STANDARD
&POOR'S

CORPORATE RATINGS

ALLTEL Corp. Ratings Lowered And Off CreditWatch

Credit Rating:
A-/Stable/A-2

Primary Credit Analysts:
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RatingsDirect
Publication Date
Jan 18, 2006

Rationale

On Jan. 18, 2006, Standard & Poor's Ratings Services lowered the ratings on Little Rock, Ark.-based diversified communications carrier ALLTEL Corp., including its long-term corporate credit rating to 'A-' from 'A' and its short-term corporate credit rating to 'A-2' from 'A-1'. The ratings were simultaneously removed from CreditWatch with negative implications. The outlook is stable.

However, the corporate credit rating and senior unsecured debt rating on ALLTEL's local exchange carrier subsidiaries ALLTEL Georgia Communications Corp. andAlltel Communications Holdings of the Midwest Inc., remain on CreditWatch with negative implications, because debt at these entities will be assumed by a new holding company to be formed by the combination of the ALLTEL wireline business and that of local exchange carrier Valor Communications Group Inc. (BB-/Watch Pos/—).

Ratings had initially been placed on CreditWatch on Sept. 23, 2005, with developing indications due to management's pursuit of strategic alternatives for its wireline business. The implications were subsequently revised to negative on Dec. 9, 2005 with the announced plan to spin off and merge the wireline business with that of Valor. Pro forma for the spin-off of ALLTEL's wireline business, including an associated debt exchange, ALLTEL will have about $4 billion of debt before implementation of an anticipated $1 billion post spin-off debt reduction plan.

The downgrade reflects heightened business risk ascribed to the company as a regional wireless provider competing against larger national wireless carriers in an environment of slowing subscriber growth. This has translated into reduced subscriber additions, especially in the third quarter of 2005 when the company exhibited a relatively low growth level of less than 5% on an annualized basis for

Outlook

The outlook is stable. The company continues to face the challenge of expanding its subscriber base and operating cash flows in increasingly competitive wireless markets, especially for customers desiring national wireless plans. In particular, pricing competition is expected to continue to place pressures on overall ARPU and EBITDA margins and limit growth prospects for such metrics. Yet, the company is expected to be very conservatively leveraged, pro forma for the spin-off of the wireline business, with a debt to EBITDA of around the low-1x area. In addition, given the company's on-going subscriber base of more than 10 million and expectations that this base will continue to provide fairly significant levels of net free cash flow from operations after capital expenditures, the company has a good ability to reduce leverage even further over the next few years, even with anticipated stock repurchases in the area of $3 billion. However, if the company's operating performance does not improve in 2006, then its outlook would be revised to negative. Longer term, the outlook could be revised to positive if the company is able to demonstrate that it can maintain profitability metrics in the face of heightened competitive threats.

Ratings List

Ratings Lowered, Off CreditWatch

ALLTEL Corp.	To	From
Corporate credit rating	A-/Stable/A-2	A/Watch Neg/A-1
Senior unsecured debt	A-	A/Watch Neg
Preferred stock	BBB	BB+/Watch Neg

Ratings Lowered, Remain On CreditWatch

ALLTEL Georgia Communications Corp.		
Corporate credit rating	A-/Watch Neg/—	A/Watch Neg/—
Senior unsecured debt	A-/Watch Neg	A/Watch Neg

ALLTEL Communications Holdings of the Midwest Inc.		
Corporate credit rating	A-/Watch Neg/—	A/Watch Neg/—
Senior unsecured debt	A-/Watch Neg	A/Watch Neg

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

Valor Communications Group Inc. Ratings Placed On Watch Positive After Merger Announcement

Primary Credit Analyst: Susan Madison, New York, (1) 212-438-4516; susan_madison@standardandpoors.com

Rationale

On Dec. 9, 2005, Standard & Poor's Ratings Services placed its ratings on Valor Communications Group Inc., including the 'BB-' corporate credit rating, on CreditWatch with positive implications after the announcement that Valor will merge with the newly formed wireline company created by the spin-off of **ALLTEL Corp.**'s wireline business. Valor, an Irving, Texas-based rural local exchange provider, has approximately $1.2 billion of outstanding debt.

The CreditWatch placement reflects our expectation that the business and financial profiles for the new company will be stronger than Valor's current profiles. The new company will be significantly larger and more geographically diverse, serving approximately 3.4 million access lines across 16 states. As a result, opportunities for cost savings due to increased operating efficiencies and the elimination of duplicate overhead may result in improved margins. The enhanced geographic diversity and predominantly rural nature of the new company should also provide some protection from competitive pressure.

Valor's debtholders will also benefit from the lower overall leverage of the proposed company. Pro forma for the proposed transaction, debt to EBITDA for the merged entity will be in the low 3x area, a material improvement from Valor's current 4.3x leverage. The company has also identified a number of merger synergies, which should result in substantial cost savings. Given our expectation that the new company's dividend policy will be fairly aggressive, coupled with the competitive challenges currently facing the wireline sector, any potential upgrade is likely to remain in the speculative-grade category.

Valor and ALLTEL expect to complete the proposed spin-off and merger transactions over the next 12 months. The merger is conditional upon numerous state and federal regulatory approvals, approval by Valor shareholders, and receipt of an IRS ruling approving the tax-free treatment of the transactions.

Standard & Poor's review will focus on the merged company's ability to integrate operations and realize synergies, the impact of wireless substitution and cable competition on the company's revenue base, the ability of the combined company to effectively market new products and services, and leverage and dividend policies.

Ratings List

Valor Communications Group Inc.

	To	From
Corporate credit rating	BB-/Watch Pos/--	BB-/Negative/--

Valor Telecommunications Enterprises LLC

	To	From
Senior secured bank loan	BB-/Watch Pos	BB-
Recovery rating	3/Watch Pos	3
$400 mil. senior unsecured notes due 2015*	B/Watch Pos	B

*Co-issued by
Valor Telecommunications Enterprises Finance Corp.

<<BOILERPLATE>>

ALLTEL CreditWatch Implications Revised To Negative From Developing Re: Valor Spin-Off

Primary Credit Analyst: Catherine Cosentino, New York, (1) 212-438-7828; catherine_cosentino@standardandpoors.com

Rationale

On Dec. 9, 2005, Standard & Poor's Ratings Services revised its CreditWatch listing for Little Rock, Ark.-based diversified telecommunications carrier ALLTEL Corp. ('A' corporate credit rating) to negative from developing. This followed the company's recent announcement that it will spin off its wireline business and merge it with **Valor Communications Group Inc.** Simultaneously, the ratings for Valor, including its 'BB-' corporate credit rating, were placed on CreditWatch with positive implications (see related research update).

The original placement of the ratings on CreditWatch developing encapsulated the small potential for a higher rating. If the company were to delever substantially with a spin-off or sale of its wireline business, a higher rating would be possible. The negative part of the CreditWatch developing incorporated the potential that a divestiture of the wireline business without accompanying debt reduction could pressure the credit metrics sufficiently to support a downgrade. In addition, the negative portion of the CreditWatch included the possibility that ALLTEL's wireless business risk profile was no longer supportive of the current ratings, given competition from the four national operators.

The transaction, while de-leveraging, does not improve credit metrics sufficiently to support a corporate credit rating higher than the current 'A'. Pro forma for the spin-off and the company's indicated intent to reduce debt by about $1 billion, ALLTEL is expected to be levered at about the low 1x area. Further improvement will be tempered by expectations that the company will have a more aggressive financial policy, including its plan to engage in stock buybacks of up to $3 billion for the two years following the spin-off.

While the first concern in the negative part of the CreditWatch developing has been eliminated, we still have concerns about the company's wireless business risk. We will evaluate the company's prospects in competing in its wireless markets to determine if ALLTEL's business risk can still support its current rating. Our review will include an assessment of the company's ability to combat potential increased competition from the national carriers that may more aggressively pursue business in ALLTEL's markets. We will also assess ALLTEL's ability to continue to increase its retail wireless subscriber base, which exhibited a relatively low growth level for the third quarter of 2005, at less than 5% on an annualized basis for its more mature heritage markets. If our review indicates that ALLTEL's business risk is significantly weaker than that of the larger national wireless carriers such as Verizon Wireless and Cingular, the ratings will be lowered. However, it is likely that any downgrade of the corporate credit rating and related debt that will remain with ALLTEL will be limited to one notch, given the company's conservative balance sheet. Debt spun off to the new merged wireline business, which includes debt at the operating subsidiary ALLTEL Georgia Communications Corp. and ALLTEL Communications Holdings of the Midwest Inc. (formerly Aliant Communications Inc.), is likely to be lowered to non-investment-grade, in line with expectations for ratings of the new wireline company.

ALLTEL's business risk profile does improve with the spin-off of a segment subject to declining price and volume trends, but such improvement is not material given that wireline including the communications support business only represents about one third of the company's overall revenues and operating cash flows.

Short-term credit factors

The 'A-1' short-term rating is also on CreditWatch negative, since even a one-notch downgrade in the long-term rating would result in a downgrade of the short-term rating to 'A-2'. The company derives strength for its near-term liquidity from its ongoing generation of significant levels of net free cash flow from operations after capital expenditures, which will not be materially impaired by the spin-off of the wireline business, given the latter's small overall contribution. However, the company has indicated that it plans to repurchase up to $3 billion of common stock after the completion of the spin-off, thereby utilizing some of its near-term liquidity cushion. In addition, ALLTEL has indicated that it will pay an ongoing dividend to shareholders, albeit at modest levels, at about $180 million. The company, however, will continue to have access to borrowings under its $1.5 billion in revolving credit facilities, which mature in 2009, and its $700 million revolving credit maturing in July 2006. The revolving credit agreements contain various covenants and restrictions, including a requirement that, at the end of each calendar quarter, ALLTEL maintain a total debt-to-capitalization ratio of less than 65%.

In addition, ALLTEL has a definitive agreement for sale of **Western Wireless LLC**'s Austrian operations for about $1.2

billion on an after-tax basis, which is expected to close in early 2006. This will largely offset the $1.075 billion cash requirements associated with the company's pending acquisition of Midwest Wireless Holdings.

Ratings List

Ratings Remain On CreditWatch, Implications Revised To Negative From Developing

ALLTEL Corp.

	To	From
Corporate credit rating	A/Watch Neg/A-1	A/Watch Dev/A-1
Senior unsecured debt	A/Watch Neg	A/Watch Dev
Preferred stock	BBB+/Watch Neg	BBB+/Watch Dev

ALLTEL Georgia Communications Corp.

Corporate credit rating	A/Watch Neg/--	A/Watch Dev/--
Senior unsecured debt	A/Watch Neg	A/Watch Dev

ALLTEL Communications Holdings of the Midwest Inc. (formerly **Aliant Communications Inc.**)

Corporate credit rating	A/Watch Neg/--	A/Watch Dev/--
Senior unsecured debt	A/Watch Neg	A/Watch Dev

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STANDARD
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CORPORATE RATINGS

ALLTEL Corp. Ratings Remain On CreditWatch Developing

Credit Rating:
A/Watch Dev/A-1

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RatingsDirect Publication Date
Nov. 21, 2005

Rationale

On Nov. 21, 2005, Standard & Poor's Ratings Services indicated that the ratings of Little Rock, Ark.-based diversified telecommunications carrier ALLTEL Corp. ('A' corporate credit rating) remain on CreditWatch with developing implications. This follows the company's announced definitive agreement to acquire Midwest Wireless Holdings for $1.075 billion in a cash transaction. This purchase includes wireless licenses covering approximately two million potential customers, network assets, and approximately 400,000 customers in select markets in southern Minnesota, northern and eastern Iowa, and western Wisconsin. The ratings for ALLTEL were placed on CreditWatch with developing implications on Sept. 23, 2005. At that time, ALLTEL announced it had begun a formal process to assess the market environment for strategic repositioning options related to its wireline business. On its third-quarter earnings call, ALLTEL indicated that the process will likely conclude with either a spin off of the local telephone business to shareholders or a transaction that allows the company to merge its wireline business with another independent telephone company and it expects to announce its plan by the end of 2005. If the company chooses to spin off the wireline assets without a significant amount of debt, this could adversely affect ALLTEL's credit profile. Given the company's proclivity for acquisitions and the associated cash requirements and integration issues surrounding transactions such as Midwest Wireless, there is not a great likelihood that the rating will be raised, even if a significant amount of debt is spun off with the wireline assets. Our review of ALLTEL will also include an assessment of the company's ability to combat potential increases in competition from the national carriers who may more aggressively pursue business in ALLTEL's markets and ALLTEL's ability to continue to increase its retail wireless subscriber base, which exhibited a relatively low growth level for the third quarter of 2005, at less than 5% on an annualized basis for its more mature heritage markets. Given our concerns about ALLTEL's competitive stance in its wireless markets and the potential for its capital structure to be more leveraged from the spin off of the wireline business, a potential ratings downgrade could exceed one notch.

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CORPORATE RATINGS

ALLTEL Corp. Ratings Placed On CreditWatch Developing, On Potential Wireline Strategic Plans

Credit Rating:
A/Watch Dev/A-1

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RatingsDirect
Publication Date
Sept. 23, 2005

Rationale

On Sept. 23, 2005, Standard & Poor's Ratings Services placed its 'A' long-term and 'A-1' short-term ratings on Little Rock, Ark.-based wireless and local exchange carrier ALLTEL Corp. on CreditWatch with developing implications. The action follows the company's announcement that it has begun a formal process to assess the market environment for strategic repositioning options related to its wireline business. ALLTEL has not disclosed any transaction details, but indicated that it will provide a further update when it announces third-quarter earnings results in late October.

Without specific transaction information, the effects of any strategic repositioning or capital structure changes on the overall credit profile are unclear. If any transactions improve the company's ability to meet our maximum 1.5x debt to EBITDA target (including adjustments for operating lease and unfunded pension and other post retirement benefit obligations) by year-end 2006, and lessen exposure to the mature wireline segment, the ratings could be affirmed. Transactions intended to enhance shareholder value, including higher dividend payouts or share repurchases, could be detrimental to credit quality. As more detailed information on the company's plan is announced, the CreditWatch placement will be revised to reflect our assessment of the potential rating effects.

STANDARD
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CORPORATE RATINGS

Western Wireless LLC Ratings Raised; Removed From CreditWatch On Completion Of ALLTEL Merger

Rating:
A/Negative/—
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RatingsDirect
Publication Date
3, 2005

Rationale

On Aug. 3, 2005, Standard & Poor's Ratings Services upgraded its ratings of Bellevue, Wash.-based regional wireless carrier Western Wireless LLC (Western Wireless), the successor by merger to Western Wireless Corp., including the long-term corporate credit rating, which was raised to 'A' from 'B-'. The ratings simultaneously were removed from CreditWatch, where they were placed with positive implications on Jan. 10, 2005, following the announced merger agreement between Little Rock, Ark.-based diversified telecommunications carrier ALLTEL Corp. (ALLTEL) and Western Wireless. We withdrew the rating on Western Wireless' $1.5 billion of secured bank facilities, because borrowings under this facility have been repaid by ALLTEL. At the same time, we affirmed the existing ratings on ALLTEL, including the 'A' corporate credit rating. We also assigned our 'A' rating to ALLTEL's $700 million unsecured revolving credit maturing in 2006. The outlook is negative. These actions follow the recent completion of the merger between ALLTEL and Western Wireless. Pro forma debt for the combined company as of March 31, 2005, was about $5.6 billion.

The ratings on ALLTEL benefit from a well-managed regional wireless business, which has experienced good subscriber growth and postpaid churn in line with industry averages. The company's credit profile also is largely bolstered by the strength and stability of its incumbent local exchange carrier business, albeit in an increasingly competitive environment. The wireline business constitutes about one-third of the company's overall revenue base. With the Western Wireless merger, ALLTEL's domestic wireless business is expected to be about 67% of its total revenues. Ratings on ALLTEL also reflect the company's significant financial strength (as demonstrated by its generation of about $840 million in net free operating cash flow after capital expenditures and common and the end of 2006. The sizable free operating cash flow that ALLTEL generates provides it with the flexibility to achieve this.

Short-term credit factors

Our short-term rating on ALLTEL is 'A-1'. Strong liquidity and significant access to capital are evidenced by:

- Pro forma for the for the recently completed acquisition of Western Wireless, which included $993.4 million in cash payments, the pending $500 million sale of Western's wireless operations in Ireland, and $1.4 billion of cash received in May for exercise of equity purchase commitments, cash and marketable securities totaled $595.1 million as of March 31, 2005. However, some of this cash may be used for the pending tender of $600 million of Western Wireless' 9.25% senior notes.
- Net free cash flow after working capital, capital expenditures, and common and preferred dividends of $407 million for the first quarter of 2005. This magnitude of net free cash flow provides the company ample resources to repay future maturities.
- Relatively modest long-term debt maturities of $673.8 million at March 31, 2005.
- The company's access to borrowings under its $1.5 billion in revolving credit facilities, which mature in 2009 and its $700 million revolving credit maturing in July 2006, which it obtained on August 1, 2005.
- Western Wireless' international assets provide a significant source of added liquidity. ALLTEL already has an agreement in place to sell the Irish wireless business and has indicated that it will continue to pursue disposition of Western Wireless' remaining international assets.

While the company's short-term liquidity is very strong, its ability to access borrowings under its bank facility contains certain limitations:

- Under the company's $1.5 billion commercial paper program, borrowings are deducted from the revolving credit agreements in determining the amount available for borrowing under those agreements. Accordingly, the total amount outstanding under the commercial paper program and the indebtedness incurred under the revolving credit agreements may not exceed $1.5 billion. As of March 31, 2005, the company had $50 million outstanding under its commercial paper program.
- The revolving credit agreements contain various covenants and restrictions, including a requirement that, at the end of each calendar quarter, ALLTEL maintain a total debt-to-capitalization ratio of less than 65%. As of March 31, 2005, ALLTEL's debt to capitalization was well below this threshold, at 43.5%.

Recovery analysis

The company's $2.2 billion in bank loans are rated at the same level as the corporate credit rating. Because the facilities are unsecured, the banks would be on par with other unsecured creditors in the event of a payment default.

Outlook

The outlook is negative. ALLTEL faces the challenge of defending its businesses in an increasingly competitive environment in both the wireline and wireless sectors. Ratings could therefore be under pressure if the company is not able to continue to successfully maintain its current relative competitive stance through aggressive marketing, service quality, and diverse product offerings. ALLTEL needs to be on a trajectory to improve its net debt to EBITDA to no more than 1.5x on a lease-adjusted basis, including unfunded pension and other post retirement benefit obligations, by year-end 2006 in order to maintain the rating.

ALLTEL Ratings Affirmed And Off Watch; Western Wireless Ratings Still Watch Positive

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Rationale

On Jan. 28, 2005, Standard & Poor's Ratings Services affirmed its ratings on Little Rock, Ark.-based diversified telecommunications carrier ALLTEL Corp., including the 'A' long-term and 'A-1' short-term corporate credit ratings. All ratings were removed from CreditWatch, where they were placed Jan. 10, 2005 with negative implications following the announced merger agreement between ALLTEL and Western Wireless Corp. The outlook on ALLTEL is negative.

The ratings for Western Wireless Corp. remain on CreditWatch with positive implications and will be raised to the level of ratings on ALLTEL when the merger is completed. As of Sept. 30, 2004, ALLTEL and Western Wireless had $5.6 billion and $2.2 billion of total debt outstanding, respectively.

Near-term pressures on the company's credit metrics from merger-related incremental debt are largely offset by the improvement contributed to ALLTEL's business profile from the combination with Western Wireless. This, coupled with the expectation for improvement in credit metrics within the next year, provides the basis for the affirmation of the ALLTEL ratings. Yet ALLTEL, like all other carriers, faces the challenge of defending its businesses in an increasingly competitive environment for both the wireline and wireless sectors. Ratings could therefore be under pressure if the company is not able to continue to successfully maintain its current relative competitive stance through aggressive marketing, service quality, and diverse product offerings.

Ratings on ALLTEL benefit from a well-managed regional wireless business (contributing about 60% of total revenues) that has experienced good subscriber growth and postpaid churn in line with industry averages. The company's credit profile is also largely bolstered by the strength and stability of its incumbent local exchange carrier business, albeit in an increasingly competitive environment. The wireline business constitutes about one-third of the company's overall revenue base. With the Western Wireless merger, ALLTEL's domestic wireless business will comprise about 67% of its total revenues.

Western represents about 1.4 million domestic customers in 19 Western and Midwestern states contiguous to ALLTEL's company has a substantial long-distance market share in its local exchange franchise.

The profitability of ALLTEL's wireline business will continue to benefit from digital subscriber line (DSL) deployment. However, the company's access line base has been adversely affected by broadband competition from cable modems, as well as by some wireless substitution. These factors, coupled with ALLTEL's decision to exit competitive local exchange carrier markets in seven states, resulted in a 3% reduction in total wireline customers for 2004. However, such loss is partially offset by the growth of the company's own DSL broadband services, with DSL subscribers growing by 59% for 2004 to a base of about 243,000, representing 8% penetration of total access lines.

ALLTEL's net debt to EBITDA was about 1.6x for 2004 (including about $1.38 billion of equity unit-related debt and operating lease adjustments). Pro forma for the Western Wireless merger, net debt to EBITDA could be slightly higher, in the 1.7x area for 2005, assuming a mid-year closing of the transaction. The ratings incorporate the expectation that the company will be able to improve this metric to no more than 1.5x on a lease-adjusted basis by the end of 2006. The sizable free operating cash flow that ALLTEL generates provides it with the flexibility to achieve this. Moreover, the equity purchase commitments associated with the company's $1.38 billion of equity unit-related debt, which are triggered in mid-2005, will result in either the elimination of about $1.38 billion of debt or the receipt of an equivalent amount of cash. In the latter case, ALLTEL would issue equity in exchange for an approximate like amount of cash, subject to price collars.

Short-term credit factors.

The short-term rating on ALLTEL is 'A-1'. Strong liquidity and significant access to capital are evidenced by:

- Cash and marketable securities totaling $485 million as of Dec. 31, 2004.
- Net free cash flow after working capital, capital expenditures, and common and preferred dividends of $840 million in 2004. This magnitude of net free cash flow provides the company ample resources to repay future maturities.
- Relatively modest long-term debt maturities of $225 million at Dec. 31, 2004.
- The fact that more than half of the $2.3 billion in maturities for 2005-2007 is attributable to the maturity of equity unit-related debt maturing in 2007. Such debt will either be converted to equity or defeased through

Corporate credit rating	A/Negative/A-1
Unsecured bank loan	A
Senior unsecured debt	A
Preferred stock	BBB+
Commercial paper	A-1

Western Wireless Corp.

Corporate credit rating	B-/Watch Pos
Senior secured bank debt	B-/Watch Pos
Senior unsecured debt	CCC/Watch Pos
Subordinated debt	CCC/Watch Pos

48. Provide any securities analyst reports that discuss or assess the Alltel wireline corporate spin off.

<u>Response</u>:

Attached hereto are all analysts reports received by Alltel that discuss or assess the Alltel wireline corporate spin off.

Securities Analyst Reports

Responsive to CWA 48

STIFEL NICOLAUS

Telecom Services

Alltel Corporatio
AT – NYSI
Buy/Average Ris

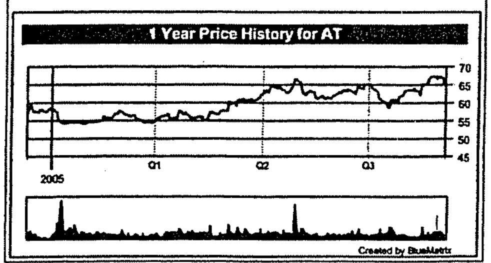
Changes	From (Previous)	To (Current)
Rating	–	Buy
Target Price	–	$72.00
FY05E EPS	–	$3.50
FY06E EPS	–	$3.55

Stock Data

Price (12/08/05):	$64.82
52-Week Range:	$68 – $54
Market Cap.($mm):	$25,150.2
Shr.O/S-Diluted (mm):	388.0
Enterprise Val. ($mm):	$28,853.4
Avg Daily Vol (3 Mo):	1,693,350
LT Debt/Total Cap.:	22.9%
Net Cash/Share:	$1.81
Dividend ($):	$1.54
Yield (%):	2.4%
Book Value/Share:	$21.73
S&P Index:	1,255.84

EPS (Net)	2004A	2005E	2006E
Q1	$0.71A	$0.84A	NE
Q2	0.85A	0.90A	NE
Q3	0.92A	0.90A	NE
Q4	0.89A	0.86	NE
FY Dec	$3.37A	$3.50	$3.55
P/E	19.2x	18.5x	18.3x
Revenue (Net)	$8.25B	$9.52B	$10.58B
EV/Revenue	3.5x	3.0x	2.7x

Note that our current 2005 and 2006 EPS and revenue estimates exclude the impact of the WWCA transaction.



