JPMorgan, Merrill Lynch, JPMCB and MLCC the nonrefundable fees set forth in Annex I to the Term Sheet and in the Fee Letter dated the date hereof and delivered herewith (the **"Fee Letter"**).

The Lead Lenders' commitments hereunder and the Lead Arrangers' agreements to perform the services described herein are subject to:

(a) there not having been, since September 30, 2005, any state of facts, change, development, event, effect, condition or occurrence that, individually or in the aggregate, (i) is materially adverse to the business, assets, properties, liabilities or condition (financial or otherwise) of (x) Spinco and its subsidiaries or (y) Merger Partner and its subsidiaries, in each case taken as a whole, or directly or indirectly prevents or materially impairs or delays the ability of Spinco or Merger Partner to perform its obligations under the Merger Agreement; excluding any facts, events, changes, effects or developments (A) generally affecting the rural, regional or nationwide wireline voice and data industry in the United States or in other countries in which such person or its subsidiaries conduct business, including regulatory and political developments and changes in law or generally accepted accounting principles, (B) generally affecting the economy or financial markets in the United States or in other countries in which such person or its subsidiaries conduct business, or (C) resulting from the announcement of the Merger or the taking of any action required by the Merger Agreement or related agreements in connection with the Merger (including any decrease in customer demand, any reduction in revenues, any disruption in supplier, partner or similar relationships, or any loss of employees) or (ii) materially and adversely affects (x) the ability of Spinco or Merger Partner to perform its obligations under the Credit Documentation or (y) the rights and remedies of the Lenders under the Credit Documentation;

(b) our not becoming aware after the date hereof of any information or other matter affecting Spinco, Merger Partner, any of their respective subsidiaries, the Transaction or any other transaction contemplated hereby which is inconsistent in a material and adverse manner with any such information or other matter disclosed to us prior to the date hereof;

(c) after the date hereof and until the successful syndication of the Facilities (as defined in the Fee Letter), none of Alltel, Spinco, Merger Partner or any of their respective subsidiaries shall have syndicated or issued or announced or authorized the announcement of, any debt facility or debt security of any of them (including renewals thereof) other than (x) any such facility or security by Alltel and its subsidiaries (other than Spinco and its subsidiaries) that would not reasonably be expected to impair the syndication of the Facilities in any material respect, and (y) the Facilities, the Distributed Notes or the Refinancing Notes;

(d) the Lead Arrangers having been afforded a period of 15 consecutive business days (or more if mutually agreed) following the launch of the general syndication of the Facilities and immediately prior to the date of execution of the Credit Documentation to syndicate the Facilities;

(e) the negotiation, execution and delivery on or before December 8, 2006 of Credit Documentation satisfactory to us and our counsel; and

(f) the other conditions set forth or referred to in the Term Sheet.

The terms and conditions of any Lead Lender's commitment hereunder and of the Facilities are not limited to those set forth herein and in the Term Sheet. Those matters that are not covered by the provisions hereof and of the Term Sheet are subject to the approval and agreement of the Lead Lenders, the Lead Arrangers and you.

You agree (a) to indemnify and hold harmless each of the Lead Arrangers, the Administrative Agent, the Lead Lenders, the other Lenders that have provided commitments to provide any portion of the Facilities and their respective affiliates, and the respective officers, directors, employees, advisors and agents of such persons, (each, an "**indemnified person**") from and against any and all losses, claims, damages and liabilities to which any such indemnified person may become subject arising out of or in connection with this Commitment Letter (including the performance of services hereunder), the Term Sheet, the Fee Letter, the Facilities (including the loans thereunder and the use of the proceeds thereof), the Refinancing Notes or any other aspect of the Transaction or any related transaction or any claim, litigation, investigation or proceeding relating to any of the foregoing, regardless of whether any indemnified person is a party thereto or whether any of the Transactions are consummated or this Commitment Letter is terminated, and to reimburse each indemnified person upon demand for any reasonable legal or other expenses incurred in connection with investigating, preparing for or defending any of the foregoing, *provided* that the foregoing indemnity will not, as to any indemnified person, apply to (i) any losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the willful misconduct or gross negligence of such indemnified person or (ii) any losses incurred in connection with the Exchange, and (b) to reimburse each of the Lead Arrangers, the Lead Lenders and their respective affiliates on demand for all reasonable out-of-pocket expenses (including reasonable due diligence expenses, reasonable syndication expenses, reasonable consultant's fees and expenses (if applicable), reasonable appraisal and valuation fees and expenses, reasonable travel expenses, reasonable audit fees, search fees, filing and recording fees, and reasonable fees, charges and disbursements of counsel (including any local or regulatory counsel) and any sales, use or similar taxes (and any additions to such taxes) related to any of the foregoing) incurred in connection with the Facilities and any related documentation (including this Commitment Letter, the Term Sheet, the Fee Letter and the Credit Documentation) or the administration, amendment, modification, waiver or enforcement thereof, whether or not such fees and expenses are incurred before or after the date hereof or any Credit Documentation is entered into or the Transaction is consummated or any extensions of credit are made under the Facilities or this Commitment Letter is terminated or expires. No indemnified person shall be liable (and you agree not to assert any claim against any indemnified person) for any damages arising from the use by others of Information, Projections or other materials obtained through electronic, telecommunications or other information transmission systems, except to the extent they are found by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the willful misconduct or gross negligence of such indemnified person, or for any special, indirect, consequential, punitive or exemplary damages on any theory of liability in connection with this Commitment Letter (including the performance of services hereunder), the Fee Letter, the Term Sheet, the Facilities or its activities related to any of the foregoing.

You agree that, without our prior written consent, neither you nor any of your affiliates or subsidiaries will settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification has been or could be sought under the indemnification provisions hereof (whether or not any other indemnified person is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent (a) includes an unconditional written release in form and substance reasonably satisfactory to the indemnified persons of each indemnified person from all liability arising out of such claim, action or proceeding and (b) does not include any statement as to or an admission of fault, culpability or failure to act by or on behalf of any indemnified person.

This Commitment Letter shall not be assignable by you without the prior written consent of each of the Lead Lenders and the Lead Arrangers (and any purported assignment without such consent shall be null and void) and, except as expressly provided with respect to indemnification, is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. This Commitment Letter may not be amended or waived except by an instrument in writing signed by you and each of the Lead Lenders and the Lead Arrangers. This Commitment Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Commitment Letter by facsimile transmission shall be effective as delivery of manually executed counterpart hereof. This Commitment Letter and the Fee Letter are the only agreements that have been entered into among the parties hereto with respect to the Facilities and set forth our entire understanding with respect thereto. This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

You irrevocably and unconditionally submit to the exclusive jurisdiction of any state or federal court sitting in the City of New York over any suit, action or proceeding arising out of or relating to this Commitment Letter, the Fee Letter, the Term Sheet or the Transaction. You irrevocably and unconditionally waive any objection to the laying of venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding has been brought in an inconvenient forum. You agree that a final judgment in any such suit, action or proceeding brought in any such court shall be conclusive and binding upon you and may be enforced in any other courts to whose jurisdiction you are or may be subject, by suit upon judgment. Each party hereto waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any legal proceeding directly or indirectly arising out of or relating to this Commitment Letter (including the Term Sheet), the Fee Letter, the Transaction or any other transaction contemplated hereby or thereby (whether based on contract, tort or any other theory).

This Commitment Letter is delivered to you on the understanding that, unless otherwise agreed to in writing by each of the Lead Lenders and the Lead Arrangers, neither this Commitment Letter, the Term Sheet or the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person, except (a) on a confidential basis to your and Merger Partner's respective officers, directors, agents and advisors who are directly involved in the consideration of this matter and has need to know, (b) as may be requested by any taxing authority in connection with its evaluation of the tax treatment of the Spinoff and other aspects of the Transaction or any other related transaction or (c) as may be compelled in a judicial or administrative proceeding or as otherwise required by law; *provided* that you agree (i) to inform us promptly upon any disclosure (and, to the extent you are permitted to do so under applicable law, any request therefor) under clause (b) or (c) above and to cooperate with us in securing a protective order in the event of compulsory disclosure and (ii) that any disclosure made pursuant to public filings shall be subject to our prior review; and *provided further* that, following your execution and delivery of this Commitment Letter and the Fee Letter, you may disclose this Commitment Letter and the Term Sheet and their terms and substance (but not the Fee Letter or its terms or substance). You agree to take such actions as shall be necessary to prevent the Fee Letter from becoming publicly available except as otherwise required by law and to permit the applicable Lead Arranger or Lead Lender to review and approve any reference to it or any of its affiliates in connection with the Facilities or the transactions contemplated hereby contained in any press release or similar public disclosure prior to public release. You further agree that any Lead Arranger or Lead Lender or any of their respective affiliates may, at its own expense, publicly announce as such person may choose the capacities in which it or its affiliates have acted hereunder. Notwithstanding anything herein to the contrary, any of you, Spinco and Merger Partner (and any employee, representative or other agent of any such person) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and the U.S. federal income tax structure of the transactions contemplated hereby and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, no disclosure of any information relating to such tax treatment or tax structure may be made to the extent nondisclosure is reasonably necessary in order to comply with applicable securities laws.

You acknowledge that the Lead Arrangers and the Lead Lenders may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which you, Spinco and/or Merger Partner may have conflicting interests regarding the transactions described herein and otherwise. None of the Lead Arrangers or the Lead Lenders will use confidential information obtained from you by virtue of the transactions contemplated by this Commitment Letter or its other relationships with you in connection with the performance by such Lead Arranger or Lead Lender of services for other companies, and none of the Lead Arrangers or the Lead Lenders will furnish any such information to other companies. You also acknowledge that the Lead Arrangers and the Lead Lenders do not have any obligation to use in connection with the transactions contemplated by this Commitment Letter, or to furnish to you, confidential information obtained from other companies.

In connection with the transactions provided for hereunder with respect to the Facilities, you acknowledge and agree (on your own behalf and on behalf of your affiliates) that (i) each such transaction is an arm's-length commercial transaction between Alltel, Spinco, Merger Partner and/or their respective affiliates, on the one hand, and the Lead Arrangers and/or the Lead Lenders, on the other hand, (ii) the Lead Arrangers and the Lead Lenders will act solely as principals and not as agents or fiduciaries of Alltel, Spinco, Merger Partner or any of their stockholders, affiliates, creditors, employees or any other person in connection with such transactions and the process leading thereto, (iii) no Lead Arranger or Lead Lender will assume an advisory or fiduciary responsibility in favor of Alltel, Spinco, Merger Partner or any of their affiliates with respect to any such transaction or the process leading thereto (irrespective of whether any Lead Arranger or any Lead Lender has advised or is currently advising any such person on other matters, including without limitation in connection with the Spinoff and the Merger), and, except as expressly set forth in this Commitment Letter, the Term Sheet and the Fee Letter, no Lead Arranger or Lead Lender will have any obligation to Alltel, Spinco, Merger Partner, Wireline or any of their affiliates with respect to any such transaction, (iv) the Lead Arrangers, the Lead Lenders and their affiliates may be engaged in a broad range of transactions that involve interests that differ from those of Alltel, Spinco, Merger Partner and their affiliates, and (v) the Lead Arrangers and the Lead Lenders have not provided, and will not provide, any legal, accounting, regulatory or tax advice with respect to any such transaction, and Alltel, Spinco, Merger Partner and their affiliates have consulted, and will consult, their own legal, accounting, regulatory, and tax advisors to the extent they deem appropriate. You hereby waive and release, to the fullest extent permitted by law, any claims that you may have against any Lead Arranger or any Lead Lender with respect to any breach or alleged breach of fiduciary duty arising out of the transactions provided for hereunder with respect to the Facilities.

We hereby notify you that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "**Patriot Act**"), the Lenders may be required to obtain, verify and record information that identifies you, Spinco and Merger Partner, which information includes the name, address and tax identification number and other information regarding such person that will allow such Lender to identify them in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective as to the Lenders.

As soon as practicable after the date hereof, but in no event later than the date of execution of the Merger Agreement (as defined in the Term Sheet), you will cause each of Spinco and Merger Partner (on its own behalf and on behalf of each of its subsidiaries) to assume in writing and become jointly and severally liable for all of your obligations hereunder and under the Fee Letter. Following the funding of the Term Facilities and the consummation of the Spinoff, the Merger and the Exchange (if any) on the terms contemplated hereby and by the Fee Letter (and payment to the Lead Arrangers and the Lead Lenders of any applicable fees and expenses), and assumption in writing by the other Wireline Companies of the obligations hereunder and under the Fee Letter, Alltel and each of its subsidiaries at such time shall be released from any and all liabilities or obligations (financial or otherwise) arising hereunder or in any away related to the transactions contemplated hereunder. For purposes of clarification, nothing in this Commitment Letter, the Term Sheet, the Fee Letter or in any documentation executed in connection herewith or therewith or with the transactions contemplated hereby and thereby shall prohibit or otherwise impede, in any manner, Alltel or any of its subsidiaries (other than Spinco and its subsidiaries) from entering into (or attempting to enter into), or engaging in discussions with any person regarding, any financing arrangement or offering of securities that would not reasonably be expected to impair the syndication of the Facilities in any material respect and that is not required to consummate, or issued in connection with, the Transaction.

Each of the Lead Arrangers and/or its affiliates have been retained as financial advisors to Alltel and its affiliates (in such capacity, the "**Financial Advisors**") in connection with the Transaction. Each party hereto agrees not to assert any claim that might be alleged based on any actual or potential conflicts of interest that might be asserted to arise from, on the one hand, the engagement of the Financial Advisors and, on the other hand, our and our affiliates' relationships with all parties hereunder and under the Fee Letter as described and referred to herein.

The Lead Lenders' commitments hereunder shall terminate in their entirety on the earliest to occur of (a) December 8, 2006 if the Closing Date does not occur on or prior thereto, (b) the date of termination of the Merger Agreement (as defined in Exhibit B hereto) in accordance with its terms, and (c) the execution of the Credit Documentation. The compensation, reimbursement, indemnification, assignment and confidentiality provisions contained herein and in the Fee Letter shall remain in full force and effect regardless of whether the Credit Documentation shall be executed and delivered and notwithstanding the termination of this Commitment Letter or any Lead Lender's commitment hereunder. In addition, your obligations and agreements with respect to syndication (including as to Information and Projections) shall remain in full force and effect until the later of the Closing Date and the completion of a successful syndication of the Facilities (as defined in the Fee Letter).

If the foregoing correctly sets forth our agreement, please indicate your acceptance of the terms hereof and of the Term Sheet and the Fee Letter by returning to us executed counterparts hereof and of the Fee Letter not later than 5:00 p.m., New York City time, on December 8, 2005. The Lead Lenders' commitments and the Lead Arrangers' agreements herein will expire at such time unless at or prior to such time you shall have returned to us such executed counterparts.

JPMorgan, Merrill Lynch, JPMCB and MLCC are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

J.P. MORGAN SECURITIES INC.

By: ______________________
Name: ROBERT DORR
Title: VICE PRESIDENT

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: ______________________
Name:
Title:

JPMORGAN CHASE BANK, N.A.

By: ______________________
Name: BERNARD J. LILLIS
Title: MANAGING DIRECTOR

MERRILL LYNCH CAPITAL CORPORATION

By: ______________________
Name:
Title:

Accepted and agreed to as of the date first written above by:

ALLTEL CORPORATION

By: ______________________
Name:
Title:

JPMorgan, Merrill Lynch, JPMCB and MLCC are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

J.P. MORGAN SECURITIES INC.

By: ______________________________
Name:
Title:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: Stephen B [illegible]
Name:
Title: Managing Director

JPMORGAN CHASE BANK, N.A.

By: ______________________________
Name:
Title:

MERRILL LYNCH CAPITAL CORPORATION

By: Stephen B [illegible]
Name:
Title: Vice President

Accepted and agreed to as of the date first written above by:

ALLTEL CORPORATION

By: ______________________________
Name:
Title:

JPMorgan, Merrill Lynch, JPMCB and MLCC are pleased to have been given the opportunity to assist you in connection with this important financing.

Very truly yours,

J.P. MORGAN SECURITIES INC.

By: ______________________________
Name:
Title:

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

By: ______________________________
Name:
Title:

JPMORGAN CHASE BANK, N.A.

By: ______________________________
Name:
Title:

MERRILL LYNCH CAPITAL CORPORATION

By: ______________________________
Name:
Title:

Accepted and agreed to as of the date first written above by:

ALLTEL CORPORATION

By: Jeffery R Gardner
Name: Jeffery R. Gardner
Title: EVP, Chief Financial Officer

Schedule 1

SOURCES AND USES OF FUNDS

($ in millions)

Sources		Uses	
Senior Credit Facilities			
Revolving Credit Facility	$ 90[1]	Dividend to Alltel	$ 2,400
Term Facilities		Refinance Merger Partner Bank Facility (including the payment of related premiums)	$ 783
Tranche A and Tranche B	$ 3,300		
Tranche C[2]	$ 0	Assumed Merger Partner Bonds	$ 0
		Refinance Alltel Bonds (including the payment of related premiums)	$ 92
Distributed Notes	$ 1,538	Debt-for-Debt Exchange	$ 1,538
Assumed Spinco Debt	$ 181	Assumption of Alltel Debt	$ 181
		Transaction Costs	$ 115
Total Sources	$ 5,109	Total Uses	$ 5,109

[1] The remainder of the $500 million of commitments under the Revolving Credit Facility will not be utilized at closing, except for Letters of Credit that may be issued to replace letters of credit under Merger Partner's existing bank facility identified on Schedule 2 hereto.

