following implied percentages of ownership of the combined company by holders of Valor common stock after the merger:

	Low End of Range	High End of Range
Valor	Implied	Ownership
% of Combined Company	14.8%	15.3%

Additionally, Wachovia Securities performed a discounted cash flow analysis for Valor on a stand–alone basis based on modified financial estimates for 2006–2010 provided by and discussed with the management of Valor. The modified estimates assumed that Valor's access line loss increased to 4% annually in 2006–2010. Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010 and discount rates ranging from 7.5% to 8.5%. The implied Valor equity value per share ranged from $570 million to $800 million.

Using the relevant values from the ranges of the implied equity values resulting from the modified discounted cash flow analysis for Valor and the discounted cash flow analysis of Spinco, each on a stand–alone basis, Wachovia Securities calculated the following implied percentages of ownership of the combined company by holders of Valor common stock after the merger:

	Low End of Range	High End of Range
Valor Implied Ownership % of Combined Company	12.7%	13.4%

Pro Forma Merger Analysis

Wachovia Securities analyzed the pro forma financial impact of the merger on the combined company's share price and discounted cash flow value. This analysis was based on the projected financial performance of each of Valor and the combined company for 2005–2010 based on information provided by the management of each of Valor, Alltel and Spinco to Wachovia Securities and on an estimated 474.2 million outstanding shares. This analysis assumed, among other things, performance by the combined company with the synergies preliminarily estimated jointly by the managements of each of Alltel, Valor and Spinco in the amount of $50 million in 2005 on a pro forma basis and on an actual basis of $21 million in 2006, $48 million in 2007 and $50 million in each of 2008, 2009 and 2010.

Based on the foregoing, Wachovia Securities determined the effects of the merger, including synergies, on the share price of the combined company based on EBITDA, dividend yield and free cash flow as follows:

		Share Price Accretion/ Dilution			
	Newco Reference Multiple Range	2005(PF)	2006(P)	2007(P)	2008(P)
EBITDA Multiple	6.5x – 7.5x	23.4% – 35.4%	18.5% – 28.8%	20.2% – 30.7%	20.2% – 30.4%
Dividend Yield	7.0% – 8.0%	8.5% – 14.1%	8.5% – 14.1%	8.5% – 14.1%	8.5% – 14.1%
Free Cash Flow Multiple	6.5x – 9.5x	(21.1)%	(26.6)%	(22.5)%	(23.9%)

In addition, Wachovia Securities determined that the merger, including synergies, would be approximately 1.0%–3.7% accretive to the discounted cash flow equity value of the combined company compared to the discounted equity value of Valor on a stand–alone basis.

Implied Post–Merger Price Per Share Analysis. Wachovia Securities performed an analysis to estimate a range of implied post–merger price per share of Valor common stock based on a range of dividend yields. In conducting its analysis, Wachovia Securities compared certain metrics of the combined company with similar metrics of Commonwealth Telephone, Citizens Communications and CenturyTel. Although none of the selected companies is directly comparable to Valor, Spinco or the combined company, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Valor, Spinco and the combined company. Based on this analysis,

Wachovia Securities then estimated the implied post–merger price per share of the combined company with respect to a range of dividend yields of 7%–8% resulting in an implied range of share prices of $12.50–$14.29.

In performing its analyses, Wachovia Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond Valor's control. No company, transaction or business used in the analyses described above is identical to Valor or the proposed merger. Any estimates contained in Wachovia Securities' analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of Wachovia Securities' analysis of the fairness, from a financial point of view, to Valor and its stockholders, of the aggregate merger consideration paid by Valor as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken in such opinion, of the aggregate merger consideration to be paid by Valor pursuant to the terms of the merger agreement and were conducted in connection with the delivery by Wachovia Securities of its oral opinion, which was subsequently confirmed in writing, dated December 8, 2005, to the Valor Board of Directors. Wachovia Securities' analyses do not purport to be appraisals or to reflect the prices at which Valor common stock might actually trade. The consideration to be paid by Valor pursuant to the merger agreement was determined through negotiations between Valor, Alltel and members of their respective senior management teams and their respective advisors, and was unanimously approved by the Valor Board of Directors. Wachovia Securities did not recommend any specific consideration to the Valor board or that any given consideration constituted the only appropriate consideration for the merger.

Wachovia Securities' opinion is necessarily based on economic, market, financial and other conditions as they exist on, and can be evaluated as of, the date thereof. Although subsequent developments may affect its opinion, Wachovia Securities does not have any obligation to update, revise or reaffirm its opinion. Wachovia Securities' opinion does not address the merits of the underlying decision by Valor to enter into the merger agreement, including the relative merits of the merger compared with other business strategies or transactions that may have been considered by Valor's management, its Board of Directors or any committee thereof. Wachovia Securities did not express any opinion with respect to the prices at which Valor common stock will trade following the announcement of the merger or the prices at which Valor common stock will trade following the consummation of the merger.

Wachovia Securities is a trade name of Wachovia Capital Markets, LLC, an investment banking subsidiary and affiliate of Wachovia Corporation. Wachovia Securities has been engaged to render certain financial advisory services to the Board of Directors of Valor in connection with the merger, and will receive a fee for such services, $750,000 of which was payable upon delivery of the fairness opinion, and $5,250,000 of which is payable upon consummation of the merger. In addition, Valor has agreed to reimburse Wachovia Securities' reasonable out–of–pocket expenses and indemnify it against certain liabilities that may arise out of its engagement, including liability under the federal securities laws. Wachovia Securities and its affiliates provide a full range of financial advisory, securities and lending services in the ordinary course of business for which it receives customary fees. In connection with unrelated matters, Wachovia Securities and its affiliates (including Wachovia Corporation and its affiliates) in the past have provided financing services to Valor, certain of its affiliates and Alltel and may provide similar or other such services to, and maintain relationships with, Valor, certain of its affiliates and Alltel in the future. Wachovia Securities served as a co–Lead Arranger, Joint Book–Running Manager and Syndication Agent in Valor's $1.67 billion refinancing in October 2004, as a Senior co–Manager for Valor's $440 million initial public offering in February 2005 and as a co–Manager on Valor's $400 million senior unsecured notes offering in February 2005. Wachovia Securities and its affiliates maintain banking, finance and investment relationships with certain affiliates of Valor, including Welsh, Carson, Anderson & Stowe, in certain of whose funds an affiliate of Wachovia Securities invests, and Vestar Capital Partners and certain of their respective portfolio companies. For investment banking and other financial advisory services rendered to Valor over the past two years, Valor has paid Wachovia Securities $5.5 million, which amount includes $750,000 related to the issuance of the fairness opinion discussed herein. Wachovia Securities or one of its affiliates is currently a senior unsecured lender to Alltel. For investment banking and other financial advisory services rendered to Alltel over the past two years, Alltel has paid

Wachovia Securities $6.8 million. Additionally, in the ordinary course of its business, Wachovia Securities currently, and in the future may, trade in the debt and equity securities (or related derivative securities) of Valor and Alltel for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. Wachovia Securities maintains research coverage of the equity securities of Valor and the equity and debt securities of Alltel.

Wachovia Securities' fairness opinion is for the information and use of the Board of Directors of Valor in connection with its consideration of the merger. Its fairness opinion does not and shall not constitute a recommendation to any holder of shares of Valor common stock as to how such holder should vote in connection with the Merger Agreement or any other matter related thereto.

Opinion of Valor's Financial Advisor — Bear Stearns

Pursuant to an engagement letter, dated December 5, 2005, Valor engaged Bear Stearns to render a fairness opinion in connection with the merger with Spinco. At a meeting of Valor's Board of Directors held on December 8, 2005, at which the Valor Board of Directors considered and approved the merger agreement and the merger, Bear Stearns rendered its oral opinion (which was subsequently confirmed in a written opinion, dated December 8, 2005) that, as of such date and based upon and subject to the matters reviewed with Valor's Board of Directors and the assumptions and limitations contained in the written Bear Stearns opinion, the aggregate consideration to be issued by Valor in the merger was fair, from a financial point of view, to Valor and the stockholders of Valor.

The full text of the Bear Stearns opinion is attached hereto as Annex D–2. The description of the Bear Stearns opinion set forth herein is qualified in its entirety by reference to the full text of the Bear Stearns opinion. Valor's stockholders are urged to read the Bear Stearns opinion in its entirety for a description of the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Bear Stearns. The Valor Board of Directors did not impose any limitations on the review undertaken by Bear Stearns. The Bear Stearns opinion is subject to the assumptions and conditions contained therein and is necessarily based on economic, market and other conditions and the information made available to Bear Stearns as of the date of its opinion. Bear Stearns assumes no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the Bear Stearns opinion. The Bear Stearns opinion is intended for the benefit and use of the Board of Directors of Valor and does not constitute a recommendation to the Board of Directors of Valor or any holders of Valor common stock as to how to vote or take any other action in connection with the merger. The Bear Stearns opinion did not address Valor's underlying business decision to pursue the merger, the relative merits of the merger as compared to any alternative business strategies that might have existed for Valor or the effects of any other transaction in which Valor might engage.

In the course of performing its review and analyses for rendering its opinion, Bear Stearns:

- reviewed the merger agreement and the distribution agreement;
- reviewed the voting agreement, dated as of December 8, 2005, among Alltel, Spinco and the stockholders of Valor named therein;
- reviewed Valor's Annual Reports on Form 10–K for the year ended December 31, 2004, its Quarterly Reports on Form 10–Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005 and its Current Reports on Form 8–K filed since January 1, 2005;
- reviewed Spinco's Draft Audited Financial Statements for the years ended December 31, 2002, 2003 and 2004, its unaudited interim consolidated balance sheet as of September 30, 2005, and the related unaudited interim consolidated income statement and statement of cash flows for the nine months ended September 30, 2005;
- reviewed Alltel's Annual Reports on Form 10–K for the years ended December 31, 2002, 2003 and 2004, its Quarterly Reports on Form 10–Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005 and its Current Reports on Form 8–K filed since January 1, 2005;

- reviewed certain operating and financial information relating to Valor and Spinco's businesses and prospects (as prepared and furnished to Bear Stearns by Valor and Alltel's senior managements, respectively), including projections for Valor for the six years ended December 31, 2010 as prepared by Valor's senior management and projections for Spinco for the three years ended December 31, 2007 as prepared by Alltel's management as well as certain publicly available research analyst projections for Alltel/ Spinco for the years ended December 31, 2008, 2009 and 2010 (which research analyst projections were reviewed by and discussed with the senior management of Valor);
- reviewed certain estimates of cost savings and other synergies estimates expected to result from the merger, as prepared and provided to Bear Stearns by Valor's senior management and discussed with Alltel's senior management, including persons who will become members of Newco's senior management;
- met with certain members of Valor and Alltel's senior management, including persons who will become members of Newco's senior management, to discuss Valor and Spinco's respective businesses, operations, historical and projected financial results and future prospects;
- reviewed the historical prices, trading multiples and trading volume of the common shares of Valor;
- reviewed publicly available financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to Valor and Spinco, as appropriate;
- reviewed the terms of recent mergers and acquisitions involving companies which Bear Stearns deemed generally comparable to Valor;
- performed discounted cash flow analyses based on the projections for Valor and Spinco and the synergy estimates for the combined company, including certain tax attributes available to Valor and Spinco;
- reviewed the pro forma financial results, financial condition and capitalization of the combined company giving effect to the merger; and
- conducted such other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

Bear Stearns relied upon and assumed, without independent verification, the accuracy and completeness of the financial and other information provided to or discussed with Bear Stearns by Valor, Alltel and Spinco or obtained by Bear Stearns from public sources, including, without limitation, the projections and synergy estimates referred to above. With respect to the projections and synergy estimates, Bear Stearns relied on representations that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the senior management of each of Valor and Alltel, including persons who will become members of Newco's senior management, respectively, as to the expected future performance of Valor, Spinco and the combined company. Bear Stearns did not assume any responsibility for the independent verification of any such information, including, without limitation, the projections and synergy estimates, and Bear Stearns further relied upon the assurances of the senior management of each of Valor and Alltel, including persons who will become members of Newco's senior management, that they were unaware of any facts that would make the information, projections and synergy estimates incomplete or misleading.

In arriving at its opinion, Bear Stearns did not perform or obtain any independent appraisal of the assets or liabilities (contingent or otherwise) of Valor and Spinco, including assets and liabilities that will be contributed to or assumed by Spinco or any of its subsidiaries pursuant to the distribution agreement, nor has Bear Stearns been furnished with any such appraisals. Bear Stearns assumed that the distribution will qualify as a tax-free distribution pursuant to Section 355 of the Code and the merger will qualify as a tax-free "reorganization" within the meaning of Section 368(a) of the Code. Bear Stearns assumed that the contribution, the distribution and all of the transactions described in the distribution agreement would be consummated in a timely manner and in accordance with the terms of the distribution agreement, without any limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise that collectively would have a material adverse effect on Valor or Spinco. Bear Stearns further assumed that the merger would be consummated in a timely manner and in accordance with the terms of the merger agreement, without any

limitations, restrictions, conditions, amendments or modifications, regulatory or otherwise that collectively would have a material adverse effect on Valor or Spinco.

Summary of Financial Analyses

The following is a summary of the material financial analyses performed by Bear Stearns in connection with the rendering of its fairness opinion to the Valor Board of Directors. Some of the financial analyses summarized below include information presented in tabular format. In order to understand fully Bear Stearns' financial analyses, the tables must be read together with the text of the summary. The tables alone are not a complete description of the financial analyses. Considering the tables alone could create a misleading or incomplete view of Bear Stearns' financial analyses.

Spinco Valuation

Bear Stearns analyzed the value of Spinco using the implied trading multiples of selected public companies and a discounted cash flow analysis. For purposes of Bear Stearns' review, Bear Stearns utilized, among other things, projections of the future financial performance of Spinco through 2010. The Spinco projections for 2005, 2006 and 2007 were prepared by the management of Alltel and the Spinco projections for 2008, 2009 and 2010 were based on publicly available research analyst projections and were reviewed by the management of Valor.

Selected Comparable Public Companies Analysis. Bear Stearns reviewed and analyzed selected public companies in the wireline communications business that it viewed as reasonably comparable to Spinco based on Bear Stearns' knowledge of the wireline communications industry. In performing these analyses, Bear Stearns reviewed and analyzed certain financial information (including equity value, enterprise value, "EBITDA" (defined as earnings before interest, income taxes, depreciation and amortization), access lines, Actual Levered Free Cash Flow ("Actual LFCF") (defined as EBITDA less capital expenditures less net interest expense less cash taxes assuming utilization of net operating losses and amortization of tax deductible goodwill), Normalized Levered Free Cash Flow ("Normalized LFCF") (defined as defined as EBITDA less capital expenditures less net interest expense less cash taxes assuming no utilization of net operating losses and no amortization of tax deductible goodwill)) and valuation multiples and compared such information to the corresponding information of the comparable companies.

Specifically, Bear Stearns compared Spinco to six publicly traded high–dividend paying wireline companies and two publicly traded non–high dividend paying wireline companies. To the extent publicly available, for each of these companies, Bear Stearns reviewed the enterprise value as of December 6, 2005 as a multiple of 2005 and 2006 estimated EBITDA and 2005 and 2006 estimated access lines. Also, to the extent publicly available, for each of these companies, Bear Stearns reviewed the equity values as of December 6, 2005 as a multiple of 2005 and 2006 Actual LFCF and 2005 and 2006 estimated Normalized LFCF. Lastly, to the extent publicly available, for each of these companies, Bear Stearns reviewed "Dividend Yield" (defined as current annual dividend per share as a percentage of the per share stock price) as of December 6, 2005.

The wireline communications companies were:

- Alaska Communications Systems Group, Inc.;
- Citizens Communications Company ("Citizens");
- Consolidated Communications Holdings, Inc.;
- FairPoint Communications, Inc.;
- Iowa Telecommunications Services, Inc.;
- Valor Communications Group, Inc.;
- CenturyTel, Inc. ("CenturyTel"); and
- Commonwealth Telephone Enterprises, Inc.

In particular, of the companies listed above, Bear Stearns viewed Citizens and CenturyTel as most comparable to Spinco based on Bear Stearns' knowledge of the wireline communications industry. The table below summarizes the comparable company trading multiples that were reviewed and analyzed by Bear Stearns:

Selected Comparable Public Companies Trading Multiples

	Citizens	CenturyTel	All Comparable Companies
Enterprise Value as a Multiple of:			
2005E EBITDA	7.2x	5.4x	5.4x – 8.0x
2006E EBITDA	7.5x	5.6x	5.6x – 8.0x
2005E Access Lines	$ 3,601	$ 3,098	$2,191 – $4,009
2006E Access Lines	$ 3,754	$ 3,255	$2,204 – $4,115
Equity Value as a Multiple of:			
2005E Actual LFCF	7.7x	8.5x	6.1x – 9.7x
2006E Actual LFCF	8.0x	8.8x	6.2x – 9.3x
2005E Normalized LFCF	9.2x	9.3x	7.3x – 11.0x
2006E Normalized LFCF	9.7x	9.4x	7.1x – 10.9x
Dividend Yield	7.9%	0.7%	0.7% – 13.7%

Based on the foregoing, Bear Stearns determined a reference range for each the above valuation parameters for Spinco:

Spinco Valuation Parameters Reference Range

	Low	High
Enterprise Value as a Multiple of:		
2005E EBITDA	6.7x	7.5x
2006E EBITDA	6.9x	7.6x
2005E Access Lines	$ 3,000	$ 3,600
2006E Access Lines	$ 3,200	$ 3,800
Equity Value as a Multiple of:		
2005E Actual LFCF	7.75x	9.0x
2006E Actual LFCF	8.0x	9.0x
2005E Normalized LFCF	8.7x	10.0x
2006E Normalized LFCF	8.7x	10.0x
Dividend Yield	7.25%	8.25%

Bear Stearns applied each valuation parameter range to the corresponding financial estimate for Spinco to calculate Spinco's trading multiple implied enterprise value. The resulting implied enterprise values ranged from approximately $8,645 million to $10,575 million, which implied per share values of $10.95 to $15.74 for Spinco, assuming Spinco has 403.1 million shares outstanding based on the aggregate consideration to be received by stockholders of Spinco in the merger.

Discounted Cash Flow Analysis. Bear Stearns performed an analysis of the present value of the cash flows available to equity holders that Spinco could generate over fiscal years 2006 through 2010.

For Spinco's business, Bear Stearns applied terminal value multiples ranging from 6.5x to 7.5x to Spinco's projected 2010 EBITDA. Bear Stearns chose these terminal value multiples based on (i) the implied perpetual growth rates of free cash flow derived from such multiples that Bear Stearns determined to be reasonable, (ii) Bear Stearns' review of trading data for comparable public companies and (iii) Bear Stearns' overall experience in valuing wireline communications companies. The cash flows were then discounted to

present value using a weighted average cost of capital, or WACC, of 7.00% to 8.00%. The resulting implied equity values were $4,641 million to $5,911 million, which implied per share values of $11.51 to $14.66 for Spinco.

Spinco Valuation Reference Range. Based on the Selected Comparable Public Companies Analysis and Discounted Cash Flow Analysis, Bear Stearns determined the appropriate equity value per share reference range for Spinco to be $12.00 to $14.00.

Valor Valuation

Since Spinco will contribute a vast majority of the financial performance of the pro forma combined company, Bear Stearns analyzed the value of Valor by assuming the Spinco equity value per share reference range was given as consideration to the common stockholders of Valor. Bear Stearns also analyzed the value of Valor using implied multiples from selected precedent merger and acquisition transactions and a discounted cash flow analysis. For purposes of Bear Stearns' review, Bear Stearns utilized, among other things, projections of the future financial performance of Valor through 2010, as prepared by the management of Valor.

Market Value Analysis. Based on the Spinco equity value per share reference range of $12.00 to $14.00, Bear Stearns assessed the implied premium/(discount) to Valor's stock price as of December 6, 2005, Valor's average stock price for the 20-trading days prior to and including December 6, 2005, Valor's stock price as of November 23, 2005 and Valor's average stock price for the 20-trading days prior to and including November 23, 2005. Bear Stearns considered Valor's stock price as of November 23, 2005 to be relevant because November 23, 2005 was the last trading day prior to a press release published on November 24, 2005 regarding a potential upcoming transaction between Spinco and Valor, Citizens or CenturyTel.

Implied Premium/(Discount) to Market Value
Per Share Valuation Reference Range

	$12.00	$14.00
As of December 6, 2005:		
Current Price	(1.4)%	15.0%
20-Day Average Price	0.3%	17.0%
As of November 23, 2005:		
Current Price	3.2%	20.4%
20-Day Average Price	(1.9)%	14.5%

Selected Precedent Merger and Acquisition Transactions. Bear Stearns reviewed and analyzed selected precedent merger and acquisition transactions involving recent wireline communications transactions based on Bear Stearns' determination that the transactions were reasonably comparable to the merger. In performing these analyses, Bear Stearns reviewed and analyzed certain financial information (including transaction value) and transaction multiples relating to Valor and compared such information to the corresponding information of the companies involved in such precedent transactions. Specifically, Bear Stearns reviewed 37 access line purchase transactions since January 3, 2000. Bear Stearns divided the transactions universe into two groups: (a) "Most Comparable Transactions" (listed by the acquirer followed by the acquired company/assets and the date these transactions closed) and (b) "Other Transactions." To the extent publicly available, Bear Stearns reviewed the transaction enterprise values as a multiple of EBITDA for the last twelve months, or LTM, and as a multiple of access lines.

The precedent transactions in the "Most Comparable Transactions" group were:

- The Carlyle Group/ Verizon Hawaii Inc. — May 2, 2005;
- Consolidated Communications Holdings, Inc./ TXU Corp. — April 14, 2004;
- Alltel Corporation/ Verizon Communications Inc. (Kentucky) — August 1, 2002;

- Homebase Acquisition Texas Corp./ Illinois Consolidated Telephone Co. — December 31, 2002; and
- CenturyTel, Inc./ Verizon Communications Inc. (Alabama and Missouri) — July 1, 2002 and August 31, 2002.

Bear Stearns calculated the following multiples for the recent wireline transactions used in its analysis:

Recent Wireline Transaction Multiples
Transaction Value as Multiple of:

	LTM EBITDA	Access Lines
Most Comparable Transactions:		
High	7.8x	$ 3,199
Mean	7.2x	$ 2,894
Low	6.7x	$ 2,263
Other Transactions:		
High	12.0x	$ 5,698
Mean	8.6x	$ 3,371
Low	6.2x	$ 2,235
All Transactions:		
High	12.0x	$ 5,698
Mean	8.2x	$ 3,292
Low	6.2x	$ 2,235

Based on the foregoing, Bear Stearns determined an LTM EBITDA multiple reference range of 6.7x to 7.8x and access lines multiple reference range of $2,900 to $3,200 for the transactions and applied the ranges to the projected 2005 EBITDA and 2005 access lines, respectively, for Valor. The resulting implied equity value per share for Valor was calculated to be $9.91 to $14.15, based on the EBITDA multiple reference range, and $5.30 to $7.49, based on the access line multiple reference range.

Discounted Cash Flow Analysis. Bear Stearns performed an analysis of the present value of the cash flows available to equity holders that Valor could generate over fiscal years 2006 through 2010. For Valor's business, Bear Stearns applied terminal value multiples ranging from 6.00x to 7.00x to Valor's projected 2010 EBITDA, as provided by the management of Valor. Bear Stearns chose these terminal value multiples based on (i) the implied perpetual growth rates of free cash flow derived from such multiples and the corresponding range of implied perpetual growth rates of free cash flow that Bear Stearns determined to be reasonable, (ii) Bear Stearns' review of trading data for comparable public companies and (iii) Bear Stearns' overall experience in valuing wireline companies. The cash flows were then discounted to present value using a WACC of 7.25% to 8.25%. Valor's various tax attributes were valued separately in this analysis. The resulting implied equity values ranged from approximately $806 million to $1,067 million, which implied per share values of $11.33 to $15.01 for Valor.

Transaction Combination Analysis

Synergies. Based on information provided by the management of Valor, Bear Stearns assumed potential operating expense synergies ranging from $19.7 million in 2006 to $52.0 million in 2010. Bear Stearns estimated that these potential operating expense synergies have a net capitalized value of approximately $422.0 million to $533.9 million.

Relative Contribution Analysis. Bear Stearns performed a contribution analysis, assuming no synergies, showing the percentages of access lines for fiscal year 2005 and projected EBITDA, Normalized LFCF and Actual LFCF for fiscal years 2005 through 2007 that are projected to be contributed by Valor and Spinco to the pro forma results for the combined company. The following tables set forth the results of such analysis:

Access Lines

	2005E
Valor	15.3%
Spinco	84.7%

EBITDA

	2005E	2006E	2007E
Valor	16.3%	16.3%	16.5%
Spinco	83.7%	83.7%	83.5%

Normalized LFCF Contribution

	2005E	2006E	2007E
Valor	17.2%	16.7%	16.0%
Spinco	82.8%	83.3%	84.0%

Actual LFCF Contribution

	2005E	2006E	2007E
Valor	18.7%	20.0%	19.7%
Spinco	81.3%	80.0%	80.3%

The percentages of access lines and EBITDA set forth in the tables above that are projected to be contributed to the pro forma combined company by Valor were compared to the 17.8% interest that Valor's common stockholders will have in the combined company's enterprise value (assuming that the combined company's per share stock is valued at the mid–point of the Bear Stearns reference range for Spinco's equity value per share, or $13.00 per share). Further, the percentage of Normalized LFCF and Actual LFCF, set forth in the above table, that is projected to be contributed to the pro forma combined company by Valor was then compared to the 15.0% interest that Valor's common stockholders will have in the combined company.

Bear Stearns also performed a contribution analysis, assuming operating expense synergies, showing the percentages of projected access lines for fiscal year 2005 and EBITDA, Normalized LFCF and Actual LFCF for fiscal years 2005 through 2007 that are projected to be contributed by Valor and Spinco to the pro forma results for the combined company. The results of this analysis did not materially differ from the results of the contribution analysis, assuming no synergies, shown above.

Discounted Cash Flow Accretion/(Dilution) Analysis. Bear Stearns prepared a discounted cash flow valuation accretion/(dilution) analysis by comparing the stand–alone discounted cash flow equity values of Valor and Spinco to the implied value of each company's respective ownership in the pro forma combined company. For the purpose of preparing the pro forma combined company discounted cash flow accretion/(dilution) analysis, both with and without the impact of potential operating synergies, Bear Stearns assumed the terminal EBITDA multiple range used in the Spinco stand–alone discounted cash flow analysis and a WACC range of 6.75% to 7.75%. The table below summarizes the results of Bear Stearns discounted cash flow accretion/(dilution) analysis.

Discounted Cash Flow Equity Value Accretion/(Dilution) Analysis

	No Synergies	With Potential Synergies
Valor	0.9% – 3.3%	7.8% – 11.6%
Spinco	2.4% – 2.7%	9.8% – 10.7%

Pro Forma Financial Analysis. Bear Stearns analyzed the potential pro forma impact of the merger on Valor's projected credit profile, "Dividend Payout Ratio" (defined as total annual dividend as a percentage of Actual LFCF), net income per share, EBITDA and Actual LFCF growth rates, and Actual LFCF per share. Bear Stearns observed that without synergies the pro forma combined company is expected to have a net debt to EBITDA leverage ratio that is approximately 0.8x to 0.9x lower for 2005 through 2010 than Valor is expected to have on a stand–alone basis. In addition, Bear Stearns noted that without synergies the pro forma combined company is expected to have a Dividend Payout Ratio that is approximately 5.3% to 12.9% lower for 2005 through 2010 than Valor is expected to have on a stand–alone basis. If potential synergies had been included in these analyses, the pro forma combined company's expected net debt to EBITDA leverage ratio and Dividend Payout Ratio would be even lower.

With potential synergies, the pro forma combined company is expected to have higher net income per share for 2005 through 2007 and without potential synergies the pro forma combined company is expected to have higher net income per share for 2005 and 2006 and lower net income per share for 2007 than Valor is expected to have on a stand–alone basis. Bear Stearns observed that without potential synergies the pro forma combined company is expected to have a lower EBITDA cumulative average growth rate from 2005 to 2007 than Valor is expected to have on a stand–alone basis and that with potential synergies the pro forma combined company is expected to have a higher EBITDA cumulative average growth rate from 2005 to 2007 than Valor is expected to have on a stand–alone basis. Bear Stearns also noted that both with and without potential synergies the pro forma combined company is expected to have a lower Actual LFCF cumulative average growth rate and lower Actual LFCF per share from 2005 to 2007 than Valor is expected to have on a stand–alone basis.

In connection with rendering its opinion, Bear Stearns performed a variety of financial analyses. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, such an opinion is not readily susceptible to a partial analysis or summary description. Bear Stearns arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole and believes that the totality of the factors considered and analyses performed by Bear Stearns in connection with its opinion operated collectively to support its determination as to the fairness of the aggregate consideration to be issued by Valor in the merger to the stockholders of Alltel. Accordingly, notwithstanding the analyses summarized above, Bear Stearns believes that its analyses must be considered as a whole and that selecting portions of the analyses and factors considered by it, without considering all such analyses and factors, or attempting to ascribe relative weights to some or all such analyses and factors, could create an incomplete or misleading view of the evaluation process underlying the Bear Stearns opinion. Bear Stearns did not assign any specific weight to any of the analyses described above and did not draw any specific conclusions from or with regard to any one method of analysis.

In performing its analyses, Bear Stearns considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Valor, Alltel and Bear Stearns. The analyses performed by Bear Stearns are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. Accordingly, such analyses are inherently subject to substantial uncertainty.

None of the public companies used in the comparable company analysis described above are identical to Valor or Spinco, and none of the precedent transactions used in the precedent transactions analysis described above are identical to the merger. Accordingly, an analysis of publicly traded comparable companies and comparable precedent transactions is not mathematical; rather it involves complex considerations and judgments concerning the differences in financial and operating characteristics of the companies and

precedent transactions and other factors that could affect the value of Valor or Spinco and the public trading values of the companies and precedent transactions to which they were compared. The analyses do not purport to be appraisals or to reflect the prices at which any securities may trade at the present time or at any time in the future.

The type and amount of consideration payable in the merger were determined through negotiations between Valor and Alltel and approved by the Valor Board of Directors. Bear Stearns did not express any opinion as to the price or range of prices at which the shares of common stock of Valor may trade subsequent to the announcement or consummation of the merger. The decision to enter into the merger agreement was solely that of the Valor Board of Directors. The analyses do not purport to be appraisals or to reflect the prices at which any securities may trade at the present time or at any time in the future. In addition, the Bear Stearns opinion was just one of the many factors taken into consideration by the Valor Board of Directors. Consequently, Bear Stearns' analysis should not be viewed as determinative of the decision of the Valor Board of Directors or Valor's management with respect to the fairness of the aggregate consideration to be issued by Valor in the merger.

Bear Stearns is an internationally recognized investment banking firm and is continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, leveraged buyouts and valuations for estate, corporate and other purposes.

Bear Stearns was selected by the Valor Board of Directors to render a fairness opinion because of its expertise and reputation in investment banking and mergers and acquisitions and its familiarity with Valor, Alltel and the wireline industry. Bear Stearns received an aggregate fee for such services of approximately $1 million, none of which was contingent on successful consummation of the merger. Valor also agreed to reimburse Bear Stearns for certain out–of–pocket expenses incurred in connection with the engagement, including the reasonable fees of and disbursements to its legal counsel. In addition, Valor agreed to indemnify Bear Stearns against certain liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement.

Bear Stearns had been previously engaged by Valor to provide certain investment banking and other services. In connection with such services Bear Stearns has received compensation of approximately $1.1 million during the past two years. During the past two years, Bear Stearns has not provided investment banking or financial advisory services to Alltel. Bear Stearns may be currently engaged, and in the past has been engaged, by Welsh, Carson, Anderson & Stowe and Vestar Capital Partners or their affiliates (collectively, the "Financial Sponsors") to provide certain investment banking and other services in matters unrelated to the merger. In addition, various individuals and entities affiliated with Bear Stearns may have passive minority investments in the Financial Sponsors. In the ordinary course of business, Bear Stearns and its affiliates may actively trade the equity and debt securities and/or bank debt of Valor and Alltel for its own account and for the account of its customers and, accordingly, may at any time hold a long or short position in such securities or bank debt.

Alltel's Reasons for the Spin–Off and the Merger

In reaching its decision to approve the spin–off and merger, the Alltel board of directors consulted with its financial and legal advisors and considered a wide variety of factors, including the following:

- the belief that the separation of the wireless and wireline segments will better position each to take advantage of emerging strategic, operational and financial opportunities, thereby enhancing stockholder value;
- the expectation that Alltel will receive cash proceeds and debt reduction totaling about $4.2 billion resulting from the spin–off, which will result in Alltel having net debt of about $1.2 billion and being levered at about 0.5 times net debt to operating income before depreciation and amortization;
- the potential value created for Alltel stockholders who, in the aggregate, will hold 85% of the outstanding shares of Newco immediately following the merger;

- the potential to create a market leader in the rural wireline telecommunications industry;
- the potential positive financial impact resulting from such a combination (including, without limitation, an expected gain of $40 million in net annual synergies from the combination) the benefit of which would be passed on to Alltel stockholders through the spin–off and merger;
- the tax–efficient structure for Alltel and Alltel's stockholders of the proposed spin–off and immediate merger of Spinco with and into Valor; and
- the expectation that Newco will pay an annual dividend of $1 per share of common stock, which equals $1.04 per equivalent Alltel share.

The Alltel board of directors also considered certain countervailing factors in its deliberations concerning the spin–off and merger, including the possibility that the increased revenues and earnings expected to result for Newco from the merger would fail to materialize and the potential impact that would have on Alltel stockholders receiving Newco common shares in the transaction.

The foregoing discussion of the information and factors discussed by the Alltel board of directors is not meant to be exhaustive but is believed to include all material factors considered by it. The Alltel board of directors did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the terms of the spin–off and merger are fair to, and in the best interests of, Alltel and Alltel stockholders. Rather, the Alltel board of directors viewed its position as being based on the totality of the information presented to and considered by it. As a result of the consideration of the foregoing and other relevant considerations, the Alltel board of directors determined that the spin–off and merger, including the terms of the merger agreement, distribution agreement and the other agreements relating to the merger, are fair to, and in the best interests of, Alltel and Alltel stockholders.

Board of Directors and Management of Newco After the Merger

The merger agreement provides that, as of the completion of the merger, the Board of Directors of Newco will consist of nine individuals: Francis X. Frantz, who most recently served as the Executive Vice President — External Affairs, General Counsel and Secretary of Alltel, Jeffery R. Gardner, who most recently served as Executive Vice President — Chief Financial Officer of Alltel, six other persons to be named by Alltel and one person to be named by Valor. Additionally, the merger agreement provides that, as of the completion of the merger, Mr. Frantz will serve as Chairman of the Board of Newco. Valor has designated Anthony J. de Nicola as its board member and Alltel has selected Dennis E. Foster as one of its designees to the Newco board. Alltel will select its remaining designees to the Newco board prior to mailing of this proxy statement/ prospectus–information statement to Valor's stockholders.

The merger agreement also provides that, as of completion of the merger, Mr. Frantz will serve as Chairman of Newco, Mr. Gardner will serve as the President and Chief Executive Officer and Brent K. Whittington, who most recently served as senior vice president of operations support for Alltel, will serve as Executive Vice President and Chief Financial Officer. The other initial officers of Newco will consist of individuals selected by Alltel. Alltel has already named John P. Fletcher as Executive Vice President and General Counsel, Michael D. Rhoda, who most recently served as vice president — wireline regulatory & wholesale services for Alltel, as Senior Vice President — Governmental Affairs, Robert G. Clancy, Jr., who most recently served as vice president of investor relations for Alltel, as Senior Vice President and Treasurer and Susan Bradley, who most recently served as vice president of human resources for Alltel, as Senior Vice President — Human Resources.

The merger agreement had contemplated that Mr. John Koch (the former president of Alltel's wireline operations) would serve as Chief Operating Officer of Newco. Instead, Alltel and Valor expect to select a replacement for Mr. Koch prior to completion of the merger to serve in that capacity.

Interests of Certain Persons in the Merger

In considering the Valor Board of Directors' determination to approve the merger agreement and to recommend that Valor stockholders vote to adopt the merger agreement, to approve the amendment to Valor's certificate of incorporation pursuant to the merger increasing the authorized number of shares of Valor common stock and to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger, Valor stockholders should be aware of potential conflicts of interest of, and the benefits available to, certain Valor stockholders, directors and officers. These stockholders, directors and officers may have interests in the merger that may be different from, or in addition to, the interests of Valor stockholders as a result of, among other things:

- Anthony J. de Nicola, Valor's current Chairman of the Board of Directors, is expected to be appointed to the board of Newco;
- John J. Mueller, Valor's current chief executive officer, is expected to enter into a consulting agreement with Newco;
- W. Grant Raney and Cynthia B. Nash, current executive officers of Valor, are expected to accept employment with Newco;
- a portion of the following executive officers' cash awards and shares of restricted stock that were scheduled to vest January 1, 2007, shall vest upon the consummation of the merger:

Name of Executive	Amount of Cash Award to be Accelerated	Number of Shares of Restricted Stock Subject to Accelerated Vesting
John J. Mueller	$ 400,000	165,501
Jerry E. Vaughn	$ 0	90,383
W. Grant Raney	$ 200,000	73,557
William M. Ojile, Jr.	$ 100,000	62,522
Cynthia B. Nash	$ 60,000	40,456

- the severance benefits payable to Messrs. Mueller, Raney and Ojile and Ms. Nash for termination of employment by Valor without "Cause" or by the executive officer for "Good Reason," as each such term is defined in their employment agreements with Valor, were increased from 18 months of base salary to 24 months. Also, the bonus payment prescribed in the executive officers' employment agreements were increased to two times annual target bonus;
- the acceleration of vesting of restricted stock grants scheduled to vest in 2008 and beyond for Messrs. Mueller, Ojile and Vaughn, Valor executive officers who will not remain employed by Newco; and
- prior to the completion of the merger, Valor Securityholders' Agreement with certain of its stockholders will be amended so that persons affiliated with Welsh, Carson, Anderson & Stowe, or WCAS and Vestar Capital Partners, who collectively own approximately 41% of Valor's outstanding common stock, will receive the following benefits:
  - Newco will file and use reasonable best efforts to have declared effective an "evergreen" Shelf Registration Statement permitting sales of securities of Newco by WCAS and Vestar as soon as practicable after consummation of the merger;
  - if requested by the holders of at least 50% of the outstanding securities initially held by WCAS, Vestar and their respective affiliates, Newco will conduct one underwritten offering, including management participation in road shows and similar customary obligations;
  - WCAS and Vestar will have customary piggyback registration rights in connection with any registration by Newco of sales of its equity securities (other than on Forms S-4 or S-8), whether for

Newco's own account or for the benefit of one or more stockholders exercising demand registration rights; and

- Newco will pay customary fees and expenses of registrations.

Director and Officer Indemnification and Insurance. In addition, under the terms of the merger agreement, Alltel and Valor agreed that all rights to indemnification as provided in Valor's Certificate of Incorporation or Bylaws in favor of persons who are or were directors, officers or employees of Valor will survive for a period of six years following the merger. The parties also agreed that for a period of six years following the merger, Newco will indemnify the current and former directors, officers or employees of Valor to the fullest extent permitted by applicable law. The merger agreement further requires that, for six years following the effective time of the merger, subject to certain limitations, Newco will maintain coverage under a director and officer liability insurance policy, with respect to claims arising from facts or events that occurred on or before the effective time of the merger, at a level at least equal to that which Alltel is maintaining prior to the merger, except that Newco will not be required to pay an annual premium for such insurance in excess of $2,000,000.

Regulatory Approvals

Telecommunications Regulatory Approvals

The transactions contemplated by the merger agreement will require the consent of the public service or public utilities commissions of the following states in their capacities as regulators of CLEC and ILEC operations of Alltel and Valor: Florida, Georgia, Kentucky, Mississippi, Missouri, Nebraska, New York, North Carolina, Ohio, Pennsylvania, South Carolina and Texas. Although the scope of matters that must be approved varies by state, the foregoing approvals are generally required for (i) the change of control of Alltel's CLEC and ILEC subsidiaries, which will be deemed to occur in connection with the contribution and distribution transactions described elsewhere in this proxy statement/ prospectus–information statement, and (ii) the guarantee of indebtedness or the grant of security interests by Spinco and Valor's CLEC and ILEC subsidiaries in connection with the financing of Valor following completion of the merger. The parties must also obtain state regulator approval of the transfer to Spinco of the long distance customers and certificates of authority of Alltel, or the issuance to Spinco of new certificates of authority, in all states except Alaska.

Valor and Spinco completed the filing of all of the applicable applications that were required to be filed prior to completion of the merger for the authority and approval with respect to the ILEC operations in January 2006 and expect to complete the remaining of such filings in March 2006. The North Carolina Utilities Commission granted its approval on February 22, 2006. The parties expect that the remaining applicable state regulators will make a determination on these applications no later than the second quarter of 2006. In addition, following completion of the merger Newco will be required to file an application seeking approval of the transactions from the Texas public utilities commission. It is anticipated that Newco will file this application promptly upon completion of the merger. Following the filing of such applications, other parties such as consumer groups, labor unions representing employees of Alltel or Valor, competitors and other groups may file protest applications to raise concerns or to object to the transactions. After the filing of the applications and any protests, state law or administrative rule may allow regulators discretion on whether to conduct hearings on the matters and, if hearings are required, the parties will conduct discovery, prepare and file testimony and briefs to further support the applications, and attend hearings on the matters. Following the conclusion of the applicable state procedures, each state regulator will make a determination on the application for its state. These state approvals generally require the parties to demonstrate that the transactions are for a proper purpose and are consistent with the public interest, convenience and necessity, and that Spinco or its applicable subsidiary will have the financial, technical and managerial abilities to provide reasonable service to the public in such state.

In addition, under the Communications Act of 1934, before the completion of the merger, the FCC must approve the transfer to Valor of control of Spinco and those subsidiaries of Spinco that hold FCC licenses and authorizations. Valor and Spinco filed transfer of control applications with the FCC on December 21, 2005 and received the FCC's approval of the merger on February 1, 2006.

The parties believe that the transactions will produce benefits for the states in which Newco will conduct its operations, the citizens of such states and the customers of the telecommunications businesses of Newco. While the parties believe that the transactions satisfy the applicable regulatory standards for the foregoing approvals, there can be no assurances that the state regulators' will grant such approvals or will not attempt to impose conditions to such approval.

Each party's obligations to complete the merger are subject to receipt of the consents of the above referenced state regulators that, if not obtained, would reasonably be expected to have a material adverse effect on Valor, Alltel or Spinco. The merger agreement provides that each party to the merger agreement, subject to customary limitations, will use its reasonable best efforts to take promptly all actions and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable laws and regulations to consummate the merger and the transactions contemplated by the merger agreement. Alltel, Spinco and Valor also agreed to use all reasonable efforts to resolve any objections or challenges from a regulatory authority.

United States Antitrust Laws

Under the Hart–Scott–Rodino Antitrust Improvements Act of 1976, as amended, or HSR Act, and the rules promulgated under that act by the FTC, the spin–off and the merger may not be completed until notifications have been given and information furnished to the FTC and to the Antitrust Division and the specified waiting period has been terminated or has expired. Valor and Spinco each filed notification and report forms under the Hart–Scott–Rodino Act with the FTC and the Antitrust Division on December 21, 2005. On January 3, 2006, the FTC notified the parties that early termination of the specified waiting period had been granted. At any time before or after completion of the spin–off and the merger, the FTC or the Antitrust Division could take any action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin completion of the spin–off and the merger or seeking divestiture of substantial assets of Valor or Spinco. The spin–off and the merger also are subject to review under state antitrust laws and could be the subject of challenges by private parties under the antitrust laws.

Accounting Treatment

SFAS 141 "Business Combinations" requires the use of the purchase method of accounting for business combinations. In applying the purchase method, it is necessary to identify both the accounting acquiree and the accounting acquiror. In a business combination effected through an exchange of equity interests, such as the merger transaction between Valor and Spinco, the entity that issues the interests (Valor in this case) is generally the acquiring entity. In identifying the acquiring entity in a combination effected through an exchange of equity interests, however, all pertinent facts and circumstances must be considered, including the following:

- The relative voting interests in the combined entity after the combination. In this case shareholders of Alltel, the sole shareholder of Spinco, will receive approximately 85% of the equity ownership and associated voting rights in the combined entity.
- The composition of the governing body of the combined entity. In this case the merger agreement provides that the composition of the Board of Directors of the surviving company will be largely determined by Alltel and/or Spinco.
- The composition of the senior management of the combined entity. In this case the merger agreement provides that the senior management of the combined entity was to be exclusively determined by Alltel and/or Spinco.

While Valor is the legal acquiror and surviving registrant in this merger, Spinco is determined to be the accounting acquiror in this combination based on the facts and circumstances outlined above. Spinco will apply purchase accounting to the assets and liabilities of Valor upon consummation of the merger. Upon completion of the merger, the historical financial statements of the combined company will be those of Spinco.

Table of Contents

Federal Securities Law Consequences; Resale Restrictions

Valor common stock issued pursuant to the merger will not be subject to any restrictions on transfer arising under the Securities Act of 1933, except for shares issued to any Valor stockholder who may be deemed to be an "affiliate" of Valor for purposes of Rule 145 under the Securities Act. It is expected that each affiliate will agree not to transfer any Valor common stock received pursuant to the merger except in compliance with the resale provisions of Rule 144 or 145 under the Securities Act or as otherwise permitted under the Securities Act. The merger agreement requires Valor to use its reasonable best efforts to cause its affiliates to enter into such agreements.

However, under the terms of the merger agreement, Newco is obligated to file and will use reasonable best efforts to have declared effective an "evergreen" shelf registration statement permitting sales of securities of Newco by WCAS and Vestar as soon as practicable after consummation of the merger (provided that WCAS will not be able to sell shares of Newco prior to the expiration of the lock–up referred to above in the section titled "Amendment of Company Securityholders Agreement") which will remain effective until each of WCAS and Vestar can sell all of its Valor securities under Securities Act Rule 144 without volume limitations.

No Appraisal Rights

Neither Valor nor Alltel stockholders will be entitled to exercise appraisal rights or to demand payment for their shares in connection with the merger.

Name Change; Listing

Before the completion of the merger, Valor has agreed to use its reasonable best efforts to cause the shares of Valor common stock to be issued pursuant to the merger to be authorized for listing on the NYSE. Immediately following completion of the merger, the Board of Directors will merge a wholly–owned subsidiary of the surviving company into the company and, in connection with such merger, change the name of the company from "Valor Communications Group, Inc." to "[•]." On the same day, the company will file a restated certificate of incorporation with the Delaware Secretary of State reflecting the name change. Shares of [•] will be traded on the NYSE under the new trading symbol [•].

Dividend Policy of Newco

The merger agreement provides that the initial dividend policy of Newco (which may be changed at any time by Newco's Board of Directors) will provide for the payment, subject to applicable law, of regular quarterly dividends on each issued and outstanding share of common stock of $0.25 per share. However, Newco stockholders may not receive any dividends following completion of the merger as a result of the following factors:

- while the merger agreement contemplates the payment of a $0.25 per share quarterly dividend, this policy could be modified or revoked by Newco's Board of Directors at any time in its sole discretion;
- the amount of dividends distributed will be subject to covenant restrictions under Newco's new senior secured credit facility which will restrict its ability to take certain action with respect to dividends and payments in respect of capital stock, with the exception of dividends up to the sum of excess free cash flow and net cash equity issuance proceeds so long as the pro forma leverage ratio does not exceed 4.50 to 1.0;
- the amount of dividends distributed will be subject to restrictions under Delaware law pursuant to which the Newco Board of Directors will be permitted to declare dividends only to the extent of a "surplus" (which is defined as total assets at fair market value minus total liabilities, minus statutory capital) or, if there is no surplus, out of Newco's net profits for the then current and/or immediately preceding fiscal year;
- Newco's stockholders have no contractual or other legal right to receive dividends; and
- Newco may not have enough cash to pay dividends due to changes in Newco's cash from operations, working capital requirements and/or anticipated cash needs.

Dividends on Newco's common stock will not be cumulative. Consequently, if dividends on Newco's common stock are not declared and/or paid at the targeted level, Newco's stockholders will not be entitled to receive such payments in the future.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE SPIN–OFF AND THE MERGER

The following summarizes certain United States federal income tax consequences of the spin–off and the merger. This summary is based on the Code, the Treasury regulations promulgated under the Code, and interpretations of the Code and the Treasury regulations by the courts and the IRS, all as they exist as of the date hereof and all of which are subject to change, possibly with retroactive effect. This summary is limited to stockholders of Valor or Alltel that are United States holders, as defined immediately below. A United States holder is a beneficial owner of Valor stock or Alltel stock that is, for United States federal income tax purposes:

- an individual who is a citizen or a resident of the United States;
- a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to United States federal income taxation regardless of its source; or
- a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury regulations.

Further, this summary does not discuss all of the tax considerations that may be relevant to Valor stockholders or Alltel stockholders in light of their particular circumstances, nor does it address the consequences to stockholders subject to special treatment under the United States federal income tax laws, such as:

- insurance companies,
- dealers or traders in securities or currencies,
- tax–exempt organizations,
- financial institutions,
- mutual funds,
- partnerships or other entities classified as partnerships for United States federal income tax purpose and investors in such entities,
- holders who hold their shares as a hedge or as part of a hedging, straddle, conversion, synthetic security, integrated investment or other risk–reduction transaction,
- holders who are subject to the alternative minimum tax, or
- holders who acquired their shares upon the exercise of employee stock options or otherwise as compensation.

In addition, this summary is limited to stockholders that hold their Valor common stock or Alltel common stock as a capital asset. Finally, this summary does not address any estate, gift or other non–income tax consequences or any state, local or foreign tax consequences.

VALOR AND ALLTEL STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL, STATE AND LOCAL AND

Table of Contents

NON-UNITED STATES TAX CONSEQUENCES OF THE SPIN-OFF AND THE MERGER TO THEM IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.

The Spin-Off

The spin-off is conditioned upon Alltel's receipt of a private letter ruling from the IRS to the effect that the spin-off, including (i) the contribution of the wireline business to Spinco, (ii) the receipt by Alltel of Spinco debt securities and the special dividend and (iii) the exchange of Spinco debt securities for Alltel debt, will qualify as tax-free to Alltel, Spinco and the Alltel stockholders for United States federal income tax purposes under Sections 355, 368 and related provisions of the Code. The spin-off is also conditioned upon the receipt by Alltel of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Alltel, to the effect that the spin-off will be tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code. The opinion will rely on the IRS letter ruling as to matters covered by the ruling. The opinion will be based on, among other things, certain assumptions and representations as to factual matters made by Alltel, Spinco and Valor, which, if incorrect or inaccurate in any material respect, would jeopardize the conclusions reached by counsel in its opinion. The opinion will not be binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion.

Assuming that the spin-off qualifies as described above: (i) no gain or loss will be recognized by (and no amount will be included in the income of) Alltel common stockholders upon the receipt by the exchange agent on their behalf of shares of Spinco common stock in the spin-off; (ii) the aggregate tax basis of the Alltel common stock and the Spinco common stock in the hands of each Alltel common stockholder after the spin-off will equal the aggregate tax basis of the Alltel common stock held by the stockholder immediately before the spin-off, allocated between the Alltel common stock and the Spinco common stock in proportion to the relative fair market value of each on the date of the spin-off; and (iii) the holding period of the Spinco common stock received by an Alltel common stockholder will include the holding period at the time of the spin-off of the Alltel common stock on which the distribution is made.

Although a private letter ruling from the IRS generally is binding on the IRS, if the factual representations or assumptions made in the letter ruling request are untrue or incomplete in any material respect, then Alltel will not be able to rely on the ruling. Furthermore, the IRS will not rule on whether a distribution satisfies certain requirements necessary to obtain tax-free treatment under Section 355 of the Code. Rather, the private letter ruling is based upon representations by Alltel that these conditions have been satisfied, and any inaccuracy in such representations could invalidate the ruling.

The spin-off would become taxable to Alltel pursuant to Section 355(e) of the Code if 50% or more of the shares of either Alltel common stock or Spinco common stock (including common stock of Newco, as a successor to Spinco) were acquired, directly or indirectly, as part of a plan or series of related transactions that included the spin-off. Because the Alltel stockholders will own more than 50% of the Newco common stock following the merger, the merger, standing alone, will not cause the spin-off to be taxable to Alltel under Section 355(e). However, if the IRS were to determine that other acquisitions of Alltel common stock or Valor common stock, either before or after the spin-off and the merger, were part of a plan or series of related transactions that included the spin-off, such determination could result in the recognition of gain by Alltel under Section 355(e). In any such case, the gain recognized by Alltel likely would include the entire fair market value of the stock of Spinco, and thus would be very substantial. In connection with the request for the IRS private letter rulings and the opinion of Alltel's counsel, Alltel has represented that the spin-off is not part of any such plan or series of related transactions. In certain circumstances, under the merger agreement, Newco would be required to indemnify Alltel against tax-related losses to Alltel that arise as a result of "disqualifying actions" taken by Newco or its subsidiaries after the distribution and the merger. See "The Merger Agreement-Tax Matters" beginning on page [•]. If Alltel should recognize gain on the spin-off for reasons not related to a disqualifying action by Newco, Alltel would not be entitled to be indemnified under the merger agreement. Even if Section 355(e) were to cause the spin-off to be taxable to Alltel, the spin-off would remain tax-free to Alltel's stockholders.

United States Treasury regulations require each Alltel stockholder that receives stock in a spin–off to attach to the stockholder's United States federal income tax return for the year in which the spin–off occurs a detailed statement setting forth certain information relating to the tax–free nature of the spin–off. Shortly after the spin–off, Alltel will provide stockholders who will receive Newco common stock in the spin–off with the information necessary to comply with that requirement.

The Merger

Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Alltel, has delivered to Alltel its legal opinion, and Kirkland & Ellis LLP, counsel to Valor, has delivered to Valor its legal opinion, each attached as an exhibit to this registration statement and each to the effect that, on the basis of the facts, assumptions and representations set forth in such opinion and the representations and covenants set forth in certificates obtained from officers of Alltel, Spinco and Valor, the merger will be treated as a tax–free reorganization within the meaning of Section 368(a) of the Code. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could affect the validity of the Skadden, Arps, Slate, Meagher & Flom LLP opinion and/or the Kirkland & Ellis LLP opinion. An opinion of counsel represents counsel's best legal judgment and is not binding on the Internal Revenue Service or on any court.

It is a condition to the obligations of Alltel, Spinco and Valor to consummate the merger that Alltel and Spinco receive a private letter ruling from the IRS and the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, described above, to the effect that the spin–off will qualify as tax–free to Alltel, Spinco and the Alltel stockholders for United States federal income tax purposes under Sections 355, 368 and related provisions of the Code. It is a further condition to the merger that Alltel and Spinco receive the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, and that Valor receive the opinion of Kirkland & Ellis LLP, both to the effect that the merger will be treated as a tax–free reorganization within the meaning of Section 368(a) of the Code, which opinions will be based on private letter rulings of the IRS and on the facts, assumptions and representations set forth in each of such opinions and the representations and covenants set forth in updated officer's certificates to be provided by Alltel, Spinco and Valor at the time of closing.

Assuming that the merger is treated as a tax–free reorganization, as set forth in the tax opinions attached as exhibits to this registration statement: (i) Alltel common stockholders will not recognize gain or loss on the exchange of their Spinco common stock (received by the exchange agent on their behalf in the spin–off) for shares of Valor common stock pursuant to the merger, except to the extent of any cash received in lieu of a fractional share of Valor common stock; (ii) an Alltel stockholder's tax basis in the Valor common stock received pursuant to the merger (including any fractional share interest deemed to be received and exchanged for cash) will equal the stockholder's tax basis in the Spinco common stock surrendered in exchange therefor; (iii) an Alltel stockholder's holding period for the Valor common stock received pursuant to the merger will include the holding period for the shares of Spinco common stock surrendered in exchange therefor; (iv) neither Spinco nor Valor will recognize any gain or loss in the merger; and (v) Valor stockholders will not recognize gain or loss in the merger.

Alltel stockholders will not be entitled to receive any fractional shares of Valor common stock in the merger. Alltel stockholders otherwise entitled to receive fractional shares will instead be entitled to receive an amount in cash equal to (x) the closing sale price per share of Valor common stock on the NYSE on the business day preceding the merger, divided by (y) the fraction of a share of Valor common stock to which such stockholder would otherwise have been entitled. An Alltel stockholder generally will recognize capital gain or loss on any cash received in lieu of a fractional share of Valor common stock equal to the difference between the amount of cash received and the tax basis allocated to such fractional share. Such gain or loss will constitute long–term capital gain or loss if the holding period in the Spinco common stock surrendered in the merger (which, as described above, will include the holding period for the Alltel common stock on which such Spinco stock is distributed in the spin–off) exceeds 12 months as of the date of the merger. The deductibility of capital losses is limited.

Non–corporate holders of Alltel common stock may be subject to information reporting and backup withholding tax on any cash payments received in lieu of a fractional share interest in Valor common stock. Any such holder will not be subject to backup withholding tax, however, if such holder furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding tax, on the substitute Form W–9 or successor form included in the letter of transmittal to be delivered to the holder following the completion of the merger or is otherwise exempt from backup withholding tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against a holder's United States federal income tax liability, provided that the holder furnishes the required information to the Internal Revenue Service.

Holders who receive Valor common stock as a result of the merger will be required to retain records pertaining to the merger and will be required to file with their United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

THE MERGER AGREEMENT

The following is a summary of selected material provisions of the merger agreement. This summary is qualified in its entirety by reference to the merger agreement, which is incorporated by reference in its entirety and attached to this proxy statement/ prospectus–information statement as Annex A. We urge you to read the merger agreement in its entirety. The merger agreement has been included to provide you with information regarding its terms and has been publicly filed with the Securities and Exchange Commission. It is not intended to provide any other factual information about Alltel, Spinco, Valor or the combined company following completion of the merger. Such information can be found elsewhere in this proxy statement/ prospectus–information statement.

The merger agreement contains representations and warranties Alltel, Spinco and Valor made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that Alltel, Spinco and Valor have exchanged in connection with signing the merger agreement. The disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached merger agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in Alltel and Valor's general prior public disclosures, as well as potential additional non–public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the agreement, which subsequent information may or may not be fully reflected in the companies' public disclosures. We do not believe that the disclosure schedules contain information securities laws require us to publicly disclose other than information that has already been so disclosed.

The Merger

Under the merger agreement and in accordance with Delaware law, Spinco will merge with and into Valor. As a result of the merger, the separate corporate existence of Spinco will terminate and Valor will continue as the surviving corporation. For ease of reference, throughout this proxy statement/ prospectus information statement we will refer to [•], the new company formed by the merger of Valor and Spinco as "Newco."

Effective Time

The merger will become effective at the time of filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as Alltel, Spinco and Valor may agree. The closing date of the merger will be a date to be specified by the parties which will be not later than two business days after the satisfaction or waiver of the conditions precedent to the merger.

Merger Consideration

The merger agreement provides that Valor will issue in the aggregate to holders of Alltel common stock a number of Valor shares equal to (a) the number of Valor shares outstanding as the effective time of the merger multiplied by (b) 5.667, which we refer as the "aggregate merger consideration." Each share of Spinco common stock which Alltel stockholders will be entitled to receive in the distribution will be converted into the right to receive a number of Valor shares equal to (x) the aggregate merger consideration, divided by (y) the number of Spinco shares outstanding as the effective time of the merger. The calculation of the merger consideration as set forth in the merger agreement will result in Alltel's stockholders holding approximately 85% of the outstanding equity interests of Newco immediately after the merger and the stockholders of Valor holding the remaining approximately 15% of such equity interests.

Distribution of Per Share Merger Consideration

Prior to the effective time of the merger, Valor will deposit with the distribution agent certificates or book–entry authorizations representing the shares of Valor common stock for the benefit of the Alltel stockholders entitled to receive shares of Spinco common stock in the distribution. Each such Alltel stockholder will be entitled to receive the number of whole shares of Valor common stock (in lieu of the shares of Spinco common stock otherwise distributable to such stockholder) that such stockholder has the right to receive pursuant to the merger agreement. Immediately following the merger, the distribution agent will distribute these shares of Valor common stock to such persons.

Treatment of Fractional Shares

No fractional shares of Valor common stock will be issued pursuant to the merger. Alltel stockholders otherwise entitled to receive fractional shares will instead be entitled to receive an amount in cash equal to (x) the closing sale price per share of Valor common stock on the NYSE on the business day preceding the merger, divided by (y) the fraction of a share of Valor common stock to which such stockholder would otherwise have been entitled. Alternatively, Valor has the option of instructing the distribution agent to aggregate all fractional shares of Valor common stock, sell such shares in the public market and distribute to holders of Alltel common stock, who otherwise would have been entitled to such fractional shares, a pro rata portion of the proceeds of such sale.

Officers and Directors of Newco

The parties to the merger agreement have agreed that, following the merger, Jeffery R. Gardner, who recently served as Executive Vice President — Chief Financial Officer of Alltel, will serve as the Chief Executive Officer of Newco, and Francis X. Frantz, who recently served as the Executive Vice President — External Affairs, General Counsel and Secretary of Alltel will serve as Chairman of the Board of Directors of Newco.

The merger agreement also provides that following the merger, the Board of Directors of Newco will consist of the following nine members: Messrs. Frantz and Gardner, six directors to be designated by Alltel and one director to be designated by Valor, with a majority of the board being "independent" within the meaning of the NYSE's rules.

Stockholders Meeting

Under the terms of the merger agreement, Valor agreed to call a special meeting of its stockholders for the purpose of voting upon the adoption of the merger agreement, the increase in the authorized shares of Valor's common stock pursuant to the merger and the issuance of shares pursuant to the merger and any related matters. Valor will satisfy this merger agreement requirement by asking its stockholders to vote on these matters at its annual stockholder meeting that will take place on [•], 2006. Valor also agreed to deliver this proxy statement/ prospectus–information statement to its stockholders in accordance with applicable law and its organizational documents.

In addition, subject to certain exceptions as described herein (see "The Merger Agreement — No Solicitation" on page [•]) the Board of Directors of Valor is obligated to recommend that Valor's stockholders adopt the merger agreement and include such recommendation in this proxy statement/prospectus–information statement.

Related Transactions

The merger agreement provides that Alltel and Spinco must take, or cause to be taken, all actions, and do, or cause to be done, all things necessary, proper or advisable that are required to consummate and make effective the contribution transaction and the distribution transaction in accordance with the terms of the distribution agreement. Also, under the terms of the merger agreement, Alltel and Spinco agreed to each execute at or prior to the merger the Tax Sharing Agreement, the Transition Services Agreement and the Employee Benefits Agreement, as well as the Distribution Agreement and all other agreements, if any, required in connection with the contribution transaction and the distribution transaction.

Financing

The merger agreement provides that Alltel and Spinco (and if requested, Valor) will use their respective reasonable best efforts to arrange financing as described in the merger agreement. See "Financing of Newco" beginning on page [•].

Corporate Offices

After the merger, the location of the headquarters and principal executive offices of Newco will be the executive offices of Spinco in Little Rock, Arkansas.

Representations and Warranties

The merger agreement contains representations and warranties between Alltel and Spinco, on the one hand, and Valor, on the other. These representations and warranties, which are substantially reciprocal, relate to, among other things:

- due organization, good standing and qualification;
- capital structure;
- authority to enter into the merger agreement (and the other agreements executed in connection therewith) and no conflicts with or violations of governance documents or laws;
- documents filed with the SEC and financial statements;
- absence of certain changes or events;
- no material investigations or litigation;
- compliance with applicable laws and possession of required licenses and regulatory approvals;
- accuracy of information supplied for use in this proxy statement/ prospectus–information statement;
- compliance with environmental laws;
- tax matters;
- employee benefit plan matters;
- labor matters;
- intellectual property matters;
- communications regulatory matters;
- material contracts;

- title to real properties;
- opinion of company financial advisors;
- payment of fees to finders or brokers in connection with the merger;
- approval by the Board of Directors; and
- affiliate transactions.

Valor has also made representations and warranties to Alltel and Spinco relating to the required vote of Valor stockholders to adopt the merger agreement, compensation payable to financial advisors, the inapplicability to the merger of state anti–takeover laws and filings with the Securities and Exchange Commission.

Alltel has also made representations to Valor regarding Alltel's capacity as a party to the merger agreement.

Many of the representations and warranties contained in the merger agreement are subject to materiality qualifications, knowledge qualifications, or both, and none of the representations and warranties survive the effective time of the merger.

Conduct of Business Pending Closing

Each of the parties has undertaken to perform certain covenants in the merger agreement and agreed to restrictions on its activities until the effective time of the merger. In general, Spinco and Valor are required to conduct their business in the ordinary course, to use all reasonable efforts to preserve their business organizations, to keep available the services of the current officers and other key employees and preserve their relationships with customers and suppliers with the intention that the ongoing businesses shall not be materially impaired. Each of Spinco and Valor have agreed to specific restrictions relating to the following:

- declaring or paying dividends in respect of its capital stock; provided, Valor may, and intends to, continue paying quarterly dividends at an annual rate of $1.44 per share in accordance with its existing dividend policy until the transaction closes;
- splitting, combining or reclassifying its capital stock or issuing securities in respect of, in lieu of or in substitution for its capital stock;
- repurchasing, redeeming or otherwise acquiring its capital stock;
- issuing, delivering, or selling any shares of its capital stock or any securities convertible into or exercisable for, or any right to acquire, capital stock;
- making acquisitions of a substantial equity interest or material assets of another entity or selling, leasing, disposing of or otherwise encumber assets, other than inventory in the ordinary course of business consistent with past practice;
- incurring debt, other than under existing agreements or in the ordinary course of business which is not material;
- incurring any capital expenditures other than in the ordinary course of business consistent with past practice;
- changing its accounting methods other than in accordance with accounting principles generally accepted in the United States;
- making or rescinding any material tax elections or settling or compromising any material income tax liabilities, amending any material tax returns and changing any method of reporting income or deductions;
- paying, discharging or satisfying any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than in the ordinary course of business consistent with past practice; and

- taking or agreeing or committing to take any action that would result in any of such party's representations and warranties set forth in the merger agreement or the other transaction agreements being or becoming untrue or in any of the conditions set forth in merger agreement not being satisfied at the effective time of the merger.

In addition, Valor agreed to additional restrictions relating to the following:

- amending its organizational documents in any manner that would prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement;
- compensation and benefit matters with respect to directors, officers and employees;
- establishing, adopting, entering into, terminating or amending any collective bargaining agreement;
- complete or partial liquidation or dissolution of Valor or any of its subsidiaries;
- entering into or amending agreements or arrangements with related parties; and
- modifying, amending, terminating, renewing or failing to use reasonable best efforts to renew any material contract or waiving, releasing or assigning any material rights or claims except in the ordinary course of business consistent with past practice.

Alltel has also agreed to cause Spinco to adhere to the covenants listed above.

Each party has also agreed to use its reasonable best efforts to cause the spin–off or merger to qualify as generally tax–free transactions.

Proxy Materials

The parties agreed to prepare this proxy statement/ prospectus–information statement and the Registration Statement on Form S–4 of which it is a part, and to file them with the SEC and use all reasonable efforts to have the proxy statement cleared by the SEC and the registration statement declared effective by the SEC. Valor is required under the terms of the merger agreement to mail this proxy statement/ prospectus–information statement to its stockholders as promptly as practicable after the registration statement was declared effective.

Valor has agreed to make application to the NYSE for the listing of the shares of its common stock to be issued in connection with the merger and use all reasonable best efforts to cause such shares to be approved for listing.

Reasonable Best Efforts

The merger agreement provides that each party to the merger agreement, subject to customary limitations, will use its reasonable best efforts to take promptly all actions and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable laws and regulations to consummate the merger and the transactions contemplated by the merger agreement. Such actions include, without limitation:

- the obtaining of all necessary actions or non–actions, waivers, consents, and approvals;
- the making of all necessary registrations and filings pursuant to the Hart–Scott–Rodino Antitrust Improvements Act of 1976, as amended;
- the filing of all applications necessary to obtain state public service, or public utility commissions, and FCC consent to the transfer of control of certain licenses held by Spinco;
- the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental authority; and
- the defending of any lawsuits or other legal proceedings.

Alltel, Spinco and Valor also agreed to use all reasonable efforts to resolve any objections or challenges from a regulatory authority.

Employee Matters

The merger agreement provides that, as of the closing of the merger, Newco will continue to employ all of the employees of Spinco, except that the merger agreement does not require Newco to retain such employees for any specific length of time. Subject to certain exceptions, Newco is obligated to cause such employees to receive substantially the same level of benefits, in the aggregate, as provided under Spinco's employee benefit plans for a period of one year after the merger and to cause each such employee to be credited with service under the applicable benefit plans for all service earned with Spinco or Alltel, so long as such recognition will not result in duplicative benefits.

In addition, Newco is obligated to assume, honor and discharge when due all liabilities of Spinco associated with such employees and to issue to such employees restricted shares of common stock of Newco in such amounts, and on such terms and conditions as set forth in the Employee Benefits Agreement (see "Additional Agreements Related To The Spin–Off And The Merger — Employee Benefits Agreement"), at or as soon as practicable after the effective time of the merger. The merger agreement authorizes up to 2.8 million restricted shares of Valor common stock to be awarded. The restrictions on such shares will lapse on a date to be determined by the Board of Directors of Newco.

No Solicitation

The merger agreement contains detailed provisions restricting Valor's ability to seek an alternative transaction. Under these provisions, Valor agrees that it and its subsidiaries will not, and will use reasonable best efforts to ensure that its and its subsidiaries' officers, directors, employees and agents do not, directly or indirectly:

- knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to a acquisition proposal;
- provide any non–public information or data to any person relating to or in connection with an acquisition proposal, engage in any discussions or negotiations concerning an acquisition proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an acquisition proposal;
- approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, any acquisition proposal; or
- approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any acquisition proposal.

Valor also agreed to cease and cause to be terminated any existing activities, discussions or negotiations with any persons conducted heretofore with respect to any acquisition proposal.

The merger agreement provides that the term "acquisition proposal" means any proposal regarding:

- any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving Valor or any of its significant subsidiaries;
- any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of Valor's subsidiaries) of Valor and its subsidiaries, taken as a whole, constituting 15% or more of the total consolidated assets of Valor and its subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of Valor and its subsidiaries, taken as a whole, in any one transaction or in a series of transactions;
- any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any person involving 15% or more of the outstanding shares of Valor common stock; or

- any other substantially similar transaction or series of related transactions that would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement or the other agreements executed in connection therewith.

The merger agreement does not prevent Valor or its Board of Directors from engaging in any discussions or negotiations with, or providing any non–public information to, any person in response to an unsolicited bona fide superior proposal or acquisition proposal that the Valor board concludes in good faith could lead to a superior proposal. However, Valor or its Board of Directors may take such actions only if and to the extent that:

- Valor stockholders have not yet adopted and approved the merger agreement;
- the Valor board, after consulting with its legal advisors, determines in good faith, that failure to take such action would be a breach of its fiduciary duties to stockholders under applicable laws;
- before approving or recommending a proposal or terminating the merger agreement, the Valor board has provided Alltel with at least three business days' notice of such action;
- before providing any information or data to any person in connection with an acquisition proposal by that person, Valor's Board of Directors receives from that person an executed confidentiality agreement with terms substantially the same as those contained in the confidentiality agreement between Alltel and Valor; and
- before providing any non–public information or data to any person or entering into discussions with any person, Valor's Board of Directors promptly notifies Alltel of any such inquiry, proposal or offer received from, any information requested by, or any discussions or negotiations sought to be initiated or continued with, that person and identifies the material terms and conditions of the acquisition proposal and the identity of the person making such acquisition proposal.

The merger agreement provides that the term "superior proposal" means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of Valor's common stock then outstanding or all or substantially all of the assets of Valor and its subsidiaries and otherwise on terms which the Valor Board of Directors (after consultation with its legal and financial advisors) determines in its good faith judgment to be more favorable to its stockholders than the merger.

The Board of Directors of Valor may withdraw its recommendation that Valor stockholders adopt the merger agreement and approve the merger upon three business days' written notice to Alltel if, after consulting with its legal advisors, it concludes in good faith that failure to take such action would be a breach of its fiduciary duties to stockholders under applicable laws.

In addition, the merger agreement does not prevent Valor or its Board of Directors from disclosing to its stockholders a position with respect to a tender offer as required by law. However, neither Valor nor its Board of Directors is permitted to approve or recommend, or propose publicly to approve or recommend, an acquisition proposal unless it has first terminated the merger agreement and has otherwise complied with the provisions thereof (including, without limitation, payment to Alltel of the termination fee).

Insurance and Indemnification

Under the terms of the merger agreement, the parties agreed that all rights to indemnification as provided in Spinco and Valor's respective certificate of incorporation or bylaws in favor of persons who are or were directors, officers or employees of such companies will survive for a period of six years following the merger. The parties also agreed that for a period of six years following the merger, Newco will indemnify the current and former directors, officers or employees of Spinco and Valor to the fullest extent permitted by applicable law. The merger agreement further requires that, for six years following the effective time of the merger, subject to certain limitations, Newco will maintain coverage under a director and officer liability insurance policy, with respect to claims arising from facts or events that occurred on or before the effective time of the

merger, at a level at least equal to that which Alltel is maintaining prior to the merger, except that Newco will not be required to pay an annual premium for such insurance in excess of $2,000,000.

Amendment of Company Securityholders Agreement

Valor has agreed to use its reasonable best efforts to cause the Securityholders Agreement, dated as of February 14, 2005, by and among Valor and Welsh, Carson, Anderson & Stowe and certain individuals affiliated therewith (which we collectively refer to as "WCAS"), Vestar Capital Partners and certain individuals affiliated therewith (which we collectively refer to as "Vestar"), and certain of other stockholders of Valor, to be amended effective as of the effective time of the merger, which will provide that, among other things, following the merger:

- WCAS will agree not to sell, transfer or otherwise dispose of Valor shares for a period of 90 days after consummation of the merger;
- Newco will file and use reasonable best efforts to have declared effective an "evergreen" shelf registration statement permitting sales of securities of Newco by WCAS and Vestar as soon as practicable after consummation of the merger (provided that WCAS will not be able to sell shares of Newco prior to the expiration of the lock–up referred to above) which will remain effective until each of WCAS and Vestar can sell all of its Newco securities under Securities Act Rule 144 without volume limitations;
- if requested by the holders of at least 50% of the outstanding registrable securities (initially held by WCAS, Vestar and their respective affiliates), Valor will conduct one underwritten offering, including management participation in road shows and similar customary obligations (underwriters to be selected by Valor); and
- WCAS and Vestar will have customary piggyback registration rights in connection with any registration by Valor of sales of its equity securities (other than on Forms S–4 or S–8), whether for Valor's own account or for the benefit of one or more stockholders exercising demand registration rights.

Dividend Policy of Newco

The merger agreement provides that the initial dividend policy of Newco (which may be changed at any time by Newco's Board of Directors) will provide for the payment, subject to applicable law, of regular quarterly dividends on each issued and outstanding share of common stock of $0.25 per share. See "The Transactions — Dividend Policy."

Conditions to the Completion of the Merger

The respective obligations of Valor, Alltel and Spinco to complete the merger are subject to the satisfaction or waiver of various conditions, including:

- the completion of the spin–off transaction in accordance with the terms of the merger agreement and the distribution agreement;
- the termination or expiration of the applicable waiting period under the Hart–Scott–Rodino Act and receipt of certain other approvals as set forth in the merger agreement;
- receipt of the requisite consents of regulators in the telecommunications industry;
- the effectiveness of the registration statement of which this proxy statement/ prospectus–information statement is a part;
- the approval for listing on the New York Stock Exchange of the Valor common stock to be issued pursuant to the spin–off and the merger;
- the completion of the financing of the transaction;

- receipt by Alltel and Spinco (and, to the extent applicable, Valor) of the requisite IRS rulings regarding the spin–off and the merger;
- receipt by Alltel of a legal opinion from Alltel's counsel to the effect that the spin–off will qualify as tax–free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code, which opinion will rely on the IRS rulings as to matters covered by the rulings;
- receipt by each of Alltel and Spinco, on the one hand, and Valor, on the other hand, of a legal opinion stating that the merger will constitute a reorganization under Section 368(a) of the Code;
- receipt by the boards of directors of Alltel, Spinco and Valor of customary "solvency" and "surplus" opinions of a nationally recognized investment banking or appraisal firm in form and substance reasonably satisfactory to such boards and, to the extent relating to Spinco, reasonably satisfactory to Valor; and
- the absence of any statute, rule, regulation, order or injunction having the effect of restraining, enjoining or prohibiting the contribution transaction, the distribution transaction or the merger or imposing any restrictions or requirements thereon or on Alltel, Spinco or Valor that would reasonably be expected to have a material adverse effect on Alltel or Newco following the merger.

Alltel and Spinco's obligations to complete the merger are also subject to the satisfaction or waiver of the following additional conditions:

- performance by Valor, in all material respects, of all its obligations and compliance by Valor, in all material respects, with all covenants required by the merger agreement, as certified in writing by a senior officer of Valor;
- the accuracy of Valor's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Valor and its subsidiaries, as certified in writing by a senior officer of Valor;
- the absence of any event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a material adverse effect on Valor, except as previously disclosed; and
- delivery of evidence, in form and substance reasonably satisfactory to Alltel and Spinco, demonstrating that Valor's securityholders agreement has been amended in accordance with the merger agreement.

Valor's obligation to complete the merger is also subject to the satisfaction or waiver of the following additional conditions:

- performance by Alltel and Spinco, in all material respects, of all their respective obligations and compliance by Alltel and Spinco, in all material respects, with all covenants required by the merger agreement, as certified in writing by a senior officer of each of Alltel and Spinco;
- the accuracy of Alltel and Spinco's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Alltel and Spinco and their subsidiaries, as certified in writing by a senior officer of each of Alltel and Spinco;
- execution by Spinco and Alltel of the Tax Sharing Agreement, the Employee Benefits Agreement, the Shared Assets Agreement, the Distribution Agreement and the Transition Services Agreement;
- the absence of any event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a material adverse effect on each of Alltel and Spinco, except as previously disclosed; and

- delivery by Spinco of an affidavit, dated as of the closing date, in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b) of the Code.

Termination

The merger agreement may be terminated by the mutual written consent of Alltel, Spinco and Valor. Additionally, either Alltel, Spinco or Valor may terminate the merger agreement if:

- the merger is not consummated by December 8, 2006 through no fault of the party seeking to terminate the merger agreement;
- there are final, non-appealable legal restraints preventing the merger and the party seeking to terminate the merger agreement has used all reasonable best efforts to remove such legal restraints; or
- the requisite Valor stockholder approval shall have failed to be obtained at the stockholders' meeting, except that Valor will not be permitted to terminate the merger agreement because of the failure to obtain the stockholder approval if such failure was caused by (i) Valor's actions or inactions that constitute a material breach of the merger agreement or (ii) a material breach of the voting agreement by any party thereto other than Spinco.

Either Alltel or Spinco may terminate the merger agreement at any time prior to the merger if:

- Valor has breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of a condition to Valor's obligation to effect the merger, and such breach cannot be cured by December 8, 2006;
- the Board of Directors of Valor withdraws or modifies its approval or recommendation of the merger or the merger agreement or approves or recommends (or approves to recommend) to the Valor stockholders an acquisition proposal; or
- Valor fails to call and hold stockholders' meeting within sixty (60) days after the effectiveness of the registration statement to which this proxy statement/ prospectus–information statement is a part.

Valor may terminate the merger agreement at any time prior to the merger if:

- either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of a condition to the Alltel or Spinco's obligations to effect the merger, and such breach cannot be cured by December 8, 2006; or
- the Valor Board of Directors determines in good faith that an acquisition proposal constitutes a superior proposal and (i) Valor notifies Alltel of the acquisition proposal in accordance with the merger agreement, (ii) simultaneously with terminating the merger agreement Valor enters into a definitive agreement to effect the superior proposal, and (iii) Valor pays to Alltel the termination fee described below.

Termination Fee Payable in Certain Circumstances

Valor has agreed to pay Alltel a termination fee of $35 million in the event that:

- Valor terminates the merger agreement because its Board of Directors determines in good faith that an acquisition proposal constitutes a superior proposal;
- Alltel and Spinco terminate the merger agreement because the Board of Directors of Valor withdraws or modifies its approval or recommendation of the merger or recommends an acquisition proposal to the Valor stockholders; or
- any person makes an acquisition proposal and thereafter the merger agreement is terminated (i) by Valor, Alltel or Spinco because either the merger is not consummated by December 8, 2006 or if the requisite Valor stockholder approval shall have failed to be obtained, or (ii) by Alltel or Spinco

because Valor fails to call and hold stockholders' meeting within sixty (60) days after the effectiveness of the registration statement to which this proxy statement/ prospectus–information statement is a part, and, in each of the following cases, within twelve (12) months after the termination of the merger agreement:

- Valor is acquired by any merger, business combination or other similar transaction;
- Valor disposes of 15% or more of the total consolidated assets of Valor and its subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of Valor and its subsidiaries, taken as a whole;
- any person or entity acquires 15% or more of the outstanding shares of Valor common stock;
- any other substantially similar transaction that would reasonably be expected to prevent or materially impair or delay the consummation of merger is consummated; or
- Valor enters into a definitive agreement with respect to the foregoing.

Alltel has agreed to pay Valor a termination fee of $35 million in the event that:

- Alltel and Spinco or Valor terminates the merger agreement because the meprger is not consummated by December 8, 2006 and at the time of such termination, all of the conditions to the transactions in the merger agreement have been satisfied other than such conditions which by their terms are intended to be satisfied contemporaneously with the closing or such condition regarding the completion of the financing of the transaction; or
- Valor terminates the merger agreement because either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of the conditions to the Alltel or Spinco's obligations regarding the completion of the financing of the transaction, and such breach cannot be cured by December 8, 2006.

In addition, Alltel has agreed to pay Valor a termination fee of $20 million in the event that:

- Alltel and Spinco or Valor terminates the merger agreement because the merger is not consummated by December 8, 2006 and at the time of such termination, all of the conditions to the transactions in the merger agreement have been satisfied other than such conditions which by their terms are intended to be satisfied contemporaneously with the closing or such conditions regarding:
  - the receipt by Alltel and Spinco (and, to the extent applicable, Valor) of the requisite Internal Revenue Service rulings relating to the spin–off and the merger and the receipt by Alltel of a legal opinion from its counsel to the effect that the spin–off will be tax–free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code; or
  - the receipt by each of Alltel and Spinco, on the one hand, and Valor, on the other hand, of a legal opinion stating that the merger will constitute a reorganization under section 368(a) of the Internal Revenue Code; or
- Valor terminates the merger agreement because either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of the two conditions to the Alltel or Spinco's obligations listed immediately above, and such breach cannot be cured by December 8, 2006.

Indemnification

Under the merger agreement, Newco is obligated to indemnify Alltel and its affiliates against all losses and expenses arising out of any untrue statement or alleged untrue statement of a material fact contained in this proxy statement/ prospectus–information statement, or the registration statement to which it is part, or any omission or alleged omission to state a material fact necessary to make the statements contained herein or therein not misleading. Newco is not responsible, however, for information provided by Alltel as to itself and its subsidiaries, including Spinco.

The merger agreement also provides that Alltel will indemnify Newco and its affiliates against all losses and expenses arising out any untrue statement or alleged untrue statement of a material fact contained in this proxy statement/ prospectus–information statement, or the registration statement to which it is part, or any omission or alleged omission to state a material fact necessary to make the statements contained herein or therein not misleading, but only with respect to information provided by Alltel as to itself and its subsidiaries, including Spinco.

Amendments

The merger agreement may be amended by the parties at any time before or after approval by Valor stockholders, provided that, after approval by Valor stockholders, no amendment which by law or under the rules of any stock exchange or automated inter–dealer quotation system requires further stockholder approval may be made to the merger agreement without obtaining such further approval. All amendments to the merger agreement must be in writing and signed by each party.

Expenses

The merger agreement provides that each party will pay its own fees and expenses in connection with the merger agreement, the merger and the transactions contemplated by the merger agreement, whether or not the merger is completed, except that if the merger is consummated, all costs and expenses incurred in connection with the merger agreement, the merger and the transactions contemplated by the merger agreement will be paid by Newco, including all underwriter's or placement agent's discounts, fees and expenses associated with the financing of Spinco and the debt exchange, and all broker, finder and similar advisory fees incurred by Alltel or Spinco in connection with the transactions contemplated by the merger agreement and the distribution agreement, subject to a cap on such fees.

Tax Matters

The merger agreement contains certain additional representations, warranties, covenants and indemnification provisions relating to the preservation of the tax–free status of (i) the contributions by Alltel to Spinco, (ii) the receipt by Alltel of the special dividend and the Spinco debt securities, (iii) the exchange of the Spinco debt securities for Alltel debt, (iv) the distribution of Spinco stock to the stockholders of Alltel and (v) the merger of Spinco and Valor (which the merger agreement refers to collectively as the tax–free status of the transactions). In particular, Spinco, Alltel and Valor each represented that it would examine all of the tax materials prepared in connection with obtaining the required tax rulings from the IRS and the required opinions of Alltel's and Valor's tax counsel, as well as the actual tax rulings and opinions, and that the facts and representations made in those rulings, opinions and other tax materials as to itself are or will be correct and complete in all material respects. In addition, Valor made further representations and warranties to Alltel and Spinco regarding the ownership of equity interests in Alltel by Valor and by certain controlling stockholders of Valor.

Valor also agreed to certain limitations on its and Newco's future activities that restrict its ability to take actions that would jeopardize the tax–free status of the transactions (which actions the merger agreement refers to as "disqualifying actions"), and require it to take certain other actions in order to preserve the tax–free status of the transactions, including:

- generally, not taking, or permitting any of its subsidiaries to take, any disqualifying action, provided that a disqualifying action would not include (i) an action taken pursuant to the terms of the transaction agreements, (ii) an action that would not have caused the tax–free status of the transactions to be lost, but for an action taken by Alltel or (iii) an action taken by Spinco prior to the distribution or taken solely to mitigate the adverse effects on the tax–free status of the transactions of an action taken by Spinco prior to the distribution;
- generally, for two years after the distribution, not taking, or permitting any of its subsidiaries to take, an action that might be a disqualifying action, without receiving the prior determination of Alltel that the action would not jeopardize the tax–free status of the transactions;

- for two years after the distribution, not entering into any agreement, understanding or arrangement or engaging in any substantial negotiations with respect to any transaction involving the acquisition of Newco stock or the issuance of shares of Newco stock, or options to acquire or other rights in respect of such stock, in excess of a permitted basket of 71,130,989 shares (as adjusted for stock splits, stock dividends, recapitalizations, reclassifications and similar transactions), unless, generally, the shares are issued to qualifying Newco employees or retirement plans, each in accordance with "safe harbors" under regulations issued by the IRS;
- for two years after the distribution, not repurchasing Newco shares, except to the extent consistent with guidance issued by the IRS;
- for two years after the distribution, causing certain wholly–owned subsidiaries that were wholly–owned subsidiaries of Spinco at the time of the distribution to continue the active conduct of the Spinco business to the extent so conducted by those subsidiaries immediately prior to the distribution;
- for two years after the distribution, not voluntarily dissolving, liquidating, merging or consolidating with any other person, unless (i) Newco is the survivor of the merger or consolidation or (ii) prior to undertaking such action, Alltel has delivered a written determination to Newco that such action would not jeopardize the tax–free status of the transactions.

Nevertheless, Newco will be permitted to take any of the actions described above in the event that the IRS has granted a favorable ruling to Alltel or Newco as to the effect of such action on the tax–free status of the transactions.

Valor and Spinco, on the one hand, and Alltel, on the other hand, agreed that, subject to redaction, each would furnish the other with a copy of any relevant documents delivered to the IRS. In addition, Valor agreed to take actions reasonably requested by Alltel intended to mitigate the effects of a breach by Spinco prior to the distribution date of a tax–related representation or covenant, provided that (i) Alltel would indemnify Valor for all reasonable costs and expenses of taking such actions and (ii) any such action did not and would not adversely impact in any material respect the business, operations or financial condition of Valor or any of its subsidiaries or divisions.

To the extent that the tax–free status of the transactions is lost because of a disqualifying action taken by Newco or any of its subsidiaries after the distribution date, Newco will be obligated to indemnify, defend and hold harmless Alltel and its subsidiaries (or any successor to any of them) from and against any and all tax–related losses incurred by Alltel. "Tax related losses" include not only taxes, as finally determined by the IRS, but also accounting, legal and other professional fees and court costs incurred in connection with such taxes, costs and expenses that resulted from adverse tax consequences to Alltel or Alltel stockholders, and any taxes imposed on the receipt of the indemnification payments.

Nevertheless, Newco will not be obligated to indemnify Alltel as described above, if:

- Alltel had delivered to Newco a written determination that a potential disqualifying action would not jeopardize the tax–free status of the transactions (except to the extent that a disqualifying action resulted from the inaccuracy, incorrectness or incompleteness of any representation provided by Newco to Alltel in respect of that determination);
- the tax–related loss arose in respect of any action or transaction that was permitted to be taken without the consent of Alltel pursuant to the limitations described in the third preceding paragraph (except to the extent that, in the case of an action permitted pursuant to an IRS ruling, a disqualifying action resulted from the inaccuracy, incorrectness or incompleteness of any representation provided by Newco to the IRS in connection with such ruling);
- the tax–related loss arose in respect of any item of income, gain, deduction or loss that resulted from Alltel's preliminary internal restructuring or that was attributable, under certain provisions of the Code, to a predecessor of Alltel or Spinco; or

- the tax–related loss arose from the recognition of taxable income or gain by Alltel or any Alltel affiliate on the distribution, as a result of any deemed sale of Spinco stock by Alltel attributable to such stock being treated for federal income tax purposes as not having been distributed to Alltel's stockholders or any failure by Alltel to distribute an amount of Spinco stock constituting "control" of Spinco within the meaning of Section 368(c) of the Code as a result of such a deemed sale.

Alltel agreed to terminate as of the distribution date any and all existing tax sharing agreements and tax practices between Alltel or any subsidiary, other than Spinco or any Spinco subsidiary, on the one hand, and Spinco or any Spinco subsidiary, on the other hand.

The merger agreement provides that Alltel and Newco will jointly control and cooperate on the defense of any third–party claim which could give rise to an indemnification payment by Newco under the tax indemnity provisions of the merger agreement. Each party forfeited its control right if it made any public statement or filing, or took any action, materially inconsistent with any representation or warranty made by such party in the merger agreement or the tax materials. If either Alltel or Newco failed to jointly defend any such claim, then the other party would solely defend such claim with the cooperation of the non–participating party, provided that Alltel could not compromise or settle any such claim without the prior written consent of Newco. Each party agreed to pay its own costs and expenses incurred in defending any such claim.

THE DISTRIBUTION AGREEMENT

The following is a summary of selected material provisions of the distribution agreement. This summary is qualified in its entirety by reference to the distribution agreement, which is incorporated by reference in its entirety and attached to this proxy statement/ prospectus–information statement as Annex B. We urge you to read the distribution agreement in its entirety. The distribution agreement has been included to provide you with information regarding its terms and has been publicly filed with the Securities and Exchange Commission. It is not intended to provide any other factual information about Alltel, Spinco or Valor. Such information can be found elsewhere in this proxy statement/ prospectus–information statement.

The distribution agreement contains representations and warranties that Alltel and Spinco made to each other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that Alltel and Spinco have exchanged in connection with signing the distribution agreement. The disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the attached distribution agreement. Accordingly, you should not rely on the representations and warranties as characterizations of the actual state of facts, since they are modified in important part by the underlying disclosure schedules. These disclosure schedules contain information that has been included in Alltel general prior public disclosures, as well as potential additional non–public information. Moreover, information concerning the subject matter of the representations and warranties may have changed since the date of the agreement, which subsequent information may or may not be fully reflected in Alltel's public disclosures. We do not believe that the disclosure schedules contain information securities laws require us to publicly disclose other than information that has already been so disclosed.

General

The distribution agreement between Alltel and Spinco provides for, among other things, the principal corporate transactions required to effect the proposed distribution of Spinco common stock to Alltel stockholders and certain other terms governing the relationship between Alltel and Spinco with respect to or in consequence of the spin–off transaction.

Preliminary Transactions

Pursuant to the distribution agreement, Alltel will engage in a series of preliminary restructuring transactions to effect (i) the transfer to Spinco's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business, including Alltel's ILEC, CLEC and internet access operations, related

marketing and sales operations, and other operations comprising what is referred to in Alltel's Annual Report on Form 10–K for the fiscal year ended December 31, 2004 as the Wireline Segment of Alltel, as well as all of Alltel's directory publishing operations, telecommunication information services operations, product distribution operations (other than any such operations supporting Alltel's wireless telecommunications business), network management services operations, and wireline long–distance services operations (other than the fiber backbone supporting those operations and the revenues attributable to Alltel's wireless telecommunications business as a result of its use of the fiber backbone); and (ii) the transfer to Alltel's subsidiaries of all assets not relating to such businesses.

Following these preliminary restructuring transactions, and immediately prior to the effective time of the merger, Alltel will contribute all of the stock of the Spinco subsidiaries to Spinco in exchange for:

- the issuance to Alltel of Spinco common stock to be distributed to Alltel's stockholders pro rata in the spin–off,
- the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which equals approximately $2.4 billion), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin–off, to repay outstanding indebtedness, or both, within one year following the spin–off, and
- the distribution by Spinco to Alltel of certain Spinco debt securities in an amount equal to the difference between $3.965 billion (the aggregate amount Spinco will borrow) and the special dividend paid to Alltel by Spinco, which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors.

Coordination of Asset Separation Transactions

The separation of the assets and liabilities of the Spinco Business from Alltel's remaining assets, as well as the terms of the various separation agreements and similar arrangements, between Alltel and Spinco will be subject to the review of a steering committee comprised of representatives designated by Alltel, Spinco and Valor. The Steering Committee will be comprised of up to two (2) designees selected by Alltel, up to two (2) designees selected by Spinco and up to two (2) designees selected by Valor, who shall be reasonably acceptable to Alltel and Spinco.

Spinco Financing

The distribution agreement provides that, prior to the distribution, Spinco will consummate certain financing transactions pursuant to which Spinco will borrow approximately $3.965 billion through (1) a new senior secured credit agreements or the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended, or a public offering and (2) the distribution of the exchange notes to Alltel. All proceeds of the financing will be used to pay the consideration to be received by Alltel for the contribution (through payment of the special dividend and distribution of the exchange notes) and to pay related fees and expenses.

Alltel has received a commitment letter from J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation to provide Spinco with up to $4.2 billion in senior secured credit facilities comprised of term loan facilities in an aggregate amount of up to $3.7 billion and a revolving credit facility of up to $500.0 million. For a more complete discussion of the financing of Newco, see "Financing of Newco" herein at page [•].

Net Debt Adjustment

The distribution agreement provides for an adjustment following completion of the merger to be paid by Alltel or Valor (as the surviving company in the merger), as the case may be, to the extent that the net indebtedness of Spinco following the merger is more or less than the sum of (x) $4.2 billion plus (y) any fees and expenses related to Spinco's note offering and the distribution of the Spinco debt securities to Alltel (the sum of which we will refer to as Spinco's "target indebtedness"). If the net indebtedness of Spinco following

the merger exceeds the Spinco's target indebtedness, Alltel is obligated to pay to Valor an amount equal to such excess. If the net indebtedness of Spinco following the merger is less than the Spinco's target indebtedness, Valor will pay to Alltel an amount equal to such deficit.

As a result of the transactions, Alltel will receive approximately $4.2 billion in cash proceeds and debt reduction through the special dividend, the distribution of the exchange notes and the assumption by Newco on a consolidated basis of approximately $261 million in existing Spinco debt securities.

Covenants

Each of Alltel and Spinco have agreed to take specified actions after the signing of the distribution agreement. These actions include the following:

- immediately prior to the spin–off, all material contracts, licenses, agreements, commitments and other arrangements, formal and informal, between Alltel and its subsidiaries, on the one hand, and Spinco and its subsidiaries, on the other hand, will be terminated (except as contemplated by the other agreements executed in connection with the transactions);
- immediately prior to the spin–off, all intercompany cash management loan balances between Alltel and its subsidiaries, on one hand, and Spinco and its subsidiaries, on the other hand, will be canceled;
- no longer using any material showing, or otherwise representing to any third party, any affiliation or connection between Alltel and Spinco after the spin–off, other than in filings, reports and other documents required by applicable law or regulations of securities exchanges to be filed or made publicly available; and
- entering into the Employee Benefits Agreement, the Merger Agreement, the Tax Sharing Agreement, the Shared Assets Agreement, the Shared Contracts Agreement, and the Transition Services Agreement (see "Additional Agreements Related To The Spin–Off And The Merger" on page [•]).

Conditions to the Completion of the Spin–Off

The distribution agreement provides that the distribution of Spinco common stock will occur only if each condition to obligations of Alltel and Spinco to consummate the merger shall have been fulfilled or waived by Alltel (except for the consummation of the contribution transaction and the spin–off) (see "The Merger Agreement — Conditions to the Completion of the Merger" on page [•]).

Subsequent Transfers

In the event that following the spin–off Alltel becomes aware that it possesses any assets that should have been transferred to Spinco, Alltel will hold such asset in trust and cause the prompt transfer of such assets, rights or properties to Spinco.