December 9, 20(

Alltel, Valor Reach Deal to Spin Alltel's Wireline Segment for $9.1 billion

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- In a deal valued at $9.1 billion, Alltel announced that it has reached a agreement with Valor to spin off its wireline segment and merge th business with Valor in a tax-free transaction to Alltel shareholders. Th deal values Alltel's wireline segment at 6.9x our 2006 EBITDA foreca for the operation, (6.25x 2006E EBITDA including the communication support operations) or approximately $3,116 per access line.
- Existing Alltel shareholders will maintain one share of Alltel and receiv 1.05 shares of Valor for each share of Alltel they current own (with Valc issuing approximately 400 million shares); the new company will pay $1.00 per share dividend and will assume all of Alltel's current debt c approximately $4.2 billion.
- Following the close of the transaction, Alltel plans a $3 billion shar buyback program and a $1 billion debt reduction (which is debt th company will assume as part of the pending $1.08 billion Midwes Wireless acquisition), in addition to paying a $0.50 per share dividen (down from its current $1.54/share dividend policy).
- At Valor's current valuation, we estimate the new wireline business wi trade at approximately 6.4x 2006E EBITDA, with a dividend yield o approximately 8.2%, while generating approximately $925 million ir pre-tax free cash flow for the full-year 2006, by our estimates. As of thi writing, the cash tax status of the new wireline company (Valor's curren NOL position) remains unclear, although the new wireline company is guiding toward a 65%-70% dividend payout ratio.

Following the close of the deal, and in line with our previously stated thesis, we believe this transaction dresses Allt up for a possible acquirer, such as Verizon or Sprint Nextel. The remaining wireless business will be essential debt-free, while the wireless segment will generate approximately $2.8 billion in 2006 run-rate EBITDA (assuming a fi year of Midwest Wireless), by our estimates.

The valuation of Alltel's remaining business appears very attractive to us at current levels. Assuming the wirelir business holds $12.85 per share in value (Valor's current share price times 1.05), we estimate Alltel's wireles business would be valued at approximately 7.1x 2006E EBITDA, assuming an approximate $20 billion enterprise valu and $2.8 billion in 2006 EBITDA (pro forma for the Midwest Wireless transaction). As the company reduces th enterprise value to something approaching $19 billion (with an approximate $1 billion in free cash flow generated ov the next five quarters), the company's wireless operations could have a mere 6.7x 2006E EBITDA multiple once th balance sheet is finalized. The multiple could lower to as much as 5.8x 2007E EBITDA, given our prelimina assumptions.

Valor will continue to pay its dividend through the close of the transaction, which is expected in mid-2006. The ne wireline company will have significantly lower leverage and payout ratios than Valor does currently. The newly forme wireline business will create approximately $40 million in annual synergies according to both companies, with littl integration risk in our opinion, as Valor currently uses Alltel's billing system across its footprint.

The new company's leverage will fall from Valor's current 4.4x to approximately 3.2x, while its payout ratio will fall fror Valor's current 75%-80% to 65%-70%. Alltel's current CFO Jeff Gardner will run the newly formed wireline compan and it will be headquartered in central Arkansas.

Both companies are conducting conference calls this morning--Alltel's will be at 9am EST at 866-831-6162 (pass cod 74875056) while Valor's will be at 11am EST at 800-218-0204.

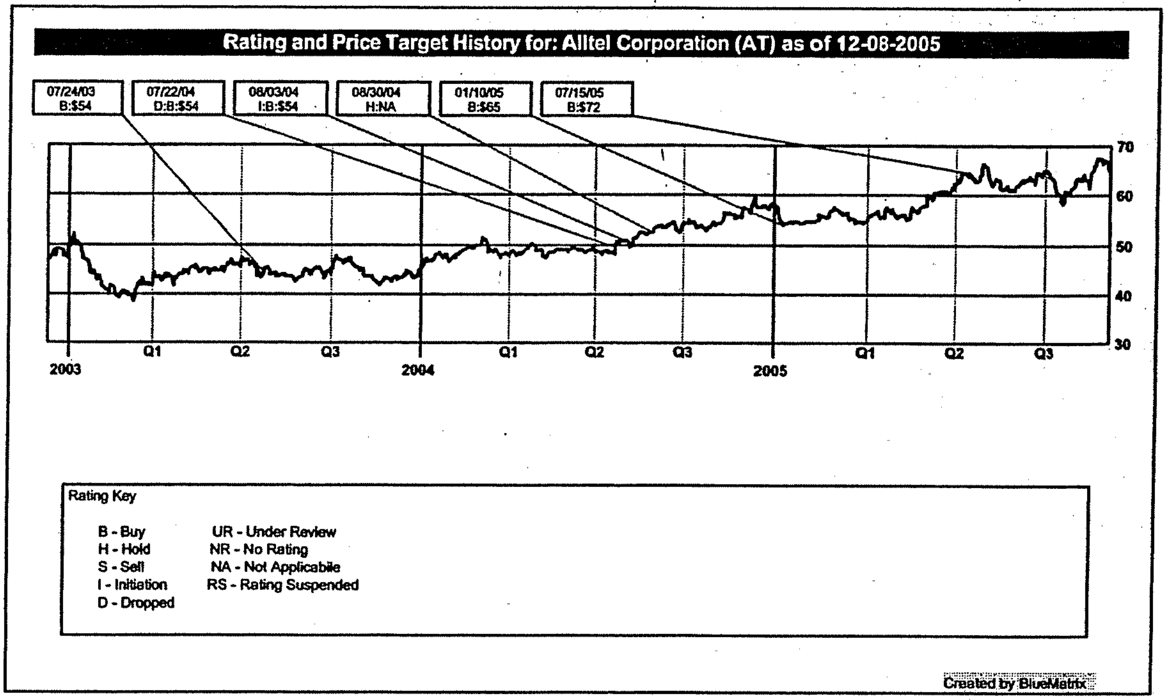
We believe the tax-free nature of this transaction makes it a win-win for both companies involved. Valor's shareholder benefit from the increasing scale and synergies, as well as a delevered balance sheet and more secure dividend goin forward, while Alltel shareholders will likely benefit from the improved growth profile of the new Alltel, which could mak the company a likely takeover candidate within the next 12-24 months, in our opinion.

Company Description

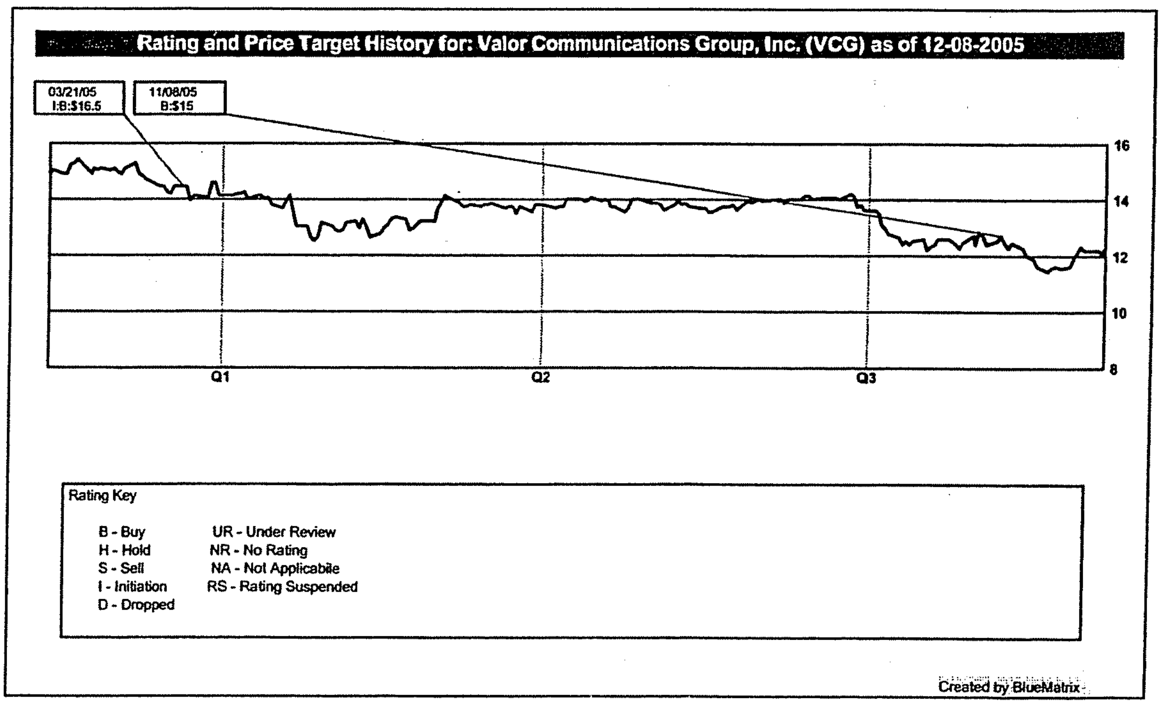
Alltel is a customer-focused communications company with more than 15 million customers in 36 states and nearly $1 billion in annual revenues.

Important Disclosures and Certifications

I, Christopher King, certify that the views expressed in this research report accurately reflect my persor views about the subject securities or issuers; and I, Christopher King, certify that no part of my compensati was, is, or will be directly or indirectly related to the specific recommendation or views contained in tl research report.



For a price chart with our ratings and target price changes for AT go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=AT



For a price chart with our ratings and target price changes for VCG go to http://sf.bluematrix.com/bluematrix/Disclosure?ticker=VCG

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Valor Communications Group, Inc. is provided with investment banking services by Stifel, Nicolaus & Company, Inc. was provided with investment banking services by Stifel Nicolaus or the prior owner of part of the Stifel Nicola Capital Markets business within the past 12 months.

Stifel, Nicolaus & Company, Inc., the prior owner of part of the Stifel Nicolaus Capital Markets business or one of th respective affiliates has received compensation for investment banking services from Valor Communications Grou Inc. in the past 12 months.

Stifel, Nicolaus & Company, Inc. or an affiliate expects to receive or intends to seek compensation for investme banking services from Alltel Corporation in the next 3 months.

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Our investment rating system is three tiered, defined as follows:

BUY -We expect this stock to outperform the S&P 500 by more than 10% over the next 12 months. For higher-yieldin equities such as REITs and Utilities, we expect a total return in excess of 12% over the next 12 months.

HOLD -We expect this stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. A Hol rating is also used for those higher-yielding securities where we are comfortable with the safety of the dividend, bu believe that upside in the share price is limited.

SELL -We expect this stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 40% are rated Buy, 59% are rated Hold, and 1% are rated Sell.

Within the last 12 months, Stifel, Nicolaus & Company, Inc. or the prior owner of part of the Stifel Nicolaus Capital Markets business has provided investment banking services for 31%, 27% and 33% of the companies whose shares are rated Buy, Hold and Sell, respectively.

We also use a Risk rating for each security. The Risk ratings are Low - 1, Average - 2, and High - 3 and are based primarily on the strength of the balance sheet and the predictability of earnings.

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The rating and price target history for Valor Communications Group, Inc. and its securities prior to December 1, 2005 on the above price chart reflects the research analyst's views while employed at the prior owner of part of the Stifel Nicolaus Capital Markets business.

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Additional Information Is Available Upon Request

Wood, Jean

From: Clancy, Rob
Sent: Tuesday, January 31, 2006 6:21 AM
To: Caballero, Cesar
Cc: Ebner, John
Subject: FW: AT/VCG reports

a few more reports - these are angled both at wireline and wireless.

UBS

UBS Investment Research

Alltel Corp.

Wireline Spin/Merger with Valor

■ $9.1 Billion Transaction (6.6 times 2006E wireline EBITDA)

Transaction will be tax-free with AT shareholders owning about 85% of the new entity. Valor will issue about 400 million shares (1.05 VCG shares per AT share) and assume $4.2 billion of debt. NewCo will be levered at about 3.2x trailing EBITDA. NewCo will pay an annual dividend of $1.00 per share (65%-70% payout ratio). Annual synergies are expected to be roughly $40M.

■ AT Will Become a Pure Wireless Play

Post the spin, AT will essentially become a pure play wireless business. However, for reasons discussed in this note, we don't anticipate that it will be acquired in the near term. Post the spin, AT will begin paying an annual dividend of $0.50. Proceeds of $4.2 billion from the wireline transaction will be used to retire debt and buy back shares.

■ At current prices, we continue to prefer Sprint Nextel

We estimate that AT is trading at 7.3 times 2006E EBITDA, vs. Sprint Nextel which is trading at 5.6 times 2006E EBITDA. Excluding the wireline businesses, AT's wireless is trading at 7.7 times our 2006E wireless EBITDA (vs. 5.6x 2006E for S).

■ Valuation: Discounted Cash Flow Analysis

We use a WACC of 8.6%, based on a 5% cost of debt, a 10% cost of equity, and a target debt ratio of 20%. We assume a 3% growth in perpetuity of free cash flowfor a terminal multiple of 7.8 times our 2010 EBITDA estimate.

Highlights (US$m)	12/03	12/04	12/05E	12/06E	12/07E
Revenues	7,980	8,246	9,486	10,368	-
EBIT	1,917	1,973	2,189	2,465	-
Net income (UBS)	954	1,038	1,182	1,348	-
EPS (UBS, US$)	3.06	3.37	3.49	3.47	-
Net DPS (UBS, US$)	1.42	1.49	1.55	1.56	-

Profitability & Valuation	5-yr hist. av.	12/04	12/05E	12/06E	12/07E
EBIT margin %	-	23.9	23.1	23.8	-
ROIC (EBIT) %	-	17.9	15.6	14.8	-
EV/EBITDA x	-	-	-	-	-
PE (UBS) x	-	15.6	18.5	18.6	-
Net dividend yield %	-	2.8	2.4	2.4	-

Source: Company accounts, Thomson Financial, UBS estimates. UBS adjusted EPS is stated before goodwill-related charges and other adjustments for abnormal and economic items at the analysts' judgement.
Valuations: based on an average share price that year, (E): based on a share price of US$64.54 on 12 Dec 2005 10:56 EST

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Global Equity Research

Americas

Wireless Communications

Rating	Neutrɑ
	Unchan
Price target	US$7
	Unchan
Price	US$6

RIC: AT.N BBG: AT US

12 December

Trading data	
52-wk. range	US$67.44
Market cap.	US$2
Shares o/s	
Free float	
Avg. daily volume ('000)	
Avg. daily value (US$m)	

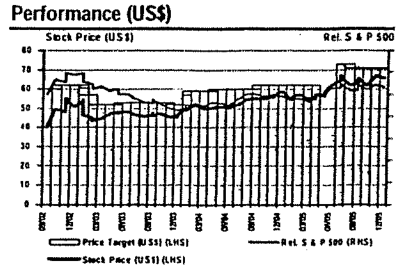
Balance sheet data 12/05E	
Shareholders' equity	US$1
P/BV (UBS)	
Net cash (debt)	(US$4.!

Forecast returns	
Forecast price appreciation	+1
Forecast dividend yield	
Forecast stock return	+1
Market return assumption	
Forecast excess return	+

EPS (UBS, US$)

	12/05E			1
	From	To	Cons.	A(
Q1	-	0.84	*0.84*	
Q2	-	0.90	*0.90*	
Q3E	-	0.90	*0.90*	
Q4E	-	0.85	*0.83*	
12/05E	-	3.49	*3.46*	
12/06E	-	3.47	*3.62*	

Performance (US$)



Source: UBS
www.ubs.com/investmentresearch

This report has been prepared by UB! Securities LLC

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 5

Summary

ALLTEL announced last Friday, November 9 its plan to spin off its wireline business and simultaneously merge it with Valor Communications Group. The spinoff will be done on a tax-free basis where AT shareholders will own approximately 85% of new wireline entity ("NewCo"). Valor will issue approximately 400 million shares to ALLTEL shareholders (approximately 1.05 Valor shares per AT share) and assume $4.2 billion in debt for a total transaction value of about $9.1 billion. This equates to a multiple of 6.4 times trailing 12-month EBITDA and approximately 6.6 times our projected 2006 EBITDA. The purchased price equates to approximately $3,100 per access line (as of 9/30/05).

The wireline assets to be spun-off and merged with Valor include ALLTEL's wireline segment along with the majority (roughly 60% of the EBITDA) of the communications segment. For the communications business, it is our understanding that 100% of the publishing and telecom services will go with the wireline entity, along with a portion of the long distance segment (the retail business) and the wireline portion of the communications products (the majority of product distribution will stay with the wireless company).

What do we think of the transaction? We think that the separation of the wireline and wireless business makes sense as we believe that wireless will be continue to be a major threat to the wireline revenue streams. We believe that investors, as well as ourselves, were slightly disappointed in the ultimate transaction value of $9.1 billion, given the $10 billion price tag that was being cited in the press prior to the announcement. However, we think that $9.1 billion, or 6.6 times our projected 2006 EBITDA is attractive for an asset that we project will have declining cash flow in perpetuity.

The transaction is expected to close in the late spring to early summer of 2006. Required approvals include Valor shareholders, FCC, DOJ and applicable state PUCs. Before updating our model, we need additional information, which we expect the company to provide in the coming months. The company is hosting an analyst day in New York on February 1, 2006.

We continue to rate ALLTEL a Neutral 1. Although we believe that there could be upside to our current price target from the wireline transaction, we do not believe that it would be great enough to warrant a buy recommendation given the current trading level.

We continue to favor Sprint Nextel (Buy 2 rating, $33 price target) over ALLTEL. At current prices, we estimate that ALLTEL is trading at 7.3 times our projected 2006 consolidated EBITDA. If we adjust for the wireline transaction, valued at 6.6 times our projected 2006 wireline EBITDA (which incorporates 100% of the wireline EBITDA forecast and 57% of the communications support EBITDA projections), we calculate that the wireless business is trading at about 7.7 times our 2006 wireless EBITDA estimate (including the remaining portion of the communications support EBITDA). This compares with Sprint Nextel, which is currently trading at approximately 5.6 times our projected 2006 consolidated EBITDA. If we adjust for Sprint Nextel's local (wireline) business at a value of 6.0 times estimated 2006 EBITDA, we arrive at a multiple of only 5.6 times our 2006 estimated EBITDA for the wireless business (which includes the long distance segment).

NewCo (the pro forma Wireline Business). NewCo will serve a total of 3.4 million access lines in 16 states (AT's 2.9M lines and Valor's 0.5M), making it one of the premier RLECs. NewCo's top management will be mostly comprised of ALLTEL management, including its Chairman, CEO, CFO, and COO positions. Skip Franz, ALLTEL's General Counsel and the Executive Secretary of the Board, will become the Chairman of NewCo. Jeff Gardner, currently ALLTEL's CFO, will become President and CEO of NewCo. John Koch is named the COO and Brent Whittington will become the CFO.

The pro forma wireline entity will be levered at 3.2 times EBITDA for the trailing four quarters. Management noted that this capital structure gives NewCo room to seek strategic opportunities, including further consolidation. NewCo's core focus will on further increasing broadband and feature product penetrations and expanding service offerings (i.e. Video).

On a pro forma basis (using the trailing four quarters), NewCo will have about \$3.4 billion in revenues and approximately \$1.7 billion in EBITDA (roughly 50% EBITDA margin including the communications support business and roughly 57% margin excluding communications support). NewCo is expected to generate net annual synergies of \$40M as a result of combining AT's wireline and Valor. Management expects the integration of Valor and AT wireline to go smoothly as Valor currently utilizes AT's billing system.

NewCo will pay an annual dividend of \$1.00 after the deal close, which is expected by mid-2006. This implies a payout ratio of 65%-70% versus Valor's current payout ratio of 75%-78%. Although management indicated a dividend increase in the near term is unlikely (Valor currently pays \$1.44), they seemed confident that 65%-70% payout would be sustainable for the foreseeable future. Management noted that the net present value of the NOLs at Valor is about \$250M, which should further solidify NewCo's liquidity position.

ALLTEL's Wireless Business. Post the spin, AT's wireless business will essentially become a pure play wireless company. It is expected to pay an annual dividend of \$0.50 after the deal closes. NewCo is contemplating an MVNO relationship with AT wireless. Currently AT's wireline business overlaps in about 50% of AT's wireless markets. ALLTEL wireless is expected to receive proceeds of about \$4.2 billion from the wireline spin, with \$1 billion expected to go towards debt reduction and \$3 billion earmarked for a two-year stock repurchase plan. Leverage at the wireless business is expected to be roughly 1 times EBITDA after taking into account the stock repurchase and the announced dividend payments. Given the low leverage of the wireless company, we could see the company continuing to acquire smaller rural wireless operators.

Despite recent speculations over M&A opportunities involving AT's wireless assets; we do not see the rationale for ALLTEL's wireless business to be acquired in the near term. And we believe that there could be limited buyers for the asset.

We believe that it is unlikely that Cingular or T-Mobile would be very motivated to acquire ALLTEL wireless assets due to the different technology platforms (AT 's customer base primarily uses CDMA and Cingular and T-Mobile's subscribers are GSM). We believe that Sprint Nextel would not be interested at the current trading levels given the valuation gap described above. Also, by merging with Nextel, Sprint increased its spectrum position and gained access to Nextel's valuable 850 MHz frequencies, which should improve its coverage.

With regard to Verizon Wireless, we note that it already has a master roaming agreement with ALLTEL that runs through January 2010. We believe that the roaming rates, which are reciprocal, are very cost efficient for both operators. Also, by our estimate AT wireless' 850 MHz market overlap with Verizon Wireless' 850 MHz markets is over 40% thus creating a significant potential divestiture requirement if the two companies were to merge. For these reasons, we don't see why Verizon Wireless would be in such a hurry to acquire ALLTEL. And, it is not clear that Verizon Wireless would have to pay a significant premium to acquire the asset if there are a limited number of potential acquirers.

Finally, we note that there is a glut of new spectrum coming to the market in 2006 (i.e. 90 MHz via AWS auction), which could temper the national carriers' acquisition appetite in the near term.

■ Alltel Corp.

ALLTEL Corp. is a communications services company whose subsidiaries provide wireless, local telephone, long-distance, Internet, and high-speed data services to residential and business customers in 36 states. ALLTEL completed its acquisition of Western Wireless in a $6 billion transaction on August 1, 2005. ALLTEL has approximately 30 MHz of spectrum in its territories, covering 76.4 million licensed POPs and 10.5 million subscribers.

■ Statement of Risk

Our price target for ATLLTEL assumes the successful integration of the Western Wireless merger and Cingular divestitures. Additionally, ALLTEL intends to divest all of its international assets by the end of the first quarter of 2006. A major disruption in operations due to these activities could impact our valuation.

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UBS Investment Research: Global Equity Ratings Definitions and Allocations

UBS rating	Definition	UBS rating	Definition	Rating category	Coverage[1]	IB services[2]
Buy 1	FSR is > 10% above the MRA, higher degree of predictability	**Buy 2**	FSR is > 10% above the MRA, lower degree of predictability	**Buy**	37%	35%
Neutral 1	FSR is between -10% and 10% of the MRA, higher degree of predictability	**Neutral 2**	FSR is between -10% and 10% of the MRA, lower degree of predictability	**Hold/Neutral**	50%	32%
Reduce 1	FSR is > 10% below the MRA, higher degree of predictability	**Reduce 2**	FSR is > 10% below the MRA, lower degree of predictability	**Sell**	13%	28%

1: Percentage of companies under coverage globally within this rating category.

2: Percentage of companies within this rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS; as of 30 September 2005.

