint/Clearwire transaction does not close because otherwise Sprint would simply be paying itself with its own money.

representing a potential $1.6 billion profit (+205%) to Sprint based on an $800 million cost (*see* Exhibit 16).

382. Sprint's profit when the conversion price is viewed to be in-the-money (*i.e.*, stock prices of $2.97, $3.37, and $5.00) would represent a transfer of wealth from Clearwire's minority shareholders to Sprint, because this analysis excludes any effect other than the effect of the change in stock price.

D. NPA Implies Exorbitant Financing Costs

383. At the initial $2.97 per share deal value, the $240 million face value of the Sprint Notes had a value of $475 million if converted into Clearwire's common stock (*i.e.*, $2.97 x 160 million shares, where 160 million shares equals $240 million divided by $1.50 conversion price).

384. As another way to illustrate the potential windfall value to Sprint of the $1.50 conversion-price discount relative to the $2.97 deal value, I note that the NPA, if Clearwire had alternatively borrowed $240 million in the form of straight, non-convertible debt that had a market value of $475 million just as the Sprint Notes had, this would imply a coupon of 34.2% holding all else constant.[524] This implied cost of financing exceeds the cost of Clearwire's debt yields in 2011 when the Company was financially distressed.

E. Potential Dilution of Value to Clearwire's Minority Shareholders Due to NPA

385. According to the terms of the Sprint Notes, if Clearwire had borrowed the full $800 million contemplated by the NPA and Sprint converted all of these notes into 533.3 million shares (*i.e.*, $800 million of notes ÷ $1.50 per share), the value of these shares to Sprint would be $1.6 billion assuming Clearwire's stock price was $2.97 per share (*i.e.*, 533.3 million converted shares x $2.97 per share). This translates to a $784 million potential profit (or a 98% increase)

[524] Based on valuation of straight debt as set forth in Exhibit 16 with face value equal to $240 million, coupon set equal to 34.15%, and 5.5 years to maturity.

for Sprint based on $800 million of notes (*i.e.*, $1.6 billion value of shares - $800 million of notes). As a result of this conversion, the number of fully diluted shares would increase from 1.5 billion to 2.0 billion (*i.e.*, 1.5 billion shares + 533.3 million converted shares), representing a potential 35.4% increase in shares outstanding. *See* Exhibit 18.

386. The dollar value of this dilution to Clearwire's shareholders would be $784 million (this is the same as the potential profit to Sprint calculated above), which would reflect the transfer of wealth from Clearwire's minority shareholders to Sprint, Clearwire's majority shareholder. *See* Exhibit 18. This large profit to Sprint reflects the significant dilutive effect that the NPA could impose on the value of equity to Clearwire's minority shareholders.

387. Further, this means that a competing acquirer would have to spend $0.52 per share more than Sprint would to acquire the same equity position. To see why, note that the value of Clearwire's equity at $2.97 per share, including the converted shares, would be $6.1 billion (*i.e.*, $2.97 per share x 2.039 billion shares). When treating the $800 million Sprint Notes as straight debt and not convertible, then the equivalent equity value would be $5.3 billion (*i.e.*, $6.1 billion - $800 million). This implies a stock price of $3.49 per share (*i.e.*, $5.3 billion ÷ 1.506 billion shares). This translates to a potential per share dilution of -14.9% (*i.e.*, $2.97 ÷ $3.49 – 1) for Clearwire's shareholders. *See* Exhibit 18.

388. That is, regardless of who besides Sprint ends up owning Clearwire's minority shares, the NPA's potential dilutive effect represents an over-hanging liability to them, especially given that Clearwire had alternative financing sources available to it (*i.e.*, Crest and Aurelius). This means that, but for the NPA's potential dilutive effect, a hypothetical competing bidder could afford to make a higher bid for Clearwire's minority shares, all else equal.

389. Thus, the potential dilutive effect of the NPA has two effects relevant to Clearwire's minority shareholders as they consider Sprint's offers. The potential dilution of the NPA increases the risk of voting no to Sprint's offer(s), and it reduces the prospect of receiving a higher offer from a bidder other than Sprint.

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct;
- the reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions and conclusions;
- I have no present or prospective interest in the subject business to this case, and I have no personal interest or bias with respect to the parties involved;
- my compensation is not contingent upon the value reported or upon any predetermined result or value; and
- my compensation is not contingent on an action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.

September 25, 2015
Date

Gregg A. Jarrell

Exhibit 1

GREGG A. JARRELL **September 2015**

Business Address: Forensic Economics, Inc.
95 Allens Creek Rd.
Building 2, Suite 303
Rochester, NY 14618
585.385.7440

Home Address: 2500 East Avenue
Apartment 7U
Rochester, NY 14610-3143
585.734.9621

Email Address: Gregg@thejarrells.com

EDUCATION

Ph.D. University of Chicago: Business Economics, 1978.
Major Concentration: Industrial Organization, Finance.

M.B.A. University of Chicago: Economics, 1976.
Major Concentration: Economics and Finance.

B.S. University of Delaware: Business Administration, 1974.

EMPLOYMENT

UNIVERSITY OF ROCHESTER, Simon Business School,
Rochester, New York (July 1988 - Present)
Professor of Finance and Economics.

UNIVERSITY OF ROCHESTER, William E. Simon Graduate School of Business
Administration (renamed Simon Business School, October 2012),
Rochester, New York (July 1988 - July 1994)
Professor of Finance and Economics
Director of Bradley Policy Research Center (1990 - 1994)
Director of the Managerial Economics Research Center (1988 - 1990).

THE ALCAR GROUP, INC.,
Skokie, Illinois (July 1988 - July 1990)
Senior Vice President.

THE ALCAR GROUP, INC.,
Skokie, Illinois (July 1987 - July 1988)
Senior Vice President, Director of Research.

UNIVERSITY OF ROCHESTER, William E. Simon Graduate School of Business
Administration, Rochester, New York (January 1987 - June 1987)
AT&T Foundation Resident Management Fellow.

U.S. SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C. (April 1984 - January 1987)
Chief Economist.

GEORGETOWN UNIVERSITY LAW SCHOOL,
Washington, D.C. (July 1985 - July 1986)
Adjunct Professor.

LEXECON, INC.,
Chicago, Illinois (April 1983 - March 1984)
Senior Economist.

UNIVERSITY OF CHICAGO, Center for the Study of the Economy and the State,
Chicago, Illinois (August 1981 - April 1983)
Post-Doctoral Research Fellow.

UNIVERSITY OF ROCHESTER, Graduate School of Management (renamed William E. Simon
Graduate School of Business Administration, November 1986),
Rochester, New York (July 1977 - August 1981)
Assistant Professor of Economics.

PROFESSIONAL EXPERIENCE

MEMBER, U.S. SEC ADVISORY COMMITTEE ON TENDER OFFER POLICY,
(February 1983 - July 1983)
Expert on Economic Effects of Tender Offers.

FEDERAL TRADE COMMISSION,
Washington, D.C. (December 1981 - January 1983)
Consultant.

HUFF & HUFF, INC., Environmental Consultants,
Chicago, Illinois (January 1977 - December 1982)
Consultant.

UNIVERSITY OF CHICAGO, Graduate School of Business,
Chicago, Illinois (October 1975 - June 1977)
Teaching and Research Assistant.

PROFESSIONAL AFFILIATIONS

CHAIRMAN OF THE BOARD:	The Albert Abela Corporation (1999 - 2000).
MEMBER OF COUNCIL:	Council of the Albert Abela Family Foundation (1999 - 2000).
ASSOCIATE EDITOR:	*Journal of Corporate Finance and Governance* (1993 - 2000).
ASSOCIATE EDITOR:	*Journal of Financial and Quantitative Analysis* (1992 - 1996).
MEMBER:	American Economic Association.
MEMBER:	American Law and Economics Association.
MEMBER:	Financial Management Association.
MEMBER, BOARD OF DIRECTORS:	United Shareholders Association (1991 - 1993).

AREAS OF SPECIALIZATION

Finance (Economics of Corporate Control, Operation and Regulation of Financial Markets).

Industrial Organization (Applied Price Theory, Economics of Regulation, Transfer Pricing).

Applied Econometrics.

ACADEMIC HONORS AND FELLOWSHIPS

Superior Teaching Award, University of Rochester, First-Year Class of 2015.

Superior Teaching Award, University of Rochester, M.S. Class of 2014.

Superior Teaching Award, University of Rochester, Second-Year Class of 2014.

Superior Teaching Award, University of Rochester, First-Year Class of 2014.

Superior Teaching Award, University of Rochester, Second-Year Class of 2011.

Superior Teaching Award, University of Rochester, Second-Year Class of 2010.

Superior Teaching Award, University of Rochester, First-Year Class of 2009.

Superior Teaching Award, University of Rochester, Second-Year Class of 2008.

Superior Teaching Award, University of Rochester, First-Year Class of 2008.

Superior Teaching Award, University of Rochester, Second-Year Class of 2007.

Superior Teaching Award, University of Rochester, Second-Year Class of 2006.

Superior Teaching Award, University of Rochester, First-Year Class of 1999.

Superior Teaching Award, University of Rochester, Second-Year Class of 1995.

Superior Teaching Award, University of Rochester Executive Development Program, Class of 1995.

Superior Teaching Award, University of Rochester Executive Development Program, Class of 1984.

Superior Teaching Award, University of Rochester Executive Development Program, Class of 1980.

Beta Gamma Sigma.

University of Chicago Fellowship (1976 - 1977).

Earhart Fellowship in Industrial Organization (1975 - 1976).

PUBLISHED RESEARCH PAPERS

"The Impact of the Options Backdating Scandal on Shareholders," with Gennaro Bernile, *Journal of Accounting and Economics*, 47 (1-2), 2-26 (March 2009).

"Expected Inflation and the Constant-Growth Valuation Model," with Michael Bradley, *Journal of Applied Corporate Finance*, 20 (2), 35-47 (Spring 2008).

"Corporate Leadership Structure: On the Separation of the Positions of CEO and Chairman of the Board," with James A. Brickley and Jeffrey C. Coles, *The Journal of Corporate Finance,* 3, 189-220 (June 1997).

"Corporate Focus and Stock Returns," with Robert Comment, *The Journal of Financial Economics*, 37 (1) (January 1995).

“The Returns to Acquiring Firms in Tender Offers: Evidence from Three Decades,” with Annette Poulsen, Readings in Mergers and Acquisitions, edited by Patrick Gaughan, Blackwell Publishers, 1994, 284-295.

“The Market for Corporate Control: The Empirical Evidence Since 1980,” with James A. Brickley and Jeffry M. Netter, Readings in Mergers and Acquisitions, edited by Patrick Gaughan, Blackwell Publishers, 1994, 296-316.

“The Irrelevance of Margin Eligibility: Evidence from the Crash of ’87,” with Paul J. Seguin, *The Journal of Finance*, 48 (4) (September 1993).

“An Overview of the Executive-Compensation Debate,” *Modernizing US Securities Regulation: Economic and Legal Perspectives*, Kenneth Lehn and Robert W. Kamphuis, Jr., eds., The Center for Research on Contracts and The Structure of Enterprise, University of Pittsburgh, (December 1992).

“The Relative Signaling Power of Dutch-Auction and Fixed-Price Self-Tender Offers and Open-Market Share Repurchases,” with Robert Comment, *The Journal of Finance*, 46 (4) (September 1991).

“A Proposal to Stabilize Stock Prices: A Comment,” with Paul J. Seguin, *Journal of Portfolio Management*, (Winter 1989).

“Stock Trading Before the Announcement of Tender Offers: Insider Trading or Market Anticipation,” with Annette Poulsen, *The Journal of Law, Economics, and Organization*, 5 (2), 225-248 (Fall 1989).

“The Returns to Acquiring Firms in Tender Offers: Evidence from Three Decades,” with Annette Poulsen, *Financial Management*, (Autumn 1989).

“The Market for Corporate Control: The Empirical Evidence Since 1980,” with James A. Brickley and Jeffry Netter, *The Journal of Economic Perspectives*, 1, 49 - 68 (Winter 1988). Reprinted in The Modern Theory of Corporate Finance, edited by Clifford W. Smith, Jr., second edition, 1989, McGraw-Hill, New York.

“Dual-Class Recapitalizations as Antitakeover Mechanisms: The Recent Evidence,” with Annette Poulsen, *The Journal of Financial Economics*, 20 (1/2), 129-152 (January/March 1988).

“Two-Tier and Negotiated Tender Offers: The Imprisonment of the Free-Riding Shareholder,” with Robert Comment, *The Journal of Financial Economics*, 19, 283-310 (December 1987).

“Financial Innovation and Corporate Mergers,” The Merger Boom, Proceeding of a Conference, held in October 1987, sponsored by the Federal Reserve Bank of Boston.

“Shark Repellents and Stock Prices: The Effects of Antitakeover Amendments Since 1980,” with Annette Poulsen, *Journal of Financial Economics*, 19, 127-168 (September 1987).

“Hostile Takeovers and the Regulatory Dilemma: Twenty-Five Years of Debate,” with John Pound, *The Midland Corporate Finance Journal*, 5 (2) (Summer 1987).

“Regulating Hostile Takeover Activity: An Interpretive History of the US Experience,” with Annette Poulsen and John Pound, Proceedings: Auckland and Sydney (June 1986) *Takeovers and Corporate Control: Towards a New Regulatory Environment*, The Centre for Independent Studies, 19-36 (July 1987).

“Studying Firm-Specific Effects of Regulation with Stock Market Data: An Application to Oil Regulation,” with Rodney T. Smith and Michael Bradley, *The Rand Journal of Economics*, (Winter 1986).

“Shark Repellents and Poison Pills: Stockholders Protection - from the Good Guys or the Bad Guys?,” with Annette Poulsen, *The Midland Corporate Finance Journal*, 4 (2) (Summer 1986).

“The Demand for Electric Utility Regulation,” Electric Power: Deregulation and the Public Interest, edited by John Moorhouse, 1986.

“The Impact of Product Recalls on the Wealth of Sellers,” with Sam Peltzman, *Journal of Political Economy*, 93 (3) (June 1985).

“The Wealth Effects of Litigation by Takeover Targets: Do Interests Diverge in a Merge?” *The Journal of Law and Economics*, 28, 151-177 (April 1985).

“Change at the Exchange: The Causes and Effects of Deregulation,” *The Journal of Law and Economics*, 27, 273-312 (October 1984).

“On the Existence of an Optimal Capital Structure of the Firm: Theory and Evidence,” with Michael Bradley and E. Ham Kim, *The Journal of Finance*, 39, 857-877 (July 1984).

“Do Targets Gain from Defeating Tender Offers?” with Frank Easterbrook, *New York University Law Review*, 59, 277-300 (May 1984).

“Economic Trade-offs of Coal Mining on Prime Farmland,” with Linda Huff, Sherry Jarrell and David Smith, *Landscape Planning*, 10, 131-146 (1983).

“State Anti-Takeover Laws and the Efficient Allocation of Corporate Control: An Economic Analysis of Edgar v. Mite,” *The Supreme Court Economics Review*, Vol. II (1983).

“The Economic Effects of Federal Regulation of the Market for New Security Issues,” *The Journal of Law and Economics*, 24, 613-675 (December 1981).

“The Economic Effects of Federal and State Regulations of Cash Tender Offers,” with Michael Bradley, *The Journal of Law and Economics*, 23 (2) (October 1980).

"Regulation and Accounting for Assets in the Electric Utility Industry: Pro-Producer Regulation Through Asset Inflation," *The Journal of Accounting and Economics*, 1, 93-116 (Summer 1979).

"The Demand for State Regulation of the Electric Utility Industry," *The Journal of Law and Economics,* 21, 269-295 (October 1978).

OTHER PUBLISHED ARTICLES

"Comment on 'Terminal Value, Accounting Numbers, and Inflation' by Gunther Friedl and Bernhard Schwetzler," with Michael Bradley, *Journal of Applied Corporate Finance*, 23 (2), 113-115 (Spring 2011).

"A Trip Down Memory Lane: Reflections on Section 203 and Subramanian, Hersovici, and Barbetta," *The Business Lawyer*, 65, 779-787 (May 2010).

"Takeovers and Leveraged Buyouts," The Fortune Encyclopedia of Economics, edited by David R. Henderson, Warner Books, 1993.

"The 1980's Takeover Boom and Government Regulation," *Regulation*, 44-53 (Summer 1992).

"The Longer-Term Relation Between Accounting Performance and Stock Returns," with Frank Dorkey, Bradley Research Center, Working Paper, William E. Simon Graduate School of Business Administration, University of Rochester (August 1992).

"Calculating Proper Transfer Prices," with Frank Torchio, *Public Utilities Fortnightly*, (January 1991).

"Turf Wars: The SEC May Have Struck Out Over Shareholders' Rights, But It Could Still Win on Proxy Reform," *Institutional Investor* (December 1990).

"On the Underlying Motivations for Corporate Takeovers and Restructurings," Corporate Reorganization Through Mergers, Acquisitions, and Leveraged Buyouts," edited by Gary Libecap, 1988.

"Risky Products, Risky Stocks," with Paul Rubin and R. Dennis Murphy, *Regulation*, 1, 35 (1988).

"Hostile Takeovers and Boesky: The New Push for Regulation," with John Pound, *International Herald Tribune*, May 31, 1987.