Mutual Release; Indemnification

Mutual Release of Pre–Closing Claims. Spinco and Alltel have each agreed to release the other from any and all claims that it may have against the other party which arise out of or relate to events, circumstances or actions taken by the other party occurring or failing to occur or any conditions existing at or prior to the time of the spin–off. The mutual release is subject to specified exceptions set forth in the distribution agreement. The specified exceptions include:

- any liability assumed, transferred, assigned or allocated to Spinco or to Alltel in accordance with, or any other liability of either of them under, the merger agreement or any other transaction agreements or any contracts contemplated thereby;
- the ability of a party to enforce its rights under the merger agreement or any other transaction agreements or any contracts contemplated thereby; or

- any liability the release of which would result in the release of any person other than Spinco, Alltel or their respective subsidiaries.

Indemnification by Spinco. Except as otherwise provided in transaction agreements executed in connection with the merger, Spinco is obligated to indemnify, defend and hold harmless Alltel from and against all losses arising out of or due to the failure of Spinco:

- to pay or satisfy:
  - any liability of Alltel or any of its subsidiaries (including Spinco and its subsidiaries) primarily relating to or arising from the business of Spinco, including the liabilities set forth on the audited balance sheet of Spinco prepared in accordance with the distribution agreement or arising after the date thereof;
  - any liability of Spinco under the transaction agreements executed in connection with the merger;
  - any liability to be transferred to Spinco or a Spinco subsidiary in connection with a benefit and compensation plan, in accordance with the employee benefits agreement; or
  - any liability or obligation arising in connection with or related to the assets transferred to Spinco by Alltel in accordance with the distribution agreement; or
- to perform any of its obligations under the distribution agreement.

Indemnification by Alltel. Except as otherwise provided in the transaction agreements executed in connection with the merger, Alltel is obligated to indemnify, defend and hold harmless Spinco from and against all losses arising out of or due to the failure of Alltel:

- to pay or satisfy any liability of Alltel or any of its subsidiaries, including the liabilities of Alltel under the transaction agreements executed in connection with the merger, in each case, other than the liabilities of Spinco thereunder; or
- to transfer to Spinco all of the assets transferred or to be transferred to Spinco pursuant to the distribution agreement, or
- to perform any of its obligations under the distribution agreement.

The indemnification provisions set forth in the distribution agreement do not apply to any indemnification or other claims relating to taxes. Instead, these indemnification obligations are covered in the tax sharing agreement. See "Additional Agreements Related To The Spin–Off And The Merger — The Tax Sharing Agreement" beginning on page [•].

Insurance

Following the spin–off, Spinco will be responsible for obtaining and maintaining its own insurance coverage and will no longer be an insured party under Alltel insurance policies, except that Spinco will have the right to assert claims for any liability with respect to the Spinco business under shared policies with third party insurers which are "occurrence basis" policies arising out of incidents occurring from the date coverage commenced until the time of the spin–off. Spinco will have similar rights under "claims made" policies arising out of incidents occurring from the date of coverage until the time of the spin–off, so long as the claim is properly asserted to the insurer prior to the spin–off.

Non–Solicitation of Employees

Under the terms of the distribution agreement, Alltel and Spinco each agree not to solicit, recruit or hire any employee of the other for a period of twelve months following the date of the spin–off or until three months after the employee's employment with the respective company terminates, whichever occurs first. These restrictions do not apply to general recruiting efforts carried out through a public or general solicitation.

Expenses

Under the terms of the distribution agreement, whether or not the distribution is consummated, the costs and expenses incurred by Alltel or Spinco in connection with the distribution agreement, the preliminary restructuring contemplated thereby, the contribution, the special dividend, the debt exchange, the financing Spinco and the merger (including (i) all underwriter's discounts, fees and expenses, and (ii) all broker, finder and similar advisory fees incurred by Alltel or Spinco in connection with the transactions contemplated by the distribution agreement and the merger agreement) will be paid by Spinco, except that, in the event the aggregate amount of all such expenses exceeds $115.0 million less the amount by which the principal amount of any indebtedness of Spinco following the merger exceeds Spinco's target indebtedness, Alltel will pay such excess expenses.

Spinco is not responsible for any expenses of Valor's legal, accounting, financial and other advisors or any costs of refinancing the Valor's outstanding indebtedness or any other costs incurred by Valor in connection with the transactions contemplated by the distribution agreement or by the merger agreement, except that if the merger is consummated, all costs and expenses incurred in connection with the merger agreement, the merger and the transactions contemplated by the merger agreement will be paid by Newco.

Termination

Following termination of the merger agreement, the distribution agreement may be terminated and the spin–off abandoned at any time prior to the spin–off by and in the sole discretion of the Board of Directors of Alltel. As long as the merger agreement is in effect, the distribution agreement may not be terminated.

THE VOTING AGREEMENT

The following is a summary of selected provisions of the voting agreement. This summary is qualified in its entirety by reference to the voting agreement, which is incorporated by reference in its entirety and attached to this proxy statement/ prospectus–information statement as Annex C. We urge you to read this agreement in its entirety.

Contemporaneously with entering into the merger agreement, Spinco entered into a voting agreement with certain holders of Valor common stock. All of the shares of Valor common stock beneficially owned by these stockholders are subject to the voting agreement. As of the record date for Valor's annual meeting, these stockholders held 28,833,582 shares of Valor common stock, representing approximately 41% of the number of votes entitled to be cast.

Each of the stockholders party to the voting agreement are obligated by the voting agreement to vote their shares in favor of the approval and adoption of the merger agreement and the merger. Unless Alltel and Spinco consent in writing to the contrary, these stockholders also are required by the voting agreement to vote against proposals of any third party relating to the merger of Valor or acquisition of 20% or more of the assets of Valor and its subsidiaries, taken as a whole, or 20% or more of the common stock of Valor. These stockholders also may not in any manner participate in a "solicitation" (as that term is used in the rules of the SEC) of proxies or similar rights to vote, or seek to advise or influence any person with respect to voting intended to facilitate any such alternative merger or acquisition or to cause Valor stockholders not to vote to approve and adopt the merger agreement. Further, these stockholders may not, directly or indirectly, enter into, solicit, or otherwise conduct any discussions or negotiations with, or respond to or provide any information to, anyone other than Alltel and Spinco relating to an "acquisition proposal" as defined in the merger agreement (see "The Merger Agreement — No Solicitation" on page [•]). In addition, these stockholders may not enter into any other agreements the effect of which is inconsistent with the requirements listed in this paragraph.

The stockholders party to the voting agreement are also obligated to cause the Securityholders Agreement, dated as of February 14, 2005, by and among Valor and certain of its stockholders, to be amended as set forth in the merger agreement.

The voting agreement will terminate at any time upon notice by Alltel and Spinco to the stockholders noted above or upon the earlier of (i) the approval and adoption of the merger agreement, (ii) the failure of the Valor stockholders to vote to adopt and approve the merger and merger agreement at the stockholders meeting called for such purpose, (iii) amendment of the merger agreement in a manner that it materially disadvantageous to the stockholders party to the voting agreement without such stockholders' consent, or (iv) the termination of the merger agreement.

No stockholder who is or becomes during the term of the voting agreement a director or officer of Valor was deemed to make any agreement or understanding in the voting agreement in such stockholder's capacity as a director or officer. Each such stockholder entered into the voting agreement solely in his or her capacity as the record holder or beneficial owner of, or the trustee of a trust whose beneficiaries are the beneficial owners of, such stockholder's shares and nothing in the voting agreement limits or affects any actions taken by such stockholder in his or her capacity as a director or officer of Valor.

ADDITIONAL AGREEMENTS RELATED TO THE SPIN–OFF AND THE MERGER

Valor, Spinco and Alltel have entered into or, before the completion of the spin–off and merger, will enter into, agreements related to the spin–off and the merger and various interim and on–going relationships between Valor, Spinco and Alltel. The material terms of these agreements are summarized below. The descriptions of the Employee Benefits Agreement, Tax Sharing Agreement and Transition Services Agreements are qualified by reference to the complete text of these agreements, which are incorporated by reference into this document and filed as exhibits to the Registration Statement of which this proxy statement/ prospectus–information statement is a part.

Employee Benefits Agreement

In connection with the spin–off and merger, Alltel and Spinco entered into an Employee Benefits Agreement to allocate assets, liabilities and responsibilities with respect to certain employee benefit plans, policies and compensation programs between them. We encourage you to read the entire employee benefits agreement.

Prior to the merger, Spinco will continue to pay its employees their ordinary salaries and to make pay adjustments in the normal course of business. Within 15 days prior to the merger, Alltel will designate employees who will constitute Spinco employees (which we will refer to as "Spinco Employees") and former employees who were engaged in the Spinco business who have an interest in any of the employee benefit plans listed in the employee benefits agreement (which we will refer to as "Spinco Individuals"). Prior to the distribution date, Alltel also will take any actions necessary for Spinco to continue to maintain or to assume any collective bargaining agreements relating to the Spinco Employees.

Spinco has agreed to assume and pay all liabilities relating to the Spinco Employees and Spinco Individuals with respect to the benefit plans listed in the agreement, to the extent relating to the individuals' employment with Alltel or Spinco. Beneficiary designations under the Alltel plans will be transferred to the corresponding Spinco plan and will be in full force and effect until replaced or revoked by the participant.

Spinco plans will not provide duplicative benefits. Spinco Employees and Spinco Individuals are entitled to participate in these plans only to the extent that they were entitled to participate in the corresponding Alltel plans.

Under the terms of the employee benefits agreement, Spinco has agreed to establish the plans listed below for Spinco Employees and Spinco Individuals. In connection with the establishment of these plans, Alltel has agreed, except as stated below, to transfer the assets and liabilities attributable to Spinco Employees and Spinco Individuals from the applicable Alltel plan to the comparable Spinco plan.

- A retirement plan and related trust substantially similar to the Alltel pension plan. The amount transferred from the Alltel pension plan to the Spinco plan will be a pro rata share of the fair market value of the Alltel pension plan assets.

- Plans substantially similar to the Alltel 401(k) and profit sharing plans. Any participant loan notes held by the Alltel 401(k) will be transferred in-kind.
- A plan substantially identical to the provisions of the Alltel comprehensive group insurance plan. The Spinco plan will recognize and maintain the current status for elections and deductible plan maximums made with respect to Spinco Employees and Spinco Individuals under the Alltel plan. No assets of the trust related to the Alltel comprehensive group insurance plan shall be transferred to Spinco or any trust established by Spinco. The Spinco plan will recognize and maintain all coverage and contribution elections made under the Alltel plan and will recognize and give credit for all deductibles and co-payments paid by, and all benefits paid to, Spinco Employees and Spinco Individuals under the Alltel plan.
- Plans established for Spinco Employees that are substantially similar to the Alltel long term disability plan, group accident plan, and Special Insurance Plan for Former Allied Telephone Profit Sharing. The Alltel long term disability plan, group accident plan, and Special Insurance Plan for Former Allied Telephone Profit Sharing will remain liable for obligations incurred with respect to Spinco Employees and Spinco Individuals prior to establishment of the new Spinco plans.
- A plan established for Spinco Individuals that is substantially similar to the provisions of Alltel's Income Advantage Plan (POP). The Spinco plan will maintain coverage and contribution elections made under the Alltel Income Advantage Plan and recognize account balances as if participation in the Spinco plan had been since the beginning of the calendar year.
- Educational assistance and adoption assistance plans for Spinco Employees that are substantially similar to the Alltel plans of the same name. The obligations and liabilities with respect to Spinco Employees under the Alltel educational assistance and adoption assistance plans will be transferred to and assumed by the respective Spinco plans.
- A severance pay plan for Spinco Employees substantially similar to the severance pay plan of Alltel; *provided, however*, the spin-off, merger or both will not be an event that entitles a Spinco Employee or Spinco Individual to benefits under the Alltel severance pay plan or new Spinco severance plan. The Spinco severance plan will not be amended so as to provide decreased benefits for a period of one year after the distribution date.
- People practices for Spinco Employees substantially similar to the provisions of the people practices in effect at Alltel. Spinco has agreed to recognize all periods of service of Spinco Employees with Alltel under the Spinco people practices plan.
- A plan substantially identical to the Alltel Corporation Performance Incentive Compensation Plan for the performance period beginning the day after the distribution date and ending on December 31, 2006. Awards held by Spinco Individuals under the 2006 Alltel Corporation Performance Incentive Compensation Plan will be paid a pro rated amount if deemed earned based on a reasonable estimate of the actual performance level from January 1, 2006 to the distribution date.
- A plan for Spinco Employees that is substantially identical to the provisions of Alltel's Benefit Restoration Plan.
- A plan for Spinco Employees and Spinco Individuals substantially similar to the provisions of Alltel's Supplemental Medical Reimbursement Plan. The obligations and liabilities incurred under the Alltel Supplemental Medical Reimbursement Plan with respect to Spinco Employees and Spinco Individuals will be and remain the sole responsibility of the Alltel Supplemental Medical Reimbursement Plan.

Further, Spinco will assume and honor leaves of absence granted to Spinco Employees under a leave of absence program or the Family Medical Leave Act of 1993, as amended ("FMLA"), by Alltel and its subsidiaries. Spinco will recognize all periods of service of Spinco employees with Alltel to the extent such service is recognized by Alltel and its subsidiaries for the purpose of eligibility for leave entitlement under an Alltel leave of absence program and FMLA.

Spinco employees will be eligible to participate in Alltel's Employee Stock Purchase Plan for the period prior to the spin–off and merger, but after the distribution date, Spinco employees will not be permitted to participate in Alltel's Employee Stock Purchase Plan.

Under the employee benefits agreement, outstanding awards held by Spinco Individuals under the Alltel's Long–Term Performance Incentive Compensation Plan will be treated as follows:

- For awards in effect as of the distribution date for the 2004–2006 performance measurement period, each Spinco Individual will be entitled to a pro rata amount if deemed earned based on a reasonable estimate of the actual performance level of such period.
- Awards in effect as of the distribution date for the 2005–2007 performance measurement period will be deemed earned at the target performance level and paid pro rata to eligible Spinco Individuals.

Alltel Stock Options shall be handled as follows:

- To the extent that a Spinco Individual is holding an award consisting of an Alltel option that is vested and outstanding as of the distribution date, he or she will be treated as experiencing a separation from service from, or otherwise terminating employment with, Alltel. Any such Alltel option will expire unless it is exercised within the time provided in the option itself.
- To the extent that a Spinco employee is holding an award consisting of an Alltel option that is not vested as of the distribution date, that option shall be cancelled as of the distribution date and replaced by restricted shares of Newco common stock in accordance with the terms of the Merger Agreement. The merger agreement authorizes up to 2.8 million restricted shares of Valor common stock to be awarded. The restrictions on such shares will lapse on a date to be determined by the Board of Directors of Newco. The Newco Board of Directors will also determine the value of the awards.

Restricted share awards outstanding under the 1998 Equity Incentive Plan held by a Spinco Individual will become fully vested on the distribution date.

Finally, Alltel will transfer its Executive Deferred Compensation Sub–Plan and its 1998 Management Deferred Compensation Sub–Plan to Spinco and will transfer cash to Spinco in an amount sufficient for benefits due under the respective sub–plans.

Spinco assumes no obligations, liabilities, sponsorship, administration or assets of or with respect to any other Alltel employee benefit plans, policies or compensation programs. Except as set forth in the employee benefits agreement, Spinco is not prohibited from amending or terminating any employee benefit plans, policies and compensation programs at any time after the distribution date.

The Tax Sharing Agreement

In connection with the spin–off and merger, Alltel, Valor and Spinco have agreed to enter into a tax sharing agreement that allocates the responsibility for (i) filing tax returns and preparing other tax–related information and (ii) the liability for payment and the benefit of refund or other recovery of taxes. The following is a summary of the material terms and provisions of the tax sharing agreement. We encourage you to read the entire tax sharing agreement.

Tax Returns; Responsibility for Taxes. Alltel agreed to file or cause to be filed any consolidated, combined or unitary income tax return that (i) includes both Alltel or any of its subsidiaries and Spinco or any of its subsidiaries and (ii) relates to or includes any taxable period on or prior to the distribution date. Alltel has the exclusive right to take any and all actions necessary for the filing of such returns and, except as otherwise provided in the agreement, to take actions for the purpose of making payments to, or collecting refunds from, any taxing authority in respect of such returns. Valor agreed to file or cause to be filed any other income tax return and any non–income tax return, in each case relating to Spinco or any of its subsidiaries that is required to be filed after the distribution date. Valor agreed to submit to Alltel any such income tax return that relates to or includes any taxable period on or prior to the distribution date, and to make or cause to be made any and all changes requested by Alltel to those returns in respect of items for which Alltel has

responsibility under the tax sharing agreement. Valor also agreed not to file or allow to be filed any such income tax return prior to receiving Alltel's written approval of such return, not to be unreasonably withheld, delayed or conditioned.

Valor agreed to be liable for, and to indemnify and hold the Alltel group harmless against:

- any net liability for income taxes of a member of the Spinco group attributable to the treatment of payments received from a federal or state universal services fund in respect of the Spinco business for the period from January 1, 1997 to the distribution;
- any non–income taxes arising prior to the spin–off and relating to Spinco and its subsidiaries or to the employees, assets or transactions of the Spinco business, except for non–income taxes arising in respect of the preliminary restructuring of the Spinco group and the distribution of the stock of Spinco to the stockholders of Alltel; and
- any liability for taxes arising after the spin–off attributable to Spinco and its subsidiaries or to the employees, assets or transactions of the Spinco business.

Alltel agreed to be liable for, and to indemnify and hold Valor harmless against, any taxes of the Alltel group or the Spinco group or any member thereof, other than (i) taxes specifically allocated to Valor under the tax sharing agreement or (ii) taxes for which Valor has indemnified Alltel pursuant to the merger agreement.

Valor and Alltel agreed that each is entitled to any refund of or credit for taxes for which it is responsible under the tax sharing agreement, including equitably apportioned refunds for any taxable period consisting of days both before and after the distribution.

All prior tax sharing or tax allocation agreements or practices between any member of the Alltel group, on the one hand, and Spinco or any of its subsidiaries, on the other hand, will be terminated as of the date of the spin–off.

Carrybacks and Amended Returns. Tax attributes from a period after the spin–off will not be carried back by Spinco or any of its subsidiaries to a pre–distribution tax return unless required by law or Alltel so consents. If a carryback is required by law or if Alltel so consents, then any tax benefit realized with respect to the carryback will be remitted to Valor.

Valor agreed not to file, or to permit any member of the Spinco group to file, any amended income tax return of a member of the Spinco group, or any non–income tax return that is filed on a combined basis with a member of the Alltel group, in each case with respect to returns for periods prior to the distribution, without first obtaining the consent of Alltel.

Timing Adjustments. Valor and Alltel agreed to pay to the other the amount of any tax benefit that result from any timing adjustment that (i) decreases deductions, losses or tax credits or increases income, gains or recapture of tax credits of the other and (ii) permits the paying party to increase deductions, losses or tax credits or to decrease income, gains or recapture of tax credits.

Tax Contests. Valor and Alltel agreed to promptly notify the other in writing upon receipt of a written communication from any taxing authority with respect to any pending or threatened audit, dispute, suit, action, proposed assessment or other proceeding concerning any tax return for which the other may be liable under the tax sharing agreement. Alltel agreed to give Valor sole control of any income tax contest in respect of any return related exclusively to periods following the spin–off, while Alltel maintained sole control of any other income tax contest of a member of the Spinco group, provided that, in the case of a contest relating to income taxes for which Valor is responsible under the tax sharing agreement, Alltel agreed to provide Valor with an opportunity to review and comment and to participate in such tax contest at its own expense.

Cooperation. Alltel and Valor agreed to cooperate in the filing of tax returns and the conduct of any audit or other proceeding related to taxes, as well as in the retention of tax–related records and access thereto. Each party also agreed to treat the distribution of the Spinco stock to the stockholders of Alltel, the merger

with Valor and the related transactions in a manner such that no gain or loss was recognized by any of Alltel, Spinco or Valor and their respective stockholders.

Transition Services Agreement

The Transition Services Agreement and the Reverse Transition Services Agreement between Alltel and Spinco set forth the terms and conditions for the provision of various transition services by Alltel to Spinco, and by Spinco to Alltel. The material terms contained in these two agreements are reciprocal in nature, and are summarized as follows:

Transition Services are to be provided for one year unless otherwise extended or terminated. During the term of the agreement, each provider of services will use its reasonable best efforts to accommodate any reasonable requests by the recipient of services to provide additional or modified services relating to the transition of ownership and operations of the respective business upon written request of the recipient.

Among other services, the transition services will generally relate to the following:

- information technology systems,
- billing,
- human resources,
- customer service,
- accounting and finance,
- engineering and network,
- sales and marketing,
- operations,
- real estate,
- branding, and
- capital asset management.

The parties will each indemnify, defend and hold harmless the other for losses arising out of any default by a party in the performance of its obligations under the transition services agreement. Indemnification will be limited to actual damages, which will not exceed the total amount of compensation payable to the provider.

The recipient will have the right to terminate any transition service, in whole or in part, upon 30 days' prior written notice to the provider. The transition services agreement will automatically terminate upon termination of the distribution agreement. Upon termination of the transition services agreement, each party will return any and all material and property of a proprietary nature involving the other party within 30 days, and the recipient will cease all access to the provider's information, data, systems and other assets that are not assets of the recipient party.

FINANCING OF NEWCO

Committed Financings

On December 8, 2005, Alltel and J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation entered into a commitment letter and a related engagement and fee letter (which we collectively refer to as the "financing letters") with respect to the financing of Newco following the spin–off and the merger. The commitment letter is subject to customary conditions to consummation, including the absence of any event or circumstance that, individually or in the aggregate, is materially adverse to the business, assets, properties, liabilities or condition (financial or otherwise), of Spinco and its subsidiaries or Valor and its subsidiaries since September 30, 2005. Alltel has agreed to pay JPMorgan and Merrill Lynch certain fees in connection with the commitment letter and has agreed to indemnify JPMorgan and Merrill Lynch against certain liabilities.

These financing letters provide for a commitment of an aggregate amount of up to $4.2 billion in financing, consisting of the following:

- senior secured five–year revolving credit facility in a principal amount of $500.0 million, and
- senior secured term loan facilities in an aggregate amount of up to $3.7 billion consisting of sub–facilities in the following amounts:

  (i) Tranche A Term Loan Facility — up to $500.0 million;

  (ii) Tranche B Term Loan Facility — up to $2.8 billion; and

  (iii) Tranche C Term Loan Facility — up to $400.0 million.

A portion of the financing of Newco may also be financed with the proceeds from a Rule 144A, promulgated under the Securities Act of 1933, as amended, or public offering of up to $800.0 million of senior notes, referred to herein as the "Refinancing Notes," in which case the Tranche A, Tranche B term loan facility, or a portion thereof, will be reduced dollar–for–dollar.

The proceeds of the Tranche A and Tranche B Term Loan Facilities will be used to finance the approximately $2.4 billion special dividend payment to Alltel, which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin–off, to repay outstanding indebtedness, or both, within one year following the spin–off, and to refinance Valor's existing bank facility in the amount of approximately $781.0 million and approximately $81.0 million of Alltel's outstanding bonds (plus an additional approximately $9.5 million in related make–whole premiums). The proceeds of the Tranche C Term Loan Facility will be used to purchase any of Valor's outstanding bonds that are tendered pursuant to the terms thereof. The term loan facilities (other than Tranche C) will be available in a single draw down on the date of closing to consummate the spin–off and merger transactions. The revolving credit facility may be used by Newco for general corporate purposes and a portion will be available for letters of credit. The actual amount initially drawn under the Revolving Credit Facility on the date of closing is not expected to exceed $90.0 million. The term loan facilities and the revolving credit facility are referred to herein as the "Senior Secured Credit Facilities."

Newco's direct and indirect domestic subsidiaries will serve as guarantors of the Senior Secured Credit Facilities and hedge agreements entered into in connection therewith. The Senior Secured Credit Facilities, guaranties thereof and hedge agreements entered into in connection therewith will be secured by substantially all of the property and assets of Newco and its subsidiaries.

Indebtedness Before and After Merger

Set forth below is a list of all indebtedness of Spinco and Valor (or any of their respective subsidiaries) that will be repaid on the closing date of the merger:

Description	Principal Amount to be Repaid
Valor Bank Facility — Amended and Restated Credit Facility dated as of February 14, 2005 among Valor, 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)	Approximately $781.0 million of secured loans to be repaid in full with the proceeds of the Senior Credit Facilities and/or Refinancing Notes
Valor Bonds — 7 3/4% Senior Notes due 2015 issued by Valor	$400 million Valor Bonds to be repaid with the proceeds of the Tranche C Term Loan Facility to the extent put to the issuer pursuant to a change of control offer and noteholder consent required under the indenture governing the notes (assumed to be $0)
Alltel Bonds — Various bonds issued by certain of Alltel's wireline subsidiaries	Approximately $81.0 million, including accrued interest of Alltel wireline bonds to be repurchased with the proceeds of the Senior Credit Facilities and/or Refinancing Notes (expected total payments of approximately $90.5 million including the related make–whole premiums)

It is expected that following completion of the merger Newco will have approximately $5.5 billion in total debt. Set forth below is a list of all indebtedness of Spinco and Valor (or any of their respective subsidiaries) that is expected to be outstanding on the closing date of the merger after giving effect to the merger and the other transactions to be consummated in connection therewith:

Description	Principal Amount
Senior Credit Facilities:	
Revolving Credit Facility	Aggregate commitments of $500.0 million
Term Facilities and/or Refinancing Notes	Aggregate of $3.3 billion
Distributed Notes	$1.538 billion of senior notes, plus $27 million in fees related thereto that will be capitalized, to be issued by Spinco to Alltel as consideration for the contribution
Assumed Spinco Debt — 6 3/4% Notes due 2028 and 6 1/2% Debentures due 2013 issued by certain wireline subsidiaries of Alltel	Approximately $180.0 million of Alltel wireline bonds to be assumed by Spinco in connection with the contribution transaction
Valor Bonds — 7 3/4% Senior Notes due 2015 issued by Valor	$400.0 million of Valor Bonds assumed to remain outstanding (assuming not put to the issuer pursuant to a change of control offer required under the applicable indenture)

Proposed Terms of the Senior Secured Credit Facilities

Newco will be entitled to make borrowings at a rate based on ABR (which means the highest of (i) the rate of interest publicly announced by the administrative agent to be appointed under the facilities (the "Administrative Agent") as its prime rate, and (ii) the federal funds effective rate from time to time plus 0.5%) or LIBOR, as adjusted for statutory reserve requirements for Eurocurrency liabilities plus, in each case,

the applicable margin, which is referred to as a "Eurodollar Loan." The applicable margin is determined, for any day, as follows:

- if the Senior Credit Facilities are rated Ba2 or higher by Moody's and BB or higher by S&P (in each case with a stable outlook):
  - in the case of loans under the revolving credit facility, Tranche A Term Loans and Tranche C Term Loans, 1.25% for Eurodollar Loans and 0.25% for loans based on ABR, and
  - in the case of Tranche B Term Loans, 1.50% for Eurodollar Loans and 0.50% for loans based on ABR, or
- if the Senior Credit Facilities are rated lower than Ba2 by Moody's or lower than BB by S&P:
  - in the case of loans under the revolving credit facility, Tranche A Term Loans and Tranche C Term Loans, 1.50% for Eurodollar Loans and 0.50% for loans based on ABR, and
  - in the case of Tranche B Term Loans, 1.75% for Eurodollar Loans and 0.75% for loans based on ABR.

Newco may elect interest periods of 1, 2, 3, or 6 months for Eurodollar Loans. Interest on the loans will 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 Administrative Agent's prime rate). Interest will be payable (a) 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, and (b) for loans accruing interest based on the ABR, quarterly in arrears. Newco will also be required to pay certain fees and expenses in connection with the Senior Secured Credit Facilities. Newco will be required to pay a commitment fee calculated at the rate of up to .25% per annum on the average daily amount of the unused revolving credit commitment and the unused commitment to make Tranche C Term Loans.

The revolving credit agreement and the Tranche A and Tranche C Term Loans will mature on the date five years after the closing date of the merger. The Tranche B Term Facility will mature on the date that is seven years after the closing date of the merger. The Tranche B Term Facility 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. The Tranche A and 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%

Optional prepayments of borrowings under the Senior Secured Credit Facilities and optional reductions of the unutilized portion of the Revolving Credit Facility will be permitted at any time in minimum amounts to be agreed upon by the parties. In addition, subject to certain exceptions, 100% of the net proceeds from asset sales and casualty insurance will be required to be applied to prepay the Term Loans under the Senior Secured Credit Facilities.

Under the terms of the Senior Secured Credit Facilities, after the completion of the merger, Newco will be required to meet certain financial tests, including a minimum interest coverage ratio (that is to be determined) and maximum leverage ratio of 4.50 to 1.0. In addition, Newco will agree to covenants that, among other things, will limit the incurrence of additional indebtedness, liens, capital expenditures, loans and investments and will limit its ability to take certain action with respect to dividends and payments in respect of capital stock (with an exception for dividends up to the sum of excess free cash flow 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, and will limit its ability to enter into mergers, consolidations, acquisitions, asset dispositions and sale/leaseback transactions and transactions with affiliates, and will restrict changes in lines of business, amendments of material agreements, and will place restrictions on other matters customarily restricted in senior secured loan agreements. The Senior Secured Credit Facilities will also contain customary provisions 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 indemnifying the lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a Eurodollar Loan on a day other than the last day of an interest period with respect thereto. Furthermore, the Senior Secured Credit Facilities will contain representations and warranties and affirmative covenants customarily contained in senior secured loan agreements.

The Senior Secured Credit Facility will contain customary events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross–defaults, certain bankruptcy or insolvency events, certain ERISA–related events, material judgments, changes in control or ownership, and invalidity of any collateral or guarantee or other document.

We expect that the Senior Secured Credit Facilities closing date will be during the second quarter of 2006, with the fundings to occur contemporaneously with the completion of the spin–off and merger. However, entering into the Senior Secured Credit Facilities and any funding under the facilities will remain subject to a number of conditions. These conditions will include the consummation of the merger and spin–off, the receipt of certain financial statements and projections, satisfaction of a ratio of pro forma Consolidated Debt (to be defined) to pro forma consolidated EBITDA, perfection of security interests and miscellaneous closing conditions customary for credit facilities and transactions of this type.

SPINCO MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Spinco is currently a wholly–owned subsidiary of Alltel Corporation and was formed on November 2, 2005 to hold Alltel Corporation's wireline business. Alltel Corporation's wireline business is currently operated by certain of its subsidiaries. Prior to the closing of the spin–off and the merger, each of those subsidiaries will be contributed to Spinco, along with certain assets and liabilities related to the wireline business. Until that contribution occurs, Spinco will have no material assets or operations. This proxy statement/ prospectus–information statement, including the combined financial statements and the following discussion, describes Spinco and its financial condition and operations as if Spinco held the subsidiaries and other assets that will be transferred to it prior to closing for all historical periods presented. The following discussion should be read in conjunction with the selected combined financial data and the combined financial statements and the related notes included on pages F–1 through F–27 in this proxy statement/ prospectus–information statement. Except for the historical combined financial information contained herein, the matters discussed below may contain forward–looking statements that reflect Spinco's plans, estimates and beliefs. Spinco's actual results could differ materially from those discussed in these forward–looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this proxy statement/ prospectus–information statement, particularly in "Risk Factors" and "Special Note Regarding Forward–Looking Statements."

Basis of Presentation

Spinco's combined financial statements included on pages F–1 through F–27 in this proxy statement/ prospectus–information statement have been derived from the accounting records of Alltel, principally representing Alltel's historical wireline and communications support segments. Spinco has used the historical results of operations, and historical basis of assets and liabilities of the subsidiaries it will own and the wireline business it will operate after completion of the spin–off, to prepare the combined financial statements. The statements of operations include expense allocations for certain corporate functions historically provided to Spinco by Alltel, including general corporate expenses, employee benefits and incentives, and interest income (expense). These allocations were made on a specifically identifiable basis or using the relative percentages, as compared to Alltel's other businesses, of net sales, payroll, fixed assets, inventory and other assets, headcount or other reasonable methods. Management of both Spinco and Alltel consider these allocations to be a reasonable reflection of the utilization of services provided. Spinco expects that its expenses after the separation from Alltel may be significantly higher than the amounts reflected in the combined statements of operations as Spinco will incur certain incremental costs as an independent public company.

Management of Spinco believes the assumptions underlying its financial statements are reasonable. However, Spinco's financial statements included herein may not necessarily reflect its results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had it been a separate, stand–alone company during the periods presented.

Spinco is organized based on the products and services that it offers. Under this organizational structure, Spinco's operations consist of its wireline, product distribution, and other segments. Spinco's wireline segment consists of Spinco's incumbent local exchange carrier ("ILEC"), competitive local exchange carrier ("CLEC") and Internet access operations. The product distribution segment consists of Spinco's communications products operations. The other segment consists of Spinco's long–distance and network management services, directory publishing operations and the telecommunications information services operations.

Executive Summary

Spinco is a wholly–owned subsidiary of Alltel that provides local telephone, long–distance, Internet and high–speed data services. Spinco provides local telephone service to approximately 2.9 million customers primarily located in rural areas in 15 states. Among the highlights in 2005:

- Spinco added more than 154,000 high–speed data customers, increasing Spinco's DSL customer base to almost 400,000. This increase more than offset the loss of approximately 124,000 local access lines, a year–over–year decline of 4 percent.
- Revenues and sales decreased by $10.0 million and operating income decreased by $33.8 million, primarily due to the loss in access lines discussed above. However, average revenue per customer increased 2 percent to $67.21, primarily due to growth in DSL revenues and selling additional services and features to existing wireline customers.
- During the fourth quarter of 2005, Spinco began offering DISH Network satellite television service to Spinco's residential customers as part of a bundled service offering.

As further discussed under "Pending Transactions to be Completed During 2006," Spinco has positioned its wireline business for future growth opportunities as a result of the planned spin–off from Alltel and subsequent merger with Valor. This transaction, which is expected to close by the second quarter of 2006, is significant to Spinco because it will expand Spinco's retail presence into new markets by adding approximately 518,000 access lines in four states. The resulting company will represent the largest telecommunications carrier in the United States focusing primarily on rural markets, and 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 due to the resulting increased size and economies of scale.

However, during 2006, Spinco will continue to face significant challenges resulting from competition in the telecommunications industry and changes in the regulatory environment, including the effects of potential changes to the rules governing universal service and inter–carrier compensation. In addressing competition, in addition to the merger with Valor discussed above, Spinco will continue to focus Spinco's efforts on improving customer service and expanding its service offerings.

Pending Acquisitions to be Completed During 2006

On December 9, 2005, Alltel announced that its board of directors had approved the spin–off of its wireline telecommunications business to its stockholders and the merger of that wireline business with Valor. Pursuant to the plan of distribution and immediately prior to the effective time of the merger with Valor described below, Alltel will contribute all of the assets of its wireline telecommunications business to Spinco, in exchange for: (i) the issuance to Alltel of Spinco common stock to be distributed to Alltel's stockholders pro rata in the spin–off (the "distribution"), (ii) the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which equals approximately $2.4 billion as of June 30, 2005), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin–off, to repay outstanding indebtedness, or both, within one year following the spin–off, and the distribution by Spinco to Alltel of certain Spinco debt securities (the "exchange notes") in an amount equal to approximately $1.538 billion, which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors, thereby reducing Alltel's outstanding indebtedness. Prior to the distribution and merger, Spinco will consummate certain financing transactions pursuant to which it will incur approximately $3.965 billion in indebtedness through (1) borrowing under a new senior secured credit agreement or the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended, or a public offering and (2) the distribution of the exchange notes to Alltel. All proceeds of the financing will be used to pay the consideration to be received by Alltel for the contribution (through payment of the special dividend and distribution of the exchange notes) and to pay related fees and expenses. Alltel has received a commitment letter from various financial institutions to provide Spinco with up to $4.2 billion in senior secured credit facilities comprised of term loan facilities in an aggregate amount of up to $3.7 billion and a revolving credit facility of up to $500 million.

Immediately after the consummation of the spin–off, Spinco will merge with and into Valor, with Valor continuing as the surviving corporation, which we refer to as Newco. As a result of the merger, all of the issued and outstanding shares of Spinco's 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 approximately 85 percent of the outstanding equity interests of Newco immediately after the merger and the stockholders of Valor holding the remaining approximately 15 percent of such equity interests. To effect the merger, Valor will issue approximately 403 million shares of its common stock to the stockholders of Alltel. As a result of this transaction, Alltel stockholders will continue to own one share of the remaining wireless entity and will be entitled to receive approximately 1.04 shares of Valor common stock for each share of Alltel common stock they currently own.

By virtue of the merger, Newco will assume $261.0 million in Alltel debt and $400.0 million in outstanding Valor debt securities. Newco will also borrow approximately $781.0 million under its new senior secured credit facility in order to prepay the amounts outstanding under Valor's existing credit facility. These amounts, together with the $3.965 billion in financings consummated by Spinco prior to the merger and certain expenses related to the transaction, will result in Newco having approximately $5.5 billion in total debt immediately following completion of the merger. It is expected that Newco will use proceeds from its new senior secured credit facilities to refinance approximately $81.0 million of Alltel's outstanding bonds (plus an additional approximately $9.5 million in related make–whole premiums) and to purchase any of Valor's outstanding bonds that may be tendered pursuant to the terms thereof as a result of the merger. However, no Valor bonds are expected to be tendered as a result of the merger.

Consummation of the merger is subject to certain conditions, including the approval of the merger proposals by the stockholders of Valor, receipt of a favorable ruling from the IRS regarding the tax–free status of the distribution, special dividend, debt exchange and merger transaction, consummation of the required financing, and the receipt of regulatory approvals, including, without limitation, the approval of the FCC and multiple state public service commissions. The transaction is expected to close in the second quarter of 2006.

COMBINED RESULTS OF OPERATIONS

	2005	2004	2003
		(In millions)	
Revenues and sales:			
Service revenues	$ 2,463.6	$ 2,533.5	$ 2,618.4
Product sales	459.9	400.0	384.9
Total revenues and sales	2,923.5	2,933.5	3,003.3
Costs and expenses:			
Cost of services	796.1	813.7	864.8
Cost of products sold	374.8	333.8	339.0
Selling, general, administrative and other	340.1	327.9	351.0
Depreciation and amortization	474.2	508.5	519.4
Royalty expense to Parent	268.8	270.2	273.0
Restructuring and other charges	35.7	11.8	12.2
Total costs and expenses	2,289.7	2,265.9	2,359.4
Operating income	633.8	667.6	643.9
Other income, net	11.6	13.7	5.8
Intercompany interest income (expense)	23.3	(15.2)	(21.6)
Interest expense	(19.1)	(20.4)	(27.7)
Gain on disposal of assets and other	—	—	23.9
Income before income taxes	649.6	645.7	624.3
Income taxes	267.9	259.4	247.1
Income before cumulative effect of accounting change	381.7	386.3	377.2
Cumulative effect of accounting change, net of taxes	(7.4)	—	15.6
Net income	$ 374.3	$ 386.3	$ 392.8

Total revenues and sales decreased less than 1 percent in 2005, or $10.0 million, and 2 percent in 2004, or $69.8 million, driven by decreases in service revenues of 3 percent in both years, or $69.9 million and $84.9 million, respectively. Wireline local access service and network access and toll revenues decreased $78.1 million in 2005 and $33.9 million in 2004, primarily as a result of the loss of wireline access lines due, in part, to broadband and wireless substitution. Telecommunications information services revenues decreased $24.6 million in 2005 from 2004 due to the loss of one of Alltel's remaining unaffiliated wireline services customers during the fourth quarter of 2004. Telecommunications information services revenues decreased $67.1 million in 2004 compared to 2003, primarily due to the December 2003 sale of certain assets and related liabilities, including selected customer contracts and capitalized software development costs, to Convergys Information Management Group, Inc. ("Convergys"). Offsetting the decline in service revenues attributable to local access service, network access and toll revenues and telecommunications information services were increases in revenues derived from data services and Internet operations of $36.8 million in 2005 and $29.4 million in 2004, reflecting continued customer demand for these products. In addition, universal service fund ("USF") revenues increased $12.5 million in 2005 as a result of the decline in access revenues previously discussed and decreased $20.3 million in 2004 as a result of an increase in the national average cost per loop, combined with Spinco's cost cutting measures, as further discussed below in "Results of Operations by Business Segment." Finally, service revenues in 2005 reflected a decrease in advertising revenues earned from directories published in Spinco's ILEC markets of $12.2 million due to a change in the number and mix of directories published.

Product sales, which represents revenues generated from Spinco's directory publishing operations and sales of telecommunications equipment and data products, primarily to Spinco's ILEC subsidiaries increased

$59.9 million, or 15 percent in 2005 and $15.1 million, or 4 percent in 2004. The increase in product sales in 2005 was due primarily to an increase in sales of telecommunications equipment and data products of $50.4 million related to increased capital expenditures by Spinco's wireline operations. The 2004 increase in product sales was primarily due to an increase in directory publishing revenues of $33.3 million associated with an increase in the number of directory contracts published, including the initial publication of directories for the acquired Kentucky and Nebraska operations, partially offset by a decrease in sales of telecommunications equipment and data products of $21.4 million due to a reduction in capital expenditures by Spinco's wireline operations.

Cost of services, which represents the cost of provisioning service, as well as business taxes and bad debt expense, decreased $17.6 million, or 2 percent, in 2005 and $51.1 million, or 6 percent, in 2004. The 2005 decrease was driven primarily by a reduction in costs incurred by the telecommunications information services operations due to the loss of a customer as discussed herein. The 2004 decrease was also impacted by a reduction in costs incurred by the telecommunications information services operations due to the sale of customer contracts to Convergys. In addition, cost of services decreased in 2004 due to the effects of incremental costs of $20.9 million incurred in 2003 related to a strike by our unionized workforce in Kentucky and maintenance costs due to damage caused by severe winter storms.

Cost of products sold increased $41.0 million, or 12 percent, in 2005, consistent with the increase in product sales discussed above. Although product sales increased in 2004, cost of products sold decreased $5.2 million, or 2 percent, primarily due to the favorable effects of increased start–up costs incurred in 2003 in Spinco's directory publishing operations in order to begin providing all directory publishing services, except printing, for all directory contracts published in 2004.

Selling, general, administrative and other expenses increased $12.2 million, or 4 percent, in 2005 and decreased $23.1 million, or 7 percent in 2004. The 2005 increase was due primarily to increased selling and marketing costs incurred by Spinco's publishing subsidiary. The 2004 decline in selling, general, administrative and other expense was due primarily to a decline in allocations received from Alltel related to services that Alltel provides for Spinco under a shared services agreement and reduced salaries and benefits costs as a result of cost cutting measures, as well as the favorable effect of incremental start–up costs incurred by Spinco's publishing subsidiary in 2003 as previously discussed. Depreciation and amortization expense declined $34.3 million, or 7 percent, and $10.9 million, or 2 percent, in 2005 and 2004, respectively. The decline in both years primarily resulted from a reduction in depreciation rates for certain of Spinco's ILEC operations, reflecting the results of studies of depreciable lives completed during 2005 and 2004. Royalty expense to Parent decreased 1 percent in both 2005 and 2004, or $1.4 million and $2.8 million, respectively. Spinco's ILEC subsidiaries incur a royalty expense from Alltel for the use of the Alltel brand name in marketing and distributing telecommunications products and services pursuant to a licensing agreement with an Alltel affiliate. Following the spin off and merger with Valor, Spinco no longer expects to incur this charge as Spinco will no longer use the Alltel brand name.

Restructuring and Other Charges

A summary of the restructuring and other charges recorded by Spinco's wireline operations in 2005 was as follows:

	(Millions)
Severance and employee benefit costs	$ 4.4
Costs associated with pending spin–off and merger of wireline operations	31.3
Total restructuring and other charges	$ 35.7

During the third quarter of 2005, Spinco incurred $4.6 million of severance and employee benefit costs related to a planned workforce reduction in Spinco's wireline operations. In the fourth quarter of 2005, Spinco reduced the liabilities associated with the wireline restructuring activities by $0.2 million to reflect differences between estimated and actual costs paid in completing the employee terminations. As of December 31, 2005, Spinco had paid $4.4 million in severance and employee–related expenses, and all of the employee reductions

had been completed. As previously discussed, on December 9, 2005, Alltel announced that it would spin off its wireline telecommunications business to its stockholders and merge it with Valor. In connection with the spin–off and merger, Spinco incurred $31.3 million of incremental costs during the fourth quarter of 2005, principally representing accrued investment banker, audit and legal fees.

A summary of the restructuring and other charges recorded in 2004 was as follows:

	Wireline	Product Distribution	Other	Total
		(Millions)		
Severance and employee benefit costs	$ 11.2	$ 0.1	$ 0.3	$ 11.6
Relocation costs	1.2	—	0.1	1.3
Lease and contract termination costs	(1.8)	—	—	(1.8)
Other exit costs	0.7	—	—	0.7
Total restructuring and other charges	$ 11.3	$ 0.1	$ 0.4	$ 11.8

In January 2004, Spinco announced plans to reorganize its operations and support teams. Also during February 2004, Spinco announced plans to exit its CLEC operations in the Jacksonville, Florida market due to the continued unprofitability of these operations. In connection with these activities, Spinco recorded a restructuring charge of $13.6 million, consisting of $11.6 million in severance and employee benefit costs related to a planned workforce reduction, $1.3 million of employee relocation expenses and $0.7 million of other exit costs. As of December 31, 2005, Spinco had paid all of the severance and employee–related expenses, and all of the employee reductions and relocations had been completed. During 2004, Spinco also recorded a $1.8 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease and contract termination costs. The reductions primarily reflected differences between estimated and actual costs paid in completing the employee relocations and terminations.

A summary of the restructuring and other charges recorded in 2003 was as follows:

	Wireline	Product Distribution	Other	Total
		(Millions)		
Severance and employee benefit costs	$ 7.0	$ —	$ —	$ 7.0
Lease and contract termination costs	—	$ —	(0.4)	(0.4)
Write–down of software development costs	1.8	$ —	3.8	5.6
Total restructuring and other charges	$ 8.8	$ —	$ 3.4	$ 12.2

During 2003, Spinco recorded a restructuring charge of $7.0 million consisting of severance and employee benefit costs related to a planned workforce reduction, primarily resulting from the closing of certain call center locations. As of December 31, 2005, Spinco had paid all of the severance and employee–related expenses, and all of the employee reductions had been completed. Spinco also recorded a $0.4 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease termination costs. The reduction primarily reflected differences between estimated and actual costs paid in completing the lease terminations. In 2003, Spinco also wrote off certain capitalized software development costs that had no alternative future use or functionality.

The restructuring and other charges decreased net income $34.1 million, $7.3 million and $7.5 million for the years ended December 31, 2005, 2004 and 2003, respectively. The restructuring and other charges discussed above were not allocated to our business segments, as management evaluates segment performance excluding the effects of these items. (See Note 8 to the combined financial statements for additional information regarding these changes.)

Other Income, Net

Other income, net decreased $2.1 million, or 15 percent, in 2005 and increased $7.9 million, or 136 percent, in 2004. The increase in other income, net in 2004 primarily resulted from an increase of

$6.2 million in the amount of annual dividends paid on Spinco's investment in Rural Telephone Bank Class C stock. In the second quarter of 2003, Spinco received additional shares of this stock investment as a result of Spinco's repayment of all outstanding debt under the Rural Utilities Services, Rural Telephone Bank and Federal Financing Bank programs, as further discussed below. As of December 31, 2005, Spinco's investment in Rural Telephone Bank Class C stock was transferred to Alltel. As a result, Spinco will not receive any related dividends during 2006.

Intercompany Interest Income (Expense)

Spinco participates in a cash management program with its parent company, Alltel. Under this program, Spinco earns interest on amounts remitted to Alltel at a rate based on current market rates for short–term investments and pay interest on amounts received from Alltel at a rate based on Alltel's weighted–average borrowing rate. Intercompany interest income (expense) increased $38.5 million, or 253 percent, in 2005 and $6.4 million, or 30 percent, in 2004. The increase in both years is due to an increase in the amount of funds remitted to Alltel under the cash management program, combined with an increase in the advance interest rate.

Interest Expense

Interest expense decreased $1.3 million, or 6 percent, in 2005 and $7.3 million, or 26 percent, in 2004. The decrease in 2004 reflected the prepayment of all outstanding borrowings, which totaled $249.1 million, under the Rural Utilities Services, Rural Telephone Bank and Federal Financing Bank programs in the second quarter of 2003.

Gain on Disposal of Assets and Other

In 2003, Spinco sold to Convergys certain assets and related liabilities, including selected customer contracts and capitalized software development costs, associated with Spinco's telecommunications information services operations. In connection with this sale, Spinco received proceeds of $37.0 million and recorded a pretax gain of $31.0 million. As noted above, during the second quarter of 2003, Spinco retired, prior to stated maturity dates, $249.1 million of long–term debt. In connection with the early retirement of this debt, Spinco incurred pretax termination fees of $7.1 million. These transactions increased net income $10.7 million in 2003.

Income Taxes

Income tax expense increased $8.5 million, or 3 percent, in 2005 and $12.3 million, or 5 percent, in 2004, consistent with the overall growth in income before income taxes. Spinco's effective tax rate in 2005 was 41.3 percent, compared to 40.2 percent in 2004. The 2005 effective tax rate was unfavorably impacted by the non–deductible spin–related costs previously discussed.

Income before Cumulative Effect of Accounting Change

Income before cumulative effect of accounting change decreased $4.6 million, or 1 percent, in 2005 as compared to 2004 and increased $9.1 million, or 2 percent, in 2004 as compared to 2003. Income before cumulative effect of accounting change in 2005 was adversely affected by the decline in revenues primarily due to the loss of access lines discussed above and the additional spin–related costs incurred during the fourth quarter of 2005, partially offset by increased intercompany interest income earned from Alltel under the cash management program. The increase in 2004 was due primarily to the decline in operating expenses due to the favorable effect of incremental strike–related costs and maintenance costs in 2003 and the gain on the sale of customer contracts to Convergys in 2003, partially offset by the decline in revenues primarily due to the loss of access lines.

Cumulative Effect of Accounting Change

During the fourth quarter of 2005, Spinco adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which is an interpretation of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long–lived assets and the associated asset retirement costs. This standard applies to legal obligations associated with the retirement of long–lived assets that result from the acquisition, construction, development, or normal use of the assets. SFAS No. 143 requires that a liability for an asset retirement obligation be recognized when incurred and reasonably estimable, recorded at fair value and classified as a liability in the balance sheet. When the liability is initially recorded, the entity capitalizes the cost and increases the carrying value of the related long–lived asset. The liability is then accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. At the settlement date, the entity will settle the obligation for its recorded amount and recognize a gain or loss upon settlement. FIN 47 states that the accounting guidance in SFAS No. 143 is applicable to asset retirement obligations that are conditional on the occurrence of a future event.

Spinco evaluated the effects of FIN 47 on its operations and determined that, for certain buildings containing asbestos, Spinco is legally obligated to remediate the asbestos if it were to abandon, sell or otherwise dispose of the buildings. In addition, for Spinco's acquired Kentucky and Nebraska ILEC operations not subject to SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation", it is legally obligated to properly dispose of its chemically–treated telephone poles at the time they are removed from service. In accordance with federal and state regulations, depreciation expense for Spinco's ILEC operations that follow the accounting prescribed by SFAS No. 71 have historically included an additional provision for cost of removal, and accordingly, the adoption of FIN 47 had no impact on these operations. The cumulative effect of this change in 2005 resulted in a non–cash charge of $7.4 million, net of income tax benefit of $4.6 million, and was included in net income for the year ended December 31, 2005.

Except for certain ILEC subsidiaries as further discussed below, Spinco adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. Spinco evaluated the effects of SFAS No. 143 on its operations and determined that, for telecommunications and other operating facilities in which it owns the underlying land, Spinco has no contractual or legal obligation to remediate the property if it were to abandon, sell or otherwise dispose of the property. However, certain of Spinco's lease agreements for office space require restoration of the leased site upon expiration of the lease term. Accordingly, Spinco is subject to asset retirement obligations associated with these leased facilities under the provisions of SFAS No. 143. The application of SFAS No. 143 to Spinco's office leases did not have a material impact on its consolidated results of operations, financial position or cash flows as of or for the year ended December 31, 2003.

As noted above, in accordance with federal and state regulations, depreciation expense for Spinco's ILEC operations has historically included an additional provision for cost of removal. The additional cost of removal provision does not meet the recognition and measurement principles of an asset retirement obligation under SFAS No. 143. On December 20, 2002, the Federal Communications Commission ("FCC") notified wireline carriers that they should not adopt the provisions of SFAS No. 143 unless specifically required by the FCC in the future. As a result of the FCC ruling, Spinco will continue to record a regulatory liability for cost of removal for its ILEC subsidiaries that follow the accounting prescribed by SFAS No. 71. For the acquired Kentucky and Nebraska ILEC operations not subject to SFAS No. 71, effective January 1, 2003, Spinco ceased recognition of the cost of removal provision in depreciation expense and eliminated the cumulative cost of removal included in accumulated depreciation. The cumulative effect of retroactively applying these changes to periods prior to January 1, 2003, resulted in a non–cash credit of $15.6 million, net of income tax expense of $10.3 million, and was included in net income for the year ended December 31, 2003. The cessation of the cost of removal provision in depreciation expense for the acquired Kentucky and Nebraska ILEC operations did not have a material impact on Spinco's consolidated results of operations for the year ended December 31, 2003.

Results of Operations By Business Segment

Wireline Operations	2005	2004	2003
		(Dollars in millions, except access lines in thousands)	
Revenues and sales:			
Local service	$ 1,081.5	$ 1,115.6	$ 1,135.6
Network access and interconnection	1,034.1	1,038.3	1,049.9
Miscellaneous	255.8	256.9	243.1
Total revenues and sales	2,371.4	2,410.8	2,428.6
Costs and expenses:			
Cost of services	704.0	702.8	736.4
Cost of products sold	31.7	29.4	28.0
Selling, general, administrative and other	276.2	272.8	289.7
Depreciation and amortization	468.2	502.2	510.2
Royalty expense to Parent	268.8	270.2	273.0
Total costs and expenses	1,748.9	1,777.4	1,837.3
Segment income	$ 622.5	$ 633.4	$ 591.3
Access lines in service (excludes DSL lines)	2,885.7	3,009.4	3,095.6
Average access lines in service	2,950.0	3,061.5	3,136.8
Average revenue per customer per month(a)	$ 67.21	$ 65.87	$ 64.72

Notes:

(a) Average revenue per customer per month is calculated by dividing total wireline revenues by average access lines in service for the period.

Wireline operations consist of Spinco's ILEC, CLEC and Internet operations. Wireline revenues and sales decreased $39.4 million, or 2 percent, in 2005 and $17.8 million, or 1 percent, in 2004. Customer access lines decreased 4 percent in 2005 compared to a 3 percent decline in 2004. Spinco lost approximately 124,000 and 86,000 access lines during 2005 and 2004, respectively, primarily as a result of the effects of wireless and broadband substitution for Spinco's wireline services. Spinco expects the number of access lines served by its wireline operations to continue to be adversely affected by wireless and broadband substitution in 2006. Although Spinco has not yet seen significant competition from Voice over Internet Protocol ("VoIP") providers, it also expects VoIP substitution to adversely impact the number of access lines served by its wireline operations during 2006.

To slow the decline of revenue in 2006, Spinco will continue to emphasize sales of enhanced services and bundling of its various product offerings including Internet, long-distance and broadband data transport services. Deployment of broadband service is an important strategic initiative for Spinco, and as of December 31, 2005, approximately 73 percent of its addressable lines were broadband-capable. During 2005 and 2004, Spinco added 154,000 and 90,000 broadband customers, respectively. At December 31, 2005, Spinco's broadband customer base had grown to almost 400,000 customers. The growth in Spinco's broadband customers more than offset the decline in customer access lines that occurred in 2005 and 2004 noted above. In addition, during the fourth quarter of 2005, Spinco began offering DISH Network satellite television service to its residential customers as part of a bundled product offering. As further discussed below, revenues generated from the sales of data and enhanced services increased in both 2005 and 2004, which helped to offset the adverse effects on wireline revenues resulting from the loss of access lines.

Local service revenues decreased $34.1 million, or 3 percent, in 2005 and $20.0 million, or 2 percent, in 2004. Local service revenues reflected reductions in basic service access line revenues of $35.3 million in 2005 and $25.7 million in 2004, consistent with the overall decline in access lines discussed above. The decline in

local service revenues attributable to access line loss was partially offset by growth in revenues derived from the sales of enhanced products and services, such as voice mail and caller identification, and equipment protection plans. Revenues from these services increased $3.6 million in 2005 and $7.3 million in 2004, reflecting continued demand for these products and services.

Network access and interconnection revenues decreased 1 percent in both 2005 and 2004, or $4.2 million and $11.6 million, respectively. Primarily due to the overall decline in access lines discussed above, network access usage and toll revenues decreased $42.8 million in 2005 and $8.2 million in 2004. The decline in network access and interconnection revenues in both years attributable to access line loss was partially offset by growth in revenues earned from data services, which increased $26.0 million and $17.0 million in 2005 and 2004, respectively. The growth in revenues from data services in both 2005 and 2004 primarily reflected increased demand for high–speed data transport services. In addition to the effects of access line loss and increased demand for data services, USF revenues increased $12.5 million in 2005 and decreased $20.3 million in 2004. Spinco receives both federal and state USF subsidies due to the rural nature of most of its ILEC markets. The increase in USF revenues in 2005 resulted primarily from an increase of $13.3 million in interstate common line support ("ICLS") funding received in Spinco's rate–of–return markets as a result of the declining access revenues discussed above. ICLS funding is intended to ensure that rate–of–return carriers receive sufficient revenues to earn an appropriate profit margin, defined as 11.25 percent of eligible revenues. Conversely, compared to the prior year periods, high–cost loop support ("HCLS") funding received by Spinco's ILEC subsidiaries decreased $4.4 million in 2005 and $20.3 million in 2004. The decreases in HCLS funding primarily resulted from increases in the national average cost per loop combined with the effects of Spinco's cost control efforts. Receipts from the HCLS fund are based on a comparison of each company's embedded cost per loop to a national average cost per loop. Primarily due to expected increases in the national average cost per loop and Spinco's continued focus on controlling operating costs in its ILEC business, it expects net USF receipts in 2006 to decline by approximately $15.0 million, compared to 2005.

Miscellaneous revenues primarily consist of charges for Internet services, directory advertising, customer premise equipment sales, and billing and collection services provided to long–distance companies. Miscellaneous revenues decreased slightly in 2005 and increased $13.8 million, or 6 percent, in 2004. Primarily driven by growth in broadband customers, revenues from Spinco's Internet operations increased $10.8 million in 2005 and $12.4 million in 2004. In addition, sales and rentals of customer premise equipment increased $3.4 million in 2005, reflecting continued customer demand for these products. Also during 2005, Spinco generated $1.1 million in commissions revenue in conjunction with offering DISH Network satellite television service to its residential customers as discussed above. Offsetting these increases in miscellaneous revenues in 2005 was a decline in advertising revenues earned from directories published in Spinco's ILEC markets of $12.2 million from 2004, primarily due to a change in the number and mix of directories published during the period. Conversely, miscellaneous revenues for 2004 reflected a $4.4 million increase in directory advertising revenues from 2003. Directory advertising revenues for 2004 included additional revenues of approximately $14.9 million associated with the initial publication of directories in the acquired Kentucky and Nebraska markets, partially offset by lower directory advertising revenues in Spinco's other ILEC markets as compared to 2003. The decline in directory advertising revenues in Spinco's other ILEC markets was due primarily to a change in the number and mix of directories published during the period. The increase in miscellaneous revenues attributable to the Internet and directory publishing operations was partially offset in 2004 by a $2.6 million decline from 2003 in customer premise equipment sales and rentals due to lower customer demand for purchasing or leasing landline–based communications equipment.

Primarily due to the broadband customer growth and increased sales of enhanced features, average revenue per customer per month increased 2 percent in both 2005 and 2004 from the corresponding prior year period. Future growth in average revenue per customer per month will depend on Spinco's success in sustaining growth in sales of broadband and other enhanced services to new and existing customers.

Cost of services increased slightly in 2005 and decreased by $33.6 million, or 5 percent, in 2004. Cost of services for 2005 included approximately $3.2 million of incremental costs incurred during the first quarter of 2005 related to work force reductions in Spinco's wireline business, as well as higher overtime and maintenance costs due to inclement weather. Cost of services in 2005 also included $4.4 million of additional

customer service expenses attributable to the growth in broadband customers, specifically the costs associated with subsidizing broadband–capable modems. In addition, cost of services in 2005 included increased regulatory fees of $5.6 million related to an increase in the contribution factor applicable to universal service funding, which was collected from Spinco's customers. Offsetting the increase in salaries and benefits, customer service costs and regulatory fees in 2005 was a decrease in business taxes of $6.3 million and a decrease in bad debt expense of $4.4 million, both consistent with the decline in revenues discussed above. In addition, interconnection expenses decreased $2.8 million in 2005 and $8.2 million in 2004, consistent with the declines in toll revenues and access lines discussed above. Cost of services for 2004 also reflected reductions in customer service expenses and the effects of incremental strike–related expenses and maintenance costs incurred in 2003, as further discussed below. Compared to 2003, customer service expenses decreased $3.3 million in 2004, primarily due to cost savings from the Company's continued efforts to control operating expenses. Included in cost of services in 2003 were $6.0 million of additional maintenance costs to repair damage caused by severe winter storms and incremental expenses of approximately $14.9 million associated with a strike that ended on October 1, 2003, when Spinco signed a new collective bargaining agreement impacting approximately 400 employees in Kentucky represented by the Communications Workers of America.

Cost of products sold increased $2.3 million, or 8 percent, in 2005 and $1.4 million, or 5 percent, in 2004. The increase in 2005 was consistent with the increase in sales and rentals of customer premise equipment discussed above. Although sales and rentals of customer premise equipment declined in 2004 as compared to 2003, cost of products sold increased, primarily due to the effects of negative results of inventory counts performed during 2004 as compared to the results of counts performed in 2003.

Selling, general, administrative and other expenses increased $3.4 million, or 1 percent, in 2005 and decreased $16.9 million, or 6 percent, in 2004. The increase in 2005 was due primarily to higher insurance premiums related to Spinco's employee medical and dental plans. Partially offsetting the increase in employee benefit costs in 2005 was a decline in intercompany allocations received from Alltel. Under a shared services agreement, Alltel provides certain functions on Spinco's behalf, including but not limited to accounting, marketing, customer billing, information technology, legal, human resources, and engineering services. The decline in 2004 also resulted from lower intercompany allocations received from Alltel. In addition, salaries and employee benefit costs declined $12.1 million in 2004, primarily reflecting cost savings driven by the restructuring initiatives commenced in 2003 and 2004 as previously discussed.

Depreciation and amortization expense decreased $34.0 million, or 7 percent, in 2005 and $8.0 million, or 2 percent, in 2004. The decreases in depreciation and amortization expense in both years primarily resulted from a reduction in depreciation rates for certain of Spinco's ILEC operations, reflecting the results of studies of depreciable lives completed during 2005 and 2004. During the second quarter of 2004, a triennial study of depreciable lives was completed related to Spinco's Nebraska ILEC operations as required by the Nebraska Public Service Commission. In addition, Spinco completed studies of depreciable lives during 2005 related to its Florida, Georgia and South Carolina ILEC operations, which also resulted in a reduction in depreciation rates. The depreciable lives were lengthened to reflect the estimated remaining useful lives of the ILEC plant based on Spinco's expected future network utilization and capital expenditure levels required to provide service to its customers. During 2006, Spinco expect to review the depreciation rates utilized in its remaining ILEC operations.

Royalty expense to Parent decreased 1 percent in both 2005 and 2004, or $1.4 million and $2.8 million, respectively. Spinco's ILEC subsidiaries incur a royalty expense from Alltel for the use of the Alltel brand name in marketing and distributing telecommunications products and services pursuant to a licensing agreement with an Alltel affiliate. Following the spin off and merger with Valor, Spinco no longer expects to incur this charge as it will no longer use the Alltel brand name.

Wireline segment income decreased $10.9 million, or 2 percent, in 2005 and increased $42.1 million, or 7 percent, in 2004. The decrease in segment income in 2005 primarily resulted from the decline in revenues and sales due to the loss of access lines, which were partially offset by the favorable effects of reduced depreciation rates, as discussed above. Conversely, the increase in 2004 primarily reflected the selling of

additional services and features to existing wireline customers, growth in Spinco's Internet operations, the effects of the incremental strike–related and maintenance costs incurred in 2003 and its cost savings and expense control efforts discussed above.

Set forth below is a summary of the restructuring and other charges related to the wireline operations that were not included in the determination of segment income for the years ended December 31:

	2005	2004	2003
		(Millions)	
Severance and employee benefit costs	$ 4.4	$ 11.2	$ 7.0
Relocation costs	—	1.2	—
Lease and contract termination costs	—	(1.8)	—
Costs associated with pending spin–off and merger of wireline operations	31.3	—	—
Write–down of software development costs	—	—	1.8
Other exit costs	—	0.7	—
Total restructuring and other charges	$ 35.7	$ 11.3	$ 8.8

Accounting for Regulated Entities

Except for the acquired Kentucky and Nebraska operations, Spinco's ILEC operations follow the accounting for regulated enterprises prescribed by SFAS No. 71. Criteria that would give rise to the discontinuance of SFAS No. 71 include (1) increasing competition restricting the regulated ILEC subsidiaries' ability to establish prices to recover specific costs and (2) significant changes in the manner in which rates are set by regulators from cost–based regulation to another form of regulation. Spinco reviews these criteria on a quarterly basis to determine whether the continuing application of SFAS No. 71 is appropriate. In assessing the continued applicability of SFAS No. 71, Spinco monitors the following:

- Level of competition in Spinco's markets. Sources of competition to Spinco's local exchange business include, but are not limited to, resellers of local exchange services, interexchange carriers, satellite transmission services, wireless communications providers, cable television companies, and competitive access service providers including those utilizing Unbundled Network Elements–Platform ("UNE–P"), VoIP providers and providers using other emerging technologies. Spinco's ILEC operations have begun to experience competition in their local service areas. Through December 31, 2005, this competition has not had a material adverse effect on the results of operations of Spinco's ILEC operations, primarily because these subsidiaries provide wireline telecommunications services in mostly rural areas. To date, ILEC subsidiaries have not been required to discount intrastate service rates in response to competitive pressures.
- Level of revenues and access lines currently subject to rate–of–return regulation or which could revert back to rate–of–return regulation in the future. For the ILEC subsidiaries that follow SFAS No. 71, all interstate revenues are subject to rate–of–return regulation. The majority of the ILEC subsidiaries' remaining intrastate revenues are either subject to rate–of–return regulation or could become subject to rate–of–return regulation at Spinco's election, subject in certain cases to approval by the state public service commissions.
- Level of profitability of the ILEC subsidiaries. Currently, the prices charged to customers for interstate and intrastate services continue to be sufficient to recover the specific costs of the ILEC subsidiaries in providing these services to customers.

Although Spinco believes that the application of SFAS No. 71 continues to be appropriate, it is possible that changes in regulation, legislation or competition could result in its ILEC operations no longer qualifying for the application of SFAS No. 71 in the near future. If Spinco's ILEC operations no longer qualified for the application of SFAS No. 71, the accounting impact would be a material non–cash credit to operations. The non–cash credit would consist primarily of the reversal of the regulatory liability for cost of removal included in accumulated depreciation net of estimated costs to remove chemically–treated telephone poles required to be

recognized pursuant to the guidance in FIN 47, which amounted to $156.9 million as of December 31, 2005. At this time, Spinco does not expect to record any impairment charge related to the carrying value of its ILEC plant. Under SFAS No. 71, Spinco currently depreciates its ILEC plant based upon asset lives approved by regulatory agencies or as otherwise allowed by law. Upon discontinuance of SFAS No. 71, Spinco would be required to revise the lives of its property, plant and equipment to reflect the estimated useful lives of the assets. Spinco does not expect any such revisions in asset lives to have a material adverse effect on its ILEC operations.

Regulatory Matters

Spinco's ILECs are regulated by both federal and state agencies. Certain of Spinco's products and services (interstate) and the related earnings are subject to federal regulation, and others (local and intrastate) are subject to state regulation. With the exception of the Nebraska and a portion of the Kentucky operations, Spinco's ILEC operations are subject to rate–of–return regulation on the federal level by the FCC. The Nebraska and a portion of the Kentucky operations are subject to price–cap regulation by the FCC that allows a greater degree of retail pricing flexibility than is afforded to Spinco's rate–of–return operations. Companies meeting certain criteria had the option to elect price–cap regulation as part of an FCC order issued in May 2000 (the "CALLS plan"). The CALLS plan expired on June 30, 2005, and to date, the FCC has not established a successor mechanism for regulating price–cap companies. Nonetheless, the existing rules and regulations for price–cap companies remain effective until the FCC modifies or otherwise replaces them with a successor mechanism.

Telecommunications Law Modernization

In 1996, Congress passed the Telecommunications Act of 1996 (the "96 Act"), which significantly changed the existing laws and regulations governing the telecommunications industry. The primary goal of the 96 Act was to create competition in the wireline market by requiring ILECs to sell portions of their networks to competitors at reduced wholesale rates. The 96 Act also established rules for interconnecting wireline and wireless service providers' networks. Unfortunately, the 96 Act failed to contemplate the rapid evolution of technology and the associated consumer demand for wireless services, the Internet and VoIP.

Today, providers of communications services are regulated differently depending primarily upon the network technology used to deliver service. This "patchwork" regulatory approach unfairly advantages certain companies and disadvantages others, which impedes market–based competition where service providers, regardless of technology, exchange telecommunications traffic between their networks and compete for the same customers.

In an effort to reform the "patchwork" regulatory approach, two separate telecommunications bills were introduced in the U.S. Senate. The first bill, entitled the "Broadband Investment and Consumer Choice Act," was introduced on July 27, 2005. This bill reduces the existing level of government regulation within the telecommunications industry in favor of market–based competition and provides for parity in the remaining rules governing functionally equivalent services, such as broadband access to the Internet either via DSL, cable modem or other technological means. Another bill, entitled "the Universal Service for the 21st Century Act," was introduced on July 29, 2005. This bill changes the way telecommunications companies contribute to the universal service fund, establishes limited support for broadband investment in unserved areas and calls for the FCC to establish inter–carrier compensation reform within six months of enactment.

Some members of the U.S. House of Representatives have also taken steps to advance the reform of existing telecommunications laws. Two draft bills have been publicly circulated. The first draft bill calls for federalizing and streamlining regulation of advanced services; specifically, broadband Internet transmission, VoIP and broadband video services. The second draft bill broadens the Universal Service contribution base and controls distributions from the fund while extending Universal Service support to broadband services. In addition to the formal introduction of either, or both, of these draft bills, there will likely be additional bills submitted for consideration as Congress evaluates changing the regulatory environment in the telecommunications industry. It is not clear whether Congress will ultimately take action on comprehensive reform, or take

more targeted reform measures. It is equally unclear whether any of the pending House and Senate telecom bills will be consolidated with other proposals. Spinco strongly supports the modernization of the nation's telecommunications laws, but at this time, cannot predict the timing and the resulting financial impact of these efforts.

State Regulation

Most states in which Spinco's ILEC subsidiaries operate provide alternatives to rate–of–return regulation for local and intrastate services, either through legislative or public service commission ("PSC") rules. Spinco has elected alternative regulation for certain of its ILEC subsidiaries in Alabama, Arkansas, Florida, Georgia, Kentucky, Nebraska, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, and Texas. The Missouri PSC ruled that Spinco is not eligible for alternative regulation. However on May 5, 2005, the Missouri legislature passed an alternative regulation bill that allows Spinco to elect alternative regulation without Missouri PSC approval. The legislation became effective on August 28, 2005, and Spinco filed an election with the PSC to be regulated under the new alternative regulation plan on September 13, 2005. As a result of this election, Spinco withdrew its appeal of the Missouri PSC's previous decision during the fourth quarter of 2005. Spinco continue to evaluate alternative regulation options in markets where its ILEC subsidiaries remain subject to rate–of–return regulation, including Mississippi, New York and certain of its Kentucky operations. See "SPINCO — DESCRIPTION OF BUSINESS, State Regulation" for further discussion.

Inter–carrier Compensation

In April 2001, the FCC released a notice of proposed rulemaking addressing inter–carrier compensation. Under this rulemaking, the FCC proposed a "bill and keep" compensation methodology under which each telecommunications carrier would be required to recover all of its costs to originate and terminate telecommunications traffic from its end–user customers rather than charging other carriers. The proposed "bill and keep" method would significantly overhaul the existing rules governing inter–carrier compensation. On March 3, 2005, the FCC released a further notice of proposed rulemaking addressing inter–carrier compensation. Under this proposed rulemaking, the FCC requested comment on several alternative inter–carrier compensation proposals, including "bill and keep." The outcome of this proceeding is likely to change the way Spinco receives compensation from, and remits compensation to, other carriers and its end user customers. Until this proceeding concludes and the changes to the existing rules are established, if any, Spinco cannot estimate the impact of the changes on its ILEC revenues and expenses or when the changes would occur.

On October 8, 2004, the FCC granted in part and denied in part a petition filed by Core Communications requesting that the FCC forbear from enforcing provisions of the FCC's 2001 Internet Service Provider ("ISP") Remand Order. The FCC granted forbearance from part of the ISP Remand Order finding they were no longer in the public interest. Various parties have filed for reconsideration with the FCC and have appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. If the FCC's decision in this order is upheld, Spinco is likely to incur additional costs for delivering ISP–bound traffic originated by its customers to competitive wireline service providers serving ISP's. Although Spinco has not fully quantified the effects of this order, it believes that the additional expense would be less than $10.0 million annually.

On July 6, 2005, a hearing examiner issued a recommended order to the Georgia PSC that, if adopted, would prospectively preclude LECs from assessing access charges for non–local calls between 0 and 16 miles that originate on the network of one LEC and terminate on the network of a different LEC. Along with other LECs in Georgia, Spinco requested that the Georgia PSC reject the recommended order and find that access charges continue to apply to these intrastate calls. If the Georgia PSC ultimately adopts the recommended order, Spinco would incur a reduction in annual revenues of approximately $12.0 million. A final order will not likely become effective before the end of the first quarter of 2006.

Universal Service

The federal universal service program is under legislative, regulatory and industry scrutiny as a result of growth in the fund and structural changes within the telecommunications industry. The structural changes include the increase in the number of eligible telecommunications carriers receiving money from the USF and a migration of customers from wireline service providers to providers using alternative technologies like VoIP that, today, are not required to contribute to the universal service program. There are several FCC proceedings underway that are likely to change the way universal service programs are funded and the way these funds are disbursed to program recipients. The specific proceedings are discussed in greater detail below.

In May 2001, the FCC adopted the Rural Task Force Order that established an interim universal service mechanism governing compensation for rural telephone companies for the ensuing five years. The interim mechanism has allowed rural carriers to continue receiving high–cost funding based on their embedded costs. On June 2, 2004, the FCC asked the Federal/ State Joint Board on Universal Service (the "Joint Board") to review the FCC's rules as they pertain to rural telephone companies and to determine what changes, if any, should be made to the existing high–cost support mechanism when the interim funding program expires in June 2006. The Joint Board sought comment on such a mechanism on August 16, 2004, but has taken no further action. In the event a new mechanism is not established for rural carriers prior to the expiration of the plan, the FCC likely will extend the interim mechanism currently in place. In addition, the Joint Board sought comment on whether companies operating multiple distinct geographic market areas within a state should consolidate them for purposes of calculating universal service support. If the FCC implements this proposal, Spinco's universal service revenues would be reduced from their current level by approximately $8.5 million annually. On August 17, 2005, the Joint Board sought comment on four separate proposals to modify the distribution of high–cost universal service support. Each of the proposals provides state public service commissions a greater role in the support distribution process, which would remain subject to specific FCC guidelines. Spinco cannot estimate the impact of the potential change from embedded cost to another methodology, or the impact of other potential changes to the fund contemplated by the Joint Board until the specific changes, if any, are determined.

On June 14, 2005, the FCC issued a notice of proposed rulemaking initiating a broad inquiry into the management and administration of the universal service programs. The notice of proposed rulemaking seeks comment on ways to streamline the application process for federal support and whether and how to increase audits of fund contributors and fund recipients in an effort to deter waste and fraud. The FCC is also considering proposals regarding the contribution methodology, which could change the types of service providers required to contribute to the fund (i.e. local exchange providers, wireless providers, long–distance providers, etc.) and the basis on which they contribute. At this time, Spinco cannot estimate the impact that the potential changes, if any, would have on its operations.

On December 9, 2005, the FCC issued a notice of proposed rulemaking seeking comments on the need to redefine certain statutory terms established by the 96 Act. Changes to these defined statutory terms could result in a different allocation of universal service support to non–rural carriers. Spinco receives approximately $9.5 million annually in non–rural universal service support and cannot estimate the financial impact resulting from changes to the definitions of the statutory terms until such changes, if any, are determined.

The FCC mandated that the Universal Service Administrative Company ("USAC") begin accounting for the USF program in accordance with generally accepted accounting principles for federal agencies effective October 1, 2004, rather than the accounting rules that USAC formerly used. This change in accounting method subjected USAC to the Anti–Deficiency Act (the "ADA"), the effect of which could have caused delays in payments to USF program recipients and significantly increased the amount of USF regulatory fees charged to wireline consumers. In December 2004, Congress passed legislation to exempt USAC from the ADA for one year to allow for a more thorough review of the impact the ADA would have on the universal service program. In April 2005, the FCC tentatively concluded that the high–cost and low–income universal service programs are compliant with ADA requirements, and asked the Office of Management and Budget ("OMB") to make a final determination on this issue, which they have yet to do. On November 22, 2005, the Science, State, Commerce and Justice Department appropriations bill was enacted, which exempted the USF program from the ADA for another year until December 31, 2006.

Emerging Competitive Technologies — VoIP

Voice telecommunications services utilizing IP as the underlying transmission technology, VoIP, are challenging existing regulatory definitions and raising questions concerning how IP–enabled services should be regulated, if at all. Several state commissions have attempted to assert jurisdiction over VoIP services, but federal courts in New York and Minnesota have ruled that the FCC preempts the states with respect to jurisdiction. These cases are on appeal. On March 10, 2004, the FCC released a notice of proposed rulemaking seeking comment on the appropriate regulatory treatment of IP–enabled communications services. The FCC indicated that the cost of the public switched telephone network should be borne equitably by the users and requested comment on the specific regulatory requirements that should be extended to IP–enabled service providers, including requirements relating to E–911, accessibility for the disabled, inter–carrier compensation and universal service. Although the FCC's rulemaking regarding IP–enabled services remains pending, the FCC has adopted a series of related orders establishing broad parameters for the regulation of those services.

On February 12, 2004, the FCC released an order declaring Pulver.com's "free" IP–based, peer–to–peer service that requires specialized telephone equipment or software for computers was not a regulated "telecommunications service," but rather was an unregulated "information service" subject to federal jurisdiction.

On April 21, 2004, the FCC denied a waiver petition filed by AT&T requesting that its IP telephony service be exempt from paying access compensation to wireline local service providers. The FCC ruled AT&T's IP telephony service, which converted voice calls to an IP format for some portion of the routing over the public switched telephone network prior to converting the calls back to their original format, was a regulated "telecommunications service" subject to payment of access compensation to LECs.

On November 12, 2004, the FCC ruled that Internet–based service provided by Vonage Holdings Corporation ("Vonage") should be subject to federal rather than state jurisdiction. Several state commissions appealed the FCC's Vonage decision, and these appeals are presently pending before the U.S. Eighth Circuit Court of Appeals. The FCC has not yet determined how Vonage's service should be classified for regulatory purposes, but is likely to address the "information service" vs. "telecommunications service" debate in its pending rulemaking regarding IP–enabled services. Also, the manner and scope of any regulatory treatment of VoIP service is addressed in several of the bills pending in Congress.

On June 3, 2005, the FCC took swift action in response to several incidents where VoIP customers were unable to complete E–911 calls. The FCC ordered all VoIP service providers whose service is interconnected with the public switched telephone network to provide E–911 services to their customers no later than November 28, 2005.

CALEA

The Commission on Accreditation for Law Enforcement Agencies, Inc. ("CALEA") requires wireline carriers to ensure that their networks are capable of accommodating lawful intercept requests received from law enforcement agencies. The FCC has imposed various obligations and compliance deadlines, with which Spinco has either complied or, in accordance with CALEA, filed a request for an extension of time. In response to a petition filed by the DOJ and other federal agencies, the FCC initiated a rulemaking in August 2004, to adopt new rules under CALEA pertaining to wireline carriers' packet mode communications services, including Internet protocol ("IP") based services. On September 21, 2005, the FCC issued an order in this proceeding finding that providers of certain broadband and interconnected VoIP services are "telecommunication services" subject to CALEA requirements, and must be prepared to provide electronic surveillance to law enforcement upon proper authorization. Several appeals have been filed. If the FCC ultimately determines that IP–enabled services are not subject to similar regulatory requirements that are applicable to inter–exchange and local exchange service providers, including contributions to federal and state universal service programs, inter–carrier compensation obligations, federal and state tax obligations and service quality metrics, Spinco's regulated local exchange operations will be competitively disadvantaged. However, until the FCC issues its decision in these proceedings, Spinco cannot determine the extent of the impact on its operations, if any.

Broadband

On September 23, 2005, the FCC released an order declaring wireline broadband Internet access service ("DSL") an "information service" functionally integrated with a telecommunications component and no longer subject to a higher level of regulation as compared to broadband cable modem service. This order establishes a framework that may eventually allow Spinco's DSL service to obtain regulatory parity with cable modem service, which is lightly regulated. The FCC order requires wireline broadband service providers, like Spinco, to continue offering broadband access on a stand–alone basis to competing unaffiliated Internet service providers for one year, after which they will no longer be required to do so. Additionally, the order preserves the current method of assessing universal service contributions on DSL revenues for a 270–day period after the effective date of the order, or until the FCC adopts a new contribution methodology to the universal service fund. Spinco could benefit from the decreased regulatory oversight of its DSL service through additional retail pricing flexibility. Spinco's DSL products are experiencing significant growth throughout its service areas, and the primary DSL competitor is the historically less–regulated cable modem service. However, the FCC has yet to establish specific rules for deregulating DSL service, and until the FCC has done so, Spinco's DSL products and services remain regulated by the FCC.

Because certain of the regulatory matters discussed above are under FCC or judicial review, resolution of these matters continues to be uncertain. Therefore, Spinco cannot predict at this time the specific effects, if any, that the 96 Act, regulatory decisions and rulemakings, and future competition will ultimately have on its ILEC operations.

Product Distribution

	2005	2004	2003
	(Millions, except customers in thousands)		
Revenues and sales:			
Product distribution	$ 307.9	$ 257.5	$ 278.9
Total revenues and sales	$ 307.9	$ 257.5	$ 278.9
Costs and expenses:			
Cost of products sold	289.2	239.5	259.5
Selling, general, administrative and other	12.4	12.4	13.6
Depreciation and amortization	1.9	2.5	2.4
Total costs and expenses	303.5	254.4	275.5
Segment income	4.4	3.1	3.4

Revenues and sales from Spinco's product distribution operations increased $50.4 million, or 20 percent, in 2005 and decreased $21.4 million, or 8 percent, in 2004. As noted in the table above, the increase in revenues and sales in 2005 primarily reflected growth in sales of telecommunications equipment, primarily due to an increase in capital expenditures by Spinco's wireline operations and data products. The decrease in revenues and sales in 2004 reflected declines in sales of telecommunications equipment, primarily due to a reduction in capital expenditures by Spinco's wireline operations.

Product distribution segment income increased $1.3 million, or 42 percent, in 2005 and remained substantially unchanged in 2004. The increase in 2005 was primarily due to a decrease in depreciation and amortization expense based on certain assets being fully depreciated.

Set forth below is a summary of the restructuring and other charges related to the other operations that were not included in the determination of segment income for the years ended December 31:

	2005	2004	2003
	(Millions)		
Severance and employee benefit costs	$ —	$ 0.1	$ —
Total restructuring and other charges	$ —	$ 0.1	$ —

Other Operations

	2005	2004	2003
	(Millions, except customers in thousands)		
Revenues and sales:			
Long–distance	$ 180.4	$ 174.1	$ 182.4
Directory publishing	154.7	155.9	122.6
Telecommunications information services	17.2	41.8	108.8
Total revenues and sales	352.3	371.8	413.8
Costs and expenses:			
Cost of services	138.9	155.6	190.1
Cost of products sold	114.9	126.8	107.8
Selling, general, administrative and other	51.8	42.7	47.7
Depreciation and amortization	4.1	3.8	6.8
Total costs and expenses	309.7	328.9	352.4
Segment income	$ 42.6	$ 42.9	$ 61.4
Long–distance customers	1,750.8	1,770.8	1,680.2

Revenues and sales from Spinco's other operations decreased $19.5 million, or 5 percent, in 2005 and decreased $41.9 million, or 10 percent, in 2004. As noted in the table above, the decrease in revenues and sales in 2005 primarily reflected declines in revenues earned from telecommunications information services due to the loss of one of Spinco's remaining unaffiliated wireline services customers during the fourth quarter of 2004. Revenues derived from long–distance services increased $6.3 million in 2005, primarily due to an increase in customer billing rates initiated during the second quarter of 2005 on one of Spinco's most popular billing plans. This increase in rates was partially offset by the effects of customers migrating to packaged rate plans. In response to competitive pressures, Spinco has introduced packaged rate plans in its long–distance markets that provide customers with unlimited calling for one flat monthly rate. Revenues derived from directory publishing services in 2005 were relatively unchanged from 2004.

The decrease in revenues and sales in 2004 reflected declines in sales of long–distance services and telecommunications information services, partially offset by an increase in directory publishing revenues. Revenues attributable to long–distance services declined $8.2 million in 2004. Although the number of long–distance customers served increased during 2004, revenues decreased, primarily due to declining usage by residential customers and a reduction in customer billing rates due to competition. Telecommunications information services revenues decreased $67.1 million in 2004, primarily due to the December 2003 sale of certain assets and related liabilities, including selected customer contracts and capitalized software development costs, to Convergys, and the loss of one of Spinco's remaining unaffiliated wireline services customers. The customer contracts sold to Convergys represented approximately 48 percent of the total revenues and sales reported by the telecommunications information services operations in 2003.

Directory publishing revenues increased $33.3 million in 2004, primarily due to an increase in the number of directory contracts published, including the initial publication of directories for the acquired Kentucky and Nebraska operations previously discussed. In addition, the increase in 2004 also reflected a change in accounting for directory contracts in which Spinco has a secondary delivery obligation. Effective January 1, 2003, Spinco began deferring a portion of its revenues and related costs to provide for secondary deliveries. As a result, revenues and related costs associated with any directories for which secondary deliveries were required, but not yet made, were deferred, resulting in a reduction in directory publishing revenues in 2003 of $5.3 million.

Other operations segment income remained substantially unchanged in 2005 and decreased $18.5 million, or 30 percent, in 2004. The decline in 2004 was primarily due to the decrease in revenues and sales noted above. The adverse effects on segment income attributable to the decrease in revenues and sales in 2004 were partially offset by improved profit margins in the directory publishing operations. Profit margins for the directory publishing operations in 2003 had been adversely affected by increased selling, marketing and other

start–up costs incurred in order for Spinco's publishing subsidiary to begin providing all directory publishing services, except printing, for all directory contracts published in 2004. Except for a limited number of directory contracts published in 2003, these publishing services were previously contracted out to a third party. Partially offsetting the 2004 improvement in the profit margins of the directory publishing operations attributable to the favorable effects of the start–up costs incurred in 2003 was an increase in bad debt expense of $6.1 million.

Set forth below is a summary of the restructuring and other charges related to the other operations that were not included in the determination of segment income for the years ended December 31:

	2004	2003
	(Millions)	
Severance and employee benefit costs	$ 0.3	$ —
Relocation costs	0.1	—
Lease and contract termination costs	—	(0.4)
Write–down of software development costs	—	3.8
Total restructuring and other charges	$ 0.4	$ 3.4

Segment Capital Requirements

The primary uses of cash for Spinco's operating segments are capital expenditures for property, plant and equipment and expenditures for capitalized software development to support Spinco's wireline operations. Annual capital expenditures and expenditures for software development by operating segment are forecasted as follows for 2006:

	Capital Expenditures			Software Development	Totals		
				(Millions)			
Wireline	$ 343.0	–	$ 348.0	$ 2.0	$ 345.0	–	$ 350.0
Product Distribution	2.0	–	2.0	—	2.0	–	2.0
Other	3.0	–	3.0	—	3.0	–	3.0
Totals	$ 348.0	–	$ 353.0	$ 2.0	$ 350.0	–	$ 355.0

Capital expenditures for 2006 will be primarily incurred to construct additional network facilities and to upgrade Spinco's telecommunications network. The forecasted spending levels in 2006 are subject to revision depending on changes in future capital requirements of Spinco's business segments. Both of Spinco's operating segments in 2005 generated positive cash flows sufficient to fund their day–to–day operations and to fund their capital requirements. Spinco expects its operating segments to continue to generate sufficient cash flows in 2006 to fund their operations and capital requirements.

Financial Condition, Liquidity and Capital Resources

	2005	2004	2003
		(Millions)	
Cash flows from (used in):			
Operating activities	$ 953.9	$ 962.2	$ 1,135.0
Investing activities	(352.7)	(329.7)	(356.9)
Financing activities	(602.4)	(627.1)	(784.2)
Effect of exchange rate changes	—	(0.1)	0.8
Change in cash and short–term investments	$ (1.2)	$ 5.3	$ (5.3)

Cash Flows from Operations

For each of the three years in the period ended December 31, 2005, cash provided from operations was Spinco's primary source of funds. The decreases in cash provided from operations in both 2005 and 2004 primarily reflected the decline in earnings from Spinco's wireline business segment. Cash flows from operations in 2004 was also adversely affected by changes in working capital requirements, including timing differences in the billing and collection of accounts receivables and the payment of trade payables and taxes. During 2005, Spinco generated sufficient cash flows from operations to fund its capital expenditure requirements, dividend payments to Alltel and scheduled long–term debt payments as further discussed below. Spinco expects to generate sufficient cash flows from operations to fund its operating requirements in 2006.

Cash Flows Used in Investing Activities

Capital expenditures continued to be Spinco's primary use of capital resources. Capital expenditures were $352.9 million in 2005, $333.3 million in 2004 and $383.2 million in 2003. Capital expenditures in each of the past three years were incurred to construct additional network facilities and to upgrade Spinco's telecommunications network in order to offer other communications services, including long–distance, Internet and broadband communications services. During each of the past three years, Spinco funded substantially all of its capital expenditures through internally generated funds. As indicated in the table above under "Segment Capital Requirements," Spinco expects capital expenditures to be approximately $348.0 million to $353.0 million for 2006, which will be funded primarily from internally generated funds. Investing activities also included outlays for capitalized software development costs, which were $4.0 million in 2005, $4.5 million in 2004 and $7.6 million in 2003. As indicated in the table above under "Segment Capital Requirements," Spinco expects expenditures for capitalized software development to be approximately $2.0 million for 2006, which also will be funded from internally generated funds.

Cash flows from investing activities for 2003 included $37.0 million of proceeds received from the sale to Convergys of certain assets related to Spinco's telecommunications information services operations, as previously discussed.

Cash Flows Used in Financing Activities

Dividend payments to Alltel remained a significant use of Spinco's capital resources during each of the three years in the period ended December 31, 2005. Dividend payments to Alltel amounted to $233.6 million in 2005, $239.1 million in 2004 and $232.4 million in 2003. Prior to the spin–off, Spinco expects to continue the payment of cash dividends to Alltel during 2006. Operating cash flows are expected to be sufficient to fund the future dividend payments to Alltel.

As further discussed under "Liquidity and Capital Resources," in connection with the spin–off, Spinco will pay a special dividend to Alltel in an amount not to exceed Alltel's tax basis in its operations, currently estimated to be approximately $2.4 billion. Spinco will fund the special dividend payment from borrowings under a new senior secured credit agreement or the issuance of unsecured debt securities in a private placement or through a public offering.

Retirements of long–term debt amounted to $22.1 million in both 2005 and 2004 and $282.6 million in 2003. Retirements of long–term debt in 2005 and 2004 reflected the required scheduled principal payments under Spinco's existing long–term debt obligations. In addition to the required scheduled principal payments, retirements of long–term debt in 2003 included the repayment of $249.1 million of long–term debt outstanding under the Rural Utilities Service, Rural Telephone Bank and Federal Financing Bank programs. (See Note 4 to the combined financial statements for additional information regarding Spinco's long–term debt.)

As previously discussed, Spinco participates in the centralized cash management practices of Alltel. Under these practices, cash balances are transferred daily to Alltel bank accounts, and Spinco obtains interim financing from Alltel to fund its daily cash requirements and invest short–term excess funds with Alltel. At December 31, 2005 and 2004, Spinco had a net payable to Alltel which is included in the Parent Company Investment in the accompanying combined balance sheets and statements of equity. During each of the past three years, Spinco reduced its overall net borrowings from Alltel. Reductions in advances to Alltel amounted to $346.7 million in 2005, $365.9 million 2004 and $269.2 million in 2003.

Liquidity and Capital Resources

Spinco believes that it has adequate operating cash flows to finance its ongoing operating requirements, including capital expenditures, repayment of long–term debt and payment of dividends to Alltel. As previously discussed, however, in conjunction with the spin–off, Spinco will pay a special dividend to Alltel in an amount not to exceed Alltel's tax basis in its wireline operations, currently estimated to be approximately $2.4 billion, which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin–off, to repay outstanding indebtedness, or both, within one year following the spin–off, and will distribute to Alltel the exchange notes, which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors thereby reducing Alltel's outstanding indebtedness. In addition, in conjunction with the merger with Valor, Spinco expects to repay approximately $81.0 million of its existing long–term debt obligations, including accrued interest. Upon repayment of Spinco's existing long–term debt obligations, Spinco expects to incur approximately $9.5 million of prepayment penalties. Prior to the distribution and merger, Spinco will consummate certain financing transactions pursuant to which it will incur approximately $3.965 billion in indebtedness through (1) borrowing under a new senior secured credit agreement or the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended, or a public offering and (2) the distribution of the exchange notes to Alltel. All proceeds of the financing will be used to pay the consideration to be received by Alltel for the contribution (through payment of the special dividend and distribution of the exchange notes) and to pay related fees and expenses. Alltel has received a commitment letter from various financial institutions to provide Spinco with up to $4.2 billion in senior secured credit facilities comprised of term loan facilities in an aggregate amount of up to $3.7 billion and a revolving credit facility of up to $500 million to pay the special dividend and to fund its other financing requirements related to the spin–off and merger with Valor.

By virtue of the merger, Newco will assume $261 million in Alltel debt and $400 million in outstanding Valor debt securities. Newco will also borrow approximately $781 million under its new senior secured credit facility in order to prepay the amounts outstanding under Valor's existing credit facility. These amounts, together with the $3.965 billion in financings consummated by Spinco prior to the merger and certain expenses related to the transaction, will result in Newco having approximately $5.5 billion in total debt immediately following completion of the merger. It is expected that Newco will use proceeds from its new senior secured credit facilities to refinance approximately $81.0 million of Alltel's outstanding bonds (plus an additional approximately $9.5 million in related make–whole premiums) and to purchase any of Valor's outstanding bonds that may be tendered pursuant to the terms thereof as a result of the merger. However, no Valor bonds are expected to be tendered as a result of the merger.

Certain of Spinco's debt agreements contain various covenants and restrictions specific to the subsidiary that is the legal counterparty to the agreement. As of December 31, 2005, Spinco was in compliance with all such covenants and restrictions.

At December 31, 2005, current maturities of long–term debt were $22.1 million. Spinco expects to fund the payment of this obligation through operating cash flows.

Pension Plans

Substantially all of Spinco's employees participate in a qualified defined benefit pension plan maintained by Alltel. Prior to January 1, 2005, employees of Spinco's directory publishing subsidiary did not participate in the plan. In December 2005, the qualified defined benefit pension plan was amended such that future benefit accruals for all eligible non–bargaining employees ceased as of December 31, 2005 (December 31, 2010 for employees who had attained age 40 with two years of service as of December 31, 2005). Alltel also maintains a supplemental executive retirement plan that provides unfunded, non–qualified supplemental retirement benefits to a select group of Spinco's management employees. In addition, Alltel has entered into individual retirement agreements with certain of Spinco's retired executives providing for unfunded supplemental pension benefits. Spinco received allocations of pension expense related to these plans from Alltel totaling $15.1 million in 2005, $11.3 million in 2004 and $16.4 million in 2003. The amount of pension expense recognized by Spinco during

2006 may change as employees performing shared functions are identified to join Spinco, and such change may be material. As of December 31, 2005 and 2004, no allocation of Spinco's share of the pension plans' assets or liabilities had been included in its financial statements. Upon completion of the spin–off, the amount of pension plans' assets or liabilities related to Spinco's employees will be allocated from Alltel.

Alltel calculated Spinco's annual pension expense for 2006 based upon a number of actuarial assumptions, including an expected long–term rate of return on qualified pension plan assets of 8.50 percent and a discount rate of 5.80 percent. In developing the expected long–term rate of return assumption, Alltel evaluated historical investment performance, as well as input from its investment advisors. Projected returns by such advisors were based on broad equity and bond indices. Alltel also considered the pension plan's historical returns since 1975 of 11.0 percent. Its expected long–term rate of return on qualified pension plan assets is based on a targeted asset allocation of 70 percent to equities, with an expected long–term rate of return of 10 percent, and 30 percent to fixed income assets, with an expected long–term rate of return of 5 percent. For the year ended December 31, 2005, the actual return on qualified pension plan assets was 7.2 percent.