[2] Tranche C Term Loans will be funded to the extent that Merger Partner Bonds are put to the issuer pursuant to a change of control offer required under the applicable indenture.

<u>Schedule 2</u>

INDEBTEDNESS

1. Set forth below is a list of all indebtedness of Spinco and Merger Partner (or any of their respective subsidiaries) that will be repaid on the Closing Date, including with the proceeds of the Facilities or the Refinancing Notes:

Description	Principal Amount to be Repaid
Merger Partner Bank Facility – Amended and Restated Credit Facility dated as of February 14, 2005 among Merger Partner, certain of its affiliates as guarantors and Bank of America, N.A., as Administrative Agent, and the lenders and other agents party thereto (as amended by Amendment No. 1 dated as of August 9, 2005)	$775 million of secured loans to be repaid in full with the proceeds of the Senior Credit Facilities and/or Refinancing Notes
Merger Partner Bonds – 7-3/4% Senior Notes due 2015 issued by Merger Partner	Merger Partner Bonds to be repaid with the proceeds of Tranche C Term Loans to the extent put to the issuer as described in footnote 2 of Schedule 1 (assumed to be $0)
Alltel Bonds – Various bonds issued by Alltel wireline subsidiaries	Approximately $81 million of Alltel wireline bonds to be repurchased with the proceeds of the Senior Credit Facilities and/or Refinancing Notes (expected total payments of $92 million including the related make-whole premiums)

2. Set forth below is a list of all indebtedness of Spinco and Merger Partner (or any of their respective subsidiaries) that will be outstanding on the Closing Date after giving effect to the Transaction:

Description	Principal Amount
Senior Credit Facilities Revolving Credit Facility Term Facilities and/or Refinancing Notes	 Aggregate commitments of $500 million Aggregate of $3.3 billion[3]
Distributed Notes	$1.538 billion of senior notes to be issued by Spinco to Alltel as consideration for the Contribution
Assumed Spinco Debt – 6-1/2% Notes due 2028 issued by Aliant Communications Inc. and 6-1/2% Debentures due 2013 issued by ALLTEL Georgia Communications Corp.	Approximately $181 million of Alltel wireline bonds to be assumed by Spinco in connection with the Contribution
Merger Partner Bonds – 7-3/4% Senior Notes due 2015 issued by Merger Partner	$400 million of Merger Partner Bonds assumed to remain outstanding (see "Merger Partner Bonds" in Part 1 and "Tranche C" under "Term Facilities" in Part 2 above)

[3] Tranche C Term Loans will be funded to the extent Merger Partner Bonds are put to the issuer as described under "Merger Partner Bonds" in Part 1 above (assumed to be $0).

Exhibit A

SENIOR SECURED CREDIT FACILITIES

Summary of Terms and Conditions

Capitalized terms not otherwise defined herein have the same meanings as specified therefor in the Commitment Letter to which this Exhibit A is attached.

I. **Parties**

Borrower:	ALLTEL Holding Corp., a Delaware corporation ("**Spinco**") and wholly-owned subsidiary of ALLTEL Corporation ("**Alltel**"), prior to the merger (the "**Merger**") of Spinco with and into Valor Communications Group. Inc., a Delaware corporation ("**Merger Partner**"), and, after the Merger, the surviving corporation ("**Wireline**"). The Borrower and its subsidiaries are collectively referred to herein as the "**Wireline Companies**".
Guarantors:	Each of the Borrower's present and future direct and indirect domestic subsidiaries and each subsidiary that guarantees the Refinancing Notes, the Distributed Notes or any other debt obligations of the Borrower, will guarantee (each, a "**Guarantee**", and such subsidiaries, the "**Guarantors**") the Borrower's obligations under (x) the Facilities and (y) cash management agreements (the "**Secured Cash Management Agreements**") and (to the extent relating to the Loans) interest rate protection agreements (the "**Secured Hedge Agreements**"), in each case entered into with a person that is, or was at the time such agreement was entered into, a Lender or an affiliate of a Lender, up to the maximum amount possible without violating applicable fraudulent conveyance laws.
Sole and Exclusive Lead Arrangers and Joint Bookrunners:	J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch & Co. (collectively, in such capacity, the "**Lead Arrangers**").
Administrative Agent and Collateral Agent:	A financial institution to be determined (in such capacity, the "**Administrative Agent**").

Lenders:	A syndicate of financial institutions and other entities, including JPMorgan Chase Bank, N.A. ("**JPMCB**") and Merrill Lynch Capital Corporation (together, the "**Lead Lenders**"), identified by the Lead Arrangers in consultation with the Borrower (collectively, the "**Lenders**").

II. Revolving Credit Facility

Type and Amount of Facility:	Five-year revolving credit facility (the "**Revolving Credit Facility**") in a principal amount of $500 million (the loans thereunder, the "**Revolving Credit Loans**").
Availability:	The Revolving Credit Facility shall be available on a revolving basis during the period commencing on and after the Closing Date and ending on the fifth anniversary thereof (the "**Revolving Credit Termination Date**"), except that Borrowings under the Revolving Credit Facility will only be permitted on the Closing Date as specified on Schedule 1 to the Commitment Letter.
Letters of Credit:	A portion of the Revolving Credit Facility not in excess of $30 million shall be available for the issuance of letters of credit ("**Letters of Credit**") by JPMCB and other financial institution(s) to be agreed (each, in such capacity, the "**Issuing Lender**"). No Letter of Credit shall have an expiration date after the earlier of (a) one year after the date of issuance and (b) five business days prior to the Revolving Credit Termination Date, *provided* that any Letter of Credit with a one-year tenor may provide for the renewal thereof for additional one-year periods (which shall in no event extend beyond the date referred to in clause (b) above). Drawings under any Letter of Credit shall be reimbursed by the Borrower (whether with its own funds or with the proceeds of Revolving Credit Loans) on the same business day. To the extent that the Borrower does not so reimburse the Issuing Lender, the Lenders under the Revolving Credit Facility shall be irrevocably and unconditionally obligated to reimburse the Issuing Lender on a *pro rata* basis.
Maturity:	The Revolving Credit Termination Date.
Purpose:	The proceeds of the Revolving Credit Loans and Letters of Credit shall be used to pay fees and expenses in connection

with the Transaction and for working capital and other general corporate purposes of the Wireline Companies.

III. Term Loan Facilities

Type and Amount of Facilities:	Term loan facilities in an aggregate principal amount of up to $3.7 billion (the loans thereunder, the "**Term Loans**" and, together with the Revolving Credit Loans, the "**Loans**"), consisting of subfacilities in the following amounts: (i) Tranche A Term Facility – up to $500 million; (ii) Tranche B Term Facility – up to $2.8 billion; and (iii) Tranche C Term Facility – up to $400 million The Tranche A and/or Tranche B Term Facility will be reduced or, if applicable, prepaid dollar-for-dollar by the principal amount of any Refinancing Notes issued on or after the Closing Date.
Availability:	The Tranche A and Tranche B commitments will expire at the close of business on the Closing Date. The Tranche C commitments will be available for a period of 4 months after the Closing Date for the purposes described below.
Maturity:	Tranche A Term Loans – 5 years. Tranche B Term Loans – 7 years. Tranche C Term Loans – 5 years.
Purpose:	The proceeds of the Tranche A Term Loans and the Tranche B Term Loans shall be used to finance a $2.4 billion dividend payment to Alltel and to refinance Merger Partner's existing bank facility identified on Schedule 2 to the Commitment Letter and approximately $81 million of Alltel's outstanding bonds. The proceeds of the Tranche C Term Loans shall be used to purchase any of Merger Partner's outstanding bonds that are tendered pursuant to the terms thereof.

IV. Security

The Borrower's obligations under the Facilities, the Secured Cash Management Agreements and (to the extent relating to the Loans) the Secured Hedge Agreements will be secured by perfected first-priority liens on (i) substantially all of its personal property assets, including without limitation receivables, inventory, equipment, bank accounts, general intangibles, licenses (subject to any applicable regulatory restrictions), patents, brand names, trademarks, contracts (including franchise agreements), capital stock and other equity interests in subsidiaries (but not more than 66% of the voting stock of any foreign subsidiary and subject to any applicable regulatory or contractual restrictions) and other securities and (ii) such other assets as shall be deemed necessary in the reasonable discretion of the Lead Arrangers. The Guarantees will be secured by perfected first-priority liens on all assets of the respective Guarantors of the same types as described in clauses (i) and (ii) above. All of the assets referred to in this paragraph that will be subject to liens may be referred to herein, collectively, as the "**Collateral**".

Any of Alltel's outstanding bonds that are assumed by Spinco may be equally and ratably secured by such portion of the Collateral as may be required under the applicable indentures.

V. Certain Payment Provisions

Fees and Interest Rates:	As set forth on Annex I hereto.
Scheduled Amortization:	The Tranche A Term Loans and the Tranche C Term Loans will be amortized quarterly according to the following schedule: Each quarter during Year 1 – 0% Each quarter during Year 2 – 1.25% Each quarter during Year 3 – 2.5% Each quarter during Year 4 – 3.75% Each of the first 3 quarters of Year 5 – 5% Maturity – 55% The Tranche B Term Loans will be amortized quarterly with (i) 0.25% of the Tranche B Term Loans to be payable quarterly in equal installments in each quarter of the second through the sixth years and the first 3 quarters of the seventh year and (ii) the balance of the Tranche B Term Loans to be payable at maturity.
Mandatory Prepayment	In addition to scheduled amortization payments and any

Events: prepayments required upon the issuance of Refinancing Notes after the Closing Date, 100% of the net proceeds from asset sales (subject to customary option to reinvest proceeds within 365 days) by, and of the proceeds of casualty insurance, condemnation awards and similar recoveries received by, any of the Wireline Companies will be applied, to prepay the Term Loans on a pro rata basis (*provided* that any Lender may elect not to receive any such payment of its Tranche B Term Loans until all of the Tranche A Term Loans and the Tranche C Term Loans have been paid in full) in direct order of scheduled amortization of the applicable Term Loans.

Optional Prepayments and Commitment Reductions: Loans may be prepaid and unused commitments may be reduced by the Borrower in minimum amounts to be agreed upon. Optional prepayments of Term Loans will be applied (i) proportionately between all outstanding tranches thereof and (ii) ratably to scheduled amortization.

VI. Certain Conditions

Initial Conditions: The availability of the Facilities shall be conditioned upon the satisfaction of the conditions precedent set forth in Exhibit B to the Commitment Letter on or before December 8, 2006 (the date upon which all such conditions precedent shall be satisfied, the "**Closing Date**").

On-Going Conditions: The making of each extension of credit (including the initial extension of credit) shall be conditioned upon (a) the accuracy of all representations and warranties in the definitive financing documentation with respect to the Facilities (the "**Credit Documentation**") (including without limitation the material adverse change and litigation representations) and (b) there being no default or event of default in existence at the time of, or after giving effect to the making of, such extension of credit.

VII. Certain Documentation Matters

The Credit Documentation shall contain representations, warranties, covenants and events of default customary for financings of this type and/or companies engaged in a business similar to that of the Wireline Companies and/or deemed appropriate by the Lenders, in each case providing the Lenders with at least the same rights as any similar provisions applicable to the Distributed Notes and/or the Refinancing Notes, including without limitation:

Representations and Warranties:	Corporate existence; corporate power and authority; enforceability of the Credit Documentation; governmental and regulatory approvals (including of the FCC and any similar state agencies); no conflict with law or contractual obligations; financial statements; absence of undisclosed liabilities; no material adverse change; ownership of properties (including copyrights, trademarks and other intellectual property); no material litigation; environmental matters; compliance with laws and agreements; no default; Investment Company Act; Public Utility Holding Company Act; payment of taxes; ERISA and pension plans; accuracy of disclosure; subsidiaries; insurance; labor matters; solvency; liens and collateral matters; licenses/franchises (including of the FCC and similar state agencies); Federal Reserve margin regulations.
Affirmative Covenants:	Delivery of financial information (including annual audited and quarterly unaudited consolidated financial statements), reports, accountants' letters, budgets, officers' certificates and any other information reasonably requested by the Administrative Agent or any Lender; notices of defaults, litigation, regulatory matters and other material events; information regarding collateral; maintenance of existence, material rights and franchises and conduct of business; payment and performance of other obligations; maintenance of properties; insurance; casualty and condemnation; maintenance of books and records; right of the Lenders to inspect property and books and records; compliance with laws and regulations (including environmental laws and FCC and similar state regulations); use of proceeds and Letters of Credit; future subsidiaries; further assurances; maintenance of interest rate hedging agreements; provision of additional guarantees and/or Collateral.
Financial Covenants:	1. Minimum Interest Coverage Ratio (to be determined) 2. Maximum Leverage Ratio of 4.50 to 1.0
Negative Covenants:	Limitations on: indebtedness and preferred stock; liens (other than permitted liens) ; fundamental changes (including mergers, consolidations, liquidations and dissolutions); sales of assets; investments, loans, advances,

guarantees and acquisitions; sale and leaseback transactions; hedge agreements; dividends and payments in respect of capital stock (with an exception for dividends up to the sum of excess free cash flow (to be defined substantially the same as in Merger Partner's existing credit agreement) and net cash equity issuance proceeds so long as the pro forma Leverage Ratio does not exceed 4.50 to 1.0) and certain payments of debt; transactions with affiliates; restrictive agreements; limitations on capital expenditures; amendment of material documents; changes in fiscal year; changes in lines of business.

Events of Default:	Nonpayment of principal when due; nonpayment of interest, fees or other amounts after a grace period to be agreed; material inaccuracy of representations and warranties; violation of covenants (subject, in the case of certain affirmative covenants, to a grace period to be agreed upon); cross-default to debt of any of the Wireline Companies in excess of an amount to be agreed; bankruptcy events related to the Borrower and its material subsidiaries; material judgments; certain ERISA events; loss of material regulatory licenses; loss of lien perfection or priority; unenforceability of Guarantees; change of control (the definition of which is to be agreed).
Voting:	Amendments and waivers with respect to the Credit Documentation shall require the approval of Lenders holding more than 50% of the aggregate amount of the Loans, participations in Letters of Credit and unused Revolving Credit commitments, except that (a) the consent of each Lender directly affected thereby shall be required with respect to (i) reductions in the amount, or extensions of the scheduled date of amortization or final maturity, of any Loan, (ii) reductions in any rate of interest or any fee or extensions of any due date thereof and (iii) increases in the amount or extensions of the expiry date of any Lender's commitment, (b) the consent of the holders of at least 50% of the aggregate amount of the Revolving Credit commitments or any tranche of Term Loans, as the case may be, shall be required with respect to any amendment or waiver that would adversely affect the rights of the holders of Revolving Credit commitments or such tranche of Term Loans, as the case may be, differently from the rights of any other Lender and (c) the consent of 100% of the Lenders shall be required with respect to (i) releases of all or

substantially all of the Collateral or the Guarantees and (ii) modifications to any of the voting percentages.

Assignments and Participations:

As set forth below, the Lenders shall be permitted to assign and sell participations in their Loans and commitments, subject, in the case of assignments (other than to another Lender or an affiliate of a Lender), to the consent of the Administrative Agent and, unless an Event of Default has occurred and is continuing, the Borrower (which consents shall not be unreasonably withheld); *provided* that, notwithstanding the foregoing, all assignments (including to another Lender or an affiliate of a Lender) in connection with the Revolving Credit Facility shall require the consent of the Administrative Agent and the Issuing Lender.

In the case of partial assignments (other than to another Lender or an affiliate of a Lender), the minimum assignment amount shall be $1 million or any lesser amount held by the assigning Lender. The Administrative Agent shall be paid a processing and recordation fee of $3,500 for each assignment (including for assignments to other Lenders or affiliates of Lenders).

Participants shall have the same benefits as the Lenders with respect to yield protection and increased cost provisions. Voting rights of participants shall be limited to those matters with respect to which the affirmative vote of the Lender from which it purchased its participation would be required as described under "Voting" above.

Pledges of Loans in accordance with applicable law shall be permitted without restriction. Promissory notes shall be issued under the Facilities only upon request.

Yield Protection:

The Credit Documentation shall contain customary provisions (a) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law and from the imposition of or changes in withholding or other taxes and (b) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar Loan (as defined in Annex I hereto) on a day other than the last day of an interest period with respect thereto.

Expenses and Indemnification:	The Borrower shall pay (a) all reasonable out-of-pocket expenses of the Administrative Agent and the Lead Arrangers associated with the syndication of the Facilities and the preparation, execution, delivery and administration of the Credit Documentation and any amendment or waiver with respect thereto (including the reasonable fees, disbursements and other charges of counsel) and (b) all out-of-pocket expenses of the Administrative Agent and the Lenders (including the fees, disbursements and other charges of counsel) in connection with the enforcement of the Credit Documentation. The Administrative Agent, the Lead Arrangers and the Lenders (and their affiliates and their respective officers, directors, employees, advisors and agents) will have no liability for, and will be indemnified and held harmless against, any loss, liability, cost or expense arising out of or relating to the Facilities or the use or the proposed use of proceeds thereof or any aspect of the Transaction (except to the extent found by a final, non-appealable judgment of a court of competent jurisdiction to have arisen from the willful misconduct or gross negligence of such indemnified person).
Governing Law and Forum:	State of New York.
Counsel to the Administrative Agent and the Lead Arrangers:	Davis Polk & Wardwell.