"Evidence on Gains from Mergers and Takeovers," with Michael Bradley, Knights, Raiders and Targets: The Impact of the Hostile Takeover, edited by John C. Coffee, Jr., Louis Lowenstein and Susan Rose-Ackerman, 1987.

"Are Takeovers Hostile to Economic Performance?" with John Pound and Ken Lehn, *Regulation*, p. 25 (September/October 1986).

“Motivations for Hostile Tender Offers and the Market for Political Exchange,” with Annette Poulsen, Contemporary Policy Issues, 1986.

“Inside the SEC’s Panel on Takeovers,” *Directors & Boards*, (Fall 1983).

“SEC Advisory Committee on Tender Offers,” Report plus separate statement with Frank H. Easterbrook (July 1983) .

“Regulation of the Electric Utility Industry: A Historical Perspective and Empirical Study,” NBER Conference Paper Series, Paper No. 67 (October 1980).

PUBLISHED OPINION EDITORIALS

“A Victory for Shareholders,” *The Wall Street Journal*, op. ed., December 1, 1993.

“Take the Long View on Executive Pay,” *The Wall Street Journal*, op. ed., August 28, 1992.

“SEC Crimps Big Board’s Future,” *The Wall Street Journal*, op. ed., June 19, 1992.

“SEC Lets Bush Off the Hook for November 15 Stock Plunge,” *The Wall Street Journal*, op. ed., January 16, 1992.

“For a Higher Share Price, Focus Your Business,” *The Wall Street Journal*, op. ed., May 13, 1991.

“En-Nobeling Financial Economics,” *The Wall Street Journal*, op. ed., October 17, 1990.

“Shareholders Secret Victory,” *The Wall Street Journal*, op. ed., June 22, 1990.

“Beware Cleaning Up After the Elephants,” *The Wall Street Journal*, op. ed., October 17, 1989.

“The Paramount Import of Becoming Time-Warner: A Present-Value Lesson for the Lawyers,” *The Wall Street Journal*, op. ed., July 13, 1989.

“Brady Panel Sold Innovation Short,” *The Wall Street Journal*, op. ed., October 19, 1988.

“The Pitfalls of Cleaning Up Raiders,” with John Pound, *International Herald Tribune*, op. ed., pg. 11, May 29 1987.

“SEC Now is on Target,” with John Pound, *The Wall Street Journal*, op. ed. March 26, 1987.

“Takeover Threats Don’t Crimp Long-Term Planning,” with Ken Lehn, *The Wall Street Journal*, op. ed., p. 32, May 1, 1985.

SEC OFFICE OF THE CHIEF ECONOMIST PUBLICATIONS

"Stock Trading Before the Announcement of Tender Offers: Insider Trading or Market Anticipation?" with Annette Poulsen, Securities and Exchange Commission, Office of the Chief Economist (February 24, 1987).

"The Effects of Dual-Class Recapitalizations on the wealth of Shareholders," with Annette Poulsen, Securities and Exchange Commission, Office of the Chief Economist (November 1986).

"The Effects of Poison Pills on the Wealth of Target Shareholders," with Michael Ryngaert, Securities and Exchange Commission, Office of the Chief Economist (October 23, 1986).

"Shark Repellents: The Role and Impact of Antitakeover Charter Amendments," with Michael Ryngaert and Annette Poulsen, Securities and Exchange Commission, Office of the Chief Economist (September 7, 1985).

"Institutional Ownership, Tender Offers, and Long-Term Investments," with Ken Lehn and Wayne Marr, Securities and Exchange Commission, Office of the Chief Economist (April 19, 1985).

"The Economics of Any-or-All, Partial, and Two-Tier Tender Offers," with Robert Comment, Hugh Haworth and Annette Poulsen, Securities and Exchange Commission, Office of the Chief Economist (April 19, 1985).

"The Impact of Targeted Share Repurchases (Greenmail) on Stock Prices," with Michael Ryngaert, Securities and Exchange Commission, Office of the Chief Economist (September 11, 1984).

TESTIMONIAL EXPERIENCE (LAST FIVE YEARS)

Deposition in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598 (DLC) (September 9, 2015).

Expert Report of Gregg A. Jarrell in re: Pawel I. Kmiec vs. Powerwave Technologies, Inc., et al., before the United States District Court Central District of California Southern Division, No: 8:12-cv-00222-CJC(JPRx) (August 31, 2015).

Supplemental Report of Gregg A. Jarrell in re: Todd Stanaford a/k/a Jerald Todd Stanaford et al. vs. Robert Donald Bruce Genovese et al., in the United States District Court Southern District Of Florida, Case No. 9:13-cv-80923-KLR (August 24, 2015).

Deposition of Gregg A. Jarrell in re: Sauer Danfoss, Inc. Shareholders Litigation, in the Court of Chancery of the State of Delaware, C.A. No. 8396-VCL (August 6, 2015).

Rebuttal Report of Gregg A. Jarrell in re: In Re Globe Specialty Metals, Inc. Stockholders Litigation., in the Court of Chancery of the State of Delaware, C.A. No. 10865-VCG (August 4, 2015).

Rebuttal Report of Gregg A. Jarrell in re: Todd Stanaford a/k/a Jerald Todd Stanaford et al. vs. Robert Donald Bruce Genovese et al., in the United States District Court Southern District Of Florida, Case No. 9:13-cv-80923-KLR (June 29, 2015).

Rebuttal Report of Gregg A. Jarrell in re: Sauer Danfoss, Inc. Shareholders Litigation, in the Court of Chancery of the State of Delaware, C.A. No. 8396-VCL (June 19, 2015).

Expert Report of Gregg A. Jarrell in re: Sauer Danfoss, Inc. Shareholders Litigation, in the Court of Chancery of the State of Delaware, C.A. No. 8396-VCL (May 20, 2015).

Expert Report of Gregg A. Jarrell in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598 (DLC) (May 1, 2015).

Deposition of Gregg A. Jarrell in re: Pawel I. Kmiec vs. Powerwave Technologies, Inc., et al., before the United States District Court Central District of California Southern Division, No: 8:12-cv-00222-CJC(JPRx) (April 22, 2015).

Testimony of Gregg A. Jarrell in re: Johnson & Johnson v. Guidant Corporation, in the United States District Court, Southern District of New York, Civil Action No. 06-7685 (RJS) (November 24, 2014).

Affidavit of Gregg A. Jarrell in re: Johnson & Johnson v. Guidant Corporation, in the United States District Court, Southern District of New York, Civil Action No. 06-7685 (RJS) (October 9, 2014).

Testimony of Gregg A. Jarrell in re: LongPath Capital, LLC v. Ramtron International Corporation, in the Court of Chancery of the State of Delaware, C.A. No. 8094-VCP (October 9, 2014).

Expert Report of Gregg A. Jarrell in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598(KBF) (September 29, 2014).

Declaration of Gregg A. Jarrell in re: Pawel I. Kmiec vs. Powerwave Technologies, Inc., et al., before the United States District Court Central District of California Southern Division, No: 8:12-cv-00222-CJC(JPRx) (August 15, 2014).

Expert Report of Gregg A. Jarrell in re: Appraisal of NetSpend Holdings, Inc., in the Court of Chancery of the State of Delaware, C.A. No. 8807-VCG (July 14, 2014).

Testimony of Gregg A. Jarrell in re: Appraisal of Ancestry.com, Inc., in the Court of Chancery of the State of Delaware, C.A. No. 8173-VCG (June 18-19, 2014).

Deposition of Gregg A. Jarrell in re: Appraisal of Ancestry.com, Inc., in the Court of Chancery of the State of Delaware, C.A. No. 8173-VCG (May 23, 2014).

Rebuttal Report of Gregg A. Jarrell in re: Appraisal of Ancestry.com, Inc., in the Court of Chancery of the State of Delaware, C.A. No. 8173-VCG (May 9, 2014).

Expert Report of Gregg A. Jarrell in re: Appraisal of Ancestry.com, Inc., in the Court of Chancery of the State of Delaware, C.A. No. 8173-VCG (April 11, 2014).

Deposition of Gregg A. Jarrell in re: LongPath Capital, LLC v. Ramtron International Corporation, in the Court of Chancery of the State of Delaware, C.A. No. 8094-VCP (April 3, 2014).

Rebuttal Report of Gregg A. Jarrell in re: The Orchard Enterprises, Inc. Stockholder Litigation, in the Court of Chancery of the State of Delaware, Consolidated C.A. No. 7840-VCL (March 31, 2014).

Rebuttal Report of Gregg A. Jarrell in re: LongPath Capital, LLC v. Ramtron International Corporation, in the Court of Chancery of the State of Delaware, C.A. No. 8094-VCP (February 28, 2014).

Expert Report of Gregg A. Jarrell in re: The Orchard Enterprises, Inc. Stockholder Litigation, in the Court of Chancery of the State of Delaware, Consolidated C.A. No. 7840-VCL (February 25, 2014).

Expert Report of Gregg A. Jarrell in re: LongPath Capital, LLC v. Ramtron International Corporation, in the Court of Chancery of the State of Delaware, C.A. No. 8094-VCP (January 28, 2014).

Deposition of Gregg A. Jarrell in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598(KBF) (January 16, 2014).

Expert Report of Gregg A. Jarrell in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598(KBF) (January 7, 2014).

Testimony of Gregg A. Jarrell in re: Kodak Graphic Communications Canada Company, As Successor to Creo Inc. v. E. I. Du Pont De Nemours and Company, in the United States District Court, Western District of New York, No. 08-CV-6553T (November 6, 2013).

Testimony of Gregg A. Jarrell in re: Source Healthcare Analytics, Inc., et al. v. SDI Health LLC, et al., in the Court of Common Pleas, Philadelphia County, Commerce Court Program, February Term, 2011, No. 2290 (October 2, 2013).

Declaration of Gregg A. Jarrell in re: Puda Coal Securities Inc. et al. Litigation, before the United States District Court Southern District of New York, Case No: 1:11-CV-2598(BSJ)(KBF) (July 1, 2013).

Cross-examination of Gregg A. Jarrell in re: Mark Dugal, et al. v. Manulife Financial Corporation, et al., before the Ontario Superior Court of Justice, Court File No. CV-09-383998-00CP (May 1-2, 2013).

Deposition of Gregg A. Jarrell in re: Winstar Communications Securities Litigation, before the United States District Court Southern District of New York, Master File No. 01 Civ. 3014 (GBD) (March 21, 2013).

Testimony of Gregg A. Jarrell in re: TRADOS Incorporated Shareholder Litigation, in the Court of Chancery of the State of Delaware, Civil Action No. 1512-VCL (March 5, 2013).

Rebuttal Report of Gregg A. Jarrell in re: Winstar Communications Securities Litigation, before the United States District Court Southern District of New York, Master File No. 01 Civ. 3014 (GBD) (February 15, 2013).

Expert Report of Gregg Jarrell to determine Fair Royalty Rates for the use of licensed trademarks owned by for the SWIMC, lnc., subsidiary of The Sherwin-Williams Company (January 24, 2013).

Deposition of Gregg A. Jarrell in re: Kodak Graphic Communications Canada Company, As Successor to Creo Inc. v. E. I. Du Pont De Nemours and Company, in the United States District Court, Western District of New York, No. 08-CV-6553T (January 17, 2013).

Deposition of Gregg A. Jarrell in re: Securities and Exchange Commission v. Amnon Landan, Sharlene Abrams, Douglas Smith and Susan Skaer, in the United States District Court, Northern District of California, San Francisco Division, No. 5:07-cv-02822-WHA, (December 21, 2012).

Testimony of Gregg A. Jarrell in re: United States of America v. Todd Newman, et al., in the United States District Court, Southern District of New York, S2 12 Cr. 121 (RJS) (December 10, 2012).

Expert Rebuttal Report of Gregg A. Jarrell in re: Securities and Exchange Commission v. Amnon Landan, Sharlene Abrams, Douglas Smith and Susan Skaer, in the United States District Court, Northern District of California, San Francisco Division, No. 5:07-cv-02822-WHA, (December 6, 2012).

Expert Report of Gregg A. Jarrell in re: Securities and Exchange Commission v. Amnon Landan, Sharlene Abrams, Douglas Smith and Susan Skaer, in the United States District Court, Northern District of California, San Francisco Division, No. 5:07-cv-02822-WHA, (November 26, 2012).

Rebuttal report of Gregg A. Jarrell in re: Source Healthcare Analytics, Inc., et al. v. SDI Health LLC, et al., in the Court of Common Pleas, Philadelphia County, Commerce Court Program, February Term, 2011, No. 2290 (November 12, 2012).

Supplemental Expert Report of Gregg A. Jarrell in re: Kodak Graphic Communications Canada Company, As Successor to Creo Inc. v. E. I. Du Pont De Nemours and Company, in the United States District Court, Western District of New York, No. 08-CV-6553T (November 9, 2012).

Expert Report of Gregg A. Jarrell in re: Kowa Pharmaceutical America Shareholder Litigation, in the Court of Chancery of the State of Delaware, Civil Action No. 5621-CS (September 14, 2012).

Expert Report of Gregg A. Jarrell in re: Bruce E. Toll v. Leonard Tannenbaum, in the United States District Court, Eastern District Of Pennsylvania, Civil Action No. 2:11-cv-07141-ER (August 16, 2012).

Expert Report of Gregg A. Jarrell in re: Le Mouvement d'Education et de Defense des Actionnaires (Medac), and Marc Lamoureux, as a person designated for Le Mouvement d'Education et de Defense des Actionnaires (Medac) v. Manulife Financial Coporation, et al., before the Superior Court of Justice, Province of Quebec, District of Quebec City, Court File No. 200-06-000117-096 (June 1, 2012).

Expert Report of Gregg A. Jarrell in re: Kodak Graphic Communications Canada Company, As Successor to Creo Inc. v. E. I. Du Pont De Nemours and Company, in the United States District Court, Western District of New York, No. 08-CV-6553T (April 13, 2012).

Deposition of Gregg A. Jarrell in re: TRADOS Incorporated Shareholder Litigation, in the Court of Chancery of the State of Delaware, Civil Action No. 1512-VCL (April 5, 2012).

Affidavit of Gregg A. Jarrell in re: Mark Dugal, et al. v. Manulife Financial Corporation, et al., before the Ontario Superior Court of Justice, Court File No. CV-09-383998-00CP (April 4, 2012).

Deposition of Gregg A. Jarrell in re: McMahan Securities Co. L.P. v. Kleinberg, Kaplan, Wolff & Cohen, P.C., David Parker and Martin D. Sklar, in the Supreme Court of the State of New York, County of New York, No. 111952/08 (March 30, 2012).

Supplemental Expert Report of Gregg A. Jarrell in re: TRADOS Incorporated Shareholder Litigation, in the Court of Chancery of the State of Delaware, Civil Action No. 1512-VCL (March 20, 2012).

Deposition of Gregg A. Jarrell in re: Lehman Brothers Equity/Debt Securities Litigation, in the United States District Court, Southern District of New York, No. 08 Civ. 5523 (LAK) (March 13, 2012).

Expert Rebuttal Report of Gregg A. Jarrell in re: McMahan Securities Co. L.P. v. Kleinberg, Kaplan, Wolff & Cohen, P.C., David Parker and Martin D. Sklar, in the Supreme Court of the State of New York, County of New York, No. 111952/08 (February 15, 2012).

Expert Report of Gregg A. Jarrell in re: Lehman Brothers Equity/Debt Securities Litigation, in the United States District Court, Southern District of New York, No. 08 Civ. 5523 (LAK) (February 3, 2012).

Testimony of Gregg A. Jarrell in re: In the Matter of Donald L. Koch and Koch Asset Management LLC, before the Securities and Exchange Commission Administrative Proceeding, File No. 3-14355 (January 13 and 17, 2012).

Deposition of Gregg A. Jarrell in re: Citigroup Inc. Securities Litigation, in the United States District Court, Southern District of New York, Master File No. 07 Civ. 9901 (SHS) (January 4, 2012).

Testimony of Gregg A. Jarrell in re: Irex Corporation v. Mitchell Partners, Ltd., et al., in the Court of Common Pleas of Lancaster County, Pennsylvania, Civil Action - Law and Equity, No. CI-2007-01322 (December 15, 2011).

Rebuttal Declaration of Gregg A. Jarrell in re: Citigroup Inc. Securities Litigation, in the United States District Court, Southern District of New York, Master File No. 07 Civ. 9901 (SHS) (November 18, 2011).

Declaration of Gregg A. Jarrell in re: Constar International Inc. Securities Litigation, in the United States District Court, Eastern District of Pennsylvania, Master File No. 03cv05020 (November 17, 2011).

Declaration of Gregg A. Jarrell In re: State of New York; Andrew M. Cuomo, in his capacity as Governor of the State of New York; Eric T. Schneiderman, in his capacity as Attorney General of the State of New York; Madison County, New York; and Oneida County, New York, v. Kenneth Salazar, Secretary, United States Department of the Interior; James E. Cason, Associate Deputy Secretary of the Interior; P. Lynn Scarlett, Deputy Secretary of the Interior; Franklin Keel, Eastern Regional Director, Bureau of Indian Affairs; United States Department of the Interior, Bureau of Indian Affairs; United States Department of Interior; United States of America, and Oneida Nation of New York, in the United States District Court, Northern District Of New York, Case No. 74-CV-187 (November 14, 2011).