The discount rate selected is based on a review of current market interest rates of high–quality, fixed–rate debt securities adjusted to reflect the duration of expected future cash outflows for pension benefit payments. In developing the discount rate assumption for 2006, Alltel reviewed the high–grade bond indices published by Moody's and Standard & Poor's as of December 31, 2005 and other available market data and constructed a hypothetical portfolio of high quality bonds with maturities that mirrored the expected payment stream of its pension benefit obligation. The discount rate determined on this basis decreased from 6.00 percent at December 31, 2004 to 5.80 percent at December 31, 2005.

In conjunction with the spin off, Spinco's employees and retirees will cease to participate in Alltel's qualified defined benefit pension plan. Spinco will establish a separate plan that will mirror Alltel's plan, which will recognize its employees' and retirees' prior rights and benefits under the Alltel pension plan. Alltel will transfer an amount, currently estimated to be approximately $750.0 million, from Alltel's qualified defined benefit pension plan to Spinco's plan trust. The actual amount of the transfer will be determined upon completion of the spin–off. Spinco does not expect that any contributions to the plan calculated in accordance with the minimum funding requirements of the Employee Retirement Income Security Act of 1974 will be required in 2006. Future contributions to the plan will depend on various factors, including future investment performance, changes in future discount rates and changes in the demographics of the population participating in the qualified pension plan.

Other Postretirement Benefits

Spinco provides postretirement healthcare and life insurance benefits for eligible employees. Retired employees share a portion of the cost of these benefits. Spinco funds the accrued costs of these plans as benefits are paid. Spinco incurred postretirement benefits expense totaling $16.7 million in 2005, $14.5 million in 2004 and $18.1 million in 2003. Postretirement benefits expense for 2006 is estimated to be approximately $16.6 million. As of December 31, 2005 and 2004, $89.0 million and $80.5 million, respectively, of the postretirement benefits plans' liabilities were included in the other liabilities in the accompanying combined balance sheets.

Spinco calculated its annual postretirement expense for 2006 based upon a number of actuarial assumptions, including a healthcare cost trend rate of 10.00 percent and a discount rate of 5.70 percent. Consistent with the methodology used to determine the appropriate discount rate for Alltel's pension obligations, the discount rate selected for postretirement benefits is based on a hypothetical portfolio of high quality bonds with maturities that mirrored the expected payment stream of the benefit obligation. The discount rate determined on this basis decreased from 6.00 percent at December 31, 2004 to 5.70 percent at December 31, 2005. Lowering the discount rate by an additional 0.25 percent (from 5.70 percent to 5.45 percent) would result in an increase in Spinco's allocation of postretirement expense of approximately $400,000 in 2006.

The healthcare cost trend rate is based on Spinco's actual medical claims experience and future projections of medical costs. For the year ended December 31, 2005, a one percent increase in the assumed

healthcare cost trend rate would increase Spinco's postretirement benefit cost by approximately $1.1 million, while a one percent decrease in the rate would reduce its allocation of postretirement benefit cost by approximately $1.0 million.

Under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"), beginning in 2006, the Act will provide a prescription drug benefit under Medicare Part D, as well as a federal subsidy to plan sponsors of retiree healthcare plans that provide a prescription drug benefit to their participants that is at least actuarially equivalent to the benefit that will be available under Medicare. The amount of the federal subsidy will be based on 28 percent of an individual beneficiary's annual eligible prescription drug costs ranging between $250 and $5,000. Based on Spinco's understanding of the Act, it determined that a substantial portion of the prescription drug benefits provided under its postretirement benefit plan would be deemed actuarially equivalent to the benefits provided under Medicare Part D. On January 21, 2005, the Department of Health and Human Services issued final federal regulations related to the federal subsidy. These final rules did not have a material effect on Spinco's benefit costs or accumulated postretirement benefit obligation.

Off–Balance Sheet Arrangements

Spinco does not use securitization of trade receivables, affiliation with special purpose entities, variable interest entities or synthetic leases to finance its operations. Additionally, Spinco has not entered into any arrangement requiring it to guarantee payment of third party debt or to fund losses of an unconsolidated special purpose entity.

Contractual Obligations and Commitments

Set forth below is a summary of Spinco's material contractual obligations and commitments as of December 31, 2005:

	Payments Due by Period				
	Less Than 1 Year	1–3 Years	3–5 Years	More Than 5 Years	Total
			(Millions)		
Long–term debt, including current maturities(a)	$ 22.1	$ 45.7	$ 39.9	$ 154.1	$ 261.8
Interest payments on long–term debt obligations	18.8	32.5	25.4	—	76.7
Operating leases	5.0	6.7	3.6	2.5	17.8
Purchase obligations(b)	1.3	0.6	—	—	1.9
Other long–term liabilities(c)	32.3	98.4	99.4	607.7	837.8
Total contractual obligations and commitments	$ 79.5	$ 183.9	$ 168.3	$ 764.3	$ 1,196.0

(a) Excludes $(1.0) million of unamortized discounts included in long–term debt at December 31, 2005.

(b) Purchase obligations represent amounts payable under noncancellable contracts and primarily represent agreements for software licensing.

(c) Other long–term liabilities primarily consist of deferred tax liabilities and other postretirement benefit obligations.

Under Spinco's long–term debt borrowing agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days or breach of certain other conditions set forth in the borrowing agreements. At December 31, 2005, Spinco was in compliance with all of its debt covenants. There are no provisions within any of Spinco's leasing agreements that would trigger acceleration of future lease payments. (See Notes 4, 6, 10 and 11 to the consolidated financial statements for additional information regarding certain of the obligations and commitments listed above.)

Market Risk

Because Spinco does not hold significant investments in marketable equity securities, it is not subject to material market risk from changes in marketable equity security prices. In addition, because Spinco's business operations in foreign countries are not material to its consolidated operations, financial condition and liquidity, it is not subject to material foreign currency exchange rate risk from the effects that exchange rate movements of foreign currency would have on its future costs or cash flows. Finally, because all of Spinco's outstanding borrowings are at fixed interest rates, it also is not subject to material market risk from changes in interest rates.

Critical Accounting Policies

Spinco prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States. Spinco's significant accounting policies are discussed in detail in Note 1 to the consolidated financial statements. Certain of these accounting policies as discussed below require management to make estimates and assumptions about future events that could materially affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. These critical accounting policies include the following:

In evaluating the collectibility of Spinco's trade receivables, it assesses a number of factors including a specific customer's ability to meet its financial obligations to it, as well as general factors, such as the length of time the receivables are past due and historical collection experience. Based on these assumptions, Spinco records an allowance for doubtful accounts to reduce the related receivables to the amount that it ultimately expects to collect from customers. If circumstances related to specific customers change or economic conditions worsen such that Spinco's past collection experience is no longer relevant, its estimate of the recoverability of its trade receivables could be further reduced from the levels provided for in the consolidated financial statements. At December 31, 2005, Spinco's allowance for doubtful accounts was $14.1 million. A 10 percent increase in this reserve would have increased the provision for doubtful accounts by $1.4 million for the year ended December 31, 2005.

The annual costs of providing pension and other postretirement benefits are based on certain key actuarial assumptions as discussed above. As previously discussed, the discount rate selected is based on a review of current market interest rates on high–quality, fixed–rate debt securities adjusted to reflect Spinco's longer duration of expected future cash outflows for benefit payments. The expected return on plan assets reflects Spinco's view of the long–term returns available in the investment market based on historical averages and consultation with investment advisors. The healthcare cost trend rate is based on Alltel's actual medical claims experience and future projections of medical costs. See "Pension Plans" and "Other Postretirement Benefits" for the effects on Spinco's future benefit costs resulting from changes in these key assumptions.

The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and finite–lived intangible assets. Although Spinco believes it is unlikely that any significant changes to the useful lives of its tangible or finite–lived intangible assets will occur in the near term, rapid changes in technology or changes in market conditions could result in revisions to such estimates that could materially affect the carrying value of these assets and Spinco's future operating results. In addition, as previously discussed, during 2005 and 2004, Spinco reduced the depreciation rates on property, plant and equipment used in certain of Spinco's ILEC markets based on studies of the related lives. Spinco also intends to perform similar studies on the property, plant and equipment used in its remaining ILEC markets during 2006. Spinco cannot predict what impact the results of those studies will have on depreciation and amortization expense in 2006. However, an extension of the average useful life of Spinco's property, plant and equipment and finite–lived intangible assets of one year would decrease depreciation and amortization expense by approximately $20.5 million per year, while a reduction in the average useful life of one year would increase depreciation and amortization expense by approximately $24.0 million per year.

In accordance with SFAS No. 142, Spinco tests its goodwill and other indefinite–lived intangible assets for impairment at least annually, which requires it to determine the fair value of these intangible assets, as well as the fair value of its reporting units. For purposes of testing goodwill, fair value of the reporting units is determined utilizing a combination of the discounted cash flows of the reporting units and calculated market values of comparable public companies. Fair value of the other indefinite–lived intangible assets is determined based on the discounted cash flows of the related business segment. During 2005 and 2004, no write–downs in the carrying values of either goodwill or indefinite–lived intangible assets were required based on their calculated fair values. In addition, reducing the calculated fair values of goodwill and the other indefinite–lived intangible assets by five percent would not have resulted in an impairment of the carrying value of the related assets in either 2005 or 2004. Changes in the key assumptions used in the discounted cash flow analysis due to changes in market conditions could adversely affect the calculated fair values of goodwill and other indefinite–lived intangible assets, materially affecting the carrying value of these assets and Spinco's future consolidated operating results.

Spinco's estimates of income taxes and the significant items resulting in the recognition of deferred tax assets and liabilities are disclosed in Note 10 to the consolidated financial statements and reflect its assessment of future tax consequences of transactions that have been reflected in its financial statements or tax returns for each taxing authority in which it operates. Actual income taxes to be paid could vary from these estimates due to future changes in income tax law or the outcome of audits completed by federal, state and foreign taxing authorities. Included in the calculation of Spinco's annual income tax expenses are the effects of changes, if any, to its income tax contingency reserves. Spinco maintains income tax contingency reserves for potential assessments from the IRS or other taxing authorities. The reserves are determined based upon Spinco's judgment of the probable outcome of the tax contingencies and are adjusted, from time to time, based upon changing facts and circumstances. Changes to the tax contingency reserves could materially affect its future consolidated operating results in the period of change.

Legal Proceedings

Spinco is party to various legal proceedings arising in the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, Spinco does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on its future results of operations or financial condition. In addition, Spinco is currently not aware of any environmental matters that, individually or in the aggregate, would have a material adverse effect on its consolidated financial condition or results of operations.

Recently Issued Accounting Pronouncements

On December 16, 2004, the FASB issued SFAS No. 123(R), "Share–Based Payment," which is a revision of SFAS No. 123 and supercedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related Interpretations. SFAS No. 123(R) requires all share–based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share–based payments is no longer an alternative. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. Compensation expense for the unvested awards will be measured based on the fair value of the awards previously calculated in developing the pro forma disclosures in accordance with the provisions of SFAS No. 123. On March 25, 2005, the SEC staff issued Staff Accounting Bulletin ("SAB") 107, which summarizes the staff's views regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides additional guidance regarding the valuation of share–based payment arrangements for public companies. On April 15, 2005, the SEC amended Rule 4–01(a) of Regulation S–X regarding the date public companies are required to comply with the provisions of SFAS No. 123(R), such that calendar year companies will now be required to comply with the standard beginning January 1, 2006. Upon adoption of the standard on January 1, 2006, we will follow the modified prospective transition method and expect to value our share–based payment transactions using a

Black–Scholes valuation model. Under the modified prospective transition method, we will recognize compensation cost in our consolidated financial statements for all awards granted after January 1, 2006 and for all existing awards for which the requisite service has not been rendered as of the date of adoption. Prior period operating results will not be restated. At December 31, 2005, the total unamortized compensation cost for nonvested stock option awards amounted to $9.4 million and is expected to be recognized ratably over a weighted average period of 3 years. The pro forma compensation expense amounts reflected in the table under "Stock–Based Compensation" on page [•] of the accompanying notes to the combined financial statements are expected to approximate the effect of the adoption of SFAS No. 123(R) on our future reported consolidated results of operations.

SPINCO — DESCRIPTION OF BUSINESS

General

Spinco owns subsidiaries that provide wireline local, long–distance, network access and Internet services. Telecommunications products are warehoused and sold by its distribution subsidiary. A subsidiary also publishes telephone directories for affiliates and other independent telephone companies. In addition, a subsidiary provides billing, customer care and other data processing and outsourcing services to telecommunications companies. Spinco is incorporated in the state of Delaware.

Employees

At December 31, 2005, Spinco had 6,909 employees. Within Spinco's work force, approximately 1,365 employees are part of collective bargaining units. During 2005, Spinco had no material work stoppages due to labor disputes with its unionized employees.

Organizational Structure and Operating Segments

Spinco has focused its communications business strategy on enhancing the value of its customer relationships by offering additional products and services and providing superior customer service. Through the acquisition of Verizon's wireline properties in Kentucky, completed in 2002, Spinco added more than 500,000 customers. As of December 31, 2005, including customers of its wireline and long–distance services, Spinco serves more than 2.9 million local telecommunications customers in 15 states. Spinco operates its communications businesses as a single operation capable of delivering to customers one–stop shopping for a full range of communications products and services. In addition to its wireline and long–distance service offerings, Spinco also provides Internet, broadband products and services ("DSL"), and cable television services in select markets.

Spinco is organized based on the products and services that it offers. Under this organizational structure, Spinco's communications operations consist of its wireline, product distribution, and other operations business segments. The wireline segment consists of Spinco's incumbent local exchange carrier ("ILEC"), competitive local exchange carrier ("CLEC") and Internet access operations. The product distribution segment consists of Spinco's communications products operations. Other operations consist of Spinco's long–distance, directory publishing operations and telecommunications information services operations.

ILEC Operations

Spinco's ILEC subsidiaries provide local telephone service to 2.9 million customers primarily located in rural areas in 15 states. The ILEC subsidiaries also offer facilities for private line, data transmission and other communications services.

Local service operations provide lines from telephone exchange offices to customer premises for the origination and termination of telecommunications services including basic dial–tone service and dedicated private line facilities for the transport of data and video. Spinco also offers various enhanced service features including call waiting, call forwarding, caller identification, three–way calling, no–answer transfer and voicemail. Additional local service revenues are derived from charges for equipment rentals, equipment maintenance contracts, information and directory assistance and public payphone services. Spinco also provides cable television service to approximately 35,000 customers in Georgia and Missouri. The cable television properties are not significant to Spinco's wireline operating results.

Network access and interconnection services are provided by Spinco by connecting the equipment and facilities of its customers to the communications networks of long–distance carriers, CLECs, competitive switched and special access providers, and wireless service providers. These companies pay access and network usage charges to Spinco's local exchange subsidiaries for the use of their local networks to originate and terminate their voice and data transmissions. Network access revenues also include amounts derived from DSL. Miscellaneous revenues primarily consist of revenues derived from Spinco's Internet access services,

charges for billing and collections services provided to long–distance companies, customer premise equipment sales and directory advertising services.

Competition

Many of Spinco's ILEC operations have begun to experience competition in their local service areas. Sources of competition to Spinco's local exchange business include, but are not limited to, resellers of local exchange services, interexchange carriers, satellite transmission services, wireless communications providers, cable television companies, and competitive access service providers including those utilizing Unbundled Network Elements–Platform ("UNE–P"), voice–over–Internet–protocol ("VoIP") providers and providers using other emerging technologies. Through December 31, 2005, this competition has not had a material adverse effect on the results of operations of Spinco's wireline operations, although competition has adversely affected its access line growth rates. Customer access lines decreased 4 percent during the twelve months ended December 31, 2005. Spinco lost approximately 124,000 access lines during 2005, primarily as a result of the effects of wireless and broadband substitution for its wireline services. Spinco expects the number of access lines served by its wireline operations to continue to be adversely affected by wireless and broadband substitution in 2006. In addition, although Spinco has not yet seen significant competition from VoIP providers, it also expects VoIP substitution to adversely impact the number of access lines served by its wireline operations during 2006.

To address competition, Spinco is focusing its efforts on marketing and selling additional products and services to its customers by bundling together and offering at competitive rates its various product offerings, including long–distance, Internet and DSL services. Deployment of DSL service is an important strategic initiative for Spinco. During 2005, Spinco added approximately 154,000 DSL customers, continuing a three year long trend of strong growth in this service offering. For the twelve months ended December 31, 2005, the number of DSL customers grew by more than 60 percent to approximately 400,000 customers, or approximately 20 percent of Spinco's addressable access lines. During 2005, the growth rate in Spinco's DSL customers outpaced the rate of decline in customer access lines discussed above. In addition, during the fourth quarter of 2005, Spinco began offering DISH network satellite television service to its residential customers as part of a bundled product offering. In addition to its marketing efforts, Spinco remains focused on providing improved customer service, increasing operating efficiencies and maintaining the quality of its network.

Although DSL services have been a source of revenue and customer growth for Spinco in 2005, 2004 and 2003, that service offering experiences competition from other broadband service providers, including cable television and satellite transmission service providers. Under the Federal Communications Commission's recent decision in its Triennial Review proceeding, as further discussed below under the caption "Local Service — Regulation," it appears that Spinco's provisioning of broadband DSL services will be largely deregulated. In addition, a number of carriers have begun offering voice telecommunications services utilizing the Internet as the means of transmitting those calls. This service, commonly know as VoIP telephony, is challenging existing regulatory definitions. As further discussed below under the caption "Network Access Services — Regulation," on March 10, 2004, the Federal Communications Commission ("FCC") adopted a Notice of Proposed Rulemaking that will consider the appropriate regulatory treatment of Internet–enabled communications services and address which regulatory requirements, for example, those relating to E–911, disability accessibility, access charges, and universal service, should be extended to Internet–enabled services. The results of the FCC's proceedings related to VoIP could have a significant effect on Spinco's wireline operations.

Local Service — Regulation

Spinco's ILECs are regulated by both federal and state agencies. Spinco's interstate products and services and the related earnings are subject to federal regulation by the FCC and its local and intrastate products and services and the related earnings are subject to regulation by state PSCs. The FCC has primary jurisdiction over interstate switched and special access rates and Spinco's DSL service offering. State PSCs have primary jurisdiction over matters including local service rates, intrastate access rates, quality of service, depreciation

rates, the disposition of public utility property, the issuance of securities or debt, and the accounting systems used by these companies.

Federal Regulation

With the exception of the Nebraska and a portion of the Kentucky operations, Spinco's interstate ILEC operations, primarily access charges, are subject to rate–of–return regulation federally by the FCC. The Nebraska and a portion of the Kentucky interstate operations are subject to price–cap regulation by the FCC that allows a greater degree of pricing flexibility than is afforded to Spinco's rate–of–return operations. Companies meeting certain criteria had the option to elect price–cap regulation for interstate services as part of an FCC order issued in May 2000 (the "CALLS plan"). The CALLS plan expired on June 30, 2005, and to date, the FCC had not established a successor mechanism for regulating price–cap companies. Nonetheless, the existing rules and regulations for price–cap companies remain effective until the FCC modifies or otherwise replaces them with a successor mechanism.

The FCC requires ILECs to interconnect their networks with the networks of other telecommunications carriers in order to foster competition. These requirements obligate Spinco to unbundle many of its existing products and services into network elements so that they are made available to other telecommunications companies at wholesale rates. Furthermore, Spinco is obligated to allow other telecommunications carriers to locate their network equipment on the premises of the incumbent local exchange carriers for the purpose of exchanging traffic and to compensate one another for the transport and termination of calls on one another's networks.

Today, providers of communications services are regulated differently depending primarily upon the network technology used to deliver service. This "patchwork" regulatory approach unfairly advantages certain companies and disadvantages others, which impedes market–based competition where service providers, regardless of technology, exchange telecommunications traffic between their networks and are competing for the same customers.

In an effort to reform the "patchwork" regulatory approach, two separate telecommunications bills were introduced in the U.S. Senate. The first bill, entitled the "Broadband Investment and Consumer Choice Act," was introduced on July 27, 2005. This bill reduces the existing level of government regulation within the telecommunications industry in favor of market–based competition and provides for parity in the remaining rules governing functionally equivalent services, such as broadband access to the Internet either via DSL, cable modem or other technological means. Another bill, entitled "the Universal Service for the 21st Century Act," was introduced on July 29, 2005. This bill changes the way telecommunications companies contribute to the universal service fund, establishes limited support for broadband investment in unserved areas and calls for the FCC to establish inter–carrier compensation reform within six months of enactment.

Some members of the U.S. House of Representatives have also taken steps to advance the reform of existing telecommunications laws. Two draft bills have been publicly circulated. The first draft bill calls for federalizing and streamlining regulation of advanced services; specifically, broadband Internet transmission, VoIP and broadband video services. The second draft bill broadens the Universal Service contribution base and controls distributions from the fund while extending Universal Service support to broadband services. In addition to the formal introduction of either, or both, of these draft bills, there will likely be additional bills submitted for consideration as Congress evaluates changing the regulatory environment in the telecommunications industry. It is not clear whether Congress will ultimately take action on comprehensive reform, or take more targeted reform measures. It is equally unclear whether any of the pending House and Senate telecom bills will be consolidated with other proposals. Spinco strongly supports the modernization of the nation's telecommunications laws, but at this time, cannot predict the timing and the resulting financial impact of these efforts.

Except for certain of its subsidiaries in Nebraska, Ohio and Kentucky, Spinco's local exchange subsidiaries are rural telephone companies, as defined under the 96 Act, and are exempt from certain of the foregoing obligations, unless, in connection with a bona fide request, a state regulatory commission removes that exemption. All of Spinco's local exchange subsidiaries may seek specific suspensions or modification of

interconnection obligations under the 96 Act as it serves less than two percent of the nation's access lines, where such interconnection obligations would otherwise cause undue economic burden or are technically infeasible.

State Regulation

Most states in which Spinco's ILEC subsidiaries operate provide alternatives to rate–of–return regulation for local and intrastate services, either through legislative or state public service commission ("PSC") rules. Spinco has elected alternative regulations for certain of its ILEC subsidiaries in Alabama, Arkansas, Florida, Georgia, Kentucky, Missouri, Nebraska, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, and Texas. Spinco continues to evaluate alternative regulation options in markets where its ILEC subsidiaries are presently not subject to alternative regulation including Mississippi, New York and certain of its Kentucky operations.

The following summary sets forth a description of the alternative regulation plan for each of the states in which Spinco has elected alternative regulations:

- Spinco's regulated Alabama wireline subsidiary has operated since 1996 under a PSC–established alternative regulation plan. In 2005 the previous alternative regulation plan was replaced by two alternative regulation plans approved by the PSC. Spinco elected to be regulated under the price flexibility plan. Under this plan basic residential local service rates are capped for two years. Also in 2005, the legislature passed the Alabama Communications Reform Act of 2005. Under this reform Act, only stand–alone basic service, wholesale access services and certain calling features remain regulated after February 1, 2007. Spinco has elected to be regulated under the Communications Reform Act, effective February 2007.
- Spinco's regulated Arkansas wireline subsidiary has operated since 1997 under an alternative regulation plan established by statute. Under this plan, basic local rates and access rates may be adjusted annually by up to 75 percent of the annual change in the Gross Domestic Product–Price Index ("GDP–PI"). Other local rates may be changed without PSC approval and become effective upon the filing of revised tariffs.
- Spinco's regulated Florida wireline subsidiary operates under alternative regulation established by Florida statute. Under this plan, basic local rates may be increased once in any twelve–month period by an amount not to exceed the twelve month change in the GDP–PI less one percent. Spinco may increase rates for non–basic services as long as the annual increase for any category does not exceed six percent in any twelve–month period. Non–basic rates can be increased by up to 20 percent annually in exchanges where another local provider is providing service. Intrastate access rates can be increased by the annual change in GDP–PI or three percent, whichever is less, only after access rates reach parity with Spinco's interstate rates.
- Spinco's regulated Georgia wireline subsidiaries operate under an alternative regulation plan established by statute. Under this plan, basic local rates may be increased annually based on the annual change in GDP–PI. Other local rates may be increased by filing revised tariffs.
- Spinco has two regulated operating subsidiaries in Kentucky. The larger subsidiary is subject to rate–of–return regulation. The smaller subsidiary has operated under alternative regulation established by statute beginning in 1998. Under this plan, the subsidiary may adjust basic business and residential rates, once during any 24–month period by an amount not to exceed the sum of the annual percentage change in GDP–PI for the immediately preceding two calendar years subject to the following limitations: (1) basic business and residence rates may not exceed the average basic rates of the state's largest telephone utility, and (2) rates may not be increased by more than 20 percent. Access charges may not be adjusted if the change would result in intrastate access rates that exceed Spinco's interstate rates. Other local rates may be adjusted by filing tariffs.
- Spinco's regulated Missouri wireline subsidiary is subject to alternative regulation election established by statute. Under Missouri's alternative regulation, basic local service and intrastate access rates are

adjusted annually based on changes to the telephone service component of the Consumer Price Index. Prices for non–basic services may be increased up to five percent per year after the initial twelve–month period.

- Spinco's regulated Nebraska operations are subject to alternative regulation established by statute. (Nebraska law exempts telecommunications companies from rate–of–return regulation.) In exchanges where competition exists, companies are required to file rate lists, which are effective after 10 days notice to the PSC. In exchanges where competition does not exist, companies file rate lists for all services except basic local service with 10 days notice to the PSC, and basic local rates may be increased after 90 days notice to affected subscribers. Basic local rate increases are reviewed by the PSC only if rates are increased more than 10 percent in twelve consecutive months or in response to a formal complaint signed by two percent of affected subscribers.

- Spinco's New York operations are subject to rate–of–return regulation. In June 2005, the New York PSC opened a proceeding to examine potential changes to the existing form of regulation in light of increasing competition. A decision is expected in 2006.

- Spinco's regulated North Carolina subsidiary has operated since 1998 under alternative regulation plan approved by the State Utility Commission. Local rates are adjusted annually by the annual change in GDP–PI. Rate changes are effective upon 14 days notice. Spinco has recently obtained Commission approval for changes to its current price regulation plan that will allow greater pricing flexibility, shorter implementation intervals for promotional offerings and deregulation of pricing for bundled services.

- Spinco's regulated Ohio wireline subsidiaries began in 2004 to operate under an alternative regulation plan established by the Ohio Public Utilities Commission. Under this plan, basic service rates have been capped. Non–basic service rates are subject to limited pricing flexibility. New rules for alternative regulatory treatment of basic service, which include competitive market tests, are pending.

- In 1997 Spinco's regulated Oklahoma wireline subsidiaries began to operate under an alternative regulation plan established by statute. Under this plan, basic service rates can be increased annually as long as the increase does not exceed a pre–determined amount.

- In July 2005, Spinco's regulated Pennsylvania subsidiary began operating under a new alternative regulation plan passed by the Pennsylvania General Assembly in 2004. Under this plan, Spinco is required to make broadband access to the Internet available for purchase to 100 percent of its customer base by 2013. Rates for competitive services are not regulated, but the PUC retains authority over the quality of these services. Rate increases for noncompetitive services are restricted to the GDP–PI less two percent, annually. The total amount of an increase to basic local service rates cannot exceed $3.50 annually. Revenue neutral rate rebalancing is also permitted for noncompetitive services.

- Spinco's regulated South Carolina operations are subject to alternative regulation established by statute. Local rates can be adjusted pursuant to an inflation–based index. All other service rates may be increased subject to a complaint process for abuse of market position. The PSC has determined that any allegations of abuse of market position will be investigated on a case–by–case basis. Rate increases become effective 14 days after filing.

- Spinco has two operating subsidiaries in Texas. These subsidiaries are subject to alternative regulation established by statute. All rates are capped for the duration of the plan.

Universal Service

The federal universal service program is under legislative, regulatory and industry scrutiny as a result of the growth in the fund and structural changes within the telecommunications industry. The structural changes include the increase in the number of Eligible Telecommunications Carriers ("ETCs") receiving money from the USF and a migration of customers from wireline service providers to providers using alternative technologies like VoIP that, today, are not required to contribute to the universal service program. There are

several FCC proceedings underway that are likely to change the way the universal service programs are funded and the way universal service funds are disbursed to program recipients. The specific proceedings are discussed in greater detail below.

In May 2001, the FCC adopted the Rural Task Force Order that established an interim universal service mechanism governing universal service compensation for rural telephone companies for the ensuing five years. The interim mechanism has allowed rural carriers to continue receiving high–cost funding based on their embedded costs. On June 2, 2004, the FCC asked the Federal/ State Joint Board on Universal Service (the "Joint Board") to review the FCC's rules as they pertain to rural telephone companies and to determine what changes, if any, should be made to the existing high–cost support mechanism when the interim funding program expires in June 2006. The Joint Board sought comment on such a mechanism on August 16, 2004, but has taken no further action. In the event a new mechanism is not established for rural carriers prior to the expiration of the plan, the FCC will likely extend the interim mechanism currently in place. In addition, the Joint Board sought comment on whether companies operating multiple distinct geographic market areas within a state should consolidate them for purposes of calculating universal service support. If the FCC implements this proposal, Spinco's universal service revenues would be reduced from their current level by approximately $8.5 million annually. On August 17, 2005, the Joint Board sought comment on four separate proposals to modify the distribution of high–cost universal service support. Each of the proposals provides state PSCs a greater role in the support distribution process, which would remain subject to specific FCC guidelines. Spinco cannot estimate the impact of the potential change from embedded cost to another methodology, or the impact of other potential changes to the fund contemplated by the Joint Board until the specific changes, if any, are determined.

On November 8, 2002, the FCC requested that the Joint Board review certain of the FCC's rules relating to the high–cost universal service support and the process by which carriers are designated as ETCs. On February 27, 2004, the Joint Board issued its recommended decision regarding a number of issues related to universal service support for ETCs. Among its recommendations, the Joint Board suggested that the FCC should limit universal service support to a single primary connection per customer. On June 8, 2004, the FCC asked for comments on the Joint Board's recommended decision, but did not elaborate or reach tentative conclusions on any of the Joint Board's recommendations. The 2005 Omnibus Appropriations Bill included a provision that prevented the FCC from enacting a primary connection restriction on universal service support. The 2006 Science, State, Commerce and Justice Department appropriations bill includes a provision that prohibits the FCC from enacting a primary connection restriction on universal service support.

On June 14, 2005, the FCC issued a notice of proposed rulemaking initiating a broad inquiry into the management and administration of the universal service programs. The notice of proposed rulemaking seeks comment on ways to streamline the application process for federal support and whether and how to increase audits of fund contributors and fund recipients in an effort to deter waste and fraud. The FCC is also considering proposals regarding the contribution methodology, which could change the types of service providers required to contribute to the fund (i.e. local exchange providers, wireless providers, long–distance providers, etc.) and the basis on which they contribute. At this time, Spinco cannot estimate the impact that the potential changes, if any, would have on its operations.

On December 9, 2005, the FCC issued a notice of proposed rulemaking seeking comments on the need to redefine certain statutory terms established by the 96 Act. Changes to these definitions could result in a different allocation of universal service support received by non–rural carriers. Spinco receives approximately $9.5 million annually in non–rural support and cannot estimate the financial impact resulting from changes to the definitions of the statutory terms until such changes, if any, are determined.

The FCC mandated that, effective October 1, 2004, the Universal Service Administrative Company ("USAC") must begin accounting for the USF program in accordance with generally accepted accounting principles for federal agencies, rather than the accounting rules that USAC formerly used. This accounting method change subjected USAC to the Anti–deficiency Act ("ADA"), the effect of which could have caused delays in payments to USF program recipients and significantly increase the amount of USF regulatory fees charged to wireline consumers. In December 2004, Congress passed legislation to exempt USAC from the

ADA for one year to allow for a more thorough review of the impact the ADA would have on the universal service program. In April 2005, the FCC tentatively concluded that the high–cost and low–income universal service programs of the universal service fund are compliant with ADA requirements, and has asked the Office of Management and Budget ("OMB") to make a final determination on this issue, which they have yet to do. On November 22, 2005, the 2006 Science, State, Commerce and Justice Department appropriations bill was enacted, which exempted the universal service fund from the ADA for another year, until December 31, 2006.

Unbundled Network Elements

On December 20, 2001, the FCC released a notice of proposed rulemaking initiating the first triennial review of the FCC's policies on unbundled network elements ("UNEs") including UNE–P. UNE–P is created when a competing carrier obtains all the network elements needed to provide service from the ILEC at a discounted rate. On August 21, 2003, the FCC released the text of its Triennial Review Order. The FCC adopted new rules governing the obligations of ILECs to unbundle certain elements of their local networks for use by competitors. As part of the Triennial Review Order the FCC also opened a further notice of proposed rulemaking to consider the "pick and choose" rule under which a competing carrier could select from among the various terms of interconnection offered by an ILEC in its various interconnection agreements. On July 13, 2004, the FCC released an order eliminating the "pick and choose" rule, replacing it with an "all–or–nothing" rule. Under the new rules, a requesting carrier may only adopt an effective interconnection agreement in its entirety, taking all rates, terms and conditions of the adopted agreement. The FCC explained that it eliminated the "pick and choose" rule to promote commercial negotiations and produce agreements better tailored to meet carriers' individuals needs.

On March 2, 2004, the United States Circuit Court for the District of Columbia overturned key portions of the FCC's Triennial Review Order. On September 13, 2004, the FCC released its Interim UNE Order requiring incumbent ILECs to maintain the status quo through March 13, 2005 and indicated that it would release permanent rules prior to that date. The Triennial Remand Order containing the permanent UNE rules was released on February 4, 2005. This order eliminated UNE–P as a CLEC entry strategy by dropping mass market switching from the required list of UNEs and reduced CLEC access to high–capacity loops and transport based on specified economic conditions in relevant wire centers. These permanent rules establish a twelve–month transition for most of the UNEs being eliminated. Several parties have appealed the order in various federal appellate courts and to the FCC. To date, the impact of the Triennial Review proceeding and permanent UNE rules on Spinco's ILEC operations have not been material.

On September 15, 2003, the FCC launched its first comprehensive review of the rules that establish wholesale pricing of UNEs. The notice of proposed rulemaking sought comment on a variety of UNE and resale pricing–related issues and on a proposal to make total element long–run incremental cost methodology rules more closely account for the "real–world" attributes of the incumbent carrier's network. The FCC has not issued an Order on this proceeding but if this proposal were adopted, the result would likely be increased UNE prices. The potential increases are not expected to have a material impact on Spinco's wireline operations.

Section 251(b) of the Communications Act of 1934 (the "34 Act"), as amended, requires, in part, that local exchange carriers provide local number portability to any requesting telecommunications carrier. Wireless carriers are generally defined as "telecommunications carriers" under the 34 Act, and are therefore eligible to port numbers with wireline carriers, which is referred to as "intermodal porting."

On November 10, 2003, the FCC released a decision providing guidance on intermodal porting issues. The intermodal porting requirement took effect on November 24, 2003 for wireline carriers in the top 100 Metropolitan Statistical Areas ("MSAs") and on May 24, 2004 for wireline carriers operating in markets below the top 100 MSAs. The majority of Spinco's wireline operations are conducted in markets below the top 100 MSAs and were subject to the later May 24, 2004 implementation date for intermodal porting. To date, implementation of intermodal porting has not had a significant impact on Spinco's wireline operating results.

Periodically, Spinco's local exchange subsidiaries receive requests from wireless communications providers for renegotiation of existing transport and termination agreements. In these cases, Spinco's local exchange subsidiaries renegotiate the appropriate terms and conditions in compliance with the 96 Act. Spinco's local exchange subsidiaries have also executed contracts for transport and termination services with CLECs.

Network Access Services — Regulation

Spinco's local exchange subsidiaries currently receive compensation from other telecommunications providers, including long–distance companies, for origination and termination of inter–exchange traffic through access charges or toll settlements that are established in accordance with state and federal laws.

A number of carriers have begun offering voice telecommunications services utilizing Internet protocol as the underlying means for transmitting those calls. This service, commonly known as VoIP telephony, is challenging existing regulatory definitions and raises questions as to how such services should be regulated, if at all. Several state commissions have attempted to assert jurisdiction over VoIP services, but federal courts in New York and Minnesota have ruled that the FCC preempts the states with respect to jurisdiction. These cases are on appeal. On March 10, 2004, the FCC released a notice of proposed rulemaking seeking comment on the appropriate regulatory treatment of IP–enabled communications services. The FCC indicated that the cost of the public switched telephone network should be borne equitably by the users and requested comment on the specific regulatory requirements that should be extended to IP–enabled service providers, including requirements relating to E–911, accessibility for the disabled, inter–carrier compensation and universal service. Although the FCC's rulemaking regarding IP–enabled services remains pending, the FCC has adopted a series of related orders establishing broad parameters for the regulation of those services.

On February 12, 2004, the FCC released an order declaring Pulver.com's "free" IP–based, peer–to–peer service that requires specialized telephone equipment or software for computers was not a regulated "telecommunications service," but rather was an unregulated "information service" subject to federal jurisdiction.

On April 21, 2004, the FCC denied a waiver petition filed by AT&T requesting that its IP telephony service be exempt from paying access compensation to wireline local service providers. The FCC ruled AT&T's IP telephony service, which converted voice calls to an IP format for some portion of the routing over the public switched telephone network prior to converting the calls back to their original format, was a regulated "telecommunications service" subject to payment of access compensation to Local Exchange Carriers ("LECs").

On November 12, 2004, the FCC ruled that Internet–based service provided by Vonage Holdings Corporation ("Vonage") should be subject to federal rather than state jurisdiction. The FCC has not yet determined how Vonage's service should be classified for regulatory purposes, but is likely to address the "information service" vs. "telecommunications service" debate in its pending rulemaking regarding IP–enabled services. Several state commissions appealed the FCC's Vonage decision, and these appeals are presently pending before the U.S. Eighth Circuit Court of Appeals.

On June 3, 2005, the FCC took swift action in response to several incidents where VoIP customers were unable to complete E–911 calls. The FCC ordered all VoIP service providers whose service is interconnected with the public switched telephone network to provide E–911 services to their customers no later than November 28, 2005. On September 21, 2005, the FCC released its order on CALEA requirements for broadband and ISP services, including VoIP services. The FCC found that essentially, ISP and VoIP services are "telecommunications services" subject to CALEA requirements. Several appeals have been filed. If the FCC ultimately determines that IP–enabled services are not subject to similar regulatory requirements that are applicable to inter–exchange and local exchange service providers, including contributions to federal and state universal service programs, inter–carrier compensation obligations, federal and state tax obligations and service quality metrics, Spinco's regulated local exchange operations will be competitively disadvantaged. However, until the FCC issues its decision in these proceedings, Spinco cannot determine the extent of the impact on its operations, if any.

In April 2001, the FCC released a notice of proposed rulemaking addressing inter–carrier compensation. Under this rulemaking, the FCC proposed a "bill and keep" compensation methodology under which each telecommunications carrier would be required to recover all of its costs to originate and terminate telecommunications traffic from its end–user customers rather than charging other carriers. The proposed "bill and keep" method would significantly overhaul the existing rules governing inter–carrier compensation. On March 3, 2005, the FCC released a further notice of proposed rulemaking addressing inter–carrier compensation. Under this proposed rulemaking, the FCC requested comment on several alternative inter–carrier compensation proposals, including "bill and keep." The outcome of this proceeding is likely to change the way Spinco receives compensation from, and remits compensation to, other carriers and its end user customers. Until this proceeding concludes and the changes to the existing rules are established, if any, Spinco cannot estimate the impact of the changes on its ILEC revenues and expenses or when the changes would occur.

On October 8, 2004, the FCC granted in part and denied in part a petition filed by Core Communications requesting that the FCC forbear from enforcing provisions of the FCC's 2001 Internet Service Provider ("ISP") Remand Order. The FCC granted forbearance from part of the ISP Remand Order finding they were no longer in the public interest. Various parties have filed for reconsideration with the FCC and have appealed the decision to the U.S. Court of Appeals for the District of Columbia Circuit. If the FCC's decision in this order is upheld, Spinco is likely to incur additional costs for delivering ISP–bound traffic originated by their customers to competitive wireline service providers serving ISP's. Although Spinco has not fully quantified the effects of this order, it believes that the additional expense would be less than $10.0 million annually.

On July 6, 2005, a hearing examiner issued a recommended order to the Georgia PSC that, if adopted, would prospectively preclude LECs from assessing access charges for non–local intrastate calls between 0 and 16 miles that originate on the network of one LEC and terminate on the network of a different LEC. Spinco, along with other LECs in Georgia, requested that the Georgia PSC reject the recommended order and find that access charges continue to apply to these intrastate calls. If the Georgia PSC ultimately adopts the recommended order, Spinco would incur a reduction in annual revenues of approximately $12.0 million. A final order will not likely become effective before the end of the first quarter of 2006.

On March 15, 2002, the FCC issued a declaratory ruling concluding that cable modem service was an interstate "information service" and not a cable service or a telecommunications service. On October 6, 2003, the U.S. Court of Appeals for the Ninth Circuit (the "Ninth Circuit Court") rejected the FCC's classification of cable modem service as solely an unregulated "information service," finding a portion of the service to be a telecommunications service. The Ninth Circuit Court's decision was appealed to the Supreme Court. On June 27, 2005, the Supreme Court reversed the Ninth Circuit Court's ruling and upheld the FCC Order finding that cable modem service was an interstate "information service." This decision shifted the focus back to the FCC to address the rulemaking proceeding initiated in 2002 in which the FCC tentatively concluded that wireline broadband Internet access should be classified as an "information service" rather than a telecommunications service and, therefore, should not be subject to common carrier regulation.

On September 23, 2005, the FCC released an order declaring wireline broadband Internet access service (or "DSL") an "information service" functionally integrated with a telecommunications component and no longer subject to a higher level of regulation as compared to broadband cable modem service. This order puts Spinco's DSL service in regulatory parity with cable modem service. The FCC order requires wireline broadband service providers, like Spinco, to continue offering broadband access on a stand–alone basis to competing unaffiliated Internet service providers for one year, after which they will no longer be required to do so. Additionally, the order preserves the current method of assessing universal service contributions on DSL revenues for a 270–day period after the effective date of the order, or until the FCC adopts a new contribution methodology to the universal service fund. Spinco could benefit from the decreased regulatory oversight of its DSL service through additional retail pricing flexibility. Spinco's DSL products are experiencing significant growth throughout its service areas, and the primary DSL competitor is the historically less–regulated cable modem service. However, the FCC has yet to establish specific rules for deregulating DSL service and until the FCC has done so, Spinco's DSL products and services remain regulated by the FCC.

On October 11, 2001, the FCC adopted rate–of–return access charge reform and initiated a further round of rulemaking to consider other rate–of–return carrier issues. The order lowered traffic sensitive switched access rates, increased the subscriber line charge ("SLC") over time to bring it in line with SLCs adopted for price cap carriers and phased out carrier common line charges in favor of a new portable "Interstate Common Line Support" universal service mechanism, and retained the authorized 11.25 percent rate of return.

Technology

Spinco believes the local exchange business is in transition from circuit switched technology, which forms the basis of the conventional landline telephone network, to digital packet–switched technology, which form the basis of the Internet Protocols ("IP") used over the Internet. Spinco is addressing this challenge with a strategy of providing data service to both business and residential customers through deployment of an IP packet data network, broadband access services like DSL, and targeted VoIP deployments in selected markets.

CLEC Operations

Spinco has authority to provide competitive local exchange services in 17 states. As of December 31, 2005, Spinco provided these services in four states on both a facilities–based and resale basis, and, where necessary, has negotiated interconnection agreements with the appropriate incumbent local exchange carriers. Spinco's strategy is to provide local service in combination with other services provided by subsidiaries of Spinco, including long–distance and Internet services. Spinco's primary focus for marketing and selling its CLEC services is directed toward the business customer segment through the offering of competitively priced and reliable services. Spinco's CLEC operations were not a material portion of its business in 2005. Spinco continues to evaluate the profitability of its existing CLEC operations in all markets.

Generally, CLECs are required to obtain certificates of public convenience and necessity in the same manner as ILECs. In addition, CLECs are required to file interstate access tariffs with the FCC and in most states, intrastate tariffs with the state public utility commissions. CLECs, however, are subject to significantly less regulation than ILECs. For example, CLECs are not subject to direct rate regulation (such as rate–of–return or price–cap regulation). In February 2005, the FCC released its Triennial Review Remand Order, which established specific impairment criteria to determine whether ILECs would remain obligated to provide network elements to CLECs on an unbundled basis. As a result of that Order, Spinco's CLEC operations will incur additional annual expenses of approximately $300,000 in 2006 and beyond for access to certain components of the networks of other non–affiliated ILECs.

In December 2005, the FCC ruled that Qwest was no longer obligated to provide CLECs, like Spinco, with access to certain UNEs in nine Omaha, Nebraska central offices. Currently, Spinco leases approximately 3,600 UNE's from Qwest that will likely be affected by this decision. The FCC ruling may result in an additional annual expense of approximately $600,000 for Spinco's CLEC operations to continue providing service to its Omaha customers.

Long–Distance and Network Management Operations

Long–distance telecommunications services are provided on a resale basis by Spinco subsidiaries. Spinco provides long–distance service in all of the states in which it provides local exchange service. In addition, Spinco offers long–distance service outside its ILEC service areas. As of December 31, 2005, Spinco provided long–distance service to nearly 1.8 million customers. The long–distance marketplace is extremely competitive and continues to receive relaxed regulation from both the FCC and state regulatory commissions. To meet the competitive demands of the long–distance industry, Spinco has created several business and residential service offerings to attract potential customers, such as volume price discounts, calling cards and simplified one–rate plans. As a long–distance service provider, Spinco's intrastate long–distance business is subject to limited regulation by state regulatory commissions, and its interstate business is subject to limited regulation by the FCC. State regulatory commissions currently require long–distance service providers to obtain a certificate of operating authority, and the majority of states also require long–distance service providers to file tariffs.

Product Distribution

Spinco's product distribution subsidiary, Communications Products, operates four warehouses and four counter–sales showrooms across the United States. Communications Products is a distributor of telecommunications equipment and materials. Communications Products supplies equipment to affiliated and non–affiliated communications companies, business systems suppliers, railroads, governments, and retail and industrial companies. Communications Products offers a large variety of telecommunications–related products for sale. Certain of these products are inventoried including single and multi–line telephone sets, local area networks, switching equipment modules, interior cable, pole line hardware, and various other telecommunications supply items. Spinco has not encountered any material shortages or delays in delivery of products from their suppliers.

Communications Products experiences substantial competition throughout its sales territories from other distribution companies and from direct sales by manufacturers. Competition is based primarily on quality, product availability, service, price, and technical assistance. Communications Products also offers other services including expert technical assistance, maintaining wide–ranging inventories in strategically located warehouses and counter–sales showrooms to facilitate single supplier sourcing and "just–in–time" delivery, maintaining a full range of product lines, and by providing staging, assembly and other services. Spinco periodically evaluates its product and service offerings to meet customer expectations and position Communications Products in the market as a quality, customer–focused distributor.

Directory Publishing

The directory publishing subsidiary coordinates advertising, sales, printing, and distribution for 386 telephone directory contracts in 36 states. Of the total number of directory contracts published, 159 contracts pertain to Spinco's ILEC subsidiaries. The directory publishing subsidiary provides all directory publishing services, except printing. The services provided by the directory publishing subsidiary includes directory yellow page advertising sales, contract management, production, billing, and marketing. Both Verizon Directories and Quebecor World Printers performed printing services for the directories published in 2005 under two separate service agreements that expire in 2007 and 2008, respectively.

Telecommunications Information Services

Following the sale of certain assets and related liabilities, including selected customer contracts and capitalized software development costs to Convergys Information Management Group, Inc. in December 2003 and the loss of one of its remaining unaffiliated wireline services customers in 2004, Spinco's telecommunications information services operations consist solely of providing data processing and outsourcing services to Valor.

MANAGEMENT OF NEWCO FOLLOWING THE MERGER

Board of Directors

The merger agreement provides that, as of the completion of the merger, the Board of Directors of Newco will consist of nine individuals: Francis X. Frantz, who most recently served as the Executive Vice President — External Affairs, General Counsel and Secretary of Alltel, Jeffery R. Gardner, who most recently served as Executive Vice President — Chief Financial Officer of Alltel, six other persons to be named by Alltel and one person to be named by Valor. Additionally, the merger agreement provides that, as of the completion of the merger, Mr. Frantz will serve as Chairman of the Board of Newco. Valor has designated Anthony J. de Nicola as its board member and Alltel has selected Dennis E. Foster as one of its designees to the Newco board. Alltel will select its remaining designees to the Newco board prior to mailing this proxy statement/ prospectus–information statement to Valor's stockholders.

We have listed below biographical information for each person who is currently expected to be a member of the Board of Directors of Newco as of the completion of the merger.

Alltel Corporation Designees to the Board of Directors

Francis X. Frantz, age 52, Mr. Frantz was most recently Executive Vice President–External Affairs, General Counsel and Secretary of Alltel Corporation. Mr. Frantz was responsible for a number of Alltel's staff functions, including wireline wholesale services, federal and state government and legal affairs, corporate communications, administrative services, and corporate governance. Mr. Frantz joined Alltel in 1990 as senior vice president and general counsel and was appointed corporate secretary in January 1992 and executive vice president in July 1998. Prior to joining Alltel, he was a partner in the law firm of Thompson, Hine and Flory, where he represented Alltel in connection with various business transactions and corporate matters for the last several years of his 12–year tenure with that firm.

Mr. Frantz is the 2005–2006 Chairman of the Board and Chairman of the Executive Committee of USTelecom, a telecom trade association that represents over 1,000 member companies. He is a member of the Board of Trustees and the Executive Committee and Chairman of the Long–Range Planning Committee of Good Shepherd Ecumenical Retirement Center, a non–profit, ecumenical enterprise that provides affordable living arrangements to over 500 elderly.

Mr. Frantz is an honors graduate of The University of Akron and of the Ohio State University School of Law, where he served on the Law Journal and was elected to the Order of the Coif.

Jeffery R. Gardner, age 46, Mr. Gardner was most recently the Executive Vice President and Chief Financial Officer of Alltel Corporation where he was responsible for the finance and accounting functions for Alltel. His responsibilities included Alltel's capital markets, budgeting and forecasting, strategic planning, accounting, procurement, tax and operational support. Mr. Gardner has been in the communications industry since 1986 and joined the company in 1998 when Alltel and 360° Communications merged. While with Alltel, he held a variety of other senior management positions such as senior vice president of finance, president of the Mid–Atlantic Region, vice president and general manager of Las Vegas and director of finance.

He is a member of the board of directors for RF Micro Devices, based in Greensboro, North Carolina, where he serves on the audit committee. He also serves on the board of the Arkansas Symphony Orchestra, the Arthritis Foundation and Pulaski Academy in Little Rock, Arkansas.

Mr. Gardner earned a degree in finance from Purdue University and a graduate degree in business administration from William and Mary. He is a certified public accountant.

Dennis E. Foster, age 65, is a principal in Foster Thoroughbred Investments in Lexington, Kentucky (a thoroughbred horse farm). Mr. Foster has been a director of Alltel since 1998 where he currently serves as chairman of the compensation committee and a member of the executive committee. Prior to June 30, 2000, Mr. Foster served as vice chairman of the Alltel board. Mr. Foster is also a director of Yellow Corp. and NiSource Inc.

Valor Designee to the Board of Directors

Anthony J. de Nicola, age 41, has served as a director of Valor since March 2004 and as Chairman since April 2004. Mr. de Nicola is currently a general partner of Welsh, Carson, Anderson & Stowe, which is one of Valor's stockholders. He joined Welsh, Carson, Anderson & Stowe in 1994 and focuses on investments in the information and business services and communications industries. Before joining Welsh, Carson, Anderson & Stowe, he worked for four years in the private equity group at William Blair & Company. Previously, Mr. de Nicola worked at Goldman, Sachs & Co. in the Mergers and Acquisitions Department. Mr. de Nicola is also a member of the boards of directors of Centennial Communications Corp., ITC Deltacom, Inc., R.H. Donnelly and several private companies.

Classified Board

After the merger, Newco's restated certificate of incorporation will provide that the Newco Board of Directors will be divided into three classes, each class to initially consist of three directors. The directors will serve staggered three year terms and only one class of directors will stand for election each year. The merger agreement provides that Mr. de Nicola will be a Class II director of Newco with his term expiring at the 2008 annual meeting of Newco's stockholders and that Messrs. Frantz, Gardner and one of Alltel's designees to the Newco board will be Class III directors with their terms expiring at the 2009 annual meeting of Newco's stockholders.

Committees of the Board of Directors

The committees of the Board of Directors of Newco and the members of such committees will not be determined until the Board of Directors of Newco is fully constituted and holds its initial meeting. It is expected that the Board of Directors of Newco, however, will initially have the following three committees. Upon completion of the merger, the Board of Directors of Newco will approve written charters for each committee and make determinations with respect to each committee member's independence in accordance with New York Stock Exchange listing standards.

Audit Committee. Upon completion of the merger, the board will make determinations regarding the financial literacy and financial expertise of each member of the Audit Committee in accordance with the New York Stock Exchange listing standards. The committee will assist the Board of Directors in fulfilling its oversight responsibility with respect to Newco's accounting and financial reporting practices and the audit process, the quality and integrity of Newco's financial statements, the independent auditors' qualifications, independence and performance, the performance of Newco's internal audit function and internal auditors and certain areas of legal and regulatory compliance.

Compensation Committee. The Compensation Committee will assist the Board of Directors in carrying out the responsibilities of the Board of Directors relating to the compensation of Newco's executive officers as will be set forth in the committee's charter in accordance with New York Stock Exchange listing standards.

Governance Committee. The principal functions of the Governance Committee will be to assist the Board of Directors in identifying individuals qualified to become board members and recommend to the board the nominees for election as directors at the next annual meeting of stockholders, to recommend to the board the persons to be elected as executive officers of Newco, to develop and recommend to the board the corporate governance guidelines applicable to Newco, and to serve in an advisory capacity to the board and the chairman of the board with regard to matters of organization, management succession plans, major changes in the organizational structure of Newco, and the conduct of board activities. Upon completion of the merger, the Board of Directors will make determinations regarding the committee's responsibilities to be laid out in its written charter, including, among other things, the criteria by which prospective board members should be evaluated for nomination or recommendation for nomination for election to the Board of Directors.

Management

The merger agreement provides that, as of completion of the merger, Mr. Frantz will serve as Chairman of Newco, Mr. Gardner will serve as the President and Chief Executive Officer and Brent K. Whittington, who most recently served as senior vice president of operations support for Alltel, will serve as Executive Vice President and Chief Financial Officer. The other initial officers of Newco will consist of individuals selected by Alltel. Alltel has already named John P. Fletcher as Executive Vice President and General Counsel, Michael D. Rhoda, who most recently served as vice president — wireline regulatory & wholesale services for Alltel, as Senior Vice President — Governmental Affairs, Robert G. Clancy, Jr., who most recently served as vice president of investor relations for Alltel, as Senior Vice President and Treasurer and Susan Bradley, who most recently served as vice president of human resources for Alltel, as Senior Vice President — Human Resources.

The merger agreement had contemplated that Mr. John Koch (the former president of Alltel's wireline operations) would serve as Chief Operating Officer of Newco. Instead, Alltel and Valor expect to select a replacement for Mr. Koch prior to completion of the merger to serve in that capacity.

We have set forth below certain information about persons expected to be executive officers of Newco following the completion of the merger.

Francis X. Frantz, Chairman of the Board. A brief description of Mr. Frantz's business experience during the past five years is included above in "— Alltel Corporation Designees to the Board of Directors" on page [•].

Jeffery R. Gardner, President and Chief Executive Officer. A brief description of Mr. Gardner's business experience during the past five years is included above in "— Alltel Corporation Designees to the Board of Directors" on page [•].

Brent K. Whittington, age 35, Executive Vice President and Chief Financial Officer, most recently served as senior vice president of operations support for Alltel. Mr. Whittington joined Alltel in 2002 as vice president for finance and accounting. Prior to joining Alltel, Mr. Whittington was with Arthur Andersen LLP for eight years, most recently serving as an audit manager. He has a degree in accounting from the University of Arkansas at Little Rock. He is a member of the American Institute of Certified Public Accountants.

John P. Fletcher, age 40, Executive Vice President and General Counsel, most recently was a partner in the law offices of Kutak Rock LLP. Mr. Fletcher joined Kutak Rock LLP in 1998 where he specialized in corporate and securities law. He is a graduate of the Southern Methodist University Law School, where he served on the law journal and was elected to the Order of the Coif. He also is an honors graduate of Duke University.

Michael D. Rhoda, age 45, Senior Vice President — Governmental Affairs. Mr. Rhoda most recently served as vice president — wireline regulatory & wholesale services for Alltel. Mr. Rhoda joined Alltel in 1994 as director of wireless business planning and systems. He has since held various positions such as market area president for Alltel's northern region, vice president of accounting and finance, vice president of business development, vice president of product management, vice president and general manager of Alltel's market in Charlotte, North Carolina and vice president — business development. Prior to joining Alltel, Mr. Rhoda held various finance positions within GTE and practiced public accounting for several years. He is a graduate of Eastern Illinois University and is a member of the American Institute of Certified Public Accountants.

Robert G. Clancy, Jr., age 41, Senior Vice President and Treasurer. Mr. Clancy most recently served as vice president of investor relations for Alltel. Mr. Clancy joined Alltel in 1998 when the company merged with 360° Communications and has been in the communications industry since 1987. While at Alltel, he also served in a variety of management positions including vice president of sales and distribution, vice president of internal audit, vice president of finance, vice president and general manager for the central North Carolina market, and southeast region marketing director. Mr. Clancy has a degree in accounting from Northern Illinois University in DeKalb. He is a certified public accountant.

Susan Bradley, age 54, Senior Vice President — Human Resources. Ms. Bradley most recently served as vice president of human resources for Alltel, responsible for compensation and staffing at Alltel. Ms. Bradley joined Alltel in 1990 when Alltel acquired Systematics, Inc. of Little Rock, Arkansas. Ms. Bradley has served in a variety of human resources management roles for Alltel. Prior to joining Alltel, she spent 12 years with Southwestern Bell. Ms. Bradley has a degree in history and political science from Hendrix College in Conway, Arkansas.

COMPENSATION OF EXECUTIVE OFFICERS OF NEWCO

Newco has not yet paid any compensation to the individuals who will become its directors or executive officers. The form and amount of the compensation to be paid to each of Newco's directors and executive officers will be determined by Newco's Board of Directors as soon as practicable immediately prior to or following the completion of the merger.

The following tables disclose compensation received by the individuals who will be the chief executive officer and the next four most highly compensated executive officers of Newco based on compensation received from Alltel Corporation for the fiscal years indicated. These officers are referred to as "named executive officers" in other parts of this proxy statement/ prospectus–information statement.

Summary Compensation Table

The following table discloses compensation received from Alltel by the named executive officers who are currently employees of Alltel.

			Annual Compensation			Long–Term Compensation: Awards		Long–Term Compensation: Payouts	
Name(a)	Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)	Restricted Stock Award ($)(b)	Securities Underlying Options (#)(c)	Long–Term Incentive Plan Payouts ($)	All Other Compensation ($)(d)
Jeffery R. Gardner	Chief Executive Officer	2005	525,000	680,400	—	939,420(b)	60,000	466,667	118,259
		2004	475,000	855,000	—	739,200	60,000	452,625	72,982
		2003	400,000	615,600	—	—	120,000	390,000	51,421
Francis X. Frantz	Chairman of the Board	2005	500,000	648,000	—	939,420(b)	60,000	470,000	224,241
		2004	460,000	828,000	—	739,200	60,000	514,986	104,766
		2003	450,000	692,550	—	—	120,000	472,500	70,319
Michael D. Rhoda	Senior Vice President — Regulatory and Wholesale	2005	191,102	94,617	—	103,613	7,500	49,029	15,205
		2004	183,752	97,538	—	43,995	3,500	62,096	13,803
		2003	175,002	86,453	—	—	7,000	62,388	10,989
Brent K. Whittington	Chief Financial Officer	2005	180,000	93,797	—	55,260	4,000	—	8,400
		2004	175,000	47,211	—	22,023	1,750	—	7,120
		2003	115,500	31,421	—	—	3,500	—	5,867
Robert G. Clancy Jr.	Senior Vice President and Treasurer	2005	168,646	68,528	—	27,630	2,000	25,720	10,771
		2004	162,160	59,811	—	23,280	1,850	32,596	8,939
		2003	149,940	40,986	—	—	3,700	—	7,632

(a) The listed principal position of each named executive officer is the principal position each named executive officer is expected to hold with Newco following completion of the merger. Mr. Frantz served as the Executive Vice President and Secretary of Alltel. Mr. Gardner served as the Executive Vice President and Chief Financial Officer of Alltel. Mr. Whittington served as the Senior Vice President of Operations Support of Alltel. Mr. Rhoda served as Vice President — Regulatory and Wholesale for Alltel. Mr. Clancy served as the Vice President of Investor Relations for Alltel.

(b) Holders of shares of Alltel restricted stock receive the same dividends as holders of Alltel common stock. On December 30, 2005, the aggregate Alltel restricted stock holdings for each of Messrs. Frantz and Gardner was 27,000 shares and for Messrs. Whittington, Rhoda and Clancy, 1,292 shares, 2,458 shares

and 808 shares respectively. The respective aggregate value of the shares based upon the December 31, 2005 closing price was $1,703,700 for Messrs. Gardner and Frantz. The respective aggregate value of the shares from Messrs. Whittington, Rhoda and Clancy were $81,525, $155,100 and $50,985 respectively. The distribution agreement executed in connection with the merger of Valor and Spinco provides that each Alltel restricted share award outstanding under Alltel's 1998 Equity Incentive Plan and held by an individual to become an employee of Newco as of the distribution date will fully vest on the distribution date.

(c) The distribution agreement executed in connection with the merger of Valor and Spinco provides that all vested options held by Spinco employees will expire upon the distribution date, unless exercised within the time provided in the options. To the extent a Spinco employee is holding an award consisting of an Alltel option that is not vested as of the distribution date, that option shall be cancelled as of the distribution date and replaced by restricted shares of Newco common stock, the value of which will be determined by the Newco Board of Directors.

(d) Includes the following amounts for Messrs. Frantz, Gardner, Rhoda and Clancy: allocated benefits under the Alltel Benefit Restoration Plan in the respective amounts of $65,196, $64,751, $5,881 and $2,371; aggregate employer contributions under the Alltel Profit Sharing Plan and Alltel 401(k) Plan in the amount of $8,400 for each as well as Mr. Whittington; "above-market" earnings on deferred compensation in the respective amounts of $140,169, $45,108 and $924 for Messrs. Frantz, Gardner and Rhoda (payment of which is deferred until the deferred compensation is paid); and dollar amount of premiums paid under supplemental split dollar life insurance policies in the amount of $10,476 for Mr. Frantz, which was put into place prior to the enactment of the Sarbanes-Oxley Act in 2002 and is therefore not subject to the prohibitions regarding loans to officers and directors set forth in Section 402 of the act.

Option Grants in Last Fiscal Year

The following table provides information about options to acquire shares of Alltel Corporation common stock granted by Alltel Corporation in 2005 to named executive officers who are currently employees of Alltel Corporation.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term			
					5%		10%	
Name	Number of Securities Underlying Options Granted (#)	% of Total Options Granted to Employees in 2005	Exercise or Base Price ($/Sh)	Expiration Date	Stock Price ($)	Dollar Gain ($)	Stock Price ($)	Dollar Gain ($)
Jeffery R. Gardner(a)	60,000	4.46	55.26	1/19/15	90.01	2,085,163	143.33	5,284,213
Francis X. Frantz(a)	60,000	4.46	55.26	1/19/15	90.01	2,085,163	143.33	5,284,213
Michael D. Rhoda(a)	7,500	.56	55.26	1/19/15	90.01	260,645	143.33	660,527
Brent K. Whittington	4,000	.30	55.26	1/19/15	90.01	139,011	143.33	352,281
Robert G. Clancy Jr.	2,000	.15	55.26	1/19/15	90.01	69,505	143.33	176,140
Dollar Gains of All Alltel Stockholders(b)						$ 1,333,030,000		$ 3,378,417,000

(a) These options become exercisable in five equal installments beginning on the first anniversary of the date of grant or sooner in the event Alltel experiences a "change in control."

(b) Total dollar gains are based on the indicated assumed annual rates of appreciation in the option exercise price, calculated on the 383,605,936 shares of Alltel common stock outstanding as of December 31, 2005.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year–End Option Values

The following table provides information about option exercises during 2005 by the named executive officers who are currently employees of Alltel Corporation and the value of their unexercised options as of the end of 2005.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at 2005 Year–End Exercisable/Unexercisable	Value of Unexercised In–the–Money Options at 2005 Year–End Exercisable/Unexercisable ($)
Jeffery R. Gardner	84,754	1,470,298	553,000/262,000	776,200/2,650,920
Francis X. Frantz	–0–	–0–	603,000/262,000	1,602,280/2,650,920
Michael D. Rhoda	6,000	131,155	24,200/18,300	84,682/184,046
Brent K. Whittington	–0–	–0–	3,850/8,900	79,219/119,856
Robert G. Clancy Jr.	4,250	46,249	13,800/8,000	3,188/81,065

Long–Term Incentive Plan — Awards in Last Fiscal Year

The following table provides information concerning long–term compensation awards made during 2005 to the named executive officers who are currently employees of Alltel Corporation.

		Estimated Future Payouts*		
Name	Performance Period Until Payout	Minimum ($)	Mid–Point ($)	Target ($)
Jeffery R. Gardner	3 years	262,500	525,000	787,500
Francis X. Frantz	3 years	250,000	500,000	750,000
Michael D. Rhoda	3 years	23,888	47,776	71,664
Brent K. Whittington	3 years	20,625	41,250	61,875
Robert G. Clancy Jr.	3 years	16,875	33,750	50,625

* The Employee Benefits Agreement executed in connection with the merger of Valor and Spinco provides that the awards for the 2005–2007 performance measurement period shall be deemed earned at the target performance level. Each eligible Spinco individual shall be entitled to a pro rata award, the amount of which shall be calculated based on (i) the number of days in the period commencing on January 1, 2005 and ending on the Distribution Date out of the total number of days in the performance measurement period and (ii) his or her average base compensation during such period.

OTHER COMPENSATION ARRANGEMENTS

Change in Control Agreements

Alltel is a party to agreements with each of Messrs. Frantz, Gardner and Rhoda which provide that if, following a "change in control" of Alltel, the executive's employment terminates within twelve months (unless the termination is as a result of death, by Alltel as a result of the executive's disability or for "cause," or by the executive without "good reason") or, in the case of Messrs. Frantz and Gardner, if after remaining employed for twelve months the executive's employment terminates during the following three–month period (unless the termination is a result of death or is by Alltel as a result of the executive's disability) (each of the foregoing events being referred to as a "Payment Trigger"), Alltel is required to pay the executive an amount equal to, in the case of Messrs Frantz and Gardner, three times and in the case of Mr. Rhoda, one times the sum of his base salary as in effect immediately prior to the change in control or Payment Trigger and the maximum amounts he could have received under the Incentive Plans for the period commencing coincident with or most recently prior to the period in which the change in control or Payment Trigger occurs, but reduced by any other cash severance paid to him. Alltel also is required to make an additional payment to the executive in the amount of any excise tax under Section 4999 of the Internal Revenue Code as a result of any payments or distributions by Alltel plus the amount of all additional income tax payable by him as a result of such

additional payments. Payments under the agreements to Messrs. Frantz and Gardner are covered by Alltel's "grantor trust" described below.

It is anticipated that, following consummation of the merger, Newco will enter into change in control agreements with its senior officers. The specific terms of the change in control agreements will be determined by Newco's Board of Directors. The agreements are expected to provide generally that if following a change in control of Newco, an officer who is a party to an agreement is terminated without cause, or under other circumstances as may be specified in the change in control agreements, such officer would be entitled to receive a severance payment equal to a range of one to three times the senior officer's annual base salary and amounts payable under the incentive plan for the period. Other benefits, including health and welfare benefits, may also be provided to such officers under the terms of the change in control agreements.

Defined Benefit Pension Plan

Alltel maintains a trusteed, noncontributory, defined benefit pension plan covering salaried and non–salaried employees under which benefits are not determined primarily by final compensation (or average final compensation). For nonbargaining participants, the pension plan was closed to new participants as of December 31, 2005 and frozen to additional accruals as of December 31, 2005 (December 31, 2010 for employees who had attained age 40 with two years of service as of December 31, 2005). Under this pension plan, Messrs. Frantz, Gardner, Rhoda and Clancy would have each period of post–January 1, 1988 through December 31, 2010, service credited at 1% of compensation, plus 0.4% of that part of his compensation that exceeds the Social Security Taxable Wage Base for such year. Mr. Whittington would have each period of post–January 1, 1988 through December 31, 2005, service credited at 1% of compensation plus 0.4% of that part of his compensation that exceeds the Social Security Taxable Wage Base for such year. Service prior to 1988, if any, would be credited on the basis of a percentage of his highest consecutive five–year average annual base salary, equal to 1% for each year of service prior to 1982 and thereafter increasing by .05% each year until 1988, but only prospectively, i.e., with respect to service earned in such succeeding year; in addition, each of Messrs. Frantz, Gardner, Rhoda, Clancy and Whittington would receive an additional credit of .25% for each pre–1988 year of service after age 55, subject to a maximum of 10 years' such credit, and would have added to his annual pension benefits an amount equal to 0.4% of the amount by which his pre–1988 career average annual base salary (three highest years) exceeds his Social Security covered compensation, multiplied by his years of pre–1988 credited service. Various benefit payment options are available on an actuarially equivalent basis, including joint and survivor benefits. Compensation included in the pension base includes cash awards under the Incentive Plans.

As part of and in accordance with the merger agreement, the portion of the defined benefit plan covering Newco employees will be transferred to Newco. Assuming annual increases in compensation in future years of 5% per year through December 31, 2010 (or December 31, 2005 for Mr. Whittington), continuation in the position he held during 2005, and retirement at age 65, the estimated annual benefit under the pension plan for each of Messrs. Frantz, Gardner, Rhoda, Clancy and Whittington is $297,890, $240,169, $57,991, $41,254 and $7,182, respectively. Amounts shown are straight life annuity amounts and include amounts payable under the defined benefit portion of the Alltel Benefit Restoration Plan.

Benefit Restoration Plan

Federal laws place certain limitations on pensions that may be paid under federal income tax qualified plans. The Alltel Benefit Restoration Plan provides for the payment to certain employees outside tax–qualified plans of any amounts not payable under the tax–qualified plans by reason of limitations specified in the Internal Revenue Code. Currently, under the Alltel Benefit Restoration Plan, Messrs. Frantz , Gardner, Rhoda, and Clancy are eligible for accruals with respect to benefits not payable under Alltel's defined contribution plans and defined benefit pension plan. Amounts accrued, if any, under the defined contribution portion of these plans in 2005 for each of these executives are included in the Summary Compensation Table on page [•]. As part of and in accordance with the merger agreement, the portion of the Alltel Benefit Restoration Plan covering Newco employees will be transferred to Newco.

Supplemental Executive Retirement Plan

Alltel maintains a non–qualified supplemental executive retirement plan (the "SERP") in which certain employees designated by its Board of Directors, including Messrs. Frantz and Gardner, participate. Each of Messrs. Frantz and Gardner is entitled to an early retirement benefit under the SERP upon the earliest to occur of January 1, 2007, and the distribution date (as defined in the distribution agreement by and between Alltel and Spinco). The lump sum benefit under the SERP payable for each of Messrs. Frantz and Gardner is $7,615,028 and $9,256,645, respectively. These payments will be made by Alltel within 10 days of the earliest of the distribution date and January 1, 2007. These payments reflect retirement benefits that were earned by Messrs. Frantz and Gardner in accordance with the SERP during their tenure at Alltel, and Alltel will make these payments on the foregoing date due to the pending separation of Spinco from Alltel which will result in the termination of these individuals' employment with Alltel.

Grantor Trust

Alltel maintains a "grantor trust" under Section 671 of the Internal Revenue Code (the "Trust") to provide certain participants in designated compensation and supplemental retirement plans and arrangements with greater assurance that the benefits and payments to which those participants are entitled under those plans and arrangements will be paid. Contributions by Alltel to the Trust are discretionary. Prior to a "change of control" of Alltel (as defined in the trust agreement for the Trust), benefits may not be paid from the Trust.

Following a "change of control" of Alltel, benefits and payments may be paid from the Trust to the extent those benefits and payments are not paid by Alltel or its successor. The assets of the Trust are subject to the claims of the creditors of Alltel in the event Alltel becomes "insolvent" (as defined in the trust agreement for the Trust).

OWNERSHIP OF NEWCO COMMON STOCK

The table below sets forth the projected beneficial ownership of Newco common stock immediately after the completion of the merger and is derived from information relating to the beneficial ownership of Valor common stock and Alltel Corporation common stock as of February 27, 2006. The table sets forth the projected beneficial ownership of Newco common stock by the following individuals or entities:

- each person who will beneficially own more than 5% of the outstanding shares of Newco common stock immediately after completion of the merger;
- the individuals who will be the chief executive officer and the other four most highly compensated executive officers of Newco;
- the individuals who will be the directors of Newco; and
- the individuals who will be the directors and executive officers of Newco as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. Except as otherwise indicated, each person or entity named in the table is expected to have sole voting and investment power with respect to all shares of Newco common stock shown as beneficially owned, subject to applicable community property laws. As of February 1, 2006, 71,063,265 shares of Valor common stock were issued and outstanding and 387,188,917 shares of Alltel Corporation common stock were issued and outstanding. The percentage of beneficial ownership set forth below gives effect to the distribution of an estimated 387,188,917 shares of Spinco common stock in the spin–off and the issuance of an estimated 402,715,523 shares of Valor common stock pursuant to the merger and is based on 473,751,788 shares of Newco common stock estimated to be outstanding immediately following completion of the merger. In computing the number of shares of Newco common stock that will be beneficially owned by a person and the percentage ownership of that person, Newco restricted stock units that will be held by such person that are exercisable immediately after the merger or that are exercisable within 60 days of the date the merger closes (which is assumed, for purposes of this calculation only, to be May 31, 2006) are deemed outstanding. These

Table of Contents

shares are not, however, deemed outstanding for the purpose of computing the percentage ownership of any other person.

	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (If 1% or More)
5% Beneficial Owners			
	Private Capital Management, Inc. 8889 Pelican Bay Boulevard Suite 500 Naples, FL 34108–7512	39,295,807(a)	8.3%
Directors	Dennis E. Foster	428,328(b)	
	Anthony J. de Nicola	19,617,338(c)(d)	4.1%
Named Executive Officers	Jeffery R. Gardner	711,308(b)	
	Francis X. Frantz	845,477(b)	
	Brent K. Whittington	5,403(b)	
	Michael D. Rhoda	33,736(b)	
	Robert G. Clancy, Jr.	18,155(b)	
All Directors and Executive Officers as a Group		21,674,554(e)	4.6%

(a) Based upon information contained in the Schedule 13G/ A filed by Private Capital Management ("PCM") on February 14, 2006 evidencing its ownership of Alltel common stock, it has shared voting and investment power with respect to these shares. Bruce S. Sherman, chief executive officer of PCM, has sole voting and investment power with respect to 560,595 shares of Alltel common stock and shared voting and investment power with respect to 36,503,885 shares (including the shares held by PCM's clients and managed by PCM), and Gregg J. Powers, president of PCM, has sole voting and investment power with respect to 30,000 shares of Alltel common stock and shared voting and investment power with respect to 36,468,040 shares (including the shares held by PCM's clients and managed by PCM).

(b) Includes shares that the indicated persons have the right to acquire (through the exercise of options to purchase Alltel common stock) on or prior to the projected closing date (which is assumed, for purposes of this calculation only, to be May 31, 2006), as follows: Dennis E. Foster (375,656); Francis X. Frantz (731,120); Jeffery R. Gardner (679,120); Brent K. Whittington (4,368); Michael D. Rhoda (31,408); and Robert G. Clancy, Jr. (16,712). The employee matters agreement provides that to the extent that these individuals are holding an award consisting of an Alltel option that is vested and outstanding as of the distribution date, he or she will be treated as experiencing a separation from service from, or otherwise terminating employment with, Alltel. Any such Alltel option will expire unless it is exercised within the time provided in the option itself.

(c) As a member of WCAS VIII Associates LLC and WCAS IX Associates, LLC, Mr. de Nicola may be deemed to share beneficial ownership of the 19,574,421 shares held by Welsh, Carson, Anderson Stowe. Mr. de Nicola disclaims beneficial ownership of such shares and any other shares held by affiliates of Welsh, Carson, Anderson & Stowe.

(d) Includes 42,579 shares held directly by Mr. de Nicola, of which 6,470 represents shares of restricted stock that will vest upon closing of the merger.

(e) Includes a total of 1,852,008 shares that members of the group have the right to acquire (through the exercise of options) on or prior to the projected closing date (which is assumed, for purposes of this calculation only, to be May 31, 2006).

DESCRIPTION OF NEWCO CAPITAL STOCK

As part of the merger, the certificate of incorporation and bylaws of Valor will be amended and restated to become the governing documents of Newco. The following summary describes the material terms of the Amended and Restated Certificate of Incorporation of Newco (which we refer to as the "Newco Certificate") and the Amended and Restated Bylaws of Newco (which we refer to as the "Newco Bylaws"), but it does not purport to describe all of the terms, of such certificate and bylaws. The full text of the Newco Certificate and Bylaws are attached as Annex E and F, respectively, to this document and are incorporated by reference herein. All stockholders are urged to read such certificate and bylaws in their entirety. The summary is qualified in its entirety by the General Corporation Law of the State of Delaware (which we refer to as the "DGCL").

The Newco Certificate and Newco Bylaws will not become effective until the completion of the spin–off and merger.

General

Under the Newco Certificate, the name of the company will be [•]. The total authorized capital stock of Newco will consist of 200,000,000 shares of preferred stock, par value $.0001 per share and 2,000,000,000 shares of common stock, par value $.0001 per share.

Preferred Stock

The Newco Certificate provides that Newco's Board of Directors will be authorized without further stockholder approval, to issue from time to time up to a total of 200,000,000 shares of preferred stock in one or more series and to fix or alter the powers, preferences and rights, and any qualifications, limitations or restrictions thereof, of the shares of each series. The Board of Directors may fix the number of shares of any series of preferred stock, and it may increase or decrease the number of shares of any series of preferred stock, as long as it acts within the limitations or restrictions stated in the original resolution or resolutions that fixed the number of shares in the series and as long as it does not decrease the number of shares of any series below the number then outstanding. If the number of shares of any series of preferred stock is decreased, the shares constituting the decrease will resume the status they had prior to the adoption of the resolution that originally fixed the number of shares of the series, subject to the requirements of applicable law.

Common Stock

Under the Newco Certificate, the holders of Newco common stock will have one vote per share on matters submitted to a vote of stockholders. Holders of the common stock will be entitled to receive dividends ratably, if any, as may be declared by the Board of Directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock. Upon Newco's liquidation, dissolution or winding up, the holders of common stock will be entitled to receive ratably Newco's net assets available after the payment or provision for payment of all debts and subject to the prior rights of any outstanding preferred stock. The Newco common stock will have no preemptive rights, no cumulative voting rights and no redemption, sinking fund or conversion provisions.

To the greatest extent permitted by applicable Delaware law, the shares of common stock will be uncertificated, and transfer will be reflected by book entry.

All rights, preferences and privileges of holders of Newco common stock stated in this summary are subject to the rights of holders of shares of any series of preferred stock which Newco may designate and issue in the future without further stockholder approval.

Delaware Anti–Takeover Statute

Section 203 of the DGCL restricts business combinations with certain interested stockholders (defined generally under the DGCL to include persons who beneficially own or acquire 15% or more of a Delaware corporation's voting stock, hereinafter a "Section 203 Interested Stockholder"). Section 203, which applies to

Newco, prohibits business combination transactions between a publicly held Delaware corporation and any Section 203 Interested Stockholder for a period of three years after the time on which the Section 203 Interested Stockholder became an interested stockholder unless: (a) prior to that time the corporation's Board of Directors approved either the proposed business combination or the transaction which resulted in the Section 203 Interested Stockholder becoming an interested stockholder; (b) upon consummation of the transaction which resulted in the Section 203 Interested Stockholder becoming an interested stockholder, the Section 203 Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers; and (ii) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (c) on or subsequent to such time the business combination is approved by the corporation's Board of Directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least $66^{2}/3\%$ the outstanding voting stock which is not owned by the Section 203 Interested Stockholder.

Rights of Appraisal

Under the DGCL, Newco stockholders may demand appraisal of and obtain payment of the fair value of their shares. This remedy may be an exclusive remedy, except where the corporate action involves fraud or illegality. The DGCL provides appraisal rights only in certain mergers or consolidations and not (unless the certificate of incorporation of a corporation so provides, which the Newco Certificate will not) for a sale or transfer of all or substantially all of a corporation's assets or an amendment to its certificate of incorporation. Moreover, the DGCL does not provide appraisal rights in connection with a merger or consolidation (unless the certificate of incorporation so provides, which the Newco Certificate will not) to the holders of shares of a constituent corporation listed on a national securities exchange (or designated as a national market system security by the National Association of Securities Dealers, Inc.) or held of record by more than 2,000 stockholders, unless the applicable agreement of merger or consolidation requires the holders of such shares to receive, in exchange for such shares, any property other than shares of stock of the resulting or surviving corporation, shares of stock of any other corporation listed on a national securities exchange (or designated as described above) or held of record by more than 2,000 holders, cash in lieu of any fractional shares or any combination of the foregoing. In addition, the DGCL denies appraisal rights if the stockholders of the surviving corporation in a merger did not have to vote to approve the merger. Appraisal rights are not available to Valor stockholders or Alltel stockholders with respect to the spin off and merger.

Board of Directors

The Newco Certificate provides for a Board of Directors consisting of not less than three nor more than fifteen members, the exact number of which shall be fixed from time to time by the affirmative vote of a majority of the entire Board of Directors. The Board of Directors will consist of three classes, with each class to consist of a number as close as possible to one–third of the directors. Under the Newco Certificate, the initial Board of Directors will consist of nine directors. In accordance with the merger agreement, the initial Class I directors will consist of three Alltel designees; the initial Class II directors will consist of one Valor designee and two Alltel designees; and the initial Class III directors will consist of one Alltel designee and the chairman of the Board of Directors and the chief executive officer of Newco. The initial term of office for the Class I, Class II and Class III directors will expire at the annual meeting of stockholders in 2007, 2008 and 2009, respectively. At each annual meeting of stockholders, the successors of that class of directors whose term expires at that meeting will be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of such election. If the number of directors is changed, any increase or decrease will be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as practicable.

Nominations of persons for election to the Newco Board of Directors may be made at a meeting of stockholders by or at the direction of the Board of Directors. In addition, any stockholder may nominate

persons for election to the Newco Board of Directors by giving timely notice to Newco's Secretary. To be timely:

- in the case of an annual meeting, a stockholder's notice must be delivered to or mailed and received at Newco's principal executive offices not less than 90 days nor more than 120 days before the first anniversary of the preceding year's annual meeting; provided, however, that if the date of the annual meeting is changed by more than 30 days from such anniversary date, notice by the stockholder must be received not later than the close of business on the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made; and
- in the case of a special meeting, a stockholder's notice must be delivered to or mailed and received at Newco's principal executive offices not later than the close of business on the 10th day following the day on which notice of the date of the meeting was mailed or public disclosure of the meeting was made.

Directors will be elected at a stockholders' meeting by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote.

Any vacancy on the Newco Board of Directors that results from an increase in the number of directors may be filled by the majority vote of the directors then in office as long as a quorum is present. Any other vacancy may be filled by a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director.

Any or all directors may be removed, with cause, by the affirmative vote of at least a majority of the total voting power of Newco's outstanding voting securities, voting together as a single class at a meeting specifically called for such purpose.

Notwithstanding the foregoing, if the holders of any one or more classes or series of Newco preferred stock have the right to elect directors, the election, term of office, filling of vacancies and other features of such directorships shall be established by the Board of Directors.

The Newco Board of Directors will have an annual meeting and may hold regular meetings without notice according to a resolution of the board. Special meetings may be called by the chairman of the board, the president (if the president is a director) or, upon the written request of a majority of the total number of directors then in office. A majority of the total number of Newco directors will constitute a quorum, and directors present at any meeting at which a quorum is present may act by majority vote.

Stockholders

The Newco Bylaws provide that an annual meeting of stockholders for the purpose of electing those directors whose term of office expires at such meeting and of transacting such other business as may properly come before it will be held each year. A stockholder may bring business before an annual meeting of stockholders by giving timely notice in writing to Newco's secretary in accordance with the provisions of the Newco Bylaws.

Under Delaware law, a special meeting of the stockholders may be called by the Board of Directors of the corporation or by any other person authorized to do so in the certificate of incorporation or bylaws. The Newco Certificate states that as long as any security of the company is registered under Section 12 of the Securities Exchange Act of 1934, as amended, special meetings of stockholders of Newco may be called only by a resolution of the Board of Directors.

In accordance with Delaware law, the Newco Bylaws provide that written notice of any stockholders meeting must be given to each stockholder entitled to vote not less than 10 or more than 60 days before the date of the meeting. Except as otherwise provided by DGCL or the Newco Certificate, the holders of a majority of Newco's outstanding shares of stock entitled to vote constitutes a quorum for the transaction of business, and except for the election of directors, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders.

As long as any security of Newco is registered under Section 12 of the Securities Exchange Act of 1934, no stockholder action may be taken without a meeting, and the certificate of incorporation expressly denies the power of stockholders to consent in writing without a meeting.

Voting on Certain Fundamental Issues

Delaware law permits a corporation to include supermajority provisions in its certificate of incorporation and bylaws with respect to the approval of various issues. However, other than the effect of Section 203 of the DGCL and voting on an amendment to certain sections of the Newco Certificate, no supermajority voting requirement provisions related to matters upon which the stockholders of Newco may vote are included in the Newco Certificate or Newco Bylaws.

Amendment of the Newco Certificate

Under Delaware law, unless a higher vote is required in the certificate of incorporation of a corporation, an amendment to such certificate of incorporation generally may be approved by a majority of the outstanding shares entitled to vote on the proposed amendment. Notwithstanding any provision of a corporation's certificate of incorporation to the contrary, under Delaware law, holders of a class of a corporation's stock are entitled to vote as a class on the approval of any amendment to the corporation's certificate of incorporation which would:

- increase or decrease the aggregate number of authorized shares of such class (subject to certain exceptions);
- increase or decrease the par value of the shares of such class; or
- alter or change the powers, preferences or rights of such class so as to affect them adversely.

Under the Newco Certificate, the affirmative vote of the holders of at least two–thirds of the combined voting power of all of the then–outstanding shares of Newco eligible to be cast in the election of directors is required in order to amend, alter, change or repeal the sections of the Newco Certificate related to the limitation of liability of directors and indemnification of directors and officers, the prohibition of stockholder action by written consent, the calling of special meetings of stockholders, the election to be covered by DGCL Section 203, and the procedures required to amend the Newco Certificate.

Amendment of the Newco Bylaws

Under the Newco Certificate, the Board of Directors will be expressly authorized to amend, alter, change or repeal the Newco Bylaws. The stockholders will also have the ability to amend, alter, change or repeal the Newco Bylaws by the affirmative vote of a majority of the outstanding shares, except that a two–thirds vote is required for the stockholders to amend the bylaws sections related to bringing matters before an annual stockholder meeting, nominating and electing directors and filling vacancies on the Board, and the procedures required to amend the Newco Bylaws.

Limitation of Liability of Directors

The DGCL provides that a corporation can, by a provision in its certificate of incorporation, limit a director's liability for monetary damages for breach of fiduciary duty as a director; however, a corporation cannot limit a director's liability for any breach of the director's duty of loyalty to the corporation or its stockholders; acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; payment of a dividend or the repurchase or redemption of stock in violation of Delaware law; or any transaction from which the director derived an improper personal benefit.

The Newco Certificate provides that to the fullest extent permitted by the DGCL, no Newco director will be liable to the corporation or its stockholders for damages arising from a breach of fiduciary duty owed to Newco or its stockholders.

Indemnification

The Newco Certificate will require the corporation to indemnify any party to the fullest extent permitted by the DGCL who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding because he is or was a director or officer of Newco, or, while a director, officer or other employee of Newco, is or was serving at the request of Newco as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise.

In addition, Newco, to the fullest extent authorized under Delaware law shall pay in advance of the final disposition of any such proceeding all expenses incurred by any director or officer in connection with such proceeding. The right to indemnification is not exclusive of any other right which that individual may have or hereafter acquire under the Newco Certificate or under any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Newco may, by action of its Board of Directors, provide indemnification to its employees and agents with the same or lesser scope and effect as the foregoing indemnification of directors and officers.

Newco is authorized to purchase and maintain insurance on its own behalf and on behalf of any person required or permitted to be indemnified.

The rights to indemnification and to the advance of expenses conferred in the Newco Certificate are not be exclusive of any other right which any person may have or acquire.

Name Change; Listing

Immediately following completion of the merger, the Board of Directors will merge a wholly–owned subsidiary of the surviving company into the company and, in connection with such merger, change the name of the company from "Valor Communications Group, Inc." to "[•]." On the same day, the company will file a restated certificate of incorporation with the Delaware Secretary of State reflecting the name change. Shares of [•] will be traded on the NYSE under the new trading symbol [•].

Transfer Agent and Registrar

The transfer agent and registrar for the common stock is Computershare Investor Services, LLC.

COMPARISON OF THE RIGHTS OF STOCKHOLDERS BEFORE AND AFTER THE SPIN–OFF AND MERGER

Upon completion of the spin–off and merger, the Newco Certificate and Newco Bylaws will be in the form attached as Annex E and F, respectively, to this document and incorporated by reference herein. Although there are substantial similarities between the certificate of incorporation and bylaws of Valor prior to the spin–off and merger (which we refer to as the "Pre–Merger Certificate" and the "Pre–Merger Bylaws") and the Newco Certificate and Bylaws, some differences do exist. The following is a summary of the material differences between the rights of stockholders before and after the spin–off and merger. Although we believe that this summary covers the material differences between the two, this summary may not contain all of the information that is important to you. This summary is not intended to be a complete discussion of stockholders' rights, and it is qualified in its entirety by reference to the DGCL and the various documents we refer to in this summary.

Shares of Stock

Total authorized shares of capital stock will increase from 220,000,000 to 2,200,000,000. The authorized number of shares of preferred stock will increase from 20,000,000 shares, with a par value of $.0001 per share in the Pre–Merger Certificate to 200,000,000 shares of preferred stock, with a par value of $.0001 per share in the Newco Certificate. The authorized number of shares of common stock will increase from 200,000,000 shares of common stock, with a par value of $.0001 per share in the Pre–Merger Certificate to 2,000,000,000 shares of common stock, with a par value $.0001 per share in the Newco Certificate.

The Pre–Merger Bylaws contemplated that all shares of stock would be certificated, but under the Newco Certificate and Bylaws, to the greatest extent permitted by applicable Delaware law, the shares of common stock will be uncertificated, and transfer will be reflected by book entry. Under the Newco Bylaws, any certificated shares of stock will be transferred by surrendering the certificates with the proper endorsement and additional items required by the corporation. Upon surrender of the certificate, no new certificate will be issued to the transferee; instead, the transfer will be made by book entry.

Board of Directors

The Pre–Merger Certificate and Bylaws established an initial Board of Directors consisting of four directors elected by the stockholders. Thereafter, the number of directors was established by resolution of the Board. No term for the directors was specified, and a special meeting could be called upon the written request of at least three directors.

The Newco Certificate and Bylaws state that the Board of Directors will consist of not less than three nor more than fifteen members, with the exact number fixed from time to time by the affirmative vote of a majority of the entire Board of Directors. The Board of Directors will be divided into three classes, each consisting of a number as close as possible to one–third of the directors. The term of the successors of each such class of directors expires at the annual stockholders meeting in the third year following the year of election. A special meeting can be called upon the written request of a majority of the directors then in office.

Further, vacancies on the Board under the Pre–Merger Bylaws were filled by a majority vote of the board, regardless of whether a quorum was present. Under the Newco Bylaws, a quorum must be present in order to vote to fill a vacancy on the Newco Board of Directors that results from an increase in the number of directors. Other vacancies may be filled by a majority vote of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director.

Stockholders

Under both the Pre–Merger Bylaws and the Newco Bylaws, a stockholder may bring business before an annual meeting of stockholders by giving timely notice in writing to corporation's secretary. However, the requirements for a "timely" meeting notice differ between the two documents. Under the Pre–Merger Bylaws, the meeting notice must have been provided to the corporation no less than 60 nor more than 90 days prior to

the meeting; provided, however, that in the event that less than 70 days' notice or prior public announcement of the date of the meeting was given, the stockholder's notice must be received by the corporation no later than the 10th day following the date of the notice of the annual meeting was mailed or the public announcement was made. Under the Pre–Merger Bylaws, the meeting notice must contain the following information: (1) a brief description of the business desired to be brought before the annual meeting; (2) the name and address of the stockholder submitting the meeting notice; (3) the class and number of shares beneficially owned by the stockholder; and (4) any material interest of the stockholder in the business brought before the meeting.

The Newco Bylaws require the stockholder to provide the meeting notice no less than 90 nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 25 days before or after the anniversary date, the meeting notice must be received no later than the 10th day following the date on which notice of the annual meeting was mailed or a public announcement of the annual meeting was made. Under the Newco Bylaws, the meeting notice must contain the information required under the Pre–Merger Bylaws, as well as the following additional information: (1) a representation that the stockholder is a stockholder of record entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose the business described in the meeting notice; and (2) a representation as to whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the outstanding capital stock required to approve or adopt the proposal and/or (b) otherwise to solicit proxies from stockholders in support of such proposal.

The notice requirements for nomination of directors at an annual meeting also change under the Newco Bylaws. The Pre–Merger Bylaws require the submission of the nomination not less than 60 nor more than 90 days prior to the first anniversary of the preceding year's annual meeting, but if the date of the annual meeting is changed by more than 30 days from the anniversary date, then the nomination must be received no later than the 10th day following the date of the notice of the annual meeting was mailed or the public announcement was made. Under the Pre–Merger Bylaws, the nomination must contain: (1) as to the stockholder submitting the nomination: (a) his or her name and address; and (b) the class and number of shares beneficially owned and owned of record by the stockholder; and (2) as to the beneficial owner, if any, on whose behalf the nomination is made: (i) the name and address of the beneficial owner; and (ii) the class and number of shares beneficially owned by him or her.

Under the Newco Bylaws, the nomination must be submitted not less than 90 nor more than 120 days prior to the first anniversary of the preceding year's annual meeting, but if the date of the annual meeting is changed by more than 30 days from the anniversary date, then the nomination must be received no later than the 10th day following the date of the notice of the annual meeting was mailed or the public announcement was made. Under the Newco Bylaws the nomination must contain the same information required under the Pre–Merger Bylaws, but it also must contain the following additional information: (1) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose the nomination, and (2) a representation as to whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends (a) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the corporation's outstanding capital stock required to elect the nominee and/or (b) otherwise to solicit proxies from stockholders in support of the nomination.

The Pre–Merger Certificate contains no provision allowing the stockholders to amend the corporation's bylaws although the DGCL provides for this right. While the Newco Certificate allows the stockholders to amend, alter, change or repeal the Newco Bylaws by an affirmative majority vote, or in the case of amendment to the bylaws sections related to bringing matters before an annual meeting of the stockholders, nominating and electing directors and filling vacancies on the Board of Directors, and amending the Newco Bylaws, a two–thirds vote.

Certain Related Party Transactions

The Pre–Merger Certificate contained provisions stating that the partners, principals, directors, officers, members, managers and/or employees of Vestar Capital Partners, III, L.P., Vestar Capital Partners IV, L.P. and Vestar/ Valor LLC (which we collectively refer to as "Vestar") and Welsh, Carson, Anderson & Stowe VIII, L.P. and Welsh, Carson, Anderson & Stowe IX, L.P. (which we collectively refer to as "WCAS") were deemed "interested stockholders" under Section 203 of the DGCL and were expected to serve as directors and/or officers of the corporation; engage in business activities that are the same, similar to, or related to the business in which the corporation was engaged; and engage in material business transactions with the corporation. The Pre–Merger Certificate stated that these activities by Vestar and WCAS were not breaches of fiduciary duty and that neither Vestar nor WCAS had a duty to inform the corporation of any potential corporate opportunity unless the opportunity was expressly offered to the representative of Vestar or WCAS in his or her capacity as a director or officer of the corporation. The Pre–Merger Certificate also identified certain matters that were not corporate opportunities and set forth requirements for approval of agreements or transactions between the corporation and Vestar or WCAS. None of these provisions, nor any similar provisions concerning interested parties, are included in the Newco Certificate or Newco Bylaws.

Other than the differences described above, the rights of Newco stockholders will remain the same as the rights of Valor stockholders immediately prior to the merger.

Rights of Alltel Corporation Stockholders Before and After the Merger

Alltel Corporation stockholders will not be required to surrender their Alltel Corporation shares in the spin–off transaction or the merger. The distribution of Valor common stock to Alltel Corporation stockholders will not cancel or affect the number of outstanding shares of Alltel Corporation common stock or the related rights. The rights of Alltel stockholders after the merger as stockholders of Newco will be as set forth above under the heading "Description of Newco Capital Stock" beginning on page [•].