SENIOR SECURED CREDIT FACILITIES

Interest and Certain Fees

Interest Rate Options:

The Borrower may elect that the Loans comprising each borrowing bear interest at a rate per annum equal to:

the ABR plus the Applicable Margin; or

the Adjusted LIBO Rate plus the Applicable Margin;

provided that all Loans made on the Closing Date shall be ABR Loans.

The Borrower may elect interest periods of 1, 2, 3 or 6 months for Loans bearing interest based upon the Adjusted LIBO Rate (**"Eurodollar Loans"**).

As used herein:

"ABR" means the highest of (i) the rate of interest publicly announced by the Administrative Agent as its prime rate in effect at its principal office in New York City (the **"Prime Rate"**), and (ii) the federal funds effective rate from time to time *plus* 0.5%.

"Adjusted LIBO Rate" means the LIBO Rate, as adjusted for statutory reserve requirements for eurocurrency liabilities.

"Applicable Margin" means, for any day, (i) if the Facilities are rated Ba2 or higher by Moody's and BB or higher by S&P (in each case with a stable outlook), (A) in the case of Revolving Credit Loans, Tranche A Term Loans and Tranche C Term Loans, 1.25% for Eurodollar Loans and 0.25% for ABR Loans, and (B) in the case of Tranche B Term Loans, 1.50% for Eurodollar Loans and 0.50% for ABR Loans, and (ii) otherwise, (A) in the case of Revolving Credit Loans, Tranche A Term Loans and Tranche C Term Loans, 1.50% for Eurodollar Loans and 0.50% for ABR Loans, and (B) in the case of Tranche B Term Loans, 1.75% for Eurodollar Loans and 0.75% for ABR Loans.

"LIBO Rate" means the rate at which eurodollar deposits in the London interbank market for 1, 2, 3 or 6 months (as selected by the Borrower) are quoted on the Telerate screen.

Interest Payment Dates:	In the case of Loans bearing interest based upon the ABR ("**ABR Loans**"), quarterly in arrears. In the case of Eurodollar Loans, on the last day of each relevant interest period and, in the case of any interest period longer than three months, on each successive date three months after the first day of such interest period.
Commitment Fee:	The Borrower shall pay a fee calculated at the rate of 0.25% per annum, subject to step-downs based upon the Leverage Ratio to be agreed, on the average daily amount of the unused Revolving Credit commitment and the unused Tranche C commitment, payable quarterly in arrears.
Letter of Credit Fees:	The Borrower shall pay a commission on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Revolving Credit Loans on the face amount of each such Letter of Credit. Such commission shall be shared ratably among the Revolving Lenders and shall be payable quarterly in arrears. A fronting fee equal to 0.25% per annum on the face amount of each Letter of Credit shall be payable quarterly in arrears to the Issuing Lender for its own account. In addition, customary administrative, issuance, amendment, payment and negotiation charges shall be payable to the Issuing Lender for its own account.
Default Rate:	At any time when the Borrower is in default under any of the Facilities, all outstanding amounts under the Facilities shall bear interest at 2% above the rate otherwise applicable thereto.
Rate and Fee Basis:	All per annum rates shall be calculated on the basis of a year of 360 days (or 365/366 days, in the case of ABR Loans the interest rate payable on which is then based on the Prime Rate) for actual days elapsed.

Exhibit B

SENIOR SECURED CREDIT FACILITIES

Conditions Precedent to Closing

Capitalized terms not otherwise defined herein have the same meanings as specified therefor in the Commitment Letter to which this Exhibit B is attached.

The availability of the Facilities shall be conditioned upon and subject to satisfaction of the conditions set forth in the Commitment Letter and the following:

(a) The final terms and conditions of each aspect of the Transaction, including, without limitation, all tax aspects thereof, shall be (i) as described in the Commitment Letter and otherwise consistent with the description thereof received by the Lead Arrangers and the Lead Lenders in writing prior to the date of the Commitment Letter and (ii) otherwise reasonably satisfactory to the Lenders. The Lenders shall be reasonably satisfied with the terms and conditions of (A) the contribution and separation agreements and other documents relating to the Contribution and the Spinoff (including as to the allocation of liabilities), (B) the merger agreement (including all schedules and exhibits thereto) relating to Spinco and its subsidiaries (the "**Merger Agreement**") and (C) all other agreements, instruments (including the Distributed Notes and the Refinancing Notes, if any) and documents relating to the Transaction (the agreements, instruments and documents referred to in clauses (A) through (C), collectively, the "**Transaction Documents**"); it being understood that the execution copies of the Merger Agreement and the Distribution Agreement (as defined in the Merger Agreement), each dated as of the date hereof and previously delivered to the Lead Arrangers, are acceptable to the Lenders. The Transaction Documents shall not have been altered, amended or otherwise changed or supplemented or any condition therein waived, in each case in a manner that is materially adverse to the interests of the Lenders, without the prior written consent of the Lenders. The Contribution shall have been consummated, and the Lenders shall be reasonably satisfied that the Spinoff, the Merger and the Refinancing (including the release of the liens securing Merger Partner's existing bank facility) will be consummated substantially contemporaneously with the initial funding under the Facilities, in each case substantially in accordance with the terms of the applicable Transaction Documents and applicable material law and regulatory approvals.

(b) The Lead Arrangers shall have received reasonably satisfactory evidence that the ratio of pro forma Consolidated Debt (to be defined) to pro forma Consolidated EBITDA, adjusted to reflect expected synergies resulting from the Transaction reasonably acceptable to the Lead Arrangers, of the Wireline Companies for the most recently available trailing four quarters ended prior to the Closing Date, calculated after giving effect to the Transaction, was not greater than 3.50 to 1.0.

(c) Alltel and Spinco, Merger Partner and their respective subsidiaries shall have complied with their obligations under the Commitment Letter and the Fee Letter (including the payment of all fees and expenses then due and payable).

(d) The Lenders shall have received customary guarantees from the Guarantors and first-priority perfected liens on the Collateral (subject to liens acceptable to the Lenders) and reasonably satisfactory evidence of the insurance maintained by the Wireline Companies. The Lenders shall be reasonably satisfied with the terms of any intercreditor arrangements with other lienholders.

(e) The Lenders shall have received and be reasonably satisfied with (i) (A) audited (for the 2003, 2004 and 2005 fiscal years) and unaudited quarterly consolidated financial statements of Spinco and Merger Partner and all completed or probable acquisitions (including pro forma consolidated financial statements of Wireline after giving effect to the Transaction) meeting the requirements of Regulations S-X and S-K for a Form S-1 registration statement under the Securities Act of 1933, as amended, and (B) a business plan of the Wireline Companies including projections on an annual basis for the period from the Closing Date through December 31, 2012, in each case under this clause (i) which are not inconsistent in a manner adverse to the Lenders with the Information and Projections provided to the Lead Arrangers and the Lead Lenders prior to the date of the Commitment Letter, (ii) recent lien and litigation searches and (iii) such legal opinions (including with respect to the Collateral and regulatory matters), officer's solvency certificates and other certificates, instruments and documents as are customary for transactions of this type or as the Lenders may reasonably request.

Exhibit 9

Schedule of Proposed Debt
Of New Holding Company
("Newco")

Debt	Guarantees	Liens	Comments
1. Senior Secured Credit Facilities:			
a. Borrower: Newco b. Lenders: JP Morgan; Merrill Lynch c. Borrowings Available: Up to $4.2 billion available as follows: • Revolving Loans up to $500 million • Term Loans in amounts up to: o Tranches A and B - $3.3 billion o Tranche C - $400 million	Yes	Yes	A. To be Guaranteed by all Newco Subsidiaries and secured by personal property and other necessary assets of Newco and all Subsidiaries of Newco. B. If Senior Unsecured Notes discussed below exceed $1.54 billion, Tranche A and B Loan amounts will be reduced dollar-for-dollar by excess. C. Tranche C loans would be used solely to repurchase Valor senior notes discussed below.
2. Senior Unsecured Notes:			
a. Issuer; Newco b. Purchasers: To be determined c. Amounts: No less than $1.54 billion	Yes	No	Notes will receive same Guarantees as Senior Secured Credit Facilities but will not be secured.
3. Existing Alltel Wireline Debt to be Assumed by Newco:			
a. Nebraska Notes - 6.75% Notes of Alltel Communications Holdings of the Midwest, Inc. due 2028 in principal amount of $100 million	No	Yes (issuer only)	Notes must receive equal and ratable security in assets of Alltel Communications Holdings of the Midwest, Inc. and its subsidiaries.
b. Georgia Debentures - 6.5% Debentures of Alltel Georgia Communications Corp. due 2013 in principal amount of $80 million	No	Yes (issuer only)	Notes must receive equal and ratable security in assets of Alltel Georgia Communications Corp.
c. Teleview Notes - 7.0% Notes of Teleview in amount of $1.1 million	No	No	
4. Existing Valor Indebtedness to be assumed by Newco.			
a. Senior Notes - 7.75% Senior Notes of Valor Communications Group, Inc. due 2015 in amount of $400 million	Yes	See Comment	Notes may receive equal and ratable security in assets of Newco and its subsidiaries. Transactions will trigger "put" right of holders of notes to require Newco to purchase notes at 101% of par

Exhibit No.:	
Issues:	Policy-Managerial/ Technical
Witness:	Gregg L. Richey
Sponsoring Party:	Applicants
Type of Exhibit:	Direct Testimony
Case No.:	TM-2006-0272
Date Testimony Prepared:	February 16, 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE TRANSFER OF CONTROL OF ALLTEL MISSOURI, INC. AND THE TRANSFER OF ALLTEL COMMUNICATIONS, INC. INTEREXCHANGE SERVICE CUSTOMER BASE.	)))))	**CASE NO. TM-2006-0272**

DIRECT TESTIMONY

OF

GREGG L. RICHEY

DIRECT TESTIMONY OF GREGG L. RICHEY

Q. Please state your name and business address.

A. My name is Gregg L. Richey. My business address is One Alltel Center, Alpharetta, Georgia.

Q. By whom are you employed and in what capacity?

A. I am presently employed by Alltel Communications as Area President of Wireline Services. I am testifying in this proceeding on behalf of Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc., and Valor Communications Group ("Valor") (collectively, "Applicants").

Q. Please describe your experience with Alltel Communications and in the telecommunications industry.

A. Currently, I have responsibilities for the day-to-day operations for Alltel's wireline and competitive local exchange operations in Arkansas, Alabama, Georgia, Florida, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, Pennsylvania, South Carolina and Texas. I will continue in this role for the new wireline company. I joined Alltel in 1991 as General Manager of Alltel's Gainesville, Florida market. Prior to my current position, I served as Senior Vice President - Sales and Distribution for Alltel Communications, President of Alltel's Mid-South Market, and Vice President and General Manager for our Florida, Georgia, and Alabama wireless operations. In 1994, I received Alltel's ALEX Award for helping the Gainesville market achieve Market of the Year status. I hold a Bachelor's Degree in computer science from the University of

Mississippi in Oxford and currently serve on the Board of Directors for the Georgia Chamber of Commerce.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to explain that the Merged Wireline Business described in our Application will have the requisite managerial and technical capabilities and that the transactions will serve and not be detrimental to the public interest. As described in the Application, Alltel Corporation ("Alltel") is separating its wireline and wireless businesses. As part of the separation, Alltel Holding Corp. will become the owner of Alltel's wireline business, merge with Valor, and assume control of Alltel's incumbent local exchange carrier ("ILEC") subsidiaries including Alltel Missouri, Inc. ("the Regulated Entity"). Additionally, Alltel Holding Corporate Services, Inc. will be a wholly-owned subsidiary of Alltel Holding Corp. and will acquire the existing long distance customers of Alltel Communications, Inc. We have requested that the Missouri Public Service Commission ("Commission") approve the transfers of control of the Missouri ILEC, the transfer of long distance customers, and the transaction financing. I may refer to the ILEC and long distance businesses, together with Alltel's other internet, broadband, directory publishing, telecommunications equipment, and other local communications services, collectively as "the Wireline Business". I will demonstrate that the transfer of the Wireline Business is not detrimental to the public interest. My testimony will show that the Wireline Business (and after its merger with Valor, "Merged Wireline Business") will continue to possess the requisite technical and managerial ability to provide the same high quality service as is provided today. The testimony of

Jeffery Gardner is being filed contemporaneously herewith and will address how the Merged Wireline Business will possess the requisite financial ability.

Q. Please describe the Alltel affiliates operating in Missouri.

A. The Regulated Entity is presently a wholly-owned subsidiary of Alltel and serves approximately 67,000 access lines in various exchanges in Missouri. As of June 30, 2005, the Regulated Entity and its other LEC affiliates served approximately 3.0 million local access lines across fifteen states. Additionally, Alltel Communications, Inc. is certificated in Missouri to provide resold long distance service and also provides long distance service in 49 states and operates as a CLEC in seven states, including Missouri. Alltel Holding Corporate Services, Inc. (a newly-created subsidiary of Alltel) will become part of the Merged Wireline Business and is seeking authority from this Commission to acquire Alltel Communications, Inc.'s existing long distance resale business in Missouri.

Although it does not operate in Missouri, Alltel Holding Corp. is a newly-formed subsidiary of Alltel. As described above, Alltel Holding Corp. will become the owner of the Wireline Business immediately upon the separation of Alltel's Wireline Business from its wireless businesses then will merge into Valor. Alltel Holding Corp. is not seeking authority from the Commission to become a regulated telecommunications carrier or public utility in Missouri. Similarly, Valor, which owns LEC operations that as of June 30, 2005 serviced approximately 530,000 access lines in four states, will become the owner of the Merged Wireline Business but will not be a certificated public utility in the State of Missouri.

Q. Which entities will operate in Missouri after the transfer?

A. As set forth in greater detail later in my testimony, the Regulated Entity will continue to operate as an ILEC, and the transfer will appear primarily as a name change to end user customers. Alltel Communications, Inc. will remain with Alltel's wireless businesses, although its existing long distance customers will transfer to Alltel Holding Corporate Services, Inc., which will provide long distance services in Missouri on a resale basis. Just as Alltel is not a certificated entity in Missouri today, neither will Alltel Holding Corp. or Valor after the transfer and merger. Again, the Regulated Entity and Alltel Holding Corporate Services, Inc. will be wholly-owned subsidiaries of the entity resulting from the merger of Alltel Holding Corp. and Valor.

Q. What will be the impact to Missouri customers as a result of the transfers referenced above?

A. Both the transfer of control of the Regulated Entity and the transfer of long distance customers will appear to customers in the short-term merely as a name change. The principal officers of the Merged Wireline Business will be certain present Alltel officers, and the Merged Wireline Business will adopt a new name and corporate logo. Consequently, because end user customers of the Regulated Entity will continue to receive the same rates and high quality service from the same dedicated local operations, the transfer will appear merely as a name change. The Regulated Entity simply will have a new parent company and new name. With respect to long distance customers, they will be transferred from Alltel Communications, Inc. to Alltel Holding Corporate Services, Inc. and will continue receiving the same resold interexchange service they receive today.

Customers will receive notice of the transfers in accordance with the Federal Communications Commission's anti-slamming rules and, again, will notice a name change in their providers. In the long-term, customers will experience benefits of the Merged Wireline Business as discussed in greater detail below.

Q. Why is Alltel transferring control of the Regulated Entity and customers of the long distance business?

A. These transfers are necessary because Alltel is separating its wireline and wireless businesses and then merging the Wireline Business with Valor. This separation is the result of the dramatic changes in the telecommunications industry in the last several years and the expected changes in the coming years. As a result of intermodal competition and rapidly changing fundamentals of the wireline industry, wireline companies need to adapt their existing business models to more effectively compete. Intermodal competition, between wireline and wireless telecommunications services, for example, is now widespread even in the territories served by the Regulated Entity. One result of such intermodal competition is an increased need by the Wireline Business for enhanced financial and operational opportunities. Specifically, wireline businesses will require enhanced strategic flexibility in the future to bring new products and services to the marketplace faster and improve their existing overall customer service. The need to execute strategies faster in the future will require greater focus and access to adequate human and financial capital. Separating the Wireline Business into an independent, stand-alone corporate structure and merging it with Valor allows the Merged Wireline Business to achieve such enhanced opportunities. The Merged Wireline Business will increase its focus on providing a full portfolio of high quality services to its residential and business customers. Through its subsidiaries, the new wireline-focused company will continue to meet the needs of local exchange and long distance customers throughout its service areas.

Q. How will Alltel accomplish the separation of the Wireline Business from its wireless businesses?

A. In order to carry out the separation, two new subsidiaries of Alltel have been created, Alltel Holding Corp. and Alltel Holding Corporate Services, Inc. The pre-separation corporate structure is illustrated on Exhibit 1 to the parties' Application. Alltel will transfer ownership of the Regulated Entity and Alltel's other ILEC subsidiaries to Alltel Holding Corp. Next, customers of Alltel Communications, Inc.'s long distance business will transfer to Alltel Holding Corporate Services, Inc. This new long distance reseller will become a wholly-owned subsidiary of Alltel Holding Corp. and is seeking a certificate to operate as a reseller of long distance services in Missouri. Thereafter, the ownership of Alltel Holding Corp. will transfer from Alltel to Alltel's shareholders, thereby establishing Alltel Holding Corp. (along with its subsidiary, Alltel Holding Corporate Services, Inc.) as a stand-alone holding company. The post-separation corporate structure is illustrated on Exhibit 2 to the parties' Application. In the final step of this process, Alltel Holding Corp. will merge into Valor, a holding company with its own LEC subsidiaries operating in the states of Texas, New Mexico, Oklahoma and Arkansas. The final post-merger corporate structure is illustrated in the chart attached as Exhibit 3 to the parties' Application.