Deposition of Gregg A. Jarrell in re: Merck & Co., Inc. Vytorin/Zetia Securities Litigation, in the United States District Court, District of New Jersey, Civil Action No. 2:08-cv-2177 (DMC) (JAD) (November 11, 2011).

Deposition of Gregg A. Jarrell in re: Chrysalis Ventures III, L.P., et al. v. Mobile Armor, Inc., et al., in the Court of Chancery of the State of Delaware, Arbitration No. 001-A-2001-VCLASTER (November 3, 2011).

Expert Rebuttal Report of Gregg A. Jarrell in re: Merck & Co., Inc. Vytorin/Zetia Securities Litigation, in the United States District Court, District of New Jersey, Civil Action No. 2:08-cv-2177 (DMC) (JAD) (October 28, 2011).

Rebuttal Report of Gregg A. Jarrell in re: Chrysalis Ventures III, L.P., et al. v. Mobile Armor, Inc., et al., in the Court of Chancery of the State of Delaware, Arbitration No. 001-A-2001-VCLASTER (October 26, 2011).

Affidavit of Gregg A. Jarrell in re: Keith Locking v. Armtec Infrastructure, Inc., et al., in the Ontario Superior Court of Justice, Court file No. 4622/11 CP (October 24, 2011).

Expert Report of Gregg A. Jarrell in re: Chrysalis Ventures III, L.P., et al. v. Mobile Armor, Inc., et al., in the Court of Chancery of the State of Delaware, Arbitration No. 001-A-2001-VCLASTER (October 12, 2011).

Deposition of Gregg A. Jarrell in re: Citigroup Inc. Securities Litigation, in the United States District Court, Southern District of New York, Master File No. 07 Civ. 9901 (SHS) (September 23, 2011).

Expert Report of Gregg A. Jarrell in re: Merck & Co., Inc. Vytorin/Zetia Securities Litigation, in the United States District Court, District of New Jersey, Civil Action No. 2:08-cv-2177 (DMC) (JAD) (September 15, 2011).

Expert Report of Gregg A. Jarrell in re: TRADOS Incorporated Shareholder Litigation, in the Court of Chancery of the State of Delaware, Civil Action No. 1512-VCL (August 19, 2011).

Deposition of Gregg A. Jarrell in re: SLM Corporation Securities Litigation, in the United States District Court, Southern District of New York, Case No. 08 Civ. 1029 (WHP) (July 20, 2011).

Declaration of Gregg A. Jarrell in re: Citigroup Inc. Securities Litigation, in the United States District Court, Southern District of New York, Master File No. 07 Civ. 9901 (SHS) (July 15, 2011).

Deposition of Gregg A. Jarrell in re: Fairfax Financial Holdings Limited and Crum & Forster Holdings Corp., v. S.A.C. Capital Management, LLC, et al., before the Superior Court of New Jersey, Law Division: Morris County, Docket No. MRS-L-2032-06 (June 29-30, 2011).

Rebuttal Affidavit of Gregg A. Jarrell in re: SLM Corporation Securities Litigation, in the United States District Court, Southern District of New York, Case No. 08 Civ. 1029 (WHP) (June 27, 2011).

Deposition of Gregg A. Jarrell in re: Constar International Inc. Securities Litigation, in the United States District Court, Eastern District of Pennsylvania, Master File No. 03cv05020 (June 15, 2011).

Expert Reply Report of Gregg A. Jarrell in re: Fairfax Financial Holdings Limited and Crum & Forster Holdings Corp., v. S.A.C. Capital Management, LLC, et al., before the Superior Court of New Jersey, Law Division: Morris County, Docket No. MRS-L-2032-06 (May 2, 2011).

Expert Report of Gregg A. Jarrell in re: Securities and Exchange Commission v. Galleon Management, LP, et al., in the United States District Court, Southern District of New York, No. 09-CV-8811-JSR (April 29, 2011).

Deposition of Gregg A. Jarrell in re: SLM Corporation Securities Litigation, in the United States District Court, Southern District of New York, Case No. 08 Civ. 1029 (WHP) (April 28, 2011).

Testimony of Gregg A. Jarrell in re: United States of America v. Raj Rajaratnam, in the United States District Court, Southern District of New York, S2-09-CR-1184 (RJH) (April 8, 14-15, 18, 2011).

Affidavit of Gregg A. Jarrell in re: SLM Corporation Securities Litigation, in the United States District Court, Southern District of New York, Case No. 08 Civ. 1029 (WHP) (April 6, 2011).

Deposition of Gregg A. Jarrell in re: Johnson & Johnson v. Guidant Corporation, in the United States District Court, Southern District of New York, 06 Civ. 7685 (RJS) (March 30, 2011).

Deposition of Gregg A. Jarrell in re: Federal National Mortgage Association Securities Litigation in the United States District Court, District of Columbia, Consolidated Civil Action No. 1:04-CV-01639 (February 17-18, 2011).

Supplemental Expert Report of Gregg A. Jarrell in re: Constar International, Inc. Securities Litigation, in the United States District Court, Eastern District of Pennsylvania, Master File No. 03cv05020 (February 14, 2011).

Declaration of Gregg A. Jarrell in re: Merck & Co., Inc. Vytorin/Zetia Securities Litigation, in the United States District Court, District of New Jersey, Civil Action No. 2:08-cv-2177 (DMC) (JAD) (February 7, 2011).

Expert Report of Gregg A. Jarrell in Fairfax Financial Holdings Limited and Crum & Forster Holdings Corp., v. S.A.C. Capital Management, LLC, et al., before the Superior Court of New Jersey, Law Division: Morris County, Docket No. MRS-L-2032-06 (January 31, 2011).

Expert Report of Gregg A. Jarrell in re: Johnson & Johnson v. Guidant Corporation, in the United States District Court, Southern District of New York, 06 Civ. 7685 (RJS) (January 26, 2011).

Expert Report of Gregg A. Jarrell in re: Constar International, Inc. Securities Litigation, in the United States District Court, Eastern District of Pennsylvania, Master File No. 03cv05020 (December 22, 2010).

Rebuttal Report of Gregg A. Jarrell in re: Federal National Mortgage Association Securities Litigation in the United States District Court, District of Columbia, Consolidated Civil Action No. 1:04-CV-01639 (December 20, 2010).

Deposition of Gregg A. Jarrell in re: Alstom SA Securities Litigation, before the United States District Court, Southern District of New York, Master File No. 03-CV-6595(VM) (October 15, 2010).

Supplemental Affidavit of Gregg A. Jarrell in re: Mark Dugal, et al. v. Manulife Financial Corporation, et al., before the Ontario Superior Court of Justice, Court File No. CV-09-383998-00CP (October 13, 2010).

Affidavit of Gregg A. Jarrell in Douglas M. Brown, et al. v. Oppenheimerfunds, Inc., et al. and Edward Lowinger, et al.v. Oppenheimerfunds, Inc., et al. and New Mexico Education Plan Trust, in the State of New Mexico, County of Santa Fe, First Judicial District Court, Case Nos. D-0101-CV-2009-02815 and D-0101-CV-2009-02657 (October 6, 2010).

Declaration of Gregg A. Jarrell in In Re Countrywide Financial Corporation Securities Litigation in the United States District Court, Central District of California, Western Division, Lead Case No. CV 07-05295 MRP (MANx) (October 6, 2010).

Expert Report of Gregg A. Jarrell in re: Irex Corporation v. Mitchell Partners, Ltd., et al., in the Court of Common Pleas of Lancaster County, Pennsylvania, Civil Action - Law and Equity, No. CI-2007-01322 (September 27, 2010).

Exhibit 2

Clearwire Corporation
Materials Reviewed

- **Court filings:**
  - Office Conference: Before Hon. Leo A. Strine, Jr., Chancellor, dated June 20, 2013.
  - Verified Petition for Appraisal of Stock, dated October 28, 2013.
  - First Amended Verified Complaint, dated December 20, 2013.
  - Oral Argument Defendants' Motions to Dismiss and the Court's Rulings, Before: Hon. J. Travis Laster, Vice Chancellor, dated June 18, 2014.

- **Depositions:**
  - Deposition of Mark D. Brodsky, with Exhibits 1-37, dated August 13, 2015.
  - Deposition of Stephen James Bye, with Exhibits 1-25, dated August 21, 2015.
  - Deposition of Hope Cochran, with Exhibits 1-37, dated July 31, 2015.
  - Deposition of Keith Cowan, with Exhibits 1-18, dated June 25, 2015.
  - Deposition of Joseph Euteneuer, with Exhibits 1-25, dated August 18, 2015.
  - Deposition of Ronald Fisher, with Exhibits 1-44, dated June 25, 2015.
  - Deposition of Mark Forsyth, with Exhibits 1-32, dated August 21, 2015.
  - Deposition of Dennis Hersch, with Exhibits 1-58, dated August 11, 2015.
  - Deposition of David Hess, with Exhibits 1-60, dated August 11, 2015.
  - Deposition of Daniel Hesse, with Exhibits 1-56, dated July 21, 2015.
  - Deposition of Yuriko Ishihara (Vol 1), with Exhibits 1-20, dated July 16, 2015.
  - Deposition of Yuriko Ishihara (Vol 2), with Exhibits 1-20, dated July 17, 2015.
  - Deposition of Rosanne Kurmaniak, with Exhibits 1-44, dated August 21, 2015.
  - Deposition of Brent Lilley, with Exhibits 1-24, dated July 15, 2015.
  - Deposition of Douglas B. Lynn, with Exhibits 1-49, dated July 16, 2015.
  - Deposition of Daniel Mendelow, with Exhibits 1-49, dated August 5, 2015.
  - Deposition of Junichi Miyakawa (Vol 1), with Exhibits 1-29, dated July 21, 2015.
  - Deposition of Junichi Miyakawa (Vol 2), with Exhibits 1-29, dated July 22, 2015.
  - Deposition of Dennis Prieto, with Exhibits 1-22, dated August 21, 2015.
  - Deposition of Erik Prusch, with Exhibits 1-38, dated July 28, 2015.
  - Deposition of Kathleen Rae, with Exhibits 1-61, dated August 4, 2015.
  - Deposition of John Saw, with Exhibits 1-35, dated July 30, 2015.
  - Deposition of Theodore Schell, with Exhibits 1-60, dated July 23, 2015.
  - Deposition of Jason Schretter, with Exhibits 1-25, dated August 14, 2015.
  - Deposition of Michael Clancy Schwartz, with Exhibits 1-31, dated August 20, 2015.
  - Deposition of Jeffrey Sine, with Exhibits 1-20, dated August 21, 2015.
  - Deposition of Arvind Sodhani, with Exhibits 1-45, dated August 6, 2015.
  - Deposition of Masayoshi Son, with Exhibits 1-34, dated August 19, 2015.
  - Deposition of John W. Stanton, with Exhibits 1-81, dated June 30, 2015.
  - Deposition of Justin Wright-Eakes, with Exhibits 1-19, dated August 20, 2015.

.

- **SEC Filings and Financial Reports:**
  - Clearwire SEC Filings, 2007-2013. Source: SEC EDGAR and Morningstar.
  - Sprint Corp. SEC Filings, 2012-2013. Source: SEC EDGAR and Morningstar.
  - DISH Network Corp. SEC Filings, 2012-2013. Source: SEC EDGAR and Morningstar.
  - SoftBank Group Financial Reports, 2011-2013. Source: http://www.softbank.jp/en/corp/.

- **Bates-Stamped Documents:**
  - "Financing Discussion," October 2012 at Bates Nos. CLWRDEL-00832651-64.
  - "Minutes of Meeting of the Special Committee of the Board of Directors of Clearwire Corporation," December 3, 2012 at Bates Nos. CLWRDEL-00007138-40.
  - "Minutes of Joint Meeting of the Special Committee of the Board of Directors and the Audit Committee of the Board of Directors of Clearwire Corporation," December 12, 2012 at Bates Nos. CLWRDEL-00007405-07.
  - Letter from Aurelius to Clearwire, April 9, 2013 at Bates Nos. CLWRDEL-00712476-478.
  - Centerview Illustrative Convertible Bond Valuation, Bates Nos. CVIEW00009295-9296, 9299-9300.
  - New Street Research Report, December 29, 2012 at Bates Nos. CVIEW00082496-99.
  - Email Re: "Materials", October 3, 2012 at Bates No. CLWRDEL-01923073.
  - "Business Plan Discussion Materials," July 2012, at Bates Nos. CLWRDEL-01923115-22.
  - "September Wholesale Plan, Key Assumptions, Oct 2nd, 2012," at Bates Nos. CLWRDEL-00461544-67.
  - E-mail Re: "10Yr Model - LTE Plan," August 10, 2012, at Bates Nos. CLWRDEL-01916615-17.
  - E-mail with attached "Pro Forma Analysis," August 30, 2012, at Bates Nos. CLWRDEL-00825270-80.
  - E-mail Re: "CLWR-follow up," October 30, 2012, at Bates No. EVER00017248.
  - Excel spreadsheet, Bates No. EVER00017251.
  - Excel spreadsheet, Bates No. EVER00017252.
  - "Sprint-SoftBank: Proxy Scenarios Support," January 31, 2013 at Bates Nos. SPRDEL-000036557, 571.
  - "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036561.
  - "Project Galaxy," September 28, 2012 at Bates Nos. SPRDEL-000012924-13014.
  - "Sprint-SoftBank: Proxy Scenarios Support," Bates No. SPRDEL-000036562.
  - Excel spreadsheet, Bates No. SPRDEL-000068040.
  - E-mail from Saurabh Gupta to Mark Maddry, June 11, 2013, at Bates No. SPRDEL-000011553.
  - E-mail Re; "CLWR Materials," December 1, 2012, at Bates No. EVER00007131.
  - Evercore presentation - "Board Book – Consolidated Backup Pages," December 12, 2012, at Bates Nos. EVEER00035592-639.
  - Excel spreadsheet, Bates No. SPRDEL-000250388.
  - Excel spreadsheet, Bates No. SPRDEL-000250393.
  - Excel spreadsheet at Bates No. EVER00038512.
  - "Consolidated Materials," November 30, 2012, Bates No. EVER00008809.
  - Evercore presentation - "Consolidated Materials," November 30, 2012, at Bates Nos. EVEER00008787-8839.

- **Other Materials:**
  - Initiating Coverage at Equal-Weight," Evercore Partners, February 6, 2012.
  - Analyst and Industry Reports involving Clearwire, Sprint, DISH, and SoftBank, 2012-2013. Source: Counsel.
  - News stories involving Clearwire, Sprint, DISH, and SoftBank, 2008-2013. Source: Factiva and Bloomberg.
  - All other materials and sources referenced in the report or exhibits.

Exhibit 3

CLEARWIRE CORPORATION
Historical Income Statement

$ in millions

	2008 P.F.	2009A	2010A	2011A	2012A	Six Months Ending Jun. 30, 2012A	Six Months Ending Jun. 30, 2013A
Revenue	$230.6	$243.8	$535.1	$1,253.5	$1,264.7	$639.6	$634.8
% growth		*5.7%*	*119.5%*	*134.2%*	*0.9%*		*-0.7%*
Cost of Sales	285.8	410.9	912.8	1,250.0	908.1	488.2	419.6
Selling, General and Administrative	484.4	515.3	871.0	698.1	558.2	280.3	276.2
Depreciation and Amortization	128.6	190.3	454.0	687.6	768.2	362.5	356.3
Spectrum Lease Expense	250.2	259.4	280.0	308.7	326.8	160.9	170.0
Loss from Abandonment	-	7.9	180.0	700.3	82.2	80.7	0.8
Total Operating Expenses	1,149.0	1,383.7	2,697.8	3,644.7	2,643.5	1,372.7	1,223.0
Income (Loss) from Operations	(918.3)	(1,139.9)	(2,162.7)	(2,391.2)	(1,378.8)	(733.147)	(588.228)
% margin	*-398.2%*	*-467.6%*	*-404.2%*	*-190.8%*	*-109.0%*	*-114.6%*	*-92.7%*
Other Income (Expense)	(263.4)	(68.5)	(87.3)	(357.7)	(562.4)	(282.3)	(297.9)
Income Before Income Taxes	(1,181.8)	(1,208.4)	(2,250.0)	(2,748.9)	(1,941.1)	(1,015.4)	(886.1)
Income Tax (Provision) Benefit	-	(0.2)	(1.2)	(106.8)	197.4	23.4	8.6
% tax rate	*0.0%*	*0.0%*	*-0.1%*	*-3.9%*	*10.2%*	*2.3%*	*1.0%*
Net Income	(1,181.8)	(1,208.6)	(2,251.2)	(2,855.7)	(1,743.7)	(992.053)	(877.509)
Net Loss Attributable to Noncontrolling Interest, net of tax	867.6	894.8	1,775.8	2,158.8	1,182.2	666.8	502.6
Net Income Attributable to Continuing Operations at Clearwire Corp.	(314.1)	(313.7)	(475.4)	(696.9)	(561.6)	(325.233)	(374.894)
Net Income from Discontinued Operations	-	(11.8)	(12.1)	(20.4)	(167.0)	(2.4)	-
Net Income Attributable to Clearwire Corp.	(314.1)	(325.6)	(487.4)	(717.3)	(728.6)	(327.632)	(374.894)
EBIT	(918.3)	(1,139.9)	(2,162.7)	(2,391.2)	(1,378.8)	(733.1)	(588.2)
% margin	*-398.2%*	*-467.6%*	*-404.2%*	*-190.8%*	*-109.0%*	*-114.6%*	*-92.7%*
Depreciation and Amortization		190.3	454.0	687.6	768.2	362.5	356.3
Amortization of Spectrum Leases		57.9	57.4	53.7	54.3	26.8	26.6
EBITDA		(891.7)	(1,651.2)	(1,649.9)	(556.3)	(343.8)	(205.3)
% margin		*-365.8%*	*-308.6%*	*-131.6%*	*-44.0%*	*-53.8%*	*-32.3%*
One-time Adjustments:							
Loss from Abandonment of Assets		7.9	180.0	700.3	82.2	80.7	0.8
Adj. EBIT		(1,132.1)	(1,982.6)	(1,690.9)	(1,296.6)	(652.4)	(587.4)
% margin		*-464.4%*	*-370.5%*	*-134.9%*	*-102.5%*	*-102.0%*	*-92.5%*
Adj. EBITDA		(883.9)	(1,471.2)	(949.6)	(474.1)	(263.1)	(204.5)
% margin		*-362.6%*	*-274.9%*	*-75.8%*	*-37.5%*	*-41.1%*	*-32.2%*

Source:
Clearwire's Form 10-Ks filed with the SEC dated March 26, 2009 (pp. 65, 66), February 22, 2011 (pp. 72, 73), February 16, 2012 (pp. 72, 73), and February 14, 2013 (pp. 80, 82); Sprint's Form 8-K filed with the SEC on August 6, 2013. Exhibit 99.4, p. 3-5

Notes:
2008 represents the unaudited pro-forma Clearwire results.

