ALLTEL Communications
4001 Rodney Parham Road
Little Rock, AR 72212

Cesar Caballero
Director – Regulatory Law and Policy
501-748-7142-office, 501-748-7996-fax
e mail: cesar.caballero@alltel.com

June 19, 2006

RECEIVED
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VIA OVERNIGHT MAIL
Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601-8294

RE: P.S.C. Case No. 2006-00534

Dear Ms. O'Donnell:

Enclosed please find copies of the initial credit ratings of Windstream Corporation in accordance with the Commission's Order issued May 23, 2006 in the above captioned proceeding.

Sincerely,

Cesar Caballero

Cesar Caballero

STANDARD & POOR'S

CORPORATE RATINGS

Windstream Corp. Assigned 'BB+' Corporate Credit Rating With Negative Outlook

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Credit Rating:
BB+/Negative/—

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

RatingsDirect Publication Date
June 6, 2006

Rationale

On June 6, 2006, Standard & Poor's Rating Services assigned its 'BB+' corporate credit rating to Little Rock, Ark.-based Windstream Corp., a company to be formed through the merger of Valor Communications Group Inc. with the wireline business to be spun off from ALLTEL Corp. The transaction is expected to close in July. The outlook is negative.

At the same time, Windstream's proposed $3.3 billion senior secured credit facility was rated 'BBB-', one notch above the corporate credit rating, and assigned a recovery rating of '1', indicating expectations for full (100%) recovery of principal in the event of a payment default. A 'BB-'rating was assigned to the company's proposed offering of $2.5 billion of unsecured notes, comprised of $1.7 billion of debt for debt exchange notes to be issued to ALLTEL, and $800 million of notes that will be issued by Windstream in a subsequent offering. The unsecured notes are rated two notches below the corporate credit rating because of the significant amount of priority obligations, largely the bank facility. Proceeds from the transactions will be used to pay a $2.3 billion dividend to ALLTEL, refinance existing debt, and pay transaction fees. Debt outstanding at March 31, 2006, pro forma for the proposed transactions, totaled $5.5 billion.

Meanwhile, the ratings on Valor Communications remain on CreditWatch, where they were placed with positive implications Dec. 9, 2005, following the announcement of the proposed merger. Upon completion of the merger in early July, Windstream will repay borrowings under Valor's existing credit facility (which totaled $781 million at March 31, 2006) and assume approximately $400 million of Valor's senior unsecured notes on a pari passu basis with Windstream's senior secured credit facility. The rating on these notes will be raised to 'BBB-', the same as the senior secured credit facility, and a '1' recovery rating will be assigned.

Given concerns about increasing competition in the wireline sector, we view Windstream's intention to implement a large common dividend as an aggressive financial policy. While the company generates substantial free operating cash flow due to a solid EBITDA margin of approximately 50%, the planned dividend will consume over 70% of this cash, leaving about $150 million to $200 million available for debt repayment or investment in the business. This level of discretionary cash flow also assumes that capital expenditures remain fairly low at about $375 million annually, which equates to a fairly modest 11% of total revenues. Debt to EBITDA at March 31, 2006, pro forma for the proposed transactions, is aggressive at about 3.4 times.

Liquidity

Liquidity is adequate with an expected cash balance of $55 million to $60 million at the time of the spin-off, and availability under a $500 million revolving credit facility that will be undrawn. In addition, the company expects to generate $150 million to 200 million in discretionary cash flow after funding the substantial common dividend. Under covenants contained in the company's senior credit facilities, debt to EBITDA cannot exceed 4.5x and interest coverage must exceed 2.75x. Maturities are minimal until 2011, when the company's $500 million revolver, $500 million term loan A, and $400 million term loan C mature.

Recovery analysis

The senior secured credit facilities, which consist of a $500 million revolving credit facility, a $500 million term loan A, a $1.9 billion term loan B, and $400 million term loan C, are rated 'BBB-', one notch above the corporate credit rating, with recovery ratings of '1', indicating expectations for a full (100%) recovery of principal in the event of a payment default. *(For the complete recovery analysis, see "Recovery Report: Windstream Corp.'s $3.3 Billion Senior Secured Credit Facilities," to be published on RatingsDirect immediately following the release of this report.)*

Outlook

The outlook is negative. Cable telephony deployment is expected to be a competitive challenge in the near term and could result in pricing pressure and subsequent weakening of cash flow margins. Such a trend could lead to a downgrade if there is no change in the company's financial policy to reduce or eliminate the dividend. Any potential longer-term revision of the outlook to stable would only occur if the company is able to reduce leverage while maintaining a good competitive position against cable telephony competition. However, consideration of a stable outlook is likely to have a longer-term horizon since it may take at least one to two years to determine if Windstream has successfully met the cable telephony challenge.

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FitchRatings
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FITCH RATES WINDSTREAM COMMUNICATIONS 'BB+'

Fitch Ratings-Chicago-02 June 2006: Fitch has assigned an issuer default rating (IDR) of 'BB+' to Windstream Communications (Windstream). In addition, Fitch has assigned a 'BBB-' rating to its proposed credit facility, of which $2.4 billion is expected to be outstanding, and a 'BB+' rating to its proposed $2.5 billion of senior unsecured notes. The Rating Outlook is Stable.