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 Spinco and Valor. The unaudited pro forma combined condensed financial statements give effect to (1) the contribution of Alltel's wireline operations to Spinco, (2) the spin off of Spinco to Alltel's stockholders and (3) the merger of Spinco with Valor accounted for as a reverse acquisition of Valor by Spinco, with Spinco 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 Spinco and Valor adjusted to give effect (1) to the transfer of certain assets and liabilities from and to Alltel and Spinco immediately prior to the spin–off that are not included in Spinco's historical balance sheet as of December 31, 2005, (2) to the issuance of $4.9 billion of long–term debt by Newco as further discussed in Notes (b) and (f) below (assuming Valor's outstanding notes remain outstanding), (3) to the spin–off of Spinco to Alltel's stockholders through a tax free stock dividend, payment of a special dividend by Spinco to Alltel in an amount not to exceed Alltel's tax basis in Spinco and the distribution by Spinco of certain of its debt securities to Alltel, as further discussed in Note (b) below and (4) to the merger of Spinco with Valor. (See Note (i) below.)

The unaudited pro forma combined condensed financial statements were prepared using (1) the audited combined financial statements of Spinco as of December 31, 2005 and for the year ended December 31, 2005 included in this proxy statement/ prospectus–information statement 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, which are incorporated herein by reference.

Although Valor will issue approximately 403 million of its common shares to effect the merger with Spinco, the business combination will be accounted for as a reverse acquisition with Spinco 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, Spinco has just 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 Spinco 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.

Spinco, together with the management of Newco, is developing a plan to integrate the operations of Valor and Spinco 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–information statement. However, any such charge could affect the combined results of operations of Spinco 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, nor do they include any potential incremental costs due to loss of synergies due to the separation from Alltel.

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 Spinco 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 Spinco 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 Spinco and Valor that are included or incorporated by reference in this proxy statement/ prospectus–information statement.

Valor Communications Group Inc.

Unaudited Pro Forma Combined Condensed Balance Sheet
As of December 31, 2005

	Spinco as Reported	Additional Transfers of Assets and Liabilities to/from Alltel	Issuance of Debt Securities	Payment of Dividends to Alltel	Spinco, as Adjusted	Valor as Reported	Pro Forma Add (Deduct) Adjustments	Combined
				(Millions)				
ASSETS								
Cash and short-term investments	$ 11.9	$ (5.2)(a)	$ 3,229.4(b)	$ (2,400.0)(b)	$ 836.1	$ 64.2	$ (794.0)(i)	$ 106.3
Other current assets	383.3	—	—	—	383.3	71.7	(13.6)(e,i)	441.4
Total current assets	395.2	(5.2)	3,229.4	(2,400.0)	1,219.4	135.9	(807.6)	547.7
Investments	2.0	—	—	—	2.0	—	15.7(c)	17.7
Goodwill	1,218.7	—	—	—	1,218.7	1,057.0	(114.8)(d,i)	2,160.9
Other intangibles	317.7	—	—	—	317.7	—	675.0(i)	992.7
Property, plant and equipment, net	2,963.6	82.9(a)	—	—	3,046.5	717.5	—	3,764.0
Other assets	32.5	182.8(a)	70.3(b)	—	285.6	52.4	(49.4)(c,d,e,g)	288.6
Total assets	$ 4,929.7	260.5	$ 3,299.7	$ (2,400.0)	$ 6,089.9	$ 1,962.8	$ (281.1)	$ 7,771.6
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current liabilities	364.0	$ 0.1(a)	$ (12.1)(f)	$ —	$ 352.0	$ 100.3	$ (13.6)(e,i)	$ 438.7
Long-term debt	238.7	—	4,859.3(b,f)	—	5,098.0	1,180.6	(762.6)(f,i)	5,516.0
Deferred income taxes	680.6	88.2(a)	—	—	768.8	84.1	234.0(j)	1,086.9
Other liabilities	157.2	5.8(a)	—	—	163.0	26.1	22.0(e,g)	211.1
Common stock	—	—	—	—	—	—	—	—
Additional paid-in capital	—	—	—	(291.9)(b)	(291.9)	918.9	(108.0)(h,i)	519.0
Treasury stock	—	—	—	—	—	(0.1)	—	(0.1)
Parent company investment	1,455.2	167.8(a)	(1,538.0)(b)	(85.0)(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)	2,033.5	(0.9)(a)	(9.5)(f)	(2,023.1)(b)	—	(321.3)	321.3(h)	—
Total liabilities and shareholders' equity	$ 4,929.7	$ 260.5	$ 3,299.7	$ (2,400.0)	$ 6,089.9	$ 1,962.8	$ (281.1)	$ 7,771.6

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

Valor Communications Group Inc.

Unaudited Pro Forma Combined Condensed Statement of Income
For the Year Ended December 31, 2005

	Spinco, as reported	Valor as Reported	Pro Forma Add (Deduct) Adjustments	Combined
	(Millions, except per share amounts)			
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	340.1	139.7	(15.9)(k)	463.9
Depreciation and amortization	474.2	89.9	29.2(l)	593.3
Royalty expense to Parent	268.8	—	(268.8)(m)	—
Restructuring and other charges	35.7	1.7	(31.3)(n)	6.1
Operating income	633.8	167.0	270.9	1,071.7
Other income (expense), net	11.6	(33.9)	3.0(n)	(19.3)
Intercompany interest income	23.3	—	(23.3)(o)	—
Interest expense	(19.1)	(83.2)	(272.2)(p)	(374.5)
Income before income taxes	649.6	49.9	(21.6)	677.9
Income taxes	267.9	14.3	(7.9)(n,q)	274.3
Income before cumulative effect of accounting change	$ 381.7	$ 35.6	$ (13.7)	$ 403.6
Earnings per share:				
Basic	N/A	$ .42		$ .85
Diluted	N/A	$ .42		$ .85
Average common shares outstanding:				
Basic	N/A	69.4	404.8(r)	474.2
Diluted	N/A	69.7	404.8(r)	474.5

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

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS

a. Immediately prior to the effective date of the spin–off, Alltel will transfer to Spinco property, plant and equipment (net book value of $82.9 million), net 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 associated deferred income taxes ($88.2 million). In addition, Spinco will transfer to Alltel certain tax contingency reserves that will be retained by Alltel pursuant to the distribution 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 Spinco, those amounts may change, and such change may be material.

b. Prior to the spin–off and merger with Valor, Spinco 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 and through the distribution to Alltel of $1.538 billion of Spinco's debt securities. 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 Spinco and for other purposes, including the repayment of certain debt obligations of Valor and Spinco, as further discussed in Note (f) below. Spinco 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 contribute all of the assets and liabilities of its wireline business to Spinco in exchange for the issuance to Alltel of Spinco's common stock to be distributed pro rata to Alltel's stockholders as a tax free stock distribution, the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (estimated to be approximately $2.4 billion at December 31, 2005), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin–off, to repay outstanding indebtedness, or both, within one year following the spin–off, and the distribution by Spinco of $1.538 billion of debt securities to Alltel. Immediately after the consummation of the spin off, Spinco 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 Spinco 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 approximately 85 percent of the outstanding equity interests of the surviving corporation immediately after the merger and the stockholders of Valor holding the remaining approximately 15 percent of such equity interests. It is presently estimated that 1.04 shares of Valor common stock will be distributed to Alltel stockholders for each share of Spinco 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 Spinco'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."

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS — (Continued)

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 Spinco. In addition, the surviving company will pay approximately $9.5 million of early termination penalties in conjunction with repaying the long–term debt obligations of Spinco. 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):

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 Communications Holdings of the Midwest, Inc. — 6.75%, due April 1, 2028	100
ALLTEL Georgia Communications Corp. — 6.50%, due in annual installments through November 15, 2013	80
Valor — 7.75%, due November 15, 2015	418
ALLTEL Holdings — 10 year fixed maturity	1,565
Total notes	2,163
Total bank debt and notes	5,526
Current portion of long–term debt	10
Total long–term debt	$ 5,516

The above table presents the total pro forma long–term debt obligations 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

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS — (Continued)

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)	13.4
Total	1,604.8
Allocated to:	
Current assets	132.8
Property, plant and equipment	717.5
Investments and other tangible assets	18.7
Identifiable intangible assets(3)	675.0
Current liabilities acquired	(97.2)
Long–term debt assumed (including fair value adjustment)(4)	(418.0)
Other long–term liabilities acquired (including deferred taxes)	(366.2)
Goodwill(3)	$ 942.2

(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, including $10.5 million of costs incurred during 2005.

(3) The identifiable intangibles consisted of (1) value assigned to the Valor customer base as of December 31, 2005 of $175.0 million and (2) value assigned to the Valor franchise rights as of December 31, 2005 of $500.0 million. For purposes of preparing the unaudited pro forma combined condensed statement of income, Spinco 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 Spinco expects both the renewal by the granting authorities and the cash flows generated from the franchise rights to continue indefinitely. Goodwill of $942.2 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 Spinco in this transaction is due to the potential for greater long–term returns as the combination of Spinco and Valor will create the largest telecommunications carrier in the United States which is 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, Spinco 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

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS — (Continued)

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 Spinco's statutory tax rate of 38.9 percent.

A summary of the effects of the pro forma adjustments outlined in (c) to (i) on goodwill, other assets, other liabilities and additional paid–in capital was as follows:

Effects of pro forma adjustments on other current assets and other current liabilities:		
Eliminate current portion of Valor's deferred activation costs/fees — Note(e)	$	(3.1)
Recognize payment of transaction costs and reclassification to goodwill — Note(i)(2)		(10.5)
Net decrease in other current assets and other current liabilities	$	(13.6)
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)		942.2
Net increase in goodwill resulting from pro forma adjustments	$	(114.8)
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 long–term debt:		
Reflect repayment of Valor long–term debt obligations — Note(f)	$	(780.6)
Adjust Valor bonds to fair value — Note(i)(4)		18.0
Net decrease in long–term debt resulting from pro forma adjustments	$	(762.6)

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS — (Continued)

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 decrease 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 Spinco'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 previously described in Note (i)(3) above. For purposes of determining the amount of the adjustment, the estimated life of Valor's customer base was assumed to be six years.

m. This adjustment is to eliminate royalty expense charged to Spinco by Alltel pursuant to a licensing agreement with an Alltel affiliate under which Spinco's incumbent local exchange carrier subsidiaries were charged a royalty fee for the use of the Alltel brand name in marketing and distributing telecommunications products and services. Following the spin–off and merger with Valor, Spinco will no longer incur this charge as it will cease use of the Alltel brand name, 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 Spinco and merger–related costs incurred by Valor during 2005 which are directly related to the transaction. Following the spin–off and merger, neither company will incur these charges, and accordingly, these expenses have been eliminated in the pro forma combined condensed statement of income. In addition, this adjustment is to eliminate the operating results of the international operations to be transferred from Spinco to Alltel upon consummation of the merger as discussed in Note (a).

o. This adjustment is to eliminate the intercompany interest income earned by Spinco from Alltel on certain interim financing that Spinco provides to Alltel in the normal course of business. In conjunction with the spin–off, all intercompany balances between Spinco and Alltel will be settled via 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) elimination of interest expense and amortization of debt issuance costs related to pre–existing debt of Spinco and Valor that will be repaid immediately upon consummation of the merger as discussed in Note (f) above, and (4) the effects of amortizing the fair value adjustment to Valor's long–term debt discussed in Note (i)(4) above. As of January 1, 2005, the fair value adjustment to Valor's long–term debt was estimated to be $18 million.

NOTES TO UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL STATEMENTS — (Continued)

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

Senior secured five–year revolving credit facility	$ 4.0
Term loan A — 5 year maturity	30.2
Term loan B — 7 year maturity	176.4
Senior notes — 10 year fixed maturity	113.5
Total	$ 324.1

The weighted average interest rate for the newly issued debt was estimated to be 6.576 percent, 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 expense 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:

		Amortization	
	Issuance Fee	Number of Years	Per Year
Senior secured five–year revolving credit facility	$ 5.0	5.0	$ 1.0
Term loan A — 5 year maturity	6.0	5.0	1.2
Term loan B — 7 year maturity	19.0	7.0	2.7
Senior notes	40.3	10.0	4.0
Totals	$ 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)	$ 324.1
Amortization of estimated capitalized debt issuance costs associated with the newly issued debt (per above)	8.9
Elimination 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	(59.0)
Reduction in interest expense due to amortizing fair value adjustment — Note(i)(4)	(1.8)
Net increase in interest expense	$ 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 Spinco's statutory 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 403.0 million issued to effect the merger with Spinco, as well as 1.8 million shares of unvested restricted stock issued by Valor that will vest upon consummation of the merger.

Table of Contents

THE ANNUAL MEETING

Date, Time and Place

These proxy materials are delivered in connection with the solicitation by Valor's Board of Directors of proxies to be voted at the Valor annual meeting, which is to be held at [•] in New York, NY at 10:00 a.m. (Eastern Daylight Time) on [•], 2006. On or about [•], 2006, Valor commenced mailing this proxy statement/ prospectus–information statement and the enclosed form of proxy to its stockholders entitled to vote at the meeting.

Matters for Consideration

At the annual meeting, Valor stockholders will be asked to:

1. to adopt the Agreement and Plan of Merger, dated as of December 8, 2005, as such may be amended from time to time (the "Merger Agreement"), by and among Alltel Corporation, Alltel Holding Corp. ("Spinco") and Valor Communications Group, Inc., pursuant to which (i) Alltel Holding Corp. will merge with and into Valor, after which Valor will survive as a stand–alone company and will hold and conduct the combined business operations of Valor and Spinco and (ii) each outstanding share of Spinco common stock will be converted into the right to receive approximately 1.04 shares of Valor common stock (subject to variation based on the number of shares of Spinco common stock to be distributed to Alltel stockholders and as a result of compensatory equity grants and other issuances);

2. to approve the amendment to the certificate of incorporation of Valor Communications Group, Inc. pursuant to the merger to increase the authorized shares of Valor Common Stock from 200,000,000 to 2,000,000,000 to be effective contemporaneously with the effective time of the merger;

3. to approve the issuance of up to 403,000,000 shares of Valor common stock to Alltel stockholders in accordance with the terms of the Merger Agreement;

4. to adopt and approve the 2006 Equity Incentive Plan, a copy of which is attached as Annex G to this proxy statement/ prospectus–information statement;

5. to elect eleven (11) directors to serve until the 2007 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death;

6. to ratify the appointment of Deloitte & Touche LLP as Valor's independent registered public accounting firm for the fiscal year ending December 31, 2006 or until their earlier removal or termination;

7. to adjourn the annual meeting, if necessary, to solicit additional proxies for the adoption of the merger agreement, approval of the amendment to the certificate of incorporation of Valor pursuant to the merger or approval of the issuance of shares of Valor common stock pursuant to the merger; and

8. to transact any and all other business that may properly come before the annual meeting or any adjourned session of the annual meeting.

The proposals set forth in items one through three above are conditioned on the other two and approval of each is required for completion of the merger. The proposal set forth in item four is conditioned upon the approval of the first three items. Furthermore, with respect to items 5 and 6, you should be aware that if the merger is completed, then by virtue of the merger the persons elected at the annual meeting to serve as directors shall be replaced by the persons who serve as directors of Spinco immediately prior to the merger. It is currently anticipated that Valor's post–merger Board of Directors will consist of the following nine persons: Jeffery R. Gardner (who most recently served as Alltel's Executive Vice President — Chief Financial Officer), Francis X. Frantz (who most recently served as Alltel's Executive Vice President — External Affairs, General Counsel and Secretary), six directors designated by Alltel (one of whom will be Dennis E. Foster, a current director of Alltel) and Anthony J. de Nicola (the current Chairman of Valor's Board of Directors). You should also be aware that if the merger is completed, PricewaterhouseCoopers LLP will

become Valor's post–merger independent registered public accounting firm for the fiscal year ending December 31, 2006.

THE VALOR COMMUNICATIONS GROUP, INC. BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE MERGER AGREEMENT AND THE MERGER AND UNANIMOUSLY RECOMMENDS THAT VALOR STOCKHOLDERS VOTE FOR THE PROPOSALS TO ADOPT THE MERGER AGREEMENT, TO APPROVE THE AMENDMENT TO THE VALOR CERTIFICATE OF INCORPORATION PURSUANT TO THE MERGER INCREASING THE AUTHORIZED SHARES OF VALOR COMMON STOCK AND TO APPROVE THE ISSUANCE OF VALOR COMMON STOCK PURSUANT TO THE MERGER, EACH OF WHICH IS NECESSARY TO EFFECT THE MERGER, AS WELL AS FOR THE ADOPTION OF THE 2006 EQUITY INCENTIVE PLAN (WHICH IS CONDITIONED UPON STOCKHOLDER APPROVAL OF THE MERGER PROPOSALS), THE BOARD'S NOMINEES FOR DIRECTOR AND FOR THE RATIFICATION OF VALOR'S INDEPENDENT AUDITORS AND, IF NECESSARY, THE ADJOURNMENT OF THE ANNUAL MEETING TO SOLICIT ADDITIONAL PROXIES FOR THE MERGER PROPOSALS.

Annual Meeting Record Date; Voting Information

The Valor Board of Directors has fixed the close of business on [•], 2006 as the record date for determining the holders of Valor common stock entitled to notice of, and to vote at, the annual meeting. Only holders of record of Valor common stock at the close of business on the record date will be entitled to notice of, and to vote at, the annual meeting or any adjournments or postponements thereof.

As of the record date, approximately [•] shares of Valor common stock were issued and outstanding and entitled to vote at the annual meeting and there were [•] holders of record of Valor common stock. Valor's amended bylaws provide that each share of Valor common stock shall entitle the holder to one vote on each matter to be considered at the annual meeting. A complete list of stockholders entitled to vote at the meeting will be open to the examination of stockholders for a period of ten days prior to the meeting, during ordinary business hours, at the offices of the Company, 201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062, and also on the meeting date.

If you are a record holder of Valor common stock on the record date, you may vote your shares of Valor common stock and Valor in person at the annual meeting or by proxy as described below under "— Voting by Proxy" on page [•].

Quorum

In order to carry on the business of the meeting, Valor must have a quorum. A quorum requires the presence, in person or by proxy, of the holders of a majority of the votes entitled to be cast at the meeting. Valor counts abstentions and broker "non–votes" as present and entitled to vote for purposes of determining a quorum. A broker "non–vote" occurs when a stockholder fails to provide voting instructions to its broker for shares it holds in "street name." Under those circumstances, a stockholder's broker may be authorized to vote for it on some routine items but is prohibited from voting on other items. Brokers are not authorized to vote on the proposals relating to the merger or the approval of the 2006 Equity Compensation Plan without instructions. Those items for which a stockholder's broker cannot vote result in broker "non–votes."

Required Vote

The affirmative vote of a majority of the voting power of the outstanding shares of Valor common stock entitled to vote on the proposals, voting together as a single class, is required to adopt the merger agreement, to approve the amendment to Valor's certificate of incorporation pursuant to the merger increasing the authorized number of shares of Valor common stock, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan. Because the required vote of Valor stockholders for these matters is based upon the number of outstanding shares of Valor common stock entitled to vote, rather than upon the number of shares actually voted, the failure by the holder of any such shares to submit a proxy or vote in person at the annual meeting, including abstentions and broker non–votes,

will have the same effect as a vote against the merger proposals. No vote of Alltel stockholders is required or being sought in connection with the spin–off transaction or the merger.

In connection with the execution of the distribution agreement and the merger agreement, Spinco entered in a voting agreement with persons affiliated with Welsh, Carson, Anderson & Stowe and Vestor Capital Partners who collectively own approximately 41% of Valor's outstanding common shares. Pursuant to the voting agreement, these stockholders have agreed to vote all of their shares of Valor common stock (i) in favor of the approval of the merger and the approval and adoption of the merger agreement and (ii) except with the written consent of Spinco, against certain alternative proposals that may be submitted to a vote of the stockholders of Valor regarding an acquisition of Valor. In the event that the merger agreement terminates for any reason, the voting agreement will automatically terminate.

The Directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. The accompanying proxy card provides space for a stockholder to withhold authority to vote for any of the nominees to Valor's Board of Directors. Neither shares as to which the authority to vote on the election of directors have been withheld nor broker/nominee non–votes will be counted as affirmative votes to elect director nominees to the Board of Directors. However, since director nominees need only receive the vote of a plurality of the votes represented and entitled to vote at the meeting, a vote withheld from a particular nominee and broker/nominee non–votes will not affect the election of such nominee.

Except as applicable laws may otherwise provide, if a quorum is present, the approval of any other matter that may properly come before the meeting, including the ratification of Valor's independent auditor, will require the affirmative vote of a majority of the votes represented and entitled to vote on the matter at the meeting. Shares of Valor common stock that are voted to abstain from any other business coming before the meeting will be counted and will have the effect of a negative vote. Broker/nominee non–votes will not be counted as votes for or against any such other matter and thus will have no effect.

Computershare, the transfer agent and registrar for Valor common stock as of the Record Date, has been appointed by the Board of Directors to ascertain the number of shares represented, receive proxies and ballots, tabulate the vote and serve as inspector of election at the meeting.

Voting by Proxy

Giving a proxy means that a Valor stockholder authorizes the persons named in the enclosed proxy card to vote its shares at the Valor annual meeting in the manner it directs. A Valor stockholder may cause its shares to be voted by granting a proxy or by voting in person at the meeting. To grant a proxy, a Valor stockholder may use one of the following methods if it is a registered holder (that is, it holds its stock in its own name):

- Via telephone, by dialing the toll–free number and following the instructions on the proxy card or voter information form;
- Via the Internet, by following the instructions for internet voting on the proxy card or voter information form; or
- Mail, by completing and returning the proxy card or voter information form in the enclosed envelope. The envelope requires no additional postage if mailed in the United States.

Valor requests that Valor stockholders complete and sign the accompanying proxy and return it to Valor as soon as possible in the enclosed postage–paid envelope. When the accompanying proxy is returned properly executed, the shares of Valor stock represented by it will be voted at the Valor annual meeting in accordance with the instructions contained on the proxy card.

If any proxy is returned without indication as to how to vote, the Valor stock represented by the proxy will be voted in favor of all matters for consideration at the Valor annual meeting described in this proxy statement/ prospectus–information statement. Unless a Valor stockholder checks the box on its proxy card to

withhold discretionary authority, the proxyholders may use their discretion to vote on other matters relating to the Valor annual meeting.

If a Valor stockholder's shares are held in "street name" by a broker or other nominee, the stockholder should check the voting form used by that firm to determine whether it may provide voting instructions by telephone or the Internet.

EVERY VALOR STOCKHOLDER'S VOTE IS IMPORTANT. ACCORDINGLY, EACH VALOR STOCKHOLDER SHOULD SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD, OR SUBMIT A PROXY VIA THE INTERNET OR BY TELEPHONE, WHETHER OR NOT IT PLANS TO ATTEND THE VALOR ANNUAL MEETING IN PERSON.

Revocability of Proxies and Changes to a Valor Stockholder's Vote

Valor stockholders of record may revoke their proxy at any time prior to the time their shares are voted at the annual meeting. Stockholders of record may revoke their proxy by:

- sending a written notice to the corporate secretary of Valor that is received prior to the annual meeting stating that you revoke your proxy;
- properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the annual meeting;
- logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card prior to the annual meeting, in each case if you are eligible to do so and following the instructions on the proxy card; or
- attending the annual meeting and voting in person.

Simply attending the annual meeting will not revoke your proxy. If you instructed a broker to vote your shares and you wish to change your instructions, you must follow your broker's directions for changing those instructions. If an adjournment occurs and no new record date is set, it will have no effect on the ability of Valor stockholders of record as of the record date to exercise their voting rights or to revoke any previously delivered proxies.

Solicitation of Proxies

This solicitation is made on behalf of the Valor Board of Directors. Valor will pay the costs of soliciting and obtaining the proxies, including the cost of reimbursing brokers, banks and other financial institutions for forwarding proxy materials to their customers. Proxies may be solicited, without extra compensation, by Valor's officers and employees by mail, telephone, fax, personal interviews or other methods of communication. Valor may engage a proxy solicitor to assist it in the distribution and solicitation of proxies and may pay up to $10,000 plus out–of–pocket expenses for such services.

Voting by Valor Management

Certain stockholders of Valor have entered into a Voting Agreement with Alltel whereby they have agreed to vote or cause to be voted all of the Valor shares they own in favor of the adoption of the merger agreement and the amendment to the Valor certificate of incorporation increasing the authorized shares of Valor common stock and the issuance of Valor common stock. For more information regarding the Voting Agreement see "The Voting Agreement" beginning herein at page [•]. In addition, Valor's directors and executive officers have either entered into this agreement with Alltel in their capacity as a stockholder of Valor or have otherwise indicated they intend to vote their Valor common shares in favor of the merger and transactions contemplated thereby. These stockholders and Valor's executive officers and directors together hold an aggregate of approximately 42% of the aggregate number of votes entitled to be cast at the annual meeting.

Other Matters

As of the date of this proxy statement/ prospectus–information statement, Valor's Board of Directors knows of no other matters that will be presented for consideration at the annual meeting other than as described in this proxy statement/ prospectus–information statement. If any other matters properly come before the annual meeting of Valor stockholders, or any adjournments of the annual meeting are proposed (other than any adjournments contemplated by Proposal No. 7), and are properly voted upon, the enclosed proxies will give the individuals that Valor stockholders name as proxies discretionary authority, to vote the shares represented by these proxies as to any of these matters; *provided, however*, that such individuals will only exercise this discretionary authority with respect to matters that were unknown a reasonable time before the solicitation of proxies. The individuals named as proxies intend to vote or not to vote in accordance with the recommendation of Valor's Board of Directors.

Stockholder Proposals for the 2007 Annual Meeting

Stockholders may submit proposals on matters appropriate for stockholder action at Valor's annual stockholders' meetings, consistent with rules adopted by the SEC. We must receive such proposals no later than [•] to be considered for inclusion in the proxy statement and form of proxy card relating to the Annual Meeting of Stockholders in 2007. In addition, our Bylaws establish an advance notice procedure with regard to certain matters, including stockholder proposals not included in our proxy statement, to be brought before an annual meeting of stockholders. In general, notice must be received by our Secretary at our principal executive office not less than 60 days or more than 90 days prior to the scheduled annual meeting, regardless of any postponements, deferrals or adjournments of that meeting unless less than 70 days notice or prior public disclosure of the date scheduled for the meeting is given or made, in which event notice by the stockholder to be timely must be delivered or received not later than the close of business on the tenth day following the earlier of (i) the day on which such notice of the date of the scheduled annual meeting was mailed or (ii) the day on which such public disclosure was made. Our bylaws require that the proposal must set forth a brief description of the proposal, the name and address of the proposing stockholder as they appear on our books, the number of shares of Valor Common Stock the stockholder holds and any material interest the stockholder has in the proposal.

2005 Annual Report on Form 10–K

A copy of our Annual Report on Form 10–K for the fiscal year ended December 31, 2005, as filed with the SEC, is included as part of the annual report mailed to Valor's stockholders with this proxy statement/ prospectus–information statement. This Annual Report on Form 10–K may also be accessed on our website at www.valortelecom.com.

Certain Information

The material referred to in this proxy statement/ prospectus–information statement under the captions "Performance Graph," "Compensation Committee Report on Executive Compensation" and "Audit Committee Report" and information included in our website (www.valortelecom.com) shall not be deemed soliciting material or otherwise deemed filed and shall not be deemed to be incorporated by any general statement of incorporation by reference in any filings made under the Securities Act of 1933 or the Securities Exchange Act of 1934.

PROPOSAL 1.

ADOPTION OF THE MERGER AGREEMENT
(Item 1 on Proxy Card)

As discussed elsewhere in this proxy statement/ prospectus–information statement, holders of Valor common stock are considering adoption of the merger agreement. Valor stockholders should read carefully this joint proxy statement/ prospectus–information statement in its entirety, including the annexes, for more detailed information concerning the merger agreement, the merger and the transactions contemplated thereby. See "The Transactions." In particular, holders of Valor common stock are directed to the merger agreement, a composite copy of which is Annex A to this joint proxy statement/ prospectus–information statement.

VALOR'S BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ADOPTION OF THE MERGER AGREEMENT IN THIS PROPOSAL 1.

PROPOSAL 2.

AMENDMENT TO VALOR'S CERTIFICATE OF INCORPORATION PURSUANT TO THE MERGER TO INCREASE THE NUMBER OF AUTHORIZED SHARES OF VALOR COMMON STOCK
(Item 2 on Proxy Card)

Valor is proposing to increase the number of authorized shares of Valor common stock from 200,000,000 shares to 2,000,000,000 shares pursuant to the merger.

Valor currently has 200,000,000 shares of common stock authorized for issuance. On the record date for the annual meeting, Valor had outstanding [•] shares of common stock. Valor expects to issue an aggregate of approximately 403,000,000 shares of common stock to holders of Spinco common stock in the merger. Therefore, pursuant to the merger, Valor is proposing to increase the number of authorized shares of common stock to give it sufficient authorized shares to complete the merger. The increased share authorization will also provide greater flexibility in the capital structure of the resulting company by allowing it to raise capital that may be necessary to further develop its business, to fund potential acquisitions, to have shares available for use in connection with stock plans and to pursue other corporate purposes that may be identified by the Board of Directors.

The Board of Directors of Newco will determine whether, when and on what terms the issuance of shares of common stock may be warranted in connection with any future actions. No further action or authorization by Newco's stockholders will be necessary before issuance of the additional shares of common stock authorized under the Certificate of Incorporation resulting from the merger, except as may be required by applicable law or regulatory agencies or by the rules of the NYSE or of any stock exchange on which the common stock may then be listed.

Although an increase in the authorized shares of common stock could, under certain circumstances, also be construed as having an anti–takeover effect (for example, by permitting easier dilution of the stock ownership of a person seeking to effect a change in the composition of the Board of Directors or contemplating a tender offer or other transaction resulting in the acquisition of Newco by another company), the proposed increase in shares authorized is not in response to any effort by any person or group to accumulate common stock or to obtain control of Valor by any means. In addition, the proposal is not part of any plan by Valor's Board of Directors to recommend or implement a series of anti–takeover measures.

The increase in the number of authorized shares of Valor's common stock is necessary to effect the merger. The amendment to Valor's Certificate of Incorporation reflected in this Proposal 2 will become effective only in connection with and at the time and by virtue of completion of the merger. This Proposal 2 is conditioned on the approval of Proposals 1 and 3, and the approval of all three of these Proposals is required for completion of the merger.

VALOR'S BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL 2.

PROPOSAL 3.

ISSUANCE OF VALOR COMMON STOCK PURSUANT TO THE MERGER
(Item 3 on Proxy Card)

Under Rule 312.03 of the NYSE, a company listed on the NYSE is required to obtain stockholder approval before the issuance of common stock, or securities convertible into or exercisable for common stock, if the common stock issued in a transaction exceeds 20% of the shares of common stock of the corporation outstanding immediately before the effectiveness of the transaction. At the effective time of the merger, Valor will issue approximately 403 million shares of Valor common stock in the aggregate to the holders of Spinco common stock pursuant to the merger. The aggregate number of shares of Valor common stock to be issued pursuant to the merger will exceed 20% of the shares of Valor's common stock outstanding on the record date for the annual meeting, and for this reason Valor must obtain the approval of its stockholders for the issuance of these securities to Alltel stockholders pursuant to the merger.

Valor is asking its stockholders to approve the issuance of common stock to Alltel stockholders pursuant to the merger. The issuance of these securities to Alltel stockholders is necessary to effect the merger. This Proposal 3 is conditioned on the approval of Proposals 1 and 2, and the approval of all three of these Proposals is required for completion of the merger.

VALOR'S BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THIS PROPOSAL 3.

PROPOSAL 4.

ADOPTION OF 2006 EQUITY INCENTIVE PLAN
(Item 4 on Proxy Card)

If the merger proposals are approved, the stockholders will be asked to approve the new 2006 equity incentive plan (the "2006 Plan").

Introduction

The Board of Directors of Valor considers stock-based incentive compensation an essential tool to attract, retain and motivate our officers, key employees and directors and to align their interests with the interests of our stockholders. Consistent with this view, on February 9, 2005, the Board of Directors of Valor adopted the 2005 Long-Term Equity Incentive Plan (the "2005 Plan"). A total of 2,500,000 shares of our common stock were reserved for issuance under the 2005 Plan, of which February 9, 2005 remain available for awards.

After the proposed merger, however, Newco will be considerably larger than Valor was at the time that the 2005 Plan was adopted, with an increased number of key employees. It is anticipated that Newco will make equity awards to its employees following completion of the merger. As a result, in order to ensure that Newco has adequate means to provide equity incentive compensation for its employees on a going forward basis, the Board of Directors deems it to be in the best interests of its stockholders to adopt the 2006 Plan.

The 2006 Plan reflects recent changes in the tax laws applicable to certain deferred compensation arrangements, changes in financial accounting rules that govern equity compensation and other developments in executive compensation practices. Moreover, the 2006 Plan is designed to comply with the requirements under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). Section 162(m) of the Code generally prevents a publicly held corporation from claiming federal income tax deductions for compensation in excess of $1 million paid to certain of its senior executives. Compensation is exempt from this limitation, however, if it qualifies as "performance-based compensation."

Our stockholders are asked to approve the 2006 Plan to qualify stock options for treatment as incentive stock options for purposes of Section 422 of the Code ("ISOs"), to qualify certain compensation under the 2006 Plan as performance-based compensation for purposes of Section 162(m) of the Code, and to satisfy New York Stock Exchange guidelines relating to equity compensation. The 2006 Plan, if approved by our stockholders, will become effective as of the effective time of the merger.

The following is a summary of the 2006 Plan and is qualified in its entirety by reference to the full text of the 2006 Plan, a copy of which is attached as Annex G to this proxy statement/ prospectus–information statement.

The Board of Directors of Valor unanimously recommends that stockholders vote FOR Proposal No. 4. The affirmative vote of a majority of the votes, present and entitled to vote in the matter is required for approval of the 2006 Plan.

Plan Limits

The maximum number of shares of Newco common stock that may be issued or transferred with respect to awards under the 2006 Plan is 10,000,000, which may include authorized but unissued shares, treasury shares, or a combination thereof. Shares covered by an award granted under the 2006 Plan shall not be counted as used unless and until they are actually issued and delivered to a participant. Shares covering awards that expire, are forfeited or are cancelled will again be available for issuance under the 2006 Plan, and upon payment in cash of the benefit provided by any award granted under the 2006 Plan, any shares that were covered by that award will be available for issue or transfer under the 2006 Plan. Importantly, however, the following shares of Newco common stock will not be added back to the aggregate plan limit described above: (1) shares tendered in payment of the option price of a stock option granted under the 2006 Plan; (2) shares withheld by Newco to satisfy the tax withholding obligation; and (3) shares that are repurchased by Newco in connection with the exercise of a stock option granted under the 2006 Plan. Moreover, all shares of Newco common stock covered by a stock appreciation right, to the extent that it is exercised and settled in shares, and whether or not shares are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the 2006 Plan.

In addition to the aggregate limit on awards described above, the 2006 Plan imposes various sub–limits on the number of shares of Newco common stock that may be issued or transferred under the 2006 Plan. In order to comply with the rules applicable to ISOs, the 2006 Plan provides that the aggregate number of shares of Newco common stock actually issued or transferred by Newco upon the exercise of ISOs may not exceed 10,000,000 shares. In order to comply with the exemption from Section 162(m) of the Code relating to performance–based compensation, the 2006 Plan imposes the following additional sub–limits: (i) no participant may be granted option rights and SARs, in the aggregate, for more than 1,000,000 shares of Newco common stock during any calendar year, (ii) no participant may be granted performance shares and restricted shares specifying management objectives (described below), in the aggregate, for more than 1,000,000 shares of Newco common stock during any calendar year, and (iii) no participant may be granted performance units having an aggregate maximum value as of their date of grant in excess of $12,000,000 during any calendar year. Finally, the 2006 Plan provides that the number of shares of Newco common stock issued as SARs, restricted shares and restricted stock units (after taking forfeitures into account) shall not exceed, in the aggregate, 8,500,000 shares.

The maximum number of shares of Newco common stock which may be awarded under the 2006 Plan, the various sub–limits described above, and the number of shares and price per share applicable to any outstanding award, are subject to adjustment in the event of stock dividends, stock splits, combinations of shares, recapitalizations, mergers, consolidations or other reorganizations of Newco.

Administration

The Compensation Committee of Newco, or such other committee or subcommittee of the Board of Directors of Newco that qualifies as a "compensation committee" under the New York Stock Exchange listing standards (all references to the Compensation Committee used in this description of the 2006 Plan shall refer to such committee or subcommittee), is authorized to administer the 2006 Plan. The Compensation Committee will have complete and absolute authority to make any and all decisions regarding the administration of the 2006 Plan, including the authority to construe and interpret the plan and awards granted thereunder.

Eligibility

All of the officers and other key employees of Newco and its subsidiaries (or any person who has agreed to serve in such capacity) are eligible to participate in the 2006 Plan as selected by the Compensation Committee in its discretion. In addition, non–employee directors of Newco are eligible to participate in the 2006 Plan as selected by the Compensation Committee in its discretion. Accordingly, it is estimated that approximately 300 employees and 7 non–employee directors may be eligible for awards under the 2006 Plan.

Officers and other key employees may be granted each type of award available under the 2006 Plan. Non–employee directors may be granted nonqualified stock options, SARs, restricted shares, restricted stock units and other share–based awards, but are not eligible for grants of incentive stock options, performance shares or performance units.

Option Rights

The Compensation Committee may, in its discretion, award option rights to officers and other key employees of Newco and its subsidiaries. Option rights granted to employees under the 2006 Plan may be option rights that are intended to qualify as ISOs or option rights that are not intended to so qualify (i.e., non–qualified stock options) or combinations thereof.

Option rights provide the right to purchase shares of Newco common stock at a price not less than their fair market value on the date of grant (which date may not be earlier than the date that the Compensation Committee takes action with respect thereto). The fair market value of Newco's common stock as reported on the New York Stock Exchange on [•], 2006 was $[•] per share. No option rights may be exercised more than ten years from the date of grant. Each grant must specify the period of continuous employment that is necessary before the option rights become exercisable, and may provide for the earlier exercise of such option rights in the event of a change in control of Newco, retirement, death or disability of the optionee, or other similar transaction or event approved by the Compensation Committee.

The option price is payable at the time of exercise (i) in cash, (ii) by the transfer to Newco of nonforfeitable, unrestricted shares of Newco common stock that are already owned by the option holder and have a value at the time of exercise equal to the option price, (iii) with any other legal consideration that the Compensation Committee may deem appropriate or (iv) by any combination of the foregoing methods of payment. Any grant of option rights may provide for deferred payment of the option price from the proceeds of sale through a broker on the date of exercise of some or all of the shares of Newco common stock to which the exercise relates, or the payment of the option price in installments (although, in the case of executive officers and directors, these payment methods may be affected by the restrictions on personal loans to executive officers provided by the Sarbanes–Oxley Act of 2002).

Any grant of option rights may specify management objectives (as described below) that must be achieved as a condition to exercise such rights. The Compensation Committee may, at the date of grant of any option rights (other than the grant of an ISO), provide for the payment of dividend equivalents to the optionee on a current, deferred or contingent basis or may provide that such equivalents be credited against the option price. Successive grants may be made to the same option holder regardless of whether option rights previously granted to him or her remain unexercised.

SARs

The Compensation Committee may, in its discretion, award SARs to officers and other key employees of Newco and its subsidiaries. SARs represent the right to receive from Newco an amount, determined by the Compensation Committee and expressed as a percentage not exceeding 100 percent, of the difference between the base price established for such SARs (not less than the fair market value per share of Newco common stock on the date of grant) and the market value of the common stock on the date the SARs are exercised.

SARs can be tandem (granted with option rights to provide an alternative to exercise of the option rights) or free–standing. Tandem SARs may only be exercised at a time when the related option right is exercisable and the spread is positive, and requires that the related option right be surrendered for cancellation. Free–

standing SARs must have a base price per appreciation right (not less than the fair market value of a share on the date of grant) and may not be exercisable more than ten years from the date of grant.

Any grant of SARs may specify that the amount payable by Newco on exercise of the appreciation right may be paid in cash, in shares of Newco common stock or in any combination thereof, and may either grant to the recipient or retain in the Compensation Committee the right to elect among those alternatives. Any grant of SARs may provide for the payment of dividend equivalents in the form of cash or shares of Newco common stock paid on a current, deferred or contingent basis. Each grant must specify the period of continuous employment that is necessary before the SARs become exercisable, and may provide for the earlier exercise of such SARs in the event of a change in control of Newco, retirement, death or disability of the employee, or other similar transaction or event approved by the Compensation Committee. Any grant of SARs may specify management objectives (as described below) that must be achieved as a condition to exercise such rights.

Performance Shares and Performance Units

The Compensation Committee may, in its discretion, award performance shares and/or performance units to officers and other key employees of Newco and its subsidiaries. A performance share is the equivalent of one share of Newco common stock and a performance unit is the equivalent of $1.00.

The participant will be given one or more management objectives (as described below) to meet within a specified period (the "performance period"). A minimum level of acceptable achievement will also be established by the Compensation Committee. If by the end of the performance period, the participant has achieved the specified management objectives, the participant will be deemed to have fully earned the performance shares or performance units. If the participant has not achieved the management objectives, but has attained or exceeded a predetermined minimum level of acceptable achievement, the participant will be deemed to have partly earned the performance shares or performance units in accordance with a predetermined formula. To the extent earned, the performance shares or performance units will be paid to the participant at the time and in the manner determined by the Compensation Committee in cash, shares of Newco common stock or any combination thereof. The grant may provide for the payment of dividend equivalents thereon in cash or in shares of Newco common stock on a current, deferred or contingent basis. The grant may also provide for the earlier termination of the performance period in the event of a change in control of Newco, retirement, death or disability of the participant, or other similar transaction or event approved by the Compensation Committee.

Restricted Shares

The Compensation Committee may, in its discretion, award restricted shares to officers and other key employees of Newco and its subsidiaries. Restricted shares constitute an immediate transfer of ownership of a specified number of shares of Newco common stock to the recipient in consideration of the performance of services. The participant is entitled immediately to voting, dividend and other ownership rights in shares of Newco common stock (unless otherwise determined by the Compensation Committee). The transfer may be made without additional consideration or in consideration of a payment by such participant that is less than the fair market value per share of Newco common stock on the date of grant.

Restricted shares must be subject to a "substantial risk of forfeiture," within the meaning of Section 83 of the Code, for a period to be determined by the Compensation Committee on the date of the grant, and may provide for the earlier termination of the forfeiture provisions in the event of a change in control of Newco, retirement, death or disability of the participant, or other similar transaction or event approved by the Compensation Committee. In order to enforce these forfeiture provisions, the transferability of restricted shares will be prohibited or restricted in the manner prescribed by the Compensation Committee on the date of grant for the period during which such forfeiture provisions are to continue.

Any grant of restricted shares may specify management objectives which, if achieved, will result in termination or early termination of the restrictions applicable to such shares. Any such grant may also specify in respect of such specified management objectives, a minimum acceptable level of achievement and must set forth a formula for determining the number of restricted shares on which restrictions will terminate if

performance is at or above the minimum level, but below full achievement of the specified management objectives.

Restricted Stock Units

The Compensation Committee may, in its discretion, award restricted stock units to officers and other key employees of Newco and its subsidiaries. Restricted stock units constitute an agreement to deliver shares of Newco common stock to the recipient in the future in consideration of the performance of services over a specified period, but subject to the fulfillment of such conditions as the Compensation Committee may specify.

During the restriction period the participant has no right to transfer any rights under his or her award and no right to vote or receive dividends on the shares of Newco common stock covered by the restricted stock units, but the Compensation Committee may authorize the payment of dividend equivalents with respect to the restricted stock units, in cash or shares of Newco common stock, on a current, deferred or contingent basis. The Compensation Committee must fix a restriction period at the time of grant, and may provide for the earlier termination of the restriction period in the event of a change in control of Newco, retirement, death or disability of the employee, or other similar transaction or event approved by the Compensation Committee. Awards of restricted stock units may be made without additional consideration or in consideration of a payment by such participant that is less than the fair market value per share of Newco common stock on the date of grant.

Other Awards

The Compensation Committee may, in its discretion and subject to limitations under applicable law, grant to officers and other key employees of Newco and its subsidiaries other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of Newco common stock or factors that may influence the value of such shares (including, without limitation, convertible or exchangeable debt securities or other securities, purchase rights for shares of Newco common stock, or awards with value and payment contingent upon performance of Newco or its subsidiaries or other factors determined by the Compensation Committee). The Compensation Committee will determine the terms and conditions of these awards. Shares of Newco common stock delivered pursuant to these types of awards will be purchased for such consideration, by such methods and in such forms as the Compensation Committee determines. Cash awards, as an element of or supplement to any other award granted under the 2006 Plan, may also be granted. The Compensation Committee may also grant shares of Newco common stock as a bonus, or may grant other awards in lieu of obligations of Newco or a subsidiary to pay cash or deliver other property under the 2006 Plan or under other plans or compensatory arrangements, subject to such terms as are determined by the Compensation Committee.

Non–employee directors

The Compensation Committee may, from time to time and upon such terms and conditions as it may determine, authorize the granting to non–employee directors of option rights (that are not intended to qualify as ISOs), SARs, restricted shares, restricted stock units, or any combination of the foregoing. Each such grant shall be upon terms and conditions consistent with the above description of such awards.

Management Objectives

The 2006 Plan requires that the Compensation Committee establish "management objectives" for purposes of performance shares and performance units. When so determined by the Compensation Committee, option rights, SARs, and restricted shares may also specify management objectives.

Management objectives may be described in terms of either company–wide objectives or objectives that are related to the performance of the individual participant or subsidiary, division, department, region or function within Newco or a subsidiary in which the participant is employed. Management objectives applicable to any award to a participant who is, or is determined by the Compensation Committee likely to

become, a "covered employee" within the meaning of Section 162(m)(3) of the Code (and that is intended to qualify for the performance–based compensation exception to Section 162(m) of the Code) will be limited to specified levels of or growth in one or more of the following criteria: revenues, weighted average revenue per unit, earnings from operations, operating income, earnings before or after interest and taxes, operating income before or after interest and taxes, net income, cash flow, earnings per share, debt to capital ratio, economic value added, return on total capital, return on invested capital, return on equity, return on assets, total return to stockholders, earnings before or after interest, taxes, depreciation, amortization or extraordinary or special items, operating income before or after interest, taxes, depreciation, amortization or extraordinary or special items, return on investment, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, cash flow in excess of cost of capital, operating margin, profit margin, contribution margin, stock price and/or strategic business criteria consisting of one or more objectives based on meeting specified product development, strategic partnering, research and development, market penetration, geographic business expansion goals, cost targets, customer satisfaction, gross or net additional customers, average customer life, employee satisfaction, management of employment practices and employee benefits, supervision of litigation and information technology, and goals relating to acquisitions or divestitures of subsidiaries, affiliates and joint ventures.

Except in the case of a covered employee where such modification would result in the loss of an otherwise available exemption under Section 162(m) of the Code, if the Compensation Committee determines that a change in our business, operations, corporate structure or capital structure of Newco, or the manner in which we conduct our business, or other events or circumstances render the management objectives unsuitable, the Compensation Committee may modify such management objectives, in whole or in part, as the Compensation Committee deems appropriate and equitable.

Change in Control

A definition of "change in control" is included in the 2006 Plan, which is attached to this proxy–statement/ prospectus–information statement as Annex G.

Transferability

Except as otherwise determined by the Compensation Committee, option rights, SARs and any other derivative security granted under the 2006 Plan will not be transferable by a participant other than by will or the laws of descent and distribution. Except as otherwise determined by the Compensation Committee, option rights and SARs are exercisable during a participant's lifetime only by him or her or by his or her guardian or legal representative. Any award made under the 2006 Plan may provide that any shares of Newco common stock issued or transferred as a result of the award will be subject to further restrictions upon transfer.

Adjustments

The Compensation Committee may make or provide for such adjustments in the numbers of shares of Newco common stock covered by outstanding option rights, SARs, performance shares, restricted stock units and other share–based awards, in the option price and base price provided in outstanding options and SARs, and in the kind of shares covered thereby, as the Compensation Committee in its sole discretion may in good faith determine to be equitably required in order to prevent dilution or enlargement of the rights of participants that would otherwise result from (a) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure, (b) any merger, consolidation, spinoff, spin–out, split–off, split–up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (c) any other corporate transaction or event having an effect similar to any of the foregoing. In the event of any such transaction or event, the Compensation Committee may provide in substitution for any or all of the outstanding awards under the 2006 Plan such alternative consideration (or no consideration) as it may in good faith determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards so replaced. The Compensation Committee may also make or provide for such adjustments in the number of shares available under the Plan and other share limitations

contained in the Plan as the Compensation Committee may determine to reflect any transaction or event described above.

Amendments and Miscellaneous

The 2006 Plan may be amended by the Board of Directors of Newco, but any amendment that must be approved by Newco's stockholders in order to comply with applicable laws or rules will not be effective unless and until such approval has been obtained. However, the Board of Directors of Newco may amend the 2006 Plan to eliminate provisions which are no longer necessary as a result of changes in tax or securities laws and regulations, or in the interpretation of such laws and regulations.

Where the Compensation Committee has established conditions to the exercisability or retention of certain awards, the 2006 Plan allows the Compensation Committee to take action in its sole discretion at or after the date of grant to adjust such conditions in certain circumstances, including in the case of the death, disability or retirement of a participant.

The Compensation Committee may not, without the further approval of Newco's stockholders, authorize the amendment of any outstanding option right or appreciation right to reduce the option price or base price. No option right or appreciation right may be cancelled and replaced with awards having a lower option price or base price, respectively, without further approval of our stockholders.

The Compensation Committee may permit participants to elect to defer the issuance of shares of Newco common stock or the settlement of awards in cash under the 2006 Plan pursuant to such rules, procedures or programs as it may establish for purposes of the 2006 Plan. The Compensation Committee also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts.

The Compensation Committee may condition the grant of any award or combination of awards authorized under the 2006 Plan on the deferral by the participant of his or her right to receive a cash bonus or other compensation otherwise payable by Newco or a subsidiary to the participant.

The Compensation Committee may provide for special terms for awards to participants who are foreign nationals or who are employed by Newco or any of its subsidiaries outside of the United States of America as the Compensation Committee may consider necessary or appropriate to accommodate differences in local law, tax policy, or custom.

Compliance with Section 409A of the Internal Revenue Code

The American Jobs Creation Act of 2004, enacted on October 22, 2004, revised the federal income tax law applicable to certain types of awards that may be granted under the 2006 Plan. To the extent applicable, it is intended that the 2006 Plan and any grants made under the plan comply with the provisions of Section 409A of the Code. The 2006 Plan and any grants made under the 2006 Plan will be administered in a manner consistent with this intent, and any provision of the 2006 Plan that would cause the plan or any grant made under the plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with such Code Section (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by Newco without the consent of the participants). Any reference to Section 409A of the Code will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Code Section by the U.S. Department of the Treasury or the Internal Revenue Service.

Termination

No grant will be made under the 2006 Plan more than 10 years after the date on which the 2006 Plan is first approved by the Board of Directors of Valor, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of the 2006 Plan.

Federal Income Tax Consequences

The following is a brief summary of certain of the federal income tax consequences of certain transactions under the 2006 Plan. This summary is not intended to be complete and does not describe state, local, foreign or other tax consequences.

Tax Consequences to Participants

Nonqualified Stock Options. In general, (a) no income will be recognized by an optionee at the time a nonqualified option right is granted; (b) at the time of exercise of the nonqualified option right ordinary income will be recognized by the optionee in an amount equal to the difference between the option price paid for the shares of Newco common stock and the fair market value of the shares, if unrestricted, on the date of exercise; and (c) at the time of sale of shares of Newco common stock acquired pursuant to the exercise of the nonqualified option right, appreciation (or depreciation) in value of the shares after the date of exercise will be treated as either short–term or long–term capital gain (or loss) depending on how long the shares have been held.

Incentive Stock Options. No income will be recognized by an optionee upon the grant of an ISO. In general, no income will be recognized upon the exercise of an ISO. However, the difference between the option price paid and the fair market value of the shares at exercise may constitute a preference item for the alternative minimum tax. If shares of Newco common stock are issued to the optionee pursuant to the exercise of an ISO, and if no disqualifying disposition of such shares is made by such optionee within two years after the date of the grant or within one year after the transfer of such shares to the optionee, then upon sale of such shares, any amount realized in excess of the option price will be taxed to the optionee as a long–term capital gain and any loss sustained will be a long–term capital loss.

If shares of Newco common stock acquired upon the timely exercise of an ISO are disposed of prior to the expiration of either holding period described above, the optionee generally will recognize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of such shares at the time of exercise (or, if less, the amount realized on the disposition of such shares if a sale or exchange) over the option price paid for such shares. Any further gain (or loss) realized by the participant generally will be taxed as short–term or long–term capital gain (or loss) depending on the holding period.

SARs. No income will be recognized by a participant in connection with the grant of a tandem appreciation right or a free–standing appreciation right. When the appreciation right is exercised, the participant normally will be required to include as taxable ordinary income in the year of exercise an amount equal to the amount of cash received and the fair market value of any unrestricted shares of Newco common stock received on the exercise.

Performance Shares and Performance Units. No income generally will be recognized upon the grant of performance shares or performance units. Upon payment in respect of the earn–out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any nonrestricted shares of Newco common stock received.

Restricted Shares. The recipient of restricted shares generally will not be subject to tax until the shares are no longer subject to forfeiture or restrictions on transfer for purposes of Section 83 of the Code ("restrictions"). At such time the recipient will be subject to tax at ordinary income rates on the fair market value of the restricted shares (reduced by any amount paid by the participant for such restricted shares). However, a recipient who so elects under Section 83(b) of the Code within 30 days of the date of transfer of the shares will have taxable ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares (determined without regard to the restrictions) over the purchase price, if any, of such restricted shares. Any appreciation (or depreciation) realized upon a later disposition of such shares will be treated as long–term or short–term capital gain depending upon how long the shares have been held. If a Section 83(b) election has not been made, any dividends received with respect to restricted shares that are

subject to the restrictions generally will be treated as compensation that is taxable as ordinary income to the participant.

Restricted Stock Units. Generally, no income will be recognized upon the award of restricted stock units. The recipient of a restricted stock unit award generally will be subject to tax at ordinary income rates on the fair market value of unrestricted shares of Newco common stock on the date that such shares are transferred to the participant under the award (reduced by any amount paid by the participant for such restricted stock units), and the capital gains/loss holding period for such shares also will commence on such date.

Other Share–Based Awards. The recipient of a share–based award other than an award described above generally will be subject to tax at ordinary income rates on the fair market value of shares of Newco common stock on the date of grant of the share–based award, and the capital gains/loss holding period for such shares also will commence on such date.

Dividend Equivalents. Any dividend equivalents awarded with respect to awards granted under the 2006 Plan and paid in cash or unrestricted shares of Newco common stock will be taxed to the participant at ordinary income rates when received by the participant.

Because the tax consequences to a participant may vary depending on his or her individual circumstances, each participant should consult his or her personal tax advisor regarding the federal and any state, local, foreign or other consequences to him or her.

Tax Consequences to Newco

To the extent that a participant recognizes ordinary income in the circumstances described above, Newco or the subsidiary for which the participant performs services will be entitled to a corresponding deduction provided that, among other things, (a) the income meets the test of reasonableness, (b) is an ordinary and necessary business expense, (c) is not an "excess parachute payment" within the meaning of Section 280G of the Code and (d) is not disallowed by the $1 million limitation on certain executive compensation.

Registration with the SEC

Newco intends to file a Registration Statement on Form S–8 relating to the issuance of common shares under the 2006 Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, contemporaneously with the closing of the merger.

Plan Benefits

It is not possible to determine the specific amounts and types of awards that may be granted in the future under the 2006 Plan because the grant of awards under the 2006 Plan is within the discretion of the Compensation Committee.

Table of Contents

Current Equity Compensation Plan Information

The following table sets forth information about Valor's equity compensation plans as of December 31, 2005:

Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights [a]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights [b]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans [c] (Excluding Securities Reflected in Column [a])
Equity compensation plans not approved by security holders	2,500,000	$ 0.0001	342,469
Equity compensation plans approved by security holders			
Total	2,500,000	$ 0.0001	342,469

PROPOSAL 5.

ELECTION OF DIRECTORS
(Item 5 on Proxy Card)

At the annual meeting, 11 directors are to be elected to hold office until the next annual meeting or until their successors have been elected and qualified. All are currently serving as our directors. The Board of Directors has nominated, upon the recommendation of our Nominating and Corporate Governance Committee, the eleven current members of the Board named below. Pursuant to our bylaws, the Board of Directors has resolved that the number of directors constituting the full Board of Directors shall be thirteen. The Board currently operates with two vacancies and will continue to do so until such time as the Nominating and Corporate Governance Committee recommends to the Board of Directors persons to fill such vacancies. Therefore, proxies may not be voted for more than the eleven director positions being voted on at the meeting.

Directors will be elected by a plurality of the affirmative votes of the holders of shares of common stock present in person or represented by proxy at the meeting and entitled to vote at the meeting. It is the intention of the persons named in the enclosed proxy to vote "FOR" the election as directors of the nominees specified. In case any of these nominees should become unavailable for any reason, the proxy holders reserve the right to substitute another person of their choice. The information concerning the nominees and their security holdings has been furnished to us by the nominees. There are no other family relationships between any of the nominees.

Nominees for Director

The respective nominees for election as directors of Valor for terms expiring at the 2006 Annual Meeting of Stockholders have provided the following information.

John J. Mueller, age 49, has served as our Chief Executive Officer and President since April 2004 and was previously our President and Chief Operating Officer since November 2002. Mr. Mueller was appointed to our Board of Directors following the consummation of our initial public offering. Mr. Mueller joined us in April 2002 as Executive Vice President and Chief Operating Officer. Prior to joining our company, Mr. Mueller spent 23 years at Cincinnati Bell Inc. including serving as General Manager — Consumer Markets from February 1999 to May 1999, President — Business Units from May 1999 to November 1999 and President of the Cincinnati Bell Telephone Company from November 1999 to October 2001.

Anthony J. de Nicola, age 41, has served as a director of our company since March 2004 and as Chairman since April 2004. Mr. de Nicola is currently a general partner of Welsh, Carson, Anderson & Stowe, which is one of our stockholders. He joined Welsh, Carson, Anderson & Stowe in 1994 and focuses on investments in the information and business services and communications industries. Before joining Welsh, Carson, Anderson & Stowe, he worked for four years in the private equity group at William Blair & Company. Previously, Mr. de Nicola worked at Goldman, Sachs & Co. in the Mergers and Acquisitions Department. Mr. de Nicola is also a member of the boards of directors of Centennial Communications Corp., ITC Deltacom, Inc., R.H. Donnelly and several private companies.

Kenneth R. Cole, age 57, has served as a director of our company since March 2004 and as our Vice Chairman since April 2004. Prior to then, Mr. Cole served as our Chief Executive Officer from January 2002 to April 2004. Mr. Cole joined our company at its inception in January 2000 as President and Chief Operating Officer. Prior to joining our company, Mr. Cole had a 26–year career at CenturyTel, Inc., culminating in his service as Chief Operating Officer from May 1999 to January 2000. Mr. Cole became a member of the Board of Directors of Occam, December 8, 2004.

Sanjay Swani, age 39, has served as a director of our company since March 2004. Mr. Swani is currently a general partner of Welsh, Carson, Anderson & Stowe. He joined Welsh, Carson, Anderson & Stowe in 1999 and focuses on investments in the information and business services and communications industries. Previously, he was a director of Fox Paine & Company, a San Francisco–based private equity firm. Mr. Swani also spent four years in the Mergers, Acquisitions & Restructuring Department and two years in the Debt Capital Markets Department of Morgan Stanley Dean Witter & Co. Mr. Swani is also a member of the boards of directors of Banctec, Inc., ITC Deltacom, Inc. and other private companies.

Norman W. Alpert, age 47, has served as a director of our company since April 2005. Mr. Alpert is currently a managing director of Vestar Capital Partners, which is one of our stockholders. Mr. Alpert helped found Vestar in 1988. Previously, he was a senior executive in the Management Buyout Group of the First Boston Corporation. Mr. Alpert is also a member of the Board of Directors of Gold Toe Corporation and Border Media Partners.

Stephen B. Brodeur, age 41, was appointed to our Board of Directors after completion of our initial public offering in February 2005. He is the former chief executive officer of the Cambridge Strategic Management Group (CSMG). CSMG, now a division of The Management Network Group, is a provider of management consulting services to emerging and established telecommunications operators, equipment manufacturers and financial services companies. As a consultant to telecommunications and related industries for 18 years, Mr. Brodeur has consulted for domestic and international companies including Verizon, Bell Canada, SBC, Sprint, AT&T, CenturyTel, FPL, British Telecom, Telstra, Nextel, Siemens, Nortel, Corning and Cisco.

Michael Donovan, age 29, was appointed to our Board of Directors after completion of our initial public offering in February 2005. He is a principal at Welsh, Carson, Anderson & Stowe. Before joining Welsh, Carson, Anderson & Stowe in 2001, Mr. Donovan worked at Windward Capital Partners and in the investment banking division at Merrill Lynch. He is currently a board member of several private companies.

Edward Lujan, age 73, was appointed to our Board of Directors after completion of our initial public offering in February 2005. Since 1968, Mr. Lujan has been chairman of the board of Manuel Lujan Agencies, a family insurance and real estate business in New Mexico. Mr. Lujan is also Chairman Emeritious of the board for the National Hispanic Cultural Center of New Mexico and serves on numerous state and local advisory councils and boards for business, economic development and education. He also served as a member of the New Mexico Governmental Ethics Oversight Committee.

M. Ann Padilla, age 63, was appointed to our Board of Directors after completion of our initial public offering in February 2005. Since 1975, Ms. Padilla has been president and chief executive officer of Sunny Side, Inc./ Temp Side, a staffing resource company in Denver, Colorado, specializing in administrative, professional and technical recruiting. Ms. Padilla has served on the Board of Directors and advisory councils at various banks and financial institutions and is also a trustee for the Denver Center for Performing Arts. She has received numerous awards from national and state business organizations.

Federico Pena, age 59, was appointed to our Board of Directors after completion of our initial public offering in February 2005. He is a managing director at Vestar Capital Partners in Denver, CO, since 1999. Mr. Pena was formerly the U.S. Secretary of Energy and the U.S. Secretary of Transportation in the Clinton Administration. Prior to serving in the cabinet, he was president and chief executive officer of Pena Investment Advisors from 1991 to 1992 and the mayor of Denver from 1983 to 1991. He serves on the boards of Border Media Partners; Principal Financial Group; Sonic Corp.; and Toyota's North American Diversity Advisory Board.

Edward J. Heffernan, age 43, was appointed to our Board of Directors in April 2005. He is executive vice president and chief financial officer of Alliance Data Systems. He first joined Alliance Data Systems in May 1998. Before joining Alliance Data, he served as vice president, mergers and acquisitions for First Data Corporation from October 1994 to May 1998. Prior to that he served as vice president, mergers and acquisitions for Citicorp from July 1990 to October 1994, and prior to that he worked in the corporate finance department at Credit Suisse First Boston Corporation from June 1986 until July 1990. He holds a Bachelor's degree from Wesleyan University and an MBA from Columbia Business School. Mr. Heffernan serves as Chairman of Valor's Audit Committee.

Each of Messrs. de Nicola, Swani, Donovan, Alpert and Pena were initially appointed to our Board of Directors pursuant to a securityholders agreement among certain of our stockholders pursuant to which each of Welsh, Carson, Anderson & Stowe and Vestar Capital Partners and their respective affiliates agree to vote their shares in favor of three (3) persons designated by Welsh, Carson, Anderson & Stowe and two (2) persons designated by Vestar Capital Partners. See "Related Party Transactions — Equity Sponsors — Securityholders Agreement."

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES FOR DIRECTOR DESCRIBED IN THIS PROPOSAL 5.

Director Compensation

Independent members of the Board of Directors receive compensation for their services. Each independent director receives an annual retainer of $45,000, which is supplemented by additional payments of $1,250 for each board meeting attended in person, $625 for each board meeting attended telephonically, $5,000 annually for acting as a committee member ($10,000 for acting as audit committee chairperson and $7,500 for acting as compensation committee chairperson), $1,000 for each committee meeting attended in person, $500 for each committee meeting attended telephonically and reasonable travel expenses for attendance in person at board and committee meetings. In addition, each independent member of the Board of Directors received an up–front grant of 9,705 restricted shares pursuant to our 2005 Long–Term Incentive Plan. These restricted shares vest over the three years following their issuance at 33% per year. In addition, Mr. Cole, our Vice Chairman, will receive the compensation described above for serving as a member of our Board of Directors. No other non–independent director, however, shall receive compensation for serving as a member of our Board of Directors. Throughout the year, we reimburse our non–employee directors for reasonable expenses incurred in attending meetings and in the performance of other services rendered on behalf of the Board of Directors or its committees.

GOVERNANCE OF VALOR AND COMMITTEES OF THE BOARD OF DIRECTORS

We continually review our corporate governance policies and practices. This includes comparing our current policies and practices to policies and practices of other public companies, as well as to those suggested by various groups or authorities active in corporate governance. Based upon this review, we have adopted changes to current policies and practices to reflect what the Board of Directors believes are "best practices," as well as those that are required to comply with Sarbanes–Oxley Act of 2002 and the rules of the SEC and the NYSE.

The Board of Directors held six regular meetings and five special meetings during the fiscal year ended December 31, 2005. Each director attended at least 75% of the aggregate of these meetings and the total

number of meetings held by all committees of the board on which he or she served, as described below under "Committees of the Board."

All of our directors, other than Mr. Mueller, our current Chief Executive Officer, and Mr. Cole, our former Chief Executive Officer and Vice–Chairman, are independent as determined by an analysis conducted by the Company's outside legal counsel. Our independent directors have regularly scheduled executive sessions in which they meet without the presence of management. These executive sessions generally are held immediately before or after regularly scheduled meetings of the Board of Directors. The independent directors have held five such meetings, and all of the independent directors were present for three of these sessions.

Committees of the Board

In connection with our initial public offering in February 2005, our Board of Directors established the following committees: Audit, Compensation, and Nomination and Governance. Each of these committees operates under a written charter approved by the Board of Directors in compliance with the applicable requirements of the SEC and the NYSE listing requirements. Our charters can be located on our website at *www.valortelecom.com* and are available to in hard copy to stockholders upon request. All members of the audit, nominating and compensation committees are "independent" as defined by the rules of the SEC and NYSE. The members of each standing committee are elected by the Board of Directors each year for a term of one year or until his or her successor is elected. The members of the committees are identified in the table below.

Director	Audit	Compensation	Nomination and Governance
Norman W. Alpert		X	
Stephen B. Brodeur	X		
Edward J. Heffernan	Chair		
Edward L. Lujan	X		
Anthony J. de Nicola		Chair	Chair
M. Ann Padilla	X		
Federico Pena			X
Sanjay Swani	X	X	X

Audit Committee. The Audit Committee recommends to the Board of Directors the selection of our independent accountants. Our independent accountants are responsible for performing an independent audit of our consolidated financial statements in accordance with auditing standards generally accepted in the United States of America for issuing a report thereon, and for reviewing our Annual Reports on Form 10–K and Quarterly Reports on Form 10–Q. Management is responsible for our internal controls and the financial reporting process. The Audit Committee assists the Board of Directors in undertaking and fulfilling its responsibilities in monitoring Valor's financial reporting process, including (i) the integrity of the financial statements of Valor, (ii) Valor's compliance with legal and regulatory requirements, (iii) the independence and qualifications of Valor's internal and independent auditors, (iv) the performance of Valor's internal audit function and independent auditors, and (v) the preparation of an audit committee report to be included in Valor's annual proxy statements.

Our Audit Committee pre–approves all auditing and permissible non–auditing services that will be provided by Deloitte & Touche LLP, our independent accountants, in accordance with the Sarbanes–Oxley Act of 2002 and the rules of the SEC and the New York Stock Exchange.

In accordance with the rules of the SEC, our Audit Committee has established procedures to receive, retain, and treat complaints received regarding accounting, internal accounting controls, or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

Each current and prospective member of the Audit Committee is financially literate, as required by the listing standards of the New York Stock Exchange. The Board of Directors has determined that Mr. Heffernan meets the standard of an "audit committee financial expert" under the rules of the SEC. The Audit Committee met seven times during the fiscal year ended December 31, 2005. No member of the audit committee serves on more than three public company audit committees.

Compensation Committee. The Compensation Committee reviews our general compensation strategies, acts as the Committee for Valor's Incentive Compensation Plan and 2005 Long–Term Incentive Plan, and establishes and reviews compensation for our Chief Executive Officer and other executive officers. The Compensation Committee met twice during the fiscal year ended December 31, 2005.

Nomination and Governance Committee. One of the committee's primary functions is to establish criteria and qualifications for candidates for the Board of Directors and then to identify and recommend candidates for election to the Board of Directors. In addition, the Nominating and Corporate Governance Committee takes a leadership role in shaping our corporate governance, including making recommendations on matters relating to the composition of the Board of Directors and its various committees and our Corporate Governance Guidelines. Each candidate for nomination as a director, including persons recommended by stockholders, is evaluated in accordance with our Corporate Governance Guidelines which are posted on our website at *www.valortelecom.com.* The Nomination and Corporate Governance Committee may seek advice from other members of the Board of Directors or the Chief Executive Officer regarding director candidates. The Board of Directors will consider a potential director nominee's ability to satisfy the need, if any, for any required expertise on the Board of Directors or one of its committees. Historically, our management has recommended director nominees to the Board of Directors. The Nominating Committee acted via unanimous consent during the fiscal year ended December 31, 2005. Most issues within the jurisdiction of this Committee were acted upon by the full Board.

Nominations by Stockholders

Pursuant to our bylaws, a stockholder may nominate a person for election as a director at an annual meeting of stockholders only if written notice of such stockholder's intent to make such nomination has been given to the Secretary of Valor not less than sixty (60) days nor more than ninety (90) days prior to the first anniversary of the preceding year's annual meeting, or if the date of the annual meeting is changed by more than 30 days from such anniversary date, not later than the close of business on the tenth (10th) day following the earlier of the day on which notice of the date of such meeting was mailed or public disclosure of the meeting date was made. Each notice is required to set forth certain information, including (1) the name and address of the stockholder making the nomination and the number of shares of our common stock they own beneficially of record, (2) information regarding each nominee as would be required to be included in a proxy statement filed pursuant to the proxy rules of the United States Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, by the Board, and (3) the consent of each nominee to serve as a director if so elected.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Stockholders who wish to communicate with the Board of Directors may do so through the following procedures. Stockholder communications not involving complaints or concerns regarding accounting, internal accounting controls and auditing matters related to Valor ("Accounting Complaints or Concerns") may be sent to our corporate secretary at Valor Communications Group, Inc., 201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062. Stockholder communications that relate to matters that are within the scope of the responsibilities of the Board of Directors and its committees, or summaries of such communications, will be forwarded to the chairman of the audit committee.

The Company has two processes in place for receipt of Accounting Complaints or Concerns. First, Accounting Complaints or Concerns, which may be made anonymously, may be sent to our Chief Legal Officer with a copy to our Chief Financial Officer at the same address as the corporate secretary. Second, Accounting Complaints and Concerns may be submitted via our Ethics Hotline, 1–800–556–3048. A third–

party vendor staffs our Ethics Hotline 24 hours a day. Accounting Complaints or Concerns will be forwarded to the chairman of the audit committee. We will keep Accounting Complaints or Concerns confidential and anonymous, to the extent feasible, subject to applicable law. Information contained in an Accounting Complaint or Concern may be summarized, abstracted and aggregated for purposes of analysis and investigation.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Board of Directors is responsible for setting and administering compensation, including base salaries, annual incentives, and stock–based awards, paid or awarded to our executive officers. The Compensation Committee also oversees and approves incentive plan design, costs and administration. This report discusses the Compensation Committee's activities, as well as its development and implementation of policies regarding compensation paid to our executive officers for 2005.

Overall Compensation Policies

The Compensation Committee reviews and approves compensation policies and practices, including those related to stock–based compensation, for our executive officers and certain other employees. Our executive compensation system generally consists of three primary components: base salary, an incentive compensation award pursuant to an Annual Incentive Compensation Plan adopted by the Compensation Committee and restricted stock grants. Through the use of the foregoing, the Compensation Committee seeks to achieve a balanced compensation package that will attract and retain high quality key executives, appropriately reflect each such executive officer's individual performance, contributions, and general market value, and provide further incentives to the executive officers to maximize annual operating performance and long–term stockholder value. In doing so, the Committee will regularly review and update:

- An appropriate peer group of companies for the purposes of comparing compensation levels and practices; and
- Key measures that the Compensation Committee will use in assessing performance for the purposes of incentive compensation awards to the chief executive officer and other members of the senior management team.

Annual Salaries

Annual base salaries for our executive officers have been established on a position–by–position basis. The chief executive officer has the responsibility to conduct annual internal reviews of executive officer salary levels in order to rank salary, individual performance and job value to each position. The chief executive officer then makes recommendations on salaries, other than his own, to the Compensation Committee. The Compensation Committee determines, reviews and approves corporate goals and objectives relevant to the compensation of the chief executive officer. The Compensation Committee reviews the recommendations regarding changes in salaries for executive officers. The Compensation Committee may take such action, including modifications to the recommendations, as it deems appropriate. The determinations of the Compensation Committee may be based on a variety of factors, including a subjective evaluation of past and potential future individual performance and contributions and alternative career opportunities that might be available to the executives. The Compensation Committee may also review compensation data from companies employing executives in positions similar to those whose salaries were being reviewed, as well as market conditions for executives in general with similar skills, responsibilities, background and performance levels and other companies with similar financial and business characteristics.

Annual Incentive Compensation

We maintain an incentive compensation plan that compensates certain management and supervisory personnel if our company meets or exceeds certain financial performance targets. These awards allow us to recognize individual performance and contributions to Valor on an annual basis. Our chief executive officer, in

consultation with the Compensation Committee, may adjust or eliminate any incentive payment that would otherwise be earned under the Incentive Compensation Plan based on such factors as they may determine in their sole discretion. Our chief executive officer, in consultation with the Compensation Committee, may also amend or cancel the bonus plan at any time for any reason. Under the terms of the approved Incentive Compensation Plan, the Compensation Committee bases the amount of any annual incentive compensation to be paid to our executive officers, including the chief executive officer, on Valor performance (determined by reference to revenue and EBITDA targets established by Board resolution) and each such officer's performance, attitude and potential.

The 2004 Incentive Compensation Plan. In 2005, the Compensation Committee awarded incentive compensation under our 2004 Incentive Compensation Plan to certain of our executive officers, based on 2004 operating results and a discretionary evaluation of each such officer's performance, attitude and potential. In 2005, all incentive compensation paid under the 2004 Incentive Compensation Plan was in the form of cash awards. The Compensation Committee based its actions regarding 2004 incentive compensation upon the performance of Valor and upon the chairman of the board's recommendation regarding the chief executive officer, the chief executive officer's recommendations regarding the other executive officers and the Compensation Committee members' general business knowledge. The bonuses the named executive officers received under the 2004 Incentive Compensation Plan are disclosed in the bonus column in the Summary Compensation Table set forth below.

The 2005 Incentive Compensation Plan. The Compensation Committee, at its March 22, 2005 meeting approved the 2005 Incentive Compensation Plan. That Plan allowed semi–annual payments if we were meeting or exceeding financial objectives and the outlook for the remaining half of the year was favorable. In August 2005, our chief executive officer, with the approval of our Compensation Committee, authorized bonus amounts for the first half of 2005 for members of our management team at the level of director and below eligible to participate in the incentive compensation plan that qualified for payment. The payments made were approximately one–third of the 2005 bonus opportunity for the respective employees. Members of our senior management team did not receive any payment. On February 9, 2006, the Compensation Committee awarded incentive compensation under our 2005 Incentive Compensation Plan to certain of our executive officers, based on 2005 operating results and a discretionary evaluation of each such officer's performance, attitude and potential. In 2006, all incentive compensation paid under the 2005 Incentive Compensation Plan was in the form of cash awards. The Compensation Committee based its actions regarding 2005 incentive compensation upon the performance of Valor and upon the chairman of the board's recommendation regarding the chief executive officer, the chief executive officer's recommendations regarding the other executive officers and the Compensation Committee members' general business knowledge. The bonuses the named executive officers received under the 2005 Incentive Compensation Plan are disclosed in the bonus column in the Summary Compensation Table set forth below.

The 2006 Incentive Compensation Plan. The Compensation Committee, at its February 9, 2006 meeting, approved the 2006 Incentive Compensation Plan.

2005 Long–Term Incentive Plan. Our 2005 Long–Term Incentive Plan provides for grants of stock options, restricted stock and performance awards. Members of our Board of Directors, our officers and other employees and persons who engage in services for us are eligible for grants under the plan. We plan to grant awards to these individuals from time to time to provide long–term incentives that are designed to couple the interests of key employees with those of stockholders in that the potential value of the awards is directly related to the future value of our stock.

A total of 2,500,000 shares of our common stock are authorized for issuance under the plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in our corporate structure or the outstanding shares of common stock. We granted 2,157,531 shares of restricted stock, of which 2,099,739 shares were granted to executive officers, members of senior management and directors, leaving 342,469 shares available for issuance under the plan.

Tax code limitation on executive compensation deductions. In 1993, Congress amended the Internal Revenue Code to impose a $1.0 million deduction limit on compensation paid to the chief executive officer

and the four other most highly compensated executive officers of public companies, subject to certain transition rules and exceptions for compensation received pursuant to non–discretionary performance–based plans approved by such company's stockholders. It is our general policy to structure the performance–based portion of the compensation of its executive officers in a manner that permits Valor to deduct fully such compensation.

Compensation of Chief Executive Officer

John J. Mueller, Chief Executive Officer, earned $500,000 in base salary in 2005, per our employment agreement with him. In February 2005, the Compensation Committee approved an employment agreement with Mr. Mueller, which replaced a previous employment agreement, as further described under the heading "Employment and Severance Agreements." Mr. Mueller's contract states that he will earn a $500,000 annual base salary during the three year term of the agreement. In setting the Chief Executive Officer's base salary, the committee considered company objectives, market and corporate challenges and market compensation practices.

Mr. Mueller earned a bonus under our annual incentive compensation plan of $625,000 in respect of the year ended December 31, 2004. Mr. Mueller's bonus reflects our philosophy of meeting and exceeding certain corporate financial targets. In addition, he was awarded a $1,000,000 bonus in connection with the completion of our initial public offering, of which $600,000 has been paid, and the remainder of which is payable January 1, 2007. See "Related Party Transactions."

Mr. Mueller owns 634,420 shares of Valor common stock pursuant to a restricted stock grant made to him in February 2005 under our 2005 Long–Term Incentive Plan, of which 303,418 of such shares are fully vested and the remainder will vest in equal installments on January 1, 2007 and 2008. This grants ties the Chief Executive Officer's long–term compensation to the goals of increasing stockholder value and including at–risk compensation as a significant portion of the executive's compensation.

Conclusion

The Compensation Committee has reviewed each element of compensation for each of the executive officers for fiscal 2005. The Compensation Committee reported to the Board of Directors that in the Compensation Committee's opinion, the compensation of each executive officer is reasonable in view of the Company's performance and the Compensation Committee's subjective evaluation of the contribution of each executive officer to that performance.

Members of the compensation committee of the Board of Directors respectfully submit the foregoing report:

Anthony de Nicola, Chairman
Sanjay Swani
Norman W. Alpert

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers served as: (i) a member of the Compensation Committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on our Compensation Committee; (ii) a director of another entity, one of whose executive officers served on our Compensation Committee; or (iii) a member of the Compensation Committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as one of our directors.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the compensation earned, awarded or paid for services rendered in all capacities for the fiscal years ended December 31, 2004 and 2005, by our Chief Executive Officer, our Vice–Chairman and our four next most highly compensated executive officers who earned more than $100,000 in salary and, to whom we refer in this proxy statement collectively as the named executive officers:

		Annual Compensation		Long–Term Compensation	
	Fiscal Year	Salary	Bonus(1)	Restricted Stock Awards(2)	All Other Compensation(3)
John J. Mueller Chief Executive Officer and President	2005 2004	$ 500,000 469,616	$ 579,800 1,875,000	$ 9,516,300 —	$ 84,283 46,004
Kenneth R. Cole Vice Chairman(4)	2005 2004	300,000 433,462	750,000 5,750,000	995,482 —	17,197 45,577
W. Grant Raney Senior Vice President and Chief Operating Officer	2005 2004	257,000 253,167	197,609 1,160,625	4,137,525 —	18,521 25,141
William M. Ojile, Jr. Senior Vice President, Chief Legal Officer and Secretary	2005 2004	250,000 246,692	144,950 656,250	3,310,020 —	21,799 21,197
Cynthia B. Nash Senior Vice President and Chief Information Officer	2005	176,346	109,758	2,234,265	37,887
Jerry E. Vaughn(5) Senior Vice President and Chief Financial Officer	2005	81,250	61,718	4,927,695	33,216

(1) In 2004, amounts consisted of debt recapitalization bonuses and annual incentive bonuses. In 2005, amounts consisted of initial public offering bonuses and annual incentive bonuses. Annual incentive bonuses represented amounts earned by each named executive during the referenced year, although paid in the following year. In 2004, Mr. Cole's bonus included a one–time transition bonus of $5 million.

(2) Amounts in this column reported for 2005 represented the value of the following restricted stock awards primarily issued in February 2005, except for Mr. Vaughn, which were issued in October 2005, at $0.0001 per share: 634,420 shares to Mr. Mueller, 67,763 shares to Mr. Cole, 275,835 shares to Mr. Raney, 220,668 shares to Mr. Ojile, 148,951 shares to Ms. Nash and 361,533 shares to Mr. Vaughn. Using the closing price of our stock as of December 30, 2005, $11.40, the number and value of the remaining vested and unvested restricted stock awards as of December 31, 2005 were as follows: 634,420 shares, $7.2 million for Mr. Mueller; 42,543 shares, $484,990 for Mr. Cole; 275,835 shares, $3.1 million for Mr. Raney; 220,668 shares, $2.5 million for Mr. Ojile; 148,951 shares, $1.7 million for Ms. Nash and 361,533 shares, $4.1 million for Mr. Vaughn. These awards vest as follows:

Name	Vested upon Issuance	Vests in 2006	Vests in 2007	Vests in 2008	Vests in 2009
John J. Mueller	21.74%	26.09%	26.09%	26.09%	0.00%
Kenneth R. Cole(4)	85.00%	5.00%	5.00%	5.00%	00.0%
W. Grant Raney	20.00%	26.67%	26.67%	26.67%	0.00%
William M. Ojile, Jr.	15.00%	28.33%	28.33%	28.33%	0.00%
Cynthia B. Nash	18.52%	27.16%	27.16%	27.16%	0.00%
Jerry E. Vaughn	0.00%	6.25%	25.00%	25.00%	43.75%

Per Resolution of the Compensation Committee, dated December 8, 2005, equity grants vesting on January 1, 2007 will vest upon closing of the merger. Also, per the terms of the Long Term Incentive Plan, awards vesting in 2008 and beyond will accelerate upon closing of the merger for those employees whose employment is terminated without cause or who resign for Good Reason.

We did not pay dividends on unvested restricted stock awards in 2005. On February 9, 2006, the Compensation Committee approved the payment of dividends on unvested restricted stock awards.

(3) All other compensation amounts, disclosed in the table above include medical, life insurance and long–term disability premiums we pay on behalf of each named executive officer, personal travel expenses paid by the company, car allowances, our matching contributions to the 401(k) and miscellaneous other items we pay on behalf of each named executive officer, are as follows:

All Other Compensation

	Year	Medical	Life Insurance	Long–Term Disability	Personal Travel Expense	Car Allowance	401(k) Contributions	All other Compensation	Total
John J. Mueller	2005	$ 10,003	$ 3,123	$ 1,044	$ 7,554	$ 18,731	$ 9,450	$ 34,378	$ 84,283
	2004	9,570	4,334	7,210	7,478	8,187	9,225	—	46,004
Kenneth R. Cole	2005	6,905	9,248	1,044	—	—	—	—	17,197
	2004	9,570	14,530	4,774	7,478	—	9,225	—	45,577
W. Grant Raney	2005	6,164	1,823	1,044	—	—	9,450	40	18,521
	2004	5,369	2,025	1,044	7,478	—	9,225	—	25,141
William M. Ojile, Jr.	2005	10,004	1,261	1,044	—	—	9,450	40	21,799
	2004	8,645	1,468	1,859	—	—	9,225	—	21,197
Cynthia B. Nash	2005	9,094	1,016	870	3,777	—	3,089	20,041	37,887
Jerry E. Vaughn	2005	1,608	3,366	—	—	—	—	28,242	33,216

(4) Mr. Cole served as our Chief Executive Officer from January 2002 through April 2004.

(5) Mr. Vaughn became a senior vice president and Chief Financial Officer effective October 1, 2005.

Employment and Severance Agreements

We have entered into employment, confidentiality and non–competition agreements with Messrs. Mueller, Vaughn, Ojile, Raney and Ms. Nash, the material terms of which are discussed below. We also have agreements with other key employees at the director level and above that provide for an agreement not to compete with us for a maximum period of up to twelve months, in return for the payment of severance benefits for involuntary termination without cause.

Agreement with John J. Mueller. We entered into an employment agreement with John J. Mueller upon the consummation of our initial public offering, which replaced his previous employment agreement executed in 2004. Mr. Mueller's new employment agreement will remain in effect until February 14, 2008. and can be renewed for successive one year periods thereafter. Mr. Mueller receives an annual base salary of $500,000, an annual incentive bonus and medical and other benefits. Mr. Mueller's annual bonus is targeted to be one times his base salary for the applicable year, although our Board of Directors may increase or decrease the amount of any award in its discretion. Pursuant to his employment agreement, Mr. Mueller also received an initial public offering cash bonus, as described below under the heading "Related Party Transactions."

On February 9, 2006, the Compensation Committee approved amendments to Mr. Mueller's employment agreement to reflect severance and retention provisions adopted by the Compensation Committee on December 8, 2005 in conjunction with the approval of the merger agreement by the Valor Board of Directors. If we terminate Mr. Mueller's employment without "cause" or if he resigns for "Good Reason," as each such term is defined in his new employment agreement, he will be entitled to receive severance benefits consisting of his annual base salary for twenty–four months following the date of his termination, plus two times the full amount of his target bonus for the year in which his employment terminates and life insurance and medical benefits for various periods. Mr. Mueller's employment agreement provides that he will be restricted from engaging in competitive activities for one year after the termination of his employment although this restriction may be extended for an additional six months under certain circumstances.

Agreement with Jerry E. Vaughn. We entered into an employment agreement with Jerry E. Vaughn on October 1, 2005 (the "Effective Date"). Mr. Vaughn's employment agreement will remain in effect until the fourth anniversary of the Effective Date and can be renewed thereafter for one–year extensions of the employment term, unless either party provides written notice of its intention not to review the agreement within 90 days of the expiration of the then current term. Mr. Vaughn receives an annual base salary of $325,000, an annual incentive bonus and medical and other benefits. Mr. Vaughn's annual bonus is targeted to be 100% of his base salary for the applicable year, although our Board of Directors may increase or decrease the amount of any award in its discretion.

If we terminate Mr. Vaughn's(2) employment without "cause" or if he resigns for "Good Reason," as each such term is defined in his employment agreement, he will be entitled to receive severance benefits consisting of his annual base salary and continued medical and other benefits for eighteen months following the date of his termination, plus, with respect to the fiscal year in which his employment terminates, the pro rata portion of the annual bonus he would have received had he been employed by our company for the full fiscal year. Mr. Vaughn's employment agreement provides that he will be restricted from engaging in competitive activities for one year after the termination of his employment. Mr. Vaughn may not solicit employees for one year following termination of his employment with our company.

Agreement with William M. Ojile, Jr. We entered into an employment agreement with William M. Ojile, Jr. upon the consummation of our initial public offering, which replaced the previous employment agreement we entered into with him in 2000. Mr. Ojile's new employment agreement will remain in effect until the third anniversary of the completion of the Offering and can be renewed thereafter for one–year extensions of the employment term, unless either party provides written notice of its intention not to review the agreement within 90 days of the expiration of the then current term. Mr. Ojile receives an annual base salary of $250,000, an annual incentive bonus and medical and other benefits. Mr. Ojile's annual bonus is targeted to be one–half his base salary for the applicable year, although our Board of Directors may increase or decrease the amount of any award in its discretion. Pursuant to his employment agreement, Mr. Ojile also received an initial public offering cash bonus, as described below under the heading "Related Party Transactions."

On February 9, 2006, the Compensation Committee approved amendments to Mr. Ojile's employment agreement to reflect severance and retention provisions adopted by the Compensation Committee on December 8, 2005 in conjunction with the approval of the merger agreement by the Valor Board of Directors. If we terminate Mr. Ojile's employment without "cause" or if he resigns for "Good Reason," as each such term is defined in his employment agreement, he will be entitled to receive severance benefits consisting of his annual base salary and continued medical and other benefits for twenty–four months following the date of his termination, plus, with respect to the fiscal year in which his employment terminates, two times the full amount of his target bonus for the year in which his employment terminates. Mr. Ojile's employment agreement provides that he will be restricted from engaging in competitive activities for one year after the termination of his employment. Mr. Ojile may not solicit employees for one year following termination of his employment with our company.

2 The December 8, 2005 Compensation Committee Resolution provided that Mr. Vaughn would not receive an enhancement of the monetary severance terms contained in his employment agreement.

Agreement with W. Grant Raney. We entered into an employment agreement with W. Grant Raney upon the consummation of our initial public offering, which replaced the previous employment agreement we entered into with him in 2000. Mr. Raney's employment agreement will remain in effect until the third anniversary of the completion of the Offering and can be renewed thereafter for one–year extensions of the employment term, unless either party provides written notice of its intention not to review the agreement within 90 days of the expiration of the then current term. Mr. Raney receives an annual base salary of $257,000, an annual incentive bonus and medical and other benefits. Mr. Raney's annual bonus is targeted to be one–half his base salary for the applicable year, although our Board of Directors may increase or decrease the amount of any award in its discretion. Pursuant to his employment agreement, Mr. Raney also received an initial public offering cash bonus, as described below under the heading "Related Party Transactions."

On February 9, 2006, the Compensation Committee approved amendments to Mr. Raney's employment agreement to reflect severance and retention provisions adopted by the Compensation Committee on December 8, 2005 in conjunction with the approval of the merger agreement by the Valor Board of Directors. If we terminate Mr. Raney's employment without "cause" or if he resigns for "Good Reason" as each such term is defined in his employment agreement, he will be entitled to receive severance benefits consisting of his annual base salary and continued medical and other benefits for twenty–four months following the date of his termination, plus, two times the full amount of his target bonus for the year in which his employment terminates. Mr. Raney's employment agreement provides that he will be restricted from engaging in competitive activities and soliciting employees for one year following termination of his employment with our company.

Agreement with Cynthia B. Nash. We entered into an employment agreement with Cynthia B. Nash upon the consummation of our initial public offering, which replaced the previous employment agreement we entered into with her in 2002. Ms. Nash's employment agreement will remain in effect until the third anniversary of the completion of the Offering and can be renewed thereafter for one–year extensions of the employment term, unless either party provides written notice of its intention not to renew the agreement within 90 days of the expiration of the then current term. Ms. Nash receives an annual base salary of $210,000(3), an annual incentive bonus and medical and other benefits. Ms. Nash's annual bonus is targeted to be one–half her base salary for the applicable year, although our Board of Directors may increase or decrease the amount of any award in its discretion. Pursuant to her employment agreement, Ms. Nash also received an initial public offering cash bonus, as described below under the heading "Related Party Transactions."

On February 9, 2006, the Compensation Committee approved amendments to Ms. Nash's employment agreement to reflect severance and retention provisions adopted by the Compensation Committee on December 8, 2005 in conjunction with the approval of the merger agreement by the Valor Board of Directors. If we terminate Ms. Nash's employment without "cause" or if she resigns for "Good Reason," as each such term is defined in her employment agreement, she will be entitled to receive severance benefits consisting of her annual base salary and continued medical and other benefits for twenty–four months following the date of her termination, plus, two–times the full amount of her target bonus for the year in which her employment terminates. Ms. Nash's employment agreement provides that she will be restricted from engaging in competitive activities for one year after the termination of her employment. Ms. Nash may not solicit employees for one year following termination of her employment with our company.

3 By a December 8, 2005 Resolution of the Compensation Committee, Ms. Nash's annual base salary was increased from $175,000 to $210,000.

BENEFICIAL OWNERSHIP OF VALOR COMMON STOCK

The following table and footnotes set forth as of March 31, 2006 the beneficial ownership, as defined by regulations of the SEC, of Valor common stock held by each person or group of persons known to Valor to own beneficially more than 5% of the outstanding shares of Valor common stock, each director of Valor, each current executive officer of Valor named in the Summary Compensation Table in this proxy statement/ prospectus–information statement (a "named executive officer") and all current directors and executive officers of Valor as a group. Except as otherwise noted, the listed entities, individuals and group have sole investment power and sole voting power as to all shares of Valor common stock set forth opposite their names. All information is taken from or based upon ownership filings made by such persons with the SEC or upon information provided by such persons.

	Number	%(1)
Welsh, Carson, Anderson Stowe(2)	19,574,421	27.5%
Vestar Capital Partners(3)	8,497,942	12%
Kenneth R. Cole	42,543	*
John Mueller(4)	634,420	*
Jerry E. Vaughn(5)	361,533	*
Cynthia Nash(6)	137,748	*
William Ojile(7)	220,668	*
Grant Raney(8)	275,835	*
Anthony J. de Nicola(9)(10)	19,617,000	27.6%
Sanjay Swani(9)(11)	19,585,992	27.6%
Norman W. Alpert(12)	8,497,942	12%
Federico Pena(12)	8,497,942	12%
Stephen B. Brodeur(13)	9,705	*
Michael E. Donovan(13)	9,705	*
Edward J. Heffernan(13)	9,705	*
Edward L. Lujan(13)	9,705	*
M. Ann Padilla(13)	9,705	*
All directors and executive officers as a group (15 persons)	29,814,518	42%

* Less than 1%.

(1) The respective percentages of beneficial ownership are based on 71,063,265 shares of common stock as of February 1, 2006.

(2) Shares are held by the following affiliates of Welsh, Carson, Anderson & Stowe: Welsh, Carson, Anderson & Stowe VIII, L.P., Welsh, Carson, Anderson & Stowe IX, L.P., WCAS Capital Partners III, L.P. Welsh, Carson, Anderson & Stowe disclaims beneficial ownership of such shares. WCAS VIII Associates, LLC, a limited liability company and affiliate of Welsh, Carson, Anderson & Stowe, exercises voting and investment control over the shares held by Welsh, Carson, Anderson & Stowe VIII, L.P. as general partner. Voting and investment decisions by WCAS VIII Associates, LLC are determined by an affirmative vote of two thirds of its managing members. WCAS IX Associates, LLC, a limited liability company and affiliate of Welsh, Carson, Anderson & Stowe, exercises voting and investment control over the shares held by Welsh, Carson, Anderson & Stowe IX, L.P. as general partner. Voting and investment decisions by WCAS IX Associates, LLC are determined by an affirmative vote of two thirds of its managing members. The address of Welsh, Carson, Anderson & Stowe is 320 Park Avenue, Suite 2500, New York, NY 10022.

(3) Shares are held by Vestar Capital Partners and the following affiliates of Vestar Capital Partners: Vestar Capital Partners III, L.P., Vestar Capital Partners IV, L.P. and Vestar/ Valor LLC. Vestar Capital Partners disclaims beneficial ownership of such shares. Vestar Capital Partners III, L.P. is a limited

partnership, the general partner of which is Vestar Associates III, L.P. As general partner of Vestar Associates III, L.P., Vestar Associates Corporation III, a corporation affiliated with Vestar Capital Partners, exercises voting and investment control over shares held by Vestar Capital Partners III, L.P. Vestar Capital Partners IV, L.P. is a limited partnership, the general partner of which is Vestar Associates IV, L.P. As general partner of Vestar Associates IV, L.P., Vestar Associates Corporation IV, a corporation and affiliate of Vestar Capital Partners, exercises voting and investment control over shares held by Vestar Capital Partners IV, L.P. Vestar/Valor LLC is a limited liability company, the managing member of which is Vestar Capital Partners IV, LP. As general partner of Vestar Associates IV, LP, Vestar Associates Corporation IV exercises voting and investment control over the shares held by Vestar/ Valor LLC. The address of Vestar Capital Partners is 245 Park Avenue, 41st Floor, New York, NY 10167.

(4) Includes 331,002 shares of restricted stock held by Mr. Mueller that will vest upon closing of the merger.

(5) Includes 338,937 shares of restricted stock held by Mr. Vaughn that will vest upon closing of the merger.

(6) Includes 80,912 shares of restricted stock held by Ms. Nash, of which 40,456 shares will vest upon closing of the merger and 40,456 shares will vest on January 1, 2008.

(7) Includes 125,045 shares of restricted stock held by Mr. Ojile that will vest upon closing of the merger.

(8) Includes 147,112 shares of restricted stock held by Mr. Raney, of which 73,556 shares will vest upon closing of the merger and 73,556 shares will vest on January 1, 2008.

(9) As members of WCAS VIII Associates LLC and WCAS IX Associates, LLC, Mr. de Nicola and Mr. Swani may be deemed to share beneficial ownership of the shares held by WCAS VIII Associates LLC and WCAS IX Associates, LLC. Mr. de Nicola and Mr. Swani disclaim beneficial ownership of such shares and any other shares held by affiliates of Welsh, Carson, Anderson & Stowe.