Exhibit 3

CLEARWIRE CORPORATION

Historical Balance Sheet

$ in millions

	2008	2009	2010	2011	2012	June 30, 2013
Cash and cash equivalents	$1,206.1	$1,698.0	$1,230.2	$891.9	$193.4	$126.4
Short-term investments	1901.7	2106.7	502.3	215.7	675.1	476.3
Restricted cash	1.2	1.2	1.0	1.0	1.7	1.7
Accounts receivables	4.2	6.3	24.7	83.7	22.8	21.9
Notes receivables	4.8	5.4	-	-	-	-
Inventory	3.2	12.6	17.4	23.8	10.9	17.0
Prepaid and other assets	44.6	46.5	82.6	71.1	83.8	84.7
Total Current Assets	3165.9	3876.6	1858.2	1287.2	987.7	727.9
Property and equipment, net	1,319.9	2,596.5	4,447.4	3,014.3	2,259.0	2,028.4
Restricted cash	8.4	5.6	29.4	7.6	3.7	2.0
Long-term Investments	19.0	87.7	-	-	-	-
Spectrum licenses, net	4,471.9	4,495.1	4,348.9	4,298.3	4,249.6	4,224.2
Other intangible assets, net	122.8	91.7	60.9	40.9	24.7	18.5
Other assets	5.4	103.9	199.0	157.8	141.1	137.7
Assets of discontinued operations	-	-	96.8	36.7	-	-
Investment in affiliates	11.0	10.6	-	-	-	-
Total Assets	**$9,124.2**	**$11,267.9**	**$11,040.5**	**$8,842.7**	**$7,665.8**	**$7,138.8**
Accounts payable and accrued expenses	145.4	496.2	448.8	157.2	177.9	176.6
Deferred Revenue	11.8	-	-	-	-	-
Current portion of long-term debt	14.3	-	19.4	26.5	36.1	40.50
Other liabilities	-	47.2	207.6	96.3	191.5	238.5
Total Current Liabilities	171.5	543.4	675.8	279.9	405.5	455.6
Long-term debt, net	1,350.5	2,714.7	4,017.0	4,019.6	4,271.4	4,323.3
Deferred tax liabilities	4.2	6.4	0.8	152.2	144.0	222.4
Other long-term liabilities	95.2	231.0	444.8	719.7	963.4	959.4
Liabilities of discontinued operations	-	-	32.1	25.2	-	-
Total Liabilities	1,621.4	3,495.5	5,170.5	5,196.6	5,784.2	5,960.7
Class A common stock	0.0	0.0	0.0	0.0	0.1	0.1
Class B common stock	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	2,092.9	2,000.1	2,221.1	2,714.6	3,158.2	3,159.4
Accumulated other comprehensive income	3.2	3.7	2.5	2.8	(0.0)	(0.0)
Accumulated deficit	(29.9)	(413.1)	(900.5)	(1,617.8)	(2,346.4)	(2,721.3)
Total Stockholders' Equity	2,066.2	1,590.8	1,323.2	1,099.7	812.0	438.2
Non-Controlling Interest	5,436.6	6,181.5	4,546.8	2,546.3	1,069.6	739.9
Total Liabilities & Stockholders' Equity	**$9,124.2**	**$11,267.9**	**$11,040.5**	**$8,842.7**	**$7,665.8**	**$7,138.8**

Source:
Clearwire's Form 10-Ks filed with the SEC dated March 26, 2009 (p. 76), February 22, 2011 (p. 71, 87), February 16, 2012 (p. 71, 87), and February 14, 2013 (p. 79, 83); Sprint's Form 8-K filed with the SEC on August 6, 2013, Exhibit 99.4, p. 2, 12.

Exhibit 4

CLEARWIRE CORPORATION

Comparison of Management Projections

$ in millions

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Total ('13-'20)
SINGLE-CUSTOMER CASE ("SCC")									
Revenues:									
December 2012 Projections	$1,191	$839	$1,211	$1,714	$2,101	$2,434	$2,749	$2,904	$15,143
May 2013 Projections	1,254	885	1,145	1,611	1,977	2,288	2,576	2,732	$14,468
Increase/(Decrease)	63	46	(66)	(103)	(124)	(146)	(173)	(172)	(675)
% Increase/(Decrease)	*5.3%*	*5.5%*	*-5.5%*	*-6.0%*	*-5.9%*	*-6.0%*	*-6.3%*	*-5.9%*	*-4.5%*
Revenue Growth Rates:									*CAGR ('12-'20)*
December 2012 Projections	*-5.6%*	*-29.6%*	*44.3%*	*41.5%*	*22.6%*	*15.8%*	*12.9%*	*5.6%*	*11.0%*
May 2013 Projections	*-0.9%*	*-29.4%*	*29.4%*	*40.7%*	*22.7%*	*15.7%*	*12.6%*	*6.1%*	*10.1%*
Adjusted EBITDA (before deducting non-cash exp):									
December 2012 Projections	(267)	(717)	(387)	106	745	1,287	1,554	1,640	$3,961
May 2013 Projections	(187)	(586)	(351)	254	618	1,049	1,355	1,440	$3,592
Increase/(Decrease)	80	131	36	148	(127)	(238)	(199)	(200)	(369)
% Increase/(Decrease)	*-30.0%*	*-18.3%*	*-9.3%*	*139.6%*	*-17.0%*	*-18.5%*	*-12.8%*	*-12.2%*	*-9.3%*
EBITDA Margins:									
December 2012 Projections	*-22.4%*	*-85.5%*	*-32.0%*	*6.2%*	*35.5%*	*52.9%*	*56.5%*	*56.5%*	
May 2013 Projections	*-14.9%*	*-66.2%*	*-30.7%*	*15.8%*	*31.3%*	*45.8%*	*52.6%*	*52.7%*	
Capital Expenditures:									
December 2012 Projections	293	317	154	171	238	243	279	298	$1,993
May 2013 Projections	371	375	146	161	233	229	295	317	$2,127
Increase/(Decrease)	78	58	(8)	(10)	(5)	(14)	16	19	134
% Increase/(Decrease)	*26.6%*	*18.3%*	*-5.2%*	*-5.8%*	*-2.1%*	*-5.8%*	*5.7%*	*6.4%*	*6.7%*

Exhibit 4

CLEARWIRE CORPORATION
Comparison of Management Projections

$ in millions

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Total ('13-'20)
MULTI-CUSTOMER CASE ("MCC")									
Revenues:									
December 2012 Projections	$1,207	$1,082	$2,351	$3,905	$5,098	$6,145	$7,141	$7,447	$34,376
May 2013 Projections	1,254	966	1,875	3,415	4,608	5,666	6,640	7,040	$31,464
Increase/(Decrease)	47	(116)	(476)	(490)	(490)	(479)	(501)	(407)	(2,912)
% Increase/(Decrease)	*3.9%*	*-10.7%*	*-20.2%*	*-12.5%*	*-9.6%*	*-7.8%*	*-7.0%*	*-5.5%*	*-8.5%*
									CAGR ('12-'20)
Revenue Growth Rates:									
December 2012 Projections	*-4.4%*	*-10.4%*	*117.3%*	*66.1%*	*30.6%*	*20.5%*	*16.2%*	*4.3%*	*24.8%*
May 2013 Projections	*-0.9%*	*-23.0%*	*94.1%*	*82.1%*	*34.9%*	*23.0%*	*17.2%*	*6.0%*	*23.9%*
Adjusted EBITDA (before deducting non-cash exp):									
December 2012 Projections	(280)	(482)	748	2,275	3,696	4,871	5,763	5,940	$22,531
May 2013 Projections	(187)	(505)	378	2,056	3,199	4,316	5,248	5,517	$20,022
Increase/(Decrease)	93	(23)	(370)	(219)	(497)	(555)	(515)	(423)	(2,509)
% Increase/(Decrease)	*-33.2%*	*4.8%*	*-49.5%*	*-9.6%*	*-13.4%*	*-11.4%*	*-8.9%*	*-7.1%*	*-11.1%*
EBITDA Margins:									
December 2012 Projections	*-23.2%*	*-44.5%*	*31.8%*	*58.3%*	*72.5%*	*79.3%*	*80.7%*	*79.8%*	
May 2013 Projections	*-14.9%*	*-52.3%*	*20.2%*	*60.2%*	*69.4%*	*76.2%*	*79.0%*	*78.4%*	
Capital Expenditures:									
December 2012 Projections	327	294	235	390	510	614	714	745	$3,829
May 2013 Projections	371	375	188	341	461	567	664	704	$3,671
Increase/(Decrease)	44	81	(47)	(49)	(49)	(47)	(50)	(41)	(158)
% Increase/(Decrease)	*13.5%*	*27.6%*	*-20.0%*	*-12.6%*	*-9.6%*	*-7.7%*	*-7.0%*	*-5.5%*	*-4.1%*

Sources:
Clearwire's Schedule 14A filed with the SEC on April 23, 2013, pp. 80-81; Clearwire's Schedule 14A filed with the SEC on May 22, 2013, p. S-34.

Exhibit 5

CLEARWIRE CORPORATION

Clearwire's Wholesale LTE Revenue from Sprint in the SCC and MCC Projections

in millions, except per gigabyte

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Tonnage (gigabytes per year):								
SCC Projections	0.5	15.9	77.2	173.2	257.1	323.8	388.9	423.7
MCC Projections	0.5	15.9	77.2	173.2	257.1	323.8	388.9	423.7
Price Per Gigabyte:								
SCC Projections	$6.00	$6.00	$5.99	$5.66	$5.35	$5.28	$5.19	$5.17
MCC Projections	$6.00	$6.00	$5.99	$5.66	$5.35	$5.28	$5.19	$5.17
Revenues:								
SCC Projections	$2.8	$95.2	$462.3	$979.9	$1,375.6	$1,709.0	$2,016.6	$2,190.5
MCC Projections	$2.8	$95.2	$462.3	$979.9	$1,375.6	$1,709.0	$2,016.6	$2,190.5

Source:
Cochran Dep. Ex. 12 at Bates Nos. CLWRDEL-01916569-570.

Exhibit 6-A

CLEARWIRE CORPORATION

Clearwire's Wholesale 4G (LTE and WiMAX) Revenue Projections

in millions, except per gigabyte

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Tonnage (per year):								
Clearwire - SCC Projections	42.6	26.2	79.7	173.9	257.1	323.8	388.9	423.7
Clearwire - MCC Projections	42.6	47.3	228.2	563.1	821.1	1,040.4	1,251.2	1,347.3
LTP-O Projections	39.0	90.0	310.0	491.0	n/a	n/a	n/a	n/a
LTP-O w/2.5 GHz Build Projections	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Price Per Gigabyte:								
Clearwire - SCC Projections	$10.81	$6.27	$6.07	$5.68	$5.35	$5.28	$5.19	$5.17
Clearwire - MCC Projections	$10.81	$5.17	$5.32	$4.96	$4.88	$4.89	$4.86	$4.82
LTP-O Projections	$13.03	$6.19	$5.40	$5.34	n/a	n/a	n/a	n/a
LTP-O w/2.5 GHz Build Projections	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Revenue								
Clearwire - SCC Projections	$460.9	$164.1	$483.9	$986.7	$1,375.6	$1,709.0	$2,016.6	$2,190.5
Clearwire - MCC Projections	$460.9	$244.6	$1,214.7	$2,790.5	$4,006.1	$5,086.4	$6,080.5	$6,498.5
LTP-O Projections	$508.0	$557.0	$1,675.0	$2,623.0	n/a	n/a	n/a	n/a
LTP-O w/2.5 GHz Build Projections	$492.0	$236.0	$393.0	$531.0	n/a	n/a	n/a	n/a

Notes:

Price per Gigabyte is a derived number (Revenue / tonnage).

Sources:

Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 1 (Cells H59 to O59 each cell multiplied by 12).
Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 2 (Cells H59 to O59 each cell multiplied by 12).
Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 1 (Cells H254 to O255 adding WiMax and LTE for each year).
Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 2 (Cells H254 to O255 adding WiMax and LTE for each year).
Bates No. SPRDEL-000012880-13014, at 000012962, 000012975 - Board of Directors Meeting - September 28, 2012.
Bates No. SPRDEL-000012969.

Exhibit 6-B

CLEARWIRE CORPORATION
Clearwire's Wholesale LTE Revenue Projections
in millions, except per gigabyte

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Tonnage (per year):								
Clearwire - SCC Projections	0.5	15.9	77.2	173.2	257.1	323.8	388.9	423.7
Clearwire - MCC Projections	0.5	23.8	183.9	562.3	821.1	1,040.4	1,251.2	1,347.3
June Projections - SoftBank Plan	27.9	195.0	586.0	1,242.7	1,865.4	2,389.3	n/a	n/a
Price Per Gigabyte:								
Clearwire - SCC Projections	$6.00	$6.00	$5.99	$5.66	$5.35	$5.28	$5.19	$5.17
Clearwire - MCC Projections	$6.00	$6.00	$5.98	$4.95	$4.88	$4.89	$4.86	$4.82
June Projections - SoftBank Plan	$6.00	$5.44	$4.58	$3.61	$3.07	$2.80	n/a	n/a
Revenue								
Clearwire - SCC Projections	$2.8	$95.2	$462.3	$979.9	$1,375.6	$1,709.0	$2,016.6	$2,190.5
Clearwire - MCC Projections	$2.8	$142.6	$1,099.3	$2,783.6	$4,006.1	$5,086.4	$6,080.5	$6,498.5
June Projections - SoftBank Plan	$167.1	$1,059.6	$2,684.4	$4,490.8	$5,726.0	$6,688.2	n/a	n/a

Notes:
Price per Gigabyte is a derived number (Revenue / tonnage).
LTP-O and LTP-O w/2.5 GHz Build based on combined WiMax and LTE.

Sources:
SCC Projections: Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 1 (Cells H58 to O58 each cell multiplied by 12).
MCC Projections: Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 2 (Cells H58 to O58 each cell multiplied by 12).
SCC Projections: Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 1 (Cells H255 to O255).
MCC Projections: Bates No. CLWRDEL-01916570.xlsx - Tab "Revenue" Using Tab "Live" Scenario 2 (Cells H255 to O255).
June Projections: Bates No. SPRDEL-000249334 (Board Backup).xlsx - Tab "BoD Backup".