Q. What will be the overall result of the separation?

A. The transfer is consistent with the public interest, and the resulting Merged Wireline Business will produce benefits for the wireline local exchange residential and business customers. As of June 30, 2005, the Regulated Entity and Alltel's other ILEC affiliates served approximately 3.0 million local access lines in fifteen states. Alltel Communications, Inc. currently provides long distance service in 49 states and operates as a CLEC in several states. Valor is the owner of local exchange operating companies that as of June 30, 2005, provided local exchange service to approximately 530,000 access lines in four states. The Merged Wireline Business will continue to have the same technical and managerial capability to provide these services that the Wireline Business currently provides today. As described later in my testimony, the principal officers of the Merged Wireline Business will be certain current officers of Alltel. The Merged Wireline Business will adopt a name and corporate logo that is presently being determined and will be headquartered in Little Rock, Arkansas. Because end user customers will continue to receive the same high quality service from the same dedicated local operations, the transfer will appear merely as a name change.

Q. Will the Merged Wireline Business possess the requisite technical ability to provide adequate service?

A. Yes. The Merged Wireline Business will continue to possess the requisite technical ability to provide the same high quality service as is provided today. All equipment, buildings, systems, software licenses and other assets owned and used by the Wireline Business in the provision of its service will remain assets of the Regulated Entity or will transfer to the Merged Wireline Business or a subsidiary thereof. For example, the Signaling System 7 network used by the Wireline Business to provide routing of communications traffic will be transferred to the Merged Wireline Business. Some assets held by an Alltel affiliate are jointly used to provide services to the Wireline Business and one or more other affiliates that may not become part of the Merged Wireline Business. However, to the extent the Merged Wireline Business requires continued use of these assets or services from Alltel, they will be provided through lease arrangements or service agreements with the separated Alltel companies. Following the transfer of control, the Merged Wireline Business will continue to own or have arrangements to use all of the necessary network assets and ordering, provisioning, billing, and customer care capabilities required to continue to provide high quality retail and wholesale services seamlessly.

Q. Will the Merged Wireline Business possess the requisite managerial ability to provide adequate service?

A. Yes, the Merged Wireline Business will continue to be managed by very capable, experienced executives and employees, many of whom are transferring from Alltel to the Merged Wireline Business. The collective experience of these officers demonstrates that the Merged Wireline Business will maintain the same technical and managerial ability to continue providing reliable high quality services subsequent to the separation as the Wireline Business provides today. In particular, the Regulated Entity will have the support and direction of the extensive management experience and telecommunications expertise that they receive today from Alltel and its affiliates.

Q. What existing management expertise will the Regulated Entity acquire with the business?

A. The Merged Wireline Business will possess the management experience of key wireline personnel who presently operate the Wireline Business and who will transfer to the Merged Wireline Business. Attached to the Application and incorporated herein is a list of the names and addresses of the officers of the Merged Wireline Business and a description of their qualifications, together with a list of the names and addresses of the Board of Directors of the Merged Wireline Business. Many of these capable, experienced executives are transferring from Alltel to the Merged Wireline Business. For example, Alltel Chief Financial Officer, Jeffrey Gardner, has been named Chief Executive Officer of the Merged Wireline Business. I am currently Alltel Area President of Wireline Services and will continue in that role for the new company. The collective experience of our officers demonstrates that the Merged Wireline Business will maintain the requisite technical and managerial ability. The Merged Wireline Business will employ personnel experienced and dedicated to the provision of high quality communications service. The customer service, network and operations functions that are critical to the success of the Wireline Business today will persist, and the Merged Wireline Business will be staffed to ensure that continuity. For example, the Regulated Entity's local operations will continue to be staffed and managed by employees with established ties to the community in Missouri and extensive knowledge of the local telephone business.

Q. **What managerial services will the Regulated Entity and Alltel Holding Corporate Services, Inc. receive from the new parent company (Alltel Holding Corp.)?**

A. The Regulated Entity and Alltel Holding Corporate Services, Inc. will be supported by Alltel Holding Corp.'s extensive management experience and telecommunications expertise. As part of the Merged Wireline Business, these entities will continue to receive certain centralized management services and will be staffed by many of the same experienced and knowledgeable persons currently providing these services. Presently, centralized functions include human resource, finance, tax, media, legal, planning, general support, and information services, thereby allowing the individual entities to benefit from the efficiencies enjoyed with centralized support services. After the transfer of control, the Merged Wireline Business will continue to receive similar centralized management services and thus, will continue to enjoy efficiencies from centralized support services and the benefits of an experienced staff.

Q. **Does Alltel Holding Corp. have the experience necessary to provide this expertise?**

A. Yes, it does. The Merged Wireline Business will consist in part of at least twenty-eight ILECs serving over 3.4 million access lines in 16 states and a long distance reseller that provides service in 49 states. Alltel has been acquiring, managing, and operating telecommunications companies for many years, and its ILEC subsidiaries are the result of over 250 mergers and acquisitions spanning over 60 years. In recent years, for example, Alltel acquired Kentucky Alltel, Inc. in 2002, Georgia Telephone Corporation in 1997, Standard Group, Inc. in Georgia in 1999, and Aliant Communications, Inc. in Nebraska in 1999. In these 63 years of providing telecommunications service, Alltel has never, to my knowledge, been found by any commission or regulatory agency to lack the managerial or technical expertise to provide telecommunications service. Many of the same officers who successfully manage and operate Alltel's Wireline Business today will transfer to the Merged Wireline Business, thereby ensuring that the new business will possess the same managerial ability to continue providing high quality service.

Q. Will the Regulated Entity and Alltel Holding Corporate Services, Inc. provide adequate service to Missouri customers?

A. Yes. Up to and after the separation and merger, customers will receive the same full range of products and services that the Wireline Business offered prior to the separation, at the same prices, and under the same terms and conditions. Currently, the Regulated Entity offers bundles of local calling and custom calling features combined with other services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. The Merged Wireline Business will enter into the necessary arrangements to allow it to continue providing bundled service offerings. Similarly, Alltel Holding Corporate Services, Inc. will provide on a resale basis the same quality long distance service that Alltel Communications, Inc. provides today. The transfers will not effect the Regulated Entity's existing price regulation plan, service quality obligations, or tariffs, and any subsequent end user rate changes will continue to be governed by the same rules and procedures. Although the transfer will not result in substantive tariff changes, the entities will amend applicable tariffs to reflect their new names. Further, the terms and prices for existing wholesale services under applicable access tariffs will remain unchanged as a result of this transfer. Finally, the transfer of control will not impact the terms of any existing interconnection agreements or obligations under state and federal laws regarding interconnection. Most significantly, the customer interface with the Merged Wireline Business will not change. Customers will continue to call existing numbers to order new services, report service problems, and inquire about billing or other customer care issues and will receive notice of the transfer and name change via bill messages.

Q. Will local operations continue to be involved with their Missouri communities?

A. Yes. The Merged Wireline Business will concentrate on the local operations of wireline customers, and local affairs will continue to be managed by men and women with established local relationships and extensive knowledge of the local telephone business. Applicants' participation in the local community will be ongoing and continue to be of great importance. Furthermore, the senior executive team of the Merged Wireline Business will be comprised of many of the same executives that have guided Alltel's local operations in the past. Their experience and expertise, combined with new flexibility to pursue wireline-only strategic goals, will ensure that the Merged Wireline Business service quality and standards will remain at the highest levels.

Q. Given the technical and managerial capability of the Merged Wireline Business, is the transfer consistent with the public interest?

A. Yes, the transfer is consistent with and not detrimental to the public interest. All of the above facts demonstrate that the Merged Wireline Business will maintain the requisite capability to fully support its operations subsequent to the transfer of control and provide high quality service. The Merged Wireline Business will operate in an industry that has been and continues to be subject to rapid technological advances, evolving consumer preferences, and dynamic change. These factors, combined with regulatory developments, create an environment in which the interests of the wireline business are diverging from a wireless-centric focus. The establishment of the Merged Wireline Business as part of an independent, stand-alone wireline-centric corporation serves the public interest by allowing Alltel's separated ILECs to focus squarely on building their local wireline operations to provide a full range of high quality services to local residential and business customers. This separation better aligns the interests of the Merged Wireline Business with the interests of its customers. The company's strategic wireline focus will allow for a stronger local emphasis and permits the Merged Wireline Business to provide services tailored to the needs of its customers. As I noted previously, the separation and merger, other than a change of name, will be virtually transparent to customers, and service quality and the customer experience will remain high priorities. Customers will experience no less than business as usual, but very likely an improved experience, as the Merged Wireline Business enhances service delivery, product development, and customer interaction. Thus, the transfer promotes and is consistent with, and not detrimental to, the public interest.

Q. Is it your opinion that the Commission should approve this transfer?

A. Yes, the Commission should issue an order approving the transfer. I have demonstrated that the resulting Merged Wireline Business will have the requisite technical and managerial capability as is possessed by the Wireline Business today. These facts together with the benefits to customers that I discussed previously support a finding that the transfer is not detrimental to the public interest.

Q. Does this conclude your testimony?

A. Yes, at this time.

AFFIDAVIT

STATE OF Georgia)
)
COUNTY OF Fulton) SS:

Gregg L. Richey, being duly sworn according to law, deposes and says that he is Area President, and that in this capacity he is authorized to and does make this Affidavit on behalf of Applicants and that the statements set forth in the foregoing Testimony are true and correct to the best of his knowledge, information and belief.

____

Sworn and Subscribed to before me this __ day of February, 2006.

TANYA REDDING
MY COMMISSION EXPIRES
MAY 23 2006
COBB COUNTY, GEORGIA
NOTARY PUBLIC

(SEAL)

____
Notary Public

My Commission Expires:
May 23, 2006

Exhibit No.:	
Issues:	Policy-Financial
Witness:	Jeffery Gardner
Sponsoring Party:	Alltel Missouri, Inc.
Type of Exhibit:	Direct Testimony
Case No.:	TM-2006-0272
Date Testimony Prepared:	February 16, 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE TRANSFER OF CONTROL OF ALLTEL MISSOURI, INC. AND THE TRANSFER OF ALLTEL COMMUNICATIONS, INC. INTEREXCHANGE SERVICE CUSTOMER BASE.	))) **CASE NO. TM-2006-0272**))

DIRECT TESTIMONY

OF

JEFFERY GARDNER

DIRECT TESTIMONY OF JEFFERY GARDNER

Q. Please state your name, business address, employer and position.

A. My name is Jeffery Gardner. Until recently, I was the Chief Financial Officer of Alltel Corporation, and with the separation of Alltel Corporation's wireless and wireline businesses, I am the Chief Executive Officer of the separated wireline business of Alltel Corporation that will merge with Valor Communications Group, Inc. ("Valor") as described in the application that initiated this proceeding.

Q. Please describe your educational background and business experience.

A. As indicated, I was most recently the Chief Financial Officer of Alltel Corporation where I was responsible for the finance and accounting functions for Alltel. My responsibilities included Alltel's capital markets, budgeting and forecasting, strategic planning, accounting, procurement, tax and operational support. I have been in the communications industry since 1986 and joined the Company in 1998 when Alltel and 360° Communications merged. Prior to the merger, I held a variety of senior management positions with 360° Communications including: Senior Vice President of Finance, which included treasury, accounting and capital markets; President of the Mid-Atlantic Region; Vice President and General Manager of Las Vegas; and Director of Finance. I received a bachelor of science degree in finance from Purdue University and master's degree in business administration from William and Mary. I am a certified public accountant.

Q. What is the purpose of your testimony?

A. I am presenting testimony on behalf of Alltel Missouri, Inc. ("the Regulated Entity") to demonstrate that just as the Regulated Entity currently possesses the requisite financial capability to provide service as an incumbent local exchange carrier ("ILEC") in Missouri, it will continue to possess that capability after completion of the separation of the Alltel Corporation wireline and wireless businesses and the merger of the wireline business with Valor (the "New Holding Company"). Specifically, I will show that, upon completion of the change of control of the Regulated Entity due to the separation and merger, we will possess the requisite financial capability to serve our present and prospective customers. The Regulated Entity will generate a sufficient level of cash flow to satisfy its existing obligations to its customers, employees and investors.

The separation and subsequent merger of the Alltel and Valor wireline businesses will not be detrimental to the public interest and will produce significant benefits to the New Holding Company, which will accrue to all of the operating subsidiaries, including the Regulated Entity and its current and prospective customers. These benefits include a significantly larger wireline holding company when compared to other rural local exchange companies ("RLECs") with the related benefits of increased scale and scope and perhaps most importantly, an improved support level of the centralized services provided to the Regulated Entity by the New Holding Company.

<u>Status of Federal Approvals</u>

Q. What is the status of any necessary federal approvals associated with the transaction?

A The Federal Communications Commission ("FCC") order granting the "all-or-nothing" waiver request, the last remaining substantive action needed from the FCC in connection with this transaction, was received on January 31, 2006. The grant retains the status quo, enabling the New Holding Company to continue to operate under the existing regulatory regime (*i.e.*, rate of return or price cap) applicable to each of its local exchange companies. To summarize the status of these federal approvals:

- Domestic Section 214 Application was granted by Public Notice January 25, 2006.
- International Section 214 Application was granted automatically on January 26, 2006. Public Notice granted on February 2, 2006.
- Wireless license transfers were granted on February 1, 2006.
- Alltel Corporation and Valor submitted filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 with the Department of Justice ("DOJ") and the Federal Trade Commission ("FTC") on December 21, 2005. The DOJ and FTC granted early termination of the waiting period requirements for these filings on January 3, 2006, thereby completing the DOJ's and FTC's review of the proposed transaction.

<u>Financial Capability of the Regulated Entity</u>

Q. What is the current financial condition of the Regulated Entity?

A. The annual report most recently filed with this Commission on behalf of the Regulated Entity includes the company's balance sheet and income statement. The financial statements illustrate the financial condition of the Regulated Entity as of and for the twelve months ending December 31, 2004, the most recent annual period for which data are available. The statements were prepared and presented in accordance with this Commission's applicable reporting requirements and show the historically recorded data from the books and records of the Regulated Entity, which are maintained in accordance with the FCC's Uniform System of Accounts, 47 C.F.R. Part 32 ("Part 32"). These financial statements clearly show that for the twelve months ending December 31, 2004, the Regulated Entity possessed the requisite financial capability. Clearly, the Regulated Entity generated sufficient cash flow to cover all operating expenses, invest in the network and provide high quality service to its customers. Furthermore, it generated sufficient cash to pay a dividend to its shareholder. These results demonstrate that the Regulated Entity possesses the requisite financial capability to adequately serve the citizens of the State of Missouri.

Q. Will there be any material change to the Regulated Entity's financial statements as a result of the separation and merger?

A. No. The accounting entries with respect to the separation and merger will occur at the New Holding Company level. Ownership of the Regulated Entity's stock will simply transfer from Alltel Corporation's balance sheet to the New Holding Company's balance sheet as a result of the separation and merger. No material changes are expected to occur to the Regulated Entity's financial statements as a result of the separation and merger. Thus, accounting for day-to-day transactions within the Regulated Entity will remain essentially the same. The Regulated Entity will continue to use Part 32 to account for its assets, liabilities, revenues, and expenses in the same manner as it does today.

Q. Will the Regulated Entity continue to possess the required financial capability after the separation and merger?

A. Yes, there will be no material change to the financial condition of the Regulated Entity. The Regulated Entity will continue to possess more than adequate financial capability after the separation and merger. Except for a name change from Alltel to a new brand, the

Regulated Entity will remain essentially unaffected by the separation and merger. The assets, liabilities, revenues, and expenses of the Regulated Entity will remain essentially the same after the separation and merger, and local operations in Missouri will continue to be managed and operated as before, except for an improved level of support received from the centralized services from the New Holding Company and a singular focus on wireline. Thus, the financial results for the Regulated Entity will not be materially affected.

Q. Taking all of the above into consideration, what do you conclude about the financial capability of the Regulated Entity after the separation and merger take place?

A. The 2004 annual report referenced previously demonstrate that the Regulated Entity, when combined with the support of the New Holding Company, possesses the requisite financial capability to provide high quality, reliable telecommunications services to its current and prospective customers in Missouri. Since the Regulated Entity will not experience any material change in its local Missouri operations and overall financial condition as a result of the separation and merger, it will continue, along with the support of the New Holding Company, to possess the required financial capability to serve telecommunications consumers of Missouri.

Q. How does the positive financial condition of the New Holding Company, in turn, benefit the Regulated Entity?

A. The financial characteristics of the New Holding Company will provide the financial stability to position itself favorably when compared to its industry peers to pursue necessary strategies for the Regulated Entity to succeed. With the solid financial structure discussed below, the New Holding Company will produce sufficient cash flow to attract capital for investment in its local telephone company operations. These investments will facilitate a focused local strategy, and the local telephone operations (including those of the Regulated Entity) will benefit from the New Holding Company's continuing ability to deliver a full portfolio of services to meet the needs of current and prospective customers.