(10) Includes 42,579 shares held directly by Mr. de Nicola, of which 6,470 represents shares of restricted stock that will vest upon closing of the merger.

(11) Includes 11,571 shares held directly by Mr. Swani, of which 6,470 represents shares of restricted stock that will vest upon closing of the merger.

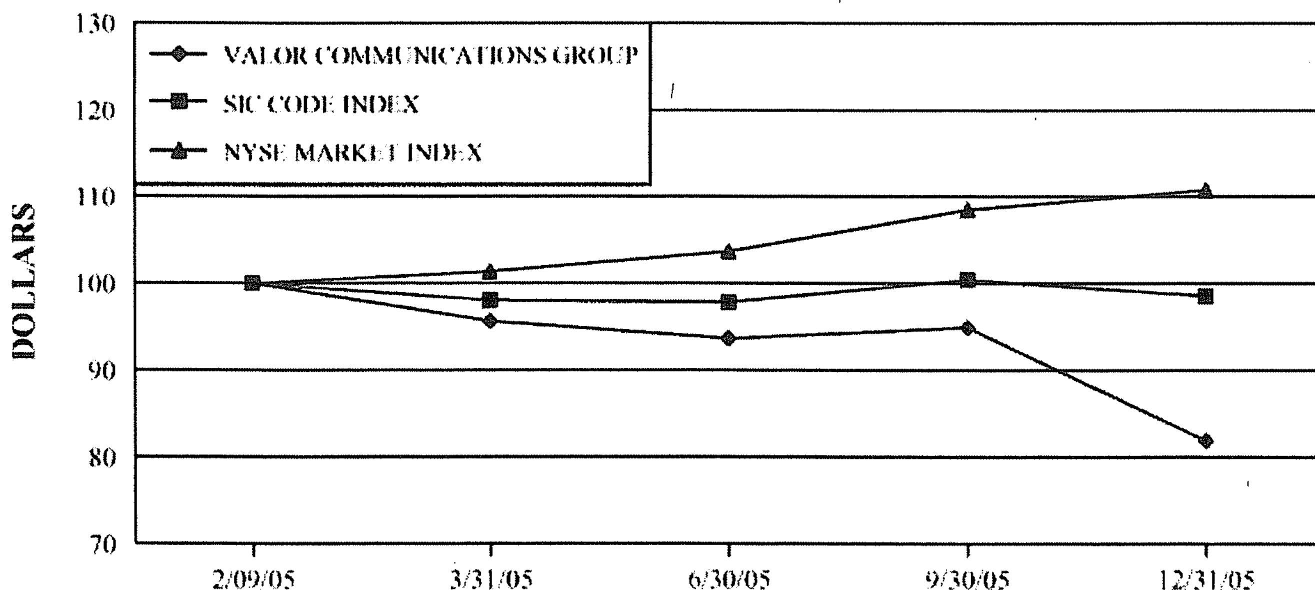
(12) As managing directors of Vestar Capital Partners, Mr. Alpert and Mr. Pena may be deemed to share beneficial ownership of the shares held by Vestar Capital Partners. Mr. Alpert and Mr. Pena each disclaim beneficial ownership of such shares and any other shares held by affiliates of Vestar Capital Partners.

(13) Includes 6,470 shares of restricted stock that will vest upon closing of the merger.

PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on our common stock since February 9, 2005 when our common stock became publicly traded, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) an industry index selected by us. Our relevant industry index is telephone communications (excluding radio telephone), which is composed of companies with a Standard Industry Classification, or SIC, Code of 4813. Pursuant to rules of the SEC, the comparison assumes $100 was invested on February 9, 2005 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.

COMPARE CUMULATIVE TOTAL RETURN AMONG VALOR COMMUNICATIONS GROUP, NYSE MARKET INDEX AND SIC CODE INDEX



ASSUMES $100 INVESTED ON FEB. 9, 2005
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DEC. 31, 2005

	2/09/05	3/31/05	6/30/05	9/30/05	12/31/05
Valor Communications Group	100.00	95.65	93.64	94.92	81.87
SIC Code Index	100.00	98.04	97.83	100.41	98.56
NYSE Market Index	100.00	101.36	103.68	108.49	110.77

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who own more than 10% of a registered class of Valor's equity securities to file reports of ownership with the SEC and furnishes copies to the NYSE and Valor. Based solely on the review of the copies of such forms and representations by certain reporting persons, we believe that for the period from the Offering through March 31, 2006, its executive officers, directors and 10% stockholders complied with all applicable filing requirements under Section 16(a).

RELATED PARTY TRANSACTIONS

Equity Sponsors

Securityholders Agreement. We entered into a securityholders agreement with WCAS, Vestar, Citicorp Venture Capital ("CVC") and certain of their respective affiliates that contain the following registration rights:.

- WCAS and Vestar have demand registration rights relating to the shares of our common stock that they received pursuant to our reorganization, subject to the requirement that the securities covered by each demand registration have an aggregate public offering price of at least $25.0 million if registered pursuant to a long–form registration statement, or $10.0 million if registered pursuant to a short–form registration statement; provided that the entities comprising WCAS and Vestar that initiate a demand for registration must hold a majority of the shares of common stock held by all such WCAS or Vestar entities, as the case may be, to initiate a demand for registration; provided, further, that WCAS or Vestar may exercise a demand right for less than an aggregate public offering price of $25.0 million if registered pursuant to a long–form registration statement, or $10.0 million if registered pursuant to a short–form registration statement, if such proposed offering is for all of the remaining shares of common stock held by WCAS or Vestar; provided, further, that WCAS can request up to three registrations that are registered pursuant to a long–form registration statement and Vestar can request up to two registrations that are registered pursuant to a long–form registration statement; and
- WCAS, Vestar and CVC have the right to include in our future public offerings of securities the shares of our common stock held by each of them.

We have agreed to pay all costs and expenses in connection with each such registration, except underwriting discounts and commissions applicable to the securities sold, and to indemnify WCAS and Vestar that have included securities in such offering against certain liabilities, including liabilities under the Securities Act.

Pursuant to the Securityholders Agreement, WCAS, Vestar, CVC and certain of their respective affiliates have agreed to vote for each other's designees to our Board of Directors (to the extent permitted by law and the rules of any securities exchange, system or market on which our securities are then listed), and to vote such that both WCAS and Vestar have at least one designee on each of our committees.

Upon completion of the merger, the Securityholders will be amended as discussed in more detail under "The Transactions — Interests of Certain Persons in the Merger."

Management

Transaction Bonuses.

Initial Public Offering Cash Bonuses. In connection with the consummation of our initial public offering we paid cash bonuses to our executive officers and other members of management in the manner set forth on the table below if such individuals remain an employee of Valor or its affiliates as of any date on which such

payment becomes due. These payments are intended to compensate our executive officers and other members of management for their efforts in connection with the completion of our initial public offering.

Name	Date of IPO	January 1, 2006	January 1, 2007(1)	Total
John J. Mueller	$ 200,000	$ 400,000	$ 400,000	$ 1,000,000
Kenneth R. Cole(2)	750,000	—	—	750,000
W. Grant Raney	100,000	200,000	200,000	500,000
William M. Ojile, Jr.	50,000	100,000	100,000	250,000
Cynthia Nash	30,000	60,000	60,000	150,000
Jerry E. Vaughn	—	—	—	—
Other	411,500	223,000	223,000	857,500
Total	$ 1,541,500	$ 983,000	$ 983,000	$ 3,507,500

(1) Per Resolution of the Compensation Committee, dated December 8, 2005, cash grants scheduled to vest on January 1, 2007 will vest upon closing of the merger.

(2) Pursuant to the terms of Amendment One to Mr. Cole's Part–Time Employment Agreement, dated November 10, 2004.

AUDIT COMMITTEE REPORT

The Audit Committee has met and held discussions with management and our independent accountants and has reviewed and discussed the audited consolidated financial statements with management and our independent accountants, including matters required to be discussed by Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU Section 380), "Communication with Audit Committee."

Our independent accountants also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees), and the Audit Committee discussed with our independent accountants that firm's independence.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in our Annual Report on Form 10–K for the fiscal year ended December 31, 2005, for filing with the Securities and Exchange Commission.

Members of the audit committee of the Board of Directors respectfully submit the foregoing report.

Edward J. Heffernan, Chairman
Sanjay Swani
Stephen Brodeur
Ann Padilla
Edward Lujan

PROPOSAL 6.

RATIFICATION OF APPOINTMENT OF DELOITTE & TOUCHE LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006 (Item 6 on Proxy Card)

Deloitte & Touche LLP were Valor's independent auditors for the year ended December 31, 2005 and have reported on Valor's consolidated financial statements included in the annual report which accompanies this proxy statement/ prospectus–information statement. The Audit Committee has appointed Deloitte & Touche LLP as independent auditors for fiscal 2006. Deloitte & Touche LLP has served in this capacity for several years, is knowledgeable about our operations and accounting practices, and is well qualified to act as

our independent registered public accounting firm. We are not required to have stockholders ratify the selection of Deloitte & Touche LLP as our independent registered public accounting firm. We nevertheless are doing so because we believe it is a matter of good corporate practice. If the stockholders do not ratify the selection, the Audit Committee will reconsider whether or not to retain Deloitte & Touche LLP. Representatives of Deloitte & Touche LLP are not expected to attend the meeting.

The following table shows the aggregate fees Deloitte & Touche LLP has billed or is expected to bill to us for services rendered for fiscal years ending December 31, 2004 and 2005.

Type of Fees	2004	2005
Audit Fees(1)	$ 512,611	$ 535,000
Audit–Related Fees(2)	665,000	244,729
Tax Fees(3)	1,560,000	65,000
All Other Fees(4)	6,396	718,396
Total	$ 2,744,007	$ 1,563,125

(1) Fees for the following services:

(a) audits of our consolidated year–end financial statements for each year;

(b) reviews of the unaudited quarterly financial statements for each of the first three quarters of each year;

(c) normally provided statutory or regulatory filings or engagements for each year; and

(d) estimated out–of–pocket costs Deloitte & Touche incurred in providing all of such services for which we reimburse Deloitte & Touche.

(2) Fees for registration statements, employee benefit plan audits and services related to our internal controls over financial reporting in connection with Sarbanes–Oxley Act of 2002.

(3) Fees for tax compliance, tax advice and tax planning services.

(4) Fees for all services not described in the other categories. For 2004, the disclosed fees include fees for an annual on–line research tool. For 2005, the disclosed fees include due diligence services related to the pending merger with Alltel's wireline business and fees for an annual on–line research tool.

The audit committee adopted a pre–approval policy in 2005 as further described in the Audit Committee Charter in Annex H. As of the completion of our offering in February 2005, the audit committee became responsible for pre–approving every engagement of Deloitte & Touche to perform audit or non–audit services on behalf of Valor or any of its subsidiaries. All Audit, Audit–Related Fees, Tax Fees and All Other Fees described above in 2005 were approved by the Audit Committee before services were rendered. Prior to the initial public offering the Audit Committee was not required to pre–approve audit or non–audit services.

THE BOARD OF DIRECTORS RECOMMEND A VOTE "FOR" THE RATIFICATION OF APPOINTMENT OF D&T AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006

PROPOSAL 7.

ADJOURNMENT FOR THE PURPOSE OF OBTAINING ADDITIONAL VOTES FOR THE MERGER PROPOSALS (Item 7 on Proxy Card)

At the annual meeting, we may ask stockholders to vote upon an adjournment of the annual meeting, if necessary, to solicit additional proxies for the approval of the merger proposals.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ANY ADJOURNMENT OF THE ANNUAL MEETING, IF NECESSARY, TO SOLICIT ADDITIONAL PROXIES FOR THE APPROVAL OF THE MERGER PROPOSALS.

SPECIAL NOTE CONCERNING FORWARD–LOOKING STATEMENTS

This proxy statement/prospectus–information statement, including information included or incorporated by reference in this proxy statement/ prospectus–information statement, contains certain forward–looking statements, within the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Generally, the words "will," "may," "should," "continue," "believes," "expects," "intends," "anticipates," "estimates" or similar expressions identify forward–looking statements; and any statements regarding the benefits of the merger, or Valor's or Spinco's expected financial condition, results of operations and business are also forward–looking statements. Without limiting the generality of the preceding sentence, the statements contained in the sections "Risk Factors," "The Transactions — Background of the Merger," "The Transactions — Alltel's Reasons for the Spin–Off and the Merger," "The Transactions — Opinion of Financial Advisor–Wachovia Securities," "The Transactions — Opinion of Financial Advisor–Bear Stearns" and "The Transactions — Valor's Reasons for the Merger," including, without limitation, any forecasts, projections and descriptions of anticipated cost savings or other synergies referred to therein, and any other statements contained herein, or incorporated by reference from documents filed with the SEC by Valor, regarding the possible or assumed future results of operations of Valor and Spinco's businesses, the markets for Valor and Spinco's services and products, anticipated capital expenditures, regulatory developments, competition or the effects of the merger, and other statements contained or incorporated by reference herein regarding matters that are not historical facts constitute forward–looking statements.

These forward–looking statements involve known and unknown risks and uncertainties that are difficult to predict. Factors that could cause actual results to differ materially from those contemplated by the forward–looking statements include, among others, the following factors:

- adverse changes in economic conditions, in the regions in which Valor and Spinco operate;
- the extent, timing, and overall effects of competition in the communications business;
- material changes in the communications industry generally that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- changes in communications technology;
- the risks associated with the integration of acquired businesses;
- the potential for adverse changes in the ratings given to Newco's debt securities by nationally accredited ratings organizations;
- the availability and cost of financing in the corporate debt markets;
- the uncertainties related to Valor and Spinco's strategic investments;
- the effects of work stoppages;
- the effects of litigation;
- potential outcome of income tax audits;
- the effects of federal and state legislation, rules, and regulations governing the communications industry;
- product liability and other claims asserted against Valor or Spinco; and
- those factors listed under the heading "Risk Factors."

In addition to these factors, actual future performance, outcomes and results may differ materially because of other, more general, factors including (without limitation) general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Any forward–looking statements in this proxy statement/prospectus–information statement are not guarantees of future performance, and actual results, developments and business decisions may differ from

those contemplated by those forward–looking statements, possibly materially. Valor and Spinco disclaim any duty to update any forward–looking statements, all of which are expressly qualified by the statements in this section. See also "Where You Can Find Additional Information" on page [•].

EXPERTS

The financial statements and the related financial statement schedule incorporated in this prospectus by reference from the Valor Communications Group, Inc. Annual Report on Form 10–K for the year ended December 31, 2005 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which expresses an unqualified opinion on the financial statements and financial statement schedule and includes an explanatory paragraph referring to a change in Valor's method of accounting for conditional asset retirement obligations to conform to Financial Accounting Standards Board Interpretation No. 47) which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The combined financial statements of the wireline division of Alltel Corporation as of December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 included in this proxy statement/ prospectus–information statement have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

Kirkland & Ellis LLP will provide to Valor a legal opinion regarding the issuance of Valor common stock in connection with the merger. Skadden, Arps, Slate, Meagher & Flom LLP will provide to Alltel and Spinco a legal opinion regarding certain federal income tax matters relating to the spin–off and the merger. Kirkland & Ellis LLP will provide to Valor a legal opinion regarding certain federal income tax matters relating to the merger.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

Valor has filed with the SEC a registration statement on Form S–4 (the "Registration Statement") under the Securities Act to register with the SEC the common shares to be issued in the merger. This proxy statement/prospectus–information statement, which constitutes a part of the Registration Statement, does not contain all of the information set forth in the Registration Statement or the exhibits and schedules filed therewith. For further information about Valor and the common shares to be issued in the merger, reference is made to the Registration Statement and the exhibits and schedules filed therewith. Statements contained in this proxy statement/prospectus–information statement regarding the contents of any contract or any other document that is filed as an exhibit to the Registration Statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the Registration Statement.

Valor also files annual, quarterly and current reports, proxy and registration statements and other information with the SEC. You may read and copy any reports, statements, or other information that Valor files, including the Registration Statement and the exhibits and schedules filed therewith, without charge at the public reference room maintained by the SEC, located at 100 F Street, NE, Washington, D.C. 20549, and copies of all or any part of the Registration Statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1–800–SEC–0330 for further information about the public reference room. The SEC also maintains an Internet web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address of the site is www.sec.gov.

As allowed by SEC rules, this proxy statement/prospectus–information statement does not contain all the information you can find in the registration statement on Form S–4 filed by Valor to register the shares of stock to be issued pursuant to the merger and the exhibits to the registration statement. The SEC allows Valor to "incorporate by reference" information into this proxy statement/prospectus–information statement, which means that Valor can disclose important information to you by referring you to other documents filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/prospectus–information statement, except for any information superseded by information in this proxy statement/prospectus–information statement. This proxy statement/prospectus–information statement incorporates by reference the documents set forth below that Valor has previously filed with the SEC. These documents contain important information about Valor and its financial condition.

The following Valor documents are incorporated by reference into this proxy statement/prospectus–information statement and are deemed to be a part of this proxy statement/prospectus–information statement, except for any information superseded by information contained directly in this proxy statement/prospectus–information statement:

- Annual Report on Form 10–K for the fiscal year ended December 31, 2005; and
- The description of Valor common stock (discussed above under the heading "Description Of Newco Capital Stock") contained in Valor's Registration Statement on Form S–1 filed February 10, 2005.

All documents filed by Valor pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act from the date of this proxy statement/prospectus–information statement to the date of the annual meeting shall also be incorporated herein by reference.

You can obtain documents incorporated by reference in this proxy statement/prospectus–information statement by requesting them in writing, by telephone or by e–mail from the appropriate company with the following contact information:

Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
Attn: William M. Ojile, Jr., Corporate Secretary
Tel: (972) 373–1000

If you would like to request any documents, please do so by [•], 2006 in order to receive them before the annual meeting.

VALOR HAS NOT AUTHORIZED ANYONE TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ABOUT THE MERGER THAT IS DIFFERENT FROM, OR IN ADDITION TO, THAT CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT OR IN ANY OF THE MATERIALS THAT ARE INCORPORATED BY REFERENCE INTO THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT. THEREFORE, IF ANYONE DOES GIVE YOU INFORMATION OF THIS SORT, YOU SHOULD NOT RELY ON IT. IF YOU ARE IN A JURISDICTION WHERE OFFERS TO EXCHANGE OR SELL, OR SOLICITATIONS OF OFFERS TO EXCHANGE OR PURCHASE, THE SECURITIES OFFERED BY THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT ARE UNLAWFUL, OR IF YOU ARE A PERSON TO WHOM IT IS UNLAWFUL TO DIRECT THESE TYPES OF ACTIVITIES, THEN THE OFFER PRESENTED IN THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT DOES NOT EXTEND TO YOU.

YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN SUCH DATE AND NEITHER THE MAILING OF THIS PROXY STATEMENT/PROSPECTUS–INFORMATION STATEMENT NOR THE ISSUANCE OF VALOR COMMON STOCK PURSUANT TO THE MERGER SHALL CREATE AN IMPLICATION TO THE CONTRARY.

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WIRELINE DIVISION OF
ALLTEL CORPORATION

COMBINED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2005 AND 2004
AND FOR THE THREE YEARS ENDED
DECEMBER 31, 2005, 2004 AND 2003

WIRELINE DIVISION OF ALLTEL CORPORATION

INDEX TO COMBINED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	F–2
Annual Financial Statements:	
Combined Balance Sheets as of December 31, 2005 and 2004	F–3
Combined Statements of Operations and Comprehensive Income for the years ended December 31, 2005, 2004 and 2003	F–4
Combined Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003	F–5
Combined Statements of Equity for the years ended December 31, 2005, 2004 and 2003	F–6
Notes to Combined Financial Statements	F–7–27

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder of the Wireline Division of ALLTEL Corporation:

In our opinion, the accompanying combined balance sheets and the related combined statements of operations and comprehensive income, equity and cash flows present fairly, in all material respects, the financial position of the Wireline Division of ALLTEL Corporation (the "Company") at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2 to the combined financial statements, the Company changed its method of accounting for asset retirement obligations as a result of adopting Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), "Accounting for Asset Retirement Obligations" as of January 1, 2003 and as a result of adopting Financial Accounting Standards Board Interpretation No. 47 ("FIN 47"), "Accounting for Conditional Asset Retirement Obligations" as of December 31, 2005.

/s/ PricewaterhouseCoopers LLP

Little Rock, AR
February 27, 2006

COMBINED BALANCE SHEETS
December 31,

	Unaudited Pro Forma 2005 (Note 13)	2005	2004
		(Millions)	
ASSETS			
Current Assets:			
Cash and short–term investments	$ 11.9	$ 11.9	$ 13.1
Accounts receivable (less allowance for doubtful accounts of $14.1 and $16.6, respectively)	312.8	312.8	339.5
Inventories	36.9	36.9	35.4
Prepaid expenses and other	33.6	33.6	16.2
Total current assets	395.2	395.2	404.2
Investments	2.0	2.0	24.3
Goodwill	1,218.7	1,218.7	1,218.7
Other intangibles	317.7	317.7	325.9
Property, Plant and Equipment:			
Land	18.3	18.3	18.3
Buildings and improvements	310.2	310.2	302.3
Wireline	6,634.6	6,634.6	6,434.2
Information processing	60.7	60.7	54.1
Other	188.9	188.9	184.9
Under construction	131.1	131.1	95.6
Total property, plant and equipment	7,343.8	7,343.8	7,089.4
Less accumulated depreciation	(4,380.2)	(4,380.2)	(4,015.1)
Net property, plant and equipment	2,963.6	2,963.6	3,074.3
Other assets	32.5	32.5	31.8
Total Assets	$ 4,929.7	$ 4,929.7	$ 5,079.2
LIABILITIES AND EQUITY			
Current Liabilities:			
Current maturities of long–term debt	$ 22.1	$ 22.1	$ 22.1
Accounts payable	145.5	145.5	109.5
Advance payments and customer deposits	60.4	60.4	61.3
Accrued taxes	83.1	83.1	43.5
Accrued interest	4.2	4.2	4.5
Dividend payable to Parent company	2,400.0	—	—
Note payable to Parent company	1,538.0	—	—
Other current liabilities	48.7	48.7	51.3
Total current liabilities	4,302.0	364.0	292.2
Long–term debt	238.7	238.7	260.8
Deferred income taxes	680.6	680.6	680.2
Other liabilities	157.2	157.2	139.2
Total liabilities	5,378.5	1,440.5	1,372.4
Commitments and Contingencies (See Note 11)			
Equity (Deficit):			
Cumulative foreign currency translation adjustment	0.5	0.5	0.5
Paid–in capital	(449.3)	—	—
Parent company investment	—	1,455.2	1,813.5
Retained earnings	—	2,033.5	1,892.8
Total equity (deficit)	(448.8)	3,489.2	3,706.8
Total Liabilities and Equity	$ 4,929.7	$ 4,929.7	$ 5,079.2

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the years ended December 31,

	2005	2004	2003
		(Millions)	
Revenues and sales:			
Service revenues	$ 2,463.6	$ 2,533.5	$ 2,618.4
Product sales	459.9	400.0	384.9
Total revenues and sales	2,923.5	2,933.5	3,003.3
Costs and expenses: (See Note 1)			
Cost of services (excluding depreciation of $415.8, $445.1 and $451.9 in 2005, 2004 and 2003, respectively included below)	796.1	813.7	864.8
Cost of products sold	374.8	333.8	339.0
Selling, general, administrative and other	340.1	327.9	351.0
Depreciation and amortization	474.2	508.5	519.4
Royalty expense to Parent	268.8	270.2	273.0
Restructuring and other charges	35.7	11.8	12.2
Total costs and expenses	2,289.7	2,265.9	2,359.4
Operating income	633.8	667.6	643.9
Other income, net	11.6	13.7	5.8
Intercompany interest income (expense)	23.3	(15.2)	(21.6)
Interest expense	(19.1)	(20.4)	(27.7)
Gain on disposal of assets and other	—	—	23.9
Income before income taxes	649.6	645.7	624.3
Income taxes	267.9	259.4	247.1
Income before cumulative effect of accounting change	381.7	386.3	377.2
Cumulative effect of accounting change (net of income tax expense (benefit) of $(4.6) in 2005 and $10.3 in 2003)	(7.4)	—	15.6
Net income (See Note 13)	374.3	386.3	392.8
Foreign currency translation adjustment	—	(0.1)	0.8
Comprehensive income	$ 374.3	$ 386.2	$ 393.6
Pro forma amounts assuming changes in accounting principles were applied retroactively:			
Net income as reported:	$ 374.3	$ 386.3	$ 392.8
Effect of recognition of conditional asset retirement obligations	7.4	(0.4)	(0.4)
Effect of change in recognition of asset retirement obligations	—	—	(15.6)
Net income as adjusted	$ 381.7	$ 385.9	$ 376.8

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2005	2004	2003
		(Millions)	
Cash Provided from Operations:			
Net income	$ 374.3	$ 386.3	$ 392.8
Adjustments to reconcile net income to net cash provided from operations:			
Cumulative effect of accounting change	7.4	—	(15.6)
Depreciation and amortization	474.2	508.5	519.4
Provision for doubtful accounts	29.2	38.3	33.0
Non–cash portion of restructuring and other charges	—	0.8	5.6
Non–cash portion of gain on disposal of assets	—	—	(31.0)
Change in deferred income taxes	4.9	70.0	91.0
Other, net	1.8	5.0	15.3
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts receivable	(4.0)	(23.2)	43.2
Inventories	(1.5)	10.9	11.2
Accounts payable	36.0	(5.7)	15.8
Other current liabilities	35.8	(16.4)	37.4
Other, net	(4.2)	(12.3)	16.9
Net cash provided from operations	953.9	962.2	1,135.0
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(352.9)	(333.3)	(383.2)
Additions to capitalized software development costs	(4.0)	(4.5)	(7.6)
Additions to investments	—	—	(0.2)
Proceeds from the sale of assets	—	—	37.0
Proceeds from the sale of investments	0.1	7.6	—
Other, net	4.1	0.5	(2.9)
Net cash used in investing activities	(352.7)	(329.7)	(356.9)
Cash Flows from Financing Activities:			
Dividends paid to Parent Company	(233.6)	(239.1)	(232.4)
Repayments of long–term debt	(22.1)	(22.1)	(282.6)
Reductions in advances from Parent Company	(346.7)	(365.9)	(269.2)
Net cash used in financing activities	(602.4)	(627.1)	(784.2)
Effect of exchange rate changes on cash and short–term investments	—	(0.1)	0.8
Increase (decrease) in cash and short–term investments	(1.2)	5.3	(5.3)
Cash and Short–term Investments:			
Beginning of the year	13.1	7.8	13.1
End of the year	$ 11.9	$ 13.1	$ 7.8
Supplemental Cash Flow Disclosures:			
Interest paid, net of amounts capitalized	$ 17.9	$ 19.2	$ 26.3
Income taxes paid	$ 215.4	$ 187.9	$ 18.3

The accompanying notes are an integral part of these combined financial statements.

COMBINED STATEMENTS OF EQUITY
For the years ended December 31,

	Foreign Currency Translation Adjustment	Parent Company Investment	Retained Earnings	Totals
	(Millions)			
Balance at January 1, 2003	$ (0.2)	$ 2,453.9	$ 1,585.2	$ 4,038.9
Net income	—	—	392.8	392.8
Dividends to Parent	—	—	(232.4)	(232.4)
Net transfers to Parent	—	(274.5)	—	(274.5)
Foreign currency translation adjustment	0.8	—	—	0.8
Balance at December 31, 2003	$ 0.6	$ 2,179.4	$ 1,745.6	$ 3,925.6
Net income	—	—	386.3	386.3
Dividends to Parent	—	—	(239.1)	(239.1)
Net transfers to Parent	—	(365.9)	—	(365.9)
Foreign currency translation adjustment	(0.1)	—	—	(0.1)
Balance at December 31, 2004	$ 0.5	$ 1,813.5	$ 1,892.8	$ 3,706.8
Net income	—	—	374.3	374.3
Dividends to Parent	—	—	(233.6)	(233.6)
Net transfers to Parent	—	(358.3)	—	(358.3)
Balance at December 31, 2005	$ 0.5	$ 1,455.2	$ 2,033.5	$ 3,489.2

The accompanying notes are an integral part of these combined financial statements.

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NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Organization — The Wireline Division (the "Company") is not a separate stand–alone legal entity and is comprised of certain wholly–owned subsidiaries and other component operations of ALLTEL Corporation ("Alltel" or the "Parent"). No direct equity ownership interest exists among the individual subsidiaries or other component operations that comprise the Wireline Division. The Company provides wireline local, long–distance, network access, and Internet services to residential and business customers. A subsidiary, ALLTEL Publishing Corporation ("ALLTEL Publishing"), publishes telephone directories for affiliates and other independent telephone companies. The Company also warehouses and sells telecommunications equipment to subsidiaries of the Company and to other non–affiliated communications companies in related industries. In addition, the Company provides billing, customer care and other data processing and outsourcing services to telecommunications companies. (See Note 12 for additional information regarding the Company's business segments.)

Basis of Presentation — The accompanying combined financial statements present the financial position, results of operations and cash flows of the Company in contemplation of a spin–off of the business and merger with Valor Communications Group, Inc. ("Valor") as more fully discussed in Note 13. The Company is a fully integrated business of Alltel; consequently these financial statements have been derived from the consolidated financial statements and accounting records of Alltel, using the historical results of operations and historical basis of assets and liabilities of the Company. The financial statements include the accounts of Alltel's wholly–owned subsidiaries and certain other accounts that comprise the Company. Investments in less than 20 percent owned entities and in which the Company does not exercise significant influence over operating and financial policies are accounted for under the cost method. All intercompany transactions, except those with certain affiliates described below, have been eliminated in the combined financial statements. Certain prior year amounts have been reclassified to conform to the 2005 financial statement presentation.

Service revenues consist of wireline local service, network access, Internet access, long–distance and miscellaneous wireline operating revenues and telecommunications information services processing revenues. Product sales primarily consist of the directory publishing operations and sales of communications equipment. Cost of services include the costs related to completing calls over the Company's telecommunications network, including access, interconnection and toll charges paid to other carriers, as well as the costs to operate and maintain the network. Additionally, cost of services includes the costs to provide telecommunications information services, bad debt expense and business taxes.

Related Party Transactions — Certain services such as information technology, accounting, legal, tax, marketing, engineering, and risk and treasury management were provided to the Company by the Parent. Expenses which were paid by the Parent on behalf of the Company have been allocated based on actual direct costs incurred. Where specific identification of expenses was not practicable, the cost of such services was allocated based on the most relevant allocation method to the service provided, either net sales of the Company as a percentage of net sales of the Parent, total assets of the Company as a percentage of total assets of the Parent, or headcount of the Company as a percentage of headcount of the Parent. Total expenses allocated to the Company were $300.5 million in 2005, $278.9 million in 2004 and $299.6 million in 2003. The costs of these services charged to the Company and the allocated liabilities assigned to the Company are not necessarily indicative of the costs and liabilities that would have been incurred if the Company had performed these functions as a stand–alone entity. However, management believes that methods used to make such allocations are reasonable and costs of these services charged to the Company are reasonable representations of the costs that would have been incurred if the Company had performed these functions as a stand–alone company.

The Company maintains a licensing agreement with The ALLTEL Kansas Limited Partnership, an Alltel affiliate, under which the Company's incumbent local exchange carrier ("ILEC") subsidiaries are charged a royalty fee for the use of the Alltel brand name in marketing and distributing telecommunications

products and services. The amount of the royalty fee charged is computed by multiplying the ILEC subsidiaries' annual revenues and sales by 12.5 percent.

Transfers with Alltel affiliates of property, plant and equipment and capitalized software development costs are recorded at net book value on the date of transfer. During 2003, the Company transferred to Alltel affiliates certain capitalized software development costs of $5.3 million.

The Company participates in the centralized cash management practices of Alltel. Under these practices, cash balances are transferred daily to Alltel bank accounts. The Company obtains interim financing from the Parent to fund its daily cash requirements and invests short–term excess funds with Alltel. The Company earns interest income on receivables due from the Parent and is charged interest expense for payables due to the Parent. The interest rates charged on payables to the Parent were 6.1 percent in 2005, 6.8 percent in 2004 and 6.9 percent in 2003. Interest rates earned on receivables from the Parent were 3.5 percent in 2005, 1.6 percent in 2004 and 1.3 percent in 2003. At December 31, 2005 and 2004, the Company had a net payable to the Parent which is included in the Parent Company Investment in the accompanying combined balance sheets and statements of equity, because such amounts have been considered contributed by the Parent to the Company. The Company's cash and short–term investments held at the Alltel level were not allocated to the Company in the combined financial statements. Cash and short–term investments reflected in the combined financial statements represents only those amounts held at the Company level. Debt reflected in the combined financial statements represents only those debentures and notes that were directly issued by subsidiaries of the Company. (See Note 4). No other debt has been allocated by the Parent to the Company's balance sheet. See "Transactions With Certain Affiliates" below for a discussion of additional related party transactions.

Use of Estimates — The preparation of financial statements, in accordance with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying combined financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying combined financial statements, and such differences could be material.

Regulatory Accounting — The Company's ILEC operations, except for certain operations acquired in Kentucky in 2002 and Nebraska in 1999, follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, SFAS No. 71 requires the Company's ILEC operations to depreciate wireline plant over the useful lives approved by regulators, which could be different than the useful lives that would otherwise be determined by management. SFAS No. 71 also requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in future years. Criteria that would give rise to the discontinuance of SFAS No. 71 include (1) increasing competition restricting the wireline subsidiaries' ability to establish prices to recover specific costs and (2) significant changes in the manner in which rates are set by regulators from cost–based regulation to another form of regulation. The Company reviews these criteria on a quarterly basis to determine whether the continuing application of SFAS No. 71 is appropriate. In assessing the continued applicability of SFAS No. 71, the Company monitors the following:

- Level of competition in its markets. To date, competition has not had a significant adverse effect on the operating results of the Company's ILEC subsidiaries, primarily because these subsidiaries provide wireline telecommunications services in mostly rural areas. To date, ILEC subsidiaries have not been required to discount intrastate service rates in response to competitive pressures.
- Level of revenues and access lines currently subject to rate–of–return regulation or which could revert back to rate–of–return regulation in the future. For the ILEC subsidiaries that follow SFAS No. 71, all interstate revenues are subject to rate–of–return regulation. The majority of the ILEC subsidiaries'

remaining intrastate revenues are either subject to rate–of–return regulation or could become subject to rate–of–return regulation upon election by the Company, subject in certain cases to approval by the state public service commissions.

- Level of profitability of the ILEC subsidiaries. Currently, the prices charged to customers for interstate and intrastate services continue to be sufficient to recover the specific costs of the ILEC subsidiaries in providing these services to customers.

While the Company believes that the application of SFAS No. 71 continues to be appropriate, it is possible that changes in regulation, legislation or competition could result in the Company's ILEC operations no longer qualifying for the application of SFAS No. 71 in the near future. If the Company's ILEC operations no longer qualified for the application of SFAS No. 71, the accounting impact to the Company would be an extraordinary non–cash credit to operations. The non–cash credit would consist primarily of the reversal of the regulatory liability for cost of removal included in accumulated depreciation, as further discussed below, which amounted to $156.9 million and $147.9 million as of December 31, 2005 and 2004, respectively. The Company does not expect to record any impairment charge related to the carrying value of its ILEC plant. Upon discontinuance of SFAS No. 71, the Company would be required to revise the lives of its property, plant and equipment to reflect the estimated useful lives of the assets. The Company does not expect any revisions in asset lives to have a material adverse effect on its ILEC operations. In accordance with federal and state regulations, depreciation expense for the Company's ILEC operations has historically included an additional provision for cost of removal.

The additional cost of removal provision does not meet the recognition and measurement principles of an asset retirement obligation under SFAS No. 143, "Accounting for Asset Retirement Obligations." In December 2002, the Federal Communications Commission ("FCC") notified ILEC carriers that they should not adopt the provisions of SFAS No. 143 unless specifically required by the FCC in the future. As a result of the FCC ruling, the Company continues to record a regulatory liability for cost of removal for its ILEC operations that follow the accounting prescribed by SFAS No. 71.

Transactions with Certain Affiliates — The Company's product distribution operations sell equipment to the affiliated ILEC operations ($134.4 million in 2005, $85.9 million in 2004 and $123.7 million in 2003). The cost of equipment sold to the ILEC operations is included, principally, in wireline plant in the combined financial statements. ALLTEL Publishing contracts with the ILEC subsidiaries to provide directory publishing services which include the publication of a standard directory at no charge. ALLTEL Publishing bills the wireline subsidiaries for services not covered by the standard contract ($7.6 million in 2005, $7.0 million in 2004 and $7.3 million in 2003). Wireline revenues and sales include directory royalties received from ALLTEL Publishing ($35.8 million in 2005, $40.1 million in 2004 and $42.9 million in 2003) and amounts billed to other affiliates of the Company ($45.0 million in 2005, $51.7 million in 2004 and $51.3 million in 2003) for interconnection and toll services. These intercompany transactions involving the ILEC operations (excluding the acquired operations in Kentucky and Nebraska) have not been eliminated because the revenues received from the affiliates and the prices charged by the communications products and directory publishing operations are priced in accordance with FCC guidelines and are recovered through the regulatory process.

Cash and Short–term Investments — Cash and short–term investments consist of highly liquid investments with original maturities of three months or less.

Accounts Receivable — Accounts receivable consist principally of trade receivables from customers and are generally unsecured and due within 30 days. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts in the combined balance sheets. In establishing the allowance for doubtful accounts, the Company considers a number of factors, including historical collection experience, aging of the accounts receivable balances, current economic conditions, and a specific customer's ability to meet its financial obligations to the Company. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts. Concentration of

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up the Company's customer base, thus spreading the credit risk.

Inventories — Inventories are stated at the lower of cost or market value. Cost is determined using either an average original cost or specific identification method of valuation.

Investments — Investments in Rural Telephone Bank ("RTB") Class C stock were reported at cost due to the lack of a readily available market price. During December 2005, the Company transferred its investment in RTB Class C stock to the Parent. The Company received dividend income of $11.4 million in 2005, $11.8 million in 2004 and $5.6 million in 2003 related to its investment in the RTB Class C stock, which is included in other income, net in the accompanying statements of income. All other investments are accounted for using the cost method. Investments were as follows at December 31:

	2005	2004
	(Millions)	
Investments in Rural Telephone Bank Class C stock	$ —	$ 22.1
Other cost investments	2.0	2.2
	$ 2.0	$ 24.3

Goodwill and Other Intangible Assets — Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The Company has acquired identifiable intangible assets through its acquisitions of interests in various wireline properties. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets is recorded as goodwill. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is to be assigned to a company's reporting units and tested for impairment annually using a consistent measurement date, which for the Company is January 1st of each year. The impairment test for goodwill requires a two–step approach, which is performed at a reporting unit level. Step one of the test identifies potential impairments by comparing the fair value of a reporting unit to its carrying amount. Step two, which is only performed if the fair value of a reporting unit is less than its carrying value, calculates the impairment loss as the difference between the carrying amount of the reporting unit's goodwill and the implied fair value of that goodwill. The Company completed step one of the annual impairment reviews of goodwill for 2005, 2004 and 2003 and determined that no write–down in the carrying value of goodwill for any of its reporting units was required. For purposes of completing the annual impairment reviews, fair value of the reporting units was determined utilizing a combination of the discounted cash flows of the reporting units and calculated market values of comparable public companies.

The Company's indefinite–lived intangible assets consist of wireline franchise rights in the state of Kentucky acquired in August 2002. The Company determined that the wireline franchise rights met the indefinite life criteria outlined in SFAS No. 142, because the Company expects both the renewal by the granting authorities and the cash flows generated from these intangible assets to continue indefinitely. The Company's intangible assets with finite lives are amortized over their estimated useful lives, which are 10 years for customer lists and 15 years for franchise rights. SFAS No. 142 also requires intangible assets with indefinite lives to be tested for impairment on an annual basis, by comparing the fair value of the assets to their carrying amounts. For purposes of completing the annual impairment reviews, the fair value of the wireline franchise rights was determined based on the discounted cash flows of the acquired operations in Kentucky. Upon completing the annual impairment reviews of its wireline franchise rights for 2005, 2004 and 2003, the Company determined that no write–down in the carrying value of these assets was required.

Property, Plant and Equipment — Property, plant and equipment are stated at original cost. Wireline plant consists of aerial and underground cable, conduit, poles, switches and other central office and transmission–related equipment. Information processing plant consists of data processing equipment, purchased software and internal use capitalized software development costs. Other plant consists of furniture,

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

fixtures, vehicles, machinery and equipment. The costs of additions, replacements and substantial improvements, including related labor costs, are capitalized, while the costs of maintenance and repairs are expensed as incurred. For the Company's non–regulated operations, when depreciable plant is retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, with the corresponding gain or loss reflected in operating results. The Company's ILEC operations utilize group composite depreciation. Under this method, when plant is retired, the original cost, net of salvage value, is charged against accumulated depreciation, and no gain or loss is recognized on the disposition of the plant. Depreciation expense amounted to $466.0 million in 2005, $500.4 million in 2004 and $511.0 million in 2003.

Depreciation for financial reporting purposes is computed using the straight–line method over the following estimated useful lives:

	Depreciable Lives
Buildings and improvements	5–50 years
Wireline	5–56 years
Information processing	3–16 years
Other	3–23 years

The Company capitalizes interest in connection with the acquisition or construction of plant assets. Capitalized interest is included in the cost of the asset with a corresponding reduction in interest expense. Capitalized interest amounted to $2.6 million in 2005, $2.9 million in 2004 and $3.2 million in 2003.

Capitalized Software Development Costs — Software development costs incurred in the application development stage of internal use software are capitalized and recorded in information processing plant in the accompanying combined balance sheets. Modifications and upgrades to internal use software are capitalized to the extent such enhancements provide additional functionality. Software maintenance and training costs are expensed as incurred. Internal use software is amortized over periods ranging from three to ten years.

Impairment of Long–Lived Assets — Long–lived assets and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable from future, undiscounted net cash flows expected to be generated by the asset. If the asset is not fully recoverable, an impairment loss would be recognized for the difference between the carrying value of the asset and its estimated fair value based on discounted net future cash flows or quoted market prices. Assets to be disposed of that are not classified as discontinued operations are reported at the lower of their carrying amount or fair value less cost to sell.

Parent Company Investment — The Company has obtained financing for its day–to–day operations from the Parent. Parent Company Investment includes the Parent's equity investment in the Company and net amounts due to the Parent, because such amounts have been considered contributed by the Parent to the Company.

Foreign Currency Translation Adjustment — During 2004 and 2003, the Company provided data processing and outsourcing services to international telecommunications companies. For these foreign operations, assets and liabilities are translated from the applicable local currency to U.S. dollars using the current exchange rate as of the balance sheet date. Revenue and expense accounts are translated using the weighted average exchange rate in effect during the period. Foreign currency transaction gains and losses are recognized in income as incurred. The Company accounts for unrealized gains or losses on its foreign currency translation adjustments in accordance with SFAS No. 130, "Reporting Comprehensive Income," which required the adjustments to be recorded as a separate component of equity.

Revenue Recognition — Communications revenues are primarily derived from providing access to or usage of the Company's networks and facilities. Wireline local access revenues are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

services, including interconnection, long–distance and custom calling feature revenues are recognized monthly as services are provided. Due to varying customer billing cycle cut–off times, the Company must estimate service revenues earned but not yet billed at the end of each reporting period. Included in accounts receivable are unbilled receivables related to communications revenues of $21.1 million and $24.9 million at December 31, 2005 and 2004, respectively. Sales of communications products including customer premise equipment and accessories are recognized when products are delivered to and accepted by customers.

ALLTEL Publishing recognizes directory publishing and advertising revenues and related directory costs when the directories are published and delivered. For directory contracts with a secondary delivery obligation, ALLTEL Publishing defers a portion of its revenues and related directory costs until secondary delivery occurs. Included in accounts receivable are unbilled receivables related to directory advertising revenues earned but not yet billed of $60.7 million and $64.0 million at December 31, 2005 and 2004, respectively. The royalties paid by ALLTEL Publishing to the Company's ILEC subsidiaries (excluding the acquired operations in Kentucky and Nebraska) are recognized as revenue over the life of the corresponding contract, which is generally twelve months.

Telecommunications information services revenues are recognized in accordance with the American Institute of Certified Public Accountants' Statement of Position ("SOP") 97–2 "Software Revenue Recognition" and SOP 98–9 "Modification of SOP 97–2, Software Revenue Recognition, With Respect to Certain Transactions." Data processing revenues are recognized as services are performed. When the arrangement with the customer includes significant production, modification or customization of the software, the Company uses contract accounting, as required by SOP 97–2. For those arrangements accounted for under SOP 81–1 "Accounting for Performance of Construction–Type and Certain Production–Type Contracts," the Company uses the percentage–of–completion method. Under this method, revenue and profit are recognized throughout the term of the contract, based upon estimates of the total costs to be incurred and revenues to be generated throughout the term of the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. When such estimates indicate that costs will exceed future revenues and a loss on the contract exists, a provision for the entire loss is then recognized. Included in accounts receivable are unbilled receivables related to telecommunications information services revenues of $1.5 million and $4.0 million at December 31, 2005 and 2004, respectively.

Advertising — Advertising costs are expensed as incurred. Advertising expense totaled $25.1 million in 2005, $23.8 million in 2004 and $23.7 million in 2003.

Stock–Based Compensation — The Company accounts for stock–based employee compensation in accordance with the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations. For fixed stock options granted under the Parent's stock–based compensation plans, the exercise price of the option equals the market value of Alltel's common stock on the date of grant. Accordingly, no compensation expense has been recognized by the Company in the accompanying combined statements of income for any of the fixed options granted. Had compensation costs for the fixed options granted been determined based on the basis of the fair value of the awards at the date of grant, consistent with the methodology prescribed by SFAS No. 123, "Accounting for Stock–Based Compensation," the Company's net income would have been reduced to the following pro forma amounts for the years ended December 31:

	2005	2004	2003
		(Millions)	
Net income as reported	$ 374.3	$ 386.3	$ 392.8
Deduct stock–based employee compensation expense determined under fair value method for all awards, net of related tax effects	(4.1)	(4.8)	(4.9)
Pro forma net income	$ 370.2	$ 381.5	$ 387.9

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The pro forma amounts presented above may not be representative of the future effects on reported net income that will result from the future granting of stock options, since the pro forma compensation expense is allocated over the periods in which options become exercisable, and new option awards may be granted each year.

On December 16, 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123(R), "Share–Based Payment," which is a revision of SFAS No. 123 and supercedes APB Opinion No. 25. SFAS No. 123(R) requires all share–based payments to employees, including grants of employee stock options, to be valued at fair value on the date of grant, and to be expensed over the applicable vesting period. Pro forma disclosure of the income statement effects of share–based payments is no longer an alternative. In addition, companies must also recognize compensation expense related to any awards that are not fully vested as of the effective date. Compensation expense for the unvested awards will be measured based on the fair value of the awards previously calculated in developing the pro forma disclosures in accordance with the provisions of SFAS No. 123. Upon adoption of the standard on January 1, 2006, the Company will follow the modified prospective transition method and expects to value its share–based payment transactions using a Black–Scholes valuation model. Under the modified prospective transition method, the Company will recognize compensation cost in its consolidated financial statements for all awards granted after January 1, 2006 and for all existing awards for which the requisite service has not been rendered as of the date of adoption. Prior period operating results will not be restated. At December 31, 2005, the total unamortized compensation cost for nonvested stock option awards amounted to $9.4 million and is expected to be recognized over a weighted average period of 3 years. The pro forma compensation expense for 2005 reflected in the table above is expected to approximate the effect of the adoption of SFAS No. 123(R) on the Company's future reported consolidated results of operations.

Income Taxes — Income taxes are calculated on a separate return basis and are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates, based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. For the Company's regulated operations, the adjustment in deferred tax balances for the change in tax rates is reflected as regulatory assets or liabilities. These regulatory assets and liabilities are amortized over the lives of the related depreciable asset or liability concurrent with recovery in rates. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

2. Accounting Changes:

Change in Accounting Estimate — Effective September 1, 2005 and July 1, 2005, the Company prospectively reduced depreciation rates for its ILEC operations in Florida, Georgia and South Carolina to reflect the results of studies of depreciable lives completed by the Company in the second quarter of 2005. The depreciable lives were lengthened to reflect the estimated remaining useful lives of the wireline plant based on the Company's expected future network utilization and capital expenditure levels required to provide service to its customers. The effects of this change during the year ended December 31, 2005 resulted in a decrease in depreciation expense of $21.8 million and increase in net income of $12.8 million. Effective April 1, 2004, the Company prospectively reduced depreciation rates for its ILEC operations in Nebraska, reflecting the results of a triennial study of depreciable lives completed by the Company in the second quarter of 2004, as required by the Nebraska Public Service Commission. The effects of this change during the year ended December 31, 2004 resulted in a decrease in depreciation expense of $19.1 million and increase in net income of $11.4 million.

Change in Accounting Principle — During the fourth quarter of 2005, the Company adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"). The

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Company evaluated the effects of FIN 47 on its operations and determined that, for certain buildings containing asbestos, the Company is legally obligated to remediate the asbestos if the Company were to abandon, sell or otherwise dispose of the buildings. In addition, for its acquired Kentucky and Nebraska wireline operations not subject to SFAS No. 71, the Company is legally obligated to properly dispose of its chemically–treated telephone poles at the time they are removed from service. In accordance with federal and state regulations, depreciation expense for the Company's wireline operations that follow the accounting prescribed by SFAS No. 71 have historically included an additional provision for cost of removal, and accordingly, the adoption of FIN 47 had no impact to these operations. The cumulative effect of this change in 2005 resulted in a non–cash charge of $7.4 million, net of income tax benefit of $4.6 million, and was included in net income for the year ended December 31, 2005.

On a pro forma basis assuming the change in accounting for conditional asset retirement obligations had been applied retrospectively for all periods presented, the liability for conditional asset retirement obligations would have been as follows:

	(Millions)
Balance, as of:	
January 1, 2003	$ 12.8
December 31, 2003	$ 13.2
December 31, 2004	$ 13.7
December 31, 2005	$ 14.0

Effective January 1, 2005, the Company changed its accounting for operating leases with scheduled rent increases. Certain of the Company's operating lease agreements for office and retail locations include scheduled rent escalations during the initial lease term and/or during succeeding optional renewal periods. Previously, the Company had not recognized the scheduled increases in rent expense on a straight–line basis in accordance with the provisions of Statement of Financial Accounting Standards No. 13, "Accounting for Leases" and Financial Accounting Standards Board Technical Bulletin No. 85–3, "Accounting for Operating Leases with Scheduled Rent Increases." The effects of this change, which are included in cost of services expense, were not material to the Company's previously reported combined results of operations, financial position or cash flows.

Except for certain ILEC operations as further discussed below, the Company adopted SFAS No. 143, "Accounting for Asset Retirement Obligations," effective January 1, 2003. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long–lived assets and the associated asset retirement costs. This standard applies to legal obligations associated with the retirement of long–lived assets that result from the acquisition, construction, development, or normal use of the assets. SFAS No. 143 requires that a liability for an asset retirement obligation be recognized when incurred and reasonably estimable, recorded at fair value, and classified as a liability in the balance sheet. When the liability is initially recorded, the entity capitalizes the cost and increases the carrying value of the related long–lived asset. The liability is then accreted to its present value each period, and the capitalized cost is depreciated over the estimated useful life of the related asset. At the settlement date, the entity will settle the obligation for its recorded amount and recognize a gain or loss upon settlement. The Company has evaluated the effects of SFAS No. 143 on its operations and has determined that, for telecommunications and other operating facilities in which the Company owns the underlying land, the Company has no contractual or legal obligation to remediate the property if the Company were to abandon, sell or otherwise dispose of the property. Certain of the Company's lease agreements for office locations require restoration of the leased site upon expiration of the lease term. Accordingly, the Company is subject to asset retirement obligations associated with these leased facilities under the provisions of SFAS No. 143. The application of SFAS No. 143 to the Company's leased office locations did not have a material impact on the Company's combined results of operations, financial position, or cash flows as of and for the year ended December 31, 2003.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

As previously discussed, in accordance with federal and state regulations, depreciation expense for the Company's ILEC operations has historically included an additional provision for cost of removal. The additional cost of removal provision does not meet the recognition and measurement principles of an asset retirement obligation under SFAS No. 143. In December 2002, the FCC notified ILECs that they should not adopt the provisions of SFAS No. 143 unless specifically required by the FCC in the future. As a result of the FCC ruling, the Company continues to record a regulatory liability for cost of removal for its ILEC operations that follow the accounting prescribed by SFAS No. 71.

For the acquired Kentucky and Nebraska ILEC operations not subject to SFAS No. 71, effective January 1, 2003, the Company ceased recognition of the cost of removal provision in depreciation expense and eliminated the cumulative cost of removal included in accumulated depreciation. The effect of these changes in 2003 was to decrease depreciation expense by $6.4 million and increase income before cumulative effect of accounting change by $4.0 million. The cumulative effect of retroactively applying these changes to periods prior to January 1, 2003, resulted in a non–cash credit of $15.6 million, net of income tax expense of $10.3 million, and was included in net income for the year ended December 31, 2003.

3. Goodwill and Other Intangible Assets:

The carrying amount of goodwill by business segment was unchanged during the two year period ended December 31, 2005 and was as follows:

	Wireline	Product Distribution	Totals
		(Millions)	
Balance at December 31, 2005 and 2004	$ 1,218.4	$ 0.3	$ 1,218.7

At December 31, 2005 and 2004, the carrying value of the indefinite–lived wireline franchise rights in the state of Kentucky acquired in 2002 was $265.0 million.

Intangible assets subject to amortization were as follows at December 31:

	2005		
	Gross Cost	Accumulated Amortization	Net Carrying Value
		(Millions)	
Customer lists	$ 67.6	$ (21.0)	$ 46.6
Franchise rights	22.5	(16.4)	6.1
	$ 90.1	$ (37.4)	$ 52.7

	2004		
	Gross Cost	Accumulated Amortization	Net Carrying Value
		(Millions)	
Customer lists	$ 67.6	$ (14.3)	$ 53.3
Franchise rights	22.5	(14.9)	7.6
	$ 90.1	$ (29.2)	$ 60.9

Intangible assets subject to amortization are amortized on a straight–line basis over their estimated useful lives, which are 10 years for customer lists and 15 years for franchise rights. Amortization expense for intangible assets subject to amortization was $8.2 million in 2005, $8.1 million in 2004 and $8.4 million in 2003. Amortization expense for intangible assets subject to amortization is estimated to be $8.2 million in each of the years 2006 through 2009 and $6.8 million in 2010.

4. Debt:

Long–term debt was as follows at December 31:

	2005	2004
	(Millions)	
Issued by subsidiaries of the Company:		
Debentures and notes, without collateral:		
ALLTEL Communications Holdings of the Midwest, Inc. — 6.75%, due April 1, 2028	$ 100.0	$ 100.0
ALLTEL Georgia Communications Corp. — 6.50%, due November 15, 2013	80.0	90.0
ALLTEL New York, Inc. — 9.14% to 9.55%, due August 1, 2009 and October 1, 2011	10.7	13.0
ALLTEL Pennsylvania, Inc. — 9.07%, due November 1, 2011	8.7	10.2
Georgia ALLTEL Telecom, Inc. — 8.05% to 8.17%, due October 1, 2009 and 2014	20.5	24.1
Teleview, Inc. — 7.00%, due January 2, 2010 and May 2, 2010	1.0	1.2
Texas ALLTEL, Inc. — 8.11%, due March 31, 2018	15.0	15.0
The Western Reserve Telephone Co. — 8.05% to 8.17%, due October 1, 2009 and 2014	25.9	30.5
Discount on long–term debt	(1.0)	(1.1)
	260.8	282.9
Less current maturities	(22.1)	(22.1)
Total long–term debt	$ 238.7	$ 260.8

Certain of the indentures provide, among other things, for various restrictions on the subsidiaries' payment of dividends to the Parent and redemption of the subsidiaries' capital stock. The subsidiaries are also required to maintain defined amounts in member's equity and working capital after the payment of dividends. Retained earnings of the subsidiaries restricted as to the payment of dividends to the Parent were $55.5 million at December 31, 2005.

Maturities and sinking fund requirements for the four years after 2005 for long–term debt outstanding as of December 31, 2005, were $22.1 million, $23.5 million, $23.6 million and $16.4 million, respectively.

5. Financial Instruments:

The Company's financial instruments consist primarily of cash and short–term investments, accounts receivable, trade accounts payable and long–term debt. The carrying amount of cash and short–term investments, accounts receivable and trade accounts payable was estimated by management to approximate carrying value due to the relatively short period of time to maturity for those instruments. The fair values of the Company's long–term debt, including current maturities, was estimated to be approximately $281.1 million and $327.7 million at December 31, 2005 and 2004, respectively, compared to a carrying value of $260.8 million and $282.9 million at December 31, 2005 and 2004, respectively. The fair value estimates were based on a discounted cash flow of the outstanding long–term debt using the weighted maturities and interest rates currently available in the long–term financing markets.

6. Employee Benefit Plans and Postretirement Benefits Other Than Pensions:

The Parent maintains a qualified defined benefit pension plan, which covers substantially all employees of the Company. Prior to January 1, 2005, employees of ALLTEL Publishing did not participate in the plan. In

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

December 2005, the qualified defined benefit pension plan was amended such that future benefit accruals for all eligible nonbargaining employees ceased as of December 31, 2005 (December 31, 2010 for employees who had attained age 40 with two years of service as of December 31, 2005). Expenses recorded by the Company related to the pension plan amounted to $15.1 million in 2005, $11.3 million in 2004 and $16.4 million in 2003. These expenses are included in cost of services and selling, general and administrative expenses in the combined statements of operations and comprehensive income. No allocation of the Company's share of the pension plan's assets or liabilities have been included in the accompanying combined balance sheets because the amounts have yet to be actuarially determined.

The Company's Parent has a non–contributory defined contribution plan in the form of profit–sharing arrangements for eligible employees, except bargaining unit employees. The amount of profit–sharing contributions to the plan is determined annually by Alltel's Board of Directors. Profit–sharing expense amounted to $4.4 million in 2005, $3.9 million in 2004 and $4.5 million in 2003. The Company's Parent also sponsors employee savings plans under section 401(k) of the Internal Revenue Code, which cover substantially all full–time employees, except bargaining unit employees. Employees may elect to contribute to the plans a portion of their eligible pretax compensation up to certain limits as specified by the plans. Alltel also makes annual contributions to the plans. Expense recorded by the Company related to these plans amounted to $1.3 million in both 2005 and 2004 and $1.5 million in 2003. The expenses charged to the Company related to the profit–sharing and 401(k) plans are included in cost of services and selling, general and administrative expenses in the combined statements of operations and comprehensive income.

The Company also provides postretirement healthcare and life insurance benefits for eligible employees of the Company. Employees share in the cost of these benefits. The Company funds the accrued costs of the postretirement benefit plan as benefits are paid. The components of postretirement expense were as follows for the years ended December 31:

	Postretirement Benefits		
	2005	2004	2003
		(Millions)	
Benefits earned during the year	$ —	$ —	$ 0.2
Interest cost on benefit obligation	9.6	11.2	10.2
Amortization of prior service (credit) cost	1.8	1.5	1.5
Recognized net actuarial loss	5.3	4.0	6.2
Effects of Medicare subsidy	—	(2.2)	—
Expected return on plan assets	—	—	—
Total postretirement benefit expense	$ 16.7	$ 14.5	$ 18.1

The Company uses a December 31 measurement date for its postretirement benefit plan. The discount rate used to measure postretirement expense was 6.00%, 6.40% and 6.85% for the years ended December 31, 2005, 2004 and 2003, respectively. The discount rate used to measure the projected benefit obligation was 5.70% at December 31, 2005 and 6.00% at December 31, 2004.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

A summary of plan assets, projected benefit obligation and funded status of the plans were as follows at December 31:

	Postretirement Benefits	
	2005	2004
	(Millions)	
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	8.2	9.6
Actual return on plan assets	—	—
Benefits paid	(8.2)	(9.6)
Fair value of plan assets at end of year	—	—
Projected benefit obligation at beginning of year	164.5	175.7
Benefits earned	—	—
Interest cost on projected benefit obligation	9.6	11.2
Plan amendments	—	1.7
Effects of Medicare subsidy	—	(14.2)
Actuarial (gain) loss	5.8	(0.3)
Benefits paid	(8.2)	(9.6)
Projected benefit obligation at end of year	171.7	164.5
Plan assets less than projected benefit obligation	(171.7)	(164.5)
Unrecognized actuarial loss	69.7	69.2
Unrecognized prior service cost	13.0	14.8
Net amount recognized	$ (89.0)	$ (80.5)
Amounts recognized in the consolidated balance sheet:		
Prepaid benefit cost	$ —	$ —
Accrued benefit cost liability	(89.0)	(80.5)
Net amount recognized	$ (89.0)	$ (80.5)

Information regarding the healthcare cost trend rate was as follows for the years ended December 31:

	2005	2004
Healthcare cost trend rate assumed for next year	10.00%	10.00%
Rate that the cost trend rate ultimately declines to	5.00%	5.00%
Year that the rate reaches the rate it is assumed to remain at	2011	2010

For the year ended December 31, 2005, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit cost by approximately $1.0 million, while a one percent decrease in the rate would reduce the postretirement benefit cost by approximately $0.8 million. As of December 31, 2005, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit obligation by approximately $20.2 million, while a one percent decrease in the rate would reduce the postretirement benefit obligation by approximately $16.9 million.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

Estimated future employer contributions and benefit payments were as follows as of December 31, 2005:

		Postretirement Benefits
		(Millions)
Expected employer contributions for 2006	$	9.4
Expected benefit payments:		
2006	$	9.4
2007		10.1
2008		10.8
2009		11.4
2010		11.8
2011 — 2015		60.4
Expected subsidy:		
2006	$	0.5
2007		0.5
2008		0.5
2009		0.6
2010		0.6
2011 — 2015		3.8

Under the Medicare Prescription Drug, Improvement and Modernization Act of 2003, (the "Act") beginning in 2006, the Act will provide a prescription drug benefit under Medicare Part D, as well as a federal subsidy to plan sponsors of retiree healthcare plans that provide a prescription drug benefit to their participants that is at least actuarially equivalent to the benefit that will be available under Medicare. The amount of the federal subsidy will be based on 28 percent of an individual beneficiary's annual eligible prescription drug costs ranging between $250 and $5,000. On May 19, 2004, the FASB issued Staff Position No. 106–2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP No. 106–2"). FSP No. 106–2 clarified that the federal subsidy provided under the Act should be accounted for as an actuarial gain in calculating the accumulated postretirement benefit obligation and annual postretirement expense. As of December 31, 2004, the Department of Health and Human Services had yet to issue final regulations on the determination of actuarial equivalence and the federal subsidy. Based on its current understanding of the Act, the Company determined that a substantial portion of the prescription drug benefits provided under its postretirement benefit plan would be deemed actuarially equivalent to the benefits provided under Medicare Part D. Effective July 1, 2004, the Company prospectively adopted FSP No. 106–2 and remeasured its accumulated postretirement benefit obligation as of that date to account for the federal subsidy, the effects of which resulted in an $14.2 million reduction in the Company's accumulated postretirement benefit obligation and a $2.2 million reduction in the Company's 2004 postretirement expense. On January 21, 2005, the Department of Health and Human Services issued final federal regulations related to the federal subsidy. These final rules did not have a material effect on the Company's benefit costs or accumulated postretirement benefit obligation.

7. Stock–Based Compensation Plans:

Under the Parent's stock–based compensation plans, the Parent may grant fixed and performance–based incentive and non–qualified Alltel stock options, restricted stock and other equity securities of Alltel to officers and other management employees of the Company. The maximum number of shares of Alltel's common stock that may be issued to officers and other management employees under all stock option plans in effect at December 31, 2005 was 30.6 million shares. Fixed options granted under the Parent stock option plans generally become exercisable over a period of one to five years after the date of grant. Certain fixed options granted in 2000 become exercisable in increments of 50%, 25% and 25% over a five–year period beginning three years after the date of grant. For all plans, the exercise price of the option equals the market value of Alltel's common stock on the date of grant. For fixed stock options, the maximum term for each option granted is 10 years.

The fair value of each stock option granted as identified below was calculated using the Black–Scholes option–pricing model and the following weighted average assumptions:

	2005	2004	2003
Expected life	5.0 years	5.0 years	5.0 years
Expected volatility	27.7%	31.0%	32.5%
Dividend yield	2.8%	2.9%	2.8%
Risk–free interest rate	3.7%	3.2%	3.0%

Set forth below is certain information related to stock options outstanding under Alltel's stock–based compensation plans relating to the Company's employees:

	Number of Shares			Weighted Average Price per Share		
	2005	2004	2003	2005	2004	2003
Outstanding at beginning of period	2,766,715	2,681,400	2,426,219	$ 58.35	$ 57.47	$ 57.22
Granted	293,650	281,475	415,425	55.45	50.74	49.27
Exercised	(211,090)	(196,160)	(160,244)	47.83	35.38	32.41
Forfeited	(2,350)	—	—	50.97	—	—
Outstanding at end of period	2,846,925	2,766,715	2,681,400	$ 58.83	$ 58.35	$ 57.47
Exercisable at end of period	1,807,680	1,499,010	1,183,405	$ 61.89	$ 61.01	$ 57.11
Non–vested at end of period	1,039,245	1,267,705	1,497,995			
Weighted average fair value of stock options granted during the year	$ 13.48	$ 13.74	$ 13.94			

The amounts reflected in the table above represent stock options held by those employees that were known to be wireline division employees as of December 31, 2005.

The following is a summary of stock options outstanding as of December 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price per Share	Number of Shares	Weighted Average Exercise Price per Share
$26.95 – $32.35	19,638	1.7 years	$ 31.44	19,638	$ 31.44
$37.75 – $46.32	103,893	6.4 years	45.50	42,178	44.59
$50.22 – $56.07	1,331,694	7.3 years	53.32	412,244	53.80
$62.94 – $68.25	1,391,700	4.3 years	65.50	1,333,620	65.39
	2,846,925	5.8 years	$ 58.83	1,807,680	$ 61.89

8. Restructuring and Other Charges:

During 2005, the Company incurred $4.4 million of severance and employee benefit costs related to a planned workforce reduction in its wireline operations. As further discussed in Note 13, on December 9, 2005, Alltel announced that it would spin–off the Company to its stockholders and merge it with Valor Communications Group, Inc. ("Valor"). In connection with the spin–off, the Company incurred $31.3 million of incremental costs during 2005, principally consisting of investment banker, audit and legal fees. As of December 31, 2005, the Company had funded through advances from Parent payment of these expenses, and all of the employee reductions and relocations had been completed.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

A summary of the restructuring and other charges recorded in 2004 was as follows:

	Wireline	Other Operations	Total
		(Millions)	
Severance and employee benefit costs	$ 11.2	$ 0.4	$ 11.6
Relocation costs	1.2	0.1	1.3
Lease and contract termination costs	(1.8)	—	(1.8)
Other exit costs	0.7	—	0.7
Total restructuring and other charges	$ 11.3	$ 0.5	$ 11.8

In January 2004, the Company announced its plans to reorganize its operations and support teams. Also, during February 2004, the Company announced its plans to exit its Competitive Local Exchange Carrier ("CLEC") operations in the Jacksonville, Florida market due to the continued unprofitability of these operations. In connection with these activities, the Company recorded a restructuring charge of $13.6 million consisting of $11.6 million in severance and employee benefit costs related to a planned workforce reduction, $1.3 million of employee relocation expenses and $0.7 million of other exit costs. As of December 31, 2004, the Company had funded through advances from Parent payment of the restructuring expenses, and all of the employee reductions and relocations had been completed. During 2004, the Company also recorded a $1.8 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease and contract termination costs. The reduction primarily reflected differences between estimated and actual costs paid in completing the previous planned lease and contract terminations.

A summary of the restructuring and other charges recorded in 2003 was as follows:

	Wireline	Other Operations	Total
		(Millions)	
Severance and employee benefit costs	$ 7.0	$ —	$ 7.0
Lease termination costs	—	(0.4)	(0.4)
Write–down of software development costs	1.8	3.8	5.6
Total restructuring and other charges	$ 8.8	$ 3.4	$ 12.2

During 2003, the Company recorded a restructuring charge of $7.0 million consisting of severance and employee benefit costs related to a planned workforce reduction, primarily resulting from the closing of certain call center locations. As of December 31, 2004, the Company had funded through advances from Parent payment of the restructuring expenses, and all of the employee reductions had been completed. The Company also recorded a $0.4 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease termination costs. The reduction primarily reflected differences between estimated and actual costs paid in completing the previous planned lease terminations. During 2003, the Company also wrote off certain capitalized software development costs that had no alternative future use or functionality.

9. Gain on Disposal of Assets and Other:

In December 2003, the Company sold to Convergys Information Management Group, Inc. ("Convergys") certain assets and related liabilities, including selected customer contracts and capitalized software development costs, associated with the Company's telecommunications information services operations. In connection with this sale, the Company recorded a pretax gain of $31.0 million. In addition, during the second quarter of 2003, the Company retired, prior to stated maturity dates, $249.1 million of long–term debt, representing all of the long–term debt outstanding under the Rural Utilities Services, Rural Telephone Bank and Federal Financing Bank programs. In connection with the early retirement of the debt, the Company incurred pretax termination fees of $7.1 million. These transactions increased net income $10.7 million.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

10. Income Taxes:

The Company is included in the consolidated federal income tax return filed by Alltel. As a result, income tax expense and related income tax balances included in the accompanying combined financial statements have been calculated as if the Company had operated as a separate entity.

Income tax expense (benefit) was as follows for the years ended December 31:

	2005	2004	2003
		(Millions)	
Current:			
Federal	$ 215.5	$ 155.0	$ 124.4
State and other	55.9	37.2	30.3
	271.4	192.2	154.7
Deferred:			
Federal	11.5	57.1	76.9
State and other	(15.0)	10.1	15.5
	(3.5)	67.2	92.4
	$ 267.9	$ 259.4	$ 247.1

Deferred income tax expense (benefit) for all three years primarily resulted from temporary differences between depreciation expense for income tax purposes and depreciation expense recorded in the financial statements. Deferred income tax expense for 2005, 2004 and 2003 also included the effects of no longer amortizing indefinite−lived intangible assets for financial statement purposes in accordance with SFAS No. 142. These intangible assets continue to be amortized for income tax purposes. Differences between the federal income tax statutory rates and effective income tax rates, which include both federal and state income taxes, were as follows for the years ended December 31:

	2005	2004	2003
Statutory federal income tax rates	35.0%	35.0%	35.0%
Increase (decrease):			
State income taxes, net of federal benefit	4.1	4.8	4.8
Costs associated with pending spin−off of Company	1.7	—	—
Other items, net	0.5	0.4	(0.2)
Effective income tax rates	41.3%	40.2%	39.6%

The significant components of the net deferred income tax liability were as follows at December 31:

	2005	2004
	(Millions)	
Property, plant and equipment	$ 510.5	$ 552.9
Goodwill and other intangible assets	160.4	126.1
Postretirement and other employee benefits	(21.7)	(15.2)
Other, net	20.8	16.4
Deferred income taxes, net	$ 670.0	$ 680.2
Current deferred tax assets	$ (10.6)	$ —
Noncurrent deferred tax liabilities	680.6	680.2
Deferred income taxes, net	$ 670.0	$ 680.2

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

At December 31, 2005 and 2004, total deferred tax assets were $42.2 million and $31.3 million, respectively, and total deferred tax liabilities were $712.2 million and $711.5 million, respectively.

11. Commitments and Contingencies:

Lease Commitments — Minimum rental commitments for all non–cancelable operating leases, consisting principally of leases for network facilities, real estate, office space, and office equipment were as follows as of December 31, 2005:

Year	(Millions)
2006	$ 5.0
2007	4.2
2008	2.5
2009	2.0
2010	1.6
Thereafter	2.5
Total	$ 17.8

Rental expense totaled $7.3 million in 2005, $5.3 million in 2004 and $5.1 million in 2003.

Litigation — The Company is party to various legal proceedings arising from the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, management of the Company does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the future combined results of operations, cash flows or financial condition of the Company.

12. Business Segments:

The Company disaggregates its business operations based upon differences in products and services. The Company's wireline subsidiaries provide local service and network access in 15 states. Wireline operations also include the Company's local competitive access and Internet access operations. Competitive Local Exchange Carrier ("CLEC") services are currently provided on both a facilities–based and resale basis in four states. Internet access services are currently marketed in 17 states. Both ILEC and Internet services are provided to customers utilizing the Company's existing network infrastructure. For the Company, Internet service is an additional product offering provided to ILEC and CLEC customers and does not represent a separate line of business. Accordingly, the Company manages its wireline–based services as a single operating segment. In assessing operating performance and allocating resources within the wireline business, the segment manager's focus is at a level that consolidates the results of the ILEC, CLEC and Internet operations. The Company does not have separate segment managers overseeing its ILEC, CLEC or Internet operations. In addition, incentive–based compensation for the wireline segment manager is directly tied to the combined operating results of the ILEC, CLEC and Internet operations.

The Company's product distribution subsidiary is a distributor of telecommunications equipment and materials and operates four warehouses and four counter–sales showrooms across the United States. Other operations consist of the Company's directory publishing, long–distance and telecommunications information services operations. The Company's publishing subsidiary coordinates advertising, sales, printing, and distribution for 386 telephone directory contracts in 36 states. Long–distance services are currently marketed in 25 states. The telecommunications information services operations provide application software, data processing and outsourcing services to telecommunications companies in the United States and select international markets.

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

The accounting policies used in measuring segment assets and operating results are the same as those described in Note 1. The Company accounts for intercompany sales at current market prices or in accordance with regulatory requirements. The Company evaluates performance of the segments based on segment income, which is computed as revenues and sales less operating expenses, excluding the effects of the restructuring and other charges discussed in Note 8. In addition, none of the non–operating items such as other income, net, gain on disposal of assets, debt prepayment penalties, interest expense and income taxes have been allocated to the segments.

	For the Year Ended December 31, 2005			
	Wireline	Product Distribution	Other Operations	Total Segments
	(Millions)			
Revenues and sales from unaffiliated customers:				
Domestic	$ 2,236.7	$ 130.9	$ 333.1	$ 2,700.7
International	—	—	—	—
	2,236.7	130.9	333.1	2,700.7
Intercompany revenues and sales	134.7	177.0	19.2	330.9
Total revenues and sales	2,371.4	307.9	352.3	3,031.6
Operating expenses	1,280.7	301.6	305.6	1,887.9
Depreciation and amortization	468.2	1.9	4.1	474.2
Total costs and expenses	1,748.9	303.5	309.7	2,362.1
Segment income	$ 622.5	$ 4.4	$ 42.6	$ 669.5
Assets	$ 4,782.3	$ 51.6	$ 100.9	$ 4,934.8
Capital expenditures	$ 351.9	$ 0.2	$ 0.8	$ 352.9

	For the Year Ended December 31, 2004			
	Wireline	Product Distribution	Other Operations	Total Segments
	(Millions)			
Revenues and sales from unaffiliated customers:				
Domestic	$ 2,281.2	$ 121.6	$ 344.1	$ 2,746.9
International	—	—	1.9	1.9
	2,281.2	121.6	346.0	2,748.8
Intercompany revenues and sales	129.6	135.9	25.8	291.3
Total revenues and sales	2,410.8	257.5	371.8	3,040.1
Operating expenses	1,275.2	251.9	325.1	1,852.2
Depreciation and amortization	502.2	2.5	3.8	508.5
Total costs and expenses	1,777.4	254.4	328.9	2,360.7
Segment income	$ 633.4	$ 3.1	$ 42.9	$ 679.4
Assets	$ 4,924.7	$ 43.2	$ 114.6	$ 5,082.5
Capital expenditures	$ 332.0	$ 0.4	$ 0.9	$ 333.3

NOTES TO COMBINED FINANCIAL STATEMENTS — (Continued)

	For the Year Ended December 31, 2003			
	Wireline	Product Distribution	Other Operations	Total Segments
	(Millions)			
Revenues and sales from unaffiliated customers:				
Domestic	$ 2,311.0	$ 116.6	$ 384.3	$ 2,811.9
International	—	—	4.4	4.4
	2,311.0	116.6	388.7	2,816.3
Intercompany revenues and sales	117.6	162.3	25.1	305.0
Total revenues and sales	2,428.6	278.9	413.8	3,121.3
Operating expenses	1,327.1	273.1	345.6	1,945.8
Depreciation and amortization	510.2	2.4	6.8	519.4
Total costs and expenses	1,837.3	275.5	352.4	2,465.2
Segment income	$ 591.3	$ 3.4	$ 61.4	$ 656.1
Assets	$ 5,110.5	$ 60.4	$ 118.8	$ 5,289.7
Capital expenditures	$ 378.6	$ 0.4	$ 4.2	$ 383.2

A reconciliation of the total business segments to the applicable amounts in the Company's combined financial statements was as follows as of and for the years ended December 31:

	2005	2004	2003
	(Millions)		
Revenues and sales:			
Total business segments	$ 3,031.6	$ 3,040.1	$ 3,121.3
Less: intercompany eliminations(1)	(108.1)	(106.6)	(118.0)
Total revenues and sales	$ 2,923.5	$ 2,933.5	$ 3,003.3
Income before income taxes:			
Total business segment income	$ 669.5	$ 679.4	$ 656.1
Restructuring and other charges	(35.7)	(11.8)	(12.2)
Other income, net	11.6	13.7	5.8
Intercompany interest income (expense)	23.3	(15.2)	(21.6)
Interest expense	(19.1)	(20.4)	(27.7)
Gain on disposal of assets and other	—	—	23.9
Total income before income taxes	$ 649.6	$ 645.7	$ 624.3
Assets:			
Total business segments	$ 4,934.8	$ 5,082.5	$ 5,289.7
Less: elimination of intercompany receivables	(5.1)	(3.3)	(12.8)
Total assets	$ 4,929.7	$ 5,079.2	$ 5,276.9

Notes:

(1) See "Transactions with Certain Affiliates" in Note 1 for a discussion of intercompany revenues and sales not eliminated in preparing the combined financial statements.

13. Pending Spin–Off of Company and Merger with Valor Communications Group, Inc.:

On December 9, 2005, Alltel announced that its board of directors had approved the spin–off of the Company's wireline telecommunications business to its stockholders and the merger of that wireline business with Valor. Pursuant to the plan of distribution and immediately prior to the effective time of the merger with Valor described below, Alltel will contribute all of the assets of the Company to ALLTEL Holding Corp. ("Alltel Holding" or "Spinco"), a wholly owned subsidiary of Alltel, in exchange for: (i) the issuance to Alltel of Spinco common stock to be distributed pro rata to Alltel's stockholders as a tax free stock dividend, (ii) the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco, and (iii) the distribution by Spinco to Alltel of certain Spinco debt securities, which Alltel intends to exchange for outstanding debt securities of Alltel or otherwise transfer to Alltel's creditors. Prior to the distribution and merger with Valor, Spinco will borrow approximately $3.965 billion (the "Spinco financing amount") through a new senior credit agreement, the issuance of high yield debt securities in the private placement market or through a public offering to pay the special dividend and to distribute debt securities to Alltel in an amount equal to the difference between the Spinco financing amount and the special dividend. Alltel has received a commitment letter from various financial institutions to provide Spinco with up to $4.2 billion in senior secured credit facilities comprised of term loan facilities in an aggregate amount of up to $3.7 billion and a revolving credit facility of up to $500 million. 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 Spinco 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. To effect the merger, Valor will issue approximately 403 million shares of its common stock to the shareholders of Alltel and assume approximately $4.2 billion of long–term debt. As a result of this transaction, Alltel shareholders will continue to own one share of the remaining wireless entity and will receive approximately 1.04 shares of Valor common stock for each share of Alltel common stock they currently own.

Including the effects on interest expense that would result from the issuance of the long–term debt obligations discussed above, the Company's net income for the year ended December 31, 2005 would have been reduced to the following pro forma amount:

	2005 (Unaudited) (Millions)
Net income as reported	$ 374.3
Pro forma interest expense, net of related tax effects	(153.0)
Pro forma net income	$ 221.3

The pro forma interest expense was calculated based upon the assumed financing of the Company of $3.965 billion to fund the dividend payable of $2.4 billion to the Parent and to distribute debt securities of $1.538 billion to Alltel at an interest rate of 6.576 percent, net of tax of $107.7 million.

Immediately prior to the effective date of the spin–off, Alltel will transfer to Alltel Holding property, plant and equipment (net book value of $82.9 million at December 31, 2005), pension assets (currently estimated to be $182.8 million), additional other postretirement liabilities (currently estimated to be $2.9 million) and deferred compensation obligations (currently estimated to be $14.8 million) related to the wireline operations and associated net deferred income tax assets (currently estimated to be $88.2 million). Conversely, Alltel Holding will transfer to Alltel certain income tax contingency reserves that will be retained by Alltel pursuant to the distribution agreement ($11.9 million at December 31, 2005), as well as the residual foreign currency translation adjustment ($0.5 million at December 31, 2005), because the underlying international assets which gave rise to the translation adjustment will be retained by Alltel following the spin–off. 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 as transferring to Alltel Holding, the amount of transferred assets and liabilities may change, and such change may be material.

Upon the spin–off of the wireline business, unvested options held by wireline employees will be replaced with restricted shares of Valor common stock based on the underlying intrinsic value of the Alltel stock options. As of December 31, 2005, wireline employees held vested options to purchase approximately 1.8 million shares of Alltel common stock.

Consummation of the merger is subject to certain conditions, including the approval of the merger by the stockholders of Valor, receipt of a favorable ruling from the IRS regarding the tax–free status of the distribution, special dividend, debt exchange and merger transaction, consummation of the Spinco financing, and the receipt of regulatory approvals, including, without limitation, the approval of the FCC and multiple state public service commissions. The transaction is expected to close by mid–year 2006. The merger agreement contains certain termination rights for each of Alltel and Valor and further provides that, upon termination of the merger agreement under specified circumstances involving an alternative transaction, Valor may be required to pay Alltel a termination fee of $35.0 million. Conversely, Alltel may be required to pay Valor a termination fee of (i) $35.0 million if Valor terminates the merger agreement because of a material breach by Alltel or Spinco that results in the failure of the parties to obtain the Spinco financing or any party terminates the merger agreement after December 8, 2006 and at the time of termination all conditions have been satisfied other than the Spinco financing condition and (ii) $20.0 million if Valor terminates the merger agreement because of a material breach by Alltel or Spinco that results in the failure of the parties to obtain the required IRS rulings or tax opinions or any party terminates the merger agreement after December 8, 2006 and at the time of termination all conditions have been satisfied other than the IRS ruling or tax opinion conditions.

Annex A

AGREEMENT AND PLAN OF MERGER
DATED AS OF DECEMBER 8, 2005
AMONG
ALLTEL CORPORATION,
ALLTEL HOLDING CORP.
AND
VALOR COMMUNICATIONS GROUP, INC.

TABLE OF CONTENTS

		Page
ARTICLE I	Definitions	A–2
ARTICLE II	The Merger	A–11
2.1	The Merger	A–11
2.2	Closing	A–11
2.3	Effective Time	A–12
2.4	Effects of the Merger	A–12
2.5	Certificate of Incorporation and Bylaws of the Surviving Corporation	A–12
2.6	Directors and Officers of the Surviving Corporation	A–12
2.7	Stockholders Meeting	A–12
2.8	Restructuring of the Merger	
ARTICLE III	Conversion of Shares; Exchange of Certificates	A–13
3.1	Effect on Capital Stock	A–13
3.2	Distribution of Per Share Merger Consideration	A–14
ARTICLE IV	Related Transactions	A–16
4.1	Distribution	A–16
4.2	AT Co./ Spinco Transaction Agreements	A–16
4.3	Corporate Offices	A–16
4.4	Directors and Officers of Spinco	A–16
4.5	Financing Cooperation	A–16
ARTICLE V	Representations and Warranties of AT Co.	A–17
5.1	Organization; Qualification	A–18
5.2	Corporate Authority; No Violation	A–18
5.3	Information Supplied	A–19
5.4	AT Co. Reports and Financial Statements	A–19
5.5	Brokers or Finders	A–20
ARTICLE VI	Representations and Warranties of AT Co. and Spinco	A–20
6.1	Organization, Qualification	A–20
6.2	Capital Stock and Other Matters	A–21
6.3	Corporate Authority; No Violation	A–21
6.4	Financial Statements	A–22
6.5	Absence of Certain Changes or Events	A–23
6.6	Investigations; Litigation	A–23
6.7	Compliance with Laws; Permits	A–24
6.8	Proxy Statement/ Prospectus; Registration Statement	A–24
6.9	Information Supplied	A–24
6.10	Environmental Matters	A–25
6.11	Tax Matters	A–25
6.12	Benefit Plans	A–27
6.13	Labor Matters	A–28
6.14	Intellectual Property Matters	A–28

Table of Contents

		Page
6.15	Material Contracts	A–29
6.16	Brokers or Finders	A–29
6.17	Board and Stockholder Approval	A–30
6.18	Assets	A–30
6.19	Spinco Real Property	A–30
6.20	Communications Regulatory Matters	A–31
6.21	Spinco Operations	A–32
6.22	Opinion of Spinco Financial Advisor	A–32
6.23	Company Common Stock	A–32
6.24	Affiliate Transactions	A–32
ARTICLE VII	Representations and Warranties of the Company	A–32
7.1	Organization, Qualification	A–32
7.2	Capital Stock and Other Matters	A–33
7.3	Corporate Authority; No Violation	A–33
7.4	Company Reports and Financial Statements	A–34
7.5	Absence of Certain Changes or Events	A–35
7.6	Investigations; Litigation	A–35
7.7	Compliance with Laws; Permits	A–36
7.8	Proxy Statement/ Prospectus; Registration Statement	A–36
7.9	Information Supplied	A–36
7.10	Environmental Matters	A–37
7.11	Tax Matters	A–37
7.12	Benefit Plans	A–38
7.13	Labor Matters	A–40
7.14	Intellectual Property Matters	A–40
7.15	Communications Regulatory Matters	A–41
7.16	Material Contracts	A–42
7.17	Company Real Property	A–42
7.18	Opinion of Company Financial Advisors	A–43
7.19	Brokers or Finders	A–43
7.20	Takeover Statutes	A–43
7.21	Certain Board Findings	A–43
7.22	Vote Required	A–43
7.23	Affiliate Transactions	A–43
ARTICLE VIII	Covenants and Agreements	A–43
8.1	Conduct of Business by the Company Pending the Merger	A–43
8.2	Conduct of Business by Spinco and AT Co. Pending the Merger	A–46
8.3	Tax Matters	A–48
8.4	Proxy Statement/ Prospectus	A–48
8.5	Listing	A–49
8.6	Reasonable Best Efforts; Regulatory Matters	A–49
8.7	IRS Distribution Ruling; Other IRS Rulings; Tax Opinions	A–51
8.8	Letter of Spinco's Accountants	A–52

		Page
8.9	Letter of the Company's Accountants	A–52
8.10	Employee Matters	A–52
8.11	Access to Information	A–53
8.12	No Solicitation by the Company	A–53
8.13	Director and Officer Indemnification; Insurance	A–55
8.14	Rule 145 Affiliates	A–56
8.15	Public Announcements	A–56
8.16	Defense of Litigation	A–56
8.17	Notification	A–56
8.18	SEC Reports	A–57
8.19	Section 16 Matters	A–57
8.20	Control of Other Party's Business	A–57
8.21	Dividend Policy of the Surviving Corporation	A–57
8.22	Amendment of Company Securityholders Agreement	A–57
8.23	Disclosure Controls	A–57
8.24	Corporate Name; Branding	A–57
ARTICLE IX	Conditions to the Merger	A–58
9.1	Conditions to the Obligations of Spinco, AT Co. and the Company to Effect the Merger	A–58
9.2	Additional Conditions to the Obligations of AT Co. and Spinco	A–59
9.3	Additional Conditions to the Obligations of the Company	A–60
ARTICLE X	Tax Matters	A–61
10.1	Representations	A–61
10.2	Restrictions Relating to the Distribution	A–61
10.3	Cooperation and Other Covenants	A–63
10.4	Indemnification for Disqualifying Actions	A–63
10.5	Procedure for Indemnification for Tax Liabilities	A–64
10.6	Exclusivity of Article X	A–65
ARTICLE XI	Termination, Amendment and Waivers	A–65
11.1	Termination	A–65
11.2	Effect of Termination	A–67
11.3	Termination Fee Payable in Certain Circumstances	A–67
11.4	Amendment	A–67
11.5	Waivers	A–67

		Page
ARTICLE XII	Miscellaneous	A–68
12.1	Survival of Representations, Warranties and Agreements; Indemnification	A–68
12.2	Expenses	A–68
12.3	Notices	A–69
12.4	Interpretation	A–69
12.5	Severability	A–70
12.6	Assignment; Binding Effect	A–70
12.7	No Third Party Beneficiaries	A–70
12.8	Limited Liability	A–70
12.9	Entire Agreement	A–70
12.10	Governing Law	A–70
12.11	Counterparts	A–70
12.12	Waiver of Jury Trial	A–70
12.13	Jurisdiction; Enforcement	A–70

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of December 8, 2005 (this "Agreement"), is among ALLTEL Corporation, a Delaware corporation ("AT Co."), ALLTEL Holding Corp., a newly formed Delaware corporation and a wholly owned subsidiary of AT Co. ("Spinco"), and Valor Communications Group, Inc., a Delaware corporation (the "Company").

WHEREAS, prior to the Distribution Date (as such term, and each other capitalized term used herein and not defined, is defined in Article I hereof), and subject to the terms and conditions set forth in the Distribution Agreement entered into by and between AT Co. and Spinco on the date hereof, a copy of which is attached hereto as Exhibit A (the "Distribution Agreement"), AT Co. will (i) engage in the Preliminary Restructuring (as defined in the Distribution Agreement) in order to separate the Spinco Assets from the AT Co. Assets and (ii) in exchange for the contribution to Spinco, directly or indirectly, of all of the issued and outstanding capital stock or other equity securities of the Spinco Subsidiaries, Spinco will issue to AT Co. the Spinco Common Stock (as defined in the Distribution Agreement), distribute to AT Co. the Spinco Exchange Notes (as defined in the Distribution Agreement) and pay to AT Co. the Special Dividend (as defined in the Distribution Agreement), all upon the terms and subject to the conditions set forth therein (the transactions described in this clause (ii), collectively, the "Contribution"); and

WHEREAS, upon the terms and subject to the conditions set forth in the Distribution Agreement, on the Distribution Date, AT Co. will distribute all of the issued and outstanding shares of Spinco Common Stock to the Distribution Agent for the benefit of the holders as of the Record Date (as defined in the Distribution Agreement) of the outstanding AT Co. Common Stock (the "Distribution"); and

WHEREAS, at the Effective Time, the parties will effect the merger of Spinco with and into the Company, with the Company continuing as the surviving corporation, all upon the terms and subject to the conditions set forth herein; and

WHEREAS, concurrent with the execution of this Agreement, as an inducement to AT Co.'s willingness to enter into this Agreement and incur the obligations set forth herein, certain of the Company's stockholders, who beneficially or of record hold an aggregate of approximately 39.7% of the voting power of the outstanding shares of capital stock of the Company, have entered into a Voting Agreement with Spinco, dated as of the date hereof, a copy of which is attached hereto as Exhibit B (the "Voting Agreement"), pursuant to which such stockholders have agreed to vote all of the shares of capital stock of the Company over which such stockholders have voting power to adopt this Agreement; and

WHEREAS, the Board of Directors of the Company (i) has determined that the Merger and this Agreement are advisable, fair to, and in the best interests of, the Company and its stockholders and has approved this Agreement and the transactions contemplated thereby, including the Merger, and the issuance of shares of Company Common Stock pursuant to the Merger, and (ii) has recommended the adoption by the stockholders of the Company of this Agreement and the approval of the transactions contemplated hereby; and

WHEREAS, the Board of Directors of Spinco has (i) determined that the Merger and this Agreement are advisable, fair to and in the best interests of Spinco and its sole stockholder, AT Co., and has approved this Agreement and the Distribution Agreement and the transactions contemplated hereby and thereby, including the Contribution, the Distribution and the Merger, and (ii) recommended the adoption by AT Co., as the sole stockholder of Spinco, of this Agreement and the approval of the transactions contemplated hereby; and

WHEREAS, the Board of Directors of AT Co. has approved this Agreement and the Distribution Agreement and the transactions contemplated hereby and thereby, including the Contribution, the Distribution and the Merger; and

WHEREAS, the parties to this Agreement intend that the Contribution, together with the Debt Exchange, qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), that the Distribution qualify as a distribution of Spinco stock to AT Co. stockholders pursuant to Section 355 of the Code, that the Merger qualify as a tax-free reorganization pursuant to

Section 368 of the Code, and that no gain or loss be recognized as a result of such transactions for federal income tax purposes by any of AT Co., Spinco, and their respective stockholders (except to the extent of cash received in lieu of fractional shares).

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree as follows:

ARTICLE I

Definitions

1.1 "Action" shall have the meaning set forth in Section 8.13(a).

1.2 "Additional Company SEC Documents" shall have the meaning set forth in Section 7.4(b).

1.3 "Affiliate" means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise; provided, however, that for purposes of this Agreement, from and after the Distribution Date, no member of either Group shall be deemed an Affiliate of any member of the other Group.

1.4 "Aggregate Merger Consideration" shall have the meaning set forth in Section 3.1(a).

1.5 "Agreement" shall have the meaning set forth in the Preamble hereto.

1.6 "Approved for Listing" means, with respect to the shares of Company Common Stock to be issued pursuant to the Merger, that such shares have been approved for listing on the NYSE, subject to official notice of issuance.

1.7 "AT Co." shall have the meaning set forth in the Preamble hereto.

1.8 "AT Co. Action" means (i) any transaction with respect to the stock or assets of AT Co. that occurs after the Distribution, (ii) any failure by AT Co. after the Distribution Date to maintain its status as a company engaged in the conduct of an active trade or business or (iii) (x) the failure of any representation made by AT Co. in connection with the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling or the Distribution Tax Opinion or any subsequent ruling or opinion in connection with the Distribution, in each case with respect to AT Co. or the AT Co. Business or the plans, proposals, intentions and policies of AT Co. after the Distribution, to have been true and correct in all material respects when made, or (y) the failure by AT Co. or the AT Co. Subsidiaries to comply with any covenant made by AT Co. in connection with the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling or the Distribution Tax Opinion or any subsequent ruling or opinion in connection with the Distribution.

1.9 "AT Co. Approvals" shall have the meaning set forth in Section 5.2(c).

1.10 "AT Co. Business" shall have the meaning set forth in the Distribution Agreement.

1.11 "AT Co. Common Stock" means the common stock, par value $1.00 per share, of AT Co.

1.12 "AT Co. Disclosure Letter" shall have the meaning set forth in the first paragraph of Article V.

1.13 "AT Co. Group" means AT Co. and the AT Co. Subsidiaries.

1.14 "AT Co. SEC Documents" shall have the meaning set forth in Section 5.4(a).

1.15 "AT Co. Subsidiaries" means all direct and indirect Subsidiaries of AT Co., other than any Spinco Subsidiaries.

1.16 "AT Co. Tax Counsel" means Skadden, Arps, Slate, Meagher & Flom LLP.

1.17 "AT Excess Expenses" shall have the meaning set forth in the Distribution Agreement.

1.18 "Audited Financial Statements" shall have the meaning set forth in Section 6.4(a)(i).

1.19 "Certificate of Merger" shall have the meaning set forth in Section 2.3.

1.20 "Certificates" shall have the meaning set forth in Section 3.1(c).

1.21 "Closing" shall have the meaning set forth in Section 2.2.

1.22 "Closing Date" shall have the meaning set forth in Section 2.2.

1.23 "Code" shall have the meaning set forth in the recitals hereto.

1.24 "Communications Act" means the Communications Act of 1934, as amended.

1.25 "Company" shall have the meaning set forth in the Preamble hereto.

1.26 "Company Acquisition" means, in each case other than the Merger or as otherwise specifically contemplated by this Agreement, (i) any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving the Company or any of its Significant Subsidiaries; (ii) any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of the Company's Subsidiaries) of the Company and its Subsidiaries, taken as a whole, constituting 15% or more of the total consolidated assets of the Company and its Subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of the Company and its Subsidiaries, taken as a whole, in any one transaction or in a series of transactions; (iii) any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any Person involving 15% or more of the outstanding shares of Company Common Stock; or (iv) any other substantially similar transaction or series of related transactions that would reasonably be expected to prevent or materially impair or delay the consummation of the transactions contemplated by this Agreement or the other Transaction Agreements.

1.27 "Company Acquisition Proposal" means any proposal regarding a Company Acquisition.

1.28 "Company Approvals" shall have the meaning set forth in Section 7.3(c).

1.29 "Company Benefit Plans" shall have the meaning set forth in Section 7.12(a).

1.30 "Company Common Stock" means the common stock, par value $.0001 per share, of the Company.

1.31 "Company Credit Agreement" means the Senior Credit Agreement, dated as of November 10, 2004, among Valor Telecommunications Enterprises, LLC, Valor Telecommunications Enterprises II, LLC and certain of their respective domestic subsidiaries, as Borrowers, Valor Telecommunications, LLC, Valor Telecommunications Southwest, LLC, Valor Telecommunications Southwest II, LLC and certain of their respective domestic subsidiaries, including such borrowers, as Guarantors, Bank of America, N.A., as Senior Administrative Agent, Swing Line Lender and L/ C Issuer, JPMorgan Chase Bank and Wachovia Bank, N.A., as Senior Syndication Agents, CIBC World Markets Corp. and Merrill, Lynch, Pierce, Fenner & Smith Incorporated, as Senior Documentation Agents, and the lenders party thereto.