Exhibit 7

CLEARWIRE CORPORATION

Plowback Ratio and Fixed Asset Ratio Analysis

$ in millions

	Historical Period				SCC Projections Projection Period							
	2009A	**2010A**	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
Revenue	$243.8	$535.1	$1,253.5	$1,264.7	$1,253.7	$885.1	$1,144.7	$1,611.0	$1,977.2	$2,288.1	$2,575.8	$2,732.3
Revenue Growth Rate	*5.7%*	*119.5%*	*134.2%*	*0.9%*	*-0.9%*	*-29.4%*	*29.3%*	*40.7%*	*22.7%*	*15.7%*	*12.6%*	*6.1%*
EBIT	($1,132.1)	($1,982.6)	($1,690.9)	($1,296.6)	($1,006.3)	($1,472.0)	($1,255.9)	($522.1)	$127.8	$545.8	$829.5	$916.1
NOPAT (cash basis)	($1,132.2)	($1,983.9)	($1,797.7)	($1,099.2)	($1,002.2)	($1,476.6)	($1,494.3)	($585.9)	$32.2	$295.5	$476.9	$547.7
Cap-ex	$1,444.1	$2,646.4	$405.7	$113.0	$370.9	$375.3	$146.1	$161.1	$233.3	$228.8	$295.3	$316.6
Depreciation & Amortization	($248.2)	($511.4)	($741.3)	($822.5)	($553.0)	($600.1)	($614.3)	($481.7)	($192.0)	($198.7)	($216.7)	($210.4)
Net New Investment	$1,196.0	$2,134.9	($335.7)	($709.5)	($182.1)	($224.8)	($468.2)	($320.6)	$41.4	$30.1	$78.6	$106.2
Plowback Ratio (% of NOPAT)	*-105.6%*	*-107.6%*	*18.7%*	*64.6%*	*18.2%*	*15.2%*	*31.3%*	*54.7%*	*128.5%*	*10.2%*	*16.5%*	*19.4%*
Plowback Ratio (% of revenue)	*490.6%*	*399.0%*	*-26.8%*	*-56.1%*	*-14.5%*	*-25.4%*	*-40.9%*	*-19.9%*	*2.1%*	*1.3%*	*3.1%*	*3.9%*
CapEx (% of revenue)	*592.4%*	*494.6%*	*32.4%*	*8.9%*	*29.6%*	*42.4%*	*12.8%*	*10.0%*	*11.8%*	*10.0%*	*11.5%*	*11.6%*
Depreciation (% of revenue)	*101.8%*	*95.6%*	*59.1%*	*65.0%*	*44.1%*	*67.8%*	*53.7%*	*29.9%*	*9.7%*	*8.7%*	*8.4%*	*7.7%*
Property, Plant & Equipment, net	$2,596.5	$4,447.4	$3,014.3	$2,259.0	$2,076.9	$1,852.1	$1,383.9	$1,063.3	$1,104.7	$1,134.8	$1,213.4	$1,319.5
Fixed Asset Ratio (Rev./PP&E)	**0.1x**	**0.1x**	**0.4x**	**0.6x**	**0.6x**	**0.5x**	**0.8x**	**1.5x**	**1.8x**	**2.0x**	**2.1x**	**2.1x**
Fixed Asset Ratio (PP&E/Rev.)	**1065.1%**	**831.1%**	**240.5%**	**178.6%**	**165.7%**	**209.3%**	**120.9%**	**66.0%**	**55.9%**	**49.6%**	**47.1%**	**48.3%**

Sources: Historical Period (see Exhibit 3 and Clearwire's Form 10-Ks filed with the SEC dated February 14, 2013 and February 16, 2012); Projection Period (see Exhibit 13).

Note: Projected Property, Plant & Equipment (PP&E) equals prior year's PP&E plus current year's Net New Investment.

Exhibit 7

CLEARWIRE CORPORATION

Plowback Ratio and Fixed Asset Ratio Analysis

$ in millions

	Historical Period				MCC Projections Projection Period							
	2009A	**2010A**	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**	**2019E**	**2020E**
Revenue	$243.8	$535.1	$1,253.5	$1,264.7	$1,253.7	$965.5	$1,875.5	$3,414.8	$4,607.7	$5,665.6	$6,639.6	$7,040.4
Revenue Growth Rate	*5.7%*	*119.5%*	*134.2%*	*0.9%*	*-0.9%*	*-23.0%*	*94.2%*	*82.1%*	*34.9%*	*23.0%*	*17.2%*	*6.0%*
EBIT	($1,132.1)	($1,982.6)	($1,690.9)	($1,296.6)	($1,006.3)	($1,391.6)	($526.4)	$1,268.5	$2,671.6	$3,746.9	$4,629.1	$4,873.5
NOPAT (cash basis)	($1,132.2)	($1,983.9)	($1,797.7)	($1,099.2)	($1,002.2)	($1,397.8)	($852.8)	$592.4	$1,508.7	$2,190.4	$2,749.3	$2,972.3
Cap-ex	$1,444.1	$2,646.4	$405.7	$113.0	$370.9	$375.3	$187.5	$341.5	$460.8	$566.6	$664.0	$704.0
Depreciation & Amortization	($248.2)	($511.4)	($741.3)	($822.5)	($553.0)	($600.1)	($614.3)	($492.7)	($229.0)	($264.5)	($309.9)	($330.5)
Net New Investment	$1,196.0	$2,134.9	($335.7)	($709.5)	($182.1)	($224.8)	($426.7)	($151.2)	$231.8	$302.0	$354.1	$373.5
Plowback Ratio (% of NOPAT)	*-105.6%*	*-107.6%*	*18.7%*	*64.6%*	*18.2%*	*16.1%*	*50.0%*	*-25.5%*	*15.4%*	*13.8%*	*12.9%*	*12.6%*
Plowback Ratio (% of revenue)	*490.6%*	*399.0%*	*-26.8%*	*-56.1%*	*-14.5%*	*-23.3%*	*-22.8%*	*-4.4%*	*5.0%*	*5.3%*	*5.3%*	*5.3%*
CapEx (% of revenue)	*592.4%*	*494.6%*	*32.4%*	*8.9%*	*29.6%*	*38.9%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*	*10.0%*
Depreciation (% of revenue)	*101.8%*	*95.6%*	*59.1%*	*65.0%*	*44.1%*	*62.2%*	*32.8%*	*14.4%*	*5.0%*	*4.7%*	*4.7%*	*4.7%*
Property, Plant & Equipment, net	$2,596.5	$4,447.4	$3,014.3	$2,259.0	$2,076.9	$1,852.1	$1,425.3	$1,274.2	$1,506.0	$1,808.0	$2,162.1	$2,535.6
Fixed Asset Ratio (Rev./PP&E)	**0.1x**	**0.1x**	**0.4x**	**0.6x**	**0.6x**	**0.5x**	**1.3x**	**2.7x**	**3.1x**	**3.1x**	**3.1x**	**2.8x**
Fixed Asset Ratio (PP&E/Rev.)	**1065.1%**	**831.1%**	**240.5%**	**178.6%**	**165.7%**	**191.8%**	**76.0%**	**37.3%**	**32.7%**	**31.9%**	**32.6%**	**36.0%**

Sources: Historical Period (see Exhibit 3 and Clearwire's Form 10-Ks filed with the SEC dated February 14, 2013 and February 16, 2012); Projection Period (see Exhibit 13).

Note: Projected Property, Plant & Equipment (PP&E) equals prior year's PP&E plus current year's Net New Investment.

Exhibit 7

CLEARWIRE CORPORATION

Plowback Ratio and Fixed Asset Ratio Analysis

$ in millions

	Historical Period				Modified MCC Projections Projection Period							
	2009A	2010A	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Revenue	$243.8	$535.1	$1,253.5	$1,264.7	$1,253.7	$965.5	$1,875.5	$3,414.8	$4,607.7	$5,665.6	$6,639.6	$7,040.4
Revenue Growth Rate	*5.7%*	*119.5%*	*134.2%*	*0.9%*	*-0.9%*	*-23.0%*	*94.2%*	*82.1%*	*34.9%*	*23.0%*	*17.2%*	*6.0%*
EBIT	($1,132.1)	($1,982.6)	($1,690.9)	($1,296.6)	($1,006.3)	($1,391.6)	($526.4)	$1,268.5	$2,671.6	$3,746.9	$4,629.1	$4,873.5
NOPAT (cash basis)	($1,132.2)	($1,983.9)	($1,797.7)	($1,099.2)	($1,002.2)	($1,397.8)	($852.8)	$592.4	$1,508.7	$2,190.4	$2,749.3	$2,972.3
Cap-ex	$1,444.1	$2,646.4	$405.7	$113.0	219.5	364.1	1,625.7	1,268.9	94.7	557.7	869.6	652.3
Depreciation & Amortization	($248.2)	($511.4)	($741.3)	($822.5)	(553.0)	(600.1)	(614.3)	(492.7)	(229.0)	(264.5)	(309.9)	(330.5)
Net New Investment	$1,196.0	$2,134.9	($335.7)	($709.5)	($333.5)	($236.0)	$1,011.5	$776.2	($134.3)	$293.2	$559.8	$321.8
Plowback Ratio (% of NOPAT)	*-105.6%*	*-107.6%*	*18.7%*	*64.6%*	*33.3%*	*16.9%*	*-118.6%*	*131.0%*	*-8.9%*	*13.4%*	*20.4%*	*10.8%*
Plowback Ratio (% of revenue)	*490.6%*	*399.0%*	*-26.8%*	*-56.1%*	*-26.6%*	*-24.4%*	*53.9%*	*22.7%*	*-2.9%*	*5.2%*	*8.4%*	*4.6%*
CapEx (% of revenue)	*592.4%*	*494.6%*	*32.4%*	*8.9%*	*17.5%*	*37.7%*	*86.7%*	*37.2%*	*2.1%*	*9.8%*	*13.1%*	*9.3%*
Depreciation (% of revenue)	*101.8%*	*95.6%*	*59.1%*	*65.0%*	*44.1%*	*62.2%*	*32.8%*	*14.4%*	*5.0%*	*4.7%*	*4.7%*	*4.7%*
Property, Plant & Equipment, net	$2,596.5	$4,447.4	$3,014.3	$2,259.0	$1,925.5	$1,689.5	$2,701.0	$3,477.2	$3,342.9	$3,636.1	$4,195.8	$4,517.6
Fixed Asset Ratio (Rev./PP&E)	**0.1x**	**0.1x**	**0.4x**	**0.6x**	**0.7x**	**0.6x**	**0.7x**	**1.0x**	**1.4x**	**1.6x**	**1.6x**	**1.6x**
Fixed Asset Ratio (PP&E/Rev.)	**1065.1%**	**831.1%**	**240.5%**	**178.6%**	**153.6%**	**175.0%**	**144.0%**	**101.8%**	**72.5%**	**64.2%**	**63.2%**	**64.2%**

Sources: Historical Period (see Exhibit 3 and Clearwire's Form 10-Ks filed with the SEC dated February 14, 2013 and February 16, 2012); Projection Period (see Exhibit 13).

Note: Projected Property, Plant & Equipment (PP&E) equals prior year's PP&E plus current year's Net New Investment.

Exhibit 7

CLEARWIRE CORPORATION
Plowback Ratio and Fixed Asset Ratio Analysis

$ in millions

	Historical Period				June Projections - SoftBank Plan Projection Period					
	2009A	**2010A**	**2011A**	**2012A**	**2013E**	**2014E**	**2015E**	**2016E**	**2017E**	**2018E**
Revenue	$243.8	$535.1	$1,253.5	$1,264.7	$1,396.0	$1,964.5	$3,466.0	$5,240.4	$6,476.0	$7,434.8
Revenue Growth Rate	*5.7%*	*119.5%*	*134.2%*	*0.9%*	*10.4%*	*40.7%*	*76.4%*	*51.2%*	*23.6%*	*14.8%*
EBIT	($1,132.1)	($1,982.6)	($1,690.9)	($1,296.6)	($1,122.4)	($953.6)	($84.3)	$1,135.3	$2,645.4	$3,499.4
NOPAT (cash basis)	($1,132.2)	($1,983.9)	($1,797.7)	($1,099.2)	($1,170.6)	($941.4)	($622.8)	$480.1	$1,487.2	$2,049.4
Cap-ex	$1,444.1	$2,646.4	$405.7	$113.0	$646.5	$2,174.7	$2,807.1	$1,800.1	$742.5	$1,508.8
Depreciation & Amortization	($248.2)	($511.4)	($741.3)	($822.5)	($761.3)	($881.3)	($1,253.2)	($1,455.6)	($1,380.3)	($1,435.5)
Net New Investment	$1,196.0	$2,134.9	($335.7)	($709.5)	($114.9)	$1,293.5	$1,554.0	$344.6	($637.8)	$73.2
Plowback Ratio (% of NOPAT)	*-105.6%*	*-107.6%*	*18.7%*	*64.6%*	*9.8%*	*-137.4%*	*-249.5%*	*71.8%*	*-42.9%*	*3.6%*
Plowback Ratio (% of revenue)	*490.6%*	*399.0%*	*-26.8%*	*-56.1%*	*-8.2%*	*65.8%*	*44.8%*	*6.6%*	*-9.8%*	*1.0%*
CapEx (% of revenue)	*592.4%*	*494.6%*	*32.4%*	*8.9%*	*46.3%*	*110.7%*	*81.0%*	*34.4%*	*11.5%*	*20.3%*
Depreciation (% of revenue)	*101.8%*	*95.6%*	*59.1%*	*65.0%*	*54.5%*	*44.9%*	*36.2%*	*27.8%*	*21.3%*	*19.3%*
Property, Plant & Equipment, net	$2,596.5	$4,447.4	$3,014.3	$2,259.0	$2,144.1	$3,437.6	$4,991.5	$5,336.1	$4,698.3	$4,771.6
Fixed Asset Ratio (Rev./PP&E)	**0.1x**	**0.1x**	**0.4x**	**0.6x**	**0.7x**	**0.6x**	**0.7x**	**1.0x**	**1.4x**	**1.6x**
Fixed Asset Ratio (PP&E/Rev.)	**1065.1%**	**831.1%**	**240.5%**	**178.6%**	**153.6%**	**175.0%**	**144.0%**	**101.8%**	**72.5%**	**64.2%**

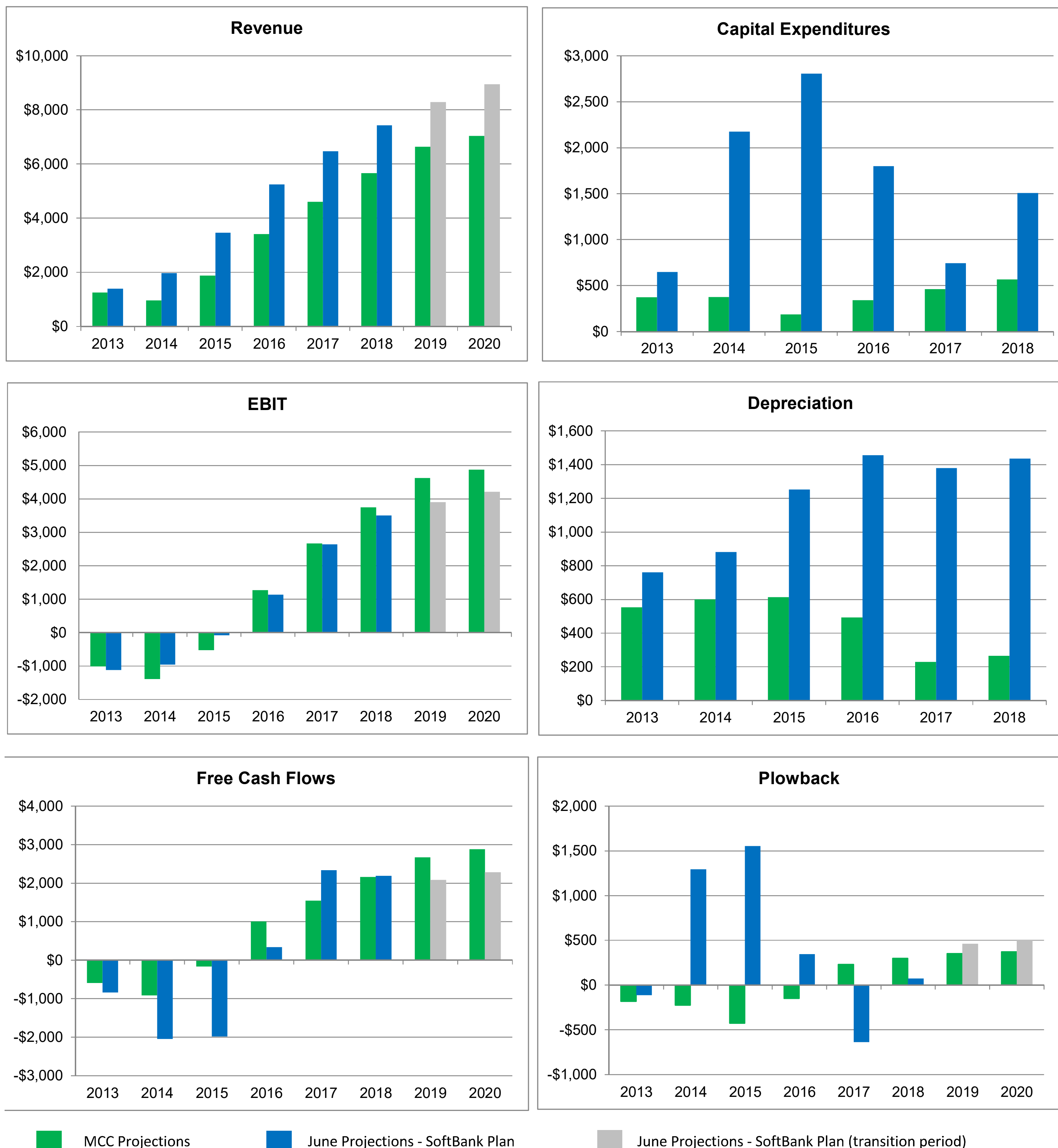
Sources: Historical Period (see Exhibit 3 and Clearwire's Form 10-Ks filed with the SEC dated February 14, 2013 and February 16, 2012); Projection Period (see Exhibit 13).

Note: Projected Property, Plant & Equipment (PP&E) equals prior year's PP&E plus current year's Net New Investment.