KEY DEFINITIONS

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.
Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (an approximation of the equity risk premium).
Predictability Level The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities.
Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.
Rating/Return Divergence (RRD) This qualifier is automatically appended to the rating when stock price movement has caused the prevailing rating to differ from that which would be assigned according to the rating system and will be removed when there is no longer a divergence, either through market movement or analyst intervention.

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US Closed-End Fund ratings and definitions are: Buy: Higher stability of principal and higher stability of dividends; Neutral: Potential loss of principal, stability of dividend; Reduce: High potential for loss of principal and dividend risk.
UK and European Investment Fund ratings and definitions are: Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Reduce: Negative on factors such as structure, management, performance record, discount.
Core Banding Exceptions (CBE): Exceptions to the standard +/-10% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned table in the relevant research piece.

Companies mentioned

Company Name	Reuters	Rating	Price	Price date/time
Alltel Corp.[8,18]	AT.N	Neutral 1	US$65.88	09 Dec 2005 19:40 EST
Sprint Nextel[2,3,4,6,7,8,18,25]	S.N	Buy 2	US$24.90	09 Dec 2005 19:40 EST

Source: UBS. EST: Eastern standard time.

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3. UBS Securities LLC is acting as advisor to Alamosa PCS on its announced agreement to be acquired by Sprint Nextel.
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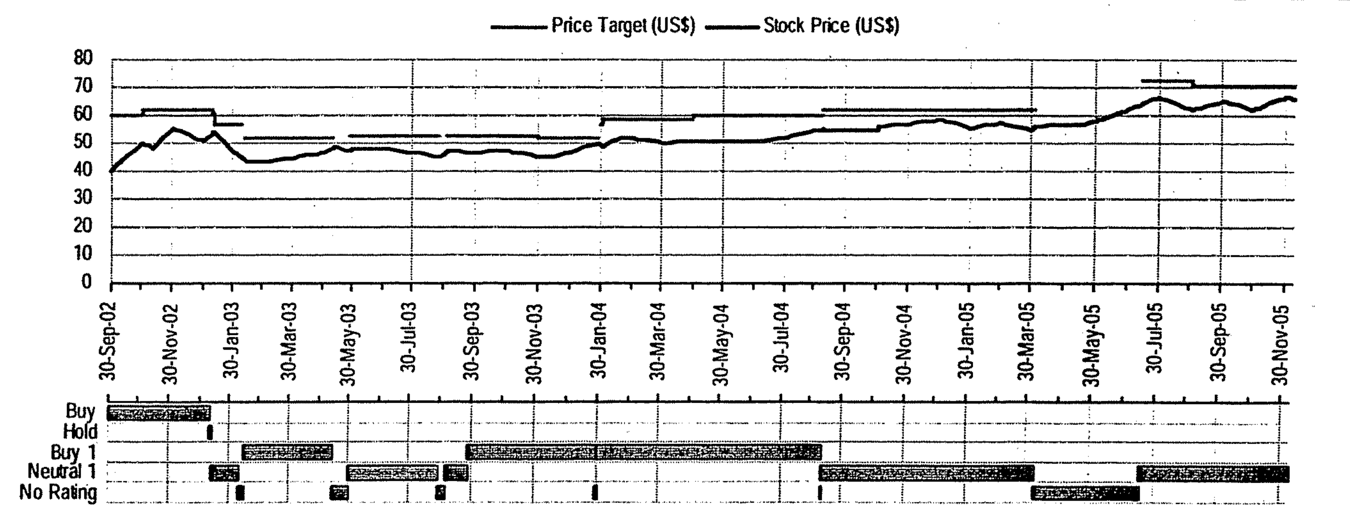
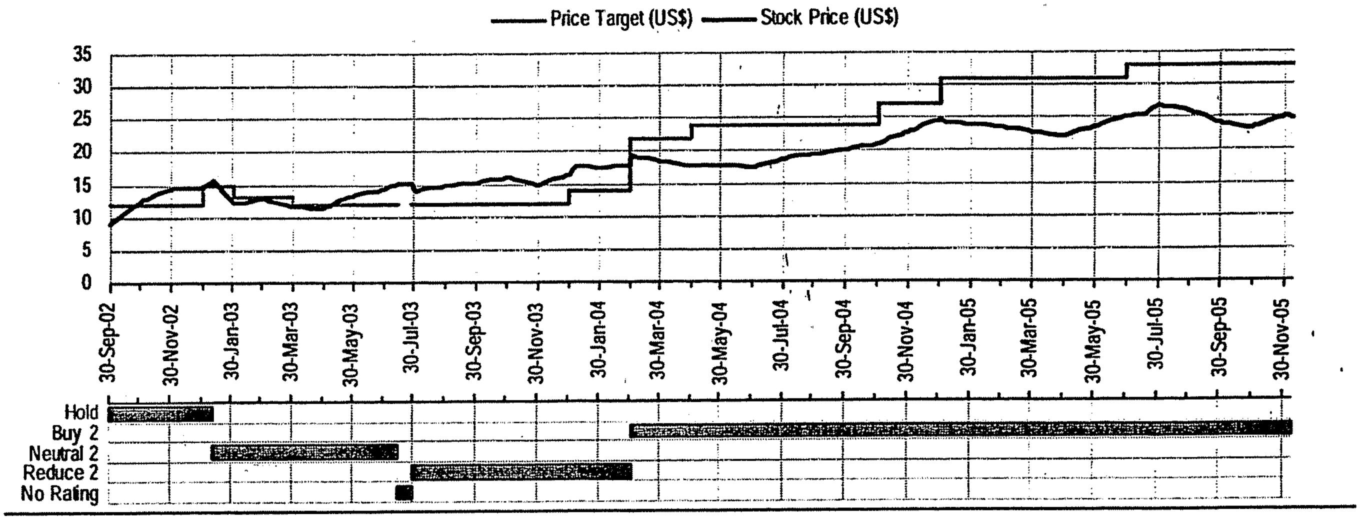
Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Alltel Corp. (US$)



Sprint Nextel Corporation (US$)



Source: UBS; as of 9 December 2005.

Note: On October 13, 2003, UBS adopted new definition criteria for its rating system. (See 'UBS Investment Research: Global Equity Ratings Definitions and Allocations' table for details.) Between January 11 and October 12, 2003, the UBS ratings and their definitions were: Buy 1: Excess return potential > 15%, smaller range around price target; Buy 2: Excess return potential > 15%, larger range around price target; Neutral 1: Excess return potential between -15% and 15%, smaller range around price target; Neutral 2: Excess return potential between -15% and 15%, larger range around price target; Reduce 1: Excess return potential < -15%, smaller range around price target; Reduce 2: Excess return potential < -15%, larger range around price target. Prior to January 11, 2003, the UBS ratings and definitions were: Strong Buy: Greater than 20% excess return potential, high degree of confidence; Buy: Positive excess return potential; Hold: Low excess return potential, low degree of confidence; Reduce: Negative excess return potential; Sell: Greater than 20% negative excess return potential, high degree of confidence. Under both ratings systems, excess return is defined as the difference between the FSR and the one-year local market interest rate.

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December 9, 2005

Stock Rating
Overweight
Industry View
Cautious

Alltel Corporation

Wireline Spin In Line with Expectations, Despite Surprise Suitor

Conclusion: Alltel's plan to divest its wireline business is generally in line with expectations, although we were surprised to see Valor as the partner. The valuation was within the range of comparable transactions. The focus now turns to the future prospects of the wireless business as the industry slows down, but also consolidates rapidly.

What's New: Alltel announced that shareholders will receive 1.05 shares of Valor stock (Ticker: VCG) for each Alltel share they currently own, the deal is expected to close next summer. Alltel is injecting its wireline business into Valor in return for some 85% of the equity, and management & board control. Valor was chosen due to its geographic fit, and systems compatibility. The new company will pay a $1 dividend for an implied dividend yield of some 8%, and will have debt to EBITDA of about 3.2 times. Alltel will focus on its wireless business, and will have a $3bn buyback program over the next two years. The wireless business will pay a modest 1% dividend yield and is targeting leverage of one times debt to EBITDA.

Implications: ***(1) Transaction generally in line with expectations*** — Alltel had indicated several months ago that a reverse merger with an RLEC was the most likely outcome. The biggest surprise was that Valor was the partner, and that Alltel management remained in control. In effect, Alltel is spinning its wireline division off via Valor, rather than selling its business to another RLEC. This may have reduced the multiple and synergies opportunities available to shareholders, although we would note that spin-offs have a good track record in the market. We had the wireline business in our sum of the parts at 6 times EBITDA; this transaction implies a 6.5 times multiple, in line with other transactions but a discount to some previous press reports and some high yielding RLECs.

(Continues on Page 2)

Key Ratios and Statistics

Reuters: AT.N Bloomberg: AT US
Telecom Services / United States of America

Price target	
Shr price, close (Dec 9, 2005)	
Mkt cap, curr (mm)	$
52-Week Range	$68.18

Fiscal Year (Dec)	2004	2005e	2006e
ModelWare EPS ($)*	3.37	3.49	3.64
Prior ModelWare EPS ($)	-	3.49	3.51
Consensus EPS ($)	3.37	3.46	3.62
EV/EBITDA	6.8	7.7	6.7
P/E	17.5	18.9	18.1
Div yld (%)	2.6	2.3	2.4
FCF yld ratio (%)	6.8	6.4	4.3

* = Please see explanation of Morgan Stanley ModelWare later in this not
e = Morgan Stanley Research estimates

Quarterly ModelWare EPS

Quarter	2004	2005e Prior	2005e Current	2006e Prior	C
Q1	0.71	-	0.84a	-	
Q2	0.85	-	0.90a	-	
Q3	0.92	-	0.90a	-	
Q4	0.89	0.84	0.84	-	

a = Actual company reported data

(2) Modest upside to our AT target without M&A – Our $69 target offers 5% upside from current levels, and is based on a 7-7.5 times a 2006 wireless EBITDA multiple. Significant upside to our target would come from earnings surprises, or the potential for a bid to acquire Alltel Wireless. We are concerned about the maturing of the wireless industry as penetration rises, as well as a clear share shift from regional to national carriers. We will be watching to see how the wireless company uses its balance sheet and cash flow beyond the $3 bn share buyback program.

(3) Good news for RLEC investors – Alltel (and several senior AT executives joining the spin-off) is sending a positive message about the future of the rural wireline business. They are willing to commit to a 65-70% free cash flow payout with reasonable leverage, implying confidence in the sustainability of the cash flows. Shareholders of CenturyTel and Citizens are likely to be relieved that they are not facing a potentially dilutive transaction, so an overhang is removed, although Verizon may sell a few million rural lines next year. Pressure will again build on CenturyTel to consider a substantial dividend increase.

Changes to our estimates. We adjusting our EPS estimates based on changes to our wireless revenue and EBITDA forecasts. Our numbers currently exclude Alltel's acquisition of Midwest Wireless for $1.08bn, which is expected to close in 1H06. Midwest Wireless is expected to generate $250mn of revenues and over $100mn of EBITDA this year. Our new EPS estimates are $3.64 in 2006, and $3.68 in 2007.

Maintain Overweight rating on Alltel within our Cautious industry view. Alltel's dividend yield, strong balance sheet and potential stock buyback program remain attractive characteristics. The wireless segment has produced good results but execution is key to a successful integration with Western Wireless. Our $69 target is based on our sum-of the-parts analysis and offers 5% upside from current levels. For our sum-of-the-parts analysis, we use 2006 EBITDA multiples of 7-7.5 times for the wireless segment and 6.5 times for the wireline segment. Significant upside to our price target would come from earnings surprises or the potential for a bid to acquire Alltel Wireless. Risks to our price target include competition from national carriers, weak demand, changes to regulation, and potential acquisitions.

Company Description

Based in Little Rock, Arkansas, Alltel provides wireless, local telephone, long-distance, Internet and high-speed data services to more than 15 million customers in 36 states. The company recently completed its $6.5 billion merger with Western Wireless Corporation.

Industry View: Cautious

With recent underperformance, stocks discount a more bearish outlook and could rebound, particularly during the historically strong fourth quarter. Longer-term we remain concerned 2006 estimates are too high and line losses will accelerate with increased cost and capex pressures, while wireless growth is set to slow. We would become more interested in operators undergoing restructuring or becoming more shareholder friendly.

GICS Sector: Telecom Services

Strategist's Recommended Weight: 2.1%
S&P 500 Weight: 3.1%

Exhibit 1

Alltel Sum-of-the-Parts Valuation

2006E

	2006E EBITDA	3-Year Est. Fwd. Growth	Applied Multiple	Implied EV	Per 2006E Share
AT Wireline	$1,378	(0.8%)	6.5x	$8,958	$23
AT Wireless + WWCA Domestic	2,722	3.4%	7.0x	19,053	49
AT Other	66	NM	6.5x	426	1
Total Enterprise Value	$4,166			$28,437	$74
Less Debt & Preferred Stock					
AT/WWCA Combined Total Debt & Preferred Stock			2006E	($5,443)	($14)
Plus Cash & Equivalents					
AT/WWCA Combined Cash & Equivalents			2006E	2,659	7
Plus Estimated Synergies				800	2
Total Equity Value			2006E	$26,453	$69
Current Price					$66
Upside/(Downside) to Current Price					*4.0%*
Shares Outstanding					
AT Diluted Shares			2006E	386.1	

	2005E	2006E	2007E	2008E	2009E	2010E
Implied EV/EBITDA multiple	7.3x	6.8x	6.7x	6.6x	6.4x	6.3x

AT Wireless/WWCA Wireless- Domestic Applied Multiple

	$68.5	6.50x	7.00x	7.50x	8.00x	8.50x
	4.50x	$57.9	$61.4	$64.9	$68.4	$72.0
AT Wireline	5.00x	$59.6	$63.2	$66.7	$70.2	$73.7
Applied Multiple	5.50x	$61.4	$65.0	$68.5	$72.0	$75.5
	6.00x	$63.2	$66.7	$70.3	$73.8	$77.3
	6.50x	$65.0	$68.5	$72.0	$75.6	$79.1
	7.00x	$66.8	$70.3	$73.8	$77.4	$80.9
	7.50x	$68.6	$72.1	$75.6	$79.1	$82.7
	8.00x	$70.4	$73.9	$77.4	$80.9	$84.5
	8.50x	$72.1	$75.7	$79.2	$82.7	$86.2

Upside Case: Other corporate actions

Price Target

Source: Company data, Morgan Stanley Research

Pro forma for Alltel Wireless and Western Wireless's domestic business. However, our 3Q05 estimates only include two thirds of Western's domestic results since the transaction closed on August 1, 2005. Note that Western Wireless did not report full operating results for 2Q05.

Exhibit 2

Pro Forma Alltel Wireless/WWCA Domestic Income Statement and Performance Statistics

Calendar Year Ending Dec. 31	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05E	2005E	2006E
Service Revenues	$1,351	$1,436	$1,499	$1,503	$5,789	$1,525	$1,645	$1,606	$1,685	$6,461	$6,851
Equipment Revenues	83	84	91	89	347	93	99	102	109	402	434
Total Revenues	$1,434	$1,521	$1,590	$1,592	$6,136	$1,617	$1,743	$1,708	$1,794	$6,863	$7,285
Year-over-Year Growth	8%	6%	6%	10%	8%	13%	15%	7%	13%	12%	6%
Cost of Services	$399	$428	$453	$453	$1,732	$453	$507	$515	$507	$1,982	$2,045
Service Gross Margin	70.5%	70.2%	69.8%	69.9%	70.1%	70.3%	69.2%	67.9%	69.9%	69.3%	70.2%
Cost of Equipment Sold	167	161	165	179	672	174	176	180	195	725	730
Equipment Gross Margin	-101.1%	-90.4%	-82.7%	-101.0%	-93.7%	-88.0%	-78.0%	-76.5%	-79.2%	-80.3%	-68.2%
S,G&A	375	375	383	403	1,535	417	426	380	455	1,678	1,788
% of Service Revenue	27.7%	26.1%	25.6%	26.8%	26.5%	27.4%	25.9%	23.6%	27.0%	26.0%	26.1%
Total Expenses	$941	$963	$1,001	$1,034	$3,939	$1,045	$1,108	$1,075	$1,157	$4,385	$4,563
EBITDA	$493	$558	$589	$557	$2,197	$573	$635	$634	$637	$2,478	$2,722
EBITDA Margin on Service	36.5%	38.8%	39.3%	37.1%	37.9%	37.6%	38.6%	39.5%	37.8%	38.4%	39.7%
Year-over-Year Growth	0%	5%	7%	9%	5%	16%	14%	8%	14%	13%	10%
Depreciation & Amortization	$217	$223	$230	$239	$909	$248	$259	$258	$258	$1,022	1,033
Dep & Amort. / Service Rev.	16.1%	15.5%	15.4%	15.9%	15.7%	16.3%	15.7%	16.1%	15.3%	15.8%	15.1%
Operating Income	$276	$335	$358	$319	$1,288	$325	$376	$376	$379	$1,456	$1,688
Operating Margin	19.3%	22.0%	22.5%	20.0%	21.0%	20.1%	21.6%	22.0%	21.1%	21.2%	23.2%

Performance Statistics

Fiscal Year Ending December 31	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05E	2005E	2006E
Total Subscribers	9,494	9,661	9,754	10,022	10,022	10,255	10,404	10,425	10,575	10,575	11,035
Net Adds	181	166	93	268	708	233	148	21	150	553	460
ALLTEL Subscribers	8,181	8,336	8,395	8,626	8,626	8,801	9,068				
Net Adds	158	155	58	232	603	175	266				
Western Subscribers - Domestic	1,313	1,324	1,359	1,395	1,395	1,454	1,476				
Net Adds	23	11	35	37	105	59	22				
Gross Adds	837	757	774	913	3,281	849	920	729	906	3,404	3,364
Year-over-Year Growth	-3%	-4%	-5%	11%	0%	1%	22%	-6%	-1%	4%	-1%
Disconnects	657	590	682	644	2,573	615	632	708	756	2,711	2,904
Total Churn Rate	2.3%	2.1%	2.3%	2.2%	2.2%	2.0%	2.0%	2.4%	2.4%	2.2%	2.2%
ARPU	$47.88	$49.99	$51.48	$50.66	$49.57	$50.13	$53.07	$53.78	$53.50	$52.09	$52.84
Year-over-Year Change	1.4%	-0.1%	0.0%	3.0%	0.9%	4.7%	6.2%	4.5%	5.6%	5.1%	1.4%
MOU per Sub per Month	469	516	537	549	518	555	588	614	624	595	643
Year-over-Year Growth	25.6%	25.5%	23.8%	22.3%	24.2%	18.3%	13.9%	14.4%	13.7%	15.0%	8.0%
Avg. Price per Minute	$0.102	$0.097	$0.096	$0.092	$0.096	$0.090	$0.090	$0.088	$0.086	$0.088	$0.082
Year-over-Year Change	-19.3%	-20.4%	-19.3%	-15.8%	-18.8%	-11.5%	-6.8%	-8.7%	-7.1%	-8.6%	-6.1%
Equipment Rev. per Gross Add	$99	$112	$117	$97	$106	$109	$107	$140	$120	$118	$129
Cost per Gross Add (CPGA)	$361	$357	$337	$334	$347	$329	$353	$348	$350	$345	$360
Capital Expenditures	$174	$247	$256	$329	$1,006	$265	$328	$234	$371	$1,198	$1,302
Percent of Service Revenues	12.9%	17.2%	17.1%	21.9%	17.4%	17.4%	20.0%	14.6%	22.0%	18.5%	19.0%

Source: Company data, Morgan Stanley Research

Our Alltel model includes Western Wireless's domestic results from 3Q05 onwards. Our 3Q05 estimates only include two thirds of Western's domestic results since the transaction closed on August 1, 2005.

Exhibit 3

Alltel Quarterly Income Statement

(millions $)	1Q04	2Q04	3Q04	4Q04	2004	1Q05	2Q05	3Q05	4Q05E	2005E
CONSOLIDATED INCOME STATEMENT										
Revenue										
Wireless	1,184	1,253	1,314	1,327	5,078	1,352	1,455	1,708	1,794	6,310
% growth	*6.9%*	*4.8%*	*6.5%*	*11.3%*	*7.4%*	*14.1%*	*16.1%*	*30.0%*	*35.2%*	*24.3%*
Wireline	599	610	603	608	2,420	594	595	592	595	2,376
% growth	*-1.5%*	*0.6%*	*-0.4%*	*-1.3%*	*-0.7%*	*-1.0%*	*-2.4%*	*-1.8%*	*-2.0%*	*-1.8%*
Communications Support Services	219	229	227	248	924	225	261	263	268	1,018
% growth	*-2.7%*	*-5.6%*	*-6.9%*	*0.5%*	*-3.7%*	*2.6%*	*14.0%*	*15.9%*	*8.0%*	*10.1%*
Intercompany Eliminations	(42)	(50)	(41)	(43)	(176)	(44)	(52)	(45)	(46)	(187)
% growth	*16.2%*	*45.5%*	*26.4%*	*5.0%*	*22.3%*	*6.1%*	*3.4%*	*9.9%*	*7.0%*	*6.4%*
Total revenue	**1,961**	**2,042**	**2,103**	**2,140**	**8,246**	**2,126**	**2,260**	**2,519**	**2,611**	**9,517**
% growth	*2.9%*	*1.6%*	*2.6%*	*6.3%*	*3.3%*	*8.4%*	*10.7%*	*19.8%*	*22.0%*	*15.4%*
Costs and Expenses:										
Operations	936	957	998	1,007	3,898	1,014	1,081	1,180	1,247	4,523
% growth	*4.2%*	*2.0%*	*2.0%*	*5.3%*	*3.4%*	*8.3%*	*13.0%*	*18.3%*	*23.8%*	*16.0%*
Cost of products sold	257	256	263	300	1,076	282	308	344	364	1,298
% growth	*8.2%*	*-5.6%*	*-3.6%*	*14.3%*	*3.1%*	*9.5%*	*20.3%*	*30.9%*	*21.6%*	*20.7%*
Depreciation and amortization	321	321	325	333	1,300	341	348	389	397	1,476
% growth	*5.9%*	*3.4%*	*4.0%*	*3.5%*	*4.2%*	*6.2%*	*8.5%*	*19.8%*	*19.5%*	*13.6%*
Total costs and expenses	**1,515**	**1,534**	**1,585**	**1,639**	**6,274**	**1,637**	**1,738**	**1,913**	**2,009**	**7,297**
% growth	*5.2%*	*0.9%*	*1.4%*	*6.5%*	*3.5%*	*8.1%*	*13.3%*	*20.7%*	*22.5%*	*16.3%*
EBITDA	**768**	**829**	**842**	**833**	**3,272**	**830**	**871**	**995**	**1,000**	**3,696**
% growth	*-0.2%*	*3.5%*	*5.4%*	*4.7%*	*3.4%*	*8.1%*	*5.0%*	*18.1%*	*20.1%*	*13.0%*
% revenue	*39.2%*	*40.6%*	*40.1%*	*38.9%*	*39.7%*	*39.1%*	*38.5%*	*39.5%*	*38.3%*	*38.8%*
Operating Income	**447**	**508**	**518**	**500**	**1,973**	**489**	**522**	**606**	**603**	**2,220**
% growth	*-4.2%*	*3.6%*	*6.4%*	*5.6%*	*2.9%*	*9.5%*	*2.8%*	*17.0%*	*20.5%*	*12.6%*
% revenue	*22.8%*	*24.9%*	*24.6%*	*23.4%*	*23.9%*	*23.0%*	*23.1%*	*24.1%*	*23.1%*	*23.3%*
Equity earnings in unconsolidated partnershi	13	16	24	15	68	11	15	10	12	49
% growth	*-24.3%*	*-4.6%*	*76.6%*	*-8.7%*	*6.4%*	*-18.9%*	*-4.5%*	*-57.1%*	*-17.1%*	*-28.8%*
Minority interest in consolidated partnerships	(16)	(22)	(24)	(19)	(80)	(18)	(19)	(21)	(21)	(79)
% growth	*-12.7%*	*1.2%*	*6.1%*	*12.5%*	*1.9%*	*17.8%*	*-12.6%*	*-13.0%*	*10.9%*	*-1.2%*
Other income, net	5	3	16	11	35	10	8	22	16	56
% growth	*932.0%*	*-20.9%*	*361.6%*	*215.9%*	*211.7%*	*110.3%*	*177.4%*	*42.6%*	*37.9%*	*61.4%*
Interest expense	(92)	(87)	(87)	(88)	(352)	(87)	(76)	(83)	(89)	(336)
% growth	*-11.3%*	*-7.2%*	*-4.9%*	*-3.7%*	*-6.9%*	*-5.5%*	*-11.8%*	*-3.8%*	*1.9%*	*-4.8%*
Interest income	-	-	-	-	-	-	-	-	6	6
% growth	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Income before income taxes	**357**	**418**	**447**	**420**	**1,643**	**404**	**450**	**535**	**527**	**1,916**
% growth	*-1.6%*	*5.7%*	*14.6%*	*8.8%*	*7.0%*	*13.3%*	*7.6%*	*19.5%*	*25.4%*	*16.6%*
Income taxes	136	156	163	150	605	149	166	204	201	719
% growth	*0.4%*	*11.7%*	*10.6%*	*-5.2%*	*4.2%*	*10.0%*	*6.6%*	*24.6%*	*33.8%*	*19.0%*
Implied tax rate	*38.0%*	*37.3%*	*36.5%*	*35.7%*	*36.8%*	*36.9%*	*36.9%*	*38.1%*	*38.1%*	*37.6%*
Net income	**221**	**263**	**284**	**270**	**1,038**	**255**	**284**	**331**	**326**	**1,196**
% growth	*-2.7%*	*2.4%*	*17.0%*	*18.5%*	*8.8%*	*15.3%*	*8.2%*	*16.6%*	*20.7%*	*15.3%*
% revenue	*11.3%*	*12.9%*	*13.5%*	*12.6%*	*12.6%*	*12.0%*	*12.6%*	*13.1%*	*12.5%*	*12.6%*
Preferred dividends	0.027	0.026	0.025	0.025	0.103	0.024	0.024	0.024	0.024	0.096
Net income applicable to common shar	**221**	**263**	**284**	**270**	**1,038**	**255**	**284**	**331**	**326**	**1,196**
Basic EPS	0.71	0.85	0.93	0.89	3.38	0.84	0.90	0.91	0.85	3.51
% growth	*-2.8%*	*3.5%*	*19.0%*	*22.2%*	*10.3%*	*18.8%*	*6.0%*	*-1.6%*	*-4.6%*	*3.9%*
Diluted EPS	**$ 0.71**	**$ 0.85**	**$ 0.92**	**$ 0.89**	**$ 3.37**	**$ 0.84**	**$ 0.90**	**$ 0.90**	**$ 0.84**	**$ 3.49**
% growth	*-2.7%*	*3.6%*	*18.9%*	*22.1%*	*10.3%*	*18.7%*	*5.9%*	*-2.2%*	*-5.0%*	*3.5%*
Diluted weighted average shares	312.5	309.1	307.8	304.1	308.3	303.5	315.8	367.8	387.2	343.6
% growth	*0.0%*	*-1.1%*	*-1.6%*	*-2.9%*	*-1.4%*	*-2.9%*	*2.2%*	*19.5%*	*27.3%*	*11.4%*

Source: Company data, Morgan Stanley Research

Our Alltel model includes Western Wireless's domestic results from 3Q05 onwards. Our 3Q05 estimates only include two thirds of Western's domestic results since the transaction closed on August 1, 2005.