1.32 "Company Disclosure Letter" shall have the meaning set forth in the first paragraph of Article VII.

1.33 "Company Employee" shall have the meaning set forth in Section 7.12(a).

1.34 "Company IP Rights" shall have the meaning set forth in Section 7.14.

1.35 "Company Leased Real Property" means all leased Real Property held by the Company or Company Subsidiaries.

1.36 "Company Leasehold Improvements" means all Leasehold Improvements held by the Company or Company Subsidiaries.

1.37 "Company Leases" means all Leases of the Company or Company Subsidiaries.

1.38 "Company Licenses" shall have the meaning set forth in Section 7.15(a).

1.39 "Company Material Contracts" shall have the meaning set forth in Section 7.16(a).

1.40 "Company Owned Real Property" means all Owned Real Property of the Company or the Company Subsidiaries.

1.41 "Company Permits" shall have the meaning set forth in Section 7.7(b).

1.42 "Company Pre–IPO Financial Statements" shall have the meaning set forth in Section 7.4(a)(i).

1.43 "Company SEC Documents" shall have the meaning set forth in Section 7.4(a).

1.44 "Company Securityholders Agreement" shall have the meaning set forth in Section 8.22.

1.45 "Company Stock Plans" means the Victor Communications Group 2005 Long–Term Incentive Plan.

1.46 "Company Stockholders Meeting" shall have the meaning set forth in Section 2.7(a).

1.47 "Company Subsidiaries" means all direct and indirect Subsidiaries of the Company.

1.48 "Company Superior Proposal" shall have the meaning set forth in Section 8.12(c).

1.49 "Company Tax Counsel" shall have the meaning set forth in Section 8.7(c).

1.50 "Company Voting Debt" shall have the meaning set forth in Section 7.2(b).

1.51 "Confidentiality Agreement" means the Confidentiality Agreement, dated as of September 22, 2005 between AT Co. and the Company.

1.52 "Contract" or "agreement" means any loan or credit agreement, note, bond, indenture, mortgage, deed of trust, lease, sublease, franchise, permit, authorization, license, contract, instrument, employee benefit plan or other binding commitment, obligation or arrangement, whether written or oral.

1.53 "Contribution" shall have the meaning set forth in the recitals hereto.

1.54 "Controlling Person" shall have the meaning set forth in Section 12.1(b).

1.55 "DGCL" means the General Corporation Law of the State of Delaware.

1.56 "Disclosure Letters" means, collectively, the AT Co. Disclosure Letter, the Spinco Disclosure Letter and the Company Disclosure Letter.

1.57 "Dispute Date" shall have the meaning set forth in Section 10.5(f).

1.58 "Disqualifying Action" shall have the meaning set forth in Section 10.2(a).

1.59 "Distribution" shall have the meaning set forth in the recitals hereto.

1.60 "Distribution Agreement" shall have the meaning set forth in the recitals hereto.

1.61 "Distribution Date" shall mean the date and time that the Distribution shall become effective.

1.62 "Distribution Disqualification" means that (i) the Contribution, taken together with the Distribution, fails to qualify as a tax–free reorganization under Section 368 of the Code; (ii) the Distribution, as such, fails to qualify as a distribution of Spinco stock to AT Co. stockholders pursuant to Section 355 of the Code, pursuant to which no gain or loss is recognized for federal income tax purposes by any of AT Co., Spinco, or the stockholders of AT Co., except to the extent of cash received in lieu of fractional shares; (iii) the Debt Exchange fails to constitute a transfer of qualified property to AT Co.'s creditors in connection with the reorganization within the meaning of Section 361(c)(3) of the Code, but only to the extent that, but for any

action on the part of Spinco or the Surviving Corporation after the Distribution, the Spinco Exchange Notes would have qualified as "securities" for federal income tax purposes; and/or (iv) the Special Dividend fails to qualify as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code, but only to the extent that AT Co. distributes the Special Dividend to its creditors or shareholders in connection with the Contribution.

1.63 "Distribution Fund" shall have the meaning set forth in Section 3.2(a).

1.64 "Distribution Tax Opinion" means a written opinion of AT Co. Tax Counsel, addressed to AT Co. and dated as of the Distribution Date, in form and substance reasonably satisfactory to AT Co., Spinco and the Company, to the effect that the Distribution, as such, will qualify as a distribution of Spinco stock to the stockholders of AT Co. pursuant to Section 355 of the Code, pursuant to which no gain or loss will be recognized for federal income tax purposes by any of AT Co., Spinco or the stockholders of AT Co., except as to cash received in lieu of fractional shares by the stockholders of AT Co.

1.65 "Distribution Tax Representations" shall have the meaning set forth in Section 8.7(b).

1.66 "Effective Time" shall have the meaning set forth in Section 2.3.

1.67 "Employee Benefits Agreement" means the Employee Benefits Agreement to be entered into between AT Co. and Spinco, substantially in the form attached to the Distribution Agreement.

1.68 "Environmental Claims" shall have the meaning set forth in Section 6.10(b).

1.69 "Environmental Law" means any and all foreign, federal, state or local statute, rule, regulation, ordinance, or other legal requirement as well as any order, decree, determination, judgment or injunction issued, promulgated, approved or entered thereunder by any Governmental Authority, including requirements of common law, relating to pollution or the protection, cleanup or restoration of the environment, to the protection of human health from environmental hazards, including the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act, the Federal Comprehensive Environmental Response, Compensation, and Liability Act and the Federal Toxic Substances Control Act.

1.70 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.71 "ERISA Affiliate" means, with respect to any Person, any other Person or any trade or business, whether or not incorporated, that, together with such first Person, would be deemed a "single employer" within the meaning of section 4001(b) of ERISA.

1.72 "Exchange Act" means the Securities Exchange Act of 1934, as amended, together with the rules and regulations of the SEC promulgated thereunder.

1.73 "FCC" means the Federal Communications Commission.

1.74 "FCC Applications" shall have the meaning set forth in Section 8.6(b).

1.75 "FCC Rules" shall have the meaning set forth in Section 6.20(c).

1.76 "Final Determination" shall mean a determination within the meaning of Section 1313 of the Code or any similar provision of state or local tax law.

1.77 "Former Employees" shall have the meaning set forth in Section 8.10(d).

1.78 "Fully Diluted Basis" shall mean, as of any date, the aggregate number of shares of Company Common Stock outstanding on such date assuming: (i) the prior exercise of all options and similar rights to purchase Company Common Stock; (ii) the prior conversion into, or exchange for, shares of Company Common Stock of all then issued and outstanding securities which are convertible into, or exchangeable for, shares of Company Common Stock; and (iii) the prior exercise of any similar subscription or other rights to acquire, or to cause the Company to issue, shares of Company Common Stock; provided, however, that the term "Fully Diluted Basis" shall not take into account any shares held in the Company's treasury; provided further, that the term "Fully Diluted Basis", when used with respect to the calculation of the Per Share Merger Consideration, shall take into account the pro forma effect of the surrender to the Company of certain

restricted shares of Company Common Stock that will be surrendered to the Company at the direction of the holders thereof in satisfaction of certain tax liabilities incurred by such holders as a result of the accelerated vesting of such restricted shares on the Closing Date (rather than the originally scheduled vesting date of January 1, 2007).

1.79 "GAAP" means United States generally accepted accounting principles.

1.80 "Governmental Authority" means any foreign, federal, state or local court, administrative agency, official board, bureau, governmental or quasi–governmental entities, having competent jurisdiction over AT Co., Spinco or the Company, any of their respective Subsidiaries and any other tribunal or commission or other governmental department, authority or instrumentality or any subdivision, agency, mediator, commission or authority of competent jurisdiction.

1.81 "Group" means the AT Co. Group or the Spinco Group, as the case may be.

1.82 "Hazardous Material" shall mean any substance, material or waste regulated under Environmental Laws because of its dangerous or deleterious properties or characteristics, and includes, without limitation, petroleum and any derivative thereof.

1.83 "HSR Act" means the Hart–Scott–Rodino Antitrust Improvements Act of 1976, as amended and the rules and regulations promulgated thereunder.

1.84 "HSR Agencies" means the Federal Trade Commission and the Antitrust Division of the Department of Justice.

1.85 "Indemnified Party" or "Indemnified Parties" shall have the meaning set forth in Section 8.13(a).

1.86 "Intellectual Property Rights" means all United States and foreign issued and pending patents, trademarks, service marks, slogans, logos, trade names, service names, Internet domain names, trade styles, trade dress and other indicia of origin, and all goodwill associated with any of the foregoing, copyrights, copyrightable works, trade secrets, know–how, processes, methods, designs, computer programs, plans, specifications, data, inventions (whether or not patentable or reduced to practice), improvements, confidential, business and other information and all intangible property, proprietary rights and other intellectual property, and all registrations, applications and renewals (including divisionals, continuations, continuations–in–part, reissues, renewals, registrations, re–examinations and extensions) for, and tangible embodiments of, and all rights with respect to, any of the foregoing.

1.87 "Interim Balance Sheet Date" shall have the meaning set forth in Section 6.4(e).

1.88 "Interim Financial Statements" shall have the meaning set forth in Section 6.4(a)(ii).

1.89 "IRS" means the United States Internal Revenue Service or any successor thereto, including, but not limited to, its agents, representatives and attorneys.

1.90 "IRS Contribution Ruling" shall mean a private letter ruling from the IRS to the effect that the Contribution, taken together with the Distribution, will qualify as a tax–free reorganization under Section 368(a)(1)(D) of the Code.

1.91 "IRS Debt Exchange Ruling" shall mean a private letter ruling from the IRS to the effect that AT Co. will not recognize gain or loss for federal income tax purposes in connection with the receipt of the Spinco Exchange Notes or the consummation of the Debt Exchange.

1.92 "IRS Distribution Ruling" shall mean a private letter ruling from the IRS to the effect that the Distribution, as such, will qualify as a distribution of Spinco stock to the stockholders of AT Co. pursuant to Section 355 of the Code, pursuant to which no gain or loss will be recognized for federal income tax purposes by any of AT Co., Spinco and, except as to cash received in lieu of fractional shares, by the stockholders of AT Co.

1.93 "IRS Special Dividend Ruling" shall mean a private letter ruling from the IRS to the effect that the Special Dividend will qualify as money transferred to creditors or distributed to shareholders in connection

with the reorganization within the meaning of Section 361(b)(1) of the Code, to the extent that AT Co. distributes the Special Dividend to its creditors and/or shareholders in connection with the Contribution.

1.94 "IRS 357(c) Ruling" shall mean a ruling to the effect that Section 357(c) of the Code will not apply to the Merger.

1.95 "IRS Submission" shall have the meaning set forth in Section 8.7(a).

1.96 "Law" means any federal, state, local or foreign law, statute, code, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Authority.

1.97 "Leased Real Property" shall have the meaning set forth in the Distribution Agreement.

1.98 "Leasehold Improvements" means all buildings, structures, improvements and fixtures located on any Leased Real Property which are owned, regardless of whether title to such buildings, structures, improvements or fixtures are subject to reversion to the landlord or other third party upon the expiration or termination of the Lease for such Leased Real Property.

1.99 "Leases" means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which any Person holds any Leased Real Property.

1.100 "Liens" means all mortgages, deeds of trust, liens, security interests, pledges, leases, conditional sale contracts, claims, charges, liabilities, obligations, privileges, easements, rights of way, limitations, reservations, restrictions, options, rights of first refusal and other encumbrances of every kind. For the avoidance of doubt, the license of Intellectual Property Rights shall not itself constitute a Lien.

1.101 "Losses" shall have the meaning set forth in Section 12.1(b).

1.102 "Material Adverse Effect" means, with respect to any business or Person, any state of facts, change, development, event, effect, condition or occurrence materially adverse to the business, assets, properties, liabilities or condition (financial or otherwise) of such business or Person and its Subsidiaries, as applicable, taken as a whole, or that, directly or indirectly, prevents or materially impairs or delays the ability of such Person to perform its obligations under this Agreement; but shall not include facts, events, changes, effects or developments (i) (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 GAAP, or (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, (ii) resulting from the announcement of this Agreement and the transactions contemplated hereby or by the other Transaction Agreements or the taking of any action required by this Agreement or the other Transaction 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 (iii) resulting from any natural disaster, or any engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any act or acts of terrorism; and provided that any reduction in the market price or trading volume of such Person's publicly traded common stock, in itself, shall not be deemed to constitute a Material Adverse Effect hereunder.

1.103 "Merger" shall have the meaning set forth in Section 2.1.

1.104 "Merger Tax Opinion" shall have the meaning set forth in Section 8.7(c).

1.105 "NYSE" means the New York Stock Exchange, Inc.

1.106 "Order" means any decree, judgment, injunction, writ, rule or other order of any Governmental Authority.

1.107 "Owned Real Property" shall have the meaning set forth in the Distribution Agreement.

1.108 "PBGC" means the U.S. Pension Benefit Guaranty Corporation.

1.109 "Per Share Merger Consideration" shall have the meaning set forth in Section 3.1(a).

1.110 "Permitted Encumbrances" shall mean (A) statutory Liens for Taxes that are not due and payable as of the Closing Date, or that are being contested in good faith and for which appropriate reserves have been established in accordance with GAAP; (B) mechanics liens and similar Liens for labor, materials or supplies provided, incurred in the ordinary course of business for amounts which are not due and payable or are subject to dispute and with respect to which reserves have been established in accordance with GAAP; (C) zoning, building codes and other land use Laws regulating the use or occupancy of such Owned Real Property or Leasehold Improvement (as the case may be) or the activities conducted thereon which are imposed by any governmental authority having jurisdiction over such Owned Real Property or Leasehold Improvement (as the case may be) which are not violated by the current use or occupancy of such Owned Real Property or Leasehold Improvement (as the case may be) or the operation of the business thereon; (D) easements, covenants, conditions, restrictions and other similar matters of record affecting title to any Owned Real Property or Leasehold Improvement (as the case may be) which do not or would not materially impair the use or occupancy of such Owned Real Property or Leasehold Improvement (as the case may be) in the operation of the business conducted thereon; and (E) Liens securing Indebtedness incurred in connection with the Spinco Financing or disclosed in the Company SEC Documents or the Spinco Financial Statements, as applicable.

1.111 "Person" or "person" means a natural person, corporation, company, joint venture, individual business trust, trust association, partnership, limited partnership, limited liability company or other entity, including a Governmental Authority.

1.112 "Potential Disqualifying Action" shall have the meaning set forth in Section 10.2(b).

1.113 "Preliminary Restructuring" shall have the meaning set forth in the Distribution Agreement.

1.114 "Proxy Statement/ Prospectus" means the letters to stockholders, notices of meeting, proxy statement and forms of proxies to be distributed to stockholders in connection with the Merger and the transactions contemplated by this Agreement and any additional soliciting material or schedules required to be filed with the SEC in connection therewith.

1.115 "PSC Applications" shall have the meaning set forth in Section 8.6(b).

1.116 "Real Property" shall have the meaning set forth in the Distribution Agreement.

1.117 "Record Date" shall have the meaning set forth in the Distribution Agreement.

1.118 "Redactable Information" shall have the meaning set forth in Section 8.7(a).

1.119 "Registration Statement" means the registration statement on Form S–4 to be filed by the Company with the SEC to effect the registration under the Securities Act of the issuance of the shares of Company Common Stock into which shares of Spinco Common Stock will be converted pursuant to the Merger (as amended and supplemented from time to time).

1.120 "Regulation S–K" means Regulation S–K promulgated under the Exchange Act.

1.121 "Regulatory Law" shall have the meaning set forth in Section 8.6(d).

1.122 "Requisite Approval" shall have the meaning set forth in Section 7.22.

1.123 "Restraint" shall have the meaning set forth in Section 9.1(g).

1.124 "Rule 145 Affiliate" shall have the meaning set forth in Section 8.14.

1.125 "Rule 145 Affiliate Agreement" shall have the meaning set forth in Section 8.14.

1.126 "Ruling Request" shall have the meaning set forth in Section 8.7(a).

1.127 "Sarbanes–Oxley Act" shall have the meaning set forth in Section 6.4(f).

1.128 "SEC" means the U.S. Securities and Exchange Commission.

1.129 "Securities Act" means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

1.130 "Senior Debt Commitment Letter" shall have the meaning set forth in the Distribution Agreement.

1.131 "Shared Assets Agreement" shall have the meaning set forth in the Distribution Agreement.

1.132 "Shared Contracts Agreement" shall have the meaning set forth in the Distribution Agreement.

1.133 "Significant Subsidiary" shall have the meaning set forth in Rule 1–02 of Regulation S–X promulgated under the Exchange Act.

1.134 "Special Dividend" shall have the meaning set forth in the Distribution Agreement.

1.135 "Specified Fund Shareholder" shall have the meaning set forth in Section 10.1(c).

1.136 "Spinco" shall have the meaning set forth in the Preamble hereto.

1.137 "Spinco Approvals" shall have the meaning set forth in Section 6.3(d).

1.138 "Spinco Assets" shall have the meaning set forth in the Distribution Agreement.

1.139 "Spinco Benefit Plans" shall have the meaning set forth in Section 6.12(a).

1.140 "Spinco Business" shall have the meaning set forth in the Distribution Agreement.

1.141 "Spinco Common Stock" means the Common Stock, par value $0.01 per share, of Spinco.

1.142 "Spinco Disclosure Letter" shall have the meaning set forth in the first paragraph of Article VI.

1.143 "Spinco Employee" shall have the meaning set forth in Section 6.12(a).

1.144 "Spinco Financial Statements" shall have the meaning set forth in Section 6.4(a)(iii).

1.145 "Spinco IP Rights" shall have the meaning set forth in Section 6.14.

1.146 "Spinco Group" means Spinco and the Spinco Subsidiaries.

1.147 "Spinco Leased Real Property" means all Leased Real Property held by Spinco or Spinco Subsidiaries.

1.148 "Spinco Leasehold Improvements" means all Leasehold Improvements of Spinco or Spinco Subsidiaries.

1.149 "Spinco Leases" means all Leases of Spinco or Spinco Subsidiaries.

1.150 "Spinco Liabilities" shall have the meaning set forth in the Distribution Agreement.

1.151 "Spinco Licenses" shall have the meaning set forth in Section 6.20(a).

1.152 "Spinco Material Contracts" shall have the meaning set forth in Section 6.15(a).

1.153 "Spinco Owned Real Property" means all Owned Real Property of Spinco or Spinco Subsidiaries.

1.154 "Spinco Permits" shall have the meaning set forth in Section 6.7(b).

1.155 "Spinco Stockholder Approval" shall have the meaning set forth in Section 6.17.

1.156 "Spinco Subsidiaries" means all direct and indirect Subsidiaries of Spinco immediately following the Contribution, including any direct or indirect Subsidiaries of AT Co. that become Subsidiaries of Spinco after the date hereof.

1.157 "Spinco Voting Debt" shall have the meaning set forth in Section 6.2(b).

1.158 "State Regulators" shall have the meaning set forth in Section 6.20(a).

1.159 "Subsidiary" means, with respect to any Person, a corporation, partnership, association, limited liability company, trust or other form of legal entity in which such Person, a Subsidiary of such Person or such Person and one or more Subsidiaries of such Person, directly or indirectly, has either (i) a majority ownership in the equity thereof, (ii) the power, under ordinary circumstances, to elect, or to direct the election of, a majority of the board of directors or other analogous governing body of such entity, or (iii) the title or function of general partner or manager, or the right to designate the Person having such title or function.

1.160 "Surviving Corporation" shall have the meaning set forth in Section 2.1(a).

1.161 "Tax" or "Taxes" means (i) all taxes, charges, fees, duties, levies, imposts, rates or other assessments or governmental charges of any kind imposed by any federal, state, local or foreign Taxing Authority, including income, gross receipts, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including Taxes under Section 59A of the Code), custom duties, property, sales, use, license, capital stock, transfer, franchise, registration, payroll, withholding, social security (or similar), unemployment, disability, value added, alternative or add–on minimum or other taxes, whether disputed or not, and including any interest, penalties or additions attributable thereto; (ii) liability for the payment of any amount of the type described in clause (i) above arising as a result of being (or having been) a member of any group or being (or having been) included or required to be included in any Tax Return related thereto; and (iii) liability for the payment of any amount of the type described in clauses (i) or (ii) above as a result of any express or implied obligation to indemnify or otherwise assume or succeed to the liability of any other Person.

1.162 "Tax–Free Status of the Transactions" shall mean that (i) the Contribution, taken together with the Distribution, qualifies as a tax–free reorganization pursuant to Section 368(a)(1)(D) of the Code, (ii) the Debt Exchange constitutes a transfer of qualified property to AT Co.'s creditors in connection with the reorganization within the meaning of Section 361(c)(3) of the Code, (iii) the Distribution, as such, qualifies as a distribution of Spinco stock to AT Co. stockholders pursuant to Section 355 of the Code, pursuant to which no gain or loss is recognized for federal income tax purposes by any of AT Co., Spinco, the Company and their respective stockholders, except to the extent of cash received in lieu of fractional shares, (iv) the Special Dividend qualifies as money transferred to creditors or distributed to shareholders in connection with the reorganization within the meaning of Section 361(b)(1) of the Code to the extent that AT Co. distributes the Special Dividend to its creditors or shareholders in connection with the Contribution, and (v) the Merger qualifies as a tax–free reorganization pursuant to Section 368(a) of the Code, pursuant to which no gain or loss is recognized for federal income tax purposes by any of AT Co., Spinco, the Company and their respective stockholders, except to the extent of cash received in lieu of fractional shares.

1.163 "Tax Materials" shall have the meaning set forth in Section 10.1(a).

1.164 "Tax–Related Losses" shall have the meaning set forth in Section 10.4(a).

1.165 "Tax Return" means any return, report, certificate, form or similar statement or document (including any related or supporting information or schedule attached thereto and any information return, amended tax return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Taxing Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

1.166 "Tax Sharing Agreement" means the Tax Sharing Agreement to be entered into between AT Co. and its Affiliates and Spinco substantially in the form attached to the Distribution Agreement.

1.167 "Taxing Authority" means any Governmental Authority or any quasi–governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including the IRS).

1.168 "Telecommunications Regulatory Consents" shall have the meaning set forth in Section 8.6(b).

1.169 "Termination Date" means the date, if any, on which this Agreement is terminated pursuant to Section 11.1(b).

1.170 "Third-Party Claim" shall mean any claim, suit, arbitration, inquiry, proceeding or investigation by or before any Governmental Authority or asserted by a Person other than AT Co. or any AT Co. Affiliate, Spinco or any Spinco Affiliate or the Company or any Company Affiliate.

1.171 "Transaction Agreements" means this Agreement, the Distribution Agreement, the Employee Benefits Agreement, the Shared Assets Agreement, the Shared Contracts Agreement, the Transition Services Agreement and the Tax Sharing Agreement.

1.172 "Transferred Employees" shall have the meaning set forth in Section 8.10(a).

1.173 "Transition Services Agreement" means the Transition Services Agreement to be entered into by and between AT Co. and Spinco substantially on the terms set forth in Exhibit D to the Distribution Agreement.

1.174 "Vestar Persons" means all investment funds of Vestar Capital Partners and individuals affiliated therewith who hold Company Common Stock.

1.175 "Voting Agreement" shall have the meaning set forth in the recitals hereto.

1.176 "WARN Act" means the Worker Adjustment and Retraining Notification Act of 1988, as amended and any similar state or local law, regulation or ordinance.

1.177 "WCAS Persons" means all investment funds of Welsh, Carson, Anderson & Stowe and individuals affiliated therewith who hold Company Common Stock.

ARTICLE II

The Merger

2.1 *The Merger.* At the Effective Time and upon the terms and subject to the conditions of this Agreement, Spinco shall be merged with and into the Company (the "Merger") in accordance with the applicable provisions of the DGCL, the separate existence of Spinco shall cease and the Company shall continue as the surviving corporation of the Merger (sometimes referred to herein as the "Surviving Corporation") and shall succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Spinco in accordance with the DGCL and upon the terms set forth in this Agreement.

2.2 *Closing.* Unless the transactions herein contemplated shall have been abandoned and this Agreement terminated pursuant to Section 11.1, the closing of the Merger and the other transactions contemplated hereby (the "Closing") shall take place at 10:00 a.m., Little Rock, Arkansas time, on a date to be specified by the parties (the "Closing Date") which shall be no later than the second business day after the satisfaction or, to the extent permitted by applicable Law, waiver of the conditions set forth in Article IX (other than those that are to be satisfied by action at the Closing) at a location specified in writing by AT Co.

2.3 *Effective Time.* Upon the terms and subject to the conditions of this Agreement, on the Closing Date, a certificate of merger shall be filed with the Secretary of State of the State of Delaware with respect to the Merger (the "Certificate of Merger"), in such form as is required by, and executed in accordance with, the applicable provisions of the DGCL. The Merger shall become effective at the time of filing of the Certificate of Merger or at such later time as the parties hereto may agree and as is provided in the Certificate of Merger. The date and time at which the Merger shall become so effective is herein referred to as the "Effective Time."

2.4 *Effects of the Merger.* At the Effective Time, the effects of the Merger shall be as provided in this Agreement, the Certificate of Merger and the applicable provisions of the DGCL. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Spinco shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Spinco shall become the debts, liabilities and duties of the Surviving Corporation.

2.5 *Certificate of Incorporation and Bylaws of the Surviving Corporation.*

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, without any further action on the part of Spinco or the Company, the Certificate of Incorporation of the Company shall be amended by virtue of the Merger to read in its entirety in the form attached hereto as Exhibit C, and, as so amended, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter duly amended in accordance with such Certificate of Incorporation and applicable Law.

(b) Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time, without any further action on the part of Spinco or the Company, the Bylaws of the Company shall be amended and restated by virtue of the Merger to read in their entirety in the form attached hereto as Exhibit D, and, as so amended and restated, shall be the Bylaws of the Surviving Corporation until thereafter duly amended in accordance with the Certificate of Incorporation of the Surviving Corporation, such Bylaws and applicable Law.

2.6 *Directors and Officers of the Surviving Corporation.* Subject to Section 4.4, the directors of Spinco at the Effective Time shall, from and after the Effective Time, be the initial directors of the Surviving Corporation. In furtherance of the foregoing, the Company shall take all action reasonably necessary to obtain the resignations of a number of the current directors of the Company sufficient to permit the Company's Board of Directors to be comprised entirely of the directors constituting the Spinco board of directors as of the Effective Time. Subject to Section 4.4, the officers of Spinco at the Effective Time shall, from and after the Effective Time, be the initial officers of the Surviving Corporation. Such directors and officers shall serve until their successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws.

2.7 *Stockholders Meeting.*

(a) As promptly as practicable following the date hereof and the effectiveness of the Registration Statement, the Company shall call a special meeting of its stockholders (the "Company Stockholders Meeting") to be held as promptly as practicable for the purpose of voting upon (i) the adoption of this Agreement, (ii) the increase in the authorized shares of Company Common Stock and the issuance of shares of Company Common Stock pursuant to the Merger and (iii) related matters. This Agreement shall be submitted for adoption to the stockholders of the Company at such special meeting. The Company shall deliver, or cause to be delivered, to the Company's stockholders the Proxy Statement/ Prospectus in definitive form in connection with the Company Stockholders Meeting at the time and in the manner provided by the applicable provisions of the DGCL, the Exchange Act and the Company's Certificate of Incorporation and Bylaws and shall conduct the Company Stockholders Meeting and the solicitation of proxies in connection therewith in compliance with such statutes, certificate of incorporation and bylaws.

(b) Subject to Section 8.12(c) the Board of Directors of the Company shall recommend that the Company's stockholders adopt this Agreement, and such recommendations shall be set forth in the Proxy Statement/ Prospectus. Unless and until this Agreement shall have been terminated in accordance with its terms, the Company shall comply with its obligations under Section 2.7(a) whether or not its Board of Directors withdraws, modifies or changes its recommendation regarding this Agreement or recommends any other offer or proposal.

2.8 *Potential Restructuring of Transactions.* If, prior to the date on which the Company intends to commence solicitation of proxies for use at the Company Stockholders Meeting, which date, unless the parties otherwise agree, shall be no earlier than March 15, 2006, the IRS notifies AT Co. that the IRS will not issue the IRS 357(c) Ruling, then, during the ensuing 30 day period, the parties will collaborate reasonably and in good faith in order to determine a possible alternative structure for the transactions contemplated hereby that the parties determine, with the assistance of their respective tax advisors, will either make likely the receipt from the IRS of the IRS 357(c) Ruling or eliminate the necessity for an IRS 357(c) Ruling, in either case, without (a) substantially increasing the costs to any party associated with the transactions contemplated hereby, (b) causing the performance of the covenants and agreements of any party hereunder to become substantially more burdensome, (c) substantially increasing the regulatory or other consents or approvals required to consummate the transactions contemplated hereby, or (d) otherwise resulting in any substantial

impediment to the consummation of the transactions contemplated hereby. In the event the parties reasonably, and in good faith, agree upon such an alternative structure, they shall be obligated, as soon as practicable thereafter, to modify the covenants and agreements set forth in this Agreement and the other Transaction Agreements accordingly to reflect the change in transaction structure referenced in the immediately preceding sentence. In furtherance of the foregoing, each of the parties shall take all action reasonably necessary to modify the Ruling Request to reflect the transactions as so modified and effectuate the change in transaction structure contemplated by this Section 2.8, and each such party shall use its reasonable best efforts to cause the transactions contemplated hereby, as so modified, to be consummated as soon as practicable thereafter. To the extent that the filing or effectiveness of the materials necessary for the solicitation of proxies for use at the Company Stockholders Meeting is delayed in order to afford the parties the time necessary to obtain a response with respect to the IRS 357(c) Ruling such delay will be deemed to not constitute, nor constitute any basis for a claim of, a breach of the Company's covenants under Article VIII hereof or otherwise.

ARTICLE III

Conversion of Shares; Exchange of Certificates

3.1 *Effect on Capital Stock.* At the Effective Time, by virtue of the Merger and without any action on the part of Spinco, the Company or any holder of any Spinco Common Stock:

(a) All of the shares of Spinco Common Stock issued and outstanding immediately prior to the Effective Time (other than shares canceled in accordance with Section 3.1(b)) shall be automatically converted into the right to receive an aggregate number of duly authorized, validly issued, fully paid and nonassessable shares of Company Common Stock equal to the product of (x) 5.6667 multiplied by (y) the aggregate number of shares of Company Common Stock issued and outstanding, on a Fully Diluted Basis, immediately prior to the Effective Time (the "Aggregate Merger Consideration"), with each such share of Spinco Common Stock issued and outstanding as of the Effective Time to be converted into the right to receive a number of shares of Company Common Stock equal to (i) the Aggregate Merger Consideration divided by (ii) the aggregate number of shares of Spinco Common Stock issued and outstanding as of immediately prior to the Effective Time (other than shares canceled in accordance with Section 3.1(b)) (the "Per Share Merger Consideration").

(b) Each share of Spinco Common Stock held by Spinco as treasury stock and each share of Spinco Common Stock owned by the Company or any wholly owned Subsidiary of the Company or Spinco, in each case immediately prior to the Effective Time, shall be canceled and shall cease to exist and no stock or other consideration shall be issued or delivered in exchange therefor.

(c) Each share of Spinco Common Stock issued and outstanding immediately prior to the Effective Time, when converted in accordance with this Section 3.1, shall no longer be outstanding and shall automatically be canceled and shall cease to exist. Each holder of a certificate that, immediately prior to the Effective Time, represented outstanding shares of Spinco Common Stock (collectively, the "Certificates") shall cease to have any rights with respect thereto, except the right to receive, upon the surrender of any such Certificate, the Per Share Merger Consideration.

(d) Each share of Company Common Stock that is issued and outstanding immediately prior to and at the Effective Time shall remain outstanding following the Effective Time.

3.2 *Distribution of Per Share Merger Consideration.*

(a) *Agent.* Prior to or at the Effective Time, the Company shall deposit with the Agent (as defined in the Distribution Agreement), for the benefit of persons entitled to receive shares of Spinco Common Stock in the Distribution and for distribution in accordance with this Article III, through the Agent, certificates or book–entry authorizations representing the shares of Company Common Stock (such shares of Company Common Stock, together with any dividends or distributions with respect thereto to which the holders thereof may be entitled pursuant to Section 3.2(c), being hereinafter referred to as the "Distribution Fund") issuable

pursuant to Section 3.1 in exchange for outstanding shares of Spinco Common Stock. The Agent shall, pursuant to irrevocable instructions, deliver the Company Common Stock contemplated to be issued pursuant to Section 3.1 from the shares of stock held in the Distribution Fund. If the Company deposits the Shares into the Distribution Fund prior to the Effective Time and the Merger is not consummated, the Agent shall promptly return the shares to the Company. The Distribution Fund shall not be used for any other purpose.

(b) *Distribution Procedures.* At the Effective Time, all shares of Spinco Common Stock shall be converted into shares of Company Common Stock pursuant to, and in accordance with the terms of this Agreement, immediately following which the Agent shall distribute on the same basis as the shares of Spinco Common Stock would have been distributed in the Distribution and to the persons entitled to receive such Distribution, in respect of the outstanding shares of AT Co. Common Stock held by holders of record of AT Co. Common Stock on the Record Date, all of the shares of Company Common Stock into which the shares of Spinco Common Stock that otherwise would have been distributed in the Distribution have been converted pursuant to the Merger. Each person entitled to receive Spinco Common Stock in the Distribution shall be entitled to receive in respect of the shares of Spinco Common Stock otherwise distributable to such person a certificate or book–entry authorization representing the number of whole shares of Company Common Stock that such holder has the right to receive pursuant to this Article III (and cash in lieu of fractional shares of Company Common Stock, as contemplated by Section 3.2(e)) (and any dividends or distributions pursuant to Section 3.2(c)). The Agent shall not be entitled to vote or exercise any rights of ownership with respect to the Company Common Stock held by it from time to time hereunder, except that it shall receive and hold all dividends or other distributions paid or distributed with respect thereto for the account of persons entitled thereto.

(c) *Distributions with Respect to Undistributed Shares.* No dividends or other distributions declared or made after the Effective Time with respect to Company Common Stock with a record date after the Effective Time shall be paid with respect to any shares of Company Common Stock that are not able to be distributed by the Distribution Agent promptly after the Effective Time, whether due to a legal impediment to such distribution or otherwise. Subject to the effect of applicable laws, following the distribution of any such previously undistributed shares of Common Stock of the Company, there shall be paid to the record holder of the certificates representing such shares of Company Common Stock, without interest (i) at the time of the distribution, the amount of cash payable in lieu of fractional shares of Company Common Stock to which such holder is entitled pursuant to Section 3.2(e) and the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such whole shares of Company Common Stock and (ii) at the appropriate payment date therefor, the amount of dividends or other distributions with a record date after the Effective Time but prior to the distribution of such shares and a payment date subsequent to the distribution of such shares payable with respect to such whole shares of Company Common Stock. The Company shall deposit in the Distribution Fund all such dividends and distributions.

(d) *No Further Ownership Rights in Spinco Common Stock.* All shares of Company Common Stock issued in respect of shares of Spinco Common Stock (including any cash paid pursuant to Section 3.2(c)) shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Spinco Common Stock.

(e) *No Fractional Shares.* Notwithstanding anything herein to the contrary, no certificate or scrip representing fractional shares of Company Common Stock shall be issued in respect of shares of Spinco Common Stock, and such fractional share interests will not entitle the owner thereof to vote or to any rights as a stockholder of the Company. All fractional shares of Company Common Stock that a holder of Spinco Common Stock would otherwise be entitled to receive as a result of the Merger shall be aggregated and if a fractional share results from such aggregation, such holder shall be entitled to receive, in lieu thereof, an amount in cash determined by multiplying (i) the closing sale price per share of Company Common Stock on the NYSE on the business day preceding the Effective Time, if the stock is being traded on such date, or if the stock is not being traded on such date, the closing sale price per share of Company Common Stock on the NYSE on the first business day that such stock is traded, by (ii) the fraction of a share of Company Common Stock to which such holder would otherwise have been entitled. The Company shall timely make available to the Agent any cash necessary to make payments in lieu of fractional shares as aforesaid. Alternatively, the

Company shall have the option of instructing the Agent to aggregate all fractional shares of Company Common Stock, sell such shares in the public market and distribute to holders of Spinco Common Stock who otherwise would have been entitled to such fractional shares of Company Common Stock a pro rata portion of the proceeds of such sale.

(f) *Termination of Distribution Fund.* Any portion of the Distribution Fund made available to the Agent that remains undistributed to the former stockholders of Spinco on the one–year anniversary of the Effective Time shall be delivered to the Company, upon demand, and any stockholders of Spinco who have not received shares of Company Common Stock in accordance with this Article III shall thereafter look only to the Company for payment of their claim for Company Common Stock and any dividends or distributions with respect to Company Common Stock.

(g) *No Liability.* Neither Spinco nor the Surviving Corporation shall be liable to any holder of Spinco Common Stock or any holder of shares of AT Co. Common Stock for shares of Company Common Stock (or dividends or distributions with respect thereto or with respect to Spinco Common Stock) delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

(h) *Closing of Transfer Books.* From and after the Effective Time, the stock transfer books of Spinco shall be closed and no transfer shall be made of any shares of capital stock of Spinco that were outstanding immediately prior to the Effective Time.

(i) *Withholding Rights.* Spinco, the Company and the Surviving Corporation shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of any Spinco Common Stock such amounts as they determine in good faith are required to be deducted and withheld with respect to the making of such payment under the Code, or under any provision of state, local or foreign Tax Law. To the extent that amounts are so withheld and paid over to the appropriate Taxing Authority, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the recipient.

ARTICLE IV

Related Transactions

The following transactions shall occur at or prior to the Effective Time.

4.1 *Distribution.* Upon the terms and subject to the conditions of the Distribution Agreement, prior to the Effective Time, AT Co. and Spinco each shall take, or cause to be taken, all actions, and do, or cause to be done, all things necessary, proper or advisable, including obtaining any consent, approval or waiver from, and satisfying any notification requirements to, any Governmental Authority or other third party, that is required under applicable Laws or pursuant to any Contract to which AT Co., Spinco or any of their respective Subsidiaries is a party or by which any of their respective assets are based, to consummate and make effective the Contribution and the Distribution and the other transactions contemplated by the Distribution Agreement and shall use their respective reasonable best efforts to cause to be effected the Contribution and the Distribution in accordance with the terms of the Distribution Agreement.

4.2 *AT Co./Spinco Transaction Agreements.* Upon the terms and subject to the conditions of the Distribution Agreement, at or prior to the Effective Time, AT Co. and Spinco shall each execute and deliver the Tax Sharing Agreement, the Transition Services Agreement and the Employee Matters Agreement, each substantially in the form attached to the Distribution Agreement, as well as the Shared Assets Agreement, the Shared Contracts Agreement and all other agreements, if any, required in connection with the Contribution and the Distribution.

4.3 *Corporate Offices.* From and after the Effective Time, the location of the headquarters and principal executive offices of the Surviving Corporation shall be the executive offices of Spinco as of immediately prior to the Effective Time.

4.4 *Directors and Officers of Spinco.* AT Co. and Spinco shall take all action reasonably necessary to cause the Board of Directors of Spinco immediately prior to the Effective Time to consist of nine (9) members, one (1) of whom shall be the Chairman of the Board of Directors of Spinco, as set forth on Exhibit E hereto, one (1) of whom shall be the Chief Executive Officer of Spinco, as set forth on Exhibit E hereto, six (6) of whom shall be designated by AT Co. and one (1) of whom shall be designated by the Company. Each of the parties hereby acknowledges and agrees that the Company's designee and at least four (4) of AT Co.'s designees shall be "independent directors" within the meaning given such term under the rules of the NYSE. At the Effective Time, Francis X. Frantz shall serve as Chairman of the Board of Directors of the Surviving Corporation. The Board of Directors of the Surviving Corporation shall be divided into three classes, each initially comprised of three (3) directors, with directors serving staggered three (3) year terms and only one (1) class of directors standing for election each year, it being acknowledged and agreed that (i) the Company's designee shall be appointed as a Class II director of Spinco with a term expiring at the 2008 annual meeting and (ii) the Chairman of the Board of Directors, the Chief Executive Officer and one director designated by AT Co. shall be appointed as Class III directors of Spinco with terms expiring at the 2009 annual meeting. By no later than the date on which the Company commences solicitation of proxies for use at the Company Stockholders Meeting, (i) AT Co. shall give written notice to the Company setting forth AT Co.'s designees to the Spinco Board of Directors and (ii) the Company shall give written notice to AT Co. setting forth the Company's designee to the Spinco Board of Directors and, in each case, specifying such information with respect to each such designee as is required to be disclosed in the Proxy Statement/ Prospectus. Spinco shall take all action reasonably necessary so that the officers of Spinco immediately prior to the Effective Time shall consist of the individuals set forth in Exhibit E attached hereto.

4.5 *Financing Cooperation.*

(a) Each of AT Co., Spinco and, if reasonably requested by AT Co. or Spinco, the Company shall cooperate in connection with the preparation of all documents and the making of all filings required in connection with the Spinco Financing (as defined in the Distribution Agreement) and the Debt Exchange (as defined in the Distribution Agreement) and shall use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the Spinco Financing and the Debt Exchange and the other transactions contemplated in connection therewith. Without limiting the generality of the foregoing, each of AT Co., Spinco and, if reasonably requested by AT Co. or Spinco, the Company shall use their respective reasonable best efforts to cause their respective employees, accountants, counsel and other representatives to cooperate with each other in (i) participating in meetings, drafting sessions, due diligence sessions, management presentation sessions, "road shows" and sessions with rating agencies in connection with the syndication or marketing of the Spinco Credit Agreement (as defined in the Distribution Agreement) and the consummation of the Spinco Notes Offering (as defined in the Distribution Agreement), (ii) preparing business projections, financial statements, offering memoranda, private placement memoranda, prospectuses and similar documents deemed reasonably necessary by AT Co., Spinco or the Company, to be used in connection with consummating the Spinco Financing and the Debt Exchange, (iii) executing and delivering all documents and instruments deemed reasonably necessary by AT Co., Spinco or the Company, including any underwriting or placement agreements, pledge and security documents, other definitive financing documents, including any indemnity agreements, or other requested certificates or documents, legal opinions, engineering reports, environmental assessment reports, surveys and title insurance as may be reasonably requested by Spinco, provided, however, that no such agreements or documents shall impose any monetary obligation or liability on the Company prior to the Effective Time, (iv) disclosing the Spinco Financing and the Debt Exchange, as reasonably appropriate, in the Registration Statement, and (v) taking all other actions reasonably necessary in connection with the Spinco Financing, including any such actions required to permit the assumption by the Surviving Corporation of such Spinco Credit Agreement, Spinco Exchange Notes and Spinco Notes at the Effective Time.

(b) The Company shall use all reasonable best efforts to cause Deloitte & Touche LLP, the independent auditors of the Company, to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements of the Company needed in connection with the Spinco Financing. The

Company agrees to allow Spinco's accounting representatives the opportunity to review any financial statements pursuant to this Section 4.5 and to allow such representatives reasonable access to the Company and its Subsidiaries and supporting documentation with respect to the preparation of such financial statements and to use reasonable best efforts to cause its independent auditors to provide reasonable access to their working papers relating to procedures performed with respect to such financial statements.

(c) AT Co. and Spinco shall use all reasonable best efforts to cause Pricewaterhouse Coopers LLP, the independent auditors of Spinco, to provide any unqualified opinions, consents or customary comfort letters with respect to the financial statements of Spinco needed in connection with the Spinco Financing, the Proxy Statement/ Prospectus or the Registration Statement. Spinco agrees to allow the Company's accounting representatives the opportunity to review any financial statements pursuant to this Section 4.5 and to allow such representatives reasonable access to Spinco and its Subsidiaries and supporting documentation with respect to the preparation of such financial statements and to use reasonable best efforts to cause its independent auditors to provide reasonable access to their working papers relating to procedures performed with respect to such financial statements.

ARTICLE V

Representations and Warranties of AT Co.

Except as disclosed in the corresponding section of the Disclosure Letter delivered by AT Co. to the Company immediately prior to the execution of this Agreement and signed by an authorized officer of AT Co. (the "AT Co. Disclosure Letter") (it being agreed that disclosure of any item in any section of the AT Co. Disclosure Letter shall be deemed disclosure with respect to any other section of this Agreement to which the relevance of such item is reasonably apparent on its face), AT Co. hereby represents and warrants to the Company as follows:

5.1 *Organization; Qualification.* AT Co. is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. AT Co. and its Subsidiaries have all requisite corporate power and authority to own, lease and operate their properties and assets that will be contributed to Spinco pursuant to the Distribution Agreement, except where the failure to have such power and authority would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business. Each of AT Co. and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased or operated by the Spinco Business that will be contributed to Spinco pursuant to the Distribution Agreement or the nature of the Spinco Business operated by it makes such qualification necessary, except in such jurisdictions where the failure to be so qualified or licensed or in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

5.2 *Corporate Authority; No Violation.*

(a) AT Co. has the corporate power and authority to enter into this Agreement and each other Transaction Agreement to which it is a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by AT Co. of this Agreement and each other Transaction Agreement to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of AT Co., except for such further action of the Board of Directors of AT Co. required to establish the Record Date and the Distribution Date, and the effectiveness of the declaration of the Distribution by the Board of Directors of AT Co. (which is subject to the satisfaction or, to the extent permitted by applicable Law, waiver of the conditions set forth in the Distribution Agreement). This Agreement has been duly executed and delivered by AT Co. and, assuming the due authorization, execution and delivery by the Company, constitutes a legal, valid and binding agreement of AT Co., enforceable against AT Co. in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing

the availability of equitable remedies). As of the Distribution Date, each other Transaction Agreement to which AT Co. is a party will have been duly executed and delivered by AT Co. and, assuming the due authorization, execution and delivery by the other parties thereto, will constitute a legal, valid and binding agreement of AT Co., enforceable against AT Co. in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(b) Neither the execution and delivery by AT Co. of this Agreement and other Transaction Agreements to which it is a party nor the consummation by AT Co. of the transactions contemplated hereby or thereby or compliance by AT Co. with any of the provisions hereof or thereof will (i) violate or conflict with any provisions of AT Co.'s Certificate of Incorporation or Bylaws; (ii) result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under, any Contract to which AT Co. or any of its Subsidiaries is a party or by which AT Co. or any of its Subsidiaries is bound or affected; (iii) result in the creation of a Lien, pledge, security interest, claim or other encumbrance on any of the issued and outstanding shares of Spinco Common Stock, capital stock of any Spinco Subsidiary or on any of the Spinco Assets pursuant to any Contract to which AT Co. or any of its Subsidiaries (including Spinco and its Subsidiaries) is a party or by which AT Co. or its Subsidiaries is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 5.2(c) below are obtained, violate or conflict with any order, writ, injunction, decree, Law, ordinance, rule or regulation applicable to AT Co. or any of its Subsidiaries (including Spinco and its Subsidiaries), or any of the properties, business or assets of any of the foregoing, other than, in the case of each of clauses (i) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

(c) Other than in connection with or in compliance with (i) the provisions of the DGCL, (ii) the Securities Act, (iii) the Exchange Act, (iv) the HSR Act, (v) the Communications Act and applicable rules and regulations thereunder and FCC Rules, (vi) the approvals set forth on Section 5.2(c) of the AT Co. Disclosure Letter, and (vii) the rules and regulations of the NYSE (collectively, the "AT Co. Approvals"), no authorization, consent or approval of, or filing with, any Governmental Authority is necessary for the consummation by AT Co. of the transactions contemplated by this Agreement and the other Transaction Agreements, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

5.3 *Information Supplied.* All documents that AT Co. is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby and by each other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by AT Co. in any document, other than the Registration Statement which is addressed in Section 6.8 hereof, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

5.4 *AT Co. Reports and Financial Statements.*

(a) AT Co. has previously made available to the Company complete and correct copies of:

(i) AT Co.'s Annual Reports on Form 10–K filed with the SEC under the Exchange Act for each of the years ended December 31, 2004, 2003 and 2002;

(ii) AT Co.'s Quarterly Reports on Form 10–Q filed with the SEC under the Exchange Act for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005;

(iii) each definitive proxy statement filed by AT Co. with the SEC under the Exchange Act since January 1, 2003;

(iv) all current reports on Form 8–K filed by AT Co. with the SEC under the Exchange Act since January 1, 2003; and

(v) each other form, report, schedule, registration statement and definitive proxy statement filed by AT Co. or any of its Subsidiaries with the SEC since January 1, 2003 and prior to the date hereof (collectively, and together with the items specified in clauses (i) through (iv) above, the "AT Co. SEC Documents").

(b) As of their respective dates, the AT Co. SEC Documents complied in all material respects with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of such AT Co. SEC Documents when filed contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited consolidated interim financial statements included in the AT Co. SEC Documents (including any related notes and schedules) fairly present in all material respects the financial position of AT Co. and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and changes in cash flows, changes in stockholder's equity or other information included therein for the periods or as of the respective dates then ended, subject, where appropriate, to normal year–end audit adjustments (none of which AT Co. management expects to be material), in each case in accordance with past practice and GAAP, consistently applied, during the periods involved (except as otherwise stated therein). Since January 1, 2002, AT Co. has timely filed all reports, registration statements and other filings required to be filed with the SEC under the rules and regulations of the SEC. Except as set forth in the AT Co. SEC Documents filed prior to the date hereof or Section 5.4 of the AT Co. Disclosure Letter or liabilities incurred in the ordinary course of business, consistent with past practice, since the Interim Balance Sheet Date, AT Co. and its Subsidiaries have not incurred any liability or obligation that is of a nature that would be required to be disclosed on a consolidated balance sheet of AT Co. and its Subsidiaries or in the notes thereto prepared in conformity with GAAP, other than liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Spinco Business.

(c) AT Co. has designed and maintains a system of internal controls over financial reporting (as defined in Rules 13a–15(f) and 15d–15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. AT Co. (A) has designed and maintains disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) of the Exchange Act) to ensure that material information required to be disclosed by AT Co. in the reports that it files or submits under the Exchange Act with respect to the AT Co. Business and the Spinco Business is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to AT Co.'s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the principal executive officer and principal financial officer of AT Co. required pursuant to Sections 302 and 906 of the Sarbanes–Oxley Act and (B) has disclosed, based on its most recent evaluation of such disclosure controls and procedures prior to the date hereof to AT Co.'s auditors and the audit committee of AT Co.'s Board of Directors, (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect AT Co.'s ability to record, process, summarize and report financial information with respect to the AT Co. Business and the Spinco Business and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the AT Co.'s internal controls over financial reporting with respect to the AT Co. Business and the Spinco Business. AT Co. has made available to the Company any such disclosure made by management to AT Co.'s auditors and the audit committee of AT Co.'s Board of Directors.

5.5 *Brokers or Finders.* Other than Merrill Lynch, Pierce, Fenner & Smith Incorporated, JP Morgan Securities Inc. and Stephens, Inc., no agent, broker, investment banker, financial advisor or other similar Person is or will be entitled, by reason of any agreement, act or statement by AT Co. or any

of its Subsidiaries, directors, officers or employees, to any financial advisory, broker's, finder's or similar fee or commission, to reimbursement of expenses or to indemnification or contribution in connection with any of the transactions contemplated by this Agreement or other Transaction Agreement.

ARTICLE VI

Representations and Warranties of AT Co. and Spinco

Except as disclosed in the corresponding section of the Disclosure Letter delivered by Spinco to the Company immediately prior to the execution of this Agreement and signed by an authorized officer of Spinco (the "Spinco Disclosure Letter") (it being agreed that disclosure of any item in any section of the Spinco Disclosure Letter shall be deemed disclosure with respect to any other section of this Agreement to which the relevance of such item is reasonably apparent on its face), AT Co. and Spinco, jointly and severally, represent and warrant to the Company as follows:

6.1 *Organization, Qualification.*

(a) Spinco and each of the Spinco Subsidiaries is, or on the date of its incorporation will be a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation, has, or will have, all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted or as proposed to be conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco, and is, or will be, duly qualified and licensed to do business and is, or will be, in good standing in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification, except for jurisdictions in which the failure to be so qualified or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. The copies of the Spinco Certificate of Incorporation and Bylaws and the Certificate of Incorporation and Bylaws (or analogous governing documents) of each Spinco Subsidiary that is, or upon completion of the Contribution will be, a Significant Subsidiary of Spinco previously made available to the Company are complete and correct copies of such documents as in full force and effect on the date hereof.

(b) Section 6.1(b) of the Spinco Disclosure Letter sets forth a list of the Spinco Subsidiaries and their respective jurisdictions of incorporation, together with a designation of those Spinco Subsidiaries that upon completion of the Contribution will constitute Significant Subsidiaries of Spinco.

6.2 *Capital Stock and Other Matters.*

(a) As of the date hereof, (i) the authorized capital stock of Spinco consists of 1,000 shares of Spinco Common Stock, (ii) 1,000 shares of Spinco Common Stock are issued and outstanding, and (iii) no shares of Spinco Common Stock are held by Spinco in its treasury. All of the issued and outstanding shares of Spinco Common Stock immediately prior to the Effective Time will be validly issued, fully paid and nonassessable and free of pre-emptive rights.

(b) No bonds, debentures, notes or other indebtedness of Spinco or any of the Spinco Subsidiaries having the right to vote (or convertible into or exercisable for securities having the right to vote) on any matters on which holders of shares of capital stock of Spinco (including Spinco Common Stock) may vote ("Spinco Voting Debt") are, or immediately prior to the Effective Time will be, issued or outstanding.

(c) Except in connection with the Merger or as otherwise provided for in the Transaction Agreements, there are not, and immediately prior to the Effective Time there will not be, any outstanding, securities, options, warrants, convertible securities, calls, rights, commitments, agreements, arrangements, undertakings or Contracts of any kind to which Spinco or any Spinco Subsidiary is a party or by which any of them is bound obligating Spinco or any Spinco Subsidiary to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock, Spinco Voting Debt or other

voting securities of Spinco or any Spinco Subsidiary or obligating Spinco or any Spinco Subsidiary to issue, grant, extend, redeem, acquire or enter into any such security, option, warrant, convertible security, call, right, commitment, agreement, arrangement, undertaking or Contract.

(d) There are not, and immediately prior to the Effective Time there will not be, any stockholder agreements, voting trusts or other Contracts (other than the Distribution Agreement) to which Spinco is a party or by which it is bound relating to voting or transfer of any shares of capital stock of Spinco.

6.3 *Corporate Authority; No Violation.*

(a) Spinco has the corporate power and authority to enter into this Agreement and each other Transaction Agreement to which it is a party and to carry out its obligations hereunder and thereunder. The execution, delivery and performance by Spinco of this Agreement and each other Transaction Agreement to which it is a party and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Spinco, except for such further action by the Board of Directors of Spinco required to effect the reclassification of the Spinco Common Stock, the distribution of the Spinco Exchange Notes to AT Co. and the payment of the Special Dividend, each as contemplated by the Distribution Agreement.

(b) This Agreement has been duly executed and delivered by Spinco and, assuming the due authorization, execution and delivery by the Company and AT Co., constitutes a legal, valid and binding agreement of Spinco, enforceable against Spinco in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies). As of immediately prior to the Effective Time, each other Transaction Agreement to which Spinco is a party will have been duly executed and delivered by Spinco and will, assuming the due authorization, execution and delivery by the other parties thereto, constitute a legal, valid and binding agreement of Spinco, enforceable against Spinco in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(c) Neither the execution and delivery by Spinco of this Agreement and each other Transaction Agreement to which Spinco is a party, nor the consummation by Spinco of the transactions contemplated hereby or thereby, or performance by Spinco of the provisions hereof or thereof will (i) violate or conflict with any provision of Spinco's Certificate of Incorporation or Bylaws; (ii) result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination or buy-out by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under any Contract to which Spinco or any Spinco Subsidiary is a party or by which Spinco or any Spinco Subsidiary or any of the Spinco Assets is bound or affected; (iii) result in the creation of a Lien, pledge, security interest, claim or other encumbrance on any of the issued and outstanding shares of Spinco Common Stock or capital stock of any Spinco Subsidiary or on any of the Spinco Assets pursuant to any Contract to which Spinco or any Spinco Subsidiary is a party or by which Spinco or any Spinco Subsidiary or any of the Spinco Assets is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 6.3(d) below are obtained, violate or conflict with any order, writ, injunction, decree, Law, ordinance, rule or regulation applicable to Spinco or any Spinco Subsidiary, or any of the properties, businesses or assets of any of the foregoing, other than, in the case of each of clauses (i) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(d) Other than in connection with or in compliance with (i) the provisions of the DGCL, (ii) the Securities Act, (iii) the Exchange Act, (iv) the HSR Act, (v) the Communications Act and FCC Rules, and (vi) the approvals set forth on Section 6.3(d) of the Spinco Disclosure Letter (collectively, the "Spinco Approvals"), no authorization, consent or approval of, or filing with, any Governmental Authority is necessary for the consummation by Spinco of the transactions contemplated by this Agreement and the other Transaction Agreements to which Spinco is a party, except for such

authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.4 *Financial Statements.*

(a) AT Co. and Spinco have previously made available to the Company:

(i) the audited combined balance sheets of Spinco and its Subsidiaries at December 31, 2002, 2003 and 2004, and the related audited combined statements of operations, cash flows and stockholder's equity for the fiscal years ended December 31, 2002, 2003 and 2004, including the notes thereto (collectively, the "Audited Financial Statements"); and

(ii) the unaudited interim combined balance sheet at September 30, 2005, and the related unaudited interim combined statements of operations, cash flows and stockholder's equity for the nine months ended September 30, 2005 (collectively, the "Interim Financial Statements" and, together with the Audited Financial Statements, the "Spinco Financial Statements").

(b) AT Co. and Spinco will deliver to the Company promptly upon request any and all other financial other financial statements for Spinco and Spinco Subsidiaries required to be included by Regulation S−X of the Exchange Act in the Registration Statement and the Proxy Statement/ Prospectus.

(c) The Spinco Financial Statements fairly present in all material respects, and any other financial statements prepared in accordance with Section 6.4(b) will fairly present in all material respects, the financial position of the Spinco Business as of the dates thereof, and the results of operations and changes in cash flows, changes in stockholder's equity or other information included therein for the periods or as of the dates then ended, in each case except as otherwise noted therein and subject, where appropriate, to normal year−end audit adjustments (none of which Spinco management expects to be material). The Spinco Financial Statements and such other financial statements have been or will be prepared in accordance with GAAP, and on a consistent basis, except as otherwise noted therein.

(d) As of the date hereof, neither Spinco nor any of the Spinco Subsidiaries is required to file any form, report, registration statement, prospectus or other document with the SEC.

(e) Except for liabilities incurred in the ordinary course of business, consistent with past practice, since the date of the balance sheet included in the Interim Financial Statements (the "Interim Balance Sheet Date") or as set forth in the Spinco Financial Statements or the notes thereto, since the Interim Balance Sheet Date, Spinco and the Spinco Subsidiaries have not incurred any liabilities or obligations that are of a nature that would be required to be disclosed on a consolidated balance sheet of Spinco and the Spinco Subsidiaries or in the notes thereto prepared in conformity with GAAP, other than liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(f) At or prior to the Effective Time, Spinco will have (A) designed and be maintaining a system of internal controls over financial reporting (as defined in Rules 13a−15(f) and 15d−15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting with respect to the Spinco Business and the preparation of financial statements with respect to the Spinco Business for external purposes in accordance with GAAP, and (B) designed and be maintaining disclosure controls and procedures (as defined in Rules 13a−15(e) and 15d−15(e) of the Exchange Act) to ensure that material information that AT Co. is required to disclose with respect to the Spinco Business in the reports AT Co. is required to file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to AT Co.'s management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the principal executive officer and principal financial officer of AT Co. required pursuant to Sections 302 and 906 of the Sarbanes−Oxley Act of 2002, as amended (the "Sarbanes−Oxley Act").

6.5 *Absence of Certain Changes or Events.* Except as specifically contemplated by this Agreement or the other Transaction Agreements, since the Interim Balance Sheet Date, the Spinco Business

has been conducted in the ordinary course, consistent with past practice, and there has not been any event, occurrence, development or state of circumstances or facts that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. From the Interim Balance Sheet Date to the date hereof, none of AT Co., Spinco or any of their respective Subsidiaries has taken any action or failed to take any action, which action or failure, as the case may be, would constitute a breach of Section 8.2 if taken without the Company's consent after the date hereof.

6.6 *Investigations; Litigation.*

(a) There is no investigation or review pending (or, to the knowledge of Spinco or AT Co., threatened) by any Governmental Authority with respect to Spinco or any of the Spinco Subsidiaries, or with respect to AT Co. or any AT Co. Subsidiary relating to the Spinco Business.

(b) There are no actions, suits, inquiries, grievances, arbitrations, investigations or proceedings pending (or, to the knowledge of Spinco or AT Co., threatened) against or affecting Spinco or any of the Spinco Subsidiaries or any of their respective properties or otherwise affecting the Spinco Business at law or in equity and there are no orders, judgments or decrees of any Governmental Authority, in each case which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.7 *Compliance with Laws; Permits.*

(a) Spinco and the Spinco Subsidiaries are, or on the Distribution Date will be, and have been since January 1, 2003, in compliance with all, and have received no notice of any violation (as yet unremedied) of any, Laws applicable to Spinco, such Spinco Subsidiaries or any of their respective properties or assets or otherwise affecting the Spinco Business, except where such non–compliance, default or violation has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. Notwithstanding anything contained in this Section 6.7(a), no representation or warranty shall be deemed to be made in this Section 6.7(a) in respect of environmental, tax, employee benefits, labor or communications Laws, which are the subject of the representations and warranties made in Sections 6.10, 6.11, 6.12, 6.13 and 6.21 of this Agreement, respectively.

(b) Spinco and the Spinco Subsidiaries are, or on the Distribution Date will be, in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders of any Governmental Authority necessary for Spinco and the Spinco Subsidiaries to own, lease and operate the Spinco Assets or to carry on the Spinco Business as it is now conducted, or on the Distribution Date will be conducted (the "Spinco Permits"), except where the failure to have any of the Spinco Permits has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. All Spinco Permits are in full force and effect, or immediately prior to the Effective Time will be in full force and effect, except where the failure to be in full force and effect has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.8 *Proxy Statement/ Prospectus; Registration Statement.* None of the information regarding AT Co. or its Subsidiaries, Spinco or the Spinco Subsidiaries, or the Spinco Business, or the transactions contemplated by this Agreement or any other Transaction Agreement provided by AT Co. or Spinco or any of their respective Subsidiaries specifically for inclusion in, or incorporation by reference into, the Proxy Statement/ Prospectus or the Registration Statement will, in the case of the definitive Proxy Statement/ Prospectus or any amendment or supplement thereto, at the time of the mailing of the definitive Proxy Statement/ Prospectus and any amendment or supplement thereto and at the time of the Company Stockholders Meeting, or, in the case of the Registration Statement, at the time it becomes effective, at the time of the Company Stockholders Meeting and at the Effective Time contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

6.9 *Information Supplied.* All documents that Spinco is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby or by any other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by Spinco in any document, other than the Registration Statement, which is addressed in Section 6.8, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

6.10 *Environmental Matters.* Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco:

(a) Spinco and each of the Spinco Subsidiaries is, or on the Distribution Date will be, and since January 1, 2003 has been, in compliance with all applicable Environmental Laws and Spinco and the Spinco Subsidiaries possess, or on the Distribution Date will possess, all Spinco Permits that are required under applicable Environmental Laws and are, or on the Distribution Date will be, in compliance with the terms and conditions thereof;

(b) neither Spinco nor any of the Spinco Subsidiaries has received written notice of, or is the subject of, any actions, causes of action, claims, investigations, demands or notices by any person asserting an obligation on the part of Spinco or the Spinco Subsidiaries to conduct investigations or clean–up activities under Environmental Law or alleging liability under or non–compliance with any Environmental Law (collectively, "Environmental Claims");

(c) neither Spinco nor any of the Spinco Subsidiaries is subject to any indemnification obligation with respect to Environmental Laws or Hazardous Materials, including such obligations regarding businesses currently or formerly owned or operated by Spinco or any of the Spinco Subsidiaries or regarding properties formerly owned or leased by Spinco or any of the Spinco Subsidiaries;

(d) there is no condition on, at, under or related to any property (including any release of a Hazardous Material into the air, soil, surface water, sediment or ground water at, under or migrating to or from such property) including related to property currently owned, leased or used by AT Co., Spinco or any of their respective Subsidiaries or created by AT Co.'s, Spinco's or any Spinco Subsidiary's operations that would give rise to liability for Spinco or any of the Spinco Subsidiaries under applicable Environmental Laws, and, to AT Co.'s and Spinco's knowledge, the foregoing representation is true and correct with regard to property formerly owned, leased or used by AT Co., Spinco or any of their respective Subsidiaries;

(e) neither AT Co., Spinco nor any of their respective Subsidiaries has any liability with respect to asbestos in any product or within any building or structure;

(f) AT Co. or Spinco has made available to the Company all material site assessments, environmental compliance audits, and other documents relating to environmental matters and relating to the Spinco Business, or the current or former properties or facilities of Spinco and the Spinco Subsidiaries to the extent such documents are in the possession, custody or control of AT Co., Spinco or any of their Subsidiaries, including, without limitation, such documents relating to (i) the environmental conditions on, under or about the properties or assets currently or formerly owned, leased, operated or used by Spinco, any of the Spinco Subsidiaries or any predecessor in interest thereto and (ii) any Hazardous Materials used, managed, handled, transported, treated, generated, stored, discharged, emitted, or otherwise released by Spinco, any of the Spinco Subsidiaries or any other Person on, under, about or from any of the properties currently or formerly owned or leased by, or otherwise in connection with the use or operation of any of the properties owned or leased, or otherwise in connection with the use or operation of any of the properties and assets of Spinco or any of the Spinco Subsidiaries, or their respective businesses and operations.

(g) This Section 6.10 contains the sole and exclusive representations and warranties of AT Co. and Spinco with respect to environmental matters, including matters relating to Environmental Laws and Hazardous Materials.

6.11 *Tax Matters.*

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Spinco or the Spinco Business, (i) all Tax Returns relating to AT Co. and its Subsidiaries, including Spinco and the Spinco Subsidiaries, or the Spinco Business required to be filed have been filed, (ii) all such Tax Returns are or will be true and correct in all respects, (iii) all Taxes shown as due and payable on such Tax Returns, and all Taxes (whether or not reflected on such Tax Returns) relating to AT Co. and its Subsidiaries, including Spinco and the Spinco Subsidiaries, in respect of the Spinco Business or otherwise in respect of the Spinco Business required to be paid, have been paid, (iv) all Taxes relating to AT Co. or its Subsidiaries, including Spinco and the Spinco Subsidiaries, in respect of the Spinco Business or otherwise in respect of the Spinco Business for any taxable period (or a portion thereof) beginning on or prior to the Closing Date (which are not yet due and payable) have been properly reserved for in the Spinco Financial Statements and (v) AT Co. and its Subsidiaries, including Spinco and the Spinco Subsidiaries, have duly and timely withheld all Taxes required to be withheld and such withheld Taxes have been either duly and timely paid to the proper Taxing Authority or properly set aside in accounts for such purpose and will be duly and timely paid to the proper Taxing Authority.

(b) No written agreement or other written document waiving or extending, or having the effect of waiving or extending, the statute of limitations or the period of assessment or collection of any Taxes relating to Spinco, any Spinco Subsidiary or the Spinco Business, and no power of attorney with respect to any such Taxes has been filed or entered into with any Taxing Authority.

(c) (i) No audits or other administrative proceedings or proceedings before any Taxing Authority are presently pending with regard to any Taxes or Tax Return of Spinco or any Spinco Subsidiary or the Spinco Business, as to which any Taxing Authority has asserted in writing any claim which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco, any Spinco Subsidiary or the Spinco Business, and (ii) no Taxing Authority is now asserting in writing any deficiency or claim for Taxes or any adjustment to Taxes with respect to which Spinco or any Spinco Subsidiary or the Spinco Business, may be liable with respect to income or other material Taxes which has not been fully paid or finally settled.

(d) Neither Spinco nor any Spinco Subsidiary (i) is a party to or bound by or has any obligation under any Tax separation, sharing or similar agreement or arrangement other than the Tax Sharing Agreement, and the AT Co. and Subsidiaries Tax Sharing Policy currently in effect for taxable periods ending on or after December 31, 1991 (which shall be terminated with respect to Spinco and any Spinco Subsidiary as of the Closing Date), (ii) is or has been a member of any consolidated, combined or unitary group for purposes of filing Tax Returns or paying Taxes (other than a group of which AT Co. is the common parent corporation) or (iii) has entered into a closing agreement pursuant to Section 7121 of the Code, or any predecessor provision or any similar provision of state or local law.

(e) None of the Spinco Assets is subject to any Tax lien (other than liens for Taxes that are not yet due and payable.

(f) Section 6.11 of the Spinco Disclosure Letter lists all foreign jurisdictions in which Spinco or any Spinco Subsidiary files a material Tax Return.

(g) Neither Spinco nor any Spinco Subsidiary has agreed to make or is required to make any adjustment for a taxable period ending after the Effective Time under Section 481(a) of the Code by reason of a change in accounting method or otherwise, except where such adjustments have not had, and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco or the Spinco Business.

(h) Neither Spinco nor any Spinco Subsidiary has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock (other than the Distribution) qualifying for tax–free treatment under Section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in connection with the Merger.

(i) None of AT Co., Spinco, and their respective Subsidiaries has taken or agreed to take any action that is reasonably likely to (nor is any of them aware of any agreement, plan or other circumstance that would) prevent the Tax–Free Status of the Transactions.

(j) None of AT Co., Spinco, and any of their Subsidiaries in respect of the Spinco Business has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Sections 6011, 6111 and 6112 of the Code.

6.12 *Benefit Plans.*

(a) Section 6.12(a) of the Spinco Disclosure Letter lists each "employee benefit plan" (as defined in Section 3(3) of ERISA), and all other benefit, bonus, incentive, deferred compensation, stock option (or other equity–based), severance, change in control, welfare (including post–retirement medical and life insurance) and fringe benefit plans, whether or not subject to ERISA and whether written or oral, sponsored, maintained or contributed to or required to be contributed to by Spinco or any of the Spinco Subsidiaries, to which Spinco or any of the Spinco Subsidiaries will be a party on the Distribution Date, as provided in the Employee Benefits Agreement, or in which any Person who is currently, has been or, on or prior to the Effective Time, is expected to become an employee of Spinco or any of the Spinco Subsidiaries (a "Spinco Employee") will be a participant on the Distribution Date, or with respect to which Spinco or any of the Spinco Subsidiaries has any material liability (the "Spinco Benefit Plans").

(b) No material liability under Title IV (including Sections 4069 and 4212(c) of ERISA) or Section 302 of ERISA has been or as of the Effective Time will have been incurred by Spinco, any of the Spinco Subsidiaries or any ERISA Affiliate of any of them, and no condition exists that would reasonably be expected to result in Spinco or any of the Spinco Subsidiaries incurring any such liability, other than liability for premiums due the PBGC as of the Distribution Date. The present value of accrued benefits under each Spinco Benefit Plan that is subject to Title IV of ERISA, determined based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such plan's actuary with respect to such plan, will not exceed the then current value of the assets of such plan allocable to such accrued benefits.

(c) No Spinco Benefit Plan is or will be at the Effective Time a "multiemployer plan," as defined in Section 3(37) of ERISA and (ii) none of Spinco, any of the Spinco Subsidiaries or any ERISA Affiliate of any of them has made or suffered or will as of the Effective Time have made or suffered a "complete withdrawal" or a "partial withdrawal," as such terms are respectively defined in Section 4203 and 4205 of ERISA, the liability for which has not been satisfied in full.

(d) Each Spinco Benefit Plan has been or for periods on or prior to the Distribution Date will have been operated and administered in all material respects in accordance with its terms and applicable Law, including ERISA and the Code. All contributions and premium payments required to be made with respect to any Spinco Benefit Plan have now been, or on the Distribution Date will have been, timely made, except as may otherwise be specifically permitted under the terms of the Employee Benefits Agreement. There are no pending or, to the knowledge of Spinco or AT Co., threatened claims by, on behalf of or against any of the Spinco Benefit Plans in effect as of the date hereof or any assets thereof, other than routine benefit claim matters, that, if adversely determined, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco, and no matter is pending (other than routine qualification determination filings, copies of which have been furnished to the Company or will be promptly furnished to the Company when made) before the IRS, the United States Department of Labor or the PBGC with respect to any Spinco Benefit Plan.

(e) Subject to the initial qualification determination filings to be made to the Internal Revenue Service (copies of which will be promptly furnished to the Company when made), each Spinco Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is, or on the Distribution Date will be, so qualified and the trusts maintained thereunder are, or on the Distribution Date will be, exempt from taxation under Section 501(a) of the Code; each trust maintained under any Spinco Benefit Plan intended to satisfy the requirements of Section 501(c)(9) of the Code has, or on the Distribution Date will have, satisfied such requirements and, in either such case, no event has occurred or condition is known to exist that would reasonably be expected to have a material adverse effect on such tax-qualified status for any such Spinco Benefit Plan or any such trust.

(f) No Spinco Benefit Plan provides, or on the Distribution Date will provide, medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of Spinco or any Spinco Subsidiary or for any other Person for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable Law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary).

(g) Except as contemplated by this Agreement and each other Transaction Agreement, no Spinco Benefit Plan or employment arrangement, no similar plan or arrangement sponsored or maintained by AT Co. in which any Spinco Employee is, or on the Distribution Date will be, a participant and no contractual arrangement between Spinco and any third party exists, or on the Distribution Date will exist, that could result in the payment to any current, former or future director, officer, stockholder or employee of Spinco or any of the Spinco Subsidiaries, or of any entity the assets or capital stock of which have been acquired by Spinco or a Spinco Subsidiary, of any money or other property or rights or accelerate or provide any other rights or benefits to any such individual as a result of the consummation of the transactions contemplated by the Transaction Agreements (including the Distribution), whether or not (a) such payment, acceleration or provision would constitute a "parachute payment" (within the meaning of Section 280G of the Code) or (b) some other subsequent action or event would be required to cause such payment, acceleration or provision to be triggered.

6.13 *Labor Matters.* Except to the extent listed in Section 6.13 of the Spinco Disclosure Letter, neither Spinco nor any of the Spinco Subsidiaries is a party to, or bound by, any collective bargaining agreement or other Contract with employees, a labor union or labor organization. Except for such matters which have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco, (a) as of the date hereof, (i) there are no strikes or lockouts with respect to Spinco Employees, and (ii) there are not now, and to the knowledge of Spinco or AT Co., since January 1, 2003 there has not been, any union organizing effort pending or threatened against Spinco or any of the Spinco Subsidiaries; (b) there is no unfair labor practice, charge, complaint, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or, to the knowledge of Spinco or AT Co., threatened against Spinco or any of the Spinco Subsidiaries; (c) there is no slowdown, or work stoppage in effect or, to the knowledge of Spinco or AT Co., threatened with respect to Spinco Employees; and (d) Spinco and the Spinco Subsidiaries are in compliance with all applicable Laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, (iii) collective bargaining and labor relations practices, (iv) layoffs, (v) immigration, and (vi) the payment of taxes and other withholdings. As of the date hereof, neither Spinco nor any of the Spinco Subsidiaries has any liabilities under the WARN Act as a result of any action taken by Spinco and that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.14 *Intellectual Property Matters.* Section 6.14 of the Spinco Disclosure Letter contains a complete and accurate list of (i) all patented or registered Intellectual Property Rights (and pending applications therefore) owned by Spinco or any of the Spinco Subsidiaries, and (ii) all other patented or registered Intellectual Property Rights (and pending applications therefor) used by Spinco or any of the Spinco Subsidiaries, in each case, to the extent material to the Spinco Business taken as a whole. Spinco and the Spinco Subsidiaries own and possess, or will immediately prior to the Effective Time own and

possess, free and clear of any Liens, except Permitted Encumbrances, all right, title and interest in and to, or have, or will immediately prior to the Effective Time have, adequate licenses or other valid and enforceable rights to use, all material Intellectual Property Rights used or held for use in connection with the Spinco Business as currently conducted and as proposed to be conducted immediately prior to the Effective Time (including in connection with services provided by Spinco and the Spinco Subsidiaries to third parties) (the "Spinco IP Rights"), except where the failure to own or possess such items would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. To the best of AT Co.'s or Spinco's knowledge, there is no assertion or claim challenging the validity, enforceability, ownership or use of any of the foregoing that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. The conduct of the Spinco Business as currently conducted and proposed to be conducted immediately prior to the Effective Time does not infringe, misappropriate or otherwise conflict in any way with any Intellectual Property Rights of any third party that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. To the best of AT Co.'s or Spinco's knowledge, there are no infringements or misappropriations of, or other conflicts with, any Intellectual Property Rights owned by or licensed by or to Spinco or any Spinco Subsidiary that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. The transactions contemplated by this Agreement shall not impair the right, title or interest of Spinco or any Spinco Subsidiary in and to the Spinco IP Rights, and all of the Spinco IP Rights shall be owned or available for use by the Surviving Corporation immediately after the Effective Time on terms and conditions identical, in all material respects, to those under which Spinco and the Spinco Subsidiaries owned or used the Spinco IP Rights immediately prior to the Effective Time, except where such impairment or failure to be owned or available for use would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.15 *Material Contracts.*

(a) Except for this Agreement, each other Transaction Agreement, the Spinco Credit Agreement, the Indenture governing the Spinco Notes, the Voting Agreement, the Spinco Benefit Plans and except as filed as an exhibit to any AT Co. SEC Document or as disclosed in Section 6.15 of the Spinco Disclosure Letter, neither AT Co. nor any of its Subsidiaries with respect to the Spinco Business is, and neither Spinco nor any Spinco Subsidiary will be immediately prior to the Effective Time a party to or bound by any "material contract" (as such term is defined in item 601(b)(10) of Regulation S–K of the SEC) (all contracts of the type described in this Section 6.15 being referred to herein as "Spinco Material Contracts").

(b) Neither Spinco nor any Spinco Subsidiary nor AT Co. nor any AT Co. Subsidiary is in breach of or default under the terms of any Spinco Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. To the knowledge of Spinco or AT Co. and their respective Subsidiaries, no other party to any Spinco Material Contract is in breach of or in default under the terms of any Spinco Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. Each Spinco Material Contract is a valid and binding obligation of Spinco or any Spinco Subsidiary or AT Co. or any AT Co. Subsidiary which is a party thereto and, to the knowledge of Spinco or AT Co. and their respective Subsidiaries, of each other party thereto, and is in full force and effect, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (ii) equitable remedies of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

6.16 *Brokers or Finders.* Except for Merrill Lynch, Pierce, Fenner & Smith Incorporated, JP Morgan Securities Inc. and Stephens, Inc., no agent, broker, investment banker, financial advisor or other similar Person is or will be entitled, by reason of any agreement, act or statement by Spinco or any Spinco Subsidiaries, directors, officers or employees, to any financial advisory, broker's, finder's or similar

fee or commission, to reimbursement of expenses or to indemnification or contribution in connection with any of the transactions contemplated by this Agreement or each other Transaction Agreement.

6.17 *Board and Stockholder Approval.* The Boards of Directors of AT Co. and Spinco, in each case, at a meeting duly called, have unanimously approved this Agreement and declared it advisable. As of the date hereof, the sole stockholder of Spinco is AT Co. Immediately after execution of this Agreement, AT Co. will approve and adopt (the "Spinco Stockholder Approval") at a meeting of AT Co., as Spinco's sole stockholder, all aspects of this Agreement and other Transaction Agreements and the transactions contemplated hereby and thereby which require the consent of Spinco's stockholders under the DGCL, the NYSE rules, Spinco's Certificate of Incorporation or Spinco's Bylaws. The approval of AT Co.'s stockholders is not required to effect the transactions contemplated by the Distribution Agreement, this Agreement or the other Transaction Agreements. Upon obtaining the Spinco Stockholder Approval, the approval of Spinco's stockholders after the Distribution Date will not be required to effect the transactions contemplated by this Agreement, including the Merger, unless this Agreement is amended in accordance with Section 251(d) of the DGCL after the Distribution Date and such approval is required, solely as a result of such amendment, under the DGCL, Spinco's Certificate of Incorporation or Spinco's Bylaws or by the IRS.

6.18 *Assets.*

(a) After giving effect to the Contribution and the other transactions described in or contemplated by the Distribution Agreement, Spinco, together with the Spinco Subsidiaries, will have, in all material respects, good and valid title (and, with respect to the Owned Real Property and Spinco Leasehold Improvements, good and marketable title) or, in the case of the Leased Real Property, valid leasehold interests in, all of the Spinco Assets, except where the failure to have such good and valid or marketable title, or valid leasehold interest, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(b) At the Effective Time, the Assets of Spinco and the Spinco Subsidiaries, take together with the services available from AT Co. under the Transition Services Agreement, the Assets subject to the Shared Assets Agreement and the Contracts subject to the Shared Contracts Agreement, will be sufficient for the operation of the Spinco Business in all material respects as currently conducted and as proposed to be conducted at the Effective Time.

6.19 *Spinco Real Property.*

(a) Section 6.19(a) of the Spinco Disclosure Letter sets forth the address and description of all Real Property that is, or following the Contribution will be, Spinco Owned Real Property, the loss of which would be material and adverse to the Spinco Business as a whole. With respect to such Spinco Owned Real Property: (A) except as set forth in Section 6.19(a) of the Spinco Disclosure Letter, Spinco or Spinco Subsidiaries have not leased or otherwise granted to any Person the right to use or occupy such Spinco Owned Real Property or any material portion thereof; and (B) other than the right of the Company pursuant to this Agreement, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Spinco Owned Real Property or any material portion thereof or interest therein.

(b) Section 6.19(b) of the Spinco Disclosure Letter sets forth the address of all Spinco Leased Real Property, the loss of which would be material and adverse to the Spinco Business as a whole, and a true and complete list of all Spinco Leases for such properties (including all amendments, extensions, renewals, guaranties and other agreements with respect thereto) for each such Spinco Leased Real Property. Spinco has made available to the Company a true and complete copy of each such Spinco Lease document, and in the case of any such Lease that is an oral Lease, a written summary of the material terms of such Lease. Except as set forth in Section 6.19(b) of the Spinco Disclosure Letter, or as would not be reasonably expected to have a Material Adverse Effect on Spinco, with respect to each such Spinco Lease: (i) Spinco or Spinco's Subsidiaries' possession and quiet enjoyment of the Spinco Leased Real Property under such Spinco Lease has not been disturbed, and, to Spinco's knowledge, there

are no disputes with respect to such Spinco Lease; (ii) neither Spinco nor Spinco Subsidiaries owe any material brokerage commissions or finder's fees with respect to such Spinco Lease; (iii) Spinco or Spinco Subsidiaries have not subleased, licensed or otherwise granted any Person the right to use or occupy such Spinco Leased Real Property or any portion thereof; (iv) Spinco or Spinco Subsidiaries have not collaterally assigned or granted any other security interest in such Spinco Lease or any interest therein; and (v) there are no Liens on the estate or interest created by such Spinco Lease other than Permitted Encumbrances.

(c) Except as would not be reasonably expected to have a Material Adverse Effect on Spinco, the Spinco Leasehold Improvements and all buildings, structures, improvements, fixtures, building systems and equipment, and all components thereof, included in the Spinco Owned Real Property are in good condition and repair and sufficient for the operation of the Spinco Business.

6.20 *Communications Regulatory Matters.*

(a) Spinco and the Spinco Subsidiaries hold, or on the Distribution Date will hold, all approvals, authorizations, certificates and licenses issued by the FCC, state public service or public utility commissions (the "State Regulators") set forth in Section 6.19(a) of the Spinco Disclosure Letter, and all other material regulatory permits, approvals, licenses, and other authorizations, including but not limited to franchises, ordinances and other agreements granting access to public rights of way, issued or granted to Spinco or any Spinco Subsidiary by a state or federal agency or commission or other federal, state or local or foreign regulatory bodies regulating competition and telecommunications businesses (the "Spinco Licenses") that are required for the conduct of the Spinco Business, as presently conducted and as proposed to be conducted, except such Spinco Licenses the failure of which to so hold would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(b) Each Spinco License is, or will be on the Distribution Date, valid and in full force and effect and has not been, or will not have been, suspended, revoked, cancelled or adversely modified, except where the failure to be in full force and effect, or the suspension, revocation, cancellation or modification of which has not had or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. No Spinco License is subject to (i) any conditions or requirements that have not been imposed generally upon licenses in the same service, unless such conditions or requirements would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco, or (ii) any pending regulatory proceeding (other than those affecting the wireline industry generally) or judicial review before a Governmental Authority, unless such pending regulatory proceedings or judicial review would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco. Neither AT Co. nor Spinco has knowledge of any event, condition or circumstance that would preclude any Spinco License from being renewed in the ordinary course (to the extent that such Spinco License is renewable by its terms), except where the failure to be renewed has not had or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(c) The licensee of each Spinco License is, or on the Distribution Date will be in compliance with each Spinco License and has fulfilled and performed, or will fulfill or perform, all of its material obligations with respect thereto, including all reports, notifications and applications required by the Communications Act or the rules, regulations, policies, instructions and orders of the FCC (the "FCC Rules") or similar rules, regulations, policies, instructions and orders of State Regulators and the payment of all regulatory fees, except (i) for exemptions, waivers or similar concessions or allowances and (ii) where such failure to be in compliance, fulfill or perform its obligations or pay such fees or contributions has not had, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(d) Spinco or a wholly owned Spinco Subsidiary owns, or on the Distribution Date will own, one hundred percent (100%) of the equity and controls, or on the Distribution Date will control, one hundred percent (100%) of the voting power and decision–making authority of each licensee of the Spinco Licenses, except where the failure to own such equity or control such voting power and decision–making

authority of such licensees would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Spinco.

6.21 *Spinco Operations.* Spinco is a direct, wholly owned Subsidiary of AT Co. that, subject to the terms of the Distribution Agreement, following the Contribution will own, directly or indirectly, the Spinco Assets, and will have assumed, directly or indirectly, the Spinco Liabilities, all as provided in the Distribution Agreement.

6.22 *Opinion of Spinco Financial Advisor.* Spinco and AT Co., as the sole stockholder of Spinco, have received the written opinions of Merrill Lynch, Pierce, Fenner & Smith Incorporated, JP Morgan Securities Inc. and Stephens, Inc., to the effect that, as of the date hereof the Exchange Ratio (as defined therein) is fair from a financial point of view to holders of AT Co. Common Stock who become holders of Spinco Common Stock in the Distribution. Spinco has previously delivered a copy of such opinion to the Company.

6.23 *Company Common Stock.* Neither AT Co. nor Spinco owns (directly or indirectly, beneficially or of record) nor is a party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each case, any shares of capital stock of the Company (other than as contemplated by this Agreement).

6.24 *Affiliate Transactions.* Except as specifically provided in this Agreement or any of the other Transaction Agreements or as disclosed in the AT Co. SEC Documents, there are no transactions or Contracts of the type that would be required to be disclosed by Spinco under Item 404 of Regulation S–K if Spinco were a company subject to such Item between or among (a) AT Co., Spinco or any Spinco Subsidiary, on the one hand, and (b) Jeffrey R. Gardner or Francis X. Frantz, on the other hand.

ARTICLE VII

Representations and Warranties of the Company

Except as disclosed in the corresponding section of the Disclosure Letter delivered by the Company to AT Co. and Spinco immediately prior to the execution of this Agreement and signed by an authorized officer of the Company (the "Company Disclosure Letter") (it being agreed that disclosure of any item in any section of the Company Disclosure Letter shall be deemed disclosure with respect to any other section of this Agreement to which the relevance of such item is reasonably apparent on its face), the Company represents and warrants to AT Co. and Spinco as follows:

7.1 *Organization, Qualification.*

(a) The Company is a corporation duly organized, validly existing and in good standing under the Laws of Delaware, has all requisite power and authority to own, lease and operate its properties and assets and to carry on its business as presently conducted, except where the failure to be so organized, existing and in good standing or to have such power and authority would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, and is duly qualified and licensed to do business and is in good standing in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification, except for jurisdictions in which the failure to be so qualified or to be in good standing would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The copies of the Company's Certificate of Incorporation and Bylaws and the Certificate of Incorporation and Bylaws (or analogous governing documents) of any Company Subsidiary that is a Significant Subsidiary of the Company, previously made available to AT Co. and Spinco are complete and correct copies of such documents as in full force and effect on the date hereof.

(b) Section 7.1(b) of the Company Disclosure Letter sets forth a list of the Company Subsidiaries and their respective jurisdictions of incorporation or organization, together with a designation of those Company Subsidiaries constituting Significant Subsidiaries of the Company.

7.2 *Capital Stock and Other Matters.*

(a) The authorized capital stock of the Company consists of 200,000,000 shares of Company Common Stock and 20,000,000 shares of preferred stock of the Company. At the close of business on December 6, 2005, (i) 71,130,634 shares of Company Common Stock were issued and outstanding, 342,469 shares of Company Common Stock were reserved for issuance pursuant to the Company Stock Plans; (ii) 3,400 shares of Company Common Stock were held by the Company in its treasury or by its Subsidiaries; and (iii) no shares of preferred stock of the Company were issued and outstanding. All of the issued and outstanding shares of Company Common Stock are validly issued, fully paid and nonassessable and free of preemptive rights.

(b) No bonds, debentures, notes or other indebtedness of the Company or any of the Company Subsidiaries having the right to vote (or convertible into or exercisable for securities having the right to vote) on any matters on which holders of shares of capital stock of the Company (including Company Common Stock) may vote ("Company Voting Debt") are, or at the Distribution Date will be, issued or outstanding.

(c) Except as set forth in Section 7.2(a) above or as set forth in Section 7.2(c) of the Company Disclosure Letter, there are no outstanding securities, options, warrants, convertible securities, calls, rights, commitments, agreements, arrangements, undertakings or Contracts of any kind to which the Company or any of the Company Subsidiaries is a party or by which any of them is bound obligating the Company or any of the Company Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of Company Common Stock, Company Voting Debt or other voting securities of the Company or any of the Company Subsidiaries or obligating the Company or any of the Company Subsidiaries to issue, grant, extend, redeem, acquire or enter into any such security, option, warrant, convertible security, call, right, commitment, agreement, arrangement, undertaking or Contract.

(d) Except for that certain Securityholders Agreement, dated February 14, 2005, by and among the Company and certain of its stockholders, there are no stockholder agreements, voting trusts or other Contracts to which the Company is a party or by which it is bound relating to voting or transfer of any shares of capital stock of the Company.

7.3 *Corporate Authority; No Violation.*

(a) The Company has the corporate power and authority to enter into this Agreement, and subject to obtaining the Requisite Approval, to carry out its obligations hereunder. The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Company, subject to obtaining the Requisite Approval. This Agreement has been duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by AT Co., and Spinco, constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms (except insofar as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, or by principles governing the availability of equitable remedies).

(b) Neither the execution and delivery by the Company of this Agreement nor the consummation by the Company of the transactions contemplated hereby or compliance by the Company with any of the provisions hereof will (i) violate or conflict with any provisions of the Company's Certificate of Incorporation or Bylaws; (ii) result in a default (or an event that, with notice or lapse of time or both, would become a default) or give rise to any right of termination by any third party, cancellation, amendment or acceleration of any obligation or the loss of any benefit under, any Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company or any of the Company Subsidiaries is bound or affected; (iii) result in the creation of a Lien, pledge, security interest, claim or other encumbrance on any of the issued and outstanding shares of Company Common Stock or on any of the assets of the Company or any of the Company Subsidiaries pursuant to any Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company or the Company

Subsidiaries is bound or affected; or (iv) assuming the consents and approvals contemplated by Section 7.3(c) below are obtained, violate or conflict with any order, writ, injunction, decree, Law, ordinance, rule or regulation applicable to the Company or any of the Company Subsidiaries, or any of the properties, business or assets of any of the foregoing, other than, in the case of each of clauses (i) through (iv), any such violation, conflict, default, right, loss or Lien which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) Other than in connection with or in compliance with (i) the provisions of the DGCL, (ii) the Securities Act, (iii) the Exchange Act, (iv) the HSR Act, (v) the Communications Act and applicable rules and regulations thereunder, (vi) the approvals set forth on Section 7.3(c) of the Company Disclosure Letter; (vii) the rules and regulations of the NYSE, and (viii) the Requisite Approval (collectively, the "Company Approvals"), no authorization, consent or approval of, or filing with any Governmental Authority is necessary for the consummation by the Company of the transactions contemplated by this Agreement, except for such authorizations, consents, approvals or filings that, if not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.4 *Company Reports and Financial Statements.*

(a) The Company has previously made available to Spinco complete and correct copies of:

(i) Company's Annual Reports on Form 10–K filed with the SEC under the Exchange Act for the years ended December 31, 2004, and the Company's audited consolidated balance sheet at December 31, 2003 and 2002, and the related audited consolidated statements of operations, cash flows and stockholder's equity for the fiscal years ended December 31, 2003 and 2002 (the "Company Pre–IPO Financial Statements");

(ii) Company's Quarterly Reports on Form 10–Q filed with the SEC under the Exchange Act for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005;

(iii) each definitive proxy statement filed by the Company with the SEC under the Exchange Act prior to the date hereof;

(iv) all current reports on Form 8–K filed by the Company with the SEC under the Exchange Act prior to the date hereof; and

(v) each other form, report, schedule, registration statement and definitive proxy statement filed by the Company or any of its Subsidiaries with the SEC prior to the date hereof (collectively, and together with the items specified in clauses (i) through (iv) above, the "Company SEC Documents").

(b) As of their respective dates, the Company SEC Documents complied in all material respects, and each other form, report, schedule, registration statement and definitive proxy statement filed by the Company or any of its Subsidiaries after the date hereof and prior to the Effective Time (the "Additional Company SEC Documents") will comply in all material respects, with the requirements of the Securities Act or the Exchange Act, as the case may be, and none of such Company SEC Documents when filed contained, or will contain, an untrue statement of a material fact or omitted, or will omit, to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited consolidated interim financial statements included in the Company SEC Documents and the Additional Company SEC Documents and the Company Pre–IPO Financial Statements fairly present in all material respects, or will fairly present in all material respects, the financial position of the Company and its consolidated Subsidiaries as of the respective dates thereof and the results of operations and changes in cash flows, changes in stockholder's equity or other information included therein for the periods or as of the respective dates then ended, subject, where appropriate, to normal year–end audit adjustments (none of which Company management expects to be material), in each case in accordance with past practice and GAAP, consistently applied, during the periods involved

(except as otherwise stated therein). Since its initial public offering in February 2005, the Company has timely filed all reports, registration statements and other filings required to be filed with the SEC under the rules and regulations of the SEC. Except as set forth in the Company SEC Documents filed prior to the date hereof or as set forth in Section 7.4 of the Company Disclosure Letter or liabilities incurred in the ordinary course of business, consistent with past practice, since the Interim Balance Sheet Date, the Company and its Subsidiaries have not incurred any liability or obligation that is of a nature that would be required to be disclosed on a consolidated balance sheet of the Company and its Subsidiaries or in the footnotes thereto prepared in conformity with GAAP, other than liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) The Company and the Company Subsidiaries have designed and maintain a system of internal controls over financial reporting (as defined in Rules 13a–15(f) and 15d–15(f) of the Exchange Act) sufficient to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. The Company (A) has designed and maintains disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) of the Exchange Act) to ensure that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure and to make the certifications of the principal executive officer and principal financial officer of the Company required pursuant to Sections 302 and 906 of the Sarbanes–Oxley Act and (B) has disclosed, based on its most recent evaluation of such disclosure controls and procedures prior to the date hereof to the Company's auditors and the audit committee of the Company's Board of Directors, (x) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting that are reasonably likely to adversely affect in any material respect the Company's ability to record, process, summarize and report financial information with respect to the Company and (y) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting. The Company has made available to AT Co. and Spinco any such disclosure made by management to the Company's auditors and the audit committee of the Company's Board of Directors.

7.5 *Absence of Certain Changes or Events.* Except as specifically contemplated by this Agreement, since the Interim Balance Sheet Date, each of the Company and the Company Subsidiaries has conducted its business in the ordinary course, consistent with past practice, and there has not been any event, occurrence, development or state of circumstances or facts that has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. From the Interim Balance Sheet Date to the date hereof, none of the Company or any of the Company Subsidiaries has taken any action or failed to take any action, which action or failure, as the case may be, would constitute a breach of Section 8.1 if taken without the consent of AT Co. and Spinco after the date hereof.

7.6 *Investigations; Litigation.* Except as described in the Company SEC Documents:

(a) There is no investigation or review pending (or, to the knowledge of the Company, threatened) by any Governmental Authority with respect to the Company or any of the Company Subsidiaries.

(b) There are no actions, suits, inquiries, grievances, arbitrations, investigations or proceedings pending (or, to the knowledge of the Company, threatened) against or affecting the Company or any of the Company Subsidiaries or any of their respective properties at law or in equity before and there are no orders, judgments or decrees of or before any Governmental Authority, in each case which would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.7 *Compliance with Laws; Permits.*

(a) The Company and the Company Subsidiaries are, and since January 1, 2003 have been, in compliance with all, and have received no notice of any violation (as yet unremedied) of any, Laws, applicable to the Company, such Company Subsidiaries or any of their respective properties or assets, except where such non–compliance, default or violation has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. Notwithstanding anything contained in this Section 7.7(a), no representation or warranty shall be deemed to be made in this Section 7.7(a) in respect of environmental, tax, employee benefits, labor or communications Laws matters, which are the subject of the representations and warranties made in Sections 7.10, 7.11, 7.12, 7.13 and 7.15 of this Agreement, respectively.