At the completion of the transaction, Fitch expects to assign a 'BBB-' rating to Valor's existing $400 million in senior notes (co-issued by Valor Telecommunications Enterprises, LLC and Valor Telecommunications Enterprises Finance Corp.). In addition, Fitch has removed from Rating Watch Negative and affirmed with a Stable Outlook the 'BBB-' ratings assigned to Alltel Georgia Communications senior debt and downgraded its IDR to 'BB+' from 'A'. The rating assigned to Alltel Communications Midwest (Aliant) has been downgraded to 'BB+' from 'BBB-' and removed from Rating Watch Negative. A 'BB+' IDR has been assigned to Alltel Communications Midwest and its Rating Outlook is Stable.

The ratings of Alltel New York and Alltel Pennsylvania have been affirmed at 'BBB-' and removed from Rating Watch Negative. The ratings will be withdrawn following their retirement at the time of the transaction.

Following the merger of Alltel Wireline with Valor, which is expected to take place in mid-July of 2006, the surviving corporation (which is Valor) will be renamed Windstream Communications. Alltel Corp. will remain a separate business focused on providing wireless services. Generally, Wireline-related assets will be spun off with the Alltel Wireline, including the directory business, the competitive local exchange carrier (CLEC) operation, the Internet access business, and certain other support businesses. The long-distance operations will be retained by the wireline business, other than the fiber backbone supporting those operations and the revenues attributable to the wireless business' use of the fiber backbone. To bring about the spin-off, Alltel Wireline will issue common stock and distribute approximately $1.7 billion of notes (the exchange notes) to Alltel Corp. Alltel Wireline will also assume $181 million of local exchange subsidiary debt (net of $81 million to be refinanced after the merger) issued by Alltel Georgia and Alltel Communications Midwest (Aliant). Alltel Wireline will then pay a special dividend of $2.275 billion to Alltel. Alltel Wireline's merger with Valor will take place immediately after Alltel distributes the common stock of Alltel Wireline to its shareholders. Following the merger, Alltel shareholders will own 85% of the company and Valor shareholders 15%. Valor's shareholders still need to approve the transaction, and the shareholder meeting is expected to take place on June 27, 2006.

Windstream is expected to have up to $3.3 billion in available credit facilities, including a $500 million five-year revolving facility and up to $2.8 billion in term credit facilities. The company also plans to issue $800 million in senior notes. The credit facilities and notes will be used to pay the $2.275 billion dividend, to refinance the $783 million outstanding on Valor's bank facility and to refinance a potential offer for Valor's $400 million in outstanding senior notes. Windstream will assume and guarantee equally and ratably with the credit facilities $400 million of outstanding Valor debt securities if they are not tendered to Windstream, and the availability of $400 million on the term credit facility will be terminated.

Following the spin-off and merger, Windstream will be the second largest rural local exchange carrier and the sixth largest local exchange carrier in the U.S. The company will have at closing approximately 3.4 million access lines in 16 states, with about two-thirds of its access lines concentrated in the states of Georgia, Kentucky, Texas, Ohio and Nebraska. Annual revenues are expected to approximate $3.4 billion.

Fitch's rating incorporates expectations for Windstream to generate strong operating cash flows and to have access to ample liquidity. Fitch expects Windstream to pay out approximately 70% of its net free cash flow as dividends to common shareholders. The remaining free cash flows are

Moody's Investors Service

Global Credit Research
Rating Action
1 JUN 2006

Rating Action: Windstream Corporation

MOODY'S ASSIGNS Ba2 RATING TO WINDSTREAM CORPORATION; OUTLOOK IS STABLE

Approximately $6.8 Billion of Debt Affected

New York, June 01, 2006 -- Moody's Investors Service has assigned a Ba2 corporate family rating, a Ba2 rating for the proposed $2.9 billion in senior secured credit facilities, and a Ba3 rating for the $2.5 billion in senior notes at Windstream Corporation ("Windstream"), an entity to be created following the spinoff of the Alltel wireline operations and the reverse Morris Trust merger with Valor Telecommunications ("Valor"). In addition, Moody's downgraded the ratings of the existing Alltel Georgia Communications to Baa2 and Alltel Communications Holdings of Midwest to Ba2. Valor's corporate family rating was upgraded to Ba2, along with the senior secured credit facilities and the senior notes, reflecting the strong likelihood that the spinoff will be implemented as planned. The upgrade of Valor's senior notes reflects the pari-passu treatment they will receive relative to Windstream's secured credit facilities. Upon the conclusion of the merger, Valor's corporate family and the senior secured facility ratings will be withdrawn. The outlook is stable.

Issuer -

Windstream Corporation

Corporate Family Rating -- Assigned Ba2

$500 million Senior Secured Revolving Credit Facility -- Assigned Ba2

$500 million Senior Secured Term Loan A -- Assigned Ba2

$1,900 million Senior Secured Term Loan B -- Assigned Ba2

$800 million Senior Notes -- Assigned Ba3

$1,703 million Senior Notes due 2016 -- Assigned Ba3

Outlook -- Assigned Stable

Issuer -

Valor Telecommunications Enterprises, LLC:

Corporate Family Rating -- Changed to Ba2 from Ba3

$100 million Senior Secured Revolving Credit Facility -- Changed to Ba2 from Ba3

$780 million Senior Secured Term Loan B -- Changed to Ba2 from Ba3

$400 million Senior Notes due 2015 -- Changed to Ba2 from B1

Outlook -- Changed to Stable from positive

Issuer -

Alltel Communications Holdings of the Midwest, Inc:

$100 million Senior Notes due 2028 -- Changed to Ba2 from A2

Issuer -