Exhibit 4

Alltel Annual Income Statement

(millions $)	2003	2004	2005E	2006E	2007E	2008E	2009E	2010E	2011E	'05-'11 CA
CONSOLIDATED INCOME STATEMENT										
Revenue										
Wireless	4,728	5,078	6,310	7,285	7,661	7,989	8,293	8,565	8,780	5.
% growth	*13.7%*	*7.4%*	*24.3%*	*15.5%*	*5.2%*	*4.3%*	*3.8%*	*3.3%*	*2.5%*	
Wireline	2,436	2,420	2,376	2,359	2,338	2,319	2,302	2,287	2,273	-0.
% growth	*11.8%*	*-0.7%*	*-1.8%*	*-0.8%*	*-0.9%*	*-0.8%*	*-0.7%*	*-0.7%*	*-0.6%*	
Communications Support Services	959	924	1,018	1,023	1,017	1,015	1,012	1,010	1,007	-0.
% growth	*3.6%*	*-3.7%*	*10.1%*	*0.5%*	*-0.5%*	*-0.2%*	*-0.2%*	*-0.2%*	*-0.2%*	
Intercompany Eliminations	(144)	(176)	(187)	(199)	(212)	(225)	(240)	(255)	(271)	6.
% growth	*-6.3%*	*22.3%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	*6.4%*	
Total revenue	**7,980**	**8,246**	**9,517**	**10,467**	**10,805**	**11,098**	**11,368**	**11,607**	**11,789**	**3.**
% growth	*12.2%*	*3.3%*	*15.4%*	*10.0%*	*3.2%*	*2.7%*	*2.4%*	*2.1%*	*1.6%*	
Costs and Expenses:										
Operations	3,772	3,898	4,523	4,947	5,155	5,327	5,489	5,637	5,741	4.1
% growth	*13.1%*	*3.4%*	*16.0%*	*9.4%*	*4.2%*	*3.3%*	*3.1%*	*2.7%*	*1.8%*	
Cost of products sold	1,043	1,076	1,298	1,355	1,392	1,431	1,464	1,489	1,499	2.4
% growth	*17.1%*	*3.1%*	*20.7%*	*4.4%*	*2.8%*	*2.7%*	*2.3%*	*1.7%*	*0.7%*	
Depreciation and amortization	1,248	1,300	1,476	1,587	1,663	1,698	1,726	1,745	1,800	3.4
% growth	*13.9%*	*4.2%*	*13.6%*	*7.5%*	*4.8%*	*2.1%*	*1.7%*	*1.1%*	*3.2%*	
Total costs and expenses	**6,063**	**6,274**	**7,297**	**7,889**	**8,210**	**8,455**	**8,679**	**8,870**	**9,040**	**3.6**
% growth	*13.9%*	*3.5%*	*16.3%*	*8.1%*	*4.1%*	*3.0%*	*2.6%*	*2.2%*	*1.9%*	
EBITDA	**3,165**	**3,272**	**3,696**	**4,166**	**4,258**	**4,340**	**4,415**	**4,481**	**4,549**	**3.5**
% growth	*9.7%*	*3.4%*	*13.0%*	*12.7%*	*2.2%*	*1.9%*	*1.7%*	*1.5%*	*1.5%*	
% revenue	*39.7%*	*39.7%*	*38.8%*	*39.8%*	*39.4%*	*39.1%*	*38.8%*	*38.6%*	*38.6%*	
Operating Income	**1,917**	**1,973**	**2,220**	**2,578**	**2,596**	**2,642**	**2,689**	**2,737**	**2,749**	**3.6**
% growth	*7.1%*	*2.9%*	*12.6%*	*16.1%*	*0.7%*	*1.8%*	*1.8%*	*1.8%*	*0.4%*	
% revenue	*24.0%*	*23.9%*	*23.3%*	*24.6%*	*24.0%*	*23.8%*	*23.7%*	*23.6%*	*23.3%*	
Equity earnings in unconsolidated partner	64	68	49	54	55	57	58	60	60	3.6
% growth	*-2.1%*	*6.4%*	*-28.8%*	*10.0%*	*3.2%*	*2.7%*	*2.4%*	*2.1%*	*1.6%*	
Minority interest in consolidated partnersh	(79)	(80)	(79)	(87)	(90)	(92)	(95)	(97)	(98)	3.6
% growth	*7.2%*	*1.9%*	*-1.2%*	*10.0%*	*3.2%*	*2.7%*	*2.4%*	*2.1%*	*1.6%*	
Other income, net	11	35	56	61	63	65	66	68	69	
% growth	*371.0%*	*211.7%*	*61.4%*	*10.0%*	*3.2%*	*2.7%*	*2.4%*	*2.1%*	*1.6%*	
Interest expense	(379)	(352)	(336)	(404)	(428)	(464)	(506)	(552)	(604)	
% growth	*6.6%*	*-6.9%*	*-4.8%*	*20.3%*	*6.1%*	*8.3%*	*9.0%*	*9.3%*	*9.3%*	
Interest income	-	-	6	63	99	135	177	224	276	
% growth	*0.0%*	*0.0%*	*0.0%*	*933.8%*	*56.4%*	*36.0%*	*31.0%*	*26.8%*	*23.4%*	
Income before income taxes	**1,535**	**1,643**	**1,916**	**2,266**	**2,295**	**2,343**	**2,390**	**2,439**	**2,453**	**4.2%**
% growth	*7.4%*	*7.0%*	*16.6%*	*18.3%*	*1.3%*	*2.1%*	*2.0%*	*2.1%*	*0.6%*	
Income taxes	581	605	719	861	872	890	908	927	932	
% growth	*13.8%*	*4.2%*	*19.0%*	*19.7%*	*1.3%*	*2.1%*	*2.0%*	*2.1%*	*0.6%*	
Implied tax rate	*37.8%*	*36.8%*	*37.6%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	
Net income	**955**	**1,038**	**1,196**	**1,405**	**1,423**	**1,453**	**1,482**	**1,512**	**1,521**	
% growth	*3.9%*	*8.8%*	*15.3%*	*17.4%*	*1.3%*	*2.1%*	*2.0%*	*2.1%*	*0.6%*	
% revenue	*12.0%*	*12.6%*	*12.6%*	*13.4%*	*13.2%*	*13.1%*	*13.0%*	*13.0%*	*12.9%*	
Preferred dividends	0.111	0.103	0.096	0.096	0.096	0.096	0.096	0.096	0.096	
Net income applicable to common sh	**954**	**1,038**	**1,196**	**1,405**	**1,423**	**1,452**	**1,482**	**1,512**	**1,521**	
Basic EPS	3.06	3.38	3.51	3.66	3.71	3.78	3.85	3.92	3.93	
% growth	*3.6%*	*10.3%*	*3.9%*	*4.4%*	*1.1%*	*1.9%*	*1.8%*	*1.9%*	*0.4%*	
Diluted EPS	**$ 3.05**	**$ 3.37**	**$ 3.49**	**$ 3.64**	**$ 3.68**	**$ 3.75**	**$ 3.82**	**$ 3.89**	**$ 3.91**	**1.9%**
% growth	*3.7%*	*10.3%*	*3.5%*	*4.5%*	*1.1%*	*1.9%*	*1.8%*	*1.9%*	*0.4%*	
Diluted weighted average shares	312.8	308.3	343.6	386.1	386.7	387.3	388.0	388.7	389.4	
% growth	*0.1%*	*-1.4%*	*11.4%*	*12.4%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	

Source: Company data, Morgan Stanley Research

Morgan Stanley
ModelWare℠

ModelWare is Morgan Stanley's new system for helping investors and analysts to uncover value, free from the distortions and ambiguities created by accounting data. Morgan Stanley has dissected and fundamentally redefined the components of corporate valuation, giving clients more consistent definitions, more comparable data, and more flexible analytic tools. ModelWare makes investment insights easier by making value more visible.

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Global Stock Ratings Distribution

(as of November 30, 2005)

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	Coverage Universe		Investment Banking Clients (IBC)		
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category
Overweight/Buy	**740**	**36%**	**274**	**40%**	**37%**
Equal-weight/Hold	**940**	**45%**	**324**	**47%**	**34%**
Underweight/Sell	**386**	**19%**	**91**	**13%**	**24%**
Total	**2,066**		**689**		

Data include common stock and ADRs currently assigned ratings. An investor's decision to buy or sell a stock should depend on individual circumstances (such as the investor's existing holdings) and other considerations. Investment Banking Clients are companies from whom Morgan Stanley or an affiliate received investment banking compensation in the last 12 months.

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Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

More volatile (V). We estimate that this stock has more than a 25% chance of a price move (up or down) of more than 25% in a month, based on a quantitative assessment of historical data, or in the analyst's view, it is likely to become materially more volatile over the next 1-12 months compared with the past three years. Stocks with less than one year of trading history are automatically rated as more volatile (unless otherwise noted). We note that securities that we do not currently consider "more volatile" can still perform in that manner.

Unless otherwise specified, the time frame for price targets included in this report is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Industry Coverage: Telecom Services

Company (Ticker)	Rating (as of)	Price (12/09/2005)
Simon Flannery		
Alltel Corporation (AT.N)	Overweight (07/23/2003)	$65.88
AT&T, Inc. (T.N)	E (08/24/2005)	$24.90
BCE Inc. (BCE.N)	E (09/09/2005)	$23.68
BellSouth Corp. (BLS.N)	E (12/10/2003)	$27.61
CenturyTel (CTL.N)	O (03/18/2002)	$33.05
Cincinnati Bell Inc. (CBB.N)	U (03/18/2002)	$3.78
Citizens Communications (CZN.N)	O (07/13/2004)	$12.69
Commonwealth Telephone (CTCO.O)	E (07/23/2003)	$35.51
FairPoint Communications (FRP.N)	E-V (11/04/2005)	$11.40
Iowa Telecom (IWA.N)	E-V (01/05/2005)	$16.96
MCI Inc. (MCIP.O)	E (05/03/2005)	$19.80
Nextel Partners Inc. (NXTP.O)	++	$26.28
Qwest Communications Int'l (Q.N)	U (03/18/2002)	$5.73
Rogers Communications (RCInvb.TO)	O (04/27/2005)	C$44.50
Sprint Nextel Corporation (S.N)	U (02/24/2004)	$24.90
Telephone & Data Systems (TDS.A)	U (07/23/2003)	$37.15
US Cellular Corporation (USM.A)	E-V (08/13/2003)	$50.32
Verizon Communications (VZ.N)	E (01/19/2005)	$31.08
Vance Edelson		
American Tower Corp. (AMT.N)	O-V (05/12/2005)	$27.48
Crown Castle Corp. (CCI.N)	E (07/13/2004)	$27.57
Global Signal Inc. (GSL.N)	O (06/21/2005)	$43.05
SBA Communications (SBAC.O)	O-V (10/05/2005)	$18.83
TELUS Corp. (TU.N)	O (01/12/2005)	$37.60
Time Warner Telecom Inc. (TWTC.O)	E-V (03/18/2002)	$9.50

Stock Ratings are subject to change. Please see latest research for each company.

citigroup

See page 5 for Analyst Certification and Important Disclosures

ALLTEL Corp. (AT)

BUY (1)
Medium Risk (M)

AT: Alltel To Spin Wireline Assets and Merge with VCG, Reit Buy on AT

Mkt Cap: $24,819 mil.

December 9, 2005

TELECOMMUNICATIONS SERVICES--WIRELESS

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SUMMARY

- Alltel announced that it will spin off its wireline business and other non-wireless assets in a merger with VALOR Communications, creating an $11.2 billion enterprise value RLEC with 3.4 million access lines in its footprint.
- The transaction for AT's local business (including some other non -wireless operations) is valued at $9.1 billion, which is below our base case of at least $10 billion for the local spin, and equates to around 6.5x 2006 EBITDA versus our expectations for over 7x EBITDA.
- Although the transaction valuation for the wireline spin is below our base case expectation, AT announced a $3 billion share buyback program at the wireless Co. for the 2 years following the spin-off, which we view constructively.
- We continue to recommend AT with a Buy rating based on the potential operational improvements at the wireless business and its underlying strategic and financial flexibility following the separation.

FUNDAMENTALS

P/E (12/05E)	18.8x
P/E (12/06E)	18.8x
TEV/EBITDA (12/05E)	7.9x
TEV/EBITDA (12/06E)	6.9x
Book Value/Share (12/05E)	$33.28
Price/Book Value	2.0x
Revenue (12/05E)	$9,506.0 mil.
Proj. Long-Term EPS Growth	6%
ROE (12/05E)	11.8%
Long-Term Debt to Capital(a)	26.7%

AT is in the S&P 500® Index.

(a) Data as of most recent quarter

SHARE DATA

Price (12/8/05)	$64.82
52-Week Range	$67.44-$54.60
Shares Outstanding(a)	382.9 mil.
Div(E) (Cur/Prev)	$1.55/$1.55

RECOMMENDATION

Rating (Cur/Prev)	1M/1M
Target Price (Cur/Prev)	$72.00/$72.00
Expected Share Price Return	11.1%
Expected Dividend Yield	2.4%
Expected Total Return	13.5%

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/04A	Actual	$0.71A	$0.85A	$0.92A	$0.89A	$3.36A
12/05E	Current	$0.84A	$0.90A	$0.90A	$0.82E	$3.46E
	Previous	$0.84A	$0.90A	$0.90A	$0.82E	$3.46E
12/06E	Current	$0.82E	$0.86E	$0.89E	$0.88E	$3.45E
	Previous	$0.82E	$0.86E	$0.89E	$0.88E	$3.45E
12/07E	Current	NA	NA	NA	NA	$3.89E
	Previous	NA	NA	NA	NA	$3.89E

First Call Consensus EPS: 12/05E $3.46; 12/06E $3.62; 12/07E $3.81

OPINION

Alltel announced that it will spin off its wireline business and other non-wireless assets in a merger with VALOR Communications, creating a RLEC with 3.4 million access lines in its footprint. The transaction for Alltel's local business (including some other non -wireless operations) is valued at $9.1 billion, which is below our base case of at least $10 billion for

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the local spin. The transaction value equates to around 6.5x 2006 EBITDA versus our expectations for more than 7x EBITDA. We calculate the total enterprise value of the new merged wireline company to be approximately $11.2 billion, based on VCG's 12/8/05 closing price of $12.24, 474 million pro forma wireline shares, and $5.4 billion in pro forma net debt as indicated from AT's transaction press release.

Although the transaction valuation for the wireline spin is below our base case expectation, Alltel also announced a $3 billion share repurchase program at the wireless company for the two years following the spin-off, which we view constructively. We continue to recommend AT with a Buy rating based on the potential operational improvements at the wireless business within its acquired markets and its underlying strategic and financial flexibility following the separation.

We would highlight the following incremental take aways from the transaction:

- We believe the post-spin wireless business is under-levered at roughly 0.6 times our 2006 wireless EBITDA, implying substantial financial flexibility, and we view the 2 year, $3.0 billion share buyback program constructively;
- Alltel disclosed that Valor was chosen as a merger partner partly because of its complementary footprint and systems, which should facilitate the realization of $40 million in annual synergies;
- Jeffery Gardner, currently executive vice president and chief financial officer of Alltel, will become president and chief executive officer of the new wireline company;
- The wireline business has targeted a 65-70% cash flow payout ratio when setting its dividend of $1.00 per pro forma wireline company share. Combined with its wireless business, the overall dividend to existing AT shareholders is unchanged at $1.55 per share (the wireless business is expected to pay a $0.50 per annum dividend);
- The transaction is expected to close in late spring to early summer during 2006 and the company will host an analyst day in New York on February 1, 2006.
- The combined wireline company valuation is implied at 6.6 times last twelve months (LTM) EBITDA of $1.7 billion, with an implied dividend yield of 8.2% on a net debt leverage ratio of 3.2 times LTM EBITDA. Estimated pro forma shares outstanding is 474 million, with AT shareholders owning roughly 85% of the total. The merger is structured as a Reverse Morris Trust transaction and is anticipated to be tax free by Alltel to Alltel shareholders.

Companies Mentioned

Valor Communications (VCG -- $12.24; Not Rated)

VALUATION

Our 12-month target price on Alltel is $72 per share. Our target price is based the average of three methodologies: P/E, P/FCF, and DCF. The average of our DCF, P/FCF, and P/E analysis derives our target price of $72. We have chosen to equal-weight the methodologies as we find the investment community uses a combination of all three methods to put a price tag on stocks.

We would note the multiple needs to be viewed in the context of forward growth. The RBOCs are considered the best comparables to Alltel with integrated portfolio of telecom assets, positive free cash flow, and a dividend yield of around 2.5%.

Our target price is based on a target P/E multiple of 20x our 2006 consolidated EPS estimate of $3.45, which derives a fair value of $69 per share. Our 20x multiple is above the 15x-17x multiple we apply to the RBOC's given Alltel's higher projected EPS CAGR between 2006-

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2009 of 10.7% compared to an average of 6.3% for the RBOC's. Over the past four years, the RBOCs P/E multiples have ranged from 9x-17x, with a mean and median of approximately 15x. We believe Alltel's implied PEG of 1.87 is reasonable compared to an average of 2.5 for the RBOC's.

Our DCF uses an average WACC of 7.4%, and a terminal growth rate of 2.00% to arrive at a fair value of almost $73 per fully diluted share, compared to our previous estimate of almost $74 per fully diluted share. Our WACC is derived using CAPM with a Beta of around 0.8, a risk-free rate of 5.0% and a market risk premium of 4%.

On a P/FCF basis, we apply an 18x multiple on our 2006 estimate of $4.15 per share, which arrives at a fair value of almost $75 per share. Our 18x multiple is in line with the 17x-18x multiple we apply to the RBOCs given the company's in-line single-digit FCF growth rate of 6.0% from 2006-2009. The RBOCs have had P/FCF multiples in the range of 10x-20x over the last four years with a mean of 15x and a median of 12x.

The simple average of our DCF, P/FCF, and P/E analysis yields an average target price of $72 per share.

Near-term market volatility and short-term trading patterns may cause the Expected Total Return to become temporarily misaligned relative to the hurdle for this stock's fundamental rating, as defined under our current system.

RISKS

We rate Alltel Corporation Medium Risk due to the company's dividend payout ratio of over 40%, interest coverage of around 9x, and relatively low stock price volatility. We have also considered Alltel's revenue outlook, earnings leverage, FCF production, and other qualitative factors.

We believe risks in the near-term could include some drag to headline net add numbers from the integration of the acquired markets, AT may have difficulty in integrating its merger with Valor Communications, and the need for AT to maintain solid organic customer growth as the concentration of competition has increased around the four national carriers. We believe any meaningful change in the ability for Alltel to grow its wireless business or in the ability for the local business to generate solid free cash flow could lead to significant multiple compression when considering the assets on a consolidated basis. Also, Alltel could choose to maintain low financial leverage that would reduce the potential for near term catalysts and/or not fully execute its $3.0 billion share buyback program that could be dilutive to the near term performance of the stock.

There are numerous risks to our thesis that could negatively affect the share price and the ability to attain our target valuation. The risk to Alltel includes the possibility that prepaid subscriber growth substantially exceeds our estimate and leads to a spike in churn. Within such a scenario, Alltel would be challenged to meet our financial estimates. Additionally, we believe Alltel is exposed to macro risks that could slow our forecast for earnings growth such as 1) line stagnation and cannibalization within the wireline business, 2) margin pressure from wireless competition, slower industry growth, and local number portability; and 3) higher costs of capital with rising borrowing rates within the telecom sector.

Alltel also faces regulatory risk associated with their rural carrier status. The rules and regulations governing rural telecom carriers remain somewhat favorable relative to the open access requirements for the major Bell carriers. We believe the subsidization structure within rural lines may fall under greater pressure, while the granting of ETC status to wireless companies will subsidize competition within the rural wireline markets. Alltel could face regulatory risks around the approval process associated with its pending wireline merger with Valor Communications. Additionally, Alltel is exposed to financial and regulatory risks associated with the tax status of its anticipated Reverse Morris Trust spin out of its wireline business separate from and immediately prior to its pending merger with Valor.

Alltel's wireless segment is also exposed to competition in its urban markets, which we believe competitive pressures and growing usage will keep margins relatively flat over the near-term. Also, Alltel's revenue growth is sensitive to the economy. Over the next few quarters, the economy could continue to impact the growth of telecom revenues. Within that context, Alltel's markets are exposed to the same risks but the company garners a higher concentration of revenues from wireless, which is delivering faster growth.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock could have difficulty achieving our target price. On the other hand, we may have overestimated these risk factors and the stock could increase more than we expect.

INVESTMENT THESIS

We rate the shares of Alltel Corporation Buy/Medium Risk (1M). In our view, Alltel remains a well positioned integrated telecommunications service provider with the ability to produce organic earnings and free cash flow growth from its profitable wireless business and its rural wireline operations, which should be better insulated to the competitive dynamics within urban areas. We believe catalysts for the stock will rest with the ability of the wireless business to further improve its growth prospects within the postpaid market, potentially pursue strategic alternatives for its local business, and improve performance of its recently acquired wireless markets.

