

Sprint, SoftBank Strike U.S. Security Deal with Stipulations

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Sprint today [announced](#) [1] that it and Japanese carrier Softbank have received clearance from the Committee on Foreign Investment in the U.S. (CFIUS) to move ahead with the proposed \$20 billion merger of the two companies.

The CFIUS' approval comes with stipulations. According to [an 8-K Sprint filed](#) [2] with the Securities and Exchange Commission, should Sprint and SoftBank complete their transaction the new company will feature a four-person national security committee. The government will approve each member of the committee and a security director, who will sit on the carrier's board. In addition, according to the Journal, the U.S. government would have veto power over Sprint's equipment purchases and would require Sprint to rip out and replace certain Chinese infrastructure components from Clearwire's network.

Huawei supplies the Chinese-made parts of Clearwire's network and the cost of replacing those parts will run Sprint close to \$1 billion, [according](#) [3] to the Wall Street Journal. It's an aspect of the deal that seemingly confirms the U.S.'s concerns over cyber attacks and espionage from foreign countries. Specifically, the U.S. has voiced concern over Huawei's possible affiliations with the Chinese government.

Sprint said the Department of Justice and the Department of Homeland Security will notify the FCC once they have both completed their reviews of the transaction. At that time the FCC will be able to move ahead with its final approval of the deal, something that FCC Chairman Julius Genachowski had previously said was on schedule.

After that, it will be up to Sprint's shareholders, who have a vote schedule June 12 to weigh in on the transaction.

This newest regulatory win should come as a relief for Sprint, which has been met with intense protests in its efforts to buy out Clearwire. After originally offering \$2.97 per share to buy the remaining half of Clearwire it doesn't already own, Sprint raised its offer to \$3.40 amid heavy scrutiny from Clearwire minority shareholders like Crest Financial Limited.

Crest has said the deal is undervaluing Clearwire and wants the internet wholesaler to test other options. Clearwire shareholders are scheduled to vote on the

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transaction May 31 and Crest has said it will vote against it. [Crest has made efforts](#) [4] to have the minority shareholder vote tally adjusted to only include the “true minority,” excluding shares nearing 13 percent held by Intel, Comcast and Bright House Networks, all of whom have “irrevocably obligated” themselves to voting for the deal.

Meanwhile, Dish remains very vocal in its opposition of SoftBank buying Sprint, often citing security concerns and possible negative repercussions for Sprint’s U.S. workforce. Dish in April submitted a \$25.5 billion merger offer to Sprint, in direct competition with SoftBank’s offer. Dish has made headway lately in securing the funding necessary for the deal and Sprint has thus opened its financial records to Dish per due diligence.

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[2] <http://www.sec.gov/Archives/edgar/data/101830/000119312513238554/d545797d8k.htm>

[3] <http://online.wsj.com/article/SB10001424127887324809804578511722819972536.html>

[4] <http://www.bancroftpllc.com/wp-content/uploads/2012/12/2013-05-28-Letter-to-Stockholders-VDD-FINAL.pdf>