

S&P downgrades Hawaiian Telecom

December 7 2005

Standard & Poor's Wednesday lowered its corporate rating for Hawaiian Telecom to B from B plus.

The credit-rating agency also lowered its debt rating to CCC plus from B plus.

"The downgrades reflect pressure on credit protection measures because of the additional expense associated with the recently announced delay in transitioning back office operations from Verizon Communications to BearingPoint, the service provider chosen by Hawaiian Telecom to build and operate its back office systems," credit analyst Susan Madison said in a news release.

S&P added that "the downgrades also reflect the impact of a heightened competitive environment. While Hawaiian Telecom can absorb the increased expenses associated with the two-month extension of the transition services agreement with Verizon, the credit watch recognizes that an extension beyond April 1, 2006, would cost approximately \$20 million per month, and could result in a further downgrade. Hawaiian Telecom is an independent local exchange provider providing integrated communications services to approximately 651,000 switched access lines through the State of Hawaii. Total debt outstanding at Sept. 30, 2005, was approximately \$1.3 billion."

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