COMPANY DESCRIPTION

Alltel Corporation (AT) is a diversified telecommunications provider with wireline and wireless operations primarily in the rural areas of the Southeast. The company is one of the largest independent wireline operators in the U.S., providing local telephone, Internet access and other telecommunications services to approximately 2.9 million pro forma access lines. Alltel is the 5th largest wireless carrier (largest independent regional provider) in the country with 10.5 million subscribers. The company also provides long distance services to roughly 3 million retail and business customers.

ANALYST CERTIFICATION

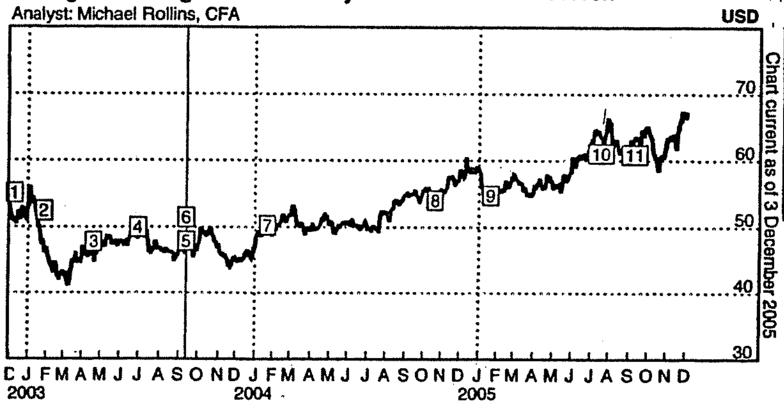
APPENDIX A-1

I, Michael Rollins, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

ALLTEL Corp. (AT)

Ratings and Target Price History - Fundamental Research
Analyst: Michael Rollins, CFA



#	Date	Rating	Target Price	Closing Price
1:	9 Dec 02	1M	*54.00	50.80
2:	29 Jan 03	1M	*52.00	47.60
3:	21 Apr 03	*2M	*48.00	46.09
4:	30 Jun 03	2M	*49.00	48.22
5:	12 Sep 03	Stock rating system changed		
6:	12 Sep 03	*2M	*49.00	47.05
7:	23 Jan 04	2M	*53.00	49.47
8:	21 Oct 04	2M	*56.00	54.81
9:	21 Jan 05	2M	*59.00	55.39
10:	19 Jul 05	2M	*69.00	63.54
11:	12 Sep 05	*1M	*72.00	63.15

*Indicates change.

——— Covered
······· Not covered

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Citigroup Investment Research Ratings Distribution

Data current as of 30 September 2005	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (2650)	41%	42%	18%
% of companies in each rating category that are investment banking clients	48%	47%	32%
Telecommunications Services--Wireless -- North America (8)	25%	63%	13%
% of companies in each rating category that are investment banking clients	100%	40%	0%

Guide to Fundamental Research Investment Ratings:
Citigroup Investment Research's stock recommendations include a risk rating and an investment rating.
Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).
Investment ratings are a function of Citigroup Investment Research's expectation of total return (forecast price appreciation and

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dividend yield within the next 12 months) and risk rating.
For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return).
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Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

ALLTEL Corp. (AT)

Wireline valuation matches our estimate; implies wireles at 7.4X '06 EV/EBITDA

The Goldman Sachs Group, Inc.

December 9, 2005

In-Line/Neutral

United States

Telecom Services

Telecom Services

Stock data

Price	$64.82
52-week range	$67.44 - 54.60
Dividend yield	2.4%

Capitalization

Market cap	$23,571 mn
Enterprise value	$27,484 mn
Net debt/equity	29.9%
Shares outstanding	363.6 mn

Price performance (%)

	1M	3M	12M
Absolute	2.4	3.2	13.2
Rel to S&P 500	(0.7)	1.2	7.0

AT announced today a spin/merge of its wireline business with VALOR Communications Group. 3Q earnings note (October 24th), we estimated base case valuation for the wireline business of $ bn, or a 6.4X '06 EV/EBITDA multiple. Based on VALOR's stock price, and the ownership ratios, exactly the implied valuation in today's announcement. This should be viewed as somewhat posi AT shares, as it adds more certainty around a strategic move which unlocks value. However, the remaining wireless business has an implied valuation of 7.4X EV/EBITDA, which is much more expensive than S (5.5X EV/EBITDA), our top pick. Hence, we continue to rate AT In Line. This announcement is most likely a positive for CZN (IL/N) as it removes the possibility of participation deal, a move which might have put at risk CZN's ability to sustain the current dividend level.

Forecasts and valuation

Fiscal year ended	EPS $	P/E X	Revenue $ mn	EBITDA $ mn	EV/EBITI X
12/03A	3.18	20.4	7,980	3,165	
12/04A	3.37	19.3	8,246	3,272	
12/05E	3.41	19.0	9,490	3,681	
12/06E	3.37	19.2	10,390	4,019	
12/07E	3.60	18.0	10,574	4,120	

EPS	Fiscal year ended 12/04A	Fiscal year ended 12/05E		Fiscal year ended 12/06E	
		New	Old	New	Old
1Q	$0.71	$0.82A	unch	$0.79	[illegible]
2Q	$0.85	$0.88A	unch	$0.85	[illegible]
3Q	$0.92	$0.89A	unch	$0.88	[illegible]
4Q	$0.89	$0.81	unch	$0.85	[illegible]
Full year	$3.37	$3.41	unch	$3.37	[illegible]

Source: Company data, Goldman Sachs Research estimates

I, Jason Armstrong, CFA, hereby certify that all of the views expressed in this report accurately refle my personal views about the subject company or companies and its or their securities. I also certify no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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APPENDIX 1: DISCLOSURES

Coverage group(s) of stocks by primary analyst(s)

Jason Armstrong, CFA: America-Wireline Services.

America-Wireline Services: ALLTEL Corp., AT&T Inc., BellSouth Corp., CenturyTel Inc., Cincinnati Bell Inc., Citizens Communications, Commonwealth Enterprises, FairPoint Communications, Inc., Level 3 Communications, Inc., MCI, Inc., Qwest Communications Intl., Sprint Nextel Corp., Verizon Communications.

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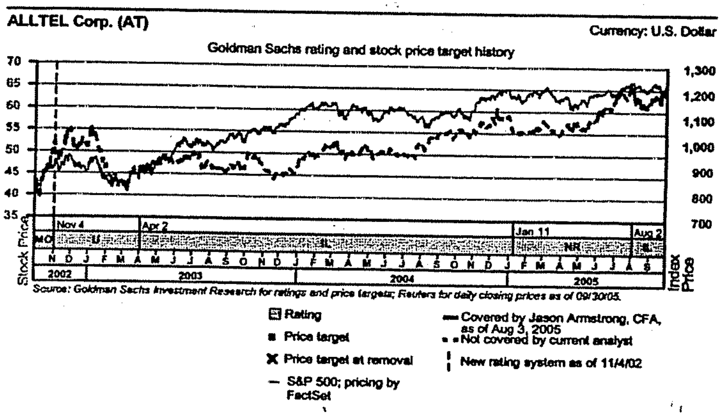
Goldman Sachs Investment Research global coverage universe

	Rating Distribution			Investment Banking Relationships		
	OP/Buy	IL/Hold	U/Sell	OP/Buy	IL/Hold	U/Sell
Global	24%	60%	16%	58%	53%	45%

As of October 1, 2005, Goldman Sachs Global Investment Research had investment ratings on 1,874 equity securities. Goldman Sachs uses three ratings relative to each analyst's coverage universe - Outperform, In-Line, and Underperform. See "Ratings, Coverage Views and related definitions" below. NASD/NYSE rules require a member to disclose the percentage of its rated securities to which the member would assign a buy, hold, or sell rating if such a system were used. Although relative ratings do not correlate to buy, hold, and sell ratings across all rated securities, for purposes of the NASD/NYSE rules, Goldman Sachs has determined the indicated percentages by assigning buy ratings to securities rated Outperform, hold ratings to securities rated In-Line, a sell ratings to securities rated Underperform, without regard to the coverage views of analysts.

Price target and rating history chart(s)



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Ratings, coverage views, and related definitions

Our rating system requires that analysts rank order the stocks in their coverage groups and assign one of three investment ratings (see definitions below) within a ratings distribution guideline of no more than 25% of the stocks should be rated Outperform and no fewer than 10% rated Underperform. The analy assigns one of three coverage views (see definitions below), which represents the analyst's investment outlook on the coverage group relative to the group' historical fundamentals and valuation. Each coverage group, listing all stocks covered in that group, is available by primary analyst, stock and coverage gro at http://www.gs.com/research/hedge.html.

Definitions

Outperform (OP). We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months.
In-Line (IL). We expect this stock to perform in line with the median total return for the analyst's coverage universe over the next 12 months.
Underperform (U). We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.
Not Rated (NR). The investment rating and target price, if any, have been removed pursuant to Goldman Sachs policy when Goldman Sachs is acting in an advisc capacity in a merger or strategic transaction involving this company and in certain other circumstances.
Rating Suspended (RS). Goldman Sachs Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and

should not be relied upon.
Coverage Suspended (CS). Goldman Sachs has suspended coverage of this company.
Not Covered (NC). Goldman Sachs does not cover this company.
Not Available or Not Applicable (NA). The information is not available for display or is not applicable.
Not Meaningful (NM). The information is not meaningful and is therefore excluded.

Coverage views: Attractive (A). The investment outlook over the following 12 months is favorable relative to the coverage group's historical fundamentals and/ valuation. **Neutral (N).** The investment outlook over the following 12 months is neutral relative to the coverage group's historical fundamentals and/or valuation. **Cautious (C).** The investment outlook over the following 12 months is unfavorable relative to the coverage group's historical fundamentals and/or valuation.

Current Investment List (CIL). We expect stocks on this list to provide an absolute total return of approximately 15%-20% over the next 12 months. We only as this designation to stocks rated Outperform. We require a 12-month price target for stocks with this designation. Each stock on the CIL will **automatically co** the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

Ratings definitions prior to November 4, 2002

RL = Recommended List. Expected to provide price gains of at least 10 percentage points greater than the market over the next 6-18 months. **LL = Latin Americ Recommended List.** Expected to provide price gains at least 10 percentage points greater than the Latin America MSCI Index over the next 6-18 months. **TB = Trading Buy.** Expected to provide price gains of at least 20 percentage points sometime in the next 6-9 months. **MO = Market Outperformer.** Expe provide price gains of at least 5-10 percentage points greater than the market over the next 6-18 months. **MP = Market Performer.** Expected to provide price ga similar to the market over the next 6-18 months. **MU = Market Underperformer.** Expected to provide price gains of at least 5 percentage points less than the ma over the next 6-18 months.

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December 9, 2005

Prudential Equity Group, LLC

Telecommunications

Telecom Services

AT: SPINS WIRELINE BUSINESS INTO VALOR COMMUNICATIONS

ALLTEL Corp.

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AT | $64.62 | NYSE

Current:	**Neutral Weight**
Risk:	**Moderate**
Target:	**$61.00**
Industry:	**Favorable**

All important disclosures and Regulation AC disclosure can be found at the end of this report, starting at page 3, under the sections entitled Important Disclosures, and Regulation AC Disclosure respectively.

	FY	EPS	P/E	1Q	2Q	3Q	4Q
Actual	12/04	$3.37A	19.2X	$0.71A	$0.85A	$0.92A	$0.89A
Current	**12/05**	**$3.49E**	**18.6X**	**$0.84A**	**$0.90A**	**$0.90A**	**$0.85E**
Current	**12/06**	**$3.81E**	**17.0X**				

Avg. Volume: **1,700,000**
Market Cap: **$24,822 m**
Shares: **382.94 m**
Div/Yield: **1.54/2.38%**
52w Range: **68.20-54.20**
EPS Growth: **NA**
P/E / Growth: **NM**

HIGHLIGHTS

- AllTel announced this morning that it has agreed to spin its wireline business and merge it with Valor Communications.
- AllTel's wireline business will represent 85% of the equity value of the new company. AllTel's wireline business will also represent approximately 80% of the operating cash flow.
- The new Valor will pay a dividend of $1/share, versus Valor's current $1.44. Alltel expects its wireless business to pay an annual dividend of $0.50 per share.
- We view this transaction less as a takeover of AllTel's wireline business (spin and sale) and more of a takeover of Valor; we assume the benefit to AllTel would be the potentially faster process of spinning its access lines versus a straight spin to shareholders.
- The transaction on its face values AllTel's wireline business at $9.1B ($4.9B in stock and $4.2B in equity), or 6.7x our estimated '05 EBITDA.
- At the current stock price, Valor was trading at 7.4x EBITDA with an 11.8% dividend yield. The combined company will be trading at 6.7x (with synergies) and have an 8% dividend yield, based on last night's close and the new dividend. We estimate that the new dividend will represent 75-80% of free cash flow of the new company.
- Alltel also announced a $3 billion share repurchase program and a $1 billion debt-reduction program.
- There is a conference call at 9am EST. We will have more details following that call.

DISCUSSION

Potential Risks.

- Wireline competition could increase.
- The economy could worsen.
- Increase in wireless competition.
- Regulatory changes including lowering of UNE-P rates in its markets.
- Pension fund becomes under funded and ALLTEL must contribute funds.

- Integration risk.

Companies mentioned: Valor Communications Group (VCG, $12.24, not rated)

BUSINESS

ALLTEL Corp. (AT), headquartered in Little Rock, Arkansas, provides wireless, wireline, and information services to a wide selection of customers. The telecommunications group serves a customer base of over 12 million.

To view charts associated with those stocks mentioned in this report, please visit http://cm1.prusec.com.

REGULATION AC DISCLOSURE

Christopher M. Larsen CFA is principally responsible for the analysis of any security or issuer included in this report and certifies that the views expressed accurately reflect such research analyst's personal views about subject securities or issuers and certifies that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendation or views contained in the research report.

IMPORTANT DISCLOSURES

When we assign an **Overweight** rating, we mean that we expect that the stock's total return will exceed the average total return of all of the stocks covered by the analyst (or analyst team). Our investment time frame is 12-18 months except as otherwise specified by the analyst in the report.

When we assign a **Neutral** Weight rating, we mean that we expect that the stock's total return will be in line with the average total return of all of the stocks covered by the analyst (or analyst team). Our investment time frame is 12-18 months except as otherwise specified by the analyst in the report.

When we assign an **Underweight** rating, we mean that we expect that the stock's total return will be below the average total return of all of the stocks covered by the analyst (or analyst team). Our investment time frame is 12-18 months except as otherwise specified by the analyst in the report.

ANALYST UNIVERSE COVERAGE:
Christopher M. Larsen: ALLTEL Corp., BellSouth Corp., AT&T Inc., Qwest Communications International, Verizon Communications, Sprint Nextel Corp., Alamosa Holdings, UbiquiTel Inc., Leap Wireless International.

Rating Distribution

12/08/05	**Firm**	**Firm's Investment Banking Clients**	**Sector**	**Sector's Investment Banking Clients**
Overweight(Buy)*	31%	0%	33%	0%
Neutral Weight(Hold)*	46%	0%	56%	0%
Underweight(Sell)*	23%	0%	11%	0%

Excludes Closed End Funds

09/30/05	**Firm**	**Firm's Investment Banking Clients**	**Sector**	**Sector's Investment Banking Clients**
Overweight(Buy)*	32%	0%	33%	0%
Neutral Weight(Hold)*	44%	0%	33%	0%
Underweight(Sell)*	24%	0%	33%	0%

Excludes Closed End Funds

06/30/05	**Firm**	**Firm's Investment Banking Clients**	**Sector**	**Sector's Investment Banking Clients**
Overweight(Buy)*	32%	0%	45%	0%
Neutral Weight(Hold)*	45%	0%	27%	0%
Underweight(Sell)*	22%	0%	27%	0%

Excludes Closed End Funds

03/31/05	Firm	Firm's Investment Banking Clients	Sector	Sector's Investment Banking Clients
Overweight(Buy)*	32%	0%	45%	0%
Neutral Weight(Hold)*	45%	0%	27%	0%
Underweight(Sell)*	23%	0%	27%	0%

Excludes Closed End Funds

* In accordance with applicable rules and regulations, we note above parenthetically that our stock ratings of "Overweight," "Neutral Weight," and "Underweight" most closely correspond with the more traditional ratings of "Buy," "Hold," and "Sell," respectively; however, please note that their meanings are not the same. (See the definitions above.) We believe that an investor's decision to buy or sell a security should always take into account, among other things, that the investor's particular investment objectives and experience, risk tolerance, and financial circumstances. Rather than being based on an expected deviation from a given benchmark (as buy, hold and sell recommendations often are), our stock ratings are determined on a relative basis (see the foregoing definitions).

Prior to September 8, 2003 our rating definitions were Buy, Hold, Sell. They are defined as follows:

When we assign a **Buy** rating, we mean that we believe that a stock of average or below-average risk offers the potential for total return of 15% or more over the next 12 to 18 months. For higher-risk stocks, we may require a higher potential return to assign a Buy rating. When we reiterate a Buy rating, we are stating our belief that our price target is achievable over the next 12 to 18 months.

When we assign a **Sell** rating, we mean that we believe that a stock of average or above-average risk has the potential to decline 15% or more over the next 12 to 18 months. For lower-risk stocks, a lower potential decline may be sufficient to warrant a Sell rating. When we reiterate a Sell rating, we are stating our belief that our price target is achievable over the next 12 to 18 months.

A **Hold** rating signifies our belief that a stock does not present sufficient upside or downside potential to warrant a Buy or Sell rating, either because we view the stock as fairly valued or because we believe that there is too much uncertainty with regard to key variables for us to rate the stock a Buy or Sell.

When we assign an industry rating of Favorable, we mean that generally industry fundamentals/stock prospects are improving.

When we assign an industry rating of Neutral, we mean that generally industry fundamentals/stock prospects are stable.

When we assign an industry rating of Unfavorable, we mean that generally industry fundamentals/stock prospects are deteriorating.

Ratings History: AT

Rating Changes

Date	From	To	Analyst
09/08/03	Hold	NTRL	Larsen

Target Price Changes

Date	From	To	Analyst
08/04/05	55.00	61.00	Larsen
01/11/05	52.00	55.00	Larsen
11/26/04	51.00	52.00	Larsen
07/22/04	49.00	51.00	Larsen

Rating Changes				Target Price Changes			
Date	From	To	Analyst	Date	From	To	Analyst
				04/22/04	47.00	49.00	Larsen
				01/26/04	43.00	47.00	Larsen
				10/24/03	42.00	43.00	Larsen
				04/24/03	41.00	42.00	Larsen
				03/11/03	43.00	41.00	Larsen

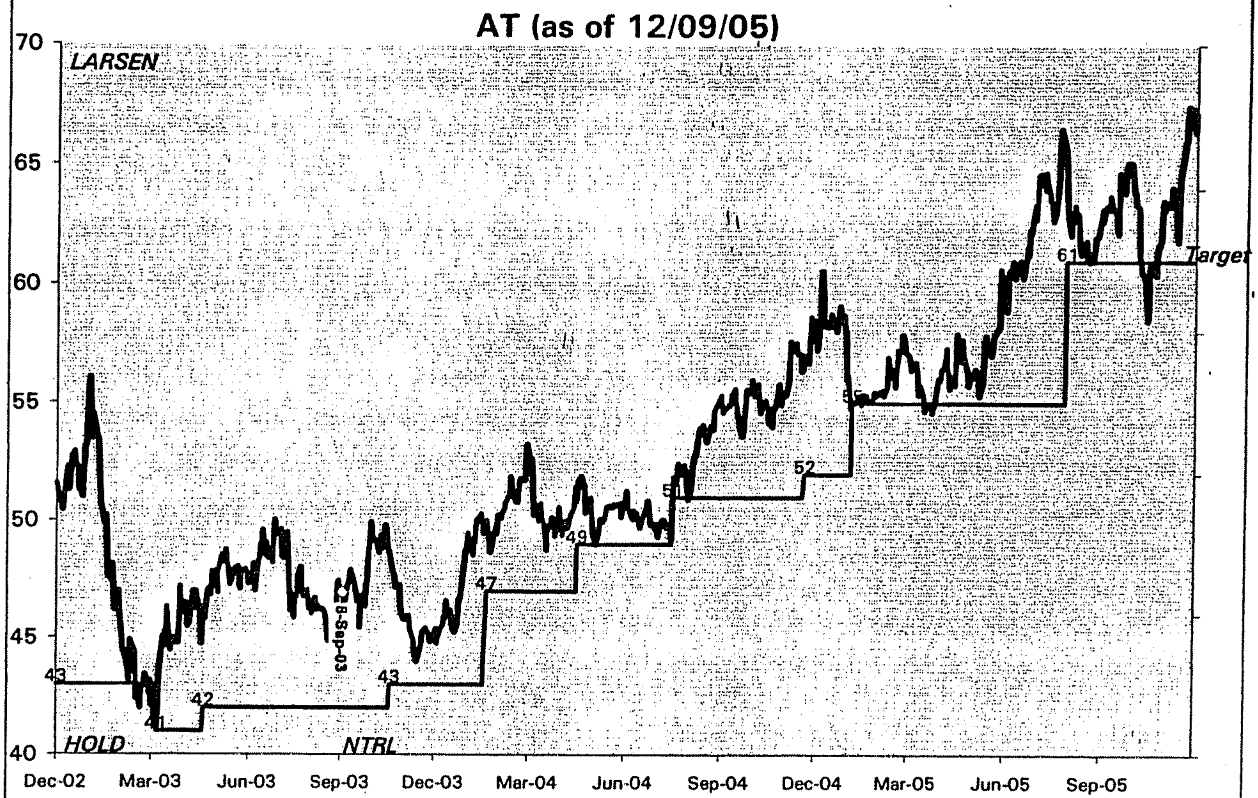
Additional Information

Price Target – Methods/Risks

The methods used to determine the price target generally are based on future earning estimates, product performance expectations, cash flow methodology, historical and/or relative valuation multiples. The risks associated with achieving the price target generally include customer spending, industry competition and overall market conditions.

Additional risk factors as they pertain to the analyst's specific investment thesis can be found within the report.

Price History: AT



Source: Factset and Prudential Equity Group, LLC estimates.

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Baird/
U.S. EQUITY RESEARCH

ALLTEL Corporation (AT)

Spinning Off Local Business

				FY: Dec	2004A	2005E	2006E
Price: (12/09/05)	66.48	Rating:	Outperform	Q1	0.71A	0.84A	
52WK H-L:	68 - 54			Q2	0.85A	0.90A	
Market Cap (mil):	25,927	Suitability:	Average Risk	Q3	0.92A	0.90A	
Shares Out (mil):	390.0			Q4	0.89A	0.82E	
Float (mil):	365.5			Total	3.37A	3.45E	3.61E
Avg. Daily Vol (mil):	NM	Price Target:	72	FY P/E	19.7x	19.3x	18.4x
Dividend:	1.52						
Yield:	2.29						

Please refer to Appendix - Important Disclosures and Analyst Certification.

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Action

This morning Alltel announced plans to spin off its local business and merge it into Valor Communications (VCG), with AT shareholders owning 85% of the new wireline entity. The pro forma wireless entity should continue to benefit from strong wireless trends, and could be an attractive acquisition target at some juncture in the future. Reiterate our Outperform rating and $72 target price.

Summary

- The announced spin and merger into Valor, which was valued at $9.1 billion, should be tax free to all shareholders. The valuation is consistent with our previous expectation, and values the local business at 6.5-7.0x EBITDA.
- The transaction is expected to close in mid-2006.
- Alltel will send $4.2 billion of debt with the wireline business, which will actually lower the new wireline company's leverage ratio from 4.0x debt to EBITDA to 3.2x. The pro forma wireless entity will have a debt to EBITDA ratio of under 1.0x, providing significant flexibility for future transactions.
- In conjunction with this announcement, Alltel announced plans for a $3.0 billion share buyback over the next two years. In addition, the pro forma wireless company plans to pay a $0.50 per share dividend, vs. the total company dividend of $1.54 today.
- The new wireline entity plans a 65-70% payout ratio, which equates to a roughly 8% dividend yield based on VCG's current price.
- We believe the new wireless entity should be well positioned for solid growth as the largest wireless pure play in the U.S. Pro forma for its local spin, Sprint (S) will still have its long distance business, though it will also be predominantly wireless.
- In addition, Alltel could be a good strategic fit for one of the nationwide wireless carriers over the long term, with Verizon Wireless and Sprint seemingly being the best fits along technology lines.
- Reiterate our Outperform rating and $72 target price.