(b) The Company and the Company Subsidiaries are in possession of all franchises, grants, authorizations, licenses, permits, easements, variances, exceptions, consents, certificates, approvals and orders of any Governmental Authority necessary for the Company and the Company Subsidiaries to own, lease and operate their properties and assets or to carry on their businesses as they are now being conducted (the "Company Permits"), except where the failure to have any of the Company Permits has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. All Company Permits are in full force and effect, except where the failure to be in full force and effect has not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.8 *Proxy Statement/ Prospectus; Registration Statement.* None of the information regarding the Company or the Company Subsidiaries or the transactions contemplated by this Agreement provided by the Company specifically for inclusion in, or incorporation by reference into, the Proxy Statement/ Prospectus or the Registration Statement will, in the case of the definitive Proxy Statement/ Prospectus or any amendment or supplement thereto, at the time of the mailing of the definitive Proxy Statement/ Prospectus and any amendment or supplement thereto, and at the time of the Company Stockholders Meeting, or, in the case of the Registration Statement, at the time it becomes effective, at the time of the Company Stockholders Meeting and at the Effective Time, contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading. The Registration Statement will comply in all material respects with the provisions of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations promulgated thereunder, except that no representation is made by the Company with respect to information provided by AT Co. or Spinco specifically for inclusion in, or incorporation by reference into, the Registration Statement.

7.9 *Information Supplied.* All documents that the Company is responsible for filing with any Governmental Authority in connection with the transactions contemplated hereby or by any other Transaction Agreement will comply in all material respects with the provisions of applicable Law. All information supplied or to be supplied by the Company in any document, other than the Proxy Statements/ Prospectus and Registration Statement, which are addressed in Section 7.8, filed with any Governmental Authority in connection with the transactions contemplated hereby and by the other Transaction Agreements will be, at the time of filing, at the Distribution Date and at the Effective Time, true and correct in all material respects.

7.10 *Environmental Matters.* Except as would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company:

(a) The Company and each of the Company Subsidiaries is and since January 1, 2003 has been in compliance with all applicable Environmental Laws and the Company and the Company Subsidiaries possess all Company Permits that are required under applicable Environmental Laws, and are in compliance with the terms and conditions thereof;

(b) neither the Company nor any of the Company Subsidiaries has received written notice of, or, is the subject of, any Environmental Claims;

(c) neither the Company nor any of the Company Subsidiaries is subject to any indemnification obligation with respect to Environmental Laws or Hazardous materials, including such obligations regarding businesses currently or formerly owned or operated by the Company or any of the Company Subsidiaries or regarding properties formerly owned or leased by the Company or any of the Company Subsidiaries;

(d) there is no condition on, at, under or related to any property (including any release of a Hazardous Material into the air, soil, surface water, sediment or ground water at, under or migrating to or from such property), including related to property currently owned, leased or used by the Company or any of the Company Subsidiaries or created by the Company's or any Company Subsidiary's operations that, would give rise to liability for the Company or any of the Company Subsidiaries under applicable Environmental Laws, and, to the Company's knowledge, the foregoing representation is true and correct with regard to property formerly owned, leased or used by the Company or any of the Company Subsidiaries; and

(e) neither the Company nor any Company Subsidiary has any liability with respect to asbestos in any product or within any building or structure;

(f) The Company has made available to AT Co. and Spinco all material site assessments, environmental compliance audits, and other documents relating to environmental matters, and relating to the Company or its current or former properties or facilities to the extent such documents are in the possession, custody or control of the Company or any of the Company Subsidiaries, including without limitation such documents relating to (i) the environmental conditions on, under or about the properties or assets currently or formerly owned, leased, operated or used by the Company, any of the Company Subsidiaries or any predecessor in interest thereto and (ii) any Hazardous Materials used, managed, handled, transported, treated, generated, stored, discharged, emitted, or otherwise released by the Company, any of the Company Subsidiaries or any other Person on, under, about or from any of the properties currently or formerly owned or leased by, or otherwise in connection with the use or operation of any of the properties owned or leased, or otherwise in connection with the use or operation of any of the properties and assets of the Company or any of the Company Subsidiaries, or its businesses and operations.

(g) This Section 7.10 contains the sole and exclusive representations and warranties of AT Co. and Spinco with respect to environmental matters, including matters relating to Environmental Laws and Hazardous Materials.

7.11 *Tax Matters.*

(a) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the Company, (i) all Tax Returns relating to the Company and the Company Subsidiaries required to be filed have been filed, (ii) all such Tax Returns are true and correct in all respects, (iii) all Taxes shown as due and payable on such Tax Returns, and all Taxes (whether or not reflected on such Tax Returns) relating to the Company or any the Company Subsidiary required to be paid, have been paid, (iv) all Taxes relating to the Company and the Company Subsidiaries for any taxable period (or a portion thereof) beginning on or prior to the Closing Date (which are not yet due and payable) have been properly reserved for in the books and records of the Company, and (v) the Company and the Company Subsidiaries have duly and timely withheld all Taxes required to be withheld and such withheld Taxes have been either duly and timely paid to the proper Taxing Authority or properly set aside in accounts for such purpose and will be duly and timely paid to the proper Taxing Authority.

(b) No written agreement or other written document waiving or extending, or having the effect of waiving or extending, the statute of limitations or the period of assessment or collection of any Taxes relating to the Company or any Company Subsidiary and no power of attorney with respect to any such Taxes has been filed or entered into with any Taxing Authority.

(c) No audits or other administrative proceedings or proceedings before any Taxing Authority are presently pending with regard to any Taxes or Tax Return of the Company or any Company Subsidiary,

as to which any Taxing Authority has asserted in writing any claim which, if adversely determined, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, and no Taxing Authority is now asserting in writing any deficiency or claim for Taxes or any adjustment to Taxes with respect to which the Company or any Company Subsidiary may be liable with respect to income or other material Taxes which has not been fully paid or finally settled.

(d) Neither the Company nor any Company Subsidiary (i) is a party to or bound by or has any obligation under any Tax separation, sharing or similar agreement or arrangement, (ii) is or has been a member of any consolidated, combined or unitary group for purposes of filing Tax Returns or paying Taxes (other than a group of which the Company is the common parent corporation) or (iii) has entered into a closing agreement pursuant to Section 7121 of the Code, or any predecessor provision or any similar provision of state or local law.

(e) None of the assets of the Company or any of the Company Subsidiaries is subject to any Tax lien (other than liens for Taxes that are not yet due and payable).

(f) Section 7.11 of the Company Disclosure Letter lists all foreign jurisdictions in which the Company or any Company Subsidiary files a material Tax Return.

(g) Neither the Company nor any Company Subsidiary has agreed to make or is required to make any adjustment for a taxable period ending after the Effective Time under Section 481(a) of the Code by reason of a change in accounting method or otherwise, except where such adjustments have not had, and could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(h) Neither the Company nor any Company Subsidiary has constituted either a "distributing corporation" or a "controlled corporation" (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of stock qualifying for tax–free treatment under Section 355 of the Code (I) in the two years prior to the date of this Agreement or (II) in a distribution that could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in connection with the Merger.

(i) Neither the Company nor any of the Company Subsidiaries has taken or agreed to take any action that is reasonably likely to (nor are any of them aware of any agreement, plan or other circumstance that would) prevent the Tax–Free Status of the Transactions.

(j) Neither the Company nor any Company Subsidiary has engaged in any listed transaction, or any reportable transaction the principal purpose of which was tax avoidance, within the meaning of Sections 6011, 6111 and 6112 of the Code.

7.12 *Benefit Plans.*

(a) Section 7.12(a) of the Company Disclosure Letter lists each "employee benefit plan" (as defined in Section 3(3) of ERISA), and all other benefit, bonus, incentive, deferred compensation, stock option (or other equity–based), severance, change in control, welfare (including post–retirement medical and life insurance) and fringe benefit plans, whether or not subject to ERISA and whether written or oral, sponsored, maintained or contributed to or required to be contributed to by the Company or any of the Company Subsidiaries, to which the Company or any of the Company Subsidiaries is a party or in which any Person who is currently, has been or, prior to the Effective Time, is expected to become an employee of the Company or any of the Company Subsidiaries (a "Company Employee") is a participant (the "Company Benefit Plans"), or with respect to which the Company or any of the Company Subsidiaries has or could have any material liability.

(b) No material liability under Title IV (including Sections 4069 and 4212(c) of ERISA) or Section 302 of ERISA has been incurred by the Company, any of the Company Subsidiaries or any ERISA Affiliate of any of them, and no condition exists that would reasonably be expected to result in the Company, any of the Company Subsidiaries or any ERISA Affiliate of any of them of incurring any such liability, other than liability for premiums due the PBGC. The present value of accrued benefits

under each Company Benefit Plan that is subject to Title IV of ERISA, determined based upon the actuarial assumptions used for funding purposes in the most recent actuarial report prepared by such plan's actuary with respect to such plan, did not exceed, as of its latest valuation date, the then current value of the assets of such plan allocable to such accrued benefits.

(c) (i) No Company Benefit Plan is a "multiemployer pension plan," as defined in Section 3(37) of ERISA and (ii) none of the Company, any of the Company Subsidiaries or any ERISA Affiliate of any of them has made or suffered a "complete withdrawal" or a "partial withdrawal," as such terms are respectively defined in Sections 4203 and 4205 of ERISA, which has not been satisfied in full.

(d) Each Company Benefit Plan has been operated and administered in all material respects in accordance with its terms and applicable Law, including, ERISA and the Code. All contributions required to be made with respect to any Company Benefit Plan have been timely made, except for outstanding contributions in the ordinary course. There are no pending or, to the knowledge of the Company, threatened claims by, on behalf of or against any of the Company Benefit Plans or any assets thereof, other than routine benefit claim matters, that, if adversely determined would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and no matter is pending (other than routine qualification determination filings, copies of which have been furnished to the AT Co. and Spinco or will be promptly furnished to the AT Co. and Spinco when made) with respect to any of the Company Benefit Plans before the IRS, the United States Department of Labor or the PBGC.

(e) Each Company Benefit Plan intended to be "qualified" within the meaning of Section 401(a) of the Code is so qualified and the trusts maintained thereunder are exempt from taxation under Section 501(a) of the Code, each trust maintained under any Company Benefit Plan intended to satisfy the requirements of Section 501(c)(9) of the Code has satisfied such requirements and, in either such case, no event has occurred or condition is known to exist that would reasonably be expected to have a material adverse effect on such tax–qualified status for any such Company Benefit Plan or any such trust.

(f) No Company Benefit Plan provides medical, surgical, hospitalization, death or similar benefits (whether or not insured) for employees or former employees of Company or any Company Subsidiary for periods extending beyond their retirement or other termination of service, other than (i) coverage mandated by applicable Law, (ii) death benefits under any "pension plan," or (iii) benefits the full cost of which is borne by the current or former employee (or his beneficiary). The Company has the right, and will have the right after the Effective Time to terminate any Company Benefit Plan or to amend any such Company Benefit Plan to reduce future benefits, (including any Company Benefit Plan that provides post–retirement medical and life insurance benefits) without incurring or otherwise being responsible for any material liability with respect thereto.

(g) No Company Benefit Plan or employment arrangement, and no contractual arrangements between the Company and any third party, exists that could result in the payment to any current, former or future director, officer, stockholder or employee of the Company or any of the Company Subsidiaries, or of any entity the assets or capital stock of which have been acquired by the Company or a Company Subsidiary, of any money or other property or rights or accelerate or provide any other rights or benefits to any such individual as a result of the consummation of the transactions contemplated by the Transaction Agreements whether or not (a) such payment, acceleration or provision would constitute a "parachute payment" (within the meaning of Section 280G of the Code) or (b) some other subsequent action or event would be required to cause such payment, acceleration or provision to be triggered.

7.13 *Labor Matters.* Except to the extent listed in Section 7.13 of the Company Disclosure Letter, neither the Company nor any of the Company Subsidiaries is a party to, or bound by, any collective bargaining agreement or other Contract with employees, a labor union or labor organization. Except for such matters which have not had, and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, (a) as of the date hereof, (i) there are no strikes or lockouts with respect to Company Employees, and (ii) there are not now and, to the knowledge of the Company, since January 1, 2003 there has not been, any union organizing effort pending or

threatened against the Company or any of the Company Subsidiaries; (b) there is no unfair labor practice, charges or complaint, labor dispute (other than routine individual grievances) or labor arbitration proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Company Subsidiaries; (c) there is no slowdown, or work stoppage in effect or, to the knowledge of Company, threatened with respect to Company Employees; and (d) the Company and the Company Subsidiaries are in compliance with all applicable Laws respecting (i) employment and employment practices, (ii) terms and conditions of employment and wages and hours, (iii) collective bargaining and labor relations practices, (iv) layoffs, (v) immigration, and (vi) the payments of taxes and other withholdings. As of the date hereof, neither the Company nor any of the Company Subsidiaries has any liabilities under the WARN Act as a result of any action taken by the Company and that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.14 *Intellectual Property Matters.* Section 7.14 of the Company Disclosure Letter contains a complete and accurate list of (i) all patented or registered Intellectual Property Rights (and pending applications therefor) owned by the Company or any of the Company Subsidiaries, and (ii) all other patented or registered Intellectual Property Rights (and pending applications therefor) used by the Company or any of the Company Subsidiaries and material to the business of the Company and the Company Subsidiaries in each case, to the extent material to the business of the Company as a whole. The Company and the Company Subsidiaries own and possess free and clear of any Liens except Permitted Encumbrances, all right, title and interest in and to, or have adequate licenses or other valid and enforceable rights to use all material Intellectual Property Rights used or held for use in connection with the business of the Company and the Company Subsidiaries taken as a whole as currently conducted and as proposed to be conducted immediately prior to Effective Time (including in connection with services provided by the Company and the Company Subsidiaries to third parties) (the "Company IP Rights"), except where the failure to own or possess such items would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. To the best of the Company's knowledge, there is no assertion or claim challenging the validity, enforceability, ownership or use of any of the foregoing that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The conduct of the business of the Company and the Company Subsidiaries taken as a whole as currently conducted and as proposed to be conducted immediately after the Effective Time does not infringe, misappropriate or otherwise conflict in any way with any Intellectual Property Rights of any third party that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. To the best of the Company's knowledge, there are no infringements or misappropriations of or other conflicts with, any Intellectual Property Rights owned by or licensed by or to the Company or any Company Subsidiary that would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The transactions contemplated by this Agreement shall not impair the right, title or interest of the Company or any Company Subsidiary in and to the Company IP Rights, and all of the Company IP Rights shall be owned or available for use by the Surviving Corporation immediately after the Effective Time on terms and conditions identical in all material respects to those under which the Company and the Company Subsidiaries owned or used the Company IP Rights immediately prior to the Effective Time, except where such impairment or failure to be owned or available for use would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.15 *Communications Regulatory Matters.*

(a) The Company and the Company Subsidiaries hold all approvals, authorizations, certificates and licenses issued by the FCC and State Regulators set forth in Section 7.15(e) of the Company Disclosure Letter, and all other material regulatory permits, approvals, licenses, and other authorizations, including but not limited to franchises, ordinances and other agreements granting access to public rights of way, issued or granted to the Company or any Company Subsidiary by a state or federal agency or commission or other federal, state or local or foreign regulatory bodies regulating competition and telecommunications businesses (the "Company Licenses") that are required for the Company and the Company

Subsidiaries to conduct its business, as presently conducted and as proposed to be conducted, except such Company Licenses the failure of which to so hold would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(b) Each Company License is valid and in full force and effect and has not been suspended, revoked, cancelled or adversely modified, except where the failure to be in full force and effect, or the suspension, revocation, cancellation or modification of which has not had or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. No Company License is subject to (i) any conditions or requirements that have not been imposed generally upon licenses in the same service, unless such conditions or requirements would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, or (ii) any pending regulatory proceeding (other than those affecting the wireless industry generally) or judicial review before a Governmental Authority, unless such pending regulatory proceedings or judicial review would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. The Company and the Company Subsidiaries have no knowledge of any event, condition or circumstance that would preclude any Company License from being renewed in the ordinary course (to the extent that such Company License is renewable by its terms), except where the failure to be renewed has not had or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(c) The licensee of each Company License is in compliance with each Company License and has fulfilled and performed all of its material obligations with respect thereto, including all reports, notifications and applications required by the Communications Act or the FCC Rules or similar rules, regulations, policies, instructions and orders of State Regulators, and the payment of all regulatory fees, except (i) for exemptions, waivers or similar concessions or allowances and (ii) where such failure to be in compliance, fulfill or perform its obligations or pay such fees or contributions has not had, or would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

(d) The Company or a Company Subsidiary owns one hundred percent (100%) of the equity and controls one hundred percent (100%) of the voting power and decision–making authority of each licensee of the Company Licenses, except where the failure to own such equity or control such voting power and decision–making authority of such licensees would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company.

7.16 *Material Contracts.*

(a) Except for this Agreement, each other Transaction Agreement, the Company Benefit Plans and except as filed as an exhibit to any Company SEC Document or as disclosed in Section 7.16 of the Company Disclosure Letter, as of the date hereof, neither the Company nor any of the Company Subsidiaries is a party to or bound by any "material contract" (as such term is defined in item 601(b)(10) of Regulation S–K of the SEC) (all contracts of the type described in this Section 7.16 being referred to herein as "Company Material Contracts").

(b) Neither the Company nor any Company Subsidiary is in breach of or default under the terms of any Company Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. To the knowledge of the Company, no other party to any Company Material Contract is in breach of or in default under the terms of any Company Material Contract where such breach or default has had, or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company. Each Company Material Contract is a valid and binding obligation of the Company or any Company Subsidiary which is a party thereto and, to the knowledge of the Company, of each other party thereto, and is in full force and effect, except that (i) such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws, now or hereafter in effect, relating to creditors' rights generally and (ii) equitable remedies of specific performance and injunctive and other

forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

7.17 *Company Real Property.*

(a) Section 7.17(a) of the Company Disclosure Letter sets forth the address and description of all Company Owned Real Property, the loss of which would be material and adverse to the business of the Company as a whole. With respect to such Company Owned Real Property: (A) except as set forth in Section 7.17(a) of the Company Disclosure Letter or as would not reasonably be expected to have a Material Adverse Effect on the Company, the Company or Company Subsidiaries have not leased or otherwise granted to any Person the right to use or occupy such Company Owned Real Property or any material portion thereof; and (B) other than the right of the Company pursuant to this Agreement, there are no outstanding options, rights of first offer or rights of first refusal to purchase such Company Owned Real Property or any material portion thereof or interest therein.

(b) Section 7.17(b) of the Company Disclosure Letter sets forth the address of all Company Leased Real Property, the loss of which would be material and adverse to the business of the Company as a whole, and a true and complete list of all Company Leases for such property (including all amendments, extensions, renewals, guaranties and other agreements with respect thereto) for each such Company Leased Real Property. The Company has made available to AT Co. a true and complete copy of each such Company Lease document, and in the case of any such Lease that is an oral Lease, a written summary of the material terms of such Lease. Except as set forth in Section 7.17(b) of the Company Disclosure Letter or as would not reasonably be expected to have a Material Adverse Effect on the Company, with respect to each such Spinco Lease: (i) the Company's or Company Subsidiaries' possession and quiet enjoyment of the Company Leased Real Property under such Company Lease has not been disturbed, and to Company's knowledge, there are no disputes with respect to such Company Lease; (ii) Company or Company Subsidiaries have not subleased, licensed or otherwise granted any Person the right to use or occupy such Company Leased Real Property or any portion thereof; (iii) the Company or Company Subsidiaries have not collaterally assigned or granted any other security interest in such Company Lease or any interest therein; and (iv) there are no Liens on the estate or interest created by such Company Lease other than Permitted Encumbrances.

(c) Except as would not reasonably be expected to have a Material Adverse Effect on the Company, the Company Leasehold Improvements and all buildings, structures, improvements, fixtures, building systems and equipment, and all components thereof, included in the Company Owned Real Property are in good condition and repair and sufficient for the operation of the Company Business.

7.18 *Opinion of Company Financial Advisors.* The Company has received the written opinions of Wachovia Capital Markets, LLC and Bear Stearns & Co., Inc., to the effect that, as of the date hereof, the financial effects of the Merger are fair, from a financial point of view, to the Company and its stockholders. The Company has previously delivered a copy of such opinion to AT Co.

7.19 *Brokers or Finders.* Except for Wachovia Capital Markets, LLC and Bear Stearns & Co., Inc., a copy of whose engagement agreement has been provided to AT Co., no agent, broker, investment banker, financial advisor or other similar Person is or will be entitled, by reason of any agreement, act or statement by the Company, or any of the Company Subsidiaries, directors, officers or employees, to any financial advisory, broker's, finder's or similar fee or commission, to reimbursement of expenses or to indemnification or contribution in connection with any of the transactions contemplated by this Agreement or any other Transaction Agreement.

7.20 *Takeover Statutes.* Other than Section 203 of the DGCL, no "fair price," "moratorium," "control share acquisition," "business combination," "stockholder protection" or other similar antitakeover statute or regulation enacted under Delaware law, or, to the knowledge of the Company, under the law of any other jurisdiction, will apply to this Agreement, the Voting Agreement, the Merger or the transactions contemplated hereby or thereby. Assuming the accuracy of the representation and warranty set forth in Section 7.3, the action of the Board of Directors of the Company in approving this Agreement

and the transactions provided for herein is sufficient to render inapplicable to this Agreement, the Voting Agreement, the Merger and the transactions contemplated hereby or thereby and the transactions provided for herein, the restrictions on "business combinations" (as defined in Section 203 of the DGCL) as set forth in Section 203 of the DGCL.

7.21 *Certain Board Findings.* The Board of Directors of the Company, at a meeting duly called and held, (i) has determined that this Agreement and the transactions contemplated hereby, including the Merger, and the issuance of shares of Company Common Stock pursuant to the Merger, are advisable, fair to and in the best interests of the Company and the stockholders of the Company, (ii) approved this Agreement and the transactions contemplated hereby, including the Merger and (iii) has resolved to recommend that the stockholders of the Company entitled to vote thereon adopt this Agreement at the Company Stockholders Meeting.

7.22 *Vote Required.* The only vote of the stockholders of the Company required under any of the DGCL, the NYSE rules or the Company's Certificate of Incorporation for adoption of this Agreement, is the affirmative vote of the holders of a majority in voting power of all outstanding shares of Company Common Stock at the Company Stockholders Meeting (sometimes referred to herein as the "Requisite Approval").

7.23 *Affiliate Transactions.* Except as specifically provided in this Agreement or any of the other Transaction Agreements or as disclosed in the Company SEC Reports, there are no transactions or Contracts of the type required to be disclosed by the Company under Item 404 of Regulation S–K between or among (a) the Company or any Company Subsidiary, on the one hand, and (b) any individual who is a "named executive officer" of the Company (as such term is defined in Section 402 of Regulation S–K), on the other hand.

ARTICLE VIII

Covenants and Agreements

8.1 *Conduct of Business by the Company Pending the Merger.* Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, except as may be consented to in writing by AT Co. and Spinco (which consent shall not be unreasonably withheld, conditioned or delayed) or as set forth in Section 8.1 of the Company Disclosure Letter, the Company covenants and agrees that each of the Company and the Company Subsidiaries shall conduct its operations in accordance with its ordinary course of business, consistent with past practice and in compliance with all Laws applicable to it or to the conduct of its business, and use all reasonable best efforts to preserve intact its present business organization, maintain rights and franchises, keep available the services of its current officers and key employees and preserve its relationships with customers, suppliers and others having business dealings with it in such a manner that its goodwill and ongoing businesses are not impaired in any material respect. Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date except (i) as may be required by Law (provided that any party availing itself of such exception must first consult with the other party), (ii) as may be consented to in writing by AT Co. and Spinco (which consent shall not be unreasonably withheld, conditioned or delayed), (iii) as may be expressly permitted by this Agreement or the other Transaction Agreements, or (iv) as set forth in Section 8.1 of the Company Disclosure Letter, the Company shall not, nor shall it permit any of the Company Subsidiaries to:

(a) (i) declare or pay any dividends on or make other distributions in respect of any shares of its capital stock or partnership interests (whether in cash, securities or property), except for the declaration and payment of cash dividends or distributions paid on or with respect to a class of capital stock all of which shares of capital stock, as the case may be, of the applicable corporation are owned directly or indirectly by the Company and the payment of regular quarterly dividends each in an amount not to exceed $0.36 per share at times consistent with the past dividend payment practices of the Company (including a final partial regular quarterly dividend to be declared and paid to pre–Closing Company stockholders, pro rated for the number of days elapsed between (x) the beginning of the quarterly period

in which the Effective Time occurs and (y) the day immediately preceding the Effective Time); (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock; or (iii) redeem, repurchase or otherwise acquire, or permit any Subsidiary to redeem, repurchase or otherwise acquire, any shares of its capital stock (including any securities convertible or exchangeable into such capital stock), except as required by the terms of the securities outstanding on the date hereof or as required by the terms of a Company Benefit Plan;

(b) issue, deliver or sell, or authorize any shares of its capital stock of any class, any Company Voting Debt or any securities convertible into, or any rights, warrants or options to acquire, any such shares, Company Voting Debt or convertible securities, other than (i) the issuance of shares of Company Common Stock upon the exercise of stock options that are outstanding on the date hereof pursuant to the Company Benefit Plans; and (ii) issuances by a wholly owned Subsidiary of the Company of its capital stock to such Subsidiary's parent or another wholly owned Subsidiary of the Company;

(c) amend its Certificate of Incorporation or Bylaws (or other similar organizational documents) in any manner that would prevent or materially impair or delay the consummation of the transactions contemplated by this Agreement;

(d) acquire or agree to acquire by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, limited liability entity, joint venture, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets, (excluding the acquisition of assets used in the operations of the business of the Company and its Subsidiaries in the ordinary course consistent with past practice, which assets do not constitute a business unit, division or all or substantially all of the assets of the transferor);

(e) except in the ordinary course of business, consistent with past practice, sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, or agree to sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, any of its assets (including capital stock of Subsidiaries of the Company but excluding inventory and obsolete equipment, in each case, in the ordinary course of business consistent with past practice).

(f) except in the ordinary course of business, consistent with past practice, incur any indebtedness for borrowed money or guarantee or otherwise become contingently liable for any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of the Company or any of its Subsidiaries or guarantee any debt securities of others or enter into any material lease (whether such lease is an operating or capital lease) or otherwise incur any material obligation or liability (absolute or contingent) other than (i) the incurrence of additional indebtedness under the Company Credit Agreement in an amount not to exceed $5,000,000, (ii) pursuant to any customer Contract or vendor Contract entered into in the ordinary course of business consistent with past practice, and (iii) in connection with equipment leasing in the ordinary course of business consistent with past practice;

(g) except in the ordinary course of business, consistent with past practice, incur or commit to any individual capital expenditure or any obligation or liability in connection with any capital expenditure in excess of $2,000,000 or incur or commit to aggregate capital expenditures or obligations or liabilities in connection with any capital expenditure in excess of $5,000,000, in each case, other than capital expenditures or obligations or liabilities in connection therewith to repair or replace facilities destroyed or damaged due to casualty or accident (whether or not covered by insurance), or as contemplated by the Company's 2005 or 2006 capital expenditure budget, copies of which have been previously provided to AT Co. and Spinco;

(h) except to the extent provided in subsection (h) of Section 8.1 of the Company Disclosure Letter, (i) other than in the ordinary course of business, consistent with past practice, grant any material increases in the compensation of any of its directors, officers or employees, except in the ordinary course of business consistent with past practice; (ii) pay or agree to pay to any director, officer or employee,

whether past or present, any pension, retirement allowance or other employee benefit not required or contemplated by any of the existing benefit, severance, termination, pension or employment plans, Contracts or arrangements as in effect on the date hereof; (iii) other than in the ordinary course of business consistent with past practice, enter into any new, or materially amend any existing, employment or severance or termination, Contract with any director, officer or employee; (iv) accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock–based compensation; or (v) become obligated under any new pension plan, welfare plan, multiemployer plan, employee benefit plan, severance plan, benefit arrangement or similar plan or arrangement that was not in existence on the date hereof, or amend any such plan or arrangement in existence on the date hereof if such amendment would have the effect of materially enhancing any benefits thereunder;

(i) establish, adopt, enter into, terminate or amend any collective bargaining agreement, plan, trust, fund, policy or arrangement for the benefit of any current or former directors, officers, employees or any of their beneficiaries, except, in each case, as would not result in a material increase in the cost of maintaining such collective bargaining agreement, plan, trust, fund, policy or arrangement;

(j) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of the Company or any of the Company Subsidiaries;

(k) make any material change in its methods of accounting in effect at the Interim Balance Sheet Date or change its fiscal year;

(l) enter into or amend any agreement or arrangement with any Affiliate of the Company or any such Company Subsidiary, other than with wholly owned Company Subsidiaries, on terms less favorable to the Company or such Company Subsidiary, as the case may be, than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's–length basis;

(m) except in the ordinary course of business, consistent with past practice, modify, amend, terminate, renew or fail to use reasonable best efforts to renew any Material Contract to which the Company or any of the Company Subsidiaries is a party or waive, release or assign any material rights or claims thereunder or enter into any Material Contract not in the ordinary course of business consistent with past practice and not terminable by the Company or the Company Subsidiary party thereto without penalty on ninety (90) days' or less notice;

(n) except as would not be expected to materially and adversely affect the Company or any of its Affiliates or the Surviving Corporation on a going–forward basis after the Effective Time, (i) make or rescind any material express or deemed election relating to Taxes, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where the Company has the capacity to make such binding election, (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, (iii) amend any material Tax Returns or (iv) change in any material respect any of its methods of reporting income or deductions for federal income tax purposes from those expected to be employed in the preparation of its federal income tax return for the taxable year ending December 31, 2005 (unless such change is required by Law); provided, however, that the Company may make or rescind any such election, settle or compromise any such claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy, change any such method of reporting or amend any such Tax Return without AT Co.'s and Spinco's prior written consent if the amount of Tax liabilities relating to such action does not exceed $2,000,000; and further provided that the Company may make elections under Section 754 of the Code and under IRS Notice 2003–65 in respect of its Subsidiaries;

(o) except in the ordinary course of business, consistent with past practice, pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction (which includes the payment of final and unappealable judgments) or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the most recent consolidated financial statements (or the notes thereto) of the Company included in the Company's Annual Report on Form 10–K for the fiscal year ended

December 31, 2004, or incurred in the ordinary course of business since the date of such financial statements;

(p) subject to the terms and conditions of this Agreement, intentionally take or agree or commit to take any action that would result in any of its representations and warranties set forth in this Agreement being or becoming untrue in any material respect, or in any of the conditions set forth in Article IX not being satisfied at the Effective Time; or

(q) agree or commit to do any of the foregoing actions.

8.2 *Conduct of Business by Spinco and AT Co. Pending the Merger.* Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date, except as may be consented to in writing by the Company (which consent shall not be unreasonably withheld, conditioned or delayed) or as set forth in Section 8.2 of the Spinco Disclosure Letter, AT Co. and Spinco jointly and severally covenant and agree that AT Co. and the AT Co. Subsidiaries (in regard to the Spinco Business only) and each of Spinco and the Spinco Subsidiaries shall conduct its operations in accordance with its ordinary course of business, consistent with past practice and in compliance with all Laws applicable to it or to the conduct of its business, and use all reasonable best efforts to preserve intact its present business organization, maintain rights and franchises, keep available the services of its current officers and key employees and preserve its relationships with customers, suppliers and others having business dealings with it in such a manner that its goodwill and ongoing businesses are not impaired in any material respect. Following the date of this Agreement and prior to the earlier of the Effective Time and the Termination Date except (i) as may be required by Law (provided that any party availing itself of such exception must first consult with the other party), (ii) as may be consented to in writing by the Company (which consent shall not be unreasonably withheld, conditioned or delayed), (iii) as may be expressly permitted by this Agreement or the other Transaction Agreements, (iv) as required to permit the ordinary course operation of AT Co.'s cash management system prior to the Effective Time, including any distributions of cash in connection therewith, or (v) as set forth in Section 8.2 of the Spinco Disclosure Letter, Spinco shall not, nor shall AT Co. and Spinco permit any of the Spinco Subsidiaries to:

(a) (i) declare or pay any dividends on or make other distributions in respect of any shares of its capital stock or partnership interests (whether in cash, securities or property), except for the declaration and payment of cash dividends or distributions paid on or with respect to a class of capital stock or partnership interests all of which shares of capital stock or partnership interests, as the case may be, of the applicable corporation or partnership are owned directly or indirectly by AT Co. or Spinco or as contemplated by the Distribution Agreement or required in connection with the Contribution; (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of its capital stock, except as contemplated by the Distribution Agreement; or (iii) redeem, repurchase or otherwise acquire, or permit any Subsidiary to redeem, repurchase or otherwise acquire, any shares of its capital stock (including any securities convertible or exchangeable into such capital stock), except as required by the terms of the securities of AT Co. outstanding on the date hereof or as required by any Spinco Benefit Plan.

(b) issue, deliver or sell, or authorize any shares of Spinco's capital stock or capital stock of any Spinco Subsidiary of any class, any Spinco Voting Debt or any securities convertible into, or any rights, warrants or options to acquire, any such shares, Spinco Voting Debt or convertible securities including additional options or other equity–based awards that could be converted into any option to acquire Spinco Common Stock pursuant to the Employee Benefits Agreement, other than (i) pursuant to this Agreement, pursuant to the Distribution Agreement and (ii) issuances by a wholly owned Subsidiary of Spinco of its capital stock to such Subsidiary's parent or another wholly owned Subsidiary of Spinco;

(c) acquire or agree to acquire by merger or consolidation, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, limited liability entity, joint venture, association or other business organization or division thereof or otherwise acquire or agree to acquire any material assets (excluding the acquisition of assets used in the operations of the business of Spinco and its Subsidiaries in the ordinary course

consistent with past practice, which assets do not constitute a business unit, division or all or substantially all of the assets of the transferor);

(d) except in the ordinary course of business, consistent with past practice, sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, or agree to sell, lease, license or otherwise encumber or subject to any Lien or otherwise dispose of, any of its assets (including capital stock of Spinco Subsidiaries but excluding inventory and obsolete equipment, in each case, in the ordinary course of business consistent with past practice);

(e) incur any indebtedness for borrowed money or guarantee or otherwise become contingently liable for any such indebtedness or issue or sell any debt securities or warrants or rights to acquire any debt securities of Spinco or any of its Subsidiaries or guarantee any debt securities of others or enter into any material lease (whether such lease is an operating or capital lease) or otherwise incur any material obligation or liability (absolute or contingent), other than (i) the incurrence of additional indebtedness under the Spinco Credit Agreement or other sources to fund ordinary course capital requirements of Spinco and the Spinco Subsidiaries, (ii) pursuant to any customer Contract or vendor Contract entered into in the ordinary course of business consistent with past practice, and (iii) in connection with equipment leasing in the ordinary course of business, consistent with past practice;

(f) except in the ordinary course of business, consistent with past practice, incur or commit to any individual capital expenditure or any obligation or liability in connection with any capital expenditure, or incur or commit to aggregate capital expenditures or obligations or liabilities in connection with any capital expenditure, in each case, other than capital expenditures or obligations or liabilities in connection therewith to repair or replace facilities destroyed or damaged due to casualty or accident (whether or not covered by insurance), or as contemplated by the 2005 or 2006 capital expenditure budget of AT Co. or Spinco, copies of which have been previously provided to the Company;

(g) authorize, recommend, propose or announce an intention to adopt a plan of complete or partial liquidation or dissolution of Spinco or any of its Subsidiaries;

(h) make any material change in AT Co.'s methods of accounting with respect to the Spinco Business in effect at the Interim Balance Sheet Date;

(i) except as would not be expected to materially and adversely affect Spinco or any of its Subsidiaries or the Spinco Business, or the Surviving Corporation on a going-forward basis after the Effective Time, (i) make or rescind any material express or deemed election relating to Taxes of Spinco or any of its Subsidiaries or the Spinco Business, including elections for any and all joint ventures, partnerships, limited liability companies or other investments where AT Co. or Spinco has the capacity to make such binding election (other than any election necessary in order to obtain the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling and/or the Distribution Tax Opinion), (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes of Spinco or any of its Subsidiaries or the Spinco Business, (iii) amend any material Tax Returns of Spinco or any of its Subsidiaries or relating to the Spinco Business or (iv) change in any material respect any method of reporting income or deductions of Spinco or any of its Subsidiaries or the Spinco Business for federal income tax purposes from those expected to be employed in the preparation of its federal income tax return for the taxable year ending December 31, 2005 (unless such change is required by Law), provided, however, that Spinco may make or rescind any such election, settle or compromise any such claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy, change any such method of reporting or amend any such Tax Return without the Company's prior written consent if the amount of Tax liabilities relating to such action does not exceed $2,000,000;

(j) except in the ordinary course of business, consistent with past practice, pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business, consistent with past practice (which includes the payment of final and unappealable judgments) or in

accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the Interim Financial Statements (or the notes thereto) of Spinco included in the Spinco Financial Statements, or incurred in the ordinary course of business since the date of such financial statements;

(k) subject to the terms and conditions of this Agreement, intentionally take or agree or commit to take any action that would result in any of its representations and warranties set forth in this Agreement or the other Transaction Agreements being or becoming untrue in any material respect, or in any of the conditions set forth in Article IX not being satisfied at the Effective Time; or

(l) agree to commit to take any of the foregoing actions.

8.3 *Tax Matters.* Prior to the Effective Time, each of AT Co., Spinco and the Company agrees to use its reasonable best efforts to cause the Tax-Free Status of the Transactions.

8.4 *Proxy Statement/ Prospectus.*

(a) As promptly as practicable following the date hereof, the Company, AT Co. and Spinco shall prepare, and the Company shall file with the SEC, the Proxy Statement/ Prospectus and the Registration Statement (the Proxy Statement/ Prospectus will be included as a prospectus in the Registration Statement) with respect to the transactions contemplated by this Agreement, and each of the Company and Spinco shall use its reasonable best efforts to have such Proxy Statement/ Prospectus cleared by the SEC under the Exchange Act and the Registration Statement declared effective by the SEC under the Securities Act, as promptly as practicable after such filings.

(b) As promptly as practicable after the Registration Statement shall have become effective, the Company shall mail, or cause to be mailed, the Proxy Statement/ Prospectus to its stockholders.

(c) The Company shall, as promptly as practicable after receipt thereof, provide to AT Co. and Spinco copies of any written comments and advise AT Co. and Spinco of any oral comments with respect to the Proxy Statement/ Prospectus and the Registration Statement received from the SEC.

(d) The Company shall provide AT Co. and Spinco with a reasonable opportunity to review and comment on any amendment or supplement to the Proxy Statement/ Prospectus or Registration Statement prior to filing the same with the SEC, and with a copy of all such filings made with the SEC. No amendment or supplement to the Proxy Statement/ Prospectus or the Registration Statement will be made by the Company without the approval of AT Co. and Spinco (such approval not to be unreasonably withheld, conditioned or delayed). The Company will advise AT Co. and Spinco promptly after it receives notice thereof, of the time when the Registration Statement has become effective or any supplement or amendment has been filed, of the issuance of any stop order, of the suspension of the qualification of the Company Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or of any request by the SEC for amendment of the Proxy Statement/ Prospectus or the Registration Statement or comments thereon and responses thereto or requests by the SEC for additional information.

(e) If, at any time prior to the Effective Time, any event or circumstance should occur that results in the Proxy Statement/ Prospectus or the Registration Statement containing an untrue statement of a material fact or omitting to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, or that otherwise should be described in an amendment or supplement to the Proxy Statement/ Prospectus or the Registration Statement, AT Co., Spinco and the Company shall promptly notify each other of the occurrence of such event and then promptly prepare, file and clear with the SEC and mail, or cause to be mailed, to the Company's stockholders each such amendment or supplement.

(f) AT Co. and Spinco agree to promptly provide the Company with the information concerning AT Co. and Spinco and their respective Affiliates required to be included in the Proxy Statement/ Prospectus and the Registration Statement. In furtherance of the foregoing, AT Co. and Spinco shall use all reasonable best efforts to, or shall use all reasonable best efforts to cause their respective representatives to, furnish promptly to the Company such additional financial and operating data and other information, as to their and their

respective Subsidiaries' businesses as the Company may require in connection with the preparation of the Proxy Statement/ Prospectus and the Registration Statement.

8.5 *Listing.* As promptly as practicable following the date hereof, the Company shall make application to the NYSE for the listing of the shares of Company Common Stock to be issued pursuant to the transactions contemplated by this Agreement and use all reasonable best efforts to cause such shares to be Approved for Listing.

8.6 *Reasonable Best Efforts; Regulatory Matters.*

(a) Subject to the terms and conditions set forth in this Agreement, each of AT Co., Spinco and the Company shall use all reasonable best efforts (subject to, and in accordance with, applicable Law) to take promptly, or cause to be taken, all actions, and to do promptly, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable under applicable Laws and regulations to consummate and make effective the Merger and the other transactions contemplated by this Agreement, including (i) the obtaining of all necessary actions or nonactions, waivers, consents and approvals, including the Company Approvals and the Spinco Approvals, from any Governmental Authority and the making of all necessary registrations and filings and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any Governmental Authority, (ii) the obtaining of all necessary consents, approvals or waivers from third parties, (iii) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated by this Agreement and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by this Agreement.

(b) Subject to the terms and conditions herein provided and without limiting the foregoing, each of AT Co., Spinco and the Company shall (i) promptly but in no event later than fifteen (15) days after the date hereof make their respective filings and thereafter make any other required submissions under the HSR Act, (ii) promptly (but in no event later than fifteen (15) days after the date hereof) file all applications (required to be filed with the FCC (the "FCC Applications"), and any State Regulators (the "PSC Applications"), each as set forth on Schedule 8.6(a), to effect the transfer of control of the Spinco Licenses (collectively, the "Telecommunications Regulatory Consents") and respond as promptly as practicable to any additional requests for information received from the FCC or any State Regulator by any party to a FCC Application or PSC Application, (iii) use all reasonable best efforts to cure not later than the Effective Time any violations or defaults under any FCC Rules or rules of any State Regulator, (iv) use all reasonable best efforts to cooperate with each other in (x) determining whether any filings are required to be made with, or consents, permits, authorizations or approvals are required to be obtained from, any third parties or other Governmental Authorities in connection with the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and (y) timely making all such filings and timely seeking all such consents, permits, authorizations or approvals, (v) use all reasonable best efforts to take, or cause to be taken, all other actions and do, or cause to be done, all other things necessary, proper or advisable to consummate and make effective the transactions contemplated hereby all such further action as reasonably may be necessary to resolve such objections, if any, as the HSR Agencies, state antitrust enforcement authorities or competition authorities of any other nation or other jurisdiction or any other Person may assert under relevant antitrust or competition laws with respect to the transactions contemplated hereby; and (vi) subject to applicable legal limitations and the instructions of any Governmental Authority, keep each other apprised of the status of matters relating to the completion of the transactions contemplated thereby, including promptly furnishing the other with copies of notices or other communications received by the Company, AT Co. or Spinco, as the case may be, or any of their respective Subsidiaries, from any third party and/or any Governmental Authority with respect to such transactions.

(c) In furtherance and not in limitation of the covenants of the parties contained in this Section 8.6, if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Regulatory Law, each of the Company, AT Co. and Spinco shall cooperate in all respects with each other and use all reasonable best efforts to contest and resist any such action or proceeding and to have vacated,

lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement. Notwithstanding the foregoing or any other provision of this Agreement, nothing in this Section 8.6 shall limit a party's right to terminate this Agreement pursuant to Section 11.1(b) or 11.1(c) so long as such party has, prior to such termination, complied with its obligations under this Section 8.6.

(d) If any objections are asserted with respect to the transactions contemplated hereby under any Regulatory Law or if any suit is instituted by any Governmental Authority or any private party challenging any of the transactions contemplated hereby as violative of any Regulatory Law, each of the Company, AT Co. and Spinco, shall use all reasonable best efforts to resolve any such objections or challenge as such Governmental Authority or private party may have to such transactions under such Regulatory Law so as to permit consummation of the transactions contemplated hereby. For purposes of this Agreement, "Regulatory Law" means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, the Communications Act and all other federal, state or foreign, if any, statutes, rules, regulations, orders, decrees, administrative and judicial doctrines and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade or lessening competition, whether in the communications industry or otherwise through merger or acquisition.

8.7 *IRS Distribution Ruling; Other IRS Rulings; Tax Opinions.*

(a) *IRS Rulings.*

(i) As soon as reasonably practicable after the date of this Agreement, AT Co. and the Company, as to matters germane to the Merger, shall submit to the IRS a request (the "Ruling Request") for (A) the IRS Contribution Ruling, (B) the IRS Distribution Ruling, (C) the IRS Debt Exchange Ruling, (D) the IRS Special Dividend Ruling, (E) the IRS 357(c) Ruling and (F) any other ruling in connection with the Contribution, the Distribution or the Merger that AT Co., in consultation with the Company, deems to be appropriate. The initial Ruling Request and any supplemental materials submitted to the IRS relating thereto (each, an "IRS Submission") shall be prepared by AT Co. AT Co. shall provide the Company with a reasonable opportunity to review and comment on each IRS Submission prior to the filing of such IRS Submission with the IRS; provided that AT Co. may redact from any IRS Submission any information ("Redactable Information") that (A) AT Co., in its good faith judgment, considers to be confidential and not germane to the Company's or Spinco's obligations under this Agreement or any of the other Transaction Agreements, and (B) is not a part of any other publicly available information, including any non–confidential filing.

(ii) No IRS Submission shall be filed with the IRS unless, prior to such filing, the Company shall have agreed as to the contents of such IRS Submission, to the extent that such contents (A) include statements or representations relating to facts that are or will be under the control of the Company or any of its Affiliates (including Spinco or the Spinco Subsidiaries for periods after the Effective Time) or (B) are relevant to, or create, any actual or potential obligations of, or limitations on, the Company or any of its Affiliates (including Spinco or the Spinco Subsidiaries for periods after the Effective Time), including any such obligations of, or limitations on, the Company or its Affiliates (including Spinco or the Spinco Subsidiaries for periods after the Effective Time) under this Agreement or any of the other Transaction Agreements. AT Co. shall provide the Company with copies of each IRS Submission as filed with the IRS promptly following the filing thereof; provided that AT Co. may redact any Redactable Information from the IRS Submission. Neither AT Co. nor AT Co.'s representatives shall conduct any substantive communications with the IRS regarding any material issue arising with respect to the Ruling Request, including meetings or conferences with IRS personnel, whether telephonically, in person or otherwise, without first notifying the Company or the Company's representatives and giving the Company (or the Company's representatives) a reasonable opportunity to participate, and a reasonable number of the Company's representatives shall have an opportunity to participate in all conferences or meetings with IRS personnel that take place in person, regardless of the nature of the issues expected to be discussed. Solely for the avoidance of doubt, nothing in this Section 8.7(a)(ii) shall

provide grounds for Spinco or the Company to alter any obligation or limitation imposed upon it under this Agreement.

(iii) Each of AT Co., Spinco and the Company agrees to use its reasonable best efforts to obtain the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling, the IRS 357(c) Ruling and the other rulings set forth in the Ruling Request, including providing such appropriate information and representations as the IRS shall require in connection with the Ruling Request and any IRS Submissions.

(b) *Distribution Tax Opinion.* Each of AT Co., Spinco and the Company agrees to use its reasonable best efforts to obtain the Distribution Tax Opinion. The Distribution Tax Opinion shall be based upon the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling and customary representations and covenants, including those contained in certificates of AT Co., Spinco, the Company and others, reasonably satisfactory in form and substance to AT Co. Tax Counsel (such representations and covenants, the "Distribution Tax Representations"). Each of AT Co., Spinco and the Company shall deliver to AT Co. Tax Counsel for purposes of the Distribution Tax Opinion customary Distribution Tax Representations, reasonably satisfactory in form and substance to AT Co. Tax Counsel.

(c) *Merger Tax Opinions.* AT Co. and Spinco, on the one hand, and the Company, on the other hand, shall cooperate with each other in obtaining, and shall use their respective reasonable best efforts to obtain, a written opinion of their respective tax counsel, Kirkland & Ellis LLP, in the case of the Company ("Company Tax Counsel"), and AT Co. Tax Counsel, in the case of AT Co. and Spinco, in form and substance reasonably satisfactory to the Company and AT Co., respectively (each such opinion, a "Merger Tax Opinion"), dated as of the Effective Time, to the effect that, on the basis of facts, representations and assumptions set forth in such opinion, the Merger will be treated as a tax–free reorganization within the meaning of Section 368(a) of the Code. Each of the Company, AT Co. and Spinco shall deliver to Company Tax Counsel and AT Co. Tax Counsel for purposes of the Merger Tax Opinions customary representations and covenants, including those contained in certificates of the Company, AT Co., Spinco and others, reasonably satisfactory in form and substance to Company Tax Counsel and AT Co. Tax Counsel.

8.8 *Letter of Spinco's Accountants.* In connection with the information regarding Spinco or the Spinco Subsidiaries or the transactions contemplated by this Agreement provided by Spinco specifically for inclusion in, or incorporation by reference into, the Proxy Statement/ Prospectus and the Registration Statement, Spinco shall use all reasonable best efforts to cause to be delivered to the Company two letters of PricewaterhouseCoopers LLP, one dated the date on which the Registration Statement shall become effective and one dated the Closing Date, and addressed to the Company, in form and substance reasonably satisfactory to the Company and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statement.

8.9 *Letter of the Company's Accountants.* In connection with the information regarding the Company or its Subsidiaries or the transactions contemplated by this Agreement provided by the Company specifically for inclusion in, or incorporation by reference into, the Proxy Statement/ Prospectus and the Registration Statement, the Company shall use all reasonable best efforts to cause to be delivered to Spinco two letters of Deloitte & Touche LLP, one dated the date on which the Registration Statement shall become effective and one dated the Closing Date, and addressed to AT Co. and Spinco, in form and substance reasonably satisfactory to AT Co. and Spinco and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the Registration Statement.

8.10 *Employee Matters.*

(a) As of the Closing Date, the Surviving Corporation shall, or shall cause one of its Subsidiaries to, continue to employ as a successor employer all of the Spinco Employees (as of immediately prior to the Effective Time, including all such employees who have the rights of employment in accordance with the established practices or policies of Spinco on return from any vacation, leave or other authorized absence) (collectively, the "Transferred Employees"), provided that nothing in this Agreement shall require the Surviving Corporation to retain or employ such employees for any specific length of time.

(b) Subject to the terms of the Employee Benefits Agreement and the other provisions of this Section 8.10, the Surviving Corporation shall cause the Transferred Employees to receive substantially the same level of benefits, in the aggregate, as provided under the Spinco Benefit Plans as of the Distribution Date for a period of one (1) year after the Effective Time.

(c) To the extent that service is relevant for all purposes, including eligibility to participate, vesting credit, eligibility to commence benefits, benefit accrual, early retirement subsidies, and severance benefits, under a Company Benefit Plan maintained for the benefit of the Transferred Employees, the Company or one of its Subsidiaries shall, effective as of the Closing, cause each Transferred Employee to be credited with service under the applicable Company Benefit Plans for all service earned by such Transferred Employee with Spinco or AT Co. (including their respective predecessors) prior to or on the Closing Date; provided, however, that such service shall not be required to be recognized to the extent that such recognition would result in a duplication of benefits.

(d) With respect to any Company Benefit Plans in which any Transferred Employees become eligible to participate on or after the Effective Time, the Company shall (i) waive all pre–existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees and their eligible dependents, and (ii) for purposes of satisfying any deductible or out–of–pocket requirements, provide each Transferred Employee and their eligible dependents with credit for any co–payments and deductibles paid prior to the Effective Time under the analogous Spinco Benefit Plan. With respect to any former employees of Spinco (the "Former Employees") who are receiving "continuation coverage" under a Spinco Benefit Plan, as of the Effective Time, in accordance with the requirements of COBRA, the Company shall (i) provide, or cause to be provided, as of the Effective Time, continued coverage under a group health plan sponsored by the Company or one of its Subsidiaries, and (ii) waive all pre–existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Former Employees and their eligible dependents.

(e) At the Effective Time, the Surviving Corporation shall assume, honor and discharge when due all Spinco Liabilities associated with the Transferred Employees. In furtherance and not in limitation of the foregoing, the Surviving Corporation shall issue to the Transferred Employees restricted shares of common stock of the Surviving Corporation in such amounts, and on such terms and conditions, as shall be set forth in the Employee Benefits Agreement and Section 8.10(e) of the Spinco Disclosure Letter with respect to such Transferred Employees and shall use its reasonable best efforts to cause such grants to be made at or as soon as practicable after the Effective Time.

8.11 *Access to Information.*

(a) Upon reasonable notice, each of AT Co., Spinco and the Company shall afford to each other and to its respective officers, employees, accountants, counsel and other authorized representatives, reasonable access during normal business hours, throughout the period prior to the earlier of the Effective Time or the Termination Date, to its and its Subsidiaries' officers, employees, accountants, consultants, representatives, plants, properties, Contracts, commitments, books, records (including Tax Returns) and any report, schedule or other document filed or received by it pursuant to the requirements of the federal or state securities laws, and shall use all reasonable best efforts to cause its respective representatives to furnish promptly to the others such additional financial and operating data and other information, including environmental information, as to its and its Subsidiaries' respective businesses and properties as the others or their respective duly authorized representatives, as the case may be, may reasonably request. The parties hereby agree that the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder and hereunder.

(b) Between the date hereof and the Closing Date, (i) Spinco shall furnish to the Company and its authorized representatives monthly unaudited summary financial information prepared for AT Co. management with respect to Spinco's ILEC, CLEC and Internet Divisions for each monthly period ending after the date hereof and before the Closing and such financial information shall be prepared on a consistent basis with past periods, and (ii) the Company shall furnish to AT Co., Spinco and their respective authorized representatives unaudited interim combined statements of operations of the Company and its Subsidiaries

prepared on a consistent basis with past periods, in each case, as soon as practicable following the end of each fiscal month, but in any event no later than thirty (30) days following the end of such fiscal month.

8.12 *No Solicitation by the Company.*

(a) The Company agrees that, following the date of this Agreement and prior to the earlier of the Effective Time or the Termination Date, neither it nor any Company Subsidiary shall, and that it shall use reasonable best efforts to cause its and the Company's and each Company Subsidiary's officers, directors, employees, advisors and agents not to, directly or indirectly, (i) knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to a Company Acquisition Proposal, (ii) provide any non–public information or data to any Person relating to or in connection with a Company Acquisition Proposal, engage in any discussions or negotiations concerning a Company Acquisition Proposal, or otherwise knowingly facilitate any effort or attempt to make or implement a Company Acquisition Proposal, (iii) approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, any Company Acquisition Proposal, or (iv) approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any Company Acquisition Proposal. Without limiting the foregoing, any violation of the restrictions set forth in the preceding sentence by any of the Company's Subsidiaries or any of the Company's or the Company Subsidiaries' officers, directors, employees, agents or representatives (including any investment banker, attorney or accountant retained by the Company or the Company Subsidiaries) shall be a breach of this Section 8.12(a) by the Company. The Company agrees that it will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any Persons conducted heretofore with respect to any Company Acquisition Proposal (except with respect to the transactions contemplated by this Agreement).

(b) Notwithstanding the foregoing, nothing contained in this Agreement shall prevent the Company or the Company's Board of Directors from, prior to the adoption of this Agreement by the holders of Company Common Stock, engaging in any discussions or negotiations with, or providing any non–public information to, any Person, if and only to the extent that (i) the Company receives from such Person an unsolicited bona fide Company Superior Proposal or a Company Acquisition Proposal that the Company's Board of Directors determines in good faith could lead to a Company Superior Proposal, (ii) the Company's Board of Directors determines in good faith (after consultation with its legal advisors) that its failure to do so would be inconsistent with the Company's Board of Directors' fiduciary duties under applicable Law, (iii) prior to providing any information or data to any Person in connection with a proposal by any such Person, the Company's Board of Directors receives from such Person an executed confidentiality agreement substantially similar to the Confidentiality Agreement and (iv) prior to providing any non–public information or data to any Person or entering into discussions or negotiations with any Person, the Company's Board of Directors notifies AT Co. promptly of any such inquiry, proposal or offer received by, any such information requested from, or any such discussions or negotiations sought to be initiated or continued with, the Company, any Company Subsidiary or any of their officers, directors, employees, advisors and agents indicating, in connection with such notice, the material terms and conditions of the Company Acquisition Proposal and the identity of the Person making such Company Acquisition Proposal. The Company agrees that it shall keep AT Co. reasonably informed, on a reasonably prompt basis, of the status and material terms of any such proposals or offers and the status of any such discussions or negotiations and will notify AT Co. promptly of any determination by the Company's Board of Directors that a Company Superior Proposal (as hereinafter defined) has been made. For purposes of this Agreement, a "Company Superior Proposal" means any proposal or offer made by a third party to acquire, directly or indirectly, by merger, consolidation or otherwise, for consideration consisting of cash and/or securities, at least a majority of the shares of the Company Common Stock then outstanding or all or substantially all of the assets of the Company and the Company Subsidiaries and otherwise on terms which the Board of Directors of the Company (after consultation with its legal and financial advisors) determines in its good faith judgment to be more favorable to the Company's stockholders than the Merger.

(c) Prior to the adoption of this Agreement by the holders of Company Common Stock, the Board of Directors of the Company may, if it concludes in good faith (after consultation with its legal advisors) that failure to do so would be inconsistent with its obligations to comply with its fiduciary duties under applicable Law, withdraw its recommendation of the Merger, but only at a time that is after the third business day following AT Co.'s receipt of written notice from the Company advising AT Co. of its intention to do so.

(d) Nothing in this Agreement shall prohibit the Company from taking and disclosing to its stockholders a position contemplated by Rule 14e–2(a) promulgated under the Exchange Act or from making any disclosure to the Company stockholders if, in the good faith judgment of the Board of Directors of the Company (after consultation with its legal advisors), it is required to do so in order to comply with its fiduciary duties to the Company's stockholders under applicable Law; provided, however, that neither the Company nor its Board of Directors nor any committee thereof shall approve or recommend, or propose publicly to approve or recommend, a Company Acquisition Proposal unless the Company has first terminated this Agreement pursuant to Section 11.1(h) hereof and has otherwise complied with the provisions thereof.

8.13 *Director and Officer Indemnification; Insurance.*

(a) From and after the Effective Time, the Surviving Corporation shall, for a period of six years after the Effective Time, indemnify, defend and hold harmless to the fullest extent permitted by applicable Law each person who is, or has been at any time prior to the Effective Time, an officer or director of the Company or Spinco and each person who served at the request of the Company or Spinco as a director, officer, trustee or fiduciary of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or enterprise, including any person serving in such capacity at the request of AT Co. with respect to Spinco or a Spinco Subsidiary (individually, an "Indemnified Party" and, collectively, the "Indemnified Parties") against all losses, claims, damages, liabilities, costs and expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement with approval of the indemnifying party (which approval shall not be unreasonably withheld, conditioned or delayed) in connection with any claim, action, suit, proceeding or investigation arising out of or pertaining to acts or omissions, or alleged acts or omissions, by them in their capacities as such, whether commenced, asserted or claimed before or after the Effective Time. In the event of any such claim, action, suit, arbitration, proceeding or investigation ("Action"): (i) the Surviving Corporation shall pay, as incurred, the reasonable fees and expenses of counsel selected by the Indemnified Party, which counsel shall be reasonably acceptable to the Surviving Corporation, in advance of the final disposition of any such Action to the fullest extent permitted under applicable Law upon receipt of an undertaking to repay such amounts in the event it is determined that such person is not entitled to be indemnified under applicable Law, and (ii) the Surviving Corporation will provide reasonable cooperation in the defense of any such Action; provided, however, the Surviving Corporation shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld, conditioned or delayed), and provided further, that the Surviving Corporation shall not be obligated pursuant to this Section 8.12(a) to pay the fees and disbursements of more than one counsel for all Indemnified Parties in a single Action, unless, in the good faith judgment of any of the Indemnified Parties, there is or may be a conflict of interests between two or more of such Indemnified Parties, in which case there may be separate counsel for each similarly situated group (which counsel shall be reasonably acceptable to the Surviving Corporation). In the event of any Action, any Indemnified Party wishing to claim indemnification will promptly notify the Surviving Corporation thereof (provided, that failure to so notify the Surviving Corporation will not affect the obligations of the Surviving Corporation except to the extent that the Surviving Corporation shall have been prejudiced as a result of such failure). Notwithstanding the foregoing, nothing contained in this Section 8.12 shall be deemed to grant any right to any Indemnified Party which is not permitted to be granted to an officer or director of the Surviving Corporation under Delaware law, assuming for such purposes that the Surviving Corporation's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws provide for the maximum indemnification permitted by Law.

(b) Without limiting the rights that any Indemnified Party may have under applicable Law, the parties agree that all rights of indemnification existing as of the date hereof as provided in the respective certificate of incorporation and bylaws of the Company and Spinco shall survive the Merger and shall continue in full force and effect in accordance with their terms for a period of six years following the Effective Time.

(c) For a period of six years following the Effective Time, the Surviving Corporation shall cause to be maintained directors' and officers' liability insurance policies covering the Indemnified Parties; provided that with respect to any Indemnified Party who is or at any time prior to the Effective Time was covered by AT Co.'s existing directors' and officers' liability insurance policies, such coverage shall be on terms substantially no less advantageous to the Indemnified Parties than such insurance with respect to claims arising from facts or events that occurred up to and including the Effective Time to the extent available; provided, however, that the Surviving Corporation may substitute therefor policies of at least the same coverage and amounts containing terms and conditions that are no less advantageous to the covered persons; provided further, that the Surviving Corporation shall not be required to pay an annual premium for such insurance in excess of $2,000,000.

(d) This Section 8.12 is intended to be for the benefit of, and shall be enforceable by, the persons for whom indemnification is provided pursuant to this Section 8.12, their heirs and personal representatives, and shall be binding on Spinco and the Company and their respective successors and assigns.

8.14 *Rule 145 Affiliates.* Spinco shall, at least 10 days prior to the Effective Time, cause to be delivered to the Company a list, reviewed by its counsel, identifying all persons who will be, in its reasonable judgment, at the Effective Time, "affiliates" of Spinco for purposes of Rule 145 promulgated by the SEC under the Securities Act (each, a "Rule 145 Affiliate"). Spinco shall furnish such information and documents as the Company may reasonably request for the purpose of reviewing such list. Spinco shall use all reasonable best efforts to cause each person who is identified as a Rule 145 Affiliate in the list furnished pursuant to this Section 8.14 to execute a written agreement (each, a "Rule 145 Affiliate Agreement"), substantially in the form of Exhibit F to this Agreement, at or prior to the Effective Time.

8.15 *Public Announcements.* AT Co., Spinco and the Company shall consult with each other and shall mutually agree upon any press release or public announcement relating to the transactions contemplated by this Agreement and neither of them shall issue any such press release or make any such public announcement prior to such consultation and agreement, except as may be required by applicable Law or by obligations pursuant to any listing agreement with any national securities exchange or automated inter-dealer quotation system, in which case the party proposing to issue such press release or make such public announcement shall use all reasonable best efforts to consult in good faith with the other party before issuing any such press release or making any such public announcement.

8.16 *Defense of Litigation.* Each of AT Co., Spinco and the Company shall use all reasonable best efforts to defend against all actions, suits or proceedings in which such party is named as a defendant that challenge or otherwise seek to enjoin, restrain or prohibit the transactions contemplated by this Agreement or seek damages with respect to such transactions. None of AT Co., Spinco or the Company shall settle any such action, suit or proceeding or fail to perfect on a timely basis any right to appeal any judgment rendered or order entered against such party therein without having previously consulted with the other parties. Each of AT Co., Spinco and the Company shall use all reasonable best efforts to cause each of its Affiliates, directors and officers to use all reasonable best efforts to defend any such action, suit or proceeding in which such Affiliate, director or officer is named as a defendant and which seeks any such relief to comply with this Section 8.16 to the same extent as if such Person was a party.

8.17 *Notification.*

(a) From time to time prior to the Effective Time, each of AT Co., Spinco and the Company shall supplement or amend its respective Disclosure Letter with respect to any matter hereafter arising that, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Letter or that is necessary to complete or correct (i) any information in such Disclosure Letter that is or has been rendered untrue, inaccurate, incomplete or misleading, (ii) any representation or warranty of such party in this Agreement that contains a qualification as to materiality or Material Adverse Effect that has been rendered untrue or inaccurate, in any respect, thereby or (iii) any representation or warranty of such party in this Agreement that is not so qualified and that has been rendered untrue or inaccurate, in any material respect, thereby. Delivery of such supplements shall be for informational purposes only and shall not expand or limit the rights or affect the obligations of any party hereunder, including any

party's obligation to consummate the Merger. Such supplements shall not constitute a part of the AT Co. Disclosure Letter, the Spinco Disclosure Letter or the Company Disclosure Letter, as the case may be, for purposes of this Agreement.

(b) Each of AT Co., Spinco and the Company shall give prompt notice to the other of the occurrence or nonoccurrence of any event the occurrence or nonoccurrence of which has caused or is reasonably likely to cause (i) any covenant or agreement of such party contained in this Agreement not to be performed or complied with, in any material respect or (ii) any condition contained in Article IX to become incapable of being fulfilled at or prior to the Effective Time; provided, however, that the delivery of any notice pursuant to this Section 8.17(b) shall not cure such breach or noncompliance or limit or otherwise affect the remedies available hereunder to the party receiving such notice.

(c) Each of the parties hereto shall keep the others informed on a timely basis as to the status of the transactions contemplated by the Transaction Agreements and the obtaining of all necessary and appropriate exemptions, rulings, consents, authorizations and waivers related thereto.

8.18 *SEC Reports.* Each of AT Co. and the Company shall file all reports required to be filed by each of them with the SEC between the date of this Agreement and the Effective Time and shall notify the other parties of all such reports promptly after the same are filed.

8.19 *Section 16 Matters.* Prior to the Effective Time, the Company and Spinco shall take all such steps as may be required to cause any dispositions of Spinco Common Stock (including derivative securities with respect to Spinco Common Stock) or acquisitions of Company Common Stock (including derivative securities with respect to Company Common Stock) resulting from the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to the Company or Spinco to be exempt under Rule 16b–3 promulgated under the Exchange Act, such steps to be taken in accordance with applicable SEC rules and regulations and interpretations of the SEC staff.

8.20 *Control of Other Party's Business.* Nothing contained in this Agreement shall give AT Co. or Spinco, directly or indirectly, the right to control or direct the Company's operations prior to the Effective Time. Nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct the operations of the business of Spinco and the Spinco Subsidiaries prior to the Effective Time. Prior to the Effective Time, each of AT Co., Spinco and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

8.21 *Dividend Policy of the Surviving Corporation.* After the Effective Time, the initial dividend policy of the Surviving Corporation (which may be changed at any time by the Surviving Corporation's Board of Directors) shall provide for the payment, subject to applicable Law, of regular quarterly dividends on each issued and outstanding share of Common Stock of the Surviving Corporation of $0.25 per share.

8.22 *Amendment of Company Securityholder's Agreement.* The Company shall use its reasonable best efforts to cause the Securityholders Agreement, dated as of February 14, 2005, by and among the Company, the WCAS Persons, the Vestar Persons and certain of its other stockholders (the "Company Securityholders Agreement") to be amended effective as of the Effective Time, without any requirement that the Company pay any additional consideration to any party, such that from and after the Effective Time, the Company Securityholders Agreement shall have substantially the terms set forth on Exhibit G hereto.

8.23 *Disclosure Controls.* Each of AT Co., Spinco and the Company shall use its reasonable best efforts to implement such programs and take such steps as are reasonably necessary to (i) develop a system of internal controls over financial reporting (as defined in Rules 13a–15(f) and 15d–15(f) of the Exchange Act) intended to ensure that after the Effective Time material information relating to the Surviving Corporation is timely made known to the management of the Surviving Corporation by others within those entities, (ii) cooperate reasonably with each other in preparing for the transition and integration of the financial reporting systems of Spinco and the Spinco Subsidiaries with the Company's financial reporting systems following the Effective Time and (iii) otherwise enable the Surviving Corporation to maintain compliance with the provisions of Section 404 of the Sarbanes–Oxley Act.

8.24 *Corporate Name; Branding.* Prior to the Effective Time, Spinco, AT Co. and the Company shall cooperate to develop one or more mutually agreed upon trademarks, service marks, brand names, or trade or business names for use by the Surviving Corporation in connection with the sale, promotion and marketing of its products and services and to develop a mutually acceptable re–branding strategy for the Surviving Corporation. Spinco, AT Co. and the Company shall use their respective reasonable best efforts to cause the Surviving Corporation to implement such re–branding strategy as promptly as practicable after the Effective Time and shall take, and shall cause the Surviving Corporation to take, all such steps as are reasonably necessary to have removed and otherwise discontinue the use of all trademarks, service marks, brand names or trade, corporate or business names consisting of, derived from, including or incorporating the name "ALLTEL" that are contained in or on any of the Spinco Assets and shall have taken all necessary action, corporate or otherwise, to amend the corporate name of each of the Spinco Subsidiaries to remove the names "ALLTEL" therefrom.

ARTICLE IX

Conditions to the Merger

9.1 *Conditions to the Obligations of Spinco, AT Co. and the Company to Effect the Merger.* The respective obligations of each party to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law, written waiver by AT Co. and the Company) at or prior to the Effective Time of the following conditions:

(a) Each of the Contribution, the Distribution and the Debt Exchange shall have been consummated, in each case, in accordance with the Distribution Agreement, the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling and the Distribution Tax Opinion; provided that this Section 9.1(a) shall not be a condition to the consummation of the Merger by any party whose failure to comply with its obligations and/or covenants set forth in this Agreement or the Distribution Agreement gives rise to the failure of the Contribution, the Distribution or the Debt Exchange to have been consummated.

(b) Any applicable waiting period under the HSR Act shall have expired or been terminated; and the other Company Approvals, AT Co. Approvals and Spinco Approvals set forth on Schedule 9.1(b) hereto shall have been obtained.

(c) Unless waived in writing by the Company, AT Co., and Spinco, all Telecommunications Regulatory Consents other than any Telecommunications Regulatory Consents, the failure of which to be obtained would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company, AT Co. or Spinco (i) shall have been granted without the imposition of any condition that Spinco or the Company would not be required to agree to pursuant to Section 8.6, and (ii) all such Telecommunications Regulatory Consents shall be in full force and effect.

(d) The Registration Statement shall have become effective in accordance with the Securities Act and shall not be the subject of any stop order or proceedings seeking a stop order; all necessary permits and authorizations under state securities or "blue sky" laws, the Securities Act and the Exchange Act relating to the issuance and trading of shares of Company Common Stock to be issued pursuant to the Merger shall have been obtained and shall be in effect; and such shares of Company Common Stock and such other shares required to be reserved for issuance pursuant to the Merger shall have been Approved for Listing.

(e) The Requisite Approval shall have been obtained, in accordance with applicable Law and the rules and regulations of the NYSE.

(f) No court of competent jurisdiction or other Governmental Authority shall have issued an Order that is still in effect restraining, enjoining or prohibiting the Contribution, the Distribution or the Merger.

(g) No action shall have been taken, and no statute, rule, regulation or executive order shall have been enacted, entered, promulgated or enforced by any Governmental Authority with respect to the

Contribution, the Distribution and the Merger or the other transactions contemplated hereby or by the Distribution Agreement that, individually or in the aggregate, would (i) restrain, enjoin or prohibit the consummation of the Contribution, the Distribution or the Merger or the other transactions contemplated hereby or by the Distribution Agreement or (ii) impose any restrictions or requirements thereon or on AT Co., Spinco or the Company with respect thereto that would reasonably be expected to have a Material Adverse Effect on AT Co. or the Surviving Corporation following the Merger (collectively, a "Restraint"), and no Governmental Authority shall have instituted any proceeding seeking any such Restraint.

(h) Spinco shall have consummated the Spinco Financing (with respect to the Spinco Credit Agreement and, if applicable, the bridge financing for the Spinco Notes, substantially on the terms set forth in the Senior Debt Commitment Letter or such other terms as are more favorable in the aggregate or not less favorable in the aggregate) and Spinco shall have received the proceeds therefrom in an amount sufficient to pay the Special Dividend and consummate the other transactions contemplated hereby and by the Distribution Agreement.

(i) AT Co. and Spinco (and, to the extent applicable, the Company) shall have received the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling, the IRS 357(c) Ruling and the Distribution Tax Opinion, each in form and substance reasonably satisfactory to AT Co., Spinco and the Company, and such rulings shall continue to be valid and in full force and effect.

(j) The Company shall have received a Merger Tax Opinion from Company Tax Counsel, in form and substance reasonably satisfactory to the Company, and AT Co. and Spinco shall have received a Merger Tax Opinion from AT Co. Tax Counsel, in form and substance reasonably satisfactory to AT Co. and Spinco.

(k) The Boards of Directors of AT Co. and Spinco shall have received customary "solvency" and "surplus" opinions of a nationally recognized investment banking or appraisal firm in form and substance reasonably satisfactory to such Boards and, to the extent relating to Spinco, reasonably satisfactory to the Company (such opinions to be dated as of the date the Board of Directors of AT Co. declares the Distribution and the Distribution Date, the date on which the Board of Directors of Spinco declares the Special Dividend, the distribution of the Spinco Exchange Notes to AT Co. for purposes of effecting the Debt Exchange and, if applicable, a dividend payable to AT Co. in shares of Spinco Common Stock pursuant to Section 3.2 of the Distribution Agreement, and the date on which each such dividend or distribution is paid).

9.2 *Additional Conditions to the Obligations of AT Co. and Spinco.* The obligation of AT Co. and Spinco to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law, waiver by AT Co.) at or prior to the Effective Time of the following additional conditions:

(a) The Company shall have performed in all material respects all obligations and complied in all material respects with all covenants required by this Agreement to be performed or complied with by it prior to the Effective Time.

(b) Each of the representations and warranties of the Company (i) set forth in Article VII (other than Sections 7.2(a), 7.3(a) and 7.5) of this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though such representations and warranties were made on and as of such date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period; provided, however, that for purposes of this clause, such representations and warranties shall be deemed to be true and correct unless the failure or failures of all such representations and warranties to be so true and correct, without giving effect to any qualification as to materiality or Material Adverse Effect set forth in such representations or warranties, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the Company and (ii) set forth in Sections 7.2(a), 7.3(a) and 7.5 of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on

and as of the Closing Date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period.

(c) The Company shall have delivered to AT Co. a certificate, dated as of the Effective Time, of a senior officer of the Company certifying the satisfaction by the Company of the conditions set forth in subsection (a) and (b) of this Section 9.2.

(d) Except as disclosed in the Company Disclosure Letter or as expressly contemplated by this Agreement, since the Interim Balance Sheet Date, there shall have been no event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a Material Adverse Effect on the Company.

(e) The Company, each of the WCAS Persons, the Vestar Persons and, if required, each of the other stockholders party thereto shall have delivered evidence, in form and substance reasonably satisfactory to AT Co. and Spinco, demonstrating that the Company Securityholders Agreement has been amended, effective as of the Effective Time, without any cost or liability to the Company, such that from and after the Effective Time, the Company Securityholders Agreement shall have substantially the terms set forth on Exhibit G hereto.

9.3 *Additional Conditions to the Obligations of the Company.* The obligation of the Company to consummate the Merger shall be subject to the fulfillment (or, to the extent permitted by applicable Law waiver by the Company) at or prior to the Effective Time of the following additional conditions:

(a) Spinco and AT Co. shall have performed in all material respects and complied in all material respects with all covenants required by this Agreement to be performed or complied with at or prior to the Effective Time.

(b) Each of the representations and warranties of AT Co. and Spinco (i) set forth in Article V and VI (other than Sections 5.2(a), 6.3(a), 6.3(a) and 6.5) of this Agreement shall be true and correct as of the date of this Agreement and as of the Closing Date as though such representations and warranties were made on and as of such date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period; provided, however, that for purposes of this clause, such representations and warranties shall be deemed to be true and correct unless the failure or failures of all such representations and warranties to be so true and correct, without giving effect to any qualification as to materiality or Material Adverse Effect set forth in such representations or warranties, would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on AT Co. or Spinco and (ii) set forth in Sections 5.2(a), 6.2(a), 6.3(a) and 6.5 of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date as though made on and as of the Closing Date, except for representations and warranties that speak as of an earlier date or period which shall be true and correct as of such date or period.

(c) AT Co. and Spinco shall have delivered to the Company a certificate, dated as of the Effective Time, of a senior officer of each of AT Co. and Spinco certifying the satisfaction of the conditions set forth in subsection (a) and (b) of this Section 9.3.

(d) Spinco and AT Co. shall have entered into the Tax Sharing Agreement, the Employee Benefits Agreement, the Shared Assets Agreement, the Shared Contracts Agreement and the Transition Services Agreement and each such agreement shall be in full force and effect.

(e) Except as disclosed in the Spinco Disclosure Letter or as expressly contemplated by this Agreement, since the Interim Balance Sheet Date, there shall have been no event, occurrence, development or state of circumstances or facts that has or would have, individually or in the aggregate, a Material Adverse Effect on Spinco.

(f) Spinco shall have delivered to the Company an affidavit, dated as of the Closing Date, in form and substance required under the Treasury Regulations issued pursuant to Section 1445(b) of the Code.

ARTICLE X

Tax Matters

10.1 *Representations.*

(a) *Spinco.* Spinco hereby represents and warrants that (i) it has examined (or upon receipt will examine) (A) the IRS Contribution Ruling, the IRS Distribution Ruling, the IRS Debt Exchange Ruling, the IRS Special Dividend Ruling and any other rulings issued by the IRS in connection with the Distribution, (B) the Distribution Tax Opinion, (C) each IRS Submission, (D) the Distribution Tax Representations and (E) any other materials delivered or deliverable by Spinco and others in connection with the rendering by AT Co. Tax Counsel of the Distribution Tax Opinion and the issuance by the IRS of the IRS Distribution Ruling and such other rulings (all of the foregoing, collectively, the "Tax Materials") and (ii) the facts presented and the representations made therein, to the extent descriptive of or otherwise relating to Spinco, are or will be from the time presented or made through and including the Distribution Date true, correct and complete in all material respects.

(b) *AT Co.* AT Co. hereby represents and warrants that (i) it has examined (or upon receipt will examine) the Tax Materials and (ii) the facts presented and the representations made therein, to the extent descriptive of or otherwise relating to AT Co., are or will be from the time presented or made through and including the Distribution Date true, correct and complete in all material respects.

(c) *The Company.* The Company hereby represents and warrants that (i) upon receipt, it will examine the Tax Materials and (ii) following such examination, to the extent that the Company approves the facts presented and the representations made therein which are descriptive of or otherwise relating to the Company, such facts and representations will be true, correct and complete in all material respects. The Company further represents and warrants that, except as set out on Schedule 10.1(c) of the Company Disclosure Letter, neither the Company nor any Subsidiary of the Company owns any shares of AT Co. Common Stock or any rights, warrants or options to acquire, or securities convertible into or exchangeable for, AT Co. Common Stock. The representations and warranties set forth in this Section 10.1(c) shall be true and correct as of the date of this Agreement or, with respect to the Tax Materials, as of the date approved, and at all times through and including the Distribution Date. To the actual knowledge of each of the Chief Executive Officer, the Chief Financial Officer and the General Counsel of the Company, none of Welsh Carson Anderson & Stowe IX, L.P., WCAS Capital Partners III, L.P., Welsh Carson Anderson & Stowe VIII, L.P., WCAS Management Corporation, Vestar Capital Partners III, L.P., Vestar Capital Partners IV, L.P. or Vestar/ Valor, LLC ("Specified Fund Shareholders") owns any shares of AT Co. Common Stock (or any rights, warrants or options to acquire, or securities convertible into or exchangeable for, AT Co. Common Stock) that were acquired as part of a plan or series of related transactions that includes the Distribution within the meaning of Section 355(e)(2)(A) of the Code. No representation is made as to any person other than a Specified Fund Shareholder, including any direct or indirect partner of a Specified Fund Shareholder.

10.2 *Restrictions Relating to the Distribution.*

(a) Neither the Company, nor the Surviving Corporation shall, nor shall the Company or the Surviving Corporation permit any of its Subsidiaries to, take any action, including entering into any agreement, understanding or arrangement or any substantial negotiations with respect to any transaction or series of transactions that would cause a Distribution Disqualification to occur (any such action, a "Disqualifying Action"); provided, however, that the term "Disqualifying Action" shall not include (i) any action that is taken pursuant to the terms of the Transaction Agreements, (ii) any action that would not have caused a Distribution Disqualification to occur but for an AT Co. Action, (iii) for the avoidance of doubt, any action taken by Spinco or any of its Subsidiaries prior to the Distribution, (v) any action taken solely to mitigate the adverse effects on the Tax–Free Status of the Transactions of a breach by Spinco, occurring prior to the Distribution, of a representation, warranty or covenant contained in the Transaction Agreements, regardless of whether such breach or its effects continue after the Distribution.

(b) Except as otherwise provided in subsection (c) or (g) of this Section 10.2, until the first day after the second anniversary of the Distribution Date, the Surviving Corporation shall not, nor shall the Surviving

Corporation permit any of its Subsidiaries to, take any action (including entering into any agreement, understanding or arrangement or any substantial negotiations with respect to any transaction or series of transactions) that might cause a Distribution Disqualification to occur (any such action or failure to act, a "Potential Disqualifying Action"), including any action or failure to act that might be inconsistent with any representation made in the Tax Materials, unless, prior to the taking of the Potential Disqualifying Action, AT Co. has delivered to the Surviving Corporation a written determination, in its reasonable discretion, which discretion shall be exercised in good faith solely to preserve the Tax-Free Status of the Transactions, that the Potential Disqualifying Action would not jeopardize the Tax-Free Status of the Transactions.

(c) Until the first day after the second anniversary of the Distribution Date, the Surviving Corporation shall not enter into any agreement, understanding or arrangement or any substantial negotiations with respect to any transaction (including a merger to which the Surviving Corporation is a party) involving the acquisition (including by the Surviving Corporation or any of its Subsidiaries) of common stock of the Surviving Corporation and shall not issue any additional shares of capital stock or transfer or modify any options, warrants, convertible obligations or other instrument that provides for the right or possibility to issue, redeem or transfer any shares of capital stock of the Surviving Corporation (or enter into any agreement, understanding, arrangement or any substantial negotiations with respect to any such issuance, transfer or modification), except to the extent that all such agreements, understandings, arrangements, substantial negotiations and other issuances, taken together, do not involve a direct or indirect acquisition by any Person or Persons of more than 71,130,989 shares of the stock of the Surviving Corporation (as adjusted to take into account any stock split, stock dividend, recapitalization, reclassification or similar transaction with respect to the stock of the Surviving Corporation). Notwithstanding the foregoing,

(i) the Surviving Corporation may issue additional shares of common stock of the Surviving Corporation to a person in a transaction to which Section 83 or Section 421(a) or (b) of the Code applies (or options to acquire stock in such a transaction) in connection with the person's performance of services as an employee, director or independent contractor of AT Co., the Company, the Surviving Corporation, any of their respective Subsidiaries, or any other person that is related to AT Co., the Company or the Surviving Corporation under Section 355(d)(7)(A) of the Code or a corporation the assets of which the Surviving Corporation or Subsidiary acquires in a reorganization under Section 368 of the Code (including Spinco or any of its Subsidiaries), provided that such stock is not excessive by reference to the services performed by such person and such person or a coordinating group of which the person is a member will not be a controlling shareholder or a ten-percent shareholder of the Surviving Corporation (within the meaning of Treasury Regulations Section 1.355-7(h)(3) and (8)) immediately after the issuance of such common stock; and

(ii) the Surviving Corporation may issue additional shares of common stock of the Surviving Corporation to a retirement plan of the Surviving Corporation or any other person that is treated as the same employer as the Surviving Corporation under Section 414(b), (c), (m), or (o) of the Code that qualifies under Section 401(a) or 403(a) of the Code, provided that the stock acquired by all of the qualified plans of the Surviving Corporation and such other persons during the four-year period beginning two years before the Distribution Date does not, in the aggregate, represent more than ten percent of the total combined voting power of all classes of stock of the Surviving Corporation entitled to vote or more than ten percent of the total value of shares of all classes of stock of the Surviving Corporation.

(d) Until the first day after the second anniversary of the Distribution Date, the Surviving Corporation shall not, and shall not permit any of its Subsidiaries to, repurchase any shares of common stock of the Surviving Corporation except to the extent consistent with the requirements of Revenue Procedure 96-30.

(e) Until the first day after the second anniversary of the Distribution Date, the Surviving Corporation shall cause its wholly-owned Subsidiaries that were wholly-owned Subsidiaries of Spinco at the time of the Distribution (other than those set forth on Spinco Schedule 10.2(e)) to continue the active conduct of the Spinco Business to the extent so conducted by those Subsidiaries immediately prior to the Distribution. The Surviving Corporation shall cause those Subsidiaries to continue the active conduct of the Spinco Business

primarily through officers and employees of the Surviving Corporation or any of its Subsidiaries (and not primarily through independent contractors).

(f) Until the first day after the second anniversary of the Distribution Date, the Surviving Corporation shall not voluntarily dissolve, liquidate, merge or consolidate with any other person, unless (i) in the case of a merger or consolidation, the Surviving Corporation is the survivor of the merger or consolidation or (ii) prior to undertaking such action, AT Co. has delivered to the Surviving Corporation a written determination, in its reasonable discretion, which discretion shall be exercised in good faith solely to preserve the Tax–Free Status of the Transactions, that such action would not jeopardize the Tax–Free Status of the Transactions.

(g) *Permitted Actions and Transactions.* Notwithstanding the foregoing, the provisions of this Section 10.2 shall not prohibit the Surviving Corporation from implementing any Potential Disqualifying Action upon which the IRS has granted a favorable ruling to AT Co. or the Surviving Corporation. Any such ruling will be treated as favorable for purposes of this Section 10.2(f) only if the Potentially Disqualifying Action is described in reasonable detail in such ruling and it is clear on the face of such ruling that such Potentially Disqualifying Action may be implemented without jeopardizing the Tax–Free Status of the Transactions.

10.3 *Cooperation and Other Covenants.*

(a) *Notice of Subsequent Actions.* From and after the Effective Time, each of Spinco and the Company, on the one hand, and AT Co., on the other hand, shall furnish the other with a copy of any ruling requests or other documents delivered to the IRS that relate to the Distribution or that otherwise reasonably could be expected to have an impact on the Tax–Free Status of the Transactions; provided, that each party may redact from any IRS Submission or other documents any Redactable Information.

(b) *Certain Post–Closing Actions Requested by AT Co.* After the Distribution Date, if reasonably requested by AT Co., the Surviving Corporation will take an action (or fail to take an action) to mitigate the effects of a breach by Spinco prior to the Distribution Date of a representation or covenant in this Article X; provided that (i) the Surviving Corporation 's obligations under this Section 10.3(b) are subject to AT Co.'s agreement to pay and indemnify the Surviving Corporation against all reasonable costs and expenses of taking or refraining from taking such action and (ii) any such action (or failure to take such action), even if reasonably requested, does not and will not adversely impact in any material respect the business, operations or financial condition of the Surviving Corporation or any of its Subsidiaries or divisions. No action taken pursuant to this Section 10.3(b) shall be treated as a Disqualifying Action or a Potential Disqualifying Action. Except as provided in this Section 10.3(b), the Surviving Corporation and its Subsidiaries shall have no duty to take any action to mitigate the effects of a breach by Spinco or its Subsidiaries prior to the Distribution of a representation or covenant contained in this Article X.

10.4 *Indemnification for Disqualifying Actions.*

(a) *General.* Notwithstanding any other provision of this Agreement or any provision of any of the Tax Sharing Agreement to the contrary, if there is a Final Determination that a Distribution Disqualification has occurred, then the Surviving Corporation shall indemnify, defend and hold harmless AT Co. and the AT Co. Subsidiaries (or any successor to any of them) from and against any and all (A) Taxes imposed pursuant to a Final Determination and (B) accounting, legal and other professional fees and court costs incurred in connection with such Taxes (other than such costs incurred in the joint defense of a Third–Party Claim, which costs are subject to Section 10.5(e) below), (C) costs and expenses that result from adverse tax consequences to AT Co. or AT Co.'s stockholders (including all costs, expenses and damages associated with stockholders litigation or controversies) and (D) all Taxes resulting from indemnification payments hereunder (collectively, "Tax–Related Losses"), incurred by AT Co. to the extent that the Distribution Disqualification is caused by any Disqualifying Action taken by the Surviving Corporation or any of its Subsidiaries after the Distribution Date.

(b) *Exceptions to Indemnification.*

(i) If AT Co. delivers to the Surviving Corporation a written determination, pursuant to any clause of Section 10.2, that a Potential Disqualifying Action or other action described in Section 10.2 would not

jeopardize the Tax–Free Status of the Transactions, then the Surviving Corporation shall have no obligation to indemnify AT Co. in respect of such Potentially Disqualifying Action or other action pursuant to Section 10.4(a), except to the extent that a Disqualifying Action results from the inaccuracy, incorrectness or incompleteness of any representation provided by the Surviving Corporation to AT Co. in respect of that determination.

(ii) The Surviving Corporation shall have no obligation to indemnify AT Co. pursuant to Section 10.4(a) in respect of any action or transaction that is permitted to be taken without the consent of AT Co. under Section 10.2, except to the extent that, in the case of an action permitted pursuant to a ruling described in Section 10.2(g), a Disqualifying Action results from the inaccuracy, incorrectness or incompleteness of any representation provided by the Surviving Corporation to the IRS in connection with such ruling.

(iii) The Surviving Corporation shall have no obligation to indemnify AT Co. pursuant to Section 10.4(a) in respect of any item of income, gain, deduction or loss arising in respect of or as a result of the Preliminary Restructuring, including an intercompany transaction pursuant to Section 1.1502–13 of the Treasury Regulations, an excess loss account pursuant to Section 1.1502–19 of the Treasury Regulations or any similar item, in each case, resulting from such Preliminary Restructuring, or any item that is includable in income without regard to the Tax–Free Status of the Transactions because such item is attributable to a predecessor of AT Co. or Spinco, within the meaning of Section 355(e)(4)(D) of the Code.

(iv) Nothing contained in this Article X shall be interpreted as requiring the Surviving Corporation to indemnify AT Co. against any Tax–Related Loss to the extent that such Tax–Related Loss arises from the recognition of taxable income or gain by AT Co. or any AT Co. Affiliate on the Distribution as a result of (A) any deemed sale of Spinco stock attributable to such stock being treated for federal income tax purposes as not having been distributed to AT Co. stockholders or (B) any failure by AT Co. to distribute an amount of Spinco stock constituting control of Spinco within the meaning of Section 368(c) of the Code as a result of any deemed sale described in clause (A).

(c) *Timing and Method of Tax Indemnification Payments.* The Surviving Corporation shall pay any amount that is due and payable to AT Co. pursuant to this Section 10.4 on or before the ninetieth (90th) day following the earlier of the date of an agreement of the parties or the date of a Final Determination that such amount is due and payable to AT Co. All payments pursuant to this Section 10.4 shall be made by wire transfer to the bank account designated by AT Co. for such purpose, and, on the date of such wire transfer, the Surviving Corporation shall give AT Co. notice of the transfer.

(d) *Prior Period Agreements.* Except for the Tax Sharing Agreement, any and all existing Tax Sharing agreements and practices regarding Taxes and their payment, allocation or sharing between (i) AT Co. or any Subsidiary of AT Co. other than Spinco or a Subsidiary of Spinco, on the one hand, and (ii) Spinco or any Subsidiary of Spinco, on the other hand, shall be terminated with respect to Spinco and all Subsidiaries of Spinco as of the Distribution Date, and no remaining liabilities thereunder shall exist thereafter.

10.5 *Procedure for Indemnification for Tax Liabilities.*

(a) If AT Co. receives notice of the assertion of any Third–Party Claim with respect to which the Surviving Corporation may be obligated under Section 10.4(a) to provide indemnification, AT Co. shall give the Surviving Corporation notice thereof (together with a copy of such Third–Party Claim, process or other legal pleading) promptly after becoming aware of such Third–Party Claim; provided, however, that the failure of AT Co. to give notice as provided in this Section shall not relieve the Surviving Corporation of its obligations under Section 10.4, except to the extent that the Surviving Corporation is actually prejudiced by such failure to give notice. Such notice shall describe such Third–Party Claim in reasonable detail.

(b) AT Co. and the Surviving Corporation shall jointly control the defense of, and cooperate with each other with respect to defending, any Third–Party Claim with respect to which the Surviving Corporation may be obligated under Section 10.4 to provide indemnification; provided that the Surviving Corporation shall forfeit such joint control right with respect to a particular Third–Party Claim if the Surviving Corporation or any Affiliate of the Surviving Corporation makes any public statement or filing, or takes any action (including the filing of any submission or pleading, or the giving of a deposition or production of documents, in any

administrative or court proceeding) in connection with such Third–Party Claim that is inconsistent in a material respect with any representation or warranty made by Spinco in this Agreement or the Tax Materials and provided, further that AT Co. shall forfeit such joint control right with respect to a particular Third–Party Claim if the AT Co. or any Affiliate of AT Co. makes any public statement or filing, or takes any action (including the filing of any submission or pleading, or the giving of a deposition or production of documents, in any administrative or court proceeding) in connection with such Third–Party Claim that is inconsistent in a material respect with any representation or warranty made by AT Co. or Spinco in this Agreement or the Tax Materials.

(c) The Surviving Corporation and AT Co. shall exercise their rights to jointly control the defense of any such Third–Party Claim solely for the purpose of defeating such Third–Party Claim and, unless required by Applicable Law, neither the Surviving Corporation nor AT Co. shall make any statements or take any actions that would reasonably be expected to result in the shifting of liability for Losses or Tax–Related Losses arising out of such Third–Party Claim from the party making such statement or taking such action (or any of its Affiliates) to the other party (or any of its Affiliates).

(d) Statements made or actions taken by either the Surviving Corporation or AT Co. in connection with the defense of any such Third–Party Claim shall not prejudice the rights of such party in any subsequent action or proceeding between the parties.

(e) If either AT Co. or the Surviving Corporation fails to jointly defend any such Third–Party Claim, then the other party shall solely defend such Third–Party Claim and the party failing to jointly defend shall use reasonable best efforts to cooperate with the other party in its defense of such Third–Party Claim; provided, however, that AT Co. may not compromise or settle any such Third–Party Claim without the prior written consent of the Surviving Corporation, which consent shall not be unreasonably withheld, conditioned or delayed. All costs and expenses of either party in connection with, and during the course of, the joint control of the defense of any such Third–Party Claim shall be paid by the party that incurs such costs and expenses.

10.6 *Exclusivity of Article X.* This Article X constitutes the complete and exclusive agreement of the parties with respect to the indemnification of AT Co. for Tax–Related Losses contained in Section 10.4. Any conflict between the terms of this Section 10.6 and any other provision of this Agreement, or any provision of any other agreement, shall be resolved in favor of this Section 10.6, unless such other provision expressly provides that it shall be given priority over this specific Section.

ARTICLE XI

Termination, Amendment and Waivers

11.1 *Termination.* Notwithstanding anything contained in this Agreement to the contrary, this Agreement may be terminated and the transactions contemplated hereby may be abandoned prior to the Effective Time, whether before or after the Requisite Approval:

(a) by the mutual written consent of each party hereto, which consent shall be effected by action of the Board of Directors of each such party;

(b) by any party hereto if the Effective Time shall not have occurred on or before the one year anniversary of the date of this Agreement, provided that the right to terminate this Agreement pursuant to this clause 11.1(b) shall not be available to any party whose failure to perform any of its obligations under this Agreement required to be performed by it at or prior to such date has been a substantial cause of, or substantially contributed to, the failure of the Merger to have become effective on or before such date;

(c) by any party hereto if, (i) a statute, rule, regulation or executive order shall have been enacted, entered or promulgated prohibiting the consummation of the Merger or (ii) an Order, decree, ruling or injunction shall have been entered permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger and such Order, decree, ruling or injunction shall have become final and

non–appealable and the party seeking to terminate this Agreement pursuant to this clause 11.1(c)(ii) shall have used all reasonable best efforts to remove such injunction, order, decree or ruling;

(d) by the Company, if either AT Co. or Spinco shall have breached or failed to perform in any material respect any of its respective representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 9.1 or 9.3 and (ii) cannot be cured by the Termination Date, provided that the Company shall have given AT Co. and Spinco written notice, delivered at least thirty (30) days prior to such termination, stating the Company's intention to terminate this Agreement pursuant to this Section 11.1(d) and the basis for such termination;

(e) by AT Co. and Spinco, if the Company shall have breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform (i) would result in a failure of a condition set forth in Section 9.1 or 9.2 and (ii) cannot be cured by the Termination Date, provided that AT Co. and Spinco shall have given the Company written notice, delivered at least thirty (30) days prior to such termination, stating AT Co. and Spinco's intention to terminate the Agreement pursuant to this Section 11.1(e) and the basis for such termination;

(f) by AT Co. and Spinco or the Company if, at the Company Stockholders' Meeting (including any adjournment, continuation or postponement thereof), the Requisite Approval shall not be obtained; except that the right to terminate this Agreement under this Section 11.1(f) shall not be available to the Company where the failure to obtain the Requisite Approval shall have been caused by the action or failure to act of the Company and such action or failure to act constitutes a material breach by the Company of this Agreement or a material breach of the Voting Agreement by any party thereto other than Spinco.