Financial Capability of the New Holding Company

Q. ***Will the New Holding Company possess the financial capability to support the Regulated Entity following the separation and merger?***

A. Yes. Attached as PROPRIETARY Exhibit 1 is a pro forma balance sheet as of December 31, 2005 and income statement for the twelve months ending December 31, 2005, for the New Holding Company. This exhibit demonstrates that the New Holding Company will possess the requisite financial capability to succeed within the competitive telecommunications industry and support the Regulated Entity. Although a pro forma based on 2004 data was attached to the initial application filed in this proceeding, the 2004 pro forma was a preliminary estimate, and we are substituting the attached 2005 pro forma. The 2005 pro forma was prepared by internal accountants but has also been reviewed by Pricewaterhouse Coopers, LLP and will be included in Valor's future filing on Form S-4 with the Securities and Exchange Commission. Accordingly, its Proprietary status will be removed at that time.

As indicated in the initial application in this proceeding, after the separation and merger, the New Holding Company will be the largest rural wireline provider in the United States serving approximately 3.4 million customers in 16 states. We expect to generate annual revenues of approximately S3.4 billion and operating income before depreciation and amortization ("OIBDA") of approximately $1.7 billion. Clearly, the New Holding Company will have the financial wherewithal and scale and scope to successfully enhance the network, related products, and services of its wireline subsidiaries, including the Regulated Entity. Additionally, the New Holding Company will generate sufficient cash flows to pay its operating expenses, fund technology investments through capital expenditures, service its debt and distribute an appropriate dividend to its shareholders. The expected level of revenues, OIBDA and cash flow will be more than adequate to properly position the New Holding Company to attract the necessary capital for all of its subsidiaries, including the Regulated Entity.

Q. Why is the pro forma in PROPRIETARY Exhibit 1 based on data for twelve months ending December 31, 2005 although the separation and merger have not occurred?

A. Use of actual historical data for the twelve months ending December 31, 2005, allowed us to examine the estimated prospective financial impact for a full year of operations.

Q. How will the financial characteristics of the New Holding Company compare to those of existing similarly situated publicly traded RLECs?

A. The New Holding Company will be favorably comparable to existing similarly situated publicly traded RLECs. Exhibit 2 to my testimony illustrates that the New Holding Company will have significantly more access lines, revenues and OIBDA than the identified industry participants. The actual leverage (the net amount of debt compared to OIBDA) of many similarly situated publicly traded RLECs serving markets comparable to those of the New Holding Company range between 1.4 and 4.7 times. Indeed, most of these RLECs carry net debt comparable to that of the New Holding Company. As described above, the New Holding Company will carry approximately S5.4 billion of net debt which equates to approximately 3.2 times its estimated annual OIBDA. The New Holding Company's capital structure, therefore, will be comparable to similarly situated publicly traded RLECs presently operating successfully. (See Exhibit 3 attached to my testimony.) This comparison demonstrates that the financial condition of the New Holding Company will be comparable to its peer group, and the capital structure will allow the New Holding Company to continue to provide quality products and services, and invest appropriately in the future.

Q. ***What level of dividend does the New Holding Company plan to pay?***

A. The New Holding Company plans to set its dividend at $1.00 per share, which is expected to approximate $474 million annually. The New Holding Company, on a pro-forma basis as outlined in Exhibit 1, is expected to produce annual operating income before depreciation and amortization of approximately $1.7 billion. The remaining cash flows are more than sufficient to fund capital expenditures and debt service requirements.

Q. ***How does the proposed dividend policy of the New Holding Company compare to existing similarly situated publicly traded RLECs?***

A. The New Holding Company's targeted dividend policy will be comparable to that of existing similarly situated publicly traded RLECs. The New Holding Company expects to distribute between 65% to 70% of its annual free cash flow back to its shareholders. On average, similarly situated publicly traded RLECs distribute approximately 63% of their free cash flow to their shareholders in the form of dividends. Additionally, the planned dividend of the New Holding Company, coupled with the capital structure mentioned above, will make the New Holding Company's stock attractive to investors which will allow us to raise the necessary capital to fund the future investment needs of our subsidiaries.

Q. Can you explain the "synergy" savings to which the Application refers?

A. Yes. When Alltel Corporation and Valor analyzed and negotiated the merger, they identified approximately $40 million of possible net savings. While we continue to examine the exact amount and method of accomplishing these savings, all savings are expected to occur at the holding company and service company level, and none are planned at the operating company level in Missouri. An example of synergy savings is the reduction of duplicate corporate functions. For example, two corporate office locations are not needed. Therefore, if the corporate office currently occupied by Valor is not needed for other purposes, then the elimination of the associated expense becomes a synergy savings. To the extent that synergies result in a net reduction of overall corporate expense, then those savings or cost reductions would flow through to the subsidiaries (including the Regulated Entity) in the form of reduced corporate allocations.

Q. Has the New Holding Company received independent acknowledgment that its expected financial condition, including its capital structure and planned dividend , are appropriate and financially sound?

A. Yes. The New Holding Company received commitments from Merrill Lynch and J.P. Morgan ("Lenders"), two of the nation's largest banks, to fund its debt. The New Holding Company obtained commitments from the two banks only after we demonstrated that we would be sufficiently strong financially to service the proposed new debt and meet all of our obligations, including providing high quality service to our customers. These commitments would not have been feasible if the New Holding Company and its subsidiaries, including the Regulated Entity, were not going to possess the financial capability to transact business as they do currently. Additionally, the New Holding Company is in the process of obtaining a solvency opinion from Duff & Phelps, LLC.

Q. ***What does the above testimony demonstrate with respect to the overall financial condition of the New Holding Company?***

A. I have demonstrated that the New Holding Company will have solid financial capabilities comparable to other similarly situated publicly traded RLECs. Upon separation and merger, the New Holding Company will generate more than sufficient revenues to pay all expenses and enable its subsidiaries to continue providing high quality service in addition to distributing an attractive dividend to its shareholders. My analysis and testimony illustrate that the New Holding Company's capital structure (discussed in greater detail below) and planned dividend are reasonable, and it will have the requisite ability to raise capital, service its debt, and make strategic investments. All of this affirms that the New Holding Company will have the required financial capability to support the Regulated Entity as it is presently supported.

Capital Structure of the New Holding Company and Debt Guarantees

Q. ***What will be the capital structure of the New Holding Company?***

A. The New Holding Company will have total assets of approximately $7.7 billion. Additionally, the New Holding Company will have a total enterprise value of over $11.2

billion, which includes an equity value of $5.7 billion, debt of $5.5 billion, and a debt-to-enterprise value ratio of 49.1%. The New Holding Company debt will be comprised of newly issued debt and assumed debt from the pre-merger Alltel Corporation and Valor and their subsidiaries. The issuance and assumption of the debt is part of the process of establishing an overall capital structure for the New Holding Company, which is intended to balance the cost of capital with the need to maintain ample financial flexibility. The proposed capital structure is reasonable for the New Holding Company and provides adequate resources for debt service, reinvestment, maintaining access to capital markets, and payment of an attractive dividend to investors.

Q. ***Can you describe the form of the debt of the New Holding Company?***

A. Yes. Attached as an exhibit to the amended application is a schedule of the proposed debt. This exhibit details both the secured and unsecured obligations that will be either issued or assumed by the New Holding Company.

Q. ***Has the New Holding Company debt been rated by any public rating agency, and what rating is the debt likely to receive?***

A. Because the New Holding Company has not yet begun its operation and the proposed debt has not yet been issued, the proposed debt has not been rated by a rating agency. While I cannot know for certain what the rating agencies will determine subsequent to their review of the New Holding Company debt and the rating it will receive, I can share comparisons of rated debt issued by other RLECs, although they have different credit profiles than the New Holding Company will have. In a recent report issued by Stifel Nicolaus (formerly known as Legg Mason) dated February 6, 2006, titled "Telecom

Services Weekly Valuation Update", three RLECs received a BB- debt rating from S&P; these three RLECs had a higher net debt/EBITDA ratio (earnings before interest, taxes, depreciation and amortization) than the expected debt/EBITDA ratio of 3.2 times of the New Holding Company. (The New Holding Company's expected debt/EBITDA is supported in the attached 2005 pro forma financials.) One RLEC with a higher net debt/EBITDA ratio than the expected debt/EBITDA ratio of the New Holding Company received a B+ debt rating from S&P. Another RLEC with a slightly lower net debt/EBITDA ratio than the expected debt/EBITDA ratio of the New Holding Company received a BB+ debt rating from S&P. While there are many other factors that are used to determine a debt rating, these comparisons suggest that the New Holding Company debt is likely to receive a debt rating somewhere between BB- and BB+, or slightly below investment grade.

Q. ***Will the subsidiary operating companies of the New Holding Company (including the Regulated Entity) be financially responsible for this new debt?***

A. No. The debt will be issued or assumed by the New Holding Company. The subsidiary operating companies will not be responsible for servicing the debt. However, as described in the amended application, all of the subsidiaries of the New Holding Company are required to guarantee the debt and grant liens on their assets in favor of the lenders.

Q. ***Why will the subsidiary operating companies be guaranteeing the debt of the New Holding Company and granting liens?***

A. The guarantees and liens of the operating companies enhance the credit profile of the New Holding Company and allow it to obtain a more affordable interest rate which, in turn, optimizes the capital structure. The guarantees allow the New Holding Company to incur debt on a consolidated basis at the New Holding Company level and provide substantial cost savings through the reduction of interest payments than would otherwise be charged by lenders if the debt was not secured.

Q. ***Will the terms of the guarantees be just and reasonable and in line with prevailing terms of similar obligations?***

A. Yes. The guarantees will be on standard industry terms and conditions that are quite common in domestic and international commerce.

Q. ***Do guarantees provide the Lenders with any recourse or remedy they would not otherwise have, either in the ordinary course of business or otherwise?***

A. Not in any meaningful way. Whether or not guarantees were required, the Lenders would have likely required a pledge of the New Holding Company's stock in the operating subsidiaries. Theoretically, as a result of a stock pledge, in the extreme circumstances of a default (which, it must be noted, Alltel has never experienced), the Lenders would have the legal right to seek control of the operating subsidiaries, subject to this Commission's change-of-control jurisdiction. This result is not materially different from the ultimate resolution under the guarantees. However, if the guarantees were not in place and the debt were secured by a pledge of the stock, the annual cost of servicing the New Holding Company debt would be significantly higher, thereby reducing the remaining cash flow available for network investment and support services.

Q. ***Will the giving of a guarantee circumvent the jurisdiction of this Commission in the event of a default by the New Holding Company?***

A. No. The function of the liens is to preclude any other lender or creditor from obtaining a higher ranking of security over the Lenders for this new debt. However, neither the approval of the liens by this Commission, as requested in this proceeding, nor the presence of the liens would circumvent the jurisdiction of this Commission in the unlikely event of a default by the New Holding Company and an attempt by the Lenders to collect on the guarantees and liens. In the extreme and unlikely event of default and collection action by the Lenders, the Lenders would still have to come before this Commission for permission to act on the liens. Such action would clearly be considered a change of control or transfer of ownership that would require approval by this Commission for the Lenders to foreclose, and the Lenders would have to meet the same tests as any acquirer in order to obtain control or ownership. Therefore, by approving our requests in the application, the Commission is in no way foregoing its rights to protect the public interest in the unlikely event of a future default.

Q. ***What "events of default" would trigger the obligations of the guarantees?***

A. The debt instruments secured by the guarantees will contain provisions identifying the specific events of default, and they will be customary for debt arrangements of this type. The events of default are likely to include, for example, non-payment of principal and/or interest; bankruptcy or insolvency of the New Holding Company and its material subsidiaries, and other customary default provisions.

Q. ***Has Alltel ever experienced such an "event of default" and how likely is it that the New Holding Company would experience such?***

A. No. Alltel has never experienced an event of default, and in my opinion, it is very unlikely that such an event will occur in the future.

Q. ***Will the guarantees assist the Regulated Entity in meeting its obligations to provide service?***

A. Yes. While nothing will change in the ordinary course of business, capital will be generated by a single issuer (*i.e.*, New Holding Company) at lower interest rates. The debt will be serviced by the New Holding Company, and the cash flow generated by the operating companies will not be materially changed.

Q. ***The amended application describes savings in interest expense of the New Holding Company that are associated with the requirement for guarantees. Please explain.***

A. As I alluded to above, by providing the guarantees and liens with respect to the New Holding Company debt, the related interest rate will be reduced by 100 to 200 basis points. This interest rate reduction translates to an annual estimated savings of approximately $25.0 to $50.0 million. This savings can be used for a number of initiatives including network investment, the hiring of additional support staff, debt reduction, and funding for acquisitions to increase the scale and scope of operations, to name a few.

<u>Centralized Services and Shared Assets</u>

Q. ***Will the existence of the guarantees discussed above affect the relationship between the New Holding Company and the operating subsidiaries relating to centralized services, cash management or similar matters?***

A. No, this relationship will not change at all.

Q. ***The Commitment Letter attached to the amended application identified a Secured Cash Management Agreement and a Secured Hedge Fund Agreement. Please describe these arrangements and the involvement, if any, of the operating subsidiaries in them.***

A. A cash management agreement is an arrangement between a company and a bank that enables the company to utilize the services of the bank in the day-to-day management of its influx and outflow of cash. For example, various payments in the form of personal checks from customers and carriers are processed through an account at the bank providing the cash management. Since the majority of those payments are remitted by checks that do not immediately "clear" to the bank, the cash management agreement provides the means for addressing recourse of the check to the company if some of the checks do not ultimately clear, due to insufficient funds of the payor. The cash management bank advances funds to the company instead of waiting for each individual check to "clear" and the cash management agreement provides protection to the bank, for example, in the form of liens or rights to the cash of the company. In order to obtain cash management services on more favorable terms, the New Holding Company may decide to enter into a secured cash management agreement that would allow the cash management bank to be secured or protected on the same basis as other secured lenders. To the extent a secured cash management agreement is utilized, the Regulated Entity is required to guarantee such because it is also guaranteeing the New Holding Company debt.

The Secured Hedge Agreement is a means whereby the New Holding Company can obtain protection from the risk of rising interest rates on variable rate portions of the New Holding Company debt. The New Holding Company should not have any significant obligations under the Secured Hedge Agreement unless interest rates fall, in which case the New Holding Company should receive a corresponding benefit through a reduction in the amount of interest that it must pay on its variable rate debt. Again, the Regulated Entity is required to guarantee such potential obligations because it is also guaranteeing the debt with respect to which the interest rates in the Secured Hedge Agreement is protecting. Just as with respect to the guarantee of the New Holding Company debt, the Regulated Entity's guarantee or responsibility on the Secured Cash Management Agreement and the Secured Hedge Agreement is secondary. The New Holding Company will be the party responsible for performance under these agreements, and the Regulated Entity is involved only in the very unlikely event of default by the New Holding Company.

Q. Will the distribution of any Alltel Corporation assets that provide service to both wireline and wireless business and related transactions impact the financial condition of the New Holding Company?

A. No. As explained in the application, upon separation of the wireline and wireless businesses, some of the shared Alltel Corporation assets will be transferred to the New Holding Company, and some will remain with Alltel Corporation and its affiliates. These asset transfers and related transactions are not expected to have any substantial or long-term financial impact on the New Holding Company.

Q. Please describe the separation of these shared assets.

A. The Regulated Entity's operations are currently supported principally by employees who reside in their service areas and by assets owned and operated by the Regulated Entity. However, it also has access via lease and other similar arrangements to certain out-of-area assets that providc service to other operating companies and Alltel Corporation businesses, which the Regulated Entity does not own or operate. These shared assets are predominately owned and operated by other Alltel Corporation subsidiaries. For example, the Signaling System Seven ("SS7") platform which provides local number portability ("LNP") call routing information and related capabilities for the Regulated Entity was owned by another Alltel Corporation subsidiary, but is being transferred to the New Holding Company. The SS7 platform provides LNP capabilities not only to the individual operating telephone companies but also to facilities-based long distance and wireless affiliates.

Q. Will there be any impact to the Regulated Entity financial statements as a result of changes in the centralized services provided to the Regulated Entity by the New Holding Company?

A. No, there will be no material impact to the Regulated Entity's financial statements as a result of the changes in the centralized services provided by the New Holding Company as a result of the separation and merger. The Regulated Entity currently receives certain centralized services from Alltel Corporation and other affiliates. These services include human resource management, finance, tax, corporate communications, legal, planning, general support, and information services. After the separation and merger, the Regulated Entity will continue to receive these and other services from the New Holding Company and other affiliates. Any changes in the costs of these support services as a result of the transition from Alltel Corporation to the New Holding Company are expected to be minimal. In fact, the effectiveness of the centralized services received from the New Holding Company is expected to improve for two reasons. First, while the Regulated Entity has received the financial benefits that accrue from a converged holding company (wireless and wireline), these benefits have been tempered by the constant need to balance the focus of the various corporate support groups between the two robust businesses they support. Subsequent to the separation, the sole focus of the corporate support services provided by the New Holding Company will be the wireline marketplace. I expect this concentration of effort to yield significant benefits in the development of strategies and execution of tactics designed to better serve and retain our customers. Second, the merger of the New Holding Company with Valor significantly improves the economics for the corporate support services through increased scale and scope.