Details

Our $72 target price is based on 6.5x our 2006 local EBITDA forecast and 8.0x our 2
wireless EBITDA forecast.

Investment Thesis

ALLTEL has transformed itself into one of the largest wireless operators in the Un States with 10.6 million subscribers. ALLTEL continues to possess one of the stronc balance sheets in the telecommunications industry, and has been a consistent gener of free cash flow and earnings. With the close of the Western Wireless acquisition August 1, wireless now represents close to 70% of revenue. In addition, the comp expects to announce a decision regarding its local business by year-end, which would value enhancing.

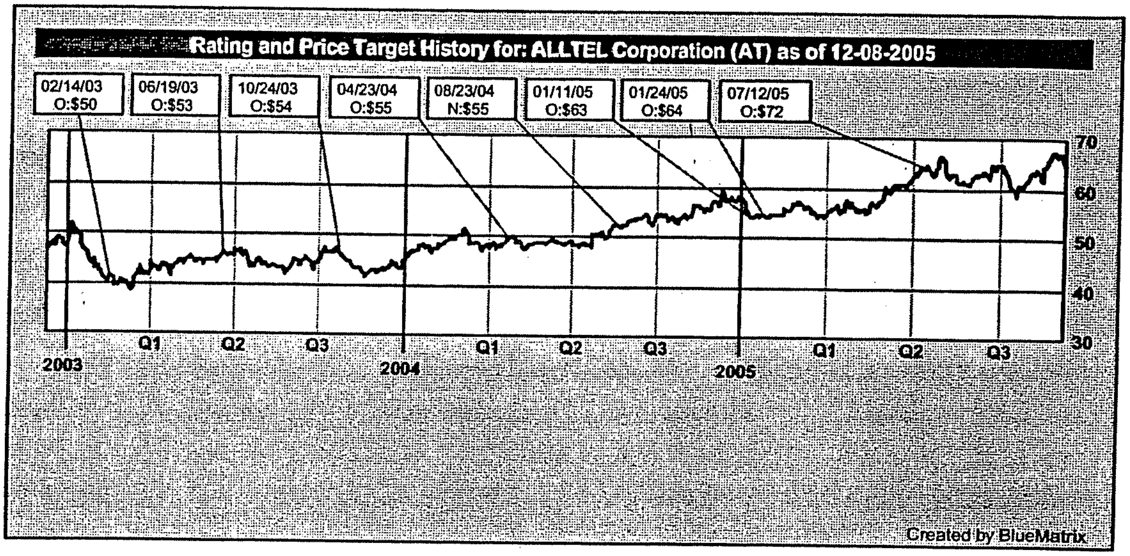
Risks & Caveats

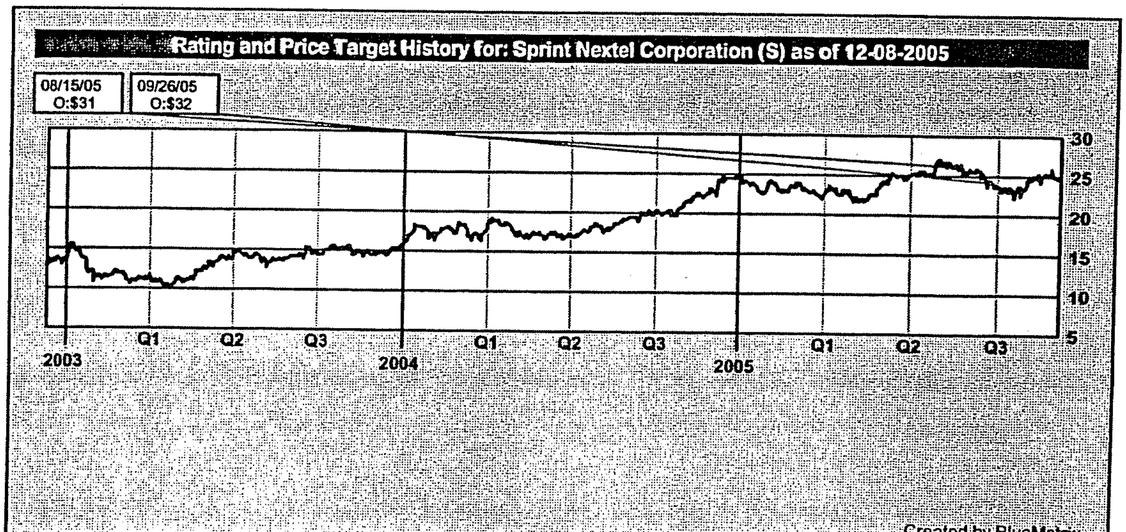
Wireless competition will continue to increase in ALLTEL's markets, potentially harmi operating results and margins in future quarters. The wireline business could also negatively impacted by further deterioration of the economy, as well as broadband a wireless substitution. Though the company has been able to successfully integr previous acquisitions, additional acquisitions could prove troublesome in the future.

Company Description

Following the close of the Western Wireless acquisition, ALLTEL currently boasts 10 million wireless subscribers, positioning it as the fifth-largest operator in the count While wireless generates over 60.0% of the company's revenue, the compar possesses 2.9 million local exchange customers and 1.8 million long-distan subscribers. ALLTEL is headquartered in Little Rock, Arkansas.

Appendix - Important Disclosures and Analyst Certification





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Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. A - **Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics mε include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and pric volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a hig degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalizatio aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility an unknown competitive challenges.

Valuation, Ratings and Risks: The recommendation and price target contained within this report are based on time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, bu not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overal market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

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Equity Research
United States

Bank of America

December 12, 2005

Wireline & Wireless Telecommunications Services

AT

$65.88

12-Month Target:

$70.00

Total Return To Target:

8.6%

Buy

Market Cap.	Volatility
$25.5 BB	Low

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ALLTEL Corporation

Post-Spin, Debt Capacity Is The Fundamental Story, Not Takeout

- **Alltel announced on Friday plans to spin off its wireline businı for $9.1 billion and merge the new company with VALOR Communications.** The transaction is expected to close in mid-20ı and will be tax free for both Alltel and VALOR shareholders.
- **ALLTEL also announced the remaining wireless business will complete a $3 billion share buyback program (over 2 years) an pay a $0.50 dividend (a 1% yield) post spin.** The spin creates a l cap pure play wireless growth company with leverage of 0.4x.
- **We see this positive announcement as a beginning of the realiz of a major thesis point in our Buy rating.** Alltel's strong balanc sheet and low leverage will open many strategic options, and we se this as the main value proposition next to the underlying growth of solid wireless assets.
- **We see the wireline spin as fairly valued at 6.3x '05E EBITDA 5.9x '06E EBITDA.** We estimate the remaining Alltel wireless business is trading at 7.1x our '06 estimate, a discount to recent M& industry transactions. We estimate solid FCF yields for the new All wireless business of 6% (2006E) and 7% (2007E).
- **We see the Alltel deal as a positive for Sprint and its planned lo spin.** We believe the Alltel spin will act as a litmus test for the pend spin-off of Sprint's (S, $24.90, Buy, Target Price: $32.00) wireline business as there are now two indirect issues that can be used as a proxy—the SpinCo and Valor, both valued 6.3-6.4x '05E EBITDA.
- **Valuation and Target Price Analysis:** Our $70 target is based on c DCF and SOTP valuations, supported by our comparable multiples analysis.
- PORTFOLIO MANAGERS' SUMMARY: **Page 3.**

Changes at a glance

(Please see page 2 for additional detail)

Rating? No ◀▶ Maintain Buy

Target Price? No ◀▶ Maintain $70.00 Target

Revenue (BB)			Prev	Curr	
FY04	*		–	$8.2	
FY05E	*		–	$9.5	

EPS**			Prev	Curr	P/E
FY04	No	◀▶	–	$3.37	19.5
FY05E	No	◀▶	–	$3.44	19.2
FY06E	No	◀▶	–	$3.66	18.0

* No Previous Values

▲ = Up; ▼ = Down; ◀▶ = No Change. ** These estimates adjusted to account for FAS 123r, Expensing of Employee Stock Options.

Source:

ALLTEL Corporation

Company Data	
52-Week Range	$68-54
Market Capitalization (BB)	$25.5
Shares Outstanding (MM)	387.0
Float (MM)	364.9
Short Interest	1.7%
Average Daily Volume	1,759,485
Dividend/Yield	$1.54/2.3%
12/05 ROE/ROIC	/12.0%
Exchange-Traded Funds	XLK,IYZ,JKF
Convertibles	YES
Proj. 3-Yr EPS Growth Rate	11%

Estimates (FYE Dec)	**2004A**	**2005E**		**2006E**	
		Prev	**Curr**	**Prev**	**Curr**
EPS*					
1Q (Mar)	$0.71	N/A	$0.84A	–	
2Q (Jun)	0.85	N/A	0.90A	–	
3Q (Sep)	0.92	N/A	0.90A	–	
4Q (Dec)	0.89	N/A	0.81E	–	
Fiscal Year	**$3.37**	–	**$3.44**	–	**$3.66**
First Call Mean			$3.46		$3.62
Calendar Year	**$3.37**	N/A	**$3.44**	–	**$3.66**
P/E	19.5		19.2		18.0
P/E/G	178%		174%		164%
Revenue (BB)					
1Q (Mar)	$2.0	–	$2.1A	–	
2Q (Jun)	2.0	–	2.3A	–	
3Q (Sep)	2.1	–	2.5A	–	
4Q (Dec)	2.1	–	2.6E	–	
Fiscal Year	**$8.2**	–	**$9.5**	–	**$10.4**

* These estimates adjusted to account for FAS 123r, Expensing of Employee Stock Options. First Call Mean estimates might not have been similarly adjusted.

Balance Sheet (12/05)	
Net Cash/Share	$0.19
Book Value/Share	$35.51
Price/Book Value	1.9x
Debt/Cap.	None

Top Picks

Sprint Nextel Corporation
(S, $24.90, B, $32.00 Target)

ALLTEL Corporation
(AT, $65.88, B, $70.00 Target)

Least Favorites

CenturyTel, Inc.
(CTL, $33.05, N, $31.00 Target)

* New pick.

Company Description

- Alltel today is an RLEC/Wireless hybrid, owning both local access lines and wireless assets. Alltel closed its $6.5b purchase of Western Wireless in 3Q05 and expects to close a $1.0b purchase of Midwest Wireless in 1Q06. After Alltel spins off its wireline assets expected in 2Q06, the remaining wireless company will cover over 75m POPs and serve roughly 11m subscribers.

Sector View

- Marketweight. We favor wireless and towers over wireline. Within wireline, we prefer higher wireless exposure. We are neutral on RLECs.

Portfolio Managers' Summary

- **Our 12-month thesis on the stock.** The announced spinoff of ALLTEL's wireline business is the realization of a major thesis point in our Buy rating. split of the wireline and wireless businesses should allow the wireline entity focus on maximizing dividend returns to income investors and the wireless to focus on balancing growth and returns to equity After the spin of the wire business, Alltel will be the only large cap pure play wireless growth compan should enjoy exceptionally low leverage at 0.4x. We believe management w to extract maximum value for equity holders from this debt capacity, either t incremental buybacks, dividends or accretive M&A
- **Our call today in a nutshell.** Following the company's wireline divestiture announcement last Friday,speculation on the stock may well now rotate to th potential for the Alltel's wireless unit to be acquired. However, the real fundamental story at Alltel wireless will be how the company plans to extrac from its exceptionally underlevered balance sheet, which we estimate will be 06E EBITDA. The company has already announced a 15% buyback and a 1 annual dividend, but there could be substantially more behind this over time, depending on how things unfold
- **Upcoming catalysts.** In the next six months we expect: 1) the imminent clos the $1.6 billion sale of international assets acquired from Western Wireless, 2 release of 4Q earnings in late January; 3) an analyst day on February 1st; 4) tl close of the Midwest Wireless acquisition in 1Q06, and 5) the completion of t wireline Spin in 2Q06
- **12-month valuation.** Our $70 target is based on our DCF and SOTP valuatio supported by our comparable multiples analysis
- **Risks to our call.** Alltel could fail to obtain state regulatory approvals for po of the wireline spin at current leverage and dividend levels, which could lowe valuation for the Spin. Alltel could fail to get IRS approval for the tax free sta of the spin. Execution of the merger integration with Western Wireless could slower than expected with lower synergies

Investment Considerations

Alltel announced on Friday plans to spin off its wireline business for $9.1 billi and merge the new company with VALOR Communications (VCG, $12.31, Neutral, Target Price: $13.00). The transaction is expected to close in mid-2006 as expected, will be tax free for both Alltel and VALOR shareholders. At this earl stage, the merger with VALOR does not seem to generate any real synergy ($40 million estimate annually) and ALLTEL will run the show from a management perspective. As a result, the VALOR deal appears geared primarily to anchor the SpinCo. valuation and season the spin into the targeted mid 2006 close.

While speculation around the remaining wireless ALLTEL asset may be its strategic position in a consolidating industry, the fundamental Alltel story cent on the wireless business' strong balance sheet and its many organic strategic options. The spin removes wireline exposure from ALLTEL and creates a large ca pure-play wireless growth company. Alltel expects to receive cash of $4.2 billion, leaving the new wireless company with net debt of about $1.1 billion post-close and estimated leverage of 0.4x at YE2005E. In conjunction with the spin, ALLTEL announced a $3 billion share buyback program to be implemented over two years post-close. The new pure-play wireless company will also pay a $0.50 dividend (a 1% yield) after the spin off is complete. With an exceptionally under-levered balance sheet, ALLTEL not only represents an attractive merger candidate for a larger wireless company but has substantial leeway to boost dividends, increase buyback and/or pursue accretive M&A. We believe the fundamental story will hinge primarily on how ALLTEL uses this debt capacity for the benefit of equity holders.

AT shares reacted positively to the announcements on Friday, with shares rising 1.6% to $65.88. We see the announcement as a positive event for the stock and the realization of a major thesis point in our **Buy** rating. The split of the wireline and wireless entities in theory should allow the wireline entity to focus on maximizing dividend returns to income investors and the wireless entity to focus on balancing growth and returns to equity. We see the 16 state regulatory approvals and the IRS approval of the tax free status of the spin as the key hurdles here. There is some discrepancy between ALLTEL's approach to the spin and Sprint's approach, with Sprint taking a more conservative payout and leverage posture, claiming the need to assuage state regulators. ALLTEL has expressed no such concern; despite the fact the two companies have overlapping operations in 8 states. This difference is clearly an avenue to pursue and monitor over the course of the approval process.

Valuing ALLTEL's Wireline Spin and Remaining Wireless Business

We see the wireline spin as fairly valued at the current implied 2005E EBITDA multiple of 6.3x and the implied 2006E EBITDA multiple of 5.9x. While this valuation is marginally below our previous 6.5x 2005E EBITDA estimate, our estimate did not include the communications support services segment as part of the spin. The lower multiple on these slower growing, lower margin businesses would bring our prior estimate for the valuation closer to the deal value of 6.3x.

We estimate the remaining wireless business is trading at 7.1x our 2006 estimate. We see this valuation as cheap relative to recent M&A transactions in the industry. Relative to the implied valuation of the wireless units within hybrid players (e.g. Cingular, Verizon Wireless, and Sprint), the stock trades above the high end of this range of roughly 5x to 7x 06E EBITDA, though it is possible this observation is attributable to the implied valuation of the underlying Bell wireline business.

Valuation of the Remaining Alltel Wireless Business
($ millions)

	3Q05	2005E	2006E
Unadjusted Net debt	1,674	43	-682
+ Midwest Wireless Adjustment	1,075	1,069	1,040
+ Share Buyback	0	0	750
= Adjusted Net Debt	2,749	1,112	1,108
Shares	368	387	378
Market Cap	19,308	20,596	19,983
FV	**22,057**	**21,709**	**21,091**
Wireless EBITDA (ex 1x costs)	**685**	**2,580**	**2,972**
Alltel FCF (Including Wireline)*		1,266	1,790
+ Midwest Wireless Adjustment		6	29
- Alltel Wireline Spin FCF		579	607
Wireless FCF		**681**	**1,154**
Share Buyback		0	750
Per Share Cost		$65.88	$70.00
Shares			11
Per Share Dividend		$0.50	$0.50
FV/EBITDA Valuation	**8.1x**	**8.4x**	**7.1x**
AT Leverage	**1.0x**	**0.4x**	**0.4x**
Dividend Yield		**0.9%**	**0.9%**
FCF yield			5.8%

*2005 FCF is GAAP reported.

Source: Company reports, Banc of America Securities LLC estimates.

The table above highlights our valuation for Alltel's remaining wireless busin We estimate the remaining wireless business is trading at 7.1x our 2006 estimate, a 6.3x our 2007E estimate, will have leverage of 0.4x at 2005E, a 1% dividend yield FCF yields 5.8% (2006E) and 7.4% (2007E). Our valuations adjust for the planne Midwest wireless acquisition estimated to close in 1Q06 and subtracts the wireline assets estimated to close in 2Q06. We assume $750 million in share buybacks in 2H $1.5 billion in 2007, and $750 million in 1H08.

We see the Alltel announcement as a positive for Sprint and its planned local s By "going first," we believe the Alltel spin will act as a litmus test for the pending s off of Sprint's (S, $24.90, Buy, Target Price: $32.00) wireline business. Based on t implied value of the wireline spin and the residual implied value of the wireless business at ALLTEL, we believe trading on Friday suggests Sprint shares are substantially undervalued.

Details of the Spin off and Merger

Alltel will spin off its wireline business for $9.1 billion and merge the new company with VALOR. The transaction is expected to close in mid-2006 and as expected, will be tax free for both Alltel and VALOR shareholders. ALLTEL shareholders will own 85% of the new company created by the spin-off and merger with VALOR. The new wireline company will be located in Central Arkansas.

VALOR Communications, will issue 403 million shares of stock valued at $4.9 billion to the shareholders of Alltel in exchange for the Alltel wireline business. Current Alltel shareholders will continue to own 1 share of the remaining wireless entity and will receive 1.05 shares of VALOR stock for each share of Alltel they currently own. VALOR will also assume approximately $4.2 billion in additional debt from Alltel. Alltel has not yet determined a new name for the SpinCo.

The $9.1 billion spin off values Alltel's wireline & communications support businesses at roughly 6.3x 2005E EBITDA and 5.9x 2006E EBITDA. The SpinCo will have an estimated 3Q05 firm value of $11.2 billion, net debt of $5.4 billion and an equity value of $5.8 billion. We estimate 2005E EBITDA for the SpinCo of $1.7 billion, implying total estimate leverage of 3.1x excluding synergies and potential one-time merger costs. This leverage is below VALOR's current leverage of 4x.

The new wireline company will pay a dividend of $1.00 per share on a total of 471 million shares, implying a dividend yield of 8.2%. We forecast 2005E EBITDA of $1.7 billion for the new entity ($1.4 billion from Alltel's properties and $270 million from the Valor properties). For Alltel shareholders, the move will increase the collective dividend by $0.01 per share from $1.54 to $1.55 with $0.50 coming from wireless and $1.05 coming from wireline, implying a 1% dividend yield on the remaining wireless business. Alltel and VALOR have complementary geographic footprints and the company expects $40 million in annual synergies from the integration of Alltel's existing billing system outsourcing relationship with VALOR.

Valuation: Current, the Alltel Spin, and the new merged SpinCo
($ millions)

	3Q05	2005E	2006E
Current Valuations			
AT Net debt	5,874	4,098	2,766
AT Shares	368	387	389
AT Mkt Cap	24,230	25,518	25,611
AT FV	30,104	29,617	28,377
FV/EBITDA Valuation	7.6x	8.1x	6.7x
VCG Net debt	866	868	841
VCG Shares	71	71	71
VCG Mkt Cap	872	872	872
VCG FV	**1,738**	**1,740**	**1,713**
FV/EBITDA Valuation	**6.5x**	**6.4x**	**6.3x**
Spin Valuation for ALLTEL Assets			
Net Debt	4,200	4,055	3,448
Equity	4,922	4,922	4,922
FV	**9,122**	**8,977**	**8,370**
FV/EBITDA Valuation	**6.4x**	**6.3x**	**5.9x**
SpinCo Pro Forma Valuations			
Net Debt	5,400	5,226	4,491
Equity	5,794	5,794	5,794
FV	**11,194**	**11,020**	**10,285**
FV/EBITDA Valuation	**6.7x**	**6.5x**	**6.0x**
New VCG Shares	403	403	403
Existing VCG Shares	71	71	71
Total New VCG Shares	**474**	**474**	**474**
AT EBITDA Contribution to SpinCo	354	1,430	1,426
VCG Adjusted EBITDA	67	272	271
Synergies			20
Total SpinCo EBITDA	**420**	**1,702**	**1,717**
SpinCo Dividend per share	$1.00	$1.00	$1.00
SpinCo Dividend total	474	474	474
Spin Co Dividend Yield	8.2%	8.2%	8.2%
Spinco Leverage	**3.2x**	**3.1x**	**2.6x**
AT Wireline FCF	611	579	607
VCG FCF	109	116	128
Total SpinCo FCF	**719**	**695**	**735**
FCF payout Ratio	**66%**	**68%**	**64%**
FCF Yield	**15%**	**14%**	**15%**

Source: Company reports, Banc of America Securities LLC estimates.

ALLTEL Income Statement (GAAP Purchase Accounting)

($ millions, except per share figures)

	1Q 2004	2Q 2004	3Q 2004	4Q 2004	1Q 2005	2Q 2005	20
Wireline Revenue	$599	$610	$603	$608	$594	$595	$5
Wireless	1,184	1,253	1,314	1,327	1,352	1,455	1,7
Communications Support Services	219	229	227	248	225	261	2
Less Intercompany eliminations	(42)	(50)	(41)	(43)	(44)	(52)	(4
=Total reported revenue	**1,961**	**2,042**	**2,103**	**2,140**	**2,126**	**2,260**	**2,5**
note: p/p change	*-2.6%*	*4.1%*	*3.0%*	*1.7%*	*-0.6%*	*6.3%*	*11.5*
-Cost of services	561	584	624	605	626	661	7
-Cost of access product sold	257	256	263	300	282	308	3
= Gross profit	1,143	1,202	1,216	1,235	1,218	1,291	1,4
note: % total reported revenue	*58.3%*	*58.9%*	*57.8%*	*57.7%*	*57.3%*	*57.1%*	*57.8*
- Selling, general and administrative	375	373	374	402	407	421	47
EBITDA Synergies	0	0	0	0	0	0	
1x Integration costs	0	0	0	0	0	0	
= Reported EBITDA	**768**	**829**	**842**	**833**	**810**	**871**	**98**
note: p/p change	*-3.5%*	*7.9%*	*1.6%*	*-1.1%*	*-2.7%*	*7.4%*	*13.1*
note: % total reported revenue	*39.2%*	*40.6%*	*40.1%*	*38.9%*	*38.1%*	*38.5%*	*39.1*
Note: EBITDA Excluding 1x Integration Cots	*768*	*829*	*842*	*833*	*810*	*871*	*99*
- Depreciation and Amortization	321	321	325	333	341	348	38
Integration expenses and other charges	52	0	0	(1)	0	0	1
EBIT	395	508	518	501	469	522	57
note: p/p change	*-16.7%*	*28.6%*	*2.0%*	*-3.2%*	*-6.4%*	*11.3%*	*10.5*
note: % total reported revenue	*20.1%*	*24.9%*	*24.6%*	*23.4%*	*22.1%*	*23.1%*	*22.9*
Interest expense	92	87	87	88	87	76	8
+ Other expense (income), net	(2)	3	(16)	(7)	(113)	(193)	(48
= Total non-operating expenses	89	89	70	80	(26)	(116)	3
Income before income taxes	305	418	447	421	496	638	541
- Income taxes	116	156	144	150	183	236	20
note: effective tax rate	*37.8%*	*37.3%*	*32.1%*	*35.7%*	*36.9%*	*37.0%*	*38.1%*
= Net income before extraordinaries	190	263	304	271	313	402	335
+Income from discontinued operations	0	0	20	0	0	0	26
= Net income available to common shareholders	**190**	**263**	**323**	**271**	**313**	**402**	**361**
Weighted average shares for diluted EPS	312	309	308	304	303	316	368
Basic earnings per share - Reported	0.61	0.85	1.05	0.89	1.04	1.28	0.99
Diluted earnings per share (normalized)	0.71	0.85	0.92	0.89	0.84	0.90	0.90
FAS 123R EPS Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FAS 123R adjusted diluted EPS (normalized)	**0.71**	**0.85**	**0.92**	**0.89**	**0.84**	**0.90**	**0.90**
Common dividend per share	0.37	0.37	0.37	0.37	0.38	0.38	0.38
Note: Payout ratio	*60.9%*	*43.6%*	*35.2%*	*41.6%*	*36.8%*	*29.9%*	*38.7%*

Source: Company reports, Banc of America Securities LLC estimates.