Exhibit 8

CLEARWIRE CORPORATION

Summary of Plowback Ratio and Fixed Asset Ratio Analysis

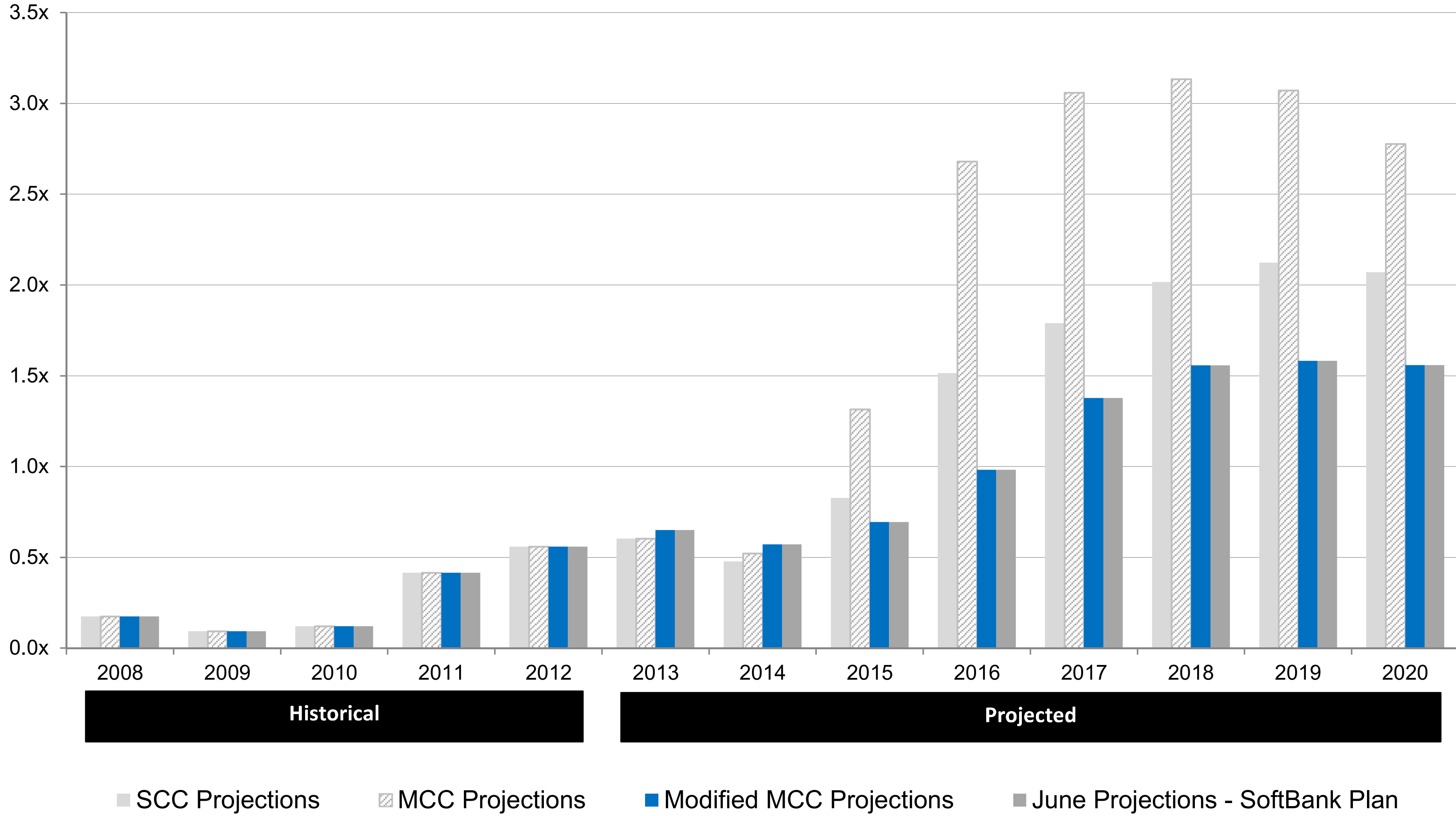


Source: Exhibit 7

Exhibit 9

CLEARWIRE CORPORATION

Fixed Asset Ratios (Revenue / PP&E)



Forensic Economics, Inc.

Exhibit 10-A

CLEARWIRE CORPORATION

Net Operating Losses Analysis (SCC Projections)

($ in millions)

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Taxable Income	(1,006)	(1,472)	(1,256)	(522)	128	546	829	916
Less: NOL utilization	0	0	0	0	(128)	(546)	(829)	(773)
Taxable income after NOL application	(1,006)	(1,472)	(1,256)	(522)	0	0	0	143
% of tax losses from LLC allocated to Clearwire	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Tax losses from LLC allocated to Clearwire	(478)	(699)	(597)	(248)	0	0	0	0
Taxes	0	0	0	0	0	0	0	54
% tax rate	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
% effective tax rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*5.9%*
NOLs:								
NOL, beginning	130	624	1,338	1,951	2,214	2,102	1,572	758
Additions	478	699	597	248	0	0	0	0
Additions ($15.591M)	16	16	16	16	16	16	16	16
Utilization	0	0	0	0	(128)	(546)	(829)	(773)
Expiring	0	0	0	0	0	0	0	0
NOL, ending	624	1,338	1,951	2,214	2,102	1,572	758	0
NOL tax shield	-	-	-	-	49	207	315	294
Years Discounted (mid-year)	*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*

Discount Rate	**PV of NOLs 2013-2020**
9.97%	$492.4
10.22%	485.9
10.47%	479.4

Sources: Exhibit 13-A; Evercore spreadsheet at Bates No. EVER00038512 (tab “Val_DCF_Multiple” cell E109,E113).

Exhibit 10-B

CLEARWIRE CORPORATION

Net Operating Losses Analysis (MCC Projections)

($ in millions)

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Taxable Income	(1,006)	(1,392)	(526)	1,269	2,672	3,747	4,629	4,874
Less: NOL utilization	0	0	0	(1,269)	(328)	(16)	(16)	(16)
Taxable income after NOL application	(1,006)	(1,392)	(526)	0	2,343	3,731	4,614	4,858
% of tax losses from LLC allocated to Clearwire	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Tax losses from LLC allocated to Clearwire	(478)	(661)	(250)	0	0	0	0	0
Taxes	0	0	0	0	890	1,418	1,753	1,846
% tax rate	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
% effective tax rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*33.3%*	*37.8%*	*37.9%*	*37.9%*
NOLs:								
NOL, beginning	130	624	1,300	1,566	313	0	0	0
Additions	478	661	250	0	0	0	0	0
Additions ($15.591M)	16	16	16	16	16	16	16	16
Utilization	0	0	0	(1,269)	(328)	(16)	(16)	(16)
Expiring	0	0	0	0	0	0	0	0
NOL, ending	624	1,300	1,566	313	0	0	0	0
NOL tax shield	-	-	-	482	125	6	6	6
Years Discounted (mid-year)	*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*

Discount Rate	**PV of NOLs 2013-2020**
9.97%	$458.8
10.22%	455.4
10.47%	452.1

Sources: Exhibit 13-B; Evercore spreadsheet at Bates No. EVER00038512 (tab “Val_DCF_Multiple” cell E109,E113).

Exhibit 10-C

CLEARWIRE CORPORATION
Net Operating Losses Analysis (Modified MCC Projections)
($ in millions)

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Taxable Income	(1,006)	(1,392)	(526)	1,269	2,672	3,747	4,629	4,874
Less: NOL utilization	0	0	0	(1,269)	(328)	(16)	(16)	(16)
Taxable income after NOL application	(1,006)	(1,392)	(526)	0	2,343	3,731	4,614	4,858
% of tax losses from LLC allocated to Clearwire	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Tax losses from LLC allocated to Clearwire	(478)	(661)	(250)	0	0	0	0	0
Taxes	0	0	0	0	890	1,418	1,753	1,846
% tax rate	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
% effective tax rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*33.3%*	*37.8%*	*37.9%*	*37.9%*
NOLs:								
NOL, beginning	130	624	1,300	1,566	313	0	0	0
Additions	478	661	250	0	0	0	0	0
Additions ($15.591M)	16	16	16	16	16	16	16	16
Utilization	0	0	0	(1,269)	(328)	(16)	(16)	(16)
Expiring	0	0	0	0	0	0	0	0
NOL, ending	624	1,300	1,566	313	0	0	0	0
NOL tax shield	-	-	-	482	125	6	6	6
Years Discounted (mid-year)	*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*

Discount Rate	PV of NOLs 2013-2020
9.97%	$458.8
10.22%	455.4
10.47%	452.1

Sources: Exhibit 13-C; Evercore spreadsheet at Bates No. EVER00038512 (tab "Val_DCF_Multiple" cell E109,E113).

Exhibit 10-D

CLEARWIRE CORPORATION

Net Operating Losses Analysis (June Projections - SoftBank Plan)

($ in millions)

	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E
Taxable Income	(1,122)	(954)	(84)	1,135	2,645	3,499	3,898	4,210
Less: NOL utilization	0	0	0	(1,135)	(99)	(16)	(16)	(16)
Taxable income after NOL application	(1,122)	(954)	(84)	0	2,547	3,484	3,883	4,195
% of tax losses from LLC allocated to Clearwire	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%	47.5%
Tax losses from LLC allocated to Clearwire	(533)	(453)	(40)	0	0	0	0	0
Taxes	0	0	0	0	968	1,324	1,475	1,594
% tax rate	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
% effective tax rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*36.6%*	*37.8%*	*37.8%*	*37.9%*
NOLs:								
NOL, beginning	130	679	1,147	1,203	83	0	0	0
Additions	533	453	40	0	0	0	0	0
Additions ($15.591M)	16	16	16	16	16	16	16	16
Utilization	0	0	0	(1,135)	(99)	(16)	(16)	(16)
Expiring	0	0	0	0	0	0	0	0
NOL, ending	679	1,147	1,203	83	0	0	0	0
NOL tax shield	-	-	-	431	38	6	6	6
Years Discounted (mid-year)	*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*

Discount Rate	**PV of NOLs 2013-2020**
9.97%	$360.8
10.22%	358.3
10.47%	355.7

Sources: Exhibit 13-D; Evercore spreadsheet at Bates No. EVER00038512 (tab “Val_DCF_Multiple” cell E109,E113).

Exhibit 11

CLEARWIRE CORPORATION
Weighted Average Cost of Capital

Cost of Equity:	
Risk-free rate @ 7/9/2013[1]	3.36%
Beta[2]	1.26
Market risk premium[3]	6.11%
Equity size premium[4]	1.70%
Cost of equity	**12.76%**
Cost of Debt:	
Cost of debt[5]	9.34%
Tax rate	38.00%
After tax cost of debt	**5.79%**
Debt to Total Capitalization:	36.50%
WACC	**10.22%**

Notes:
[1] Source: 20-Year Treasury Note Constant Maturities obtained from The Federal Reserve Board as of July 9, 2013.
[2] Adjusted beta based on a four-year monthly regression of Clearwire's common stock.
[3] Source: Supply side equity risk premium from Ibbotson SBBI Valuation Edition 2013 Yearbook, p. 216.
[4] Source: Size premium based on decile 5 from Ibbotson SBBI Valuation Edition 2013 Yearbook, p. 216.
[5] Source: Bloomberg - BofA Merrill Lynch 7-10 Year CCC & Lower US High Yield Index as of July 9, 2013.

Exhibit 12

CLEARWIRE CORPORATION
Net Debt and Fully Diluted Shares

($ in millions)

	[A] Par Value on 6/30/2013	Valuation Date	Maturity	Coupon	Weighted Average Yield on 7/9/2013	[B]	[C]	[D]	[E]	[F]
						Net Debt Based on Minimum Stock Prices of:				
Price Per Share						$0.00	$1.50	$1.75	$7.08	$14.59
Debt:										
2015 Senior Secured Notes @ 12.00%	$2,947.5	7/9/2013	12/1/2015	12.00%	9.34%	3,111.6	3,111.6	3,111.6	3,111.6	3,111.6
2016 Senior Secured Notes @ 14.75%	300.0	7/9/2013	12/1/2016	14.75%	9.34%	346.2	346.2	346.2	346.2	346.2
2017 Second-Priority Secured Notes @ 12.00%	500.0	7/9/2013	12/1/2017	12.00%	9.34%	546.9	546.9	546.9	546.9	546.9
2040 Exchangeable Notes @ 8.25%	629.3					629.3	629.3	629.3	-	-
2018 Sprint Notes @ 1.00%	240.0					240.0	n/a	n/a	n/a	n/a
Vendor Financing Notes @ Libor Rates	32.0					32.0	32.0	32.0	32.0	32.0
Capital Lease Obligations and Other	121.0					121.0	121.0	121.0	121.0	121.0
	$4,769.7					5,027.0	4,787.0	4,787.0	4,157.7	4,157.7
Cash:										
Cash and Cash Equivalents	126.4					126.4	126.4	126.4	126.4	126.4
Short-Term Investments	476.3					476.3	476.3	476.3	476.3	476.3
Restricted Cash	3.7					3.7	3.7	3.7	3.7	3.7
	606.3					606.3	606.3	606.3	606.3	606.3
Net Debt	**4,163.4**					**4,420.7**	**4,180.7**	**4,180.7**	**3,551.4**	**3,551.4**
Warrant and Option Exercise Proceeds						-	-	3.5	3.5	49.0

	Par Value	Exercise Price / Conversion Price	Common Share Equivalent	[B]	[C]	[D]	[E]	[F]
				Fully Diluted Shares Based on Minimum Stock Prices of:				
Price Per Share				$0.00	$1.50	$1.75	$7.08	$14.59
Number of Fully Diluted Shares:								
Class A Common Stock				700,052,307	700,052,307	700,052,307	700,052,307	700,052,307
Class B Common Stock				773,732,672	773,732,672	773,732,672	773,732,672	773,732,672
Restricted Stock Units				29,918,286	29,918,286	29,918,286	29,918,286	29,918,286
Warrants	n/a	$1.75	2,000,000	-	-	2,000,000	2,000,000	2,000,000
2040 Exchangeable Notes @ 8.25%	629.3	$7.08	88,877,095	-	-	-	88,877,095	88,877,095
2018 Sprint Notes @ 1.00%	240.0	$1.50	160,000,000	-	160,000,000	160,000,000	160,000,000	160,000,000
Employee Stock Options	n/a	$14.59	3,119,123	-	-	-	-	3,119,123
Fully Diluted Shares				**1,503,703,265**	**1,663,703,265**	**1,665,703,265**	**1,754,580,360**	**1,757,699,483**

Sources:
Sprint's Form 8-K filed with the SEC on August 6, 2013, Ex. 99.4, pp. 2, 12, 13, 24-26; Clearwire's Form 10-K filed with the SEC on February 14, 2013, p. 104.

Exhibit 13-A

CLEARWIRE CORPORATION
Discounted Cash Flow Analysis (SCC Projections)
($ in millions)

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	T.Y.
Revenue	$1,253	$1,265	$1,254	$885	$1,145	$1,611	$1,977	$2,288	$2,576	$2,732	$2,855
% growth		*0.9%*	*-0.9%*	*-29.4%*	*29.3%*	*40.7%*	*22.7%*	*15.7%*	*12.6%*	*6.1%*	*4.5%*
Stock-Based Compensation Expense			(34)	(33)	(33)	(33)	(33)	(33)	(33)	(33)	
% margin			*-2.8%*	*-3.7%*	*-2.9%*	*-2.0%*	*-1.7%*	*-1.4%*	*-1.3%*	*-1.2%*	
EBITDA (after deducting non-cash expenses)			(453)	(872)	(642)	(40)	320	744	1,046	1,127	
% margin			*-36.2%*	*-98.5%*	*-56.0%*	*-2.5%*	*16.2%*	*32.5%*	*40.6%*	*41.2%*	
EBIT (after deducting non-cash expenses)			(1,006)	(1,472)	(1,256)	(522)	128	546	829	916	854
% margin			*-80.3%*	*-166.3%*	*-109.7%*	*-32.4%*	*6.5%*	*23.9%*	*32.2%*	*33.5%*	*29.9%*
Taxes			-	-	-	-	(49)	(207)	(315)	(348)	(324)
% tax rate			*0.0%*	*0.0%*	*0.0%*	*0.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
NOPAT (accounting basis)			(1,006)	(1,472)	(1,256)	(522)	79	338	514	568	529
Decrease in WC			4	(5)	(238)	(64)	(47)	(43)	(37)	(20)	(16)
% of incremental revenue			*-36.7%*	*1.2%*	*-91.8%*	*-13.7%*	*-12.8%*	*-13.8%*	*-13.0%*	*-12.9%*	*-12.9%*
NOPAT (cash basis)			(1,002)	(1,477)	(1,494)	(586)	32	296	477	548	513
Depreciation & Amortization			553	600	614	482	192	199	217	210	
% of revenue			*44.1%*	*67.8%*	*53.7%*	*29.9%*	*9.7%*	*8.7%*	*8.4%*	*7.7%*	
Capital Expenditures			(371)	(375)	(146)	(161)	(233)	(229)	(295)	(317)	
% of revenue			*-29.6%*	*-42.4%*	*-12.8%*	*-10.0%*	*-11.8%*	*-10.0%*	*-11.5%*	*-11.6%*	
Plowback			182	225	468	321	(41)	(30)	(79)	(106)	(103)
Plowback Ratio (% of NOPAT)			*18.2%*	*15.2%*	*31.3%*	*54.7%*	*128.5%*	*10.2%*	*16.5%*	*19.4%*	*20.0%*
Plus: Non-Cash Expenses (excluding SBC expense)			231	254	258	262	266	272	276	281	293
% of revenue			*18.5%*	*28.7%*	*22.5%*	*16.3%*	*13.5%*	*11.9%*	*10.7%*	*10.3%*	*10.3%*
Less: Cash Flows Prior to Valuation Date			284								
Free Cash Flow			(304)	(998)	(768)	(3)	257	538	675	722	704
Years Discounted (mid-year)			*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*	

Discount Rate		10.47%			10.22%			9.97%	
Perpetuity Growth Rate	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**
PV of FCFs (2013-2020)	($603.1)	($603.1)	($603.1)	($592.0)	($592.0)	($592.0)	($580.7)	($580.7)	($580.7)
PV of Terminal Value	5,640.9	5,885.5	6,151.5	5,970.7	6,240.6	6,535.2	6,331.3	6,630.1	6,957.6
PV of NOLs	479.4	479.4	479.4	485.9	485.9	485.9	492.4	492.4	492.4
Enterprise Value	**$5,517.2**	**$5,761.9**	**$6,027.9**	**$5,864.6**	**$6,134.5**	**$6,429.1**	**$6,243.0**	**$6,541.8**	**$6,869.3**
Net Debt	(4,420.7)	(4,420.7)	(4,420.7)	(4,420.7)	(4,420.7)	(4,420.7)	(4,420.7)	(4,420.7)	(4,180.7)
Warrant/Option Proceeds	-	-	-	-	-	-	-	-	-
Equity Value	**$1,096.6**	**$1,341.2**	**$1,607.2**	**$1,444.0**	**$1,713.9**	**$2,008.4**	**$1,822.3**	**$2,121.2**	**$2,688.7**
Fully Diluted Shares	1,503.7	1,503.7	1,503.7	1,503.7	1,503.7	1,503.7	1,503.7	1,503.7	1,663.7
Price Per Share	**$0.73**	**$0.89**	**$1.07**	**$0.96**	**$1.14**	**$1.34**	**$1.21**	**$1.41**	**$1.62**

Sources: SCC Projections (Cochran Dep. Ex. 12 at Bates No. CLWRDEL-01916569-570; May 22 Proxy Statement, p. S-34).
Notes: Valuation date as of July 9, 2013.