Q. How will the New Holding Company ensure that its telephone company subsidiaries have adequate access to necessary shared assets and services?

A. The New Holding Company will acquire the necessary capabilities from Alltel Corporation. The reverse is also the case for assets transferring to the New Holding Company at separation, which Alltel Corporation will need to use for a transitional period of time. These arrangements for the continued use of shared assets will be transacted through Transition Service Agreements executed between the New Holding Company and Alltel Corporation. The transitional services subject to these agreements will be priced accordingly and will not increase the corporate shared service expenses. These agreements will be in place for approximately one year to allow sufficient time for the New Holding Company and Alltel Corporation to develop and implement their respective stand-alone capabilities. At the end of the transitional period, the New Holding Company and Alltel Corporation will discontinue the transitional operations and associated agreements and begin utilizing their own respective operating platforms and assets or if in their best interest, negotiate agreements for continued receipt and provision of any services which both parties determine should be continued.

Q. Will the allocation of assets and provision of transitional services result in changes to the Regulated Entity's current financial condition?

A. No. Since the transfer of shared assets and the provision of transition services are being conducted at the holding company level, the financial statements of the Regulated Entity is not directly affected. While the costs associated with these assets and services ultimately are allocated to the subsidiaries which they benefit, the Regulated Entity is not appreciably affected through allocations, because the allocations will not appreciably change. The use of shared assets and centralized services are already reflected on the books of the Regulated Entity because the costs are allocated today. Therefore, there is no additional expense allocation expected to occur to the Regulated Entity. In other words, the financial impact of the Regulated Entity using the shared assets is already reflected in the Regulated Entity's 2004 financials previously filed with this Commission. The operating costs (including depreciation expense) of these shared assets have historically been allocated to the individual local telephone companies each month. Additionally, the use of Transition Service Agreements described above will result in cost-based billing between the New Holding Company and Alltel Corporation for approximately one year after separation. These billings will ensure that the net book value, relative to the transfer of shared assets to the New Holding Company, is reduced to reflect Alltel Corporation's use of the assets during the transitional period following separation. Thus, the existing expense impacts already reflected on the Regulated Entity's annual reports are a reasonable representation of the expense impacts that will occur subsequent to the expiration of the transition period when the New Holding Company assumes ownership of the assets.

Conclusions

Q. Based on the above, what do you conclude with respect to the overall financial condition of the New Holding Company and the Regulated Entity?

A. The New Holding Company will have solid financial capabilities similar to that currently possessed by Alltel Corporation and favorably comparable to other similarly situated publicly traded RLECs. Additionally, the Regulated Entity will continue to possess the same financial capabilities that it possesses today. Upon separation and merger, the New Holding Company will generate more than sufficient revenues to pay all expenses; develop its networks and retain employees to enable its subsidiaries (including the Regulated Entity) to continue providing high quality service. The New Holding Company's capital structure and planned dividend are reasonable, as is the debt guarantee by the Regulated Entity. The New Holding Company will have the requisite ability to raise capital, service its debt, and make strategic investments. Undoubtedly, the New

Holding Company will possess the requisite financial capability to support the Regulated Entity as it is presently supported.

Q. Does this conclude your testimony?

A. Yes, at this time.

AFFIDAVIT

STATE OF ARKANSAS)
)   SS:
COUNTY OF PULASKI)

Jeffery Gardner, being duly sworn according to law, deposes and says that he is Chief Executive Officer, and that in this capacity he is authorized to and does make this Affidavit on behalf of Applicants and that the statements set forth in the foregoing Testimony are true and correct to the best of his knowledge, information and belief.

Jeffery R. Gardner
____

Sworn and Subscribed to before me this 14th day of February, 2006.

(SEAL) NOTARY SEAL ARKANSAS ANSJE P. DEAN Pulaski County My Commission Expires March 15, 2011

Ansje P. Dean
Notary Public

My Commission Expires:
3-15-11

EXHIBIT 1

NON-PROPRIETARY

EXHIBIT 1

PROPRIETARY

PROPRIETARY

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	$ 11.9	$ (5.2) (a)	4,777.9 (b)	$ (3,965.0) (b)	$ 819.6	$ 64.2	$ (825.3) (l)	$ 58.5
Other current assets	383.3	-	-	-	383.3	71.7	(3.1) (e)	451.9
Total current assets	395.2	(5.2)	4,777.9	(3,965.0)	1,202.9	135.9	(828.4)	510.4
Investments	2.0	-	-	-	2.0	-	15.7 (c)	17.7
Goodwill	1,218.7	-	-	-	1,218.7	1,057.0	97.9 (d,l)	2,373.6
Other intangibles	317.7	-	-	-	317.7	-	378.0 (l)	695.7
Property, plant and equipment, net	2,963.6	82.9 (a)	-	-	3,046.5	717.5	-	3,764.0
Other assets	32.6	182.8 (a)	70.3 (b)	-	285.7	52.4	(49.4) (c,d,e,g)	288.7
Total assets	$ 4,929.8	$ 260.5	$ 4,848.2	$ (3,965.0)	$ 6,073.5	$ 1,962.8	$ (386.2)	$ 7,650.1
Liabilities and Shareholders' Equity								
Current liabilities	$ 316.8	$ 0.1 (a)	$ (12.1) (l)	$ -	$ 304.8	$ 100.3	$ (3.1) (e)	$ 402.0
Long-term debt	238.7	-	4,860.3 (b,l)	-	5,099.0	1,180.6	(762.6) (l)	5,517.0
Deferred income taxes	680.5	88.2 (a)	-	-	768.7	84.1	118.4 (j)	971.2
Other liabilities	153.3	5.8 (a)	-	-	159.1	26.1	22.0 (e,g)	207.2
Common stock	-	-	-	-	-	-	-	-
Additional paid-in capital	-	-	-	(257.2) (b)	(257.2)	918.9	(108.0) (h,l)	553.7
Treasury stock	-	-	-	-	-	(0.1)	-	(0.1)
Parent company investment	1,504.1	167.8 (a)	-	(1,671.9) (b)	-	-	-	-
Accumulated other comprehensive income	0.5	(0.5) (a)	-	-	-	(7.3)	7.3 (h)	-
Deferred equity compensation	-	-	-	-	-	(18.5)	18.5 (h)	-
Retained earnings (deficit)	2,035.9	(0.9) (a)	-	(2,035.9) (b)	(0.9)	(321.3)	321.3 (h)	(0.9)
Total liabilities and shareholders' equity	$ 4,929.8	$ 260.5	$ 4,848.2	$ (3,965.0)	$ 6,073.5	$ 1,962.8	$ (386.2)	$ 7,650.1

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

PROPRIETAR

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	2,923.5	505.9	(15.9)	(k)	$ 3,413.5
Costs and expenses:					
Cost of services	796.1	107.6	-		903.7
Cost of products sold	374.8	-	-		374.8
Selling, general, administrative and other	336.1	139.7	(15.9)	(k)	459.9
Depreciation and amortization	474.2	89.9	13.5	(l)	577.6
Royalty expense to Parent	268.8	-	(268.8)	(m)	-
Restructuring and other charges	35.7	1.7	(31.3)	(n)	6.1
Operating income	637.8	167.0	286.6		1,091.4
Other income (expense), net	11.5	(33.9)	3.0	(n)	(19.4)
Intercompany interest income	23.3	-	(23.3)	(o)	-
Interest expense	(19.1)	(83.2)	(272.2)	(p)	(374.5)
Income before income taxes	653.5	49.9	(5.9)		697.5
Income taxes	269.5	14.3	(1.8)	(n,q)	282.0
Income before cumulative effect of accounting change	$ 384.0	$ 35.6	$ (4.1)		$ 415.5
Earnings per share:					
Basic		$.51			$.88
Diluted		$.51			$.88
Average common shares outstanding:					
Basic		69.4	404.8	(r)	474.2
Diluted		69.7	404.8	(r)	474.5

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

PROPRIETARY

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

(in millions)	
Cash Provided from Operations:	
Net income	$ 415.5
Adjustments to reconcile net income to net cash provided from operations:	
Depreciation and amortization	577.6
Other, net	31.6
Changes in operating assets and liabilities, net	(45.6)
Net cash provided from operations	979.1
Cash Flows from Investing Operations:	
Additions to property, plant and equipment	(400.5)
Proceeds from sale of investments	24.4
Net cash used in investing activities	(376.1)
Cash Flows from Financing Activities:	
Dividends on common stock	(62.4)
Change in intercompany balance with Alltel	(597.3)
Net cash used in financing activities	(659.7)
Decrease in cash and short-term investments	(56.7)
Cash and Short-Term Investments:	
Beginning of year	115.2
End of year	$ 58.5

PROPRIETAR

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 $4.9 billion of 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.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

a. Immediately prior to the effective date of the spin off, Alltel will transfer to ALLTEL Holding property, plant and equipment (n book value of $82.9 million), pension assets ($182.8 million), additional other postretirement liabilities ($2.9 million) and deferred compensation obligations ($14.8 million) related to the wireline operations and associatied deferred income taxes ($88. million deferred tax liability). In addition, ALLTEL Holding will transfer to Alltel certain tax contingency reserves that will be retained by Alltel pursuant to the spin agreement ($11.9 million), as well as certain international operations. The amounts of the transferred assets and liabilities reflected in the pro forma combined condensed balance sheet have been based upon the December 31, 2005 carrying values and are subject to change. The actual carrying values of the transferred assets and liabilities will be determined as of the date of the spin off. In particular, the amounts of assets and liabilities associated with employee benefit plans were determined based on employees identified as of the announcement date (December 9, 2005), which did not include employees performing a shared function at that time. As employees performing shared functions are identified to join ALLTEL Holding, those amounts may change.

b. Prior to the spin off and merger with Valor, ALLTEL Holding will borrow approximately $4.9 billion through a new senior secured credit agreement and the issuance of unsecured debt securities in a private placement or through a public offering. Proceeds from the debt issuance will be used to pay a special dividend to Alltel in an amount not to exceed Alltel's tax basis in ALLTEL Holding, to distribute to Alltel $1.565 billion of ALLTEL Holding's debt securities, and for other purposes, including the repayment of certain debt obligations of Valor and ALLTEL Holding, as further discussed in Note (f) below. ALLTEL Holding expects to capitalize $70.3 million of debt issuance costs associated with the issuance of the $4.9 billion of long-term debt.

Effective with the spin off, Alltel will distribute all of the assets and liabilities of its wireline business to ALLTEL Holding in exchange for the issuance to Alltel of ALLTEL Holding's common stock to be distributed pro rata to Alltel's stockholders as a tax free stock dividend, the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in ALLTEL Holding (estimated to be $2.4 billion at December 31, 2005) and the distribution by ALLTEL Holding of $1.565 billion of debt securities to Alltel. Immediately after the consummation of the spin off, ALLTEL Holding will merge with and into Valor, with Valor continuing as the surviving corporation. As a result of the merger, all of the issued and outstanding shares of ALLTEL Holding common stock will be converted into the right to receive an aggregate number of shares of common stock of Valor that will result in Alltel's stockholders holding 85 percent of the outstanding equity interests of the surviving corporation immediately after the merger and the stockholders of Valor holding the remaining 15 percent of such equity interests. It is presently estimated that 1.05 shares of Valor common stock will be distributed to Alltel stockholders for each share of ALLTEL Holding common stock they are entitled to receive. The final number of shares of Valor common stock issued to effect the merger will be determined based on the actual number of Valor shares outstanding as of the merger date.

c. This adjustment is to reclassify Valor's investments in certain wireless partnerships and RTFC equity certificates as of the merger date from other assets to investments to conform to ALLTEL Holding's financial statement presentation.

d. This adjustment is to eliminate as of the merger date the recorded values of Valor's goodwill of $1,057.0 million and customer list of $0.5 million and to write-off Valor's remaining unamortized debt issuance costs of $30.7 million.

e. This adjustment is to eliminate as of the merger date Valor's current and long-term portion of deferred activation fees of $3.1 million and $2.2 million, respectively and the corresponding amounts of deferred acquisition costs in accordance with Emerging Issues Task Force ("EITF") No. 01-3, "Accounting in a Business Combination for Deferred Revenue of an Acquiree".

f. Immediately following the merger, the surviving corporation will repay with available cash on hand all borrowings outstanding under Valor's existing credit facility ($780.6 million at December 31, 2005) and $80.0 million of long-term debt obligations of ALLTEL Holding. The following table presents the estimated long-term debt outstanding of the combined company immediately following the merger on a pro forma basis (amounts in millions):

PROPRIETAR

Bank Debt:	
Senior secured five-year revolving credit facility	$ 63
Term loan A – 5 year maturity	500
Term loan B – 7 year maturity	2,800
Total bank debt	3,363
Notes:	
ALLTEL Holdings – 6.75%, due April 1, 2028	100
ALLTEL Holdings – 6.50%, due in annual installments through November 15, 2013	81
Valor – 7.75%, due November 15, 2015	418
ALLTEL Holdings – 10 year fixed maturity	1,565
Total notes	2,164
Total bank debt and notes	5,527
Current portion of long-term debt	10
Total long-term debt	$ 5,517

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)	$ 810.9
Valor treasury stock	(0.1)
Repayment of Valor credit facility	780.6
Direct costs of acquisition (2)	44.7
Total	1,636.1
Allocated to:	
Current assets	132.8
Property, plant and equipment	717.5
Investments and other tangible assets	18.7
Identifiable intangible assets (3)	378.0
Current liabilities acquired	(97.2)
Long-term debt assumed (including fair value adjustment) (4)	(418.0)
Other long-term liabilities acquired (including deferred taxes)	(250.6)
Goodwill (3)	$ 1,154.9

(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.

PROPRIETAR

(3) The identifiable intangibles consisted of (1) value assigned to the Valor customer base as of December 31, 2005 of $81.0 million and (2) value assigned to the Valor franchise rights as of December 31, 2005 of $297.0 million. For purposes of preparing the unaudited pro forma combined condensed statement of income, ALLTEL Holding expects to amortize the fair value of the customer base on a straight-line basis over its average estimated life of six years. The franchise rights have been classified as indefinite-lived intangible assets and are not subject to amortization because ALLTEL Holding expects both the renewal by the granting authorities and the cash flows generated from the franchise rights to continue indefinitely. Goodwill of $1,154.9 million represents the excess of the purchase price of the acquired business over the fair value of the underlying identifiable net tangible and intangible assets at December 31, 2005. The premium paid by ALLTEL Holding in this transaction is due to the potential for greater long-term returns as the combination of ALLTEL Holding and Valor will create the largest telecommunications carrier in the United States primarily focused on rural markets. Subsequent to this merger, due to the resulting increased size and economies of scale, the combined company should have greater financial flexibility to develop and deploy products, expand the capacity of its network, respond to competitive pressures and improve the cost structure of its operations. The preliminary allocation of value to the intangible assets was based on assumptions as to the fair value of customers and franchise rights. These values were determined by use of a market approach, which seeks to measure the value of assets as compared to similar transactions in the marketplace. To determine market values, ALLTEL Holding utilized a third party valuation firm to derive current market values for the customer base (computed on a per customer basis) and franchise rights licenses (computed on a per access line basis) from publicly available data for similar transactions in the wireline industry. These valuations are preliminary and do not necessarily represent the ultimate fair value of such assets that will be determined by an independent valuation firm subsequent to the consummation of the merger.