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Volatility		Ratings: Buy	Neutral	Sell
Low	0%-25%	8%+	7.9%-(4.9)%	(5)% or worse
Medium	25%-35%	11%+	10.9%-(6.9)%	(7)% or worse
High	35%-55%	15%+	14.9%-(10.9)%	(11)% or worse
Extreme	55%+	30%+	29.9%-(19.9)%	(20)% or worse

Source for volatility: Bloomberg.

Rating Distribution*

Global Coverage

Coverage Universe	Companies	Pct.
Buy	356	40
Hold	501	56
Sell	43	5

Investment Banking Clients	Companies	Pct.*
Buy	275	77
Hold	396	79
Sell	32	74

Media/Telecom Services Sector

Coverage Universe	Companies	Pct.
Buy	30	43
Hold	39	57
Sell	0	0

Investment Banking Clients	Companies	Pct.*
Buy	24	80
Hold	28	72
Sell	0	0

* For the purposes of this Rating Distribution, "Hold" is equivalent to our "Neutral" rating.
** Percentage of companies in each rating group that are investment banking clients.
As of 12/01/2005.

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ALLTEL Corporation (AT)
Target Price, Valuation Method, Risk Factors

Target Price: $70.00

Valuation Method Used To Reach Target Price: Discounted Cash Flow, Sum-of-the-parts, and Comparable Multiples

Risk Factors:
1 Rising wireless competition resulting from higher penetration rates, improved service quality and increasing potential accessibility to federal and state universal service subsidy payments.
2 Rising cable competition in high-speed Internet access and VoIP telephony markets.
3 Potential access charge reform could fail to be revenue neutral for the RLECs, resulting in revenue shortfalls may not be fully recouped through government subsidy programs.
4 Intense wireless industry price competition could develop
5 Federal and state universal service subsidy receipts could decline

CenturyTel, Inc. (CTL)
Target Price, Valuation Method, Risk Factors

Target Price: $31.00

Valuation Method Used To Reach Target Price: Discounted Cash Flow and Comparable Multiples

Risk Factors:
1 Rising wireless competition resulting from higher penetration rates, improved service quality and increasing potential accessibility to federal and state uninversal service subsidy payments.
2 Rising cable competition in high-speed Internet access and VoIP telephony markets.
3 Federal and state universal service subsidy receipts could decline.
4 Potential access charge reform could fail to be revenue neutral for the RLECs, resulting in revenue shortfalls t may not be fully recouped through government subsidy programs.

Sprint Nextel Corporation (S)
Target Price, Valuation Method, Risk Factors

Target Price: $32.00

Valuation Method Used To Reach Target Price: Our $32 SOTP-based mid-'06 target applies EBITDA multiples of 6.1x local, 6.8x to wireless, and 2.5x to LD.

Risk Factors:
1 Sprint Nextel merger integration stumbles could negatively impact performance vs. forecasts
2 Unanticipated wireless sector subscriber deceleration or related price competition could negatively impact reve
3 Sprint is in the midst of several negotiations to acquire affiliates at prices which could prove uneconomic

Valor Communications Group, Inc. (VCG)
Target Price, Valuation Method, Risk Factors

Target Price: $13.00

Valuation Method Used To Reach Target Price: Comparable dividend yield and discounted cash flow analyses.

Risk Factors:
1 As a yield-based investment, VCG is exposed on the downside to rising interest rates.

2 VCG derives substantial revenue from regulatory income streams which are subject to federal and state review and could change negatively over time.
3 VCG's valuation is premised on dividend payments which could be negatively impacted by business shocks such as greater than expected market share loss.

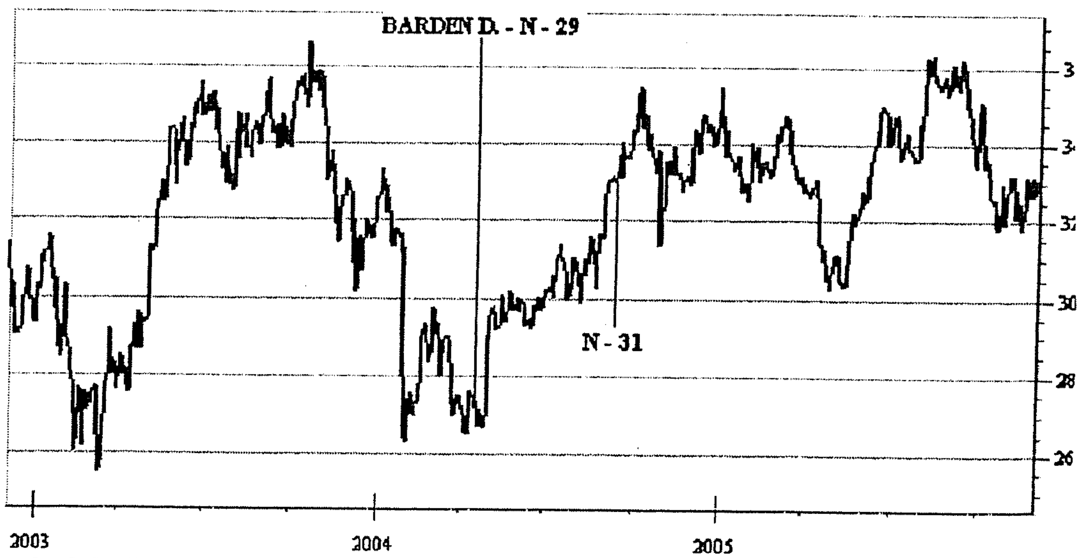
Alltel Corp. (AT)
Stock Price Chart (rating and target price changes indicated)
U.S. Dollar (Dec 2, 2002 - Nov 30, 2005)
Current Analyst: Barden D.

Rating System as of Jan. 12, 2003
New rating system: Buy, Neutral and Sell
Prior rating system: SB, B, MP, U and S

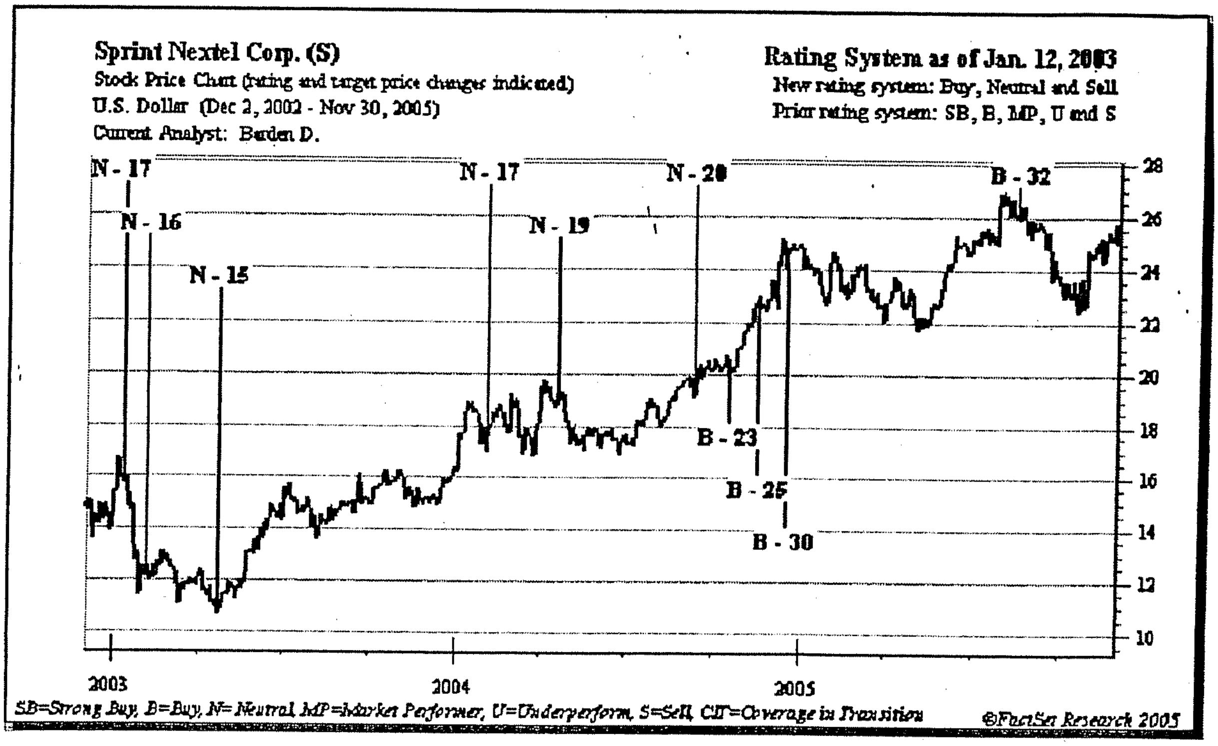
SB=Strong Buy, B=Buy, N=Neutral, MP=Market Performer, U=Underperform, S=Sell, CIT=Coverage in Transition ©FactSet Research

CenturyTel Inc. (CTL)
Stock Price Chart (rating and target price changes indicated)
U.S. Dollar (Dec 2, 2002 - Nov 30, 2005)
Current Analyst: Barden D.

Rating System as of Jan. 12, 2003
New rating system: Buy, Neutral and Sell
Prior rating system: SB, B, MP, U and S



SB=Strong Buy, B=Buy, N=Neutral, MP=Market Performer, U=Underperform, S=Sell, CIT=Coverage in Transition ©FactSet Research 20


Sprint Nextel Corp. (S)
Stock Price Chart (rating and target price changes indicated)
U.S. Dollar (Dec 2, 2002 - Nov 30, 2005)
Current Analyst: Barden D.
Rating System as of Jan. 12, 2003
New rating system: Buy, Neutral and Sell
Prior rating system: SB, B, MP, U and S
N - 17
N - 16
N - 15
N - 17
N - 19
N - 20
B - 23
B - 25
B - 30
B - 32
28
26
24
22
20
18
16
14
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2003
2004
2005
SB=Strong Buy, B=Buy, N=Neutral, MP=Market Performer, U=Underperform, S=Sell, CIT=Coverage in Transition
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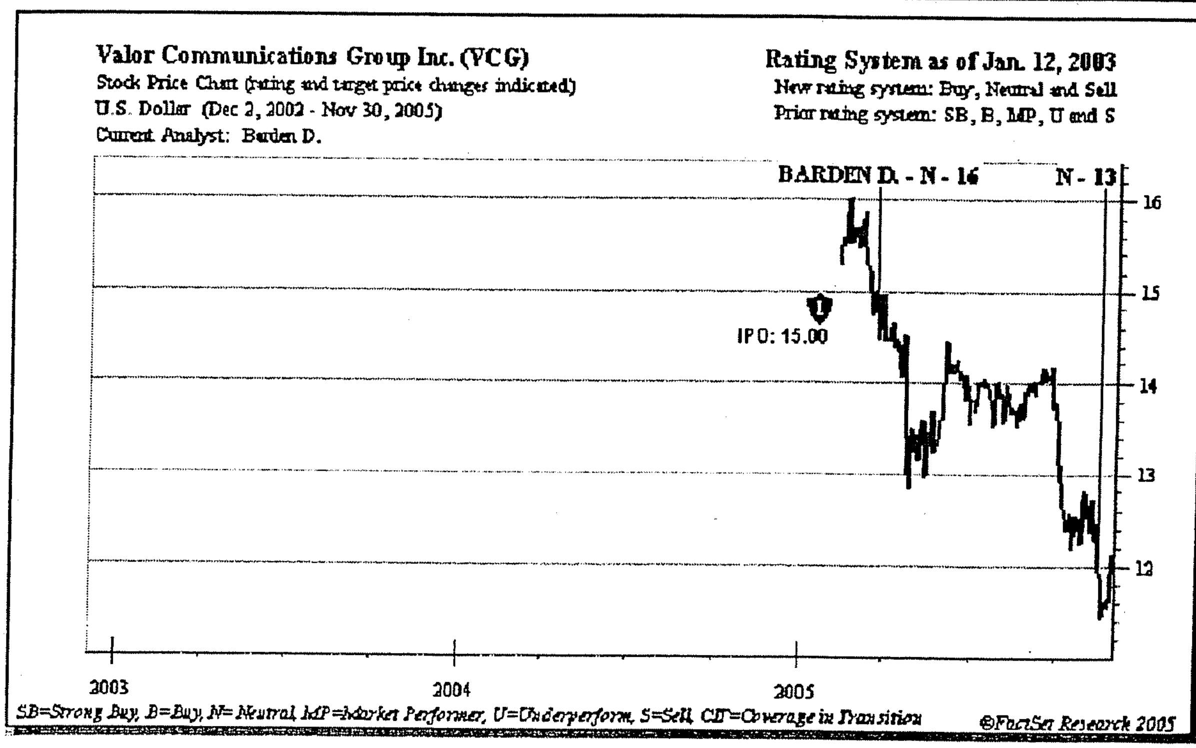
Valor Communications Group Inc. (VCG)
Stock Price Chart (rating and target price changes indicated)
U.S. Dollar (Dec 2, 2002 - Nov 30, 2005)
Current Analyst: Barden D.
Rating System as of Jan. 12, 2003
New rating system: Buy, Neutral and Sell
Prior rating system: SB, B, MP, U and S
BARDEN D. - N - 16
N - 13
IPO: 15.00
16
15
14
13
12
2003
2004
2005
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Tel. Contact: 852-2847-6175

Bank of America.

49. Please provide any due diligence studies, reports, memos or presentations prepared by consultants or financial advisors for Alltel Corp. concerning the wireline corporate spin off.

Response:

Attached hereto are due diligence studies, reports, memos or presentations with respect to the transactions which are the subject of the applications in this proceeding. These reports are considered proprietary and confidential.

RESPONSE TO COMMUNICATION WORKERS OF AMERICA'S REQUEST NUMBER 49

ENTIRE DOCUMENT REDACTED

50. Provide all presentations to the Alltel Corp. Board of Directors concerning the wireline corporate spin off and/or Valor merger.

Response:

Attached hereto are presentations made to the Board in September and December of 2005 regarding the spin off and merger with Valor. These reports are considered proprietary and confidential.

RESPONSE TO COMMUNICATION WORKERS OF AMERICA'S REQUEST NUMBER 50

ENTIRE DOCUMENT REDACTED

51. Has Alltel sought to obtain indicative rating for the planned debt of the Merged Wireline Business? If so, please provide any such credit rating reports.

Response:

Alltel has discussed this transaction with all three major credit rating agencies. At this time, the credit rating agencies have not established a credit rating for the Merged Wireline Business, although on December 9, 2005, Fitch issued a rating of "BBB-" on the total existing Alltel wireline operating company debt of $262 million.

52. Exhibit 5 provides Pro Forma financial statements for the Merged Wireline Business. This includes the income statement and balance sheet. Please also provide a *pro forma* Statement of Cash Flow for the Merged Wireline Business.

<u>Response</u>:

Attached hereto are pro forma financial statements as of and for the year ended December 31, 2005. These statements are prepared on a basis as if the merger was completed on January 1, 2005 and include a statement of cash flows. Note that these statements are unaudited and are not intended to represent or be indicative of the combined results of operations or financial condition that would have occurred had the merger been completed as of the dates presented and should not be taken as representative of the future consolidated results of operations or financial condition of the Merged Wireline Business. These statements are considered proprietary and confidential.

Pro Forma Statements

Responsive to CWA 52

Valor Communications Group Inc..
Unaudited Pro Forma Combined Condensed Statement of Income
For the Year Ended December 31, 2005

(Millions, except per share amounts)	ALLTEL Holding, as reported	Valor as Reported	Pro Forma Add (Deduct) Adjustments	Combined
Revenues and sales				
Costs and expenses:				
Cost of services				
Cost of products sold				
Selling, general, administrative and other				
Depreciation and amortization				
Royalty expense to Parent				
Restructuring and other charges				
Operating income				
Other income (expense), net				
Intercompany interest income				
Interest expense				
Income before income taxes				
Income taxes				
Income before cumulative effect of accounting change				
Earnings per share:				
Basic				
Diluted				
Average common shares outstanding:				
Basic				
Diluted				

The accompanying notes are an integral part of these unaudited pro forma combined condensed financial statements.

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Valor Communications Group Inc.
Unaudited Pro Forma Combined Condensed Balance Sheet
As of December 31, 2005

(Millions)	ALLTEL Holding, as reported	Additional Transfers of Assets and Liabilities from Alltel	Issuance of Debt Securities	Payment of Dividends to Alltel	ALLTEL Holding, as adjusted	Valor as Reported	Pro Forma Add (Deduct) Adjustments	Combined
Assets								
Cash and short-term investments								
Other current assets								
Total current assets								
Investments								
Goodwill								
Other intangibles								
Property, plant and equipment, net								
Other assets								
Total assets								
Liabilities and Shareholders' Equity								
Current liabilities								
Long-term debt								
Deferred income taxes								
Other liabilities								
Common stock								
Additional paid-in capital								
Treasury stock								
Parent company investment								
Accumulated other comprehensive income								
Deferred equity compensation								
Retained earnings (deficit)								
Total liabilities and shareholders' equity								

The accompanying notes are an integral part of these unaudited pro forma combined [illegible] ancial statements.

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Merged Wireline Business
Statement of Cash Flows
For the year ended December 31, 2005

(in millions)
Cash Provided from Operations:
Net income
Adjustments to reconcile net income to net cash
provided from operations:
Depreciation and amortization
Other, net
Changes in operating assets and liabilities, net
Net cash provided from operations

Cash Flows from Investing Operations:
Additions to property, plant and equipment
Proceeds from sale of investments
Net cash used in investing activities

Cash Flows from Financing Activities:
Dividends on common stock
Change in intercompany balance with Alltel
Net cash used in financing activities

Decrease in cash and short-term investments
Cash and Short-Term Investments:
Beginning of year
End of year

Preliminary Purchase Price Allocation
as of December 31, 2005
(Dollars in thousands)

	Calculation of Deferred Taxes-Basis Differences			
	Book Basis	Tax Basis	Basis Difference	Deferred Taxes
Plant and other tangible assets				
Current and long-term liabilities				
Customer list				
Franchise rights				
Net operating losses				
Valuation allowance-NOLs				
Goodwill				

Journal Entries:	Journal Entry	
	Debit	Credit
Current assets		
Property, plant and equipment		
Investments and other assets		
Customer list		
Franchise rights		
Goodwill		
Current liabilities		
Long-term debt		
Other liabilities		
Cash		
Common stock		
Additional paid-in capital		
Deferred income taxes		
Record preliminary purchase price allocation		

Calculation of book goodwill:

Total consideration given:

Implied value of Valor business

Value of Valor treasury stock

Transaction costs (legal, investment banker fees, etc.)

Adjustments:

Plant and other tangible assets

Customer list

Franchise rights

Current liabilities

Other liabilities

Deferred tax (asset)/liability

Book Goodwill

a-Based on preliminary estimates of fair value of acquired intangible assets.

Tangible Assets and Liabilities Book and Tax Basis:

	Book Basis	**Tax Basis**
Current assets		
Wireless Property, Plant and Equipment:		
Net Book Value		
Austria Write-Up		
Investments and other assets		
Plant and other tangible assets		
Current liabilities		
Long-term debt		
Other liabilities		
Current and long-term liabilities		

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Merger Consideration:	
Shares of Valor stock outstanding at 12/31/05	
Average Valor stock price	
Market value of combined company	$
Valor debt assumed in merger transaction	
Implied value of Valor business	$
Value of customer list:	
Customers	
Value per customer	
Total value of customer list	$
Assumed life	
Annual depreciation	$
Value of franchise rights:	
Customers	
Value per customer	
Total value of franchise rights	$
Value of bonds:	
Face value	
Market price 12/31/05	
Total value of bonds	$
Shares of VCG stock, 12/31/05	
Shares to be issued to AT shareholders	

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Unaudited Pro Forma Combined Condensed Financial Information

The following unaudited pro forma combined condensed balance sheet as of December 31, 2005 and the unaudited pro forma combined condensed statement of income for the year ended December 31, 2005 are based on the historical financial statements of ALLTEL Holding Corp. ("ALLTEL Holding"), a wholly-owned subsidiary of ALLTEL Corporation ("Alltel"), and Valor Communications Group, Inc. ("Valor"). ALLTEL Holding represents Alltel's incumbent local exchange carrier, competitive local exchange carrier, Internet, long-distance, telecommunications information services, directory publishing, and product distribution operations. The unaudited pro forma combined condensed financial statements give effect to (1) the contribution of Alltel's wireline operations to ALLTEL Holding, (2) the spin off of ALLTEL Holding to Alltel's stockholders and (3) the merger of ALLTEL Holding with Valor accounted for as a reverse acquisition of Valor by ALLTEL Holding, with ALLTEL Holding considered the accounting acquirer, based on the assumptions and adjustments described in the accompanying notes to the unaudited pro forma combined condensed financial statements.

The unaudited pro forma combined condensed financial statements have been prepared using the purchase method of accounting as if the transaction had been completed as of January 1, 2005 for purposes of the combined condensed statement of income and on December 31, 2005 for purposes of the combined condensed balance sheet.

The unaudited pro forma combined condensed financial statements present the combination of historical financial statements of ALLTEL Holding and Valor adjusted to (1) give effect to the transfer of certain assets and liabilities from Alltel to ALLTEL Holding immediately prior to the spin off that are not included in ALLTEL Holding's historical balance sheet as of December 31, 2005, (2) give effect to the issuance of $)f long-term debt by ALLTEL Holding as further discussed in Notes (b) and (f) below, (3) give effect to the spin off of ALLTEL Holding to Alltel's stockholders through a tax free stock dividend, payment of a special dividend by ALLTEL Holding to Alltel in an amount not to exceed Alltel's tax basis in ALLTEL Holding and the distribution by ALLTEL Holding of certain of its debt securities to Alltel, as further discussed in Note (b) below and (4) give effect to the merger of ALLTEL Holding with Valor. (See Note (i) below.)

The unaudited pro forma combined condensed financial statements were prepared using (1) the audited combined financial statements of ALLTEL Holding as of December 31, 2005 and 2004 and for the years ended December 31, 2005, 2004 and 2003 included in this proxy statement/prospectus and (2) the consolidated financial statements of Valor included in Valor's Annual Report on Form 10-K for its fiscal year ended December 31, 2005, as filed on February _, 2006, which are incorporated herein by reference.

Although Valor will issue approximately 403 million of its common shares to effect the merger with ALLTEL Holding, the business combination will be accounted for as a reverse acquisition with ALLTEL Holding considered the accounting acquirer. As a result, the fair value of Valor's common stock issued and outstanding as of December 31, 2005 will be allocated to the underlying tangible and intangible assets and liabilities of Valor based on their respective fair market values, with any excess allocated to goodwill. The pro forma purchase price allocation was based on an estimate of the fair market value of the tangible and intangible assets and liabilities of Valor. Certain assumptions have been made with respect to the fair market value of identifiable intangible assets as more fully described in the accompanying notes to the unaudited pro forma combined condensed financial statements. As of the date of this filing, ALLTEL Holding has not commenced the appraisals necessary to arrive at the fair market value of the assets and liabilities to be acquired and the related allocations of purchase price. Once ALLTEL Holding has completed the appraisals necessary to finalize the required purchase price allocation after the consummation of the merger, the final allocation of purchase price will be determined. The final purchase price allocation based on third party appraisals may be different than that reflected in the pro forma purchase price allocation, and this difference may be material.