(g) by AT Co. and Spinco, if (i) the Board of Directors of the Company (or any committee thereof), shall have withdrawn or modified its approval or recommendation of the Merger or this Agreement, approved or recommended to the Company stockholders a Company Acquisition Proposal or resolved to do any of the foregoing, or (ii) the Company fails to call and hold the Company Stockholders Meeting within sixty (60) days after the effectiveness of the Registration Statement.

(h) by the Company if the Board of Directors of the Company determines in good faith that a Company Acquisition Proposal constitutes a Company Superior Proposal, except that the Company may not terminate this Agreement pursuant to this Section 11.1(h) unless and until (i) three business days have elapsed following delivery to AT Co. of a written notice of such determination by the Board of Directors of the Company and during such three business day period the Company (x) informs AT Co. of the terms and conditions of the Company Acquisition Proposal and identity of the person making the Company Acquisition Proposal and (y) otherwise cooperates with AT Co. with respect thereto with the intent of enabling AT Co. and Spinco to agree to a modification of the terms and conditions of this Agreement so that the transactions contemplated hereby may be effected, (ii) at the end of such three business day period the Board of Directors of the Company continues to determine in good faith that the Company Acquisition Proposal constitutes a Company Superior Proposal, (iii) simultaneously with such termination the Company enters into a definitive acquisition, merger or similar agreement to effect the Company Superior Proposal and (iv) the Company pays to AT Co. the amount specified and within the time period specified in Section 11.3.

11.2 *Effect of Termination.* In the event of termination of this Agreement pursuant to Section 11.1, this Agreement shall terminate (except for the Confidentiality Agreement referred to in Section 12.1 and the provisions of Section 11.3, and Sections 12.2 through 12.13), without any liability on the part of any party or its directors, officers or stockholders except as set forth in Section 11.3; provided, that nothing in this Agreement shall relieve any party of liability for breach of this Agreement or prejudice the ability of the non–breaching party to seek damages, including any damages based on the value that would otherwise have been available to the stockholders of the non–breaching party by virtue of this Agreement, from any other party for any breach of this Agreement, including attorneys' fees and the right to pursue any remedy at law or in equity.

11.3 *Termination Fee Payable in Certain Circumstances.*

(a) In the event that (i) the Company terminates this Agreement pursuant to Section 11.1(h), (ii) AT Co. and Spinco terminate this Agreement pursuant to clause (i) of Section 11.1(g) or (iii) (A) any Person shall have made a Company Acquisition Proposal after the date hereof and thereafter this Agreement is terminated by any party pursuant to Section 11.1(b) or by AT Co. or Spinco pursuant to clause (ii) of Section 11.1(g) (and a Company Acquisition Proposal is outstanding at such time) or by any party pursuant to Section 11.1(f) and (B) within twelve (12) months after the termination of this Agreement, any Company Acquisition shall have been consummated or any definitive agreement with respect to such Company Acquisition shall have been entered into, then the Company shall pay AT Co. a fee, in immediately available funds, in the amount of $35,000,000 at the time of such termination, in the case of a termination described in clause (i) or (ii) above, or upon the occurrence of the earliest event described in clause (iii)(B), in the event of a termination described in clause (iii), and in each case the Company shall be fully released and discharged from any other liability or obligation resulting from or under this Agreement, except with respect to any fraud or intentional breach of this Agreement.

(b) In the event (i) that AT Co. and Spinco or the Company terminate this Agreement pursuant to Section 11.1(b) and at the time of such termination, all of the conditions to the transactions contemplated hereby set forth in Sections 9.1 and 9.2 (other than those which by their terms are intended to be satisfied contemporaneously with the Closing) have been satisfied other than the conditions set forth in Sections 9.1(h), 9.1(i) and/or 9.1(j), or (ii) the Company terminates this Agreement pursuant to Section 11.1(d) and the breach or breaches by AT Co. or Spinco that gave rise to such termination shall have caused, the conditions set forth in Sections 9.1(h), 9.1(i) and/or 9.1(j) to have become incapable of being satisfied, AT Co. shall pay the Company a fee, in immediately available funds, equal to $35,000,000, in the case of a termination described in clause (i) or (ii) above under circumstances where the condition set forth in Section 9.1(h) has not been satisfied, or in the amount of $20,000,000, in the case of a termination described in clause (i) or (ii) above under circumstances where the conditions set forth in either Section 9.1(i) or 9.1(j) have not been satisfied, and AT Co. and Spinco shall be fully released and discharged from any other liability or obligation resulting from or under this Agreement, except with respect to any fraud or in each case intentional breach of this Agreement.

11.4 *Amendment.* This Agreement may be amended by AT Co., Spinco and the Company at any time before or after adoption of this Agreement by the stockholders of the Company; provided, however, that after such adoption, no amendment shall be made that by Law or in accordance with the rules of any relevant stock exchange or automated inter–dealer quotation system requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed by AT Co., Spinco and the Company.

11.5 *Waivers.* At any time prior to the Effective Time, AT Co., Spinco and the Company may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or acts of the other party; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant to this Agreement; and (iii) waive compliance with any of the agreements or conditions of the other party contained herein; provided, however, that no failure or delay by AT Co., Spinco or the Company in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of AT Co., Spinco or the Company to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE XII

Miscellaneous

12.1 *Survival of Representations, Warranties and Agreements; Indemnification.*

(a) The covenants and agreements in this Agreement or in any certificate or instrument delivered pursuant to this Agreement shall survive the Effective Time in accordance with their respective terms. None

of the representations or warranties in this Agreement or in any certificate or instrument delivered pursuant to this Agreement shall survive the Effective Time, except with respect to the representations and warranties contained in Article X and the Tax Materials, which shall survive in perpetuity. The Confidentiality Agreement shall survive the execution and delivery of this Agreement and any termination of this Agreement, and the provisions of the Confidentiality Agreement shall apply to all information and material furnished by any party or its representatives thereunder or hereunder.

(b) Following the Effective Time, the Surviving Corporation will indemnify, defend and hold harmless AT Co. and each Person, if any, who controls, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (any such person being hereinafter referred to as a "Controlling Person"), AT Co. from and against, and pay or reimburse each of the foregoing for, all losses, claims, damages, liabilities, actions, costs and expenses, joint or several, including reasonable attorneys' fees (collectively, "Losses"), arising out of or resulting from, directly or indirectly, or in connection with any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or in the Proxy Statement/ Prospectus (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Surviving Corporation shall not be responsible for information provided by AT Co. as to itself and its Subsidiaries, including Spinco, specifically for inclusion in, or incorporation by reference into, any such Proxy Statement/ Prospectus or Registration Statement.

(c) Following the Effective Time, AT Co. will indemnify, defend and hold harmless the Surviving Corporation and each Controlling Person of the Surviving Corporation from and against, and pay or reimburse each of the foregoing for, all Losses arising out of or resulting from, directly or indirectly, or in connection with any untrue statement or alleged untrue statement of a material fact contained in or incorporated by reference into the Registration Statement or in the Proxy Statement/ Prospectus (or any amendment or supplement thereto) or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, but only with respect to information provided by AT Co. as to itself and its Subsidiaries, including Spinco, specifically for inclusion in, or incorporation by reference into, any such Proxy Statement/ Prospectus or Registration Statement.

12.2 *Expenses.* Each party shall bear its own fees and expenses in connection with the transactions contemplated hereby; provided, however, that if the Merger is consummated, all costs and expenses incurred in connection with this Agreement, the Merger and the transactions contemplated by this Agreement relating to the Merger (including (i) all underwriter's or placement agent's discounts, fees and expenses associated with the Spinco Financing and the Debt Exchange; and (ii) all broker, finder and similar advisory fees incurred by AT Co. or Spinco in connection with the transactions contemplated by this Agreement and the Distribution Agreement), shall be paid by the Surviving Corporation. Notwithstanding the foregoing, AT Co. shall pay any AT Excess Expenses (as defined in the Distribution Agreement).

12.3 *Notices.* Any notice required to be given hereunder shall be sufficient if in writing, and sent by facsimile transmission (provided that any notice received by facsimile transmission or otherwise at the addressee's location on any business day after 5:00 p.m. (addressee's local time) shall be deemed to have been received at 9:00 a.m. (addressee's local time) on the next business day), by reliable overnight delivery service (with proof of service), hand delivery or certified or registered mail (return receipt requested and first–class postage prepaid), addressed as follows:

If to: Spinco (prior to the Effective Time) or AT Co., to:

ALLTEL Holding Corp.
One Allied Drive
Little Rock, Arkansas 72202
Attn: Chief Executive Officer
(With a copy to the Chairman)
Telecopy: (501) 905–0962

If to the Company, to:

Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
Attn: Chief Executive Officer
(With a copy to the Corporate Secretary)
Telecopy: (972) 373–1812

or to such other address as any party shall specify by written notice so given, and such notice shall be deemed to have been delivered as of the date so telecommunicated, personally delivered or mailed. Any party to this Agreement may notify any other party of any changes to the address or any of the other details specified in this paragraph; provided that such notification shall only be effective on the date specified in such notice or five (5) business days after the notice is given, whichever is later. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice as of the date of such rejection, refusal or inability to deliver.

12.4 *Interpretation.* When a reference is made in this Agreement to an Article or Section, such reference shall be to an Article or Section of this Agreement unless otherwise indicated. The table of contents to this Agreement is for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant thereto unless otherwise defined therein. The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such term. Any agreement, instrument or statute defined or referred to herein or in any agreement or instrument that is referred to herein means such agreement, instrument or statute as from time to time amended, modified or supplemented, including (in the case of agreements or instruments) by waiver or consent and (in the case of statutes) by succession of comparable successor statutes and references to all attachments thereto and instruments incorporated therein. References to a person are also to its permitted successors and assigns. Each of the parties has participated in the drafting and negotiation of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement must be construed as if it is drafted by all the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of authorship of any of the provisions of this Agreement. For avoidance of doubt, "consistent with past practice" when used with respect to Spinco or any of its Subsidiaries shall mean the past practice of AT Co. with respect to the Spinco Business.

Any matter disclosed in any particular Section or Subsection of the Spinco Disclosure Letter, the AT Co. Disclosure Letter or the Company Disclosure Letter shall be deemed to have been disclosed in any other Section or Subsection of this Agreement, with respect to which such matter is relevant so long as the applicability of such matter to such Section or Subsection is reasonably apparent on its face.

12.5 *Severability.* If any provision of this Agreement or the application of any such provision to any Person or circumstance, shall be declared judicially to be invalid, unenforceable or void, such decision shall not have the effect of invalidating or voiding the remainder of this Agreement, it being the intent and agreement of the parties hereto that this Agreement shall be deemed amended by modifying such provision to the extent necessary to render it valid, legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefor another provision that is legal and enforceable and that achieves the same objective.

12.6 *Assignment; Binding Effect.* Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of all of the other parties. Subject to the preceding sentence, this Agreement will be

binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns.

12.7 *No Third Party Beneficiaries.* Except as provided in Section 8.12, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than AT Co., Spinco and the Company and their respective successors and permitted assigns) any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person (other than as so specified) shall be deemed a third party beneficiary under or by reason of this Agreement.

12.8 *Limited Liability.* Notwithstanding any other provision of this Agreement, no stockholder, director, officer, Affiliate, agent or representative of any of the parties hereto, in its capacity as such, shall have any liability in respect of or relating to the covenants, obligations, representations or warranties of such party under this Agreement or in respect of any certificate delivered with respect hereto or thereto and, to the fullest extent legally permissible, each of the parties hereto, for itself and its stockholders, directors, officers and Affiliates, waives and agrees not to seek to assert or enforce any such liability that any such Person otherwise might have pursuant to applicable Law.

12.9 *Entire Agreement.* This Agreement (together with the other Transaction Agreements, the Voting Agreement, the Confidentiality Agreement, the exhibits and the Disclosure Letters and the other documents delivered pursuant hereto) constitutes the entire agreement of all the parties hereto and supersedes all prior and contemporaneous agreements and understandings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof. All exhibits attached to this Agreement and the Disclosure Letters are expressly made a part of, and incorporated by reference into, this Agreement.

12.10 *Governing Law.* This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to the conflicts of law principles thereof.

12.11 *Counterparts.* This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement binding on the parties hereto, notwithstanding that not all parties are signatories to the original or the same counterpart.

12.12 *Waiver of Jury Trial.* Each of the parties hereto irrevocably waives all right to trial by jury in any action, suit, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement hereof.

12.13 *Jurisdiction; Enforcement.* The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of Delaware or the Delaware Court of Chancery, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of Delaware or the Delaware Court of Chancery in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the State of Delaware.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ALLTEL CORPORATION

By: /s/ Scott T. Ford
Name: Scott T. Ford
Title: CEO & President

ALLTEL HOLDING CORP.

By: /s/ Jeffery R. Gardner
Name: Jeffery R. Gardner
Title: President

VALOR COMMUNICATIONS GROUP, INC.

By: /s/ William M. Ojile, Jr.
Name: William M. Ojile, Jr.
Title: Senior Vice President, Chief Legal Officer and Secretary

Annex B

DISTRIBUTION AGREEMENT
BY AND BETWEEN
ALLTEL CORPORATION
AND
ALLTEL HOLDING CORP.
DATED AS OF DECEMBER 8, 2005

TABLE OF CONTENTS

		Page
	ARTICLE I Definitions	
Section 1.1	General	B–2
Section 1.2	References to Time	B–8
	ARTICLE II Preliminary Transactions	
Section 2.1	Business Separation	B–8
Section 2.2	Conveyancing and Assumption Agreements	B–9
Section 2.3	Certain Resignations	B–9
Section 2.4	Other Agreements	B–9
Section 2.5	Transfers Not Effected Prior to the Distribution; Transfers Deemed Effective as of the Distribution Date	B–9
Section 2.6	Special Dividend; Spinco Financing; Debt Exchange	B–10
Section 2.7	Financial Instruments	B–11
Section 2.8	Coordination of Asset Separation Transactions	B–11
	ARTICLE III The Distribution	
Section 3.1	Record Date and Distribution Date	B–12
Section 3.2	Spinco Reclassification	B–12
Section 3.3	Net Spinco Indebtedness	B–12
Section 3.4	The Agent	B–12
Section 3.5	Delivery of Shares to the Agent	B–12
Section 3.6	The Distribution	B–12
	ARTICLE IV Net Debt Adjustment	
Section 4.1	Post–Closing Adjustment to Net Spinco Indebtedness	B–13
	ARTICLE V Employee Benefit Matters	
Section 5.1	Employee Benefit Matters	B–14
	ARTICLE VI Tax Sharing	
Section 6.1	Tax Sharing	B–15
	ARTICLE VII Survival and Indemnification	
Section 7.1	Survival of Agreements	B–15
Section 7.2	Mutual Release	B–15
Section 7.3	Indemnification	B–15
Section 7.4	Procedures for Indemnification for Third–Party Claims	B–16
Section 7.5	Reductions for Insurance Proceeds, Tax Benefits and Other Recoveries	B–17
Section 7.6	Consequential Damages	B–17
Section 7.7	Survival of Indemnities	B–17
	ARTICLE VIII Certain Additional Covenants	
Section 8.1	Notices to Third Parties	B–18
Section 8.2	Licenses and Permits	B–18

Table of Contents

		Page
Section 8.3	Intercompany Agreements; Intercompany Accounts	B–18
Section 8.4	Further Assurances	B–18
Section 8.5	Guarantee Obligations and Liens	B–18
Section 8.6	Insurance	B–19
Section 8.7	Use of Names	B–20
Section 8.8	Non Solicitation of Employees	B–21
Section 8.9	Subsequent Transfers	B–21
	ARTICLE IX Access to Information	
Section 9.1	Provision of Corporate Records	B–21
Section 9.2	Access to Information	B–22
Section 9.3	Production of Witnesses	B–23
Section 9.4	Retention of Records	B–23
Section 9.5	Confidentiality	B–23
Section 9.6	Cooperation with Respect to Government Reports and Filings	B–23
Section 9.7	Tax Sharing Agreement	B–24
	ARTICLE X No Representations or Warranties	
Section 10.1	No Representations or Warranties	B–24
	ARTICLE XI Conditions	
Section 11.1	Conditions to the Distribution	B–24
Section 11.2	Waiver of Conditions	B–24
Section 11.3	Disclosure	B–24
	ARTICLE XII Miscellaneous	
Section 12.1	Complete Agreement	B–24
Section 12.2	Expenses	B–25
Section 12.3	Governing Law	B–25
Section 12.4	Notices	B–25
Section 12.5	Amendment and Modification	B–25
Section 12.6	Successors and Assigns; No Third–Party Beneficiaries	B–26
Section 12.7	Counterparts	B–26
Section 12.8	Interpretation	B–26
Section 12.9	Severability	B–26
Section 12.10	References; Construction	B–26
Section 12.11	Termination	B–26
Section 12.12	Consent to Jurisdiction and Service of Process	B–26
Section 12.13	Waivers	B–26
Section 12.14	Specific Performance	B–27
Section 12.15	Waiver of Jury Trial	B–27

DISTRIBUTION AGREEMENT

This DISTRIBUTION AGREEMENT (this "Agreement"), dated as of December 8, 2005, by and between ALLTEL Corporation, a Delaware corporation ("AT Co."), and ALLTEL Holding Corp., a newly formed Delaware corporation and a wholly owned subsidiary of AT Co. ("Spinco").

RECITALS

WHEREAS, AT Co., Spinco and Valor Communications Group, Inc., a Delaware corporation (the "Company"), have entered into an Agreement and Plan of Merger, of even date herewith (the "Merger Agreement"), pursuant to which, at the Effective Time (as defined in the Merger Agreement), Spinco will merge with and into the Company, with the Company continuing as the surviving corporation (the "Merger");

WHEREAS, this Agreement and the other Transaction Agreements (as defined herein) set forth certain transactions that are conditions to consummation of the Merger;

WHEREAS, prior to the Distribution Date (as defined herein), (i) pursuant to certain preliminary restructuring transactions, including one or more distributions and/or contributions of assets and equity securities, (A) AT Co. will transfer or cause to be transferred to one or more of the Spinco Subsidiaries (as defined herein) all of the Spinco Assets (as defined herein) not held by Spinco or the Spinco Subsidiaries as of the date hereof, (B) AT Co. will transfer or cause to be transferred to one or more of the AT Co. Subsidiaries (as defined herein) all of the AT Co. Assets (as defined herein) not held by AT Co. or the AT Co. Subsidiaries as of the date hereof, (C) AT Co. will transfer or cause to be transferred to one or more of the Spinco Subsidiaries all of the Spinco Liabilities (as defined herein) not held by Spinco or the Spinco Subsidiaries as of the date hereof (and one or more of the Spinco Subsidiaries will assume or cause to be assumed such Spinco Liabilities), and (D) AT Co. will transfer or cause to be transferred to one or more of the AT Co. Subsidiaries all of the AT Co. Liabilities (as defined herein) not held by AT Co. or the AT Co. Subsidiaries as of the date hereof (and one or more of the AT Co. Subsidiaries will assume or cause to be assumed such AT Co. Liabilities) (collectively, the "Preliminary Restructuring"), and (ii) in exchange for the contribution to Spinco, directly or indirectly, of all of the issued and outstanding capital stock or other equity securities of the Spinco Subsidiaries, Spinco will issue to AT Co. the Spinco Common Stock (as defined herein), distribute to AT Co. the Spinco Exchange Notes (as defined herein) and pay to AT Co. the Special Dividend (as defined herein), all upon the terms and subject to the conditions set forth herein (the transactions described in this clause (ii), collectively, the "Contribution");

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, AT Co. will distribute (the "Distribution") all of the issued and outstanding shares of common stock, par value $.01 per share, of Spinco ("Spinco Common Stock") to the holders as of the Record Date (as defined herein) of the outstanding shares of common stock, par value $1.00 per share, of AT Co. ("AT Co. Common Stock"); and

WHEREAS, the parties to this Agreement intend that the Contribution, together with the Debt Exchange (as defined herein), qualify as a tax–free reorganization under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), that the Distribution qualify as a distribution of Spinco stock to AT Co. stockholders pursuant to Section 355 of the Code, and that the Merger qualify as a tax–free reorganization under Section 368 of the Code, and that no gain or loss be recognized as a result of such transactions for federal income tax purposes by any of AT Co., Spinco, the Company and their respective stockholders (except to the extent of cash received in lieu of fractional shares.).

NOW, THEREFORE, in consideration of the promises, and of the representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.1 *General.* As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

Additional Spinco Indebtedness: as defined in Section 4.1(d) of this Agreement.

Affiliate: means a Person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified Person. The term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as applied to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other ownership interest, by contract or otherwise; provided, however, that for purposes of this Agreement, from and after the Distribution Date, no member of either Group shall be deemed an Affiliate of any member of the other Group.

Agent: the distribution agent to be appointed by AT Co. to distribute the shares of Spinco Common Stock pursuant to the Distribution.

Agreement: as defined in the preamble to this Agreement.

Asset: any and all assets, properties and rights, wherever located, whether real, personal or mixed, tangible or intangible, including the following (in each case, whether or not recorded or reflected or required to be recorded or reflected on the books and records or financial statements of any Person): (i) notes and accounts and notes receivable (whether current or non–current); (ii) certificates of deposit, banker's acceptances, stock (including the capital stock or other equity securities in any Subsidiary), debentures, bonds, notes, evidences of indebtedness, certificates of interest or participation in profit–sharing agreements, collateral–trust certificates, preorganization certificates or subscriptions, transferable shares, investment contracts, letters of credit and performance and surety bonds, voting–trust certificates, puts, calls, straddles, options and other securities of any kind, and all loans, advances or other extensions of credit or capital contributions to any other Person; (iii) intangible property rights, inventions, discoveries, know–how, United States and foreign patents and patent applications, trade secrets, confidential information, registered and unregistered trademarks, service marks, service names, trade styles and trade names and associated goodwill; statutory, common law and registered copyrights; applications for any of the foregoing, rights to use the foregoing and other rights in, to and under the foregoing; (iv) rights under leases (including Real Property Leases), contracts, licenses, permits, distribution arrangements, sales and purchase agreements, joint operating agreements, other agreements and business arrangements; (v) Owned Real Property; (vi) Leased Real Property, fixtures, trade fixtures, machinery, equipment (including oil and gas, transportation and office equipment), tools, dies and furniture; (vii) office supplies, production supplies, spare parts, other miscellaneous supplies and other tangible property of any kind, including all antennas, apparatus, cables, electrical devices, fixtures, equipment, furniture, office equipment, broadcast towers, motor vehicles and other transportation equipment, special and general tools, test devices, transmitters and other tangible personal property; (viii) computers and other data processing equipment and software; (ix) raw materials, work–in–process, finished goods, consigned goods and other inventories; (x) prepayments or prepaid expenses; (xi) claims, causes of action, rights under express or implied warranties, rights of recovery and rights of setoff of any kind; (xii) the right to receive mail, payments on accounts receivable and other communications; (xiii) lists of customers, records pertaining to customers and accounts, personnel records, lists and records pertaining to customers, suppliers and agents, and all accounting and other books, records, ledgers, files and business records of every kind (whether in paper, microfilm, computer tape or disc, magnetic tape or any other form); (xiv) advertising materials and other printed or written materials; (xv) goodwill as a going concern and other intangible properties; (xvi) employee contracts, including any rights thereunder to restrict an employee

from competing in certain respects; and (xvii) licenses and authorizations issued by any governmental authority. "Assets" shall not include any asset relating to Taxes, which shall be governed exclusively by Article VI of this Agreement, the Tax Sharing Agreement, and, to the extent applicable, the Merger Agreement or any asset relating to benefit plans, programs, agreements, and arrangements, which shall be governed exclusively by Article V of this Agreement, the Employee Benefits Agreement and, to the extent applicable, the Merger Agreement.

Asset Separation Process: as defined in Section 2.8 of this Agreement.

AT Co.: as defined in the preamble to this Agreement.

AT Co. Assets: collectively: (i) all of the right, title and interest of AT Co. and its Subsidiaries in all Assets held by them other than the Spinco Assets, (ii) the rights to use shared Assets as provided in Article II hereof, (iii) all other Assets of AT Co. and AT Co. Subsidiaries to the extent specifically assigned to or retained by any member of the AT Co. Group pursuant to this Agreement or any other Transaction Agreement, (iv) the capital stock of each AT Co. Subsidiary, (v) all rights of AT Co. under the Transaction Agreements and (vi) any additional Assets set forth on Section 1.1(a) of the Disclosure Letter.

AT Co. Business: all of the businesses and operations conducted by AT Co. and the AT Co. Subsidiaries (other than the Spinco Business) at any time, whether prior to, on or after the Distribution Date.

AT Co. Common Stock: as defined in the Recitals to this Agreement.

AT Co. Designees: as defined in Section 2.8 of this Agreement.

AT Co. Financial Instruments: all credit facilities, guaranties, commercial paper, interest rate swap agreements, foreign currency forward exchange contracts, comfort letters, letters of credit and similar instruments related to the AT Co. Business under which any member of the Spinco Group has any primary, secondary, contingent, joint, several or other Liability after the Distribution Date.

AT Co. Group: AT Co. and the AT Co. Subsidiaries.

AT Co. Indemnitees: AT Co., each Affiliate of AT Co. immediately after the Contribution and each of their respective present and former Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

AT Co. Liabilities: collectively, (i) all Liabilities of AT Co. or any of the AT Co. Subsidiaries, including the Liabilities of AT Co. under the Transaction Agreements, in each case, other than the Spinco Liabilities, (ii) all Liabilities set forth on Section 1.1(b) of the Disclosure Letter and (iii) all expenses allocated to AT Co. on Section 12.2 of the Disclosure Letter.

AT Co. Subsidiaries: all direct and indirect Subsidiaries of AT Co. immediately after the Distribution Date.

AT Co. Trademarks: as defined in Section 8.7(c) of this Agreement.

AT Co./Spinco Designees: as defined in Section 2.8 of this Agreement.

AT Excess Expenses: as defined in Section 12.2 of this Agreement.

Business: the Spinco Business or the AT Co. Business, as the case may be.

Business Day: any day other than a Saturday, Sunday or a day on which banking institutions in the City of Little Rock, Arkansas or the City of New York, New York are authorized or obligated by law or executive order to close.

Cash and Cash Equivalents: as defined in Section 4.1(f) of this Agreement.

Claims Administration: the processing of claims made under the Policies, including the reporting of claims to the insurance carrier, management and defense of claims, and providing for appropriate releases upon settlement of claims.

Claims Made Policies: as defined in Section 8.6(a) of this Agreement.

Closing Date: as defined in the Merger Agreement.

Closing Net Spinco Indebtedness: as defined in Section 4.1(a) of this Agreement.

Closing Spinco Balance Sheet: as defined in Section 4.1(a) of this Agreement.

Closing Statement: as defined in Section 4.1(a) of this Agreement.

Code: as defined in the Recitals to this Agreement.

Company: as defined in the Recitals to this Agreement.

Company Consent: the written consent of the Company, which consent shall not be unreasonably withheld, conditioned or delayed.

Company Designees: as defined in Section 2.8 of this Agreement.

Contribution: as defined in the Recitals to this Agreement.

Debt Exchange: as defined in Section 2.6(b) of this Agreement.

Delayed Transfer Assets: as defined in Section 2.5 of this Agreement.

Delayed Transfer Liabilities: as defined in Section 2.5 of this Agreement.

Disclosure Letter: the schedule prepared and delivered by AT Co. to Spinco as of the date of this Agreement.

Distribution: as defined in the Recitals to this Agreement.

Distribution Date: the date and time that the Distribution shall become effective.

Effective Time: as defined in the Merger Agreement.

Employee Benefits Agreement: the Employee Benefits Agreement to be entered into between AT Co. and Spinco, substantially in the form of Exhibit A hereto.

Final Adjustment Amount: as defined in Section 4.1(d) of this Agreement.

Final Closing Statement: as defined in Section 4.1(b) or 4.1(c) of this Agreement.

Final Net Spinco Indebtedness: as defined in Section 4.1(d) of this Agreement.

GAAP: as defined in Section 4.1(f) of this Agreement.

Governmental Authority: as defined in the Merger Agreement.

Group: the AT Co. Group or the Spinco Group, as the case may be.

Indebtedness: as defined in Section 4.1(f) of this Agreement.

Indemnifiable Losses: all Losses, Liabilities, damages, claims, demands, judgments or settlements of any nature or kind, including all costs and expenses (legal, accounting or otherwise) that are reasonably incurred relating thereto, suffered by an Indemnitee, including any costs or expenses of enforcing any indemnity hereunder that are reasonably incurred and all Taxes resulting from indemnification payments hereunder.

Indemnifying Party: a Person that is obligated under this Agreement to provide indemnification.

Indemnitee: a Person that may seek indemnification under this Agreement.

Independent Accounting Firm: as defined in Section 4.1(f) of this Agreement.

Information: all records, books, contracts, instruments, computer data and other data and information.

Leased Real Property: all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property.

Liability or Liabilities: all debts, liabilities and obligations whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and whether or not the same would properly be reflected on a balance sheet. "Liabilities" shall not include any liabilities for or in respect of Taxes, which shall be governed solely by Article VI of this Agreement, the Tax Sharing Agreement, and, to the extent applicable, the Merger Agreement, or any liabilities for or in respect of any benefit plans, programs, agreements, and arrangements, which shall be governed exclusively by Article V of this Agreement, the Employee Benefits Agreement and, to the extent applicable, the Merger Agreement.

Litigation Matters: all pending or threatened litigation, investigations, claims or other legal matters that have been or may be asserted against, or otherwise adversely affect, AT Co. and/or Spinco (or members of either Group).

Losses: as defined in the Merger Agreement.

Merger: as defined in the Recitals to this Agreement.

Merger Agreement: as defined in the Recitals to this Agreement.

Net Spinco Indebtedness: as defined in Section 4.1(f) of this Agreement.

Occurrence Basis Policies: as defined in Section 8.6(a) of this Agreement.

Owned Real Property: all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto that is owned.

Person or person: a natural person, corporation, company, partnership, limited partnership, limited liability company, or any other entity, including a Governmental Authority.

Policies: all insurance policies, insurance contracts and claim administration contracts of any kind of AT Co. and its Subsidiaries (including members of the Spinco Group) and their predecessors which were or are in effect at any time at or prior to the Distribution Date, including primary, excess and umbrella, commercial general liability, fiduciary liability, product liability, automobile, aircraft, property and casualty, business interruption, directors and officers liability, employment practices liability, workers' compensation, crime, errors and omissions, special accident, cargo and employee dishonesty insurance policies and captive insurance company arrangements, together with all rights, benefits and privileges thereunder, but not including any insurance policies, insurance contracts or claim administration contracts subject to the provisions of the Employee Benefits Agreement.

Preliminary Restructuring: as defined in the Recitals to this Agreement.

Prime Rate: as defined in Section 4.1(e) of this Agreement.

Privileged Information: with respect to either Group, Information regarding a member of such Group, or any of its operations, Assets or Liabilities (whether in documents or stored in any other form or known to its employees or agents) that is or may be protected from disclosure pursuant to the attorney–client privilege, the work product doctrine or another applicable privilege, that a member of the other Group may come into possession of or obtain access to pursuant to this Agreement or otherwise.

Real Property Leases: all leases, subleases, concessions and other agreements (written or oral) pursuant to which any Leased Real Property is held, including the right to all security deposits and other amounts and instruments deposited thereunder.

Reclassification: as defined in Section 3.4 of this Agreement.

Record Date: the close of business on the date to be determined by the Board of Directors of AT Co. as the record date for determining stockholders of AT Co. entitled to receive the Distribution, which date shall be a business day preceding the day of the Effective Time.

Registration Statement: the Registration Statement on Form S–4 to be filed by the Company with the SEC to effect the registration under the Securities Act of the issuance of the shares of Company Common Stock (as defined in the Merger Agreement) into which shares of Spinco Common Stock will be converted pursuant to the Merger.

Representative: with respect to any Person, any of such Person's directors, managers or persons acting in a similar capacity, officers, employees, agents, consultants, financial and other advisors, accountants, attorneys and other representatives.

SEC: the U.S. Securities and Exchange Commission.

Securities Act: the Securities Act of 1933, as amended, together with the rules and regulations of the SEC promulgated thereunder.

Sell–off Period: as defined in Section 8.7(c) of this Agreement.

Senior Debt Commitment Letter: means the commitment letter attached hereto as Exhibit B.

Shared Assets Agreement: has the meaning set forth in Section 2.1(b) of this Agreement.

Shared Contracts Agreement: has the meaning set forth in Section 2.1(c) of this Agreement.

Special Dividend: a dividend in an amount to be set forth in a certificate delivered by AT Co. to Spinco, with a copy to the Company, no later than thirty (30) days prior to the Distribution Date, which amount shall not exceed AT Co.'s tax basis in Spinco, and which will be declared and paid by Spinco to AT Co. in cash prior to the Distribution.

Special Dividend Record Date: as defined in Section 2.6(a) of this Agreement.

Spinco: as defined in the preamble to this Agreement; provided that with respect to any period following the Effective Time, all references to Spinco herein shall be deemed to be references to the Surviving Corporation.

Spinco Assets: collectively, (i) all of the right, title and interest of AT Co. and its Subsidiaries in all Assets that are primarily used or held for use in, or primarily relating to or arising from, the Spinco Business, including those set forth on the Spinco Audited Balance Sheet and those acquired by Spinco, any Spinco Subsidiary, AT Co. or any AT Co. Subsidiary after the date of the Spinco Audited Balance Sheet, (ii) the rights to use shared Assets as provided in Article II hereof, (iii) all other Assets of Spinco and the Spinco Subsidiaries to the extent specifically assigned to or retained by any member of the Spinco Group pursuant to this Agreement or any other Transaction Agreement, (iv) the capital stock of each Spinco Subsidiary, (v) all rights of Spinco under the Transaction Agreements, and (vi) any additional Assets set forth on Section 1.1(c) of the Disclosure Letter.

Spinco Audited Balance Sheet: as defined in Section 4.1(f) of this Agreement.

Spinco Business: the business conducted by AT Co. and its Subsidiaries engaged in the operation of AT Co.'s wireline telecommunications business, including AT Co.'s ILEC, CLEC and internet access operations, related marketing and sales operations, and other operations comprising what is referred to in AT Co.'s Annual Report on Form 10–K for the fiscal year ended December 31, 2004 as the Wireline Segment of AT Co., as well as all of AT Co.'s directory publishing operations, telecommunication information services operations, product distribution operations (other than any such operations supporting AT Co.'s wireless telecommunications business, as set forth on Schedule 1.1 hereof), network management services operations, and wireline long–distance services operations (other than the fiber backbone supporting those operations and the revenues attributable to AT Co.'s wireless telecommunications business as a result of its use of the fiber backbone), but excluding, for the avoidance of doubt, all other businesses conducted by AT Co. and its Subsidiaries.

Spinco Credit Agreement: means the definitive loan agreement with respect to the senior credit facility of Spinco containing substantially the terms contemplated by the Senior Debt Commitment Letter.

Spinco Common Stock: as defined in the Recitals to this Agreement.

Spinco Designees: as defined in Section 2.8 of this Agreement.

Spinco Exchange Notes and Spinco Notes: means the notes to be issued by Spinco, as detailed in Section 2.6 hereof.

Spinco Financial Instruments: all credit facilities, guaranties, commercial paper, interest rate swap agreements, foreign currency forward exchange contracts, comfort letters, letters of credit and similar instruments related to the Spinco Business under which any member of the AT Co. Group has any primary, secondary, contingent, joint, several or other Liability after the Distribution Date.

Spinco Financing: as defined in Section 2.6(c) of this Agreement.

Spinco Group: Spinco and the Spinco Subsidiaries.

Spinco Indemnitees: Spinco, the Company, each Affiliate of Spinco and the Company immediately after the Contribution and each of their respective present and former Representatives and each of the heirs, executors, successors and assigns of any of the foregoing.

Spinco Liabilities: collectively: (i) all Liabilities of AT Co. or any of its Subsidiaries (including Spinco and the Spinco Subsidiaries) primarily relating to or arising from the Spinco Business, including the Liabilities set forth on the Spinco Audited Balance Sheet or arising after the date thereof and the Liabilities of Spinco under the Transaction Agreements and (ii) all Liabilities set forth on Section 1.1(d) of the Disclosure Letter.

Spinco Notes Offering: means the sale of Spinco Notes as part of the Spinco Financing, if applicable, and the distribution of Spinco Exchange Notes to AT Co. for purposes of effecting the Debt Exchange.

Spinco Subsidiaries: all direct and indirect Subsidiaries of Spinco immediately after the Contribution.

Steering Committee: as defined in Section 2.8 of this Agreement.

Subsidiary: as defined in the Merger Agreement.

Surviving Corporation: as defined in the Merger Agreement.

Target Net Spinco Indebtedness: as defined in Section 4.1(d) of this Agreement.

Taxes: as defined in the Merger Agreement.

Tax Sharing Agreement: the Tax Sharing Agreement to be entered into between AT Co. and its Affiliates and Spinco and its Affiliates, substantially in the form of Exhibit C hereto.

Third–Party Claim: any claim, suit, derivative suit, arbitration, inquiry, proceeding or investigation by or before any court, any governmental or other regulatory or administrative agency or commission or any arbitration tribunal asserted by a Person who or which is neither a party hereto nor an Affiliate of a party hereto.

Transaction Agreements: this Agreement, the Employee Benefits Agreement, the Merger Agreement, the Tax Sharing Agreement, the Shared Assets Agreement, the Shared Contracts Agreement, and the Transition Services Agreement.

Transition Services Agreement: the Transition Services Agreement to be entered into by and between AT Co. and Spinco, substantially on the terms set forth in Exhibit D hereto.

Wireline Subsidiaries: as defined in Section 2.1(a) of this Agreement.

Section 1.2 *References to Time.* All references in this Agreement to times of the day shall be to New York City time.

ARTICLE II

Preliminary Transactions

Section 2.1 *Business Separation.*

(a) On or prior to the Distribution Date, AT Co. shall take or cause to be taken all actions necessary to cause the transfer, assignment, delivery and conveyance to Spinco or one or more Spinco Subsidiaries designated by Spinco of (i) all of the stock of Subsidiaries of AT Co. that hold primarily Spinco Assets (the "Wireline Subsidiaries") (which such Subsidiaries are set forth on Schedule 2.1(a) hereof); provided that any AT Co. Assets or AT Co. Liabilities held by any such Wireline Subsidiary shall be transferred from such Wireline Subsidiary to AT Co. or an AT Co. Subsidiary prior to the Distribution Date, (ii) all of the Spinco Assets held by AT Co. or a subsidiary of AT Co. that are not transferred as a result of the transfer of a Wireline Subsidiary to Spinco and (iii) all Spinco Liabilities held by AT Co. or a subsidiary of AT Co. that are not transferred as a result of the transfer of a Wireline Subsidiary to Spinco. Spinco shall assume or cause to be assumed, and thereafter timely pay, perform and discharge, or cause to be paid, performed and discharged, all of the Spinco Liabilities.

(b) The separation of the AT Co. Assets and the Spinco Assets, as contemplated by this Agreement shall be effected in a manner that does not unreasonably disrupt either the AT Co. Business or the Spinco Business. Notwithstanding the foregoing, AT Co. and Spinco agree, and agree to cause their respective Subsidiaries, to use their reasonable best efforts to obtain, before the Distribution Date, any consent, approval or waiver from, and to satisfy any notification requirements to, any Governmental Authority or other third party. Prior to the Distribution Date, AT Co. and Spinco shall use their reasonable best efforts to identify all Assets that cannot be separated in a commercially reasonable manner, and Spinco and AT Co. will enter into appropriate arrangements regarding such shared Assets (the "Shared Assets Agreement"), including the costs related to the use of such shared Assets.

(c) Prior to the Contribution, AT Co. and Spinco will use their respective reasonable best efforts to amend, in form and substance reasonably satisfactory to the Company, all contractual arrangements between or among AT Co., Spinco, their respective Affiliates and any other Person (other than the contractual arrangements relating to the Contribution, the Distribution and the Merger) that either (i) relate to the AT Co. Business but relate primarily to the Spinco Business or (ii) relate solely to the Spinco Business, but, by their terms, contain provisions relating to a member of the AT Co. Group, so that, after the Contribution, such contractual arrangements (x) will relate solely to the Spinco Business and (y) will eliminate any provisions relating to a member of the AT Co. Group and, in either event, will inure to the benefit of the Spinco Group on substantially the same economic terms as such arrangements exist as of the date hereof. Prior to the Contribution, AT Co. and Spinco will use their respective reasonable best efforts to amend, in form and substance reasonably satisfactory to the Company, all contractual arrangements between or among AT Co., Spinco, their respective Affiliates and any other Person (other than the contractual arrangements relating to the Contribution, the Distribution and the Merger) that either (i) relate to the Spinco Business but relate primarily to the AT Co. Business or (ii) relate solely to the AT Co. Business, but, by their terms, contain provisions relating to a member of the Spinco Group, so that, after the Contribution, such contractual arrangements (x) will relate solely to the AT Co. Business and (y) will eliminate any provisions relating to a member of the Spinco Group and, in either event, will inure to the benefit of the AT Co. Group on substantially the same economic terms as such arrangements exist as of the date hereof. If, in any case, such amendment cannot be obtained, or if an attempted amendment thereof would be ineffective or would adversely affect the rights of AT Co. or Spinco thereunder, AT Co. and Spinco will cooperate in negotiating a mutually agreeable arrangement with respect to such contractual arrangements (the "Shared Contracts Agreement"), in form and substance reasonably satisfactory to the Company, under which AT Co. or Spinco, as applicable, will obtain the benefits and assume the obligations thereunder. Notwithstanding the foregoing, no action will be required of AT Co. or Spinco that would cause the representation contained in Section 2.1(d) below to be breached.

(d) AT Co. hereby represents and warrants to Spinco that immediately following the Contribution, the Assets of Spinco and the Spinco Subsidiaries, taken together with the services available from AT Co. pursuant

to the Transition Services Agreement, the Shared Assets Agreement and the Shared Contracts Agreement, will constitute all of the Assets primarily used in or necessary for, and will be sufficient for the operation of, the Spinco Business in all material respects as currently conducted and as proposed to be conducted on the date the Contribution is consummated. The representations and warranties of AT Co. set forth in this Section 2.1(d) will survive the execution and delivery of this Agreement and the Distribution Date and will continue in full force and effect for two years following the Distribution Date.

(e) From the date hereof until the Effective Time, AT Co. shall be entitled to use, retain or otherwise dispose of all cash generated by the Spinco Business and the Spinco Assets in accordance with the ordinary course operation of AT Co.'s cash management system.

(f) Except as otherwise specifically set forth herein, the rights and obligations of the parties with respect to Taxes shall be governed exclusively by Article VI of this Agreement, the Tax Sharing Agreement and to the extent applicable, the Merger Agreement. Accordingly, Taxes shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Section 2.1. In addition, except as otherwise specifically set forth herein, the rights and obligations of the parties with respect to benefit plans, programs, agreements and arrangements shall be governed exclusively by Article V of this Agreement, the Employee Benefits Agreement and to the extent applicable, the Merger Agreement. Accordingly, assets and liabilities relating to any benefit plans, programs, agreements and arrangements shall not be treated as Assets or Liabilities for purposes of, or otherwise be governed by, this Section 2.1.

Section 2.2 *Conveyancing and Assumption Agreements.* In connection with the transfer of the Spinco Assets and the assumption of the Spinco Liabilities contemplated by this Article II, AT Co. and Spinco shall execute, or cause to be executed by the appropriate entities, conveyancing and assumption instruments in such forms as shall be reasonably acceptable to AT Co., Spinco and the Company.

Section 2.3 *Certain Resignations.* At or prior to the Distribution Date, AT Co. shall cause each employee and director of AT Co. and its Subsidiaries who will not be employed by Spinco or a Spinco Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of Spinco or any Spinco Subsidiary on which they serve, and from all positions as officers of Spinco or any Spinco Subsidiary in which they serve. Spinco will cause each employee and director of Spinco and its Subsidiaries who will not be employed by AT Co. or an AT Co. Subsidiary after the Distribution Date to resign, effective not later than the Distribution Date, from all boards of directors or similar governing bodies of AT Co. or any AT Co. Subsidiary on which they serve, and from all positions as officers of AT Co. or any AT Co. Subsidiary in which they serve.

Section 2.4 *Other Agreements.* Each of AT Co. and Spinco shall, prior to the Distribution Date, enter into, or cause the appropriate members of the Group of which it is a member to enter into, the other Transaction Agreements.

Section 2.5 *Transfers Not Effected Prior to the Distribution; Transfers Deemed Effective as of the Distribution Date.* Subject to Section 2.1(d), to the extent that any transfers of Assets or Liabilities contemplated by this Article II shall not have been consummated on or prior to the Distribution Date, the parties shall cooperate and use reasonable best efforts to effect the transfer of such Assets ("Delayed Transfer Assets") and such Liabilities ("Delayed Transfer Liabilities") as promptly following the Distribution Date as shall be practicable. On the Closing Date, AT Co. shall use its reasonable best efforts to deliver to Spinco a schedule setting forth all material Delayed Transfer Assets and Delayed Transfer Liabilities existing as of the Closing Date. Nothing herein shall be deemed to require the transfer of any Assets or the assumption of any Liabilities which by their terms or operation of law cannot be transferred or assumed until such time as all legal impediments to such transfer or assumption have been removed; provided, however, that AT Co. and Spinco shall, and shall cause their respective Subsidiaries to, use its reasonable best efforts to obtain any necessary consents or approvals for the transfer of all Assets and the assumption of all Liabilities contemplated to be transferred or assumed pursuant to this Article II. In the event that any such transfer of Assets or assumption of Liabilities has not been consummated, effective on or before the Distribution Date, the party retaining such Asset or Liability shall thereafter hold such Asset in trust for the use and benefit of the party entitled thereto (at the expense of the party entitled thereto) and retain such Liability for the account of the

party by whom such Liability is to be assumed pursuant hereto, and take such other action as may be reasonably requested by the party to which such Asset is to be transferred, or by whom such Liability is to be assumed, as the case may be, in order to place such party, insofar as reasonably practicable, in substantially the same position as would have existed had such Asset or Liability been transferred or assumed as contemplated hereby. As and when any such Asset becomes transferable or such Liability can be assumed, such transfer or assumption automatically and without any further action shall be effected forthwith. Subject to the foregoing, the parties agree that, as of the Distribution Date (or such earlier time as any such Asset may have been assigned or Liability assumed), each party hereto shall be deemed to have acquired complete and sole beneficial ownership over all of the Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Liabilities, and all duties, obligations and responsibilities incident thereto, which such party is entitled to acquire or required to assume pursuant to the terms of this Agreement.

Section 2.6 *Special Dividend; Spinco Financing; Debt Exchange.*

(a) The Spinco Board will establish a special dividend record date (the "Special Dividend Record Date") and will authorize Spinco to pay out of funds legally available therefor the Special Dividend immediately prior to the Distribution Date to AT Co., as the holder of record of Spinco Common Stock as of the Special Dividend Record Date.

(b) Prior to the Distribution Date, AT Co. shall enter into all necessary or appropriate arrangements regarding (i) the exchange of outstanding AT Co. short-term debt obligations (the "AT Co. Notes") having an aggregate fair market value as of the date of the Debt Exchange equal to the net proceeds of the Spinco Exchange Notes or (ii) other transfer of the Spinco Exchange Notes to the creditors of AT Co. (the "Debt Exchange"). The principal amount of the Spinco Exchange Notes will be an amount equal to (x) $3.965 billion less (y) the amount of the Special Dividend, with the precise aggregate principal amount of the Spinco Exchange Notes to be exchanged or transferred in the Debt Exchange to be set forth on a certificate to be delivered by AT Co. to Spinco, with a copy to the Company, no later than thirty (30) days prior to the Distribution Date.

(c) At or prior to the Distribution Date, Spinco will (i) enter into the Spinco Credit Agreement and consummate the Spinco Notes Offering, pursuant to which Spinco will borrow up to $3.965 billion in the aggregate (the "Spinco Financing"), and use such proceeds to pay the Special Dividend and (ii) distribute Spinco Exchange Notes to AT Co., which AT Co. intends to exchange for outstanding AT Co. Notes or otherwise transfer in the Debt Exchange.

(d) Notwithstanding the provisions of Sections 2.6(b) and 2.6(c), the amounts of indebtedness set forth in this Section 2.6 are approximations based on facts and circumstances existing on the date hereof and are subject to change prior to the Distribution Date, it being understood that such amounts will at all times remain subject to the provisions of Section 4.1 hereof.

(e) AT Co. and Spinco shall use their respective reasonable best efforts to cause the Spinco Financing and the Debt Exchange to be consummated. Without limiting the generality of the foregoing, each of AT Co. and Spinco shall use its reasonable best efforts to cause their respective employees, accountants, counsel and other representatives to reasonably cooperate with each other in carrying out the transactions contemplated by the Spinco Financing and the Debt Exchange and in delivering all documents and instruments deemed reasonably necessary by AT Co. or Spinco (including providing standard accountants' "comfort" letters and legal opinions and otherwise cooperating and assisting in satisfying the conditions to the Spinco Financing and the Debt Exchange and assisting with the syndication or marketing of the Spinco Credit Agreement and the consummation of the Spinco Notes Offering including, by (i) providing direct contact between prospective lenders and the officers and directors of each of AT Co. and Spinco, (ii) providing assistance in preparation of confidential information memoranda and other materials to be used in connection with consummating the Spinco Financing and the Debt Exchange, (iii) disclosing the Debt Exchange and Spinco Financing, as required under the Securities Act, in the Registration Statement and any other filings to be made with the SEC, and (iv) entering into such agreements and other arrangements as are reasonably required to effectuate any arrangements made by AT Co. with respect to the exchange of Spinco Notes for AT Co. Notes in

connection with the Debt Exchange, and (v) taking all other actions reasonably necessary in connection with the Spinco Financing and the Debt Exchange). Each of AT Co. and Spinco shall cooperate in connection with the preparation of all documents and the making of all filings required in connection with the Spinco Financing and the Debt Exchange and shall use their respective reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all other things necessary, proper or advisable to consummate the Spinco Financing and the Debt Exchange and the transactions contemplated hereby.

Section 2.7 *Financial Instruments.*

(a) Spinco will, at its expense, take or cause to be taken all actions, and enter into (or cause the Spinco Subsidiaries to enter into) such agreements and arrangements, as shall be reasonably necessary to effect the

(b) release of and substitution for each member of the AT Co. Group, as of the Distribution Date, from all primary, secondary, contingent, joint, several and other Liabilities in respect of Spinco Financial Instruments to the extent related to the Spinco Group or the Spinco Business (it being understood that all such Liabilities in respect of Spinco Financial Instruments are Spinco Liabilities).

(c) AT Co. will, at its expense, take or cause to be taken all actions, and enter into (or cause its Subsidiaries to enter into) such agreements and arrangements, as shall be necessary to effect the release of and substitution for each member of the Spinco Group, as of the Distribution Date, from all primary, secondary, contingent, joint, several and other Liabilities, if any, in respect of AT Co. Financial Instruments to the extent related to the AT Co. Group or the AT Co. Business (it being understood that all such Liabilities in respect of AT Co. Financial Instruments are AT Co. Liabilities).

(d) The parties' obligations under this Section 2.7 will continue to be applicable to all Spinco Financial Instruments and AT Co. Financial Instruments identified at any time by AT Co. or Spinco, whether before, at or after the Distribution Date.

Section 2.8 *Coordination of Asset Separation Transactions.* (a) As promptly as practicable after the date hereof, AT Co. and Spinco shall establish a steering committee (the "Steering Committee") for the purpose of (i) overseeing the process of separating Spinco Assets from AT Co. Assets, (ii) reviewing the form, terms and provisions of each agreement necessary for the Preliminary Restructuring and the Contribution to the extent not finalized at or prior to the date hereof, (iii) reviewing any proposed amendments to any such document that has previously been finalized, (iv) implementing the specific terms of each of the Transaction Agreements, including the Employee Benefits Agreement and (v) overseeing the implementation of the Spinco Financing (collectively, the "Asset Separation Process"). The Steering Committee shall be comprised of up to two (2) designees selected by AT Co. (the "AT Co. Designees"), up to two (2) designees selected by Spinco (the "Spinco Designees" and, collectively with the AT Co. Designees, the "AT Co./ Spinco Designees") and up to two (2) designees selected by the Company, who shall be reasonably acceptable to AT Co. and Spinco (the "Company Designees"). All material decisions with respect to the Asset Separation Process, including the terms of any breakage or termination fees payable by AT Co. or Spinco, any consent payments or similar arrangements required in connection with the Asset Separation Process and the terms of any material contract, agreement, arrangement or understanding to be entered into with any third party in connection therewith, shall be subject to the review of the Steering Committee. In the event either Company Designee in good faith asserts that any contract, agreement, arrangement or understanding to be entered into between AT Co. and Spinco, which by its terms will continue after the Distribution Date, would, individually or in the aggregate, materially and adversely affect the economic benefits as a whole to be derived by the Company from the Merger, the execution of such contract, agreement, arrangement or understanding shall require a Company Consent.

ARTICLE III

The Distribution

Section 3.1 *Record Date and Distribution Date.* Subject to the satisfaction, or to the extent permitted by applicable Law, waiver, of the conditions set forth in Section 11.1, the Board of Directors of

AT Co., consistent with the Merger Agreement and Delaware law, shall establish the Record Date and the Distribution Date and any necessary or appropriate procedures in connection with the Distribution.

Section 3.2 *Spinco Reclassification.* Immediately prior to the Distribution Date, AT Co. and Spinco shall take all actions necessary to issue to AT Co. such number of shares of Spinco Common Stock, including, if applicable, by reclassifying the outstanding shares of Spinco Common Stock or by declaring a dividend payable to AT Co. in shares of Spinco Common Stock (the "Reclassification"), for the purpose of increasing the outstanding shares of Spinco Common Stock such that, immediately prior to the Distribution Date, Spinco will have an aggregate number of shares of Spinco Common Stock to be determined by AT Co. and Spinco prior to the Distribution Date, all of which will be held by AT Co.

Section 3.3 *Net Spinco Indebtedness.* Immediately prior to the Effective Time, after giving effect to the Contribution and the other transactions contemplated hereby other than the Merger and the refinancing of the Company indebtedness, Spinco shall have Net Spinco Indebtedness (as defined below) of not more than the Target Net Spinco Indebtedness (as defined below).

Section 3.4 *The Agent.* Prior to the Distribution Date, AT Co. shall enter into an agreement with the Agent on terms reasonably satisfactory to Spinco providing for, among other things, the distribution to the holders of AT Co. Common Stock in accordance with this Article III of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 3.5 *Delivery of Shares to the Agent.* At or prior to the Distribution Date, AT Co. shall authorize the book–entry transfer by the Agent of all of the outstanding shares of Spinco Common Stock to be distributed in connection with the Distribution. After the Distribution Date, upon the request of the Agent, Spinco shall provide all book–entry transfer authorizations that the Agent shall require in order to effect the distribution of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution will be converted pursuant to the Merger.

Section 3.6 *The Distribution.* Upon the terms and subject to the conditions of this Agreement, following consummation of the Reclassification, AT Co. shall declare and pay the Distribution of all of the shares of Spinco Common Stock held by AT Co. At the Effective Time (as defined in the Merger Agreement), all such shares of Spinco Common Stock shall be converted into the right to receive shares of Company Common Stock pursuant to, and in accordance with the terms of, the Merger Agreement, immediately following which the Agent shall distribute by book–entry transfer in respect of the outstanding shares of AT Co. Common Stock held by holders of record of AT Co. Common Stock on the Record Date, all of the shares of Company Common Stock into which the shares of Spinco Common Stock that would otherwise be distributed in the Distribution have been converted pursuant to the Merger. The Agent shall make cash payments in lieu of any fractional shares resulting from the conversion of Spinco Common Stock into Company Common Stock in the Merger pursuant to the terms of the Merger Agreement.

ARTICLE IV

Net Debt Adjustment

Section 4.1 *Post–Closing Adjustment to Net Spinco Indebtedness.*

(a) Within ninety (90) days after the Closing Date (as defined in the Merger Agreement), the Surviving Corporation (as defined in the Merger Agreement) shall cause to be prepared and delivered to AT Co. (i) a combined balance sheet of Spinco and the Spinco Subsidiaries as of 12:01 a.m. on the Distribution Date (the "Closing Spinco Balance Sheet") and (ii) a statement derived from the Closing Spinco Balance Sheet and prepared in accordance with this Section 4.1 (the "Closing Statement"), setting forth the Net Spinco Indebtedness (as defined below) as of 12:01 a.m. on the Distribution Date (the "Closing Net Spinco Indebtedness"), including reasonable detail regarding the calculation thereof. The Closing Spinco Balance Sheet shall be prepared in accordance with GAAP, consistently applied, utilizing the same

methodology and adjustments as were utilized in preparing the Spinco Audited Balance Sheet, and the Closing Statement shall be derived from the Closing Spinco Balance Sheet.

(b) Following the Distribution Date, each of AT Co. and Spinco shall give the other party and any representatives of such other party access at all reasonable times to the properties, books, records, working papers and personnel of the Spinco Business to the extent required to prepare and review the Closing Spinco Balance Sheet and the Closing Statement. AT Co. shall have thirty (30) days following delivery of the Closing Spinco Balance Sheet and the Closing Statement during which to notify the Surviving Corporation of any dispute of any item contained in the Closing Statement, which notice shall (i) set forth in reasonable detail the nature and amount of any such dispute and (ii) include only disputes based on mathematical errors or the calculation of amounts not in accordance with the procedures set forth in this Section 4.1. If AT Co. fails to notify the Surviving Corporation of any such dispute within such thirty (30) day period, or if the dispute involves amounts less than $5 million in the aggregate, the Closing Statement delivered to AT Co. shall be deemed to be the "Final Closing Statement," final, conclusive and binding on the parties hereto. In the event that AT Co. shall so notify the Surviving Corporation of a dispute, AT Co. and the Surviving Corporation shall cooperate in good faith to resolve such dispute as promptly as possible.

(c) If AT Co. and the Surviving Corporation do not resolve any such disputed item within thirty (30) days of the delivery of such notice, such disputed item shall be resolved by the Independent Accounting Firm (as defined below). In connection therewith, the Independent Accounting Firm shall address only items disputed by the parties and may not assign an amount to any disputed item greater than the greatest amount for such item that is claimed by a party or less than the smallest amount for such item that is claimed by a party. The Independent Accounting Firm shall make its determination with respect to any such disputed item as promptly as practicable and such determination shall be final, conclusive and binding on the parties and shall be enforceable in any court of competent jurisdiction and may be entered as a judgment in any such court. Any expenses relating to the engagement of the Independent Accounting Firm shall be shared equally between AT Co. and the Surviving Corporation. The Closing Statement, as modified by resolution of any disputed items between AT Co. and Spinco or by the Independent Accounting Firm, shall be the "Final Closing Statement," final, conclusive and binding on the parties hereto.

(d) Provided that the Spinco Financing has been consummated, if the amount of the Net Spinco Indebtedness, as set forth in the Final Closing Statement (the "Final Net Spinco Indebtedness"), exceeds the sum of (x) $4.2 billion plus (y) the principal amount of any additional Indebtedness (the "Additional Spinco Indebtedness") incurred in respect of the fees and expenses related to the Spinco Notes (the sum of clause (x) plus clause (y) being referred to herein as "Target Net Spinco Indebtedness"), AT Co. shall pay to Spinco an amount equal to such excess and if the amount of the Final Net Spinco Indebtedness is less than the amount of the Target Net Spinco Indebtedness, Spinco shall pay to AT Co. an amount equal to such deficit (such payment amount being referred to herein as the "Final Adjustment Amount").

(e) Any payment to be made by AT Co. or the Surviving Corporation, as the case may be, in respect of the Final Adjustment Amount pursuant to Section 4.1(d) hereof shall be made by wire transfer of immediately available funds within five (5) Business Days after the date upon which the Closing Statement becomes the Final Closing Statement (either upon mutual agreement pursuant to Section 4.1(a) or by resolution of any dispute with respect to the Statement in accordance with Sections 4.1(b) and/or 4.1(c)) in an amount determined pursuant to Section 4.1(d) hereof, together with interest thereon from the Distribution Date through the date such payment is made, at the prime lending rate as reported as of the date of such payment by *The Wall Street Journal* (the "Prime Rate"). Notwithstanding the foregoing, in the event that the aggregate amount required to be paid by the Surviving Corporation to AT Co. pursuant to Section 4.1(d) exceeds $50 million, then the Surviving Corporation (i) shall pay $50 million of such amount to AT Co. in cash as provided in the immediately preceding sentence and (ii) shall pay the remaining amount due through the issuance of a promissory note having a maturity of not more than ninety (90) days and bearing interest at the Prime Rate, or through any combination of the foregoing.

(f) As used herein, the following terms shall have the following meanings: (i) "Net Spinco Indebtedness" shall mean (A) the aggregate amount of Indebtedness (as defined below) of Spinco and its Subsidiaries

immediately prior to the Distribution Date which shall remain an obligation of Spinco or any of the Spinco Subsidiaries following the Distribution Date minus (B) the aggregate amount of Cash and Cash Equivalents (as defined below) of Spinco and the Spinco Subsidiaries as of the Distribution Date. The Net Spinco Indebtedness shall be calculated in good faith in accordance with GAAP, consistently applied, utilizing the same methodology and adjustments as were used in preparing the Spinco Audited Balance Sheet; (ii) "Indebtedness" of any Person (as defined in the Merger Agreement) at any date shall mean (x) any obligation of such Person (A) with respect to indebtedness of such Person for borrowed money or for the deferred purchase price of property or services, including all accrued and unpaid interest, premiums, penalties and fees thereon (other than accounts payable, accrued expenses (including book overdrafts) and other current liabilities arising in the ordinary course of business), (B) evidenced by a note, bond, debenture or similar instrument (including a purchase money obligation) or (iii) under any lease or similar arrangement that would be required to be accounted for by the lessee as a capital lease in accordance with GAAP; (y) any guarantee (or keepwell agreement) by such Person of any indebtedness of others described in the preceding clause (x); and (z) all obligations to reimburse any bank or other Person for amounts paid under a letter of credit or similar instrument; (iii) "Cash and Cash Equivalents" shall mean all cash, cash equivalents, including certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof, marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or an agency thereof, and investments in money market funds with assets of $5,000,000 or greater, and other liquid investments, including all deposited but uncleared bank deposits; (iv) "Spinco Audited Balance Sheet" shall mean the audited combined balance sheet of Spinco and the Spinco Subsidiaries as of December 31, 2004; (v) "GAAP" shall mean United States generally accepted accounting principles; and (vi) "Independent Accounting Firm" shall mean an internationally recognized accounting firm mutually selected and agreed upon by AT Co. and Spinco.

ARTICLE V

Employee Benefit Matters

Section 5.1 *Employee Benefit Matters.* Subject to the terms and conditions set forth herein at or prior to the Distribution Date, AT Co. and Spinco shall each execute and deliver the Employee Benefits Agreement, substantially in the form of Exhibit A hereto.

ARTICLE VI

Tax Sharing

Section 6.1 *Tax Sharing.* Subject to the terms and conditions set forth herein at or prior to the Distribution Date, AT Co. and Spinco shall each execute and deliver the Tax Sharing Agreement, substantially in the form of Exhibit C hereto.

ARTICLE VII

Survival and Indemnification

Section 7.1 *Survival of Agreements.* Except as otherwise provided herein with respect to any specific representation, warranty or covenant, all representations, warranties, covenants and agreements of the parties hereto contained in this Agreement shall survive the Distribution Date for a period of two (2) years. For the avoidance of doubt, this Section 7.1 shall in no event alter or otherwise affect the operation of Section 12.1 of the Merger Agreement.

Section 7.2 *Mutual Release.* Effective as of the Distribution Date and except as otherwise specifically set forth in the Transaction Agreements, each of AT Co., on behalf of itself and each of the AT Co. Subsidiaries, on the one hand, and Spinco, on behalf of itself and each of the Spinco Subsidiaries, on the other hand, hereby releases and forever discharges the other party and its Subsidiaries, and its and their respective officers, directors, managers or other persons acting in a similar capacity, agents, record and beneficial security

holders (including trustees and beneficiaries of trusts holding such securities), advisors and Representatives (in each case, in their respective capacities as such) and their respective heirs, executors, administrators, successors and assigns, of and from all debts, demands, actions, causes of action, suits, accounts, covenants, contracts, agreements, damages, claims and other Liabilities whatsoever of every name and nature, both in law and in equity, which the releasing party has or ever had or ever will have, which exist or arise out of or relate to events, circumstances or actions taken by such other party occurring or failing to occur or any conditions existing at or prior to the Distribution Date whether or not known on the Distribution Date, including in connection with the transactions and all other activities to implement the Contribution and the Distribution; provided, however, that the foregoing general release shall not apply to (i) any Liabilities or other obligations (including Liabilities with respect to payment, reimbursement, indemnification or contribution) under the Merger Agreement or the other Transaction Agreements or any Contracts (as defined therein) contemplated thereby, or assumed, transferred, assigned, allocated or arising under any of the Merger Agreement or the other Transaction Agreements or any Contract contemplated thereby (including any Liability that the parties may have with respect to payment, performance, reimbursement, indemnification or contribution pursuant to the Merger Agreement or any other Transaction Agreement or any Contract contemplated thereby for claims brought against the parties by third Persons or any Indemnitee), and the foregoing release will not affect any party's right to enforce the Merger Agreement or the other Transaction Agreements or the Contracts contemplated thereby in accordance with their terms or (ii) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 7.2 (provided, that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any such Person with respect to any Liability to the extent such Person would be released with respect to such Liability by this Section 7.2 but for this clause (ii)). Each party to this Agreement agrees, for itself and each member of its Group, not to make any claim or demand or commence any action or assert any claim against any member of the other Party's Group with respect to the Liabilities released pursuant to this Section 7.2.

Section 7.3 *Indemnification.*

(a) Except as specifically otherwise provided in the other Transaction Agreements, Spinco shall indemnify, defend and hold harmless the AT Co. Indemnitees from and against all Indemnifiable Losses arising out of or due to the failure of any member of the Spinco Group (i) to pay or satisfy any Spinco Liabilities (including the Spinco Group's Delayed Liabilities), or (ii) to perform any of its obligations under this Agreement.

(b) Except as specifically otherwise provided in the other Transaction Agreements, AT Co. shall indemnify, defend and hold harmless the Spinco Indemnitees from and against all Indemnifiable Losses arising out of or due to the failure of any member of the AT Co. Group (i) to pay or satisfy any AT Co. Liabilities (including the AT Co. Group's Delayed Liabilities), (ii) to transfer to Spinco or any member of the Spinco Group all of the Spinco Assets transferred or to be transferred to Spinco or the Spinco Group pursuant to Article II hereof, or (iii) to perform any of its obligations under this Agreement.

(c) Notwithstanding anything to the contrary set forth herein, indemnification relating to any arrangements between any member of the AT Co. Group and any member of the Spinco Group for the provision after the Distribution Date of goods and services in the ordinary course shall be governed by the terms of such arrangements and not by this Section or as otherwise set forth in this Agreement and the other Transaction Agreements.

(d) Indemnification for matters subject to the Tax Sharing Agreement is governed by the terms, provisions and procedures of the Tax Sharing Agreement and not by this Article VII and indemnification for matters subject to the Merger Agreement is governed by the terms, provisions and procedures of the Merger Agreement and not by this Article VII.

Section 7.4 *Procedures for Indemnification for Third–Party Claims.*

(a) AT Co. shall, and shall cause the other AT Co. Indemnitees to, notify Spinco in writing promptly after learning of any Third–Party Claim for which any AT Co. Indemnitee intends to seek indemnification from Spinco under this Agreement. Spinco shall, and shall cause the other Spinco Indemnitees to, notify AT

Co. in writing promptly after learning of any Third–Party Claim for which any Spinco Indemnitee intends to seek indemnification from AT Co. under this Agreement. The failure of any Indemnitee to give such notice shall not relieve any Indemnifying Party of its obligations under this Article VII except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice. Such notice shall describe such Third–Party Claim in reasonable detail considering the Information provided to the Indemnitee and shall indicate the amount (estimated if necessary) of the Indemnifiable Loss that has been claimed against or may be sustained by such Indemnitee.

(b) Except as otherwise provided in paragraph (c) of this Section 7.3, an Indemnifying Party may, by notice to the Indemnitee and to AT Co., if Spinco is the Indemnifying Party, or to the Indemnitee and Spinco, if AT Co. is the Indemnifying Party, within 30 days after receipt by such Indemnifying Party of such Indemnitee's notice of a Third–Party Claim, undertake (itself or through another member of the Group of which the Indemnifying Party is a member) the defense or settlement of such Third–Party Claim, at such Indemnifying Party's own expense and by counsel reasonably satisfactory to the Indemnitee. If an Indemnifying Party undertakes the defense of any Third–Party Claim, such Indemnifying Party shall control the investigation and defense or settlement thereof, and the Indemnitee may not settle or compromise such Third–Party Claim without the prior written consent of the Indemnifying Party, except that such Indemnifying Party shall not (i) require any Indemnitee, without its prior written consent, to take or refrain from taking any action in connection with such Third–Party Claim, or make any public statement, which such Indemnitee reasonably considers to be against its interests, or (ii) without the prior written consent of the Indemnitee and of AT Co., if the Indemnitee is an AT Co. Indemnitee, or the Indemnitee and of Spinco, if the Indemnitee is a Spinco Indemnitee, consent to any settlement that does not include as a part thereof an unconditional release of the relevant Indemnitees from liability with respect to such Third–Party Claim or that requires the Indemnitee or any of its Representatives or Affiliates to make any payment that is not fully indemnified under this Agreement or to be subject to any non–monetary remedy. Subject to the Indemnifying Party's control rights, as specified herein, the Indemnitees may participate in such investigation and defense, at their own expense. Following the provision of notices to the Indemnifying Party, until such time as an Indemnifying Party has undertaken the defense of any Third–Party Claim as provided herein, such Indemnitee shall control the investigation and defense or settlement thereof, without prejudice to its right to seek indemnification hereunder.

(c) If an Indemnitee reasonably determines that there may be legal defenses available to it that are different from or in addition to those available to its Indemnifying Party which make it inappropriate for the Indemnifying Party to undertake the defense or settlement thereof, then such Indemnifying Party shall not be entitled to undertake the defense or settlement of such Third–Party Claim; and counsel for the Indemnifying Party shall be entitled to conduct the defense of such Indemnifying Party and counsel for the Indemnitee (selected by the Indemnitee) shall be entitled to conduct the defense of such Indemnitee, in which case the reasonable fees, costs and expenses of such counsel for the Indemnitee (but not more than one counsel (in addition to local counsel, if any) reasonably satisfactory to the Indemnifying Party) shall be paid by such Indemnifying Party, it being understood that both such counsel shall cooperate with each other to conduct the defense or settlement of such action as efficiently as possible.

(d) In no event shall an Indemnifying Party be liable for the fees and expenses of more than one counsel for all Indemnitees (in addition to local counsel and its own counsel, if any) in connection with any one action, or separate but similar or related actions, in the same jurisdiction arising out of the same general allegations or circumstances.

(e) If the Indemnifying Party undertakes the defense or settlement of a Third–Party Claim, the Indemnitee shall make available to the Indemnifying Party and its counsel all information and documents reasonably available to it which relate to any Third–Party Claim, and otherwise cooperate as may reasonably be required in connection with the investigation, defense and settlement thereof, subject to the terms and conditions of a mutually acceptable joint defense agreement.

Section 7.5 *Reductions for Insurance Proceeds, Tax Benefits and Other Recoveries.* The amount that any Indemnifying Party is or may be required to pay to any Indemnitee pursuant to this Article VII shall be

reduced (retroactively or prospectively) by (i) any insurance proceeds or other amounts actually recovered from third parties by or on behalf of such Indemnitee in respect of the related Indemnifiable Losses (net of all costs of recovery, including deductibles, co–payments or other payment obligations) and (ii) any tax benefit actually realized by the Indemnitee in respect of the related Indemnifiable Losses. The existence of a claim by an Indemnitee for insurance or against a third party in respect of any Indemnifiable Loss or the availability of potential tax benefits shall not, however, delay or reduce any payment pursuant to the indemnification provisions contained herein and otherwise determined to be due and owing by an Indemnifying Party. The Indemnifying Party shall make payment in full of such amount so determined to be due and owing by it and, if, and to the extent that, there exists a claim against any third party (other than an insurer) in respect of such Indemnifiable Loss, the Indemnitee shall assign such claim against such third party to the Indemnifying Party. Any tax benefit actually received by an Indemnified Party shall be paid over to the Indemnifying Party to the extent such tax benefit relates to an Indemnifiable Loss for which indemnification has already been received. Notwithstanding any other provisions of this Agreement, it is the intention of the parties hereto that no insurer or any other third party shall be (i) entitled to a benefit it would not be entitled to receive in the absence of the foregoing indemnification provisions or (ii) relieved of the responsibility to pay any claims for which it is obligated. If an Indemnitee shall have received the payment required by this Agreement from an Indemnifying Party in respect of any Indemnifiable Losses and shall subsequently actually receive insurance proceeds, tax benefits or other amounts in respect of such Indemnifiable Losses, then such Indemnitee shall hold such insurance proceeds in trust for the benefit of such Indemnifying Party and shall pay to such Indemnifying Party a sum equal to the amount of such insurance proceeds, tax benefits or other amounts actually received, up to the aggregate amount of any payments received from such Indemnifying Party pursuant to this Agreement in respect of such Indemnifiable Losses.

Section 7.6 *Consequential Damages.* In no event shall an Indemnifying Party be liable for special, punitive, exemplary, incidental, consequential or indirect damages, or lost profits, whether based on contract, tort, strict liability, other law or otherwise.

Section 7.7 *Survival of Indemnities.* Except as otherwise provided herein with respect to any specific covenant or obligation, for a period of two (2) years from and after the Distribution Date, the obligations of each of AT Co. and Spinco under this Article VII shall survive the sale or other transfer by it of any of its Assets or Business or the assignment by it of any of its Liabilities, with respect to any Indemnifiable Loss of the other related to such Assets, Business or Liabilities.

ARTICLE VIII

Certain Additional Covenants

Section 8.1 *Notices to Third Parties.* In addition to the actions described in Section 8.2, the members of the AT Co. Group and the members of the Spinco Group shall use reasonable best efforts to make all other filings and give notice to and obtain consents from all third parties that may be required to consummate the transactions contemplated by this Agreement and the other Transaction Agreements.

Section 8.2 *Licenses and Permits.* Each party hereto shall cause the appropriate members of its Group to prepare and file with the appropriate licensing and permitting authorities applications for the transfer or issuance, as may be necessary or advisable in connection with the transactions contemplated by this Agreement and the other Transaction Agreements, to its Group of all material governmental licenses and permits required for the members of its Group to operate its Business after the Distribution Date. The members of the Spinco Group and the members of the AT Co. Group shall cooperate and use all commercially reasonable efforts to secure the transfer or issuance of such licenses and permits.

Section 8.3 *Intercompany Agreements; Intercompany Accounts.*

(a) Except as set forth on Section 8.3 of the Disclosure Letter or specifically provided herein or in the other Transaction Agreements, all material contracts, licenses, agreements, commitments and other arrangements, formal and informal, between any member of the AT Co. Group, on the one hand, and any member of the Spinco Group, on the other hand, in existence as of the Distribution Date, shall terminate as of the close of

business on the day prior to the Distribution Date. No such terminated contract, license, agreement, commitment or other arrangement (including any provision thereof that purports to survive termination) shall be of any further force or effect after the Distribution Date and all parties shall be released from all obligations thereunder. From and after the Distribution Date, no member of either Group shall have any rights under any such contract, license, agreement, commitment or arrangement with any member of the other Group, except as specifically provided herein or in the other Transaction Agreements or as may be agreed to at arms' length after the Distribution Date.

(b) Effective immediately prior to the Distribution Date, all intercompany cash management loan balances between AT Co. and the AT Co. Subsidiaries, on one hand, and Spinco and the Spinco Subsidiaries, on the other hand, shall be canceled.

Section 8.4 *Further Assurances.* In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the other Transaction Agreements. Without limiting the foregoing, each party hereto shall cooperate with the other party, and execute and deliver, or use its reasonable best efforts to cause to be executed and delivered, all instruments, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the other Transaction Agreements, in order to effectuate the provisions and purposes of this Agreement.

Section 8.5 *Guarantee Obligations and Liens.*

(a) AT Co. and Spinco shall cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause a member of the Spinco Group to be substituted in all respects for any member of the AT Co. Group in respect of, all obligations of any member of the AT Co. Group under any Spinco Liabilities for which such member of the AT Co. Group may be liable, as guarantor, original tenant, primary obligor or otherwise, and (y) terminate, or to cause Spinco Assets to be substituted in all respects for any AT Co. Assets in respect of, any liens or encumbrances on AT Co. Assets which are securing any Spinco Liabilities. If such a termination or substitution is not effected by the Distribution Date: (i) Spinco shall indemnify and hold harmless the AT Co. Indemnitees for any Indemnifiable Loss arising from or relating thereto, and (ii) without the prior written consent of AT Co., from and after the Distribution Date, Spinco shall not, and shall not permit any member of the Spinco Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the AT Co. Group is or may be liable or for which any AT Co. Asset is or may be encumbered unless all obligations of the AT Co. Group and all liens and encumbrances on any AT Co. Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to AT Co.

(b) AT Co. and Spinco shall cooperate, and shall cause their respective Groups to cooperate and use their respective reasonable best efforts to: (x) terminate, or to cause a member of the AT Co. Group to be substituted in all respects for any member of Spinco Group in respect of, all obligations of any member of the Spinco Group under any AT Co. Liabilities for which such member of the Spinco Group may be liable, as guarantor, original tenant, primary obligor or otherwise, and (y) terminate, or to cause AT Co. Assets to be substituted in all respects for any Spinco Assets in respect of, any liens or encumbrances on Spinco Assets which are securing any AT Co. Liabilities. If such a termination or substitution is not effected by the Distribution Date: (i) AT Co. shall indemnify and hold harmless the Spinco Indemnitees for any Indemnifiable Loss arising from or relating thereto, and (ii) without the prior written consent of Spinco, from and after the Distribution Date, AT Co. shall not, and shall not permit any member of the AT Co. Group to, renew or extend the term of, increase its obligations under, or transfer to a third party, any loan, lease, contract or other obligation for which a member of the Spinco Group is or may be liable or for which any Spinco Asset is or may be encumbered unless all obligations of the Spinco Group and all liens and encumbrances on any

Spinco Asset with respect thereto are thereupon terminated by documentation reasonably satisfactory in form and substance to Spinco.

Section 8.6 *Insurance.*

(a) *Rights Under Policies.* Notwithstanding any other provision of this Agreement, from and after the Distribution Date, Spinco and the Spinco Subsidiaries will have no rights with respect to any Policies, except that (i) Spinco may assert claims, and AT Co. will use its reasonable best efforts to assist Spinco in asserting claims, for any loss, liability or damage with respect to the Spinco Assets or Spinco Liabilities under Policies with third–party insurers which are "occurrence basis" insurance policies ("Occurrence Basis Policies") arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Occurrence Basis Policies and agreements relating thereto so allow and (ii) Spinco may continue to prosecute, and AT Co. will use reasonable best efforts to assist Spinco to continue to prosecute, claims with respect to Spinco Assets or Spinco Liabilities properly asserted with an insurer prior to the Distribution Date under Policies with third–party insurers which are insurance policies written on a "claims made" basis ("Claims Made Policies") arising out of insured incidents occurring from the date coverage thereunder first commenced until the Distribution Date to the extent that the terms and conditions of any such Claims Made Policies and agreements relating thereto so allow; provided, that in the case of both clauses (i) and (ii) above, (A) all of AT Co.'s and each AT Co. Subsidiary's reasonable out–of–pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco, (B) AT Co. and the AT Co. Subsidiaries may, at any time, without liability or obligation to Spinco or any Spinco Subsidiary (other than as set forth in Section 8.6(c)), amend, commute, terminate, buy–out, extinguish liability under or otherwise modify any Occurrence Basis Policies or Claims Made Policies (and such claims shall be subject to any such amendments, commutations, terminations, buy–outs, extinguishments and modifications), and (C) any such claim will be subject to all of the terms and conditions of the applicable Policy. AT Co.'s obligation to use its reasonable best efforts to assist Spinco in asserting claims under applicable Policies will include using reasonable best efforts in assisting Spinco to establish its right to coverage under such Policies (so long as all of AT Co.'s reasonable out–of–pocket costs and expenses in connection therewith are promptly paid by Spinco). In the event that the terms and conditions of any Policy do not allow Spinco the right to assert or prosecute a claim as set forth in clause (i) or (ii) above, then in such case, AT Co. shall use its reasonable best efforts to pursue such claim under such Policy and Spinco shall promptly pay all of AT Co.'s and each AT Co. Subsidiary's reasonable costs and expenses incurred in connection therewith.

(b) *Assistance by AT Co.* AT Co. will use reasonable best efforts to assist Spinco in connection with any efforts by Spinco to recover damages under any Policy with respect to the Spinco Business for incidents occurring prior to the Distribution Date; provided, that all of AT Co.'s reasonable out–of–pocket costs and expenses incurred in connection with the foregoing are promptly paid by Spinco.

(c) *AT Co. Actions.* In the event that after the Distribution Date, AT Co. or any AT Co. Subsidiary proposes to amend, commute, terminate, buy–out, extinguish liability under or otherwise modify any Policies under which Spinco has rights to assert claims pursuant to Section 8.6(a) in a manner that would adversely affect any such rights of Spinco (i) AT Co. will give Spinco prior written notice thereof (it being understood that the decision to take any such action will be in the sole discretion of AT Co.) and (ii) AT Co. will pay to Spinco its equitable share (which shall be determined by AT Co. in good faith based on the amount of premiums paid or allocated to the Spinco business in respect of the applicable Policy) of any net proceeds actually received by AT Co. from the insurer under the applicable Policy as a result of such action by AT Co. (after deducting AT Co.'s reasonable costs and expenses incurred in connection with such action).

(d) *Administration.* From and after the Distribution Date:

(i) AT Co. or an AT Co. Subsidiary, as appropriate, will be responsible for the Claims Administration with respect to claims of AT Co. and the AT Co. Subsidiaries under the Policies; and

(ii) Spinco or a Spinco Subsidiary, as appropriate, will be responsible for the Claims Administration with respect to claims of Spinco and the Spinco Subsidiaries under the Policies.

(e) *Insurance Premiums.* Subject to clause (B) of the proviso to Section 8.6(a), from and after the Distribution Date, AT Co. will pay all premiums (retrospectively–rated or otherwise) as required under the terms and conditions of the respective Policies in respect of periods prior to the Distribution Date, whereupon Spinco will upon the request of AT Co., forthwith reimburse AT Co. for that portion of such premiums paid by AT Co. as are reasonably determined by AT Co. to be attributable to the Spinco Business.

(f) *Agreement for Waiver of Conflict and Shared Defense.* In the event that a Policy provides coverage for both AT Co. and/or an AT Co. Subsidiary, on the one hand, and Spinco and/or a Spinco Subsidiary, on the other hand, relating to the same occurrence, AT Co. and Spinco agree to defend jointly and to waive any conflict of interest necessary to the conduct of that joint defense.

(g) Nothing in this Section 8.6 will be construed to limit or otherwise alter in any way the indemnity obligations of the parties to this Agreement, including those created by this Agreement, by operation of law or otherwise.

Section 8.7 *Use of Names.*

(a) Any material showing any affiliation or connection of AT Co. or any member of the AT Co. Group with Spinco or any member of the Spinco Group shall not be used by AT Co. or any member of the AT Co. Group after the Distribution Date, except that the restrictions contained in this Section 8.7(a) shall not apply to filings, reports and other documents required by applicable law or regulations of securities exchanges to be filed and/or made publicly available. On and after the Distribution Date, neither AT Co. nor any AT Co. Subsidiary shall represent to third parties that any of them is affiliated or connected with Spinco or any member of the Spinco Group.

(b) Subject to Section 8.7(c) below, any material showing any affiliation of Spinco or any member of the Spinco Group with AT Co. or any member of the AT Co. Group shall not be used by Spinco or any member of the Spinco Group after the Distribution Date, except that the restrictions contained in this Section 8.7(b) shall not apply to filings, reports and other documents required by applicable law or regulations of securities exchanges to be filed and/or made publicly available. On and after the Distribution Date, neither Spinco nor any Subsidiary of Spinco shall represent to third parties that any of them is affiliated with AT Co. or any member of the AT Co. Group.

(c) The parties agree that, for a period of 120 days from and after the Distribution Date (the "Sell–off Period"), Spinco and its Subsidiaries shall be entitled to continue to use all trademarks or other source identifiers owned by AT Co. (the "AT Co. Trademarks") to the extent that such AT Co. Trademarks are contained as of the Distribution Date on any business cards, schedules, stationery, displays, signs, promotional materials, manuals, forms, computer software and other material used in the Spinco Business, without any obligation on the part of Spinco or its Subsidiaries to pay royalties or similar fees to AT Co. during the Sell–off Period. Spinco agrees that, upon termination of the Sell–off Period, Spinco and its Subsidiaries shall cease and desist from all further use of the AT Co. Trademarks except to the extent that such use is a "fair use" as a matter of law or as otherwise agreed by the parties.

Section 8.8 *Non Solicitation of Employees.*

(a) AT Co. agrees not to (and to cause the other members of the AT Co. Group not to) solicit or recruit for hire any employee of Spinco or any other member of the Spinco Group for a period of one year following the Distribution Date or until three months after such employee's employment with Spinco or any other member of the Spinco Group terminates, whichever occurs first.

(b) Spinco agrees not to (and to cause the other members of the Spinco Group not to) solicit or recruit for hire any employee of AT Co. or any other member of the AT Co. Group for a period of one year following the Distribution Date or until three months after such employee's employment with AT Co. or any other member of the AT Co. Group terminates, whichever occurs first.

(c) Notwithstanding the foregoing, such prohibitions on solicitation shall not restrict general recruitment efforts carried out through a public or general solicitation.

Section 8.9 *Subsequent Transfers.* In the event that following the Distribution Date a member of the AT Co. Group becomes aware that it possesses any Spinco Assets (except (i) for assets, rights and properties provided by members of the AT Co. Group pursuant to the Transition Services Agreement or (ii) as otherwise contemplated by the Transaction Agreements), AT Co. shall cause the prompt transfer of such assets, rights or properties to Spinco. Prior to any such transfer, AT Co. shall hold such Spinco Asset in trust for Spinco.

ARTICLE IX

Access to Information

Section 9.1 *Provision of Corporate Records.* Prior to or as promptly as practicable after the Distribution Date, AT Co. shall deliver or make available to Spinco all corporate books and records of the Spinco Group in its possession and complete and accurate copies of all relevant portions of all corporate books and records of the AT Co. Group relating directly and primarily to the Spinco Assets, the Spinco Business, or the Spinco Liabilities, including, in each case, all active agreements, active litigation files, government filings and returns or reports relating to Taxes for all open periods. Subject to Section 9.5, AT Co. may retain complete and accurate copies of such books and records. From and after the Distribution Date, all such books, records and copies shall be the property of Spinco. Prior to or as promptly as practicable after the Distribution Date, Spinco shall deliver or make available to AT Co., all corporate books and records of the AT Co. Group in its possession and complete and accurate copies of all relevant portions of all corporate books and records of the Spinco Group relating directly and primarily to the AT Co. Assets, the AT Co. Business, or the AT Co. Liabilities, including, in each case, all active agreements, active litigation files, government filings and returns or reports relating to Taxes for all open periods. Subject to Section 9.5, Spinco may retain complete and accurate copies of such books and records. From and after the Distribution Date, all such books, records and copies shall be the property of AT Co. The costs and expenses incurred in the provision of records or other information to a party shall be paid for by the delivering party.

Section 9.2 *Access to Information.* From and after the Distribution Date, each of AT Co. and Spinco shall afford to the other and to the other's Representatives reasonable access and duplicating rights during normal business hours to all Information within the possession or control of such party's Group relating to the other party's Group's pre–Distribution business, Assets or Liabilities or relating to or arising in connection with the relationship between the Groups on or prior to the Distribution Date, insofar as such access is reasonably required for a reasonable purpose, subject to the provisions below regarding Privileged Information. Without limiting the foregoing, Information may be requested under this Section 9.2 for audit, accounting, regulatory, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations.

In furtherance of the foregoing:

(a) Each party hereto acknowledges that: (i) each of AT Co. and Spinco (and the members of the AT Co. Group and the Spinco Group, respectively) has or may obtain Privileged Information; (ii) there are and/or may be a number of Litigation Matters affecting each or both of AT Co. and Spinco; (iii) both AT Co. and Spinco have a common legal interest in Litigation Matters, in the Privileged Information and in the preservation of the confidential status of the Privileged Information, in each case relating to the pre–Distribution business of the AT Co. Group or the Spinco Group or relating to or arising in connection with the relationship between the Groups on or prior to the Distribution Date; and (iv) both AT Co. and Spinco intend that the transactions contemplated hereby and by the Merger Agreement and the other Transaction Agreements and any transfer of Privileged Information in connection therewith shall not operate as a waiver of any potentially applicable privilege.

(b) Each of AT Co. and Spinco agrees, on behalf of itself and each member of the Group of which it is a member, not to disclose or otherwise waive any privilege attaching to any Privileged Information relating to the pre–Distribution business of the other Group or relating to or arising in connection with the relationship between the Groups on or prior to the Distribution Date, without providing prompt written notice to and obtaining the prior written consent of the other, which consent shall not be unreasonably

withheld, conditioned or delayed and shall not be withheld, conditioned or delayed if the other party certifies that such disclosure is to be made in response to a likely threat of suspension or debarment or similar action; provided, however, that AT Co. and Spinco shall not be required to give any such notice or obtain any such consent and may make such disclosure or waiver with respect to Privileged Information if such Privileged Information relates solely to the pre–Distribution business of the AT Co. Group in the case of AT Co. or the Spinco Group in the case of Spinco. In the event of a disagreement between any member of the AT Co. Group and any member of the Spinco Group concerning the reasonableness of withholding such consent, no disclosure shall be made prior to a resolution of such disagreement by a court of competent jurisdiction, provided that the limitations in this sentence shall not apply in the case of disclosure required by law and so certified as provided in the first sentence of this paragraph.

(c) Upon any member of the AT Co. Group or any member of the Spinco Group receiving any subpoena or other compulsory disclosure notice from a court, other governmental agency or otherwise which requests disclosure of Privileged Information, in each case relating to pre–Distribution business of the Spinco Group or the AT Co. Group, respectively, or relating to or arising in connection with the relationship between the Groups on or prior to the Distribution Date, the recipient of the notice shall as promptly as practicable provide to the other Group (following the notice provisions set forth herein) a copy of such notice, the intended response, and all materials or information relating to the other Group that might be disclosed. In the event of a disagreement as to the intended response or disclosure, unless and until the disagreement is resolved as provided in paragraph (b) of this Section, the parties shall cooperate to assert all defenses to disclosure claimed by either party's Group, and shall not disclose any disputed documents or information until all legal defenses and claims of privilege have been finally determined, except as otherwise required by a court order requiring such disclosure.

Section 9.3 *Production of Witnesses.* Subject to Section 9.2, after the Distribution Date, each of AT Co. and Spinco shall, and shall cause each member of its respective Group to make available to Spinco or AT Co. or any member of the Spinco Group or of the AT Co. Group, as the case may be, upon reasonable prior written request, such Group's directors, managers or other persons acting in a similar capacity, officers, employees and agents as witnesses to the extent that any such Person may reasonably be required in connection with any Litigation Matters, administrative or other proceedings in which the requesting party may from time to time be involved and relating to the pre–Distribution business of the AT Co. Group or the Spinco Group or relating to or in connection with the relationship between the Groups on or prior to the Distribution Date. The costs and expenses incurred in the provision of such witnesses shall be paid by the party requesting the availability of such persons.

Section 9.4 *Retention of Records.* Except as otherwise agreed in writing, or as otherwise provided in the other Transaction Agreements, each of AT Co. and Spinco shall, and shall cause the members of the Group of which it is a member to, retain all Information in such party's Group's possession or under its control, relating directly and primarily to the pre–Distribution business, Assets or Liabilities of the other party's Group until such Information is at least seven years old or until such later date as may be required by law, except that if, prior to the expiration of such period, any member of either party's Group wishes to destroy or dispose of any such Information that is at least three years old, prior to destroying or disposing of any of such Information, (a) the party whose Group is proposing to dispose of or destroy any such Information shall provide no less than 30 days' prior written notice to the other party, specifying the Information proposed to be destroyed or disposed of, and (b) if, prior to the scheduled date for such destruction or disposal, the other party requests in writing that any of the Information proposed to be destroyed or disposed of be delivered to such other party, the party whose Group is proposing to dispose of or destroy such Information promptly shall arrange for the delivery of the requested Information to a location specified by, and at the expense of, the requesting party.

Section 9.5 *Confidentiality.* Subject to Section 9.2, which shall govern Privileged Information, from and after the Distribution Date, each of AT Co. and Spinco shall hold, and shall use commercially reasonable efforts to cause its Affiliates and Representatives to hold, in strict confidence all Information concerning the other party's Group obtained by it or furnished to it by such other party's Group pursuant to this Agreement or the other Transaction Agreements and shall not release or disclose such Information to any other Person,

except its Affiliates and Representatives, who shall be advised of the provisions of this Section 9.5, and each party shall be responsible for a breach by any of its Affiliates or Representatives; provided, however, that any member of the AT Co. Group or the Spinco Group may disclose such Information to the extent that (a) disclosure is compelled by judicial or administrative process or, based on advice of such Person's counsel, by other requirements of law or regulation, or (b) such party can show that such Information was (i) in the public domain through no fault of such Person or (ii) lawfully acquired by such Person from another source after the time that it was furnished to such Person by the other party's Group, and not acquired from such source subject to any confidentiality obligation on the part of such source known to the acquiror. Notwithstanding the foregoing, each of AT Co. and Spinco shall be deemed to have satisfied its obligations under this Section 9.5 with respect to any Information (other than Privileged Information) if it exercises the same care with regard to such Information as it takes to preserve confidentiality for its own similar Information.

Section 9.6 *Cooperation with Respect to Government Reports and Filings.* AT Co., on behalf of itself and each member of the AT Co. Group, agrees to provide any member of the Spinco Group, and Spinco, on behalf of itself and each member of the Spinco Group, agrees to provide any member of the AT Co. Group, with such cooperation and Information as may be reasonably requested by the other in connection with the preparation or filing of any government report or other government filing contemplated by this Agreement or in conducting any other government proceeding relating to the pre–Distribution business of the AT Co. Group or the Spinco Group, Assets or Liabilities of either Group or relating to or in connection with the relationship between the Groups on or prior to the Distribution Date. Such cooperation and Information shall include promptly forwarding copies of appropriate notices, forms and other communications received from or sent to any government authority which relate to the AT Co. Group, in the case of the Spinco Group, or the Spinco Group, in the case of the AT Co. Group. Each party shall make its employees and facilities available during normal business hours and on reasonable prior notice to provide explanation of any documents or Information provided hereunder.

Section 9.7 *Tax Sharing Agreement.* None of the provisions of this Article IX are intended to supersede any provision in the Tax Sharing Agreement or the Merger Agreement with respect to matters related to Taxes. In the event of any conflict between this Agreement and the Tax Sharing Agreement or the Merger Agreement, the Tax Sharing Agreement or the Merger Agreement, as the case may be, shall control with respect to matters related to Taxes.

ARTICLE X

No Representations or Warranties

Section 10.1 *No Representations or Warranties.* Except as expressly set forth herein or in any other Transaction Agreement, Spinco and AT Co. understand and agree that no member of the AT Co. Group is representing or warranting to Spinco or any member of the Spinco Group in any way as to the Spinco Assets, the Spinco Business or the Spinco Liabilities. Except as expressly set forth herein or in any other Transaction Agreement, AT Co. and Spinco understand and agree that no member of the Spinco Group is representing or warranting to AT Co. or any member of the AT Co. Group in any way as to the AT Co. Assets, the AT Co. Business or the AT Co. Liabilities.

ARTICLE XI

Conditions

Section 11.1 *Conditions to the Distribution.* The obligations of AT Co. pursuant to this Agreement to effect the Distribution shall be subject to the fulfillment (or waiver by AT Co.) on or prior to the Distribution Date (provided that certain of such conditions will occur substantially contemporaneous with the Distribution) of each of the conditions set forth in Sections 9.1 and 9.2 of the Merger Agreement having been satisfied or to the extent permitted by applicable Law, waived in writing, except the consummation of the Contribution and the Distribution and the other transactions contemplated hereby.

Section 11.2 *Waiver of Conditions.* To the extent permitted by applicable Law, the condition set forth in Section 11.1 hereof may be waived in the sole discretion of the AT Co. Board. The condition set forth in Section 11.1 is for the sole benefit of AT Co. and shall not give rise to or create any duty on the part of AT Co. or the AT Co. Board to waive or not waive any such conditions.

Section 11.3 *Disclosure.* If at any time after the date hereof either of the parties shall become aware of any circumstances that will or could reasonably be expected to prevent any or all of the conditions contained in Section 11.1 from being satisfied, it will promptly give to the other party written notice of those circumstances.

ARTICLE XII

Miscellaneous

Section 12.1 *Complete Agreement.* This Agreement, the Exhibits and the Disclosure Letter hereto, the other Transaction Agreements and other documents referred to herein shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter. The Disclosure Letter delivered pursuant hereto is expressly made a part of, and incorporated by reference into, this Agreement. In the case