(4) Fair value adjustments of $18.0 million have been made to the carrying value of Valor's long term debt that was outstanding as of the merger date and not immediately repaid. The effect of the fair value adjustment to Valor's long-term debt will be amortized as a reduction to interest expense over the term of each debt issue. The effect of the fair value adjustment to long-term debt has been included in the adjustments to the unaudited pro forma combined condensed statement of income. See Note (p).

j. This adjustment is to record the incremental deferred taxes required under SFAS No. 109, "Accounting for Income Taxes", for the difference between the revised book basis, i.e., fair value, of Valor's assets other than goodwill and liabilities recorded under purchase accounting and the carryover tax basis of those assets and liabilities. Because certain of the identifiable intangible assets recognized in the purchase price allocation had no tax basis at the time of the transaction, a deferred tax liability has been recognized for the difference in book and tax basis of the identifiable intangible assets. The pro forma adjustment to deferred income taxes was based on ALLTEL Holding's effective tax rate of 38.9 percent.
A summary of the effects of the pro forma adjustments (c) to (i) on goodwill, other assets, other liabilities and additional paid in capital was as follows:

Effects of pro forma adjustments on goodwill:	
Eliminate carrying value of Valor's goodwill – Note (d)	$ (1,057.0)
Record goodwill in connection with ALLTEL Holding's reverse acquisition of Valor – Note (i)(3)	1,154.9
Net increase in goodwill resulting from pro forma adjustments	$ 97.9
Effects of pro forma adjustments on other assets:	
Eliminate carrying value of Valor's unamortized debt issuance costs – Note (d)	$ (30.7)
Reclassification of Valor's investments in wireless partnerships and RTFC equity certificates – Note (c)	(15.7)
Eliminate long-term portion of Valor's deferred activation costs– Note (e)	(2.2)
Eliminate Valor's pension asset and customer list – Note (d) and Note (g)	(0.8)
Net decrease in other assets resulting from pro forma adjustments	$ (49.4)
Effects of pro forma adjustments on other liabilities:	
Eliminate long-term portion of Valor's deferred activation fees – Note (e)	(2.2)
Record additional pension and other postretirement benefit liabilities – Note (g)	24.2
Net increase in other liabilities resulting from pro forma adjustments	$ 22.0
Effects of pro forma adjustments on additional paid in capital	
Issuance of Valor common stock to effect the merger transaction – Note (i)(1)	$ 810.9
Eliminate Valor's additional paid in capital balance – Note (h)	(918.9)
Net increase in additional paid in capital resulting from pro forma adjustments	$ (108.0)

k. This adjustment is to eliminate the intercompany revenues and related expenses associated with ALLTEL Holding's agreement to provide customer billing services to Valor.

l. This adjustment reflects the amortization of the finite-lived identifiable intangible assets recorded in this transaction as previou described in Note (i)(3) above. For purposes of determining the amount of the adjustment, the estimated life of Valor's custon 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 a Alltel affiliate under which ALLTEL Holding's incumbent local exchange carrier subsidiaries were charged a royalty fee for th use of the Alltel brand name in marketing and distributing telecommunications products and services. Following the spin off a 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 hav 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 o 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	$ 4.0
Term loan B – 7 year maturity	30.2
Senior notes – 10 year fixed maturity	176.4
Total	113.5
	$ 324.1

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	$ 5.0	5.0	$ 1.0
Term loan B – 7 year maturity	6.0	5.0	1.2
Senior notes	19.0	7.0	2.7
Totals	40.3	10.0	4.0
	$ 70.3		$ 8.9

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)	$ 324.1
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	8.9
Reduction in interest expense due to amortizing fair value adjustment – Note (i)(4)	(59.0)
Net increase in interest expense	(1.8)
	$ 272.2

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.

r. The adjustment to both the weighted average shares outstanding and the diluted weighted average shares outstanding is to reflect the additional Valor common shares of 403.1 issued to effect the merger with ALLTEL Holding, as well as 1.7 million shares of unvested restricted stock issued by Valor that will vest upon consummation of the merger.

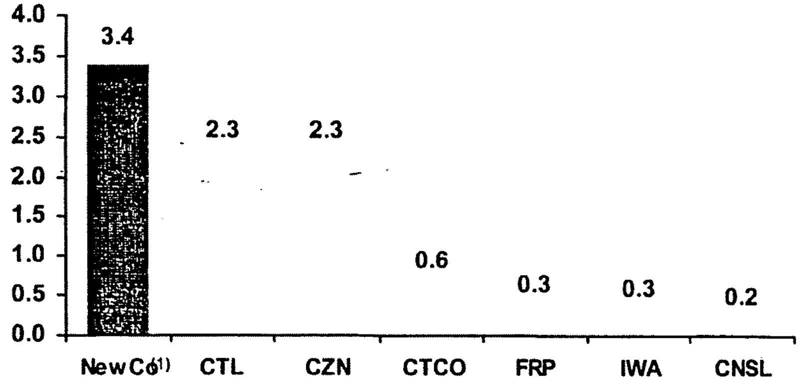
EXHIBIT 2

Alltel

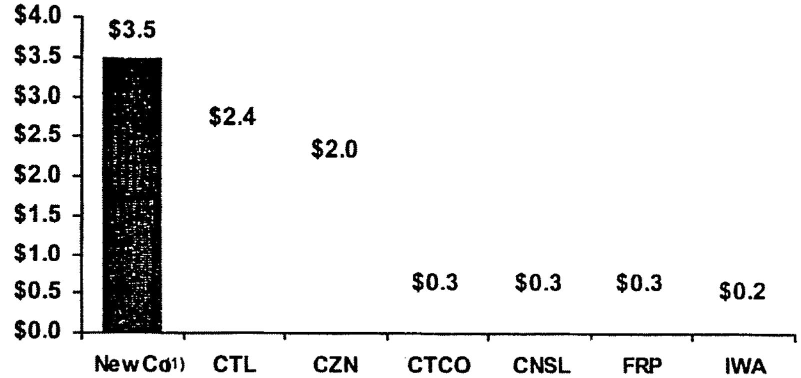
Premier Rural Wireline Company

Significant Scale and Profitability

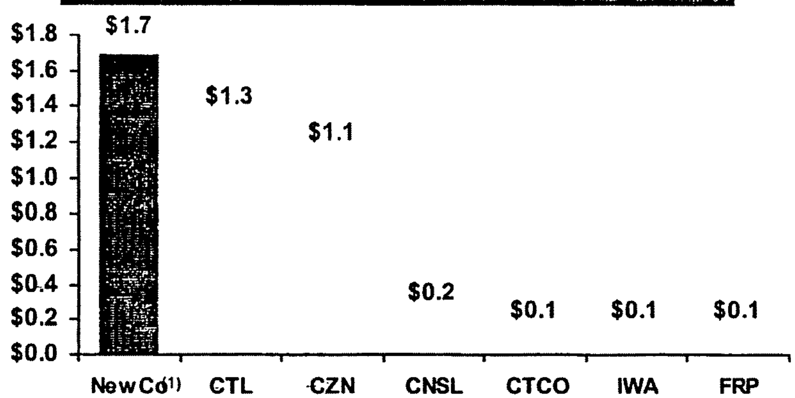
Q3'05 Access Lines (M)



2004 Revenue ($B)



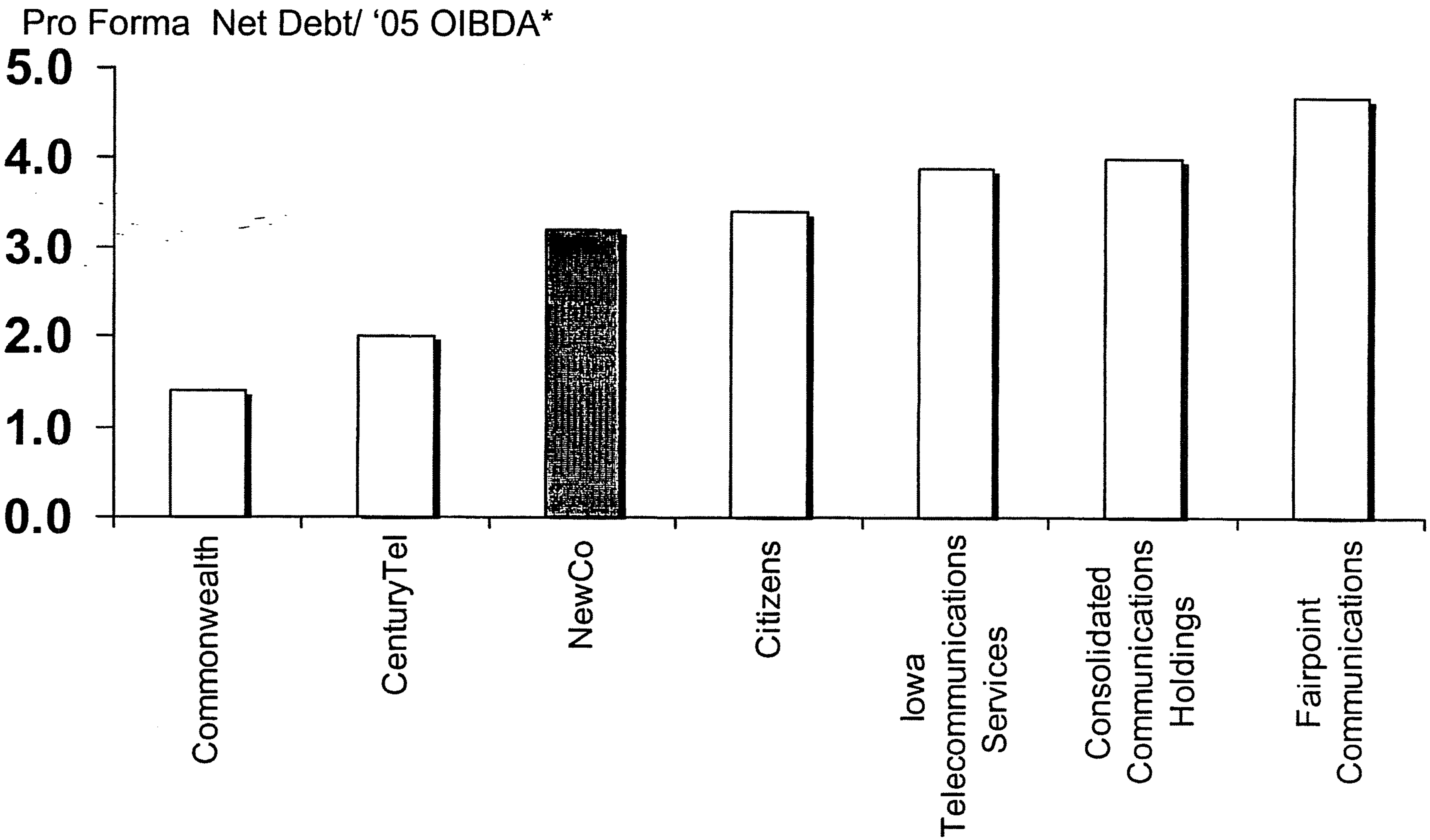
2004 OIBDA ($B)



(1) Pro forma for Alltel/VALOR merger .

EXHIBIT 3

Proposed Wireline Capital Structure



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

7. Please provide copies of any and all reports and other documents identifying synergies expected to result from the contemplated transaction

Response: Attached hereto. This report is proprietary and confidential.

Response provided by Brent Whittington.

a. Identify any synergies affecting the Joint Applicants' Kentucky-based operations;

Response: None. As noted in the Amended and Restated Application, the financial statements of the Kentucky-based operations will not change in any material way as a result of the transactions.

Response provided by Brent Whittington.

b. State whether any synergy savings will be shared with the Joint Applicants' customers, and if so, how much.

Response: The annual operating expenses of the Merged Wireline Business are expected to be approximately $40.0 million less when compared to the combined total annual operating expenses of Valor and the estimated annual operating expenses of Alltel's wireline business if it were a separate public company. The annual operating expenses of the Merged Wireline Business will be greater than the amount of annual operating expenses incurred by Alltel that are allocated to Alltel's wireline operating companies today, before the contemplated transactions. However, after adding the additional operating companies and related access lines currently owned by Valor, the expected annual corporate shared service allocations to the operating companies in the Merged Wireline Business are expected to be roughly the same as they are today, before the contemplated transaction. Therefore, Joint Applicants do not expect there to be any material synergy savings passed on to their customers.

Response provided by Michael Rhoda.

Alltel Holding and Valor Communications Group

Total Estimated Net Synergy Document
Increase / (Decrease) to Expenses
$(000)s

	MERGER Valor Synergy	SEPARATION Net Incremental Costs	NET SYNERGY TO NEWCO
HEADCOUNT RELATED			
Procurement			
Corporate			
Engineering/Network			
Executive			
Facilities			
Finance/Acctg			
Human Resources			
IT			
Process Dev			
Reg & Wholesale			
Mktg & Sales Spt			
Shared Functions			
Customer Service			
Field Opns			
Subtotal			
NON-HEADCOUNT RELATED			
Facilities			
Consulting			
Temp Help			
SOX/IA			
Audit Fees			
Advertising			
Legal Fees/Lobbying			
Collections			
Telemktg			
Engr Systems			
AT Staffing			
Insurance			
Dues			
Misc Fees			
IT Hdwe/Softwe			
Subtotal			
GRAND TOTALS			

8. Please provide copies of any and all reports and other documents identifying economies of scale or scope expected to result from the contemplated transaction.

Response: Please see responses to questions 7 and 8(a).

Response provided by Brent Whittington.

a. Identify any economies of scope or scale affecting the Joint Applicants' Kentucky-based operations;

Response: The Merged Wireline Business will be the largest rural telephone holding company in the United States. It will provide service to approximately 3.4 million wireline customers in 16 states. Its annual revenues are expected to be approximately $3.4 billion and it should generate approximately $1.7 billion of annual operating income before depreciation and amortization. This company's size will provide the Merged Wireline Business with increased buying power which translates into lower costs of equipment, network, materials and supplies. After centralized support staffing is complete, the Merged Wireline Business will be able to accomplish additional growth in access lines and related wireline services at lower costs per unit and, therefore, expects potential reductions in per access line allocations and related costs per unit for deployment of advanced services.

Response provided by Brent Whittington.

b. State whether any savings related to economies of scale or scope will be shared with the Joint Applicants' customers, and if so, how much.

Response: Yes, and competitive factors in the marketplace are the means that will drive such sharing. The very competition that is the stimulus for the wireline separation proposed by Applicants is the force driving market-based pricing of traditional telephone services. Competition requires Joint Applicants and their competitors to re-examine continually their prices and find creative bundles and services packages that appeal to customers. Pricing of service bundles is central to the successful marketing of those services. Therefore, in order to lower service costs and remain competitive, companies like Alltel Kentucky, Inc. and Kentucky Alltel, Inc. must reduce their costs through increased scale and scope, lower debt costs made possible by the guarantees and liens proposed in this proceeding, and other related means.

Response provided by Brent Whittington.

9. Please state whether the Joint Applicants or any of their subsidiaries or affiliates sustained any damage to their networks and/or other infrastructure resulting from hurricane-related losses in 2005. If so, please provide a description of the damage, state the amount of damage in U.S. dollars, and any financial impact such losses did or may have on any of the Joint Applicants' Kentucky-based holdings.

   Response: There was no damage to Kentucky properties associated with the hurricanes in 2005. Due to the recent hurricanes, Valor sustained damages of approximately $1.2 million, Alltel's wireline business approximately $500,000, and Alltel's wireless business approximately $10.2 million.

   Response by Mike Skudin.

10. Please state whether any of the MWB's executive management, and members of its proposed board of directors are members, officers, partners, directors of, or have a controlling interest in, any business entity engaged in the telecommunications industry other than the Joint Applicants, and if so, identify them by name and by type of interest.

Response:

Francis X. Frantz, the proposed Chairman of the Board of MWB, is the 2005-2006 Chairman of the Board and Chairman of the Executive Committee of USTelecom, a telecom trade association.

Dennis E. Foster, a proposed director of MWB, currently serves as a member of the class of directors of Alltel Corporation whose term expires in 2006. It is currently anticipated that Mr. Foster will not stand for re-election to the Alltel board of directors at the 2006 Annual Meeting of Stockholders.

Anthony J. de Nicola, a proposed director of MWB, is currently a director of Valor Telecommunications Group, Inc. Mr. de Nicola is currently a general partner of Welsh, Carson, Anderson & Stowe, which as of February 28, 2006, owned approximately 27.5% of Valor's outstanding common stock. It is anticipated that immediately following the consummation of the transactions, Welsh, Carson, Anderson & Stowe will hold approximately 4.1% of the common stock of MWB. Mr. de Nicola is also a director of Centennial Communications Corp., a regional wireless telecommunications provider, and ITC Deltacom, Inc. a facilities-based competitive communications provider in the Southeast.

Response provided by Jeffery Gardner.

11. Please state whether the MWB will engage in non-regulated activities in any location. If so, please provide:

a. the nature of the activity;
b. the location of the activity;
c. a breakdown by percentage of the amount of non-regulated activity and regulated activities in which the MWB will engage; and
d. the amount of revenue derived from non-regulated activities.

Response: Yes. The Merged Wireline Business will publish directories in various states, resell long distance services in 49 states excluding Alaska, and sell telecommunications equipment in various states. In addition, the Merged Wireline Business will offer the following non-regulated services in its ILEC states:

- **Voice Mail Services;**
- **Single and multi-line telephone set sales and rental;**
- **End user multi-line system (Key and PBX) sales, rental and maintenance;**
- **End user data equipment;**
- **Inside wire installation, maintenance, and repair;**
- **Phone warranty program;**
- **Roadside Assistance;**
- **Internet Services;**
- **Web Hosting and Design Service; and**
- **DISH Network Satellite Service.**

On an annual basis, the percentage breakdown of non-regulated activity and regulated activity MWB expects to engage in is estimated to be between 30% - 35% in non-regulated activities and 65% - 70% in regulated activities (based on estimated revenues). For the year ended December 31, 2005, the Merged Wireline Business derived approximately $1.2 billion from deregulated activities.

Response provided by Darren Decker and Brent Whittington.

12. The Joint Applicants' amended petition states, in numerical paragraph 7, "Separating the Wireline business . . . allows the [MWB] to enhance both strategic flexibility and financial and operational opportunities." Please explain exactly what is meant by this statement and include any quantifications.

Response: See response to question 3. To reiterate, by separating the wireline business, the new company will have a management team and corporate support staff dedicated solely to ensure our wireline customers continue to receive quality services. Capital deployment and marketing efforts will also be dedicated solely to wireline efforts for the benefit of wireline customers.

Response provided by Jeffery Gardner, Brent Whittington, Michael Rhoda, and Dan Powell.

13. At the informal conference for this matter held at the Kentucky Public Service Commission on January 4, 2006, the Joint Applicants provided participants with a brochure entitled "Alltel Wireline Spin and Merger with Valor Communications." Referring to page 7 of that document, please state in detail how the contemplated transaction will:

a. Improve broadband penetration;
b. Expand service offerings (video);
c. Expand service offerings (wireless); and
e. Improve feature penetration.