Exhibit 13-B

CLEARWIRE CORPORATION

Discounted Cash Flow Analysis (MCC Projections)

($ in millions)

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	T.Y.
Revenue	$1,253	$1,265	$1,254	$966	$1,875	$3,415	$4,608	$5,666	$6,640	$7,040	$7,357
% growth		*0.9%*	*-0.9%*	*-23.0%*	*94.2%*	*82.1%*	*34.9%*	*23.0%*	*17.2%*	*6.0%*	*4.5%*
Stock-Based Compensation Expense			(34)	(33)	(33)	(33)	(33)	(33)	(33)	(33)	
% margin			*-2.8%*	*-3.4%*	*-1.7%*	*-1.0%*	*-0.7%*	*-0.6%*	*-0.5%*	*-0.5%*	
EBITDA (after deducting non-cash expenses)			(453)	(792)	88	1,761	2,901	4,011	4,939	5,204	
% margin			*-36.2%*	*-82.0%*	*4.7%*	*51.6%*	*62.9%*	*70.8%*	*74.4%*	*73.9%*	
EBIT (after deducting non-cash expenses)			(1,006)	(1,392)	(526)	1,269	2,672	3,747	4,629	4,874	5,032
% margin			*-80.3%*	*-144.1%*	*-28.1%*	*37.1%*	*58.0%*	*66.1%*	*69.7%*	*69.2%*	*68.4%*
Taxes			-	-	-	(482)	(1,015)	(1,424)	(1,759)	(1,852)	(1,912)
% tax rate			*0.0%*	*0.0%*	*0.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
NOPAT (accounting basis)			(1,006)	(1,392)	(526)	786	1,656	2,323	2,870	3,022	3,120
Decrease in WC			4	(6)	(326)	(194)	(148)	(133)	(121)	(49)	(39)
% of incremental revenue			*-36.7%*	*2.1%*	*-35.9%*	*-12.6%*	*-12.4%*	*-12.5%*	*-12.4%*	*-12.3%*	*-12.3%*
NOPAT (cash basis)			(1,002)	(1,398)	(853)	592	1,509	2,190	2,749	2,972	3,081
Depreciation & Amortization			553	600	614	493	229	265	310	331	
% of revenue			*44.1%*	*62.2%*	*32.8%*	*14.4%*	*5.0%*	*4.7%*	*4.7%*	*4.7%*	
Capital Expenditures			(371)	(375)	(188)	(341)	(461)	(567)	(664)	(704)	
% of revenue			*-29.6%*	*-38.9%*	*-10.0%*	*-10.0%*	*-10.0%*	*-10.0%*	*-10.0%*	*-10.0%*	
Plowback			182	225	427	151	(232)	(302)	(354)	(374)	(616)
Plowback Ratio (% of NOPAT)			*18.2%*	*16.1%*	*50.0%*	*-25.5%*	*15.4%*	*13.8%*	*12.9%*	*12.6%*	*20.0%*
Plus: Non-Cash Expenses (excluding SBC expense)			231	254	258	262	266	272	276	281	293
% of revenue			*18.5%*	*26.3%*	*13.7%*	*7.7%*	*5.8%*	*4.8%*	*4.2%*	*4.0%*	*4.0%*
Less: Cash Flows Prior to Valuation Date			284								
Free Cash Flow			(304)	(919)	(168)	1,005	1,543	2,161	2,672	2,879	2,758
Years Discounted (mid-year)			*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*	

Discount Rate		**10.47%**			**10.22%**			**9.97%**	
Perpetuity Growth Rate	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**
PV of FCFs (2013-2020)	$4,742.2	$4,742.2	$4,742.2	$4,812.0	$4,812.0	$4,812.0	$4,882.8	$4,882.8	$4,882.8
PV of Terminal Value	22,090.6	23,057.0	24,107.9	23,382.6	24,448.3	25,611.5	24,794.4	25,974.2	27,266.9
PV of NOLs	452.1	452.1	452.1	455.4	455.4	455.4	458.8	458.8	458.8
Enterprise Value	**$27,284.9**	**$28,251.3**	**$29,302.1**	**$28,649.9**	**$29,715.7**	**$30,878.9**	**$30,136.0**	**$31,315.7**	**$32,608.5**
Net Debt	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)
Warrant/Option Proceeds	3.5	3.5	49.0	3.5	49.0	49.0	49.0	49.0	49.0
Equity Value	**$23,737.0**	**$24,703.4**	**$25,799.8**	**$25,102.0**	**$26,213.3**	**$27,376.5**	**$26,633.6**	**$27,813.3**	**$29,106.1**
Fully Diluted Shares	1,754.6	1,754.6	1,757.7	1,754.6	1,757.7	1,757.7	1,757.7	1,757.7	1,757.7
Price Per Share	**$13.53**	**$14.08**	**$14.68**	**$14.31**	**$14.91**	**$15.58**	**$15.15**	**$15.82**	**$16.56**

Sources: MCC Projections (Cochran Dep. Ex. 12 at Bates No. CLWRDEL-01916569-570; May 22 Proxy Statement, p. S-34).
Notes: Valuation date as of July 9, 2013.

Exhibit 13-C

CLEARWIRE CORPORATION

Discounted Cash Flow Analysis (Modified MCC Projections)

($ in millions; modified cells are shaded)

	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	T.Y.
Revenue	$1,253	$1,265	$1,254	$966	$1,875	$3,415	$4,608	$5,666	$6,640	$7,040	$7,357
% growth		*0.9%*	*-0.9%*	*-23.0%*	*94.2%*	*82.1%*	*34.9%*	*23.0%*	*17.2%*	*6.0%*	*4.5%*
Stock-Based Compensation Expense			(34)	(33)	(33)	(33)	(33)	(33)	(33)	(33)	
% margin			*-2.8%*	*-3.4%*	*-1.7%*	*-1.0%*	*-0.7%*	*-0.6%*	*-0.5%*	*-0.5%*	
EBITDA (after deducting non-cash expenses)			(453)	(792)	88	1,761	2,901	4,011	4,939	5,204	
% margin			*-36.2%*	*-82.0%*	*4.7%*	*51.6%*	*62.9%*	*70.8%*	*74.4%*	*73.9%*	
EBIT (after deducting non-cash expenses)			(1,006)	(1,392)	(526)	1,269	2,672	3,747	4,629	4,874	5,032
% margin			*-80.3%*	*-144.1%*	*-28.1%*	*37.1%*	*58.0%*	*66.1%*	*69.7%*	*69.2%*	*68.4%*
Taxes			-	-	-	(482)	(1,015)	(1,424)	(1,759)	(1,852)	(1,912)
% tax rate			*0.0%*	*0.0%*	*0.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
NOPAT (accounting basis)			(1,006)	(1,392)	(526)	786	1,656	2,323	2,870	3,022	3,120
Decrease in WC			4	(6)	(326)	(194)	(148)	(133)	(121)	(49)	(39)
% of incremental revenue			*-36.7%*	*2.1%*	*-35.9%*	*-12.6%*	*-12.4%*	*-12.5%*	*-12.4%*	*-12.3%*	*-12.3%*
NOPAT (cash basis)			(1,002)	(1,398)	(853)	592	1,509	2,190	2,749	2,972	3,081
Depreciation & Amortization			553	600	614	493	229	265	310	331	
% of revenue			*44.1%*	*62.2%*	*32.8%*	*14.4%*	*5.0%*	*4.7%*	*4.7%*	*4.7%*	
Capital Expenditures			(220)	(364)	(1,626)	(1,269)	(95)	(558)	(870)	(652)	
% of revenue			*-17.5%*	*-37.7%*	*-86.7%*	*-37.2%*	*-2.1%*	*-9.8%*	*-13.1%*	*-9.3%*	
Plowback			334	236	(1,011)	(776)	134	(293)	(560)	(322)	(616)
Plowback Ratio (% of NOPAT)			*33.3%*	*16.9%*	*-118.6%*	*131.0%*	*-8.9%*	*13.4%*	*20.4%*	*10.8%*	*20.0%*
Plus: Non-Cash Expenses (excluding SBC expense)			231	254	258	262	266	272	276	281	293
% of revenue			*18.5%*	*26.3%*	*13.7%*	*7.7%*	*5.8%*	*4.8%*	*4.2%*	*4.0%*	*4.0%*
Less: Cash Flows Prior to Valuation Date			236								
Free Cash Flow			(201)	(908)	(1,606)	78	1,909	2,169	2,466	2,931	2,758
Years Discounted (mid-year)			*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*	

Discount Rate		10.47%			10.22%			9.97%	
Perpetuity Growth Rate	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**
PV of FCFs (2013-2020)	$3,146.9	$3,146.9	$3,146.9	$3,207.9	$3,207.9	$3,207.9	$3,269.9	$3,269.9	$3,269.9
PV of Terminal Value	22,090.6	23,057.0	24,107.9	23,382.6	24,448.3	25,611.5	24,794.4	25,974.2	27,266.9
PV of NOLs	452.1	452.1	452.1	455.4	455.4	455.4	458.8	458.8	458.8
Enterprise Value	**$25,689.6**	**$26,656.0**	**$27,706.8**	**$27,045.9**	**$28,111.6**	**$29,274.8**	**$28,523.1**	**$29,702.8**	**$30,995.6**
Net Debt	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)
Warrant/Option Proceeds	3.5	3.5	3.5	3.5	3.5	49.0	3.5	49.0	49.0
Equity Value	**$22,141.7**	**$23,108.1**	**$24,158.9**	**$23,498.0**	**$24,563.7**	**$25,772.4**	**$24,975.2**	**$26,200.4**	**$27,493.2**
Fully Diluted Shares	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6	1,757.7	1,754.6	1,757.7	1,757.7
Price Per Share	**$12.62**	**$13.17**	**$13.77**	**$13.39**	**$14.00**	**$14.66**	**$14.23**	**$14.91**	**$15.64**

Sources: MCC Projections (Cochran Dep. Ex. 12 at Bates No. CLWRDEL-01916569-570; May 22 Proxy Statement, p. S-34); Fixed Asset Ratio obtained from Exhibit 7.
Notes: Valuation date as of July 9, 2013.

Exhibit 13-D

CLEARWIRE CORPORATION

Discounted Cash Flow Analysis (Jarrell Opinion: June Projections - SoftBank Plan)

($ in millions)

			Projection Period						Transition Period		Terminal
	2011A	2012A	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	Period
Revenue	$1,253	$1,265	$1,396	$1,964	$3,466	$5,240	$6,476	$7,435	$8,282	$8,945	$9,348
% growth		*0.9%*	*10.4%*	*40.7%*	*76.4%*	*51.2%*	*23.6%*	*14.8%*	*11.4%*	*8.0%*	*4.5%*
Stock-Based Compensation Expense			(38)	(66)	(60)	(50)	(46)	(43)			
% margin			*-2.8%*	*-3.4%*	*-1.7%*	*-1.0%*	*-0.7%*	*-0.6%*			
EBITDA (after deducting non-cash expenses)			(361)	(72)	1,169	2,591	4,026	4,935			
% margin			*-25.9%*	*-3.7%*	*33.7%*	*49.4%*	*62.2%*	*66.4%*			
EBIT (after deducting non-cash expenses)			(1,122)	(954)	(84)	1,135	2,645	3,499	3,898	4,210	4,400
% margin			*-80.4%*	*-48.5%*	*-2.4%*	*21.7%*	*40.8%*	*47.1%*	*47.1%*	*47.1%*	*47.1%*
Taxes			-	-	-	(431)	(1,005)	(1,330)	(1,481)	(1,600)	(1,672)
% tax rate			*0.0%*	*0.0%*	*0.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
NOPAT (accounting basis)			(1,122)	(954)	(84)	704	1,640	2,170	2,417	2,610	2,728
Decrease in WC			(48)	12	(538)	(224)	(153)	(120)	(105)	(81)	(49)
% of incremental revenue			*-36.7%*	*2.1%*	*-35.9%*	*-12.6%*	*-12.4%*	*-12.5%*	*-12.4%*	*-12.3%*	*-12.3%*
NOPAT (cash basis)			(1,171)	(941)	(623)	480	1,487	2,049	2,312	2,529	2,678
Depreciation & Amortization			761	881	1,253	1,456	1,380	1,436			
% of revenue			*54.5%*	*44.9%*	*36.2%*	*27.8%*	*21.3%*	*19.3%*			
Capital Expenditures			(646)	(2,175)	(2,807)	(1,800)	(743)	(1,509)			
% of revenue			*-46.3%*	*-110.7%*	*-81.0%*	*-34.4%*	*-11.5%*	*-20.3%*			
Plowback			115	(1,293)	(1,554)	(345)	638	(73)	(462)	(506)	(536)
Plowback Ratio (% of NOPAT)			*9.8%*	*-137.4%*	*-249.5%*	*71.8%*	*-42.9%*	*3.6%*	*20.0%*	*20.0%*	*20.0%*
Plus: Non-Cash Expenses (excluding SBC expense)			218	190	196	206	210	213	237	256	268
% of revenue			*15.6%*	*9.7%*	*5.6%*	*3.9%*	*3.2%*	*2.9%*	*2.9%*	*2.9%*	*2.9%*
Less: Cash Flows Prior to Valuation Date			410								
Free Cash Flow			(428)	(2,045)	(1,981)	341	2,335	2,189	2,087	2,280	2,411
Years Discounted (mid-year)			*0.24*	*0.98*	*1.98*	*2.98*	*3.98*	*4.98*	*5.98*	*6.98*	

Discount Rate		**10.47%**			**10.22%**			**9.97%**	
Perpetuity Growth Rate	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**	**4.25%**	**4.50%**	**4.75%**
PV of FCFs (2013-2020)	$1,547.2	$1,547.2	$1,547.2	$1,600.4	$1,600.4	$1,600.4	$1,654.6	$1,654.6	$1,654.6
PV of Terminal Value	19,312.5	20,151.9	21,064.6	20,442.0	21,367.9	22,378.4	21,676.3	22,701.4	23,824.8
PV of NOLs	355.7	355.7	355.7	358.3	358.3	358.3	360.8	360.8	360.8
Enterprise Value	**$21,215.4**	**$22,054.8**	**$22,967.5**	**$22,400.6**	**$23,326.6**	**$24,337.1**	**$23,691.7**	**$24,716.8**	**$25,840.2**
Net Debt	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)	(3,551.4)
Warrant/Option Proceeds	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Equity Value	**$17,667.5**	**$18,506.9**	**$19,419.6**	**$18,852.7**	**$19,778.6**	**$20,789.2**	**$20,143.7**	**$21,168.9**	**$22,292.3**
Fully Diluted Shares	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6	1,754.6
Price Per Share	**$10.07**	**$10.55**	**$11.07**	**$10.74**	**$11.27**	**$11.85**	**$11.48**	**$12.06**	**$12.71**

Source: June Projections - SoftBank Plan (Bates No. SPRDEL-68040).
Notes: Valuation date as of July 9, 2013.

