



## Sprint Nextel Corp. Ratings For Local Division Remain On CreditWatch Negative

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NEW YORK (Standard & Poor's) Nov. 10, 2005--Standard & Poor's Ratings Services said today that its ratings on the debt of the local telephone division (Sprint Local) of Sprint Nextel Corp. remain on CreditWatch with negative implications. The local division is composed of Centel Corp. (BBB-/Watch Neg/--), Centel Capital Corp. (BBB-/Watch Neg/--), Central Telephone Co. (BBB-/Watch Neg/--), Sprint - Florida, Inc. (BBB-/Watch Neg/--), and Carolina Telephone & Telegraph Co. (BBB-/Watch Neg/--). The implications were revised to negative from developing on Aug. 4, 2005, reflecting the potential that this entity could be rated below investment grade after its spin-off from Sprint Nextel.

"Despite the relatively moderate proposed capital structure, strong EBITDA margins, and good discretionary cash flow characteristics, we are concerned about industry-wide business risk from rising cable telephony and wireless substitution, which could eventually weaken the financial profile," said Standard & Poor's credit analyst Eric Geil. Sprint Nextel expects to complete the transaction in the second quarter of 2006 and has indicated that the standalone company will have about \$7.25 billion in debt, including roughly \$700 million in existing debt, and will pay \$300 million in annual dividends. The resulting debt to EBITDA will be about 2.5x, excluding any adjustments for operating leases or unfunded pension and other postretirement employee benefit obligations.

Sprint Local serves about 7.4 million switched access lines, making it the largest independent local phone company behind the regional Bell operating companies. About one third of access lines are in densely populated areas with more than 300 lines per square mile in such markets as Las Vegas, Nev., and Orlando, Tallahassee, and Naples, Fla. The rest are in less competitive mid-size and smaller markets.

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