Response: The transactions described in the Amended and Restated Application will create the MWB focused solely on the wireline business. The MWB will make broadband services more widely available and continue improvements in higher speeds and greater portal content. In addition to offering satellite video in partnership with Dish Network, the MWB will research and deploy where practical IP Video over the broadband infrastructure. The MWB will evaluate wireless product offerings through a partnering relationship or resale arrangement with existing wireless carriers. Also, the MWB will aggressively deploy and market product bundles and new technologies including voice over internet protocol that are designed to provide more features and products in a package that offers a higher value proposition to existing and prospective customers.

Response provided by Darren Decker.

14. What impact, if any, does the Joint Applicants expect the addition of Valor's debt will have on customers of both Alltel and the MWB following the contemplated transaction?

Response: None.

Response by Brent Whittington.

15. Please identify, in detail, any and all tax savings Alltel expects to result from the contemplated transaction, and provide any relevant quantifications.

Response: As a result of the transactions, the wireline business will no longer be subject to the consolidated return election for the second half of 2006 which will result in a one-time tax savings of approximately $500,000.

Response by Jude Lemke.

16. Please state whether Valor Communications currently has any deferred tax accounts on its balance sheets. If "yes," please identify the account(s), the amount carried therein, and provide a summary of the nature of the balance.

Response: Yes. As of December 31, 2005, Valor had a deferred tax asset (net of valuation allowance) of approximately $133 million, composed primarily of federal income tax net operating loss ("NOL") carryforwards. As of December 31, 2005, Valor also had a deferred tax liability of approximately $213 million, composed primarily of cumulative book/tax differences such as unamortized goodwill and other items.

Response provided by Brent Whittington.

a. For each deferred tax balance identified above, please state what impact the contemplated transaction will have on the account (e.g., will the contemplated transaction result in a loss of any deferred tax credits?).

Response: The MWB anticipates no impact to Valor's existing deferred tax assets or deferred tax liabilities as a result of contemplated transaction.

Response provided by Brent Whittington.

17. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the amount or dollar value thereof.

Response: Alltel objects to this interrogatory as overly broad, highly confidential and proprietary, and irrelevant. Without waiving the foregoing objection Alltel responds with the following attachment which is confidential and proprietary.

Response by Susan Bradley.

17. Please state whether any of the Joint Applicants' employees, officers, directors, consultants, or contractors will receive, directly or indirectly, any bonus, stock option, and/or other remuneration of any type or sort resulting from the contemplated transaction. If so, please identify the person, the method of remuneration, whether directly or indirectly, whether it is deferred, and the amount or dollar value thereof.

Response: Alltel objects to this interrogatory as overly broad, highly confidential and proprietary, and irrelevant. Without waiving the foregoing objection Alltel responds as follows:

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CONFIDENTIAL

Response by Susan Bradley.

18. Do the Joint Applicants agree that there are two categories of costs for the proposed transaction, namely: (1) costs-to-achieve the transaction (e.g., due diligence reports, legal counsel, etc.); and (2) costs-to-achieve cost savings in the post-transaction structure (e.g., systems integration, etc.)? If no, please identify the categories and provide a definition. Regardless of the answer, please provide the following:.

Response: Yes.

Response by Brent Whittington.

a. For the costs-to-achieve the transaction, explain how the Joint Applicants determines the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.

Response: None of the costs-to-achieve the transactions will be borne by rate payers because no rate increases are being contemplated as a result of the expenses associated with the transactions.

Response by Brent Whittington.

b. For the costs-to-achieve cost savings, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their shareholders, and those costs that are allocated to or the responsibility of their ratepayers. Include any allocation methodologies.

Response: None of the costs-to-achieve cost savings of the transactions will be borne by rate payers because no rate increases are being contemplated as a result of the expenses associated with the transactions.

Response by Brent Whittington.

c. For the costs-to-achieve the transaction, explain how the Joint Applicants determine the costs that are allocated to or the responsibility of their non-regulated operations. Include any allocation methodologies.

Response: Not applicable.

Response by Brent Whittington.

d. For the costs-to-achieve cost savings, explain how the Joint Applicants determines the costs that are allocated to or the responsibility of their regulated operations. Include any allocation methodologies.

Response: None. 100% will be allocated to the holding company.

Response by Brent Whittington.

e. Do the Joint Applicants agree that there are certain costs associated with the contemplated transaction that are attributable solely to the process of obtaining the approval of the transaction (e.g. legal counsel for the regulatory proceedings)?

Response: Yes.

Response by Brent Whittington.

f. Does the Joint Applicants agree that they will obtain certain cost savings post-transaction that do not require the expenditure of costs-to-achieve those savings? (For example, Alltel and Valor both presently prepare their own respective annual reports to shareholders and to utility commissions in various states, and there is an expense associated with the preparation of such a report that will be avoided post-transaction due to the fact that only one report will be prepared.) If no, then is it the Joint Applicants' position that all cost savings associated with this transaction require spending?

Response: Presently undetermined.

Response by Brent Whittington.

g. Do the Joint Applicants consider the reduction of a company's or unit's operating loss a cost savings?

Response: Yes.

Response provided by BrentWhittington.

h. Please supply an itemized schedule that shows the cost-to-achieve the transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

Response: Attached hereto. This schedule is considered proprietary and confidential.

Response provided by Brent Whittington.

i. For the schedule requested under sub-part h (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;

Summary of Estimated Costs-to-Achieve Transaction

Bankers & legal fees	
Regulatory filing fees	
Audit / accounting fees	
Estimated total	

PROPRIETARY AND CONFIDENTIAL

CONFIDENTIAL

(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations of each of the Joint Applicants.

Response: There are no projected costs to achieve the transactions beyond 2006.

Response provided by Brent Whittington.

j. Please supply an itemized schedule that shows the costs-to-achieve the costs savings post-transaction by year for as many years as your projections provide. (This is a request for a schedule that shows the estimated costs by year.)

Response: At this time, Joint Applicants have not projected costs-to-achieve cost savings because they have not yet finalized potential cost savings.

Response provided by Brent Whittington.

k. For the schedule requested under sub-part j (the prior question), please identify by year for as many years as your projections provide the following:

(1) the assignment of costs to each of the Joint Applicants' shareholders;
(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

Response: Not applicable.

Response provided by Brent Whittington.

l. Please supply an itemized schedule that shows the cost savings associated with this acquisition for as many years as your projections provide. (This is a request for a schedule that shows the estimated cost savings by year.)

Response: Please see responses to questions 7 and 8. Other anticipated cost savings cannot be quantified at this time.

Response provided by BrentWhittington.

m. For the schedule requested under sub-part l. (the prior question), please identify by year for as many years as your projections provide the following:
(1) the assignment of costs to each of the Joint Applicants' shareholders;

(2) the assignment of costs to each of the Joint Applicants' ratepayers; and
(3) the breakdown of the assignment of costs between regulated and non-regulated operations.

Response: Please see response to question 7(b).

Response provided by Brent Whittington.

19. For each category of cost savings, did each of the Joint Applicants determine the allocation percentages to separate out the non-regulated cost savings from the regulated costs savings? For example, did the Joint Applicants determine the amount of total staffing cost savings to allocate to regulated operations and the amount to allocate to non-regulated operations?

Response: No, please see response to question 18, subpart m. As in the past, the MWB will continue to follow the FCC's Title 47, Part 64 prescribed rules related to cost assignment between regulated and non-regulated operations.

Response provided by Brent Whittington.

20. For each category of cost savings, identify the allocation process, including the factors, for allocating costs between regulated and non-regulated operations.

Response: Please see response to question 19.

Response provided by Brent Whittington.

21. For each category of cost savings, identify the corresponding amount of cost savings allocated to non-regulated operations for that category.

Response: Please see response to question 19.

Response provided by Brent Whittington.

22. Please provide a copy of any and all due diligence report(s) conducted.

Response: Attached hereto. These reports are considered proprietary and confidential.

22. In the course of conducting their due diligence reviews, did the Joint Applicants identify any facts or circumstances that would have a material adverse effect on their customers?

Response: No. Response provided by Brent Whittington.

RESPONSE TO ATTORNEY GENERAL'S REQUEST NUMBER 22

ENTIRE DOCUMENT REDACTED

23. Please provide all minutes of any meetings held between the shareholders and the board of directors of any of the Joint Applicants pertaining to the contemplated transaction.

Response: None. Response provided by Jeffery Gardner.

24. Will the contemplated transaction result in any changes in accounting principles for any of the Joint Applicants, the MWB, or any of their subsidiaries or affiliates? If yes, please summarize the change(s).

Response: No. Response provided by Brent Whittington.

25. Do the Joint Applicants anticipate any changes in any existing contracts of the Joint Applicants with other vendors (e.g., engineering, information technology, maintenance, etc.)?

Response: Yes. Response provided by Jeffery Gardner.

26. Do the Joint Applicants anticipate entering any new contracts as a consequence of the contemplated transaction? If so, will any of the entities with whom the Joint Applicants will enter said contract(s) be affiliated in any way with the Joint Applicants, or any of their employees, stockholders, officers, contractors, consultants, or directors?

Response: Yes. Alltel Corporation and Alltel Holding Corp. will enter into a number of contracts as a consequence of the transactions. Many of the contracts will be new contracts that Alltel Holding Corp. will enter into with third party vendors and suppliers who currently provide goods or services on a consolidated basis to the businesses of Alltel Corporation and for which the MWB will need separate contracts following the closing. There will also be many agreements, contracts, assignments, deeds and other instruments between Alltel Corporation and Alltel Holding Corp. to effect the separation of the wireline business from the remaining businesses of Alltel Corporation. Except for certain agreements that may be entered into with certain officers or key employees of Valor (see response to question 17), it is not anticipated that the MWB will enter into any new contracts as a consequence of the contemplated transactions with any employees, stockholders or officers of the Joint Applicants.

Response provided by Brent Whittington.

27. Please reference the amended application at page 1, paragraph 2 wherein it is stated that "As a result of intermodal competition and rapidly changing fundamentals of the wireline business, wireline companies need to adapt their existing business models to more effectively compete..." Explain these principles in detail with specific examples.

Response: See response to request number 8. In the former long-since-passed non-competitive local service telecommunications marketplace, incumbent local exchange companies did not need to advertise their services or competitively price, bundle, or aggressively deploy new services or technologies. In sharp contrast, the present market- place in which the Kentucky-based entities compete is competitive, and new technologies are increasing the competitive options for consumers. Today, for example, because most new home buyers already have a wireless telephone, one of their first calls for service to their new home is for video services. If that first call is to a cable television company, then that cable television company has the first opportunity to sell local wireline telephone service to the home owner as well as broadband access in addition to cable television. When the cable company succeeds, the traditional telephone company like Kentucky Alltel, Inc. or Alltel Kentucky, Inc. never gets an opportunity to compete for that business. The modern telephone company can no longer apply a traditional "wait and they will come" approach, but must aggressively price, market and package its services. It must find new and creative ways to sell its services.

Response provided by Jeffery Gardner.

28. Please reference the amended application at page 2, paragraph 1. "The need to execute strategies faster in the future will require greater focus and access to adequate human and financial capital." Please explain in detail with specific examples.

Response: See response to question 27. Adequate human capital means that the Merged Wireline Business must be staffed with qualified, trained and dedicated employees that can properly and expeditiously handle customer service needs. Additionally, the employees must be focused on wireline customer service, service quality and sales and must not be divided in their loyalty between competing technologies and services like wireless and wireline. Similarly, adequate financial capital means that the company must have access to and be able to generate the necessary amount and price of capital to deploy the latest necessary technology and services demanded by customers. The Merged Wireline Business already has the managerial and technical capability to run the business and is in the process of organizing its centralized support staff so that in combination with the already superior local staffs like those in Kentucky, it can continue to meet and exceed its customers and future customers present and future telecommunications needs. As set forth in the Amended and Restated Application, the Merged Wireline Business already has obtained the commitment of the necessary capital and will be positioned to meet its customers needs.

Response provided by Jeffery Gardner.

29. Provide the name and position of the person(s) who prepared each Exhibit.

Response:

<u>Application for Approval filed December 22, 2005</u>

Exhibits 1,2 and 3	**Cesar Caballero**
Exhibit 4	**Articles of Incorporation filed with Secretary of State**
Exhibit 5	**Cesar Caballero**
Exhibit 6	**Brent Whittington**

<u>Amended and Restated Application for Approval filed January 26, 2006</u>

Exhibits 1,2,3 and 4	**Cesar Caballero**
Exhibits 5,6	**Brent Whittington**
Exhibit 7	**JP Morgan and Merrill Lynch**

Response provided by Cesar Caballero.

30. Please reference the amended application at pages 3 and 4. Please provide a step-by-step approach of the restructuring which details the financial consequences, including but not limited to tax ramifications, benefits to shareholders, and benefits to ratepayers, with regard to each entity affected by the contemplated transaction.

Response: With respect to wireline assets, the first step is that the wireline dedicated assets held by Alltel Communications, Inc. (ACI) will be dropped down into AHCSI. The next step is that the stock of AHCSI will be transferred to Alltel Corporation (Alltel) as a dividend from ACI. The stock of AHCSI will then be transferred from Alltel to Alltel Holding Corp. (AHC). The stock of the ILECs, including Alltel Kentucky, Inc. and Kentucky Alltel, Inc., the stock of Alltel Communications Products and of Alltel Publishing Corporation will then be transferred from Alltel to AHC. In the next step, the stock of AHC will be transferred to a transfer agent which will hold such stock of AHC momentarily for the Alltel shareholders. In the final step, AHC will merge into Valor Communications Group, Inc. (Valor) and Valor will be the surviving entity. Valor shares will be delivered to the Alltel shareholders in an amount such that 85% of the Valor shares will be owned by the Alltel shareholders. The entire transaction is accomplished as a tax free exchange. The financing associated with the transaction is described fully in the Amended and Restated Application and revisited in the testimony of Mr. Gardner. Each Alltel shareholder will continue to own its shares of Alltel and approximately 1.04 shares of MWB for each pre-closing share of Alltel stock. The MWB shareholders will then own stock in a wireline-centric company that will pay a dividend that provides them an approximate annual yield of 8% on their investment.

Response provided by Jeffery Gardner.

31. Please reference the amended application at page 3, paragraph 6 wherein it is stated that the change in control will produce certain benefits. Please explain in detail with specific examples.

Response: See responses to questions 8, 27, and 30.

32. Please reference the amended application at page 3, paragraph 7 wherein it is stated that separating the business will "enhance both strategic flexibility and financial and operational opportunities." Please explain in detail with specific examples.

Response: See response to question 12.

33. Please reference the amended application at page 4, paragraph 7 wherein it is stated that the Merged Wireline Business will increase its focus on providing a "full portfolio of high quality services to its residential and business customers." Please explain in detail with specific examples.

Response: The Merged Wireline Business will provide high quality voice services as well as the latest features available and will continue to package those in a variety of bundles that will allow Kentucky customers to select the package most beneficial to them. Additionally, the Merged Wireline Business will continue to expand DSL and Dish Network services and offer its business customers centrex and/or PBX services as well as special access services to support their voice and data needs.

Response provided by Darren Decker.

34. Please reference the amended application at page 4, paragraph 8. Please provide a detailed breakdown of the amount for each and every Kentucky company that will guarantee and grant liens of the $5,740,000,000 stated.

Response: Exhibit 6 of the Amended and Restated Application identifies in detail the proposed debt of the MWB for which each Kentucky company will guarantee and grant liens. Each guarantee and lien will secure all of the obligations under the debt identified to the maximum extent permitted by law.

Response provided by Brent Whittington.

35. Please reference the amended application at page 4, paragraph 9. Please identify the 7 states in which Alltel Communications, Inc. operates as a CLEC.

Response: Arkansas, Iowa, Nebraska, North Carolina, Pennsylvania, South Carolina and Texas.

Response provided by Cesar Caballero.

36. Please reference the amended application at page 6, paragraph 15. Please explain in detail with specific examples.

Response: AKI and KAI are presently first tier subsidiaries of Alltel and after the transaction will be subsidiaries of Valor. Alltel is the current holding company, and Valor will become the holding company. After this merger, the name of Valor and all its subsidiaries, including AKI and KAI, will be changed to a new name that is presently being selected. When the name is selected and the transactions are completed, then current tariffs will be amended to insert the new name in lieu of the present names. Other than this change, the present rates, terms and conditions of service will continue in full force and effect. The same form of regulation that is presently applicable to AKI and KAI will not be changed and remain unaffected by the transaction. AKI and KAI will continue to be the same corporations as exist today and as they are presently incorporated, except that they will file with the Secretary of State to reflect their name changes. The same AKI and KAI employees that provide service in Kentucky the day before the close of the transaction will be providing service on the day after the transaction closes. Again, the only change that customers will initially notice will be the change in name. As soon as the transaction closes and the new wireline-centric organization is in control of the business, then the Merged Wireline Business can implement and begin to experience the improvements that come from such singularly-focused management.

Response provided by Cesar Caballero.

37. Please reference the amended application at page 7, paragraph 17 wherein it states that "All equipment, buildings, systems, software licenses and other assets owned by the Merged Wireline Business in the provision of its services will remain assets of AKI or KAI or will transfer to the Merged Wireline Business or a subsidiary thereof." If any of the specified items are owned in part or whole by the Kentucky companies and are transferred, will the Kentucky companies be duly reimbursed? If not, why not?

Response: None of the property currently owned in part or in whole by AKI or KAI will be transferred.

Response provided by Brent Whittington.