ALLTEL Holding, together with the management of the newly combined company, is developing a plan to integrate the operations of Valor and ALLTEL Holding after the merger. In connection with that plan, management anticipates that certain non-recurring charges, such as severance and relocation expenses and branding and signage costs, will be incurred in connection with this integration. Management cannot identify the timing, nature and amount of such charges as of the date of this proxy statement/prospectus. However, any such charge could affect the combined results of operations of ALLTEL Holding and Valor in the period in which such charges are recorded. The unaudited pro forma combined condensed financial statements do not include the effects of the costs associated with any restructuring or integration activities resulting from the transaction. In addition, the unaudited pro forma combined condensed financial statements do not include the realization of any cost savings from operating efficiencies, synergies or other restructurings resulting from the transaction.

The unaudited pro forma combined condensed financial statements are not intended to represent or be indicative of the combined results of operations or financial condition of ALLTEL Holding and Valor that would have been reported had the merger been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial condition of ALLTEL Holding and Valor. The unaudited pro forma combined condensed financial statements should be read in conjunction with the separate historical financial statements and accompanying notes of ALLTEL Holding and Valor that are included or incorporated by reference in this proxy statement/prospectus.

Bank Debt:
- Senior secured five-year revolving credit facility
- Term loan A – 5 year maturity
- Term loan B – 7 year maturity
- Total bank debt

Notes:
- ALLTEL Holdings – 6.75%, due April 1, 2028
- ALLTEL Holdings – 6.50%, due in annual installments through November 15, 2013
- Valor – 7.75%, due November 15, 2015
- ALLTEL Holdings – 10 year fixed maturity
- Total notes
  - Total bank debt and notes
- Current portion of long-term debt
  - Total long-term debt

The above table presents the total pro forma long-term debt obligation of the combined company. The final amount of bank debt and notes that will be issued will be determined near close of the transaction. To the extent additional notes are issued, the bank debt will be reduced by a corresponding amount.

g. This adjustment is to recognize, as of December 31, 2005, Valor's unfunded pension and other postretirement benefits liabilities of $46.7 million and to eliminate Valor's pension asset of $0.3 million and pension and other postretirement benefits liabilities of $22.5 million in accordance with SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions".

h. This adjustment is to eliminate Valor's additional paid in capital, accumulated other comprehensive income, deferred equity compensation and retained deficit accounts as of the merger date.

i. This adjustment represents the estimated purchase price allocation as of December 31, 2005. For purposes of determining the purchase price allocation, the fair market value of all tangible and intangible assets and liabilities of Valor were estimated at December 31, 2005. The allocation of purchase price was as follows:

Consideration:
- Value of Valor shares issued and outstanding at December 31, 2005 (1)
- Valor treasury stock
- Repayment of Valor credit facility
- Direct costs of acquisition (2)
- Total

Allocated to:
- Current assets
- Property, plant and equipment
- Investments and other tangible assets
- Identifiable intangible assets (3)
- Current liabilities acquired
- Long-term debt assumed (including fair value adjustment) (4)
- Other long-term liabilities acquired (including deferred taxes)
- Goodwill (3)

(1) The value of Valor's common stock was calculated on the basis of (1) 71,130,634 shares outstanding as of December 31, 2005 and (2) the closing price of Valor common stock on December 31, 2005 of $11.40. The final value of Valor shares will be based on the actual number of shares outstanding and the closing price of Valor stock as of the merger date.

(2) Direct cash costs consist of estimates for professional fees (including banking fees) and other direct costs of the transaction that are expected to be incurred and capitalized as part of the merger transaction.

l. This adjustment reflects the amortization of the finite-lived identifiable intangible assets recorded in this transaction as previously described in Note (i)(3) above. For purposes of determining the amount of the adjustment, the estimated life of Valor's customer base was assumed to be six years.

m. This adjustment is to eliminate royalty expense charged to ALLTEL Holding by Alltel pursuant to a licensing agreement with an Alltel affiliate under which ALLTEL Holding's incumbent local exchange carrier subsidiaries were charged a royalty fee for the use of the Alltel brand name in marketing and distributing telecommunications products and services. Following the spin off and merger with Valor, ALLTEL Holding will no longer incur this charge, and accordingly, this expense has been eliminated in the pro forma combined condensed statement of income.

n. This adjustment is to eliminate spin off-related costs incurred by ALLTEL Holding and merger-related costs incurred by Valor during 2005. Following the spin off and merger, neither company will incur these charges, and accordingly, these expenses have been eliminated in the pro forma combined condensed statement of income. In addition, this adjustment is to eliminate the operating results of the international operations to be transferred from ALLTEL Holding to Alltel upon consummation of the merger as discussed in Note (a).

o. This adjustment is to eliminate the intercompany interest income earned by ALLTEL Holding from Alltel on certain interim financing that ALLTEL Holding provides to Alltel in the normal course of business. In conjunction with the spin off, all intercompany balances between ALLTEL Holding and Alltel will be repaid through the special dividend discussed in Note (b). Accordingly, the intercompany interest income has been eliminated in the pro forma combined condensed statement of income.

p. The adjustment is to record (1) the estimated annual interest expense recognized on newly issued debt of the combined company as calculated below, (2) the amortization of debt issuance costs capitalized associated with the newly issued debt as computed below, (3) reversal of interest expense and amortization of debt issuance costs related to pre-existing debt of ALLTEL Holding and Valor that will be repaid immediately upon consummation of the merger as discussed in Note (f) above, and (4) the effects of amortizing the fair value adjustment to Valor's long-term debt discussed in Note (i)(4) above. As of January 1, 2005, the fair value adjustment to Valor's long-term debt was estimated to be $18 million.

Calculation of estimated annual interest expense for newly issued debt of the combined company is as follows:

Senior secured five-year revolving credit facility	
Term loan A – 5 year maturity	
Term loan B – 7 year maturity	
Senior notes – 10 year fixed maturity	
Total	

The weighted average interest rate for the newly issued debt was estimated to be 6.576%, resulting in annual interest expense of $324.1 million. A change in the weighted average interest rate of one-eighth of one percent would change interest by $6.2 million.

Debt issuance costs are amortized over the life of the related debt. Debt issuance costs, the related amortization period and cost per year are estimated as follows:

	Issuance Fee	Amortization Number of Years	Amortization Per Year
Senior secured five-year revolving credit facility			
Term loan A – 5 year maturity			
Term loan B – 7 year maturity			
Senior notes			
Totals			

A summary of the effects of the adjustments on interest expense are as follows:

Estimated annual interest expense related to newly issued debt of the combined company (per above)	
Amortization of estimated capitalized debt issuance costs associated with the newly issued debt (per above)	
Reversal of interest expense and amortization of debt issuance costs related to repayment of borrowings outstanding under Valor's existing credit agreement and repurchase of certain debt obligations of ALLTEL Holding	
Reduction in interest expense due to amortizing fair value adjustment – Note (i)(4)	
Net increase in interest expense	

q. This adjustment is to reflect the tax effect of the pro forma adjustments described in Notes (k) through (o) above and was based on ALLTEL Holding's effective tax rate of 38.9 percent.

53. With regard to Exhibit 5 financial statements, provide a listing and description of all adjustments to the 2004 actuals used in deriving the pro forma statements. State the reason for each adjustment.

Response:

These statements used 2005 data, not 20004, and the notes to the pro forma explain the adjustment. Also, see response to question 52.

56.[b] Please provide the complete basis for the $5,360.6 million in goodwill shown on Exhibit 5. How is this amount determined?

Response:

Please refer to the pro forma financial statements as of and for the year ended December 31, 2005. Note (i) to those financial statements explains the complete basis for the amount of goodwill. Please note that this amount is different than the amount previously submitted, which was as of December 31, 2004. This is because the initial calculation of goodwill reflected Valor as the acquirer when in fact Alltel is the acquirer from an accounting perspective, because Alltel shareholders will own approximately 85% of the Merged Wireline Business upon close of the transaction.

[b] There were no numbers 54 and 55 in the original Request.

57. Provide the detailed financial projections (five years or for whatever period is available) for the Merged Wireline Business. Please include in this response a listing and description of all business assumptions used in deriving these projections.

Response:

Attached hereto are financial projections through 2008. These financial projections are considered proprietary and confidential.

Financial Projections

Responsive to CWA 57

Wireline Operations Overview

		2005 Revenue	2005 EBITDA
Alltel Core Wireline			
ILEC	2.8mm primarily rural access lines in 15 states		
CLEC	0.1mm lines in four states		
Internet	0.3mm DSL, 0.1mm Dial-Up		
Total Alltel Core Wireline			
Alltel Included Communications Support Services			
Interexchange Network ("AXN")	1.8mm retail long-distance customers and services		
Communications Products ("ACP")	Wholesale wireline supply		
Publishing ("APC")	Non-affiliate directory publishing		
Telecommunications Services ("ATS")	IT support to Valor		
Total Alltel Included CSS			
Total Alltel Wireline			
Valor Communications (a)			
ILEC	0.5mm primarily rural access lines in four states and 0.2mm retail-long-distance customers		
Total NewCo.			

(a) 2005 amounts are Valor's estimates as of November 2005. 2005 results have not been released as of 2/10/06.

Wireline Financial Highlights

	2004	2005
Alltel Core Wireline		
Revenue		
EBITDA		
margin		
CAPEX		
FCF *(EBITDA - CAPEX)*		
Alltel Included CSS		
Revenue		
EBITDA		
margin		
CAPEX		
FCF *(EBITDA - CAPEX)*		
Valor Communications		
Revenue		
EBITDA		
margin		
CAPEX		
FCF *(EBITDA - CAPEX)*		
Total NewCo.		
Revenue		
EBITDA		
margin		
CAPEX		
FCF *(EBITDA - CAPEX)*		

Financials - Alltel ILEC

	2004	2005	2006	2007	2008
Revenue					
growth					
EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX					
CAPEX / Revenue					

Key Operating Statistics:					
Access Lines					1
line loss #					:8)
line loss %					%
ARPU					
change in ARPU					
Cash Costs / Access Line					
DSL Units					
change in DSL units					

Financials - Alltel CLEC

	2004	2005	2006	2007	2008
Revenue					
growth					
EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX	$ 5	$ 7	$ 8	$ 8	$ 8
CAPEX / Revenue					

Key Operating Statistics

Access Lines	
change in line count	
line loss %	
ARPU	
change in ARPU	
Cash Costs / Access Line	
DSL Units	
change in DSL units	

Financials - Alltel Internet

	2004	2005	2006	2007	2008
Revenue	$				
growth					
EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX	$ 9	$ 13	$ 15	$ 17	$ 18
CAPEX / Revenue					

Financials - Alltel Core Wireline: ILEC, CLEC, Internet

	2004	2005E	2006	2007	2008
ILEC Revenue					
CLEC Revenue					
Internet Revenue					
Total Core Wireline Revenue					
growth					
ILEC EBITDA					
CLEC EBITDA					
Internet EBITDA					
Total Core Wireline EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX					
CAPEX / Revenue					
Operating Statistics/Assumptions:					
ILEC Access Lines					
CLEC Access Lines					
Total Access Lines					
DSL - ILEC					
DSL - CLEC					
Total DSL					
Depreciation and Amortization:					
ILEC					
CLEC					
Internet					
Total					
CAPEX:					
ILEC					
CLEC					
Internet					
Total					

Financials - Alltel Wireline Retained Customer Support Services: AXN, ACP, APC, ATS

	2004	2005	2006	2007	2008
Interexchange "AXN" Revenue					
Communications Products "ACP" Revenue					
Publishing "APC" Revenue					
Telecommunications Services "ATS" Revenue					
Total Alltel Wireline Retained CSS Revenue					
growth					
Interexchange "AXN" EBITDA					
Communications Products "ACP" EBITDA					
Publishing "APC" EBITDA					
Telecommunications Services "ATS" EBITDA					
Total Alltel Wireline Retained CSS EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX					
CAPEX / Revenue					
Operating Statistics/Assumptions:					
Long Distance Customers					
Depreciation and Amortization:					
AXN					
ACP					
APC					
ATS					
Total					
CAPEX:					
AXN					
ACP					
APC					
ATS					
Total					

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Financials - Total Alltel Wireline

	2004	2005	2006	2007	2008
Core Wireline Revenue	$				
Wireline Retained CSS Revenue					
Total Revenue	$				
growth					
Core Wireline EBITDA					
Wireline Retained CSS EBITDA					
Total EBITDA					
margin					
Depreciation and Amortization					
EBIT	$				
margin					
Total CAPEX	$				
CAPEX / Revenue					

Depreciation and Amortization:

Core Wireline

Wireline Retained CSS

Total

CAPEX:

Core Wireline

Wireline Retained CSS

Total

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Financials - Valor
(2005 is an estimate - results not released as of 2/10/06)

	2004	2005E	2006	2007	2008
Revenue					
growth					
EBITDA *(a)*					
margin					
Depreciation and Amortization					
EBIT					
margin					
Total CAPEX					
CAPEX / Revenue					
Key Operating Statistics:					
Access Lines					
line loss #					
line loss %					
ARPU					
Cash Costs / Access Line					
DSL Units					
change in DSL units					

(a) In 2004 and 2005 excludes one-time deal expenses and non-cash compensation expenses.

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Financials - Wireline + NewCo

	2004	2005	2006	2007	2008
Alltel Core Wireline Revenue					
Alltel Retained CSS					
Valor Revenue (a)					
Total Revenue					
growth					
Alltel Core Wireline EBITDA					
Alltel Retained CSS EBITDA					
Valor EBITDA (a)					
Alltel separation synergy					
Merger synergy					
Total EBITDA					
margin					
Depreciation and Amortization					
EBIT					
margin					
Interest Expense					
Interest Income					
Pre-tax Income					
Income Taxes					
Net Income					
Total CAPEX					
CAPEX / Revenue					

58. With respect to the Dec. 8, 2005 Distribution Agreement, please explain the basis of the $3.965 billion of "Spinco Financing." Specifically, how was this amount determined?

Response:

The $3.965 billion of Spinco financing is the amount of consideration given by Spinco to Alltel Corporation as a result of the separation of the wireless and wireline businesses. This amount was determined after careful consideration by Alltel's Board of Directors and executive management team in consultation with the Company's investment bankers.

59. With respect to the Dec. 8, 2005 Distribution Agreement, please explain why the amount for $3.965 billion of "Spinco Financing" is appropriate?

Response:

The $3.965 billion of "Spinco Financing" is appropriate to establish a reasonable capital structure for the Merged Wireline Business based on the cash flows generated by the business. This capital structure compares favorably to most other publicly traded Rural Local Telephone Companies (RLECs), and, this structure allows the Merged Wireline Business to appropriately balance its ability to provide long-term returns to shareholders while continuing to invest in the business. Finally, with this capital structure, the Merged Wireline Business will maintain the flexibility to pursue strategic opportunities that can enhance the scale, scope, and product/service delivery capabilities of the new company.

60. With respect to the Dec. 8, 2005 Distribution Agreement, particularly the amount of $3.965 billion of "Spinco Financing," please provide all memos, emails or other documents reviewed, written, or developed by the Company or its affiliates concerning the establishment or evaluation of this amount and any additional debt issuance related to the proposed transaction. Such materials should relate to, but not be limited to, the financial risk associated with such debt issuance, plans for the use of these funds, and any justification for the use of those funds.

Response:

Attached hereto are memos, e-mails, etc. concerning the establishment or evaluation of the $3.965 billion of "Spinco Financing," and any additional debt issuance related to the proposed transaction. This information is considered proprietary and confidential.

RESPONSE TO COMMUNICATION WORKERS OF AMERICA'S REQUEST NUMBER 60

ENTIRE DOCUMENT REDACTED

61. What is the anticipated or planned amount of the Special Dividend to be paid to Alltel Corporation, and how was this amount determined.

Response:

The dividend amount ($2.4 billion) approximates Alltel Corporation's tax basis in the existing wireline assets that comprise Alltel Holding Corp.

62. Please provide all memos, emails or other documents reviewed, written, or developed by the Company or its affiliates concerning the establishment or evaluation of the amount listed in the answer to 61, above.

Response:

Please see response to Question 60. The $2.4 billion is included in the $3.965 billion.

63. Please describe the planned structure of the $3.966 billion Spinco Financing, to include the term structure of the debt, the type of debt instruments to be used, and anticipated interest rate.

Response:

The specific financing structure for the Merged Wireline Business has not been finalized. It will depend on several factors including the prevailing market conditions and the company's credit rating and will likely include a senior secured credit facility, a revolving credit facility, and senior unsecured notes with varying maturities, expected to range between 5 to 12 years. We would expect to finalize this structure closer to close of the transaction.

64. Please identify the sources of short-term debt that will be utilized by the merged Wireline Business.

__Response:__

The Merged Wireline Business will, as outlined in #63 above, have both credit facilities and notes as well as the existing Alltel operating company notes and the existing Valor bonds, to the extent they are not "put" to the Company by the holders. Through its credit facility, the Merged Wireline Business will have access to short-term capital. Any debt maturing within one-year will be classified as short-term debt.

65. Please define, explain, and quantify "attractive dividend to investors" as employed in paragraph 25 of the Amended and Restated Application.

Response:

The planned dividend of $1.00 per share results in a cash flow payout ratio of approximately 65%, which compares favorably to other publicly traded RLECs. It also allows the flexibility to continue investment and to pursue strategic opportunities **that can enhance the scale, scope, and product/service delivery capabilities of the new company. Given the expected cash flows of the Merged Wireline Business, this 65% payout ratio we believe will be attractive to potential equity investors and thus is determined as "reasonable".**

66. Please describe the capital structure plans and objectives, including debt/equity target percentages, and the basis for those plans and objectives. As part of the answer, identify what the Applicants believe to be an appropriate capital structure.

Response:

The Merged Wireline Business will have a reasonable capital structure and leverage ratio compared to the other publicly traded RLECs. Specifically, our leverage ratio of 3.2X net debt/OIBDA and targeted dividend payout ratio of 65% allow flexibility for continued investment and to pursue strategic opportunities that enhance the scale, scope, and product/service delivery capabilities of the Merged Wireline Business. The capital structure was created to balance the Company's ability to provide the long-term return to shareholders and continue investment in the business.

67. Please describe in detail the debt financing commitments for the merged Wireline Business by JP Morgan and Merrill Lynch. Provide documentation for these commitments. Please explain the role that JP Morgan and Merrill Lynch will play in anticipated debt financing.

Response:

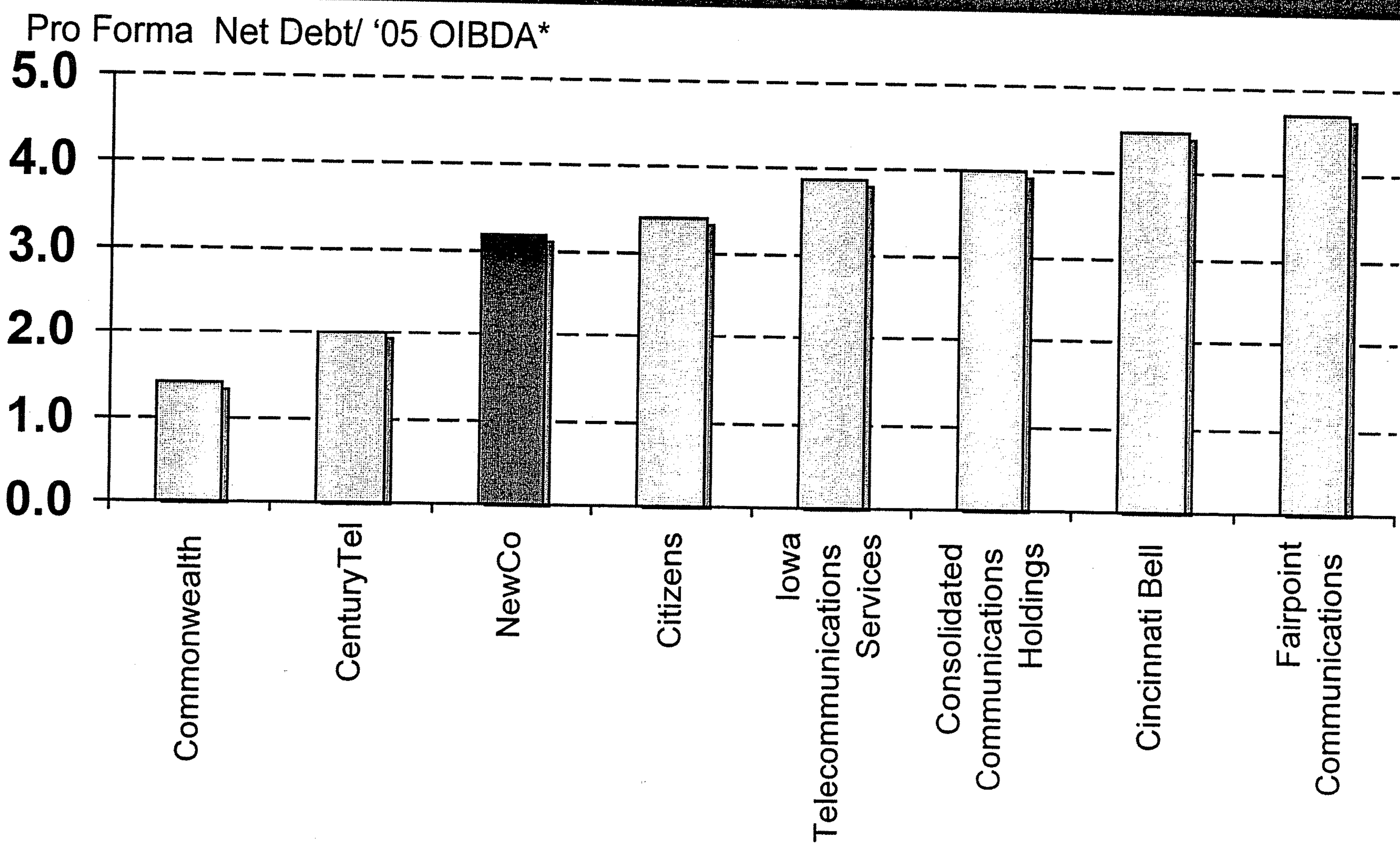
Attached to the Amended Application is the commitment letter that explains in detail the debt financing commitments.

JP Morgan and Merrill Lynch will jointly lead the syndication of the debt facilities to other participating banks or lenders.

Capital Structure

Responsive to CWA 68

Proposed Wireline Capital Structure



*Newco ratio calculated using pro forma net debt divided by '05 OIBDA.

68. Please provide the complete documentation support for the statement that the planned capital structure for the merged Wireline Business results in among the lowest debt leverage in the RLEC industry.(Amended and Restated Application, para. 26)

Response:

Attached hereto is a comparison of the capital structure of the Merged Wireline Business and its publicly traded RLEC peers.

69. Please provide a listing of all regulatory agencies that must approve the separation and merger, the case number in each regulatory proceeding, and expected date of approval in each case.

Response:

Department of Justice through the Federal Trade Commission ("FTC") (the FTC concluded its investigation and granted early termination of that investigation. The FTC did not identify any anti-trust issues or concerns), the Federal Communications Commission (already approved; WC Docket No. 05-354), the Florida Public Service Commission (050938-TP), the Georgia Public Service Commission (Docket No. 6171-U), the Pennsylvania Public Utility Commission (A-310325F0006, A-312050F0006, S-00061098 and S-00061099), the Mississippi Public Service Commission (Docket No. 05-UA-0722), the Missouri Public Service Commission (TM-2006-0272), the Nebraska Public Service Commission (Application C-3545), the New York Public Service Commission (Case No. 05-C-1631), the North Carolina Utilities Commission (already approved; Docket P-118, Sub 149), the Public Utilities Commission of Ohio (05-1580-TP-ACO), and South Carolina Public Service Commission (Docket No. 2005-399-C).

While the Company does not know the exact approval dates, the Company expects all approvals to be completed by May 2006.

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