Exhibit 14

CLEARWIRE CORPORATION
Summary of Valuation

As of July 9, 2013

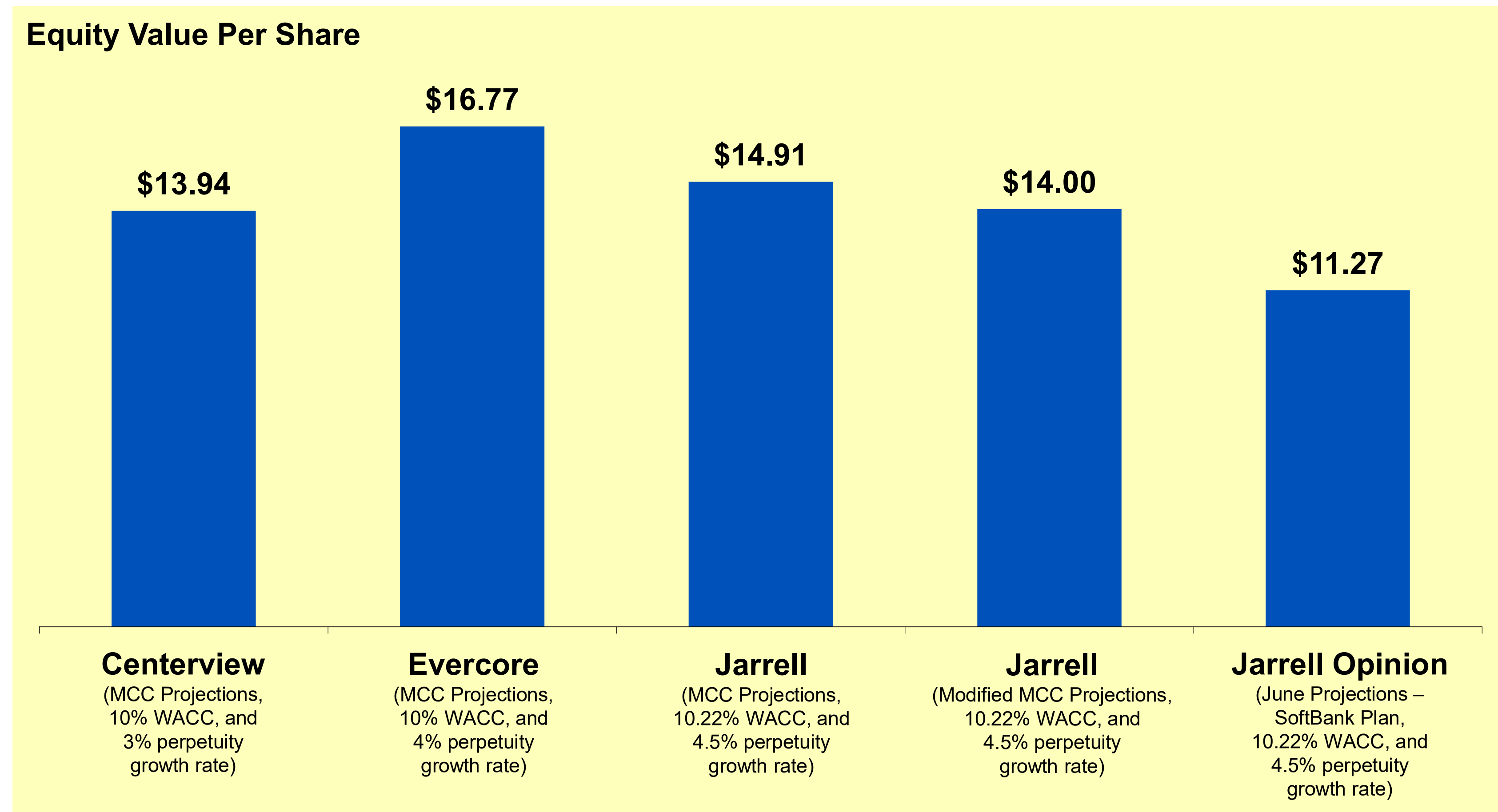


Exhibit 15

CLEARWIRE CORPORATION
Spectrum Asset Value Analysis
(in millions, except per share amounts)

Spectrum Asset Value (pre-tax) (per Bazelon Report)	**$33,960.0**
Net Debt (*see* Exhibit 12)	(3,551.4)
Present Value of Spectrum Lease Expense [1]	(3,012.3)
Warrant/Option Proceeds (*see* Exhibit 12)	49.0
Equity Value	**$27,445.3**
Fully Diluted Shares (*see* Exhibit 12)	1,757.7
Price Per Share	**$15.61**

Note:
[1] Present value of Clearwire's spectrum lease expense using: (A) half of Clearwire's annual spectrum lease expense of $180 million in 2013 with mid-year discounting using a 9.34% discount rate based on pre-tax cost of debt in Exhibit 11; and (B) the perpetuity growth model with mid-year discounting applied to: (i) Clearwire’s annual spectrum lease expense of $180 million; (ii) a 9.34% discount rate; and (iii) a 3.0% expected growth rate in spectrum lease expense.

Exhibit 16

CLEARWIRE CORPORATION

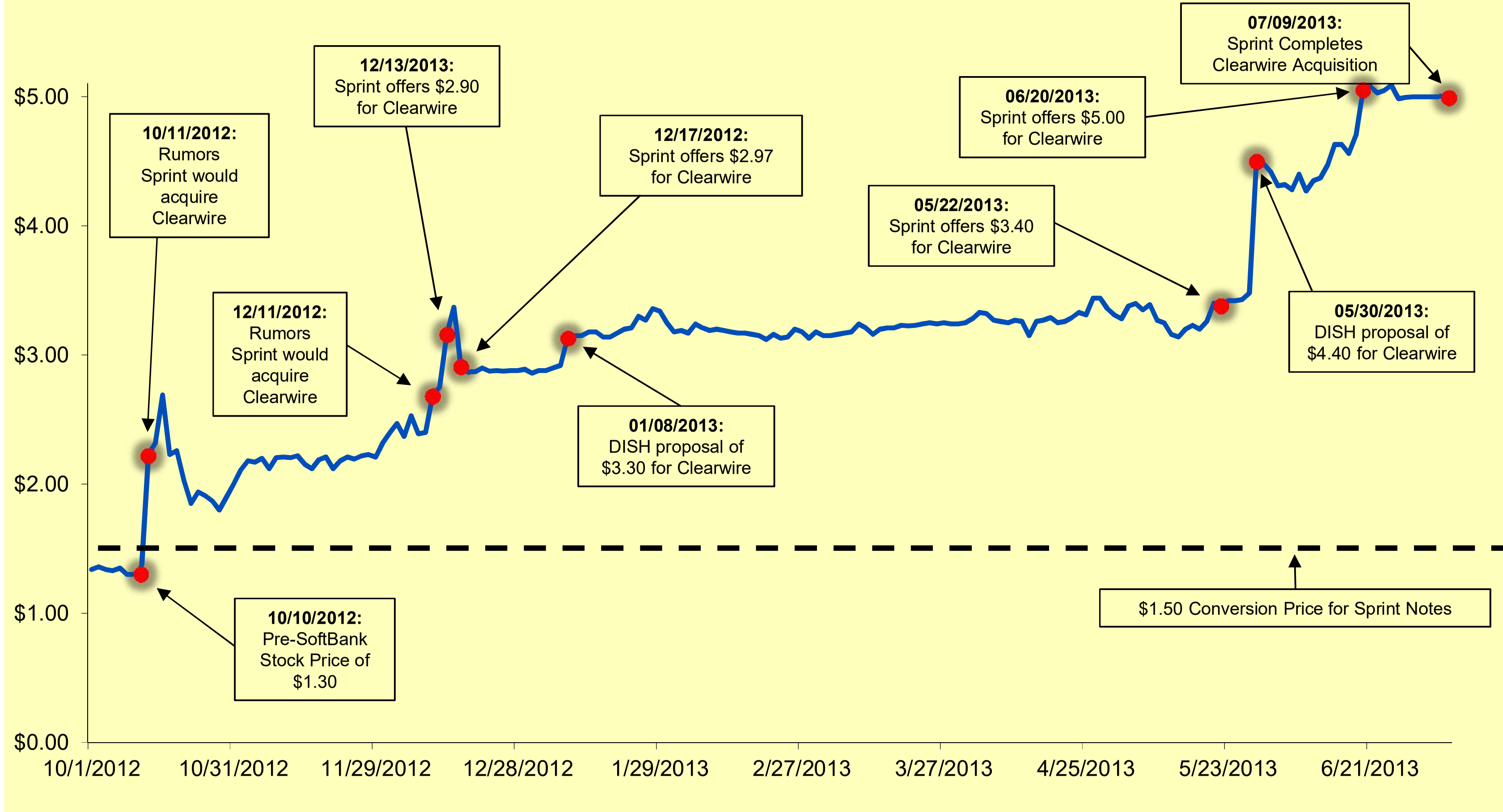
Valuation of the Sprint Notes Using Centerview's Model

(in millions, except per share data; changed inputs are shaded)

	Replication of Centerview Model (CVIEW 9296)	Based on Clearwire's Stock Prices of:							
		Before SoftBank News	Initial Deal Value	Stock Price Before NPA Signed	Deal Value	Before SoftBank News	Initial Deal Value	Stock Price Before NPA Signed	Deal Value
NPA Valuation:									
Straight Debt	$712	$491	$491	$491	$491	$147	$147	$147	$147
Black-Scholes Option Value	$247	$225	$934	$1,127	$1,947	$68	$280	$338	$584
Total Value of NPA	$959	$717	$1,425	$1,618	$2,438	$215	$428	$485	$731
Amount Paid by Sprint for NPA		$800	$800	$800	$800	$240	$240	$240	$240
Gain on Sprint's NPA Investment		($83)	$625	$818	$1,638	($25)	$188	$245	$491
% gain		*-10.4%*	*78.2%*	*102.3%*	*204.8%*	*-10.4%*	*78.2%*	*102.3%*	*204.8%*
Valuation Model Inputs (straight debt):									
Face Value of Note	$1,000	$800	$800	$800	$800	$240	$240	$240	$240
Coupon Rate	2.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Market Yield	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%	10.75%
Term (years)	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Valuation Model Inputs (option):									
Stock Price	$2.32	$1.30	$2.97	$3.37	$5.00	$1.30	$2.97	$3.37	$5.00
Exercise Price/Conversion Price	$2.78	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
Issuance Date	-	12/17/2012	12/17/2012	12/17/2012	12/17/2012	12/17/2012	12/17/2012	12/17/2012	12/17/2012
Expiration Date	-	6/1/2018	6/1/2018	6/1/2018	6/1/2018	6/1/2018	6/1/2018	6/1/2018	6/1/2018
Years to Expiration	5.0	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%
Risk-Free Rate	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%	0.62%
Dividend Yield	0%	0%	0%	0%	0%	0%	0%	0%	0%
Shares Converted Into	359	533	533	533	533	160	160	160	160

Exhibit 17

CLEARWIRE CORPORATION
Timeline



Source: Jarrell Report, Section IV.G.

FORENSIC ECONOMICS, INC.

Exhibit 18

CLEARWIRE CORPORATION
Potential Dilution of Value to Clearwire's Minority Shareholders Due to NPA

		Face Value of Sprint Notes: $240M					Face Value of Sprint Notes: $800M				
		CLWR Stock Price					CLWR Stock Price				
[1]		$1.50	$2.97	$5.00	$10.00	$15.00	$1.50	$2.97	$5.00	$10.00	$15.00
[2]	Face Value of Sprint Notes	$240,000,000	$240,000,000	$240,000,000	$240,000,000	$240,000,000	$800,000,000	$800,000,000	$800,000,000	$800,000,000	$800,000,000
[3]	Conversion Price	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50	$1.50
[4]	Number of Shares (if converted)	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	533,333,333	533,333,333	533,333,333	533,333,333	533,333,333
[5]	Value of Converted Shares (at various stock prices)	$240,000,000	$475,200,000	$800,000,000	$1,600,000,000	$2,400,000,000	$800,000,000	$1,584,000,000	$2,666,666,667	$5,333,333,333	$8,000,000,000
[6]	Potential Profit	$0	$235,200,000	$560,000,000	$1,360,000,000	$2,160,000,000	$0	$784,000,000	$1,866,666,667	$4,533,333,333	$7,200,000,000
[7]	*% profit*	*0.0%*	*98.0%*	*233.3%*	*566.7%*	*900.0%*	*0.0%*	*98.0%*	*233.3%*	*566.7%*	*900.0%*
[8]	Fully Diluted Shares Outstanding (assuming Sprint Notes were not convertible)	1,503,703,265	1,505,703,265	1,505,703,265	1,594,580,360	1,597,699,483	1,503,703,265	1,505,703,265	1,505,703,265	1,594,580,360	1,597,699,483
[9]	Converted Shares from Sprint Notes	160,000,000	160,000,000	160,000,000	160,000,000	160,000,000	533,333,333	533,333,333	533,333,333	533,333,333	533,333,333
[10]	Fully Diluted Shares Outstanding	1,663,703,265	1,665,703,265	1,665,703,265	1,754,580,360	1,757,699,483	2,037,036,598	2,039,036,598	2,039,036,598	2,127,913,693	2,131,032,816
[11]	*% change in shares outstanding*	*10.6%*	*10.6%*	*10.6%*	*10.0%*	*10.0%*	*35.5%*	*35.4%*	*35.4%*	*33.4%*	*33.4%*
[12]	Stock Price (assuming Sprint Notes were not convertible)	$1.50	$3.13	$5.37	$10.85	$16.35	$1.50	$3.49	$6.24	$12.84	$19.51
[13]	Stock Price (assuming Sprint Notes were convertible)	$1.50	$2.97	$5.00	$10.00	$15.00	$1.50	$2.97	$5.00	$10.00	$15.00
[14]	Dilution	$0.00	-$0.16	-$0.37	-$0.85	-$1.35	$0.00	-$0.52	-$1.24	-$2.84	-$4.51
[15]	*% dilution*	*0.0%*	*-5.0%*	*-6.9%*	*-7.9%*	*-8.3%*	*0.0%*	*-14.9%*	*-19.9%*	*-22.1%*	*-23.1%*

Notes:

[1] Hypothetical stock prices for Clearwire.
[2] Face value of Sprint Notes.
[3] Conversion price.
[4] = [2] / [3].
[5] = [1] x [4].
[6] = [5] - [2].
[7] = [6] / [2].
[8] = [10] - [4].
[9] = [4].
[10] See Exhibit 12.
[11] = [10] / [8] -1.
[12] = ([1] x [10] - [2]) / [8].
[13] = [1].
[14] = [13] - [12].
[15] = [14] / [12].

Appendix A
(***emphasis added***)

E. Clark, International Finance, Second Edition, Thomson, 2002, p. 460 (emphasis added).

Excerpt:

> Conversion *premiums* typically range from 15% to 30% when the bond is issued.

P. Vernimmen, P. Quiry, M. Dallocchio, Y. Le Fur, A. Salvia, Corporate Finance: Theory and Practice, Fourth Edition, John Wiley and Sons, Ltd., 2014, p. 433 (emphasis added).

Excerpt:

> The conversion *premium* is the amount by which the conversion price *exceeds* the current market price of the share. A conversion premium is *typical*.

D. Vance, Raising Capital, Springer Science+Business Media, Inc., 2005, p. 335 (emphasis added).

Excerpt:

> A conversion *premium* is the additional cost to acquire stock via a conversion as compared to purchasing a stock in the market. A conversion premium can be stated in dollars as the excess of the *conversion price over the market price*. For example if the conversion price is $20 per share and the market price is $18, the conversion premium is $2 ($20 - $18).

G. Morgenson, C. Harvey, The New York Times Dictionary of Money and Investing, Times Books, 2002, p. 58 (emphasis added).

Excerpt:

> Conversion premium - The extent by which the conversion price of a convertible security *exceeds the prevailing common-stock price* at the time the convertible security is issued.

B. Cornell, Corporate Valuation – Tools for Effective Appraisal and Decision Making, Irwin Professional Publishing, 1993, p. 283 (emphasis added).

Excerpt:

> The conversion price measures the amount of the bond's par value that must be given up to purchase one share of stock. As long as the stock price is *below* the conversion price and the dividend payout rate is below the interest rate on the bond, bond-holders will never voluntarily convert.

Appendix A
(*emphasis added*)

D. Emery, J. Finnerty, and J. Stone, Corporate Financial Management, Pearson Prentice Hall, 2007, p. 350 (emphasis in original).

Excerpt:

> Each bond can be exchanged for common stock at a stated *conversion price* at any time prior to maturity. This (strike) price usually *exceeds the issuer's share price* at the time of issue. In other words, the conversion option is normally issued *out-of-the-money*, typically by between 10% and 20%.

LearnBonds Bond and Finance News at http://learnbonds.com/4782/convertible-bonds/

Excerpt:

> All convertible bonds have a conversion price. This price can be expressed in different ways and is almost always substantially *higher than the stock price* at the time the bond is issued.

ThisMatter.com at http://thismatter.com/money/bonds/types/convertible-bonds.htm

Excerpt:

> When the bond is first issued, the bond price is much higher than the conversion parity price. The difference between the bond price and the conversion parity price is the *conversion premium* (aka premium over conversion value).

Wellesley Investment Advisors, Inc., at http://halbertwealth.com/articles/top-ten-questions.pdf?pdf=wellesley-top-ten-questions

Excerpt:

> Conversion prices are typically set at a *premium to the market price* of the stock when a convertible is issued. The premium is often in the 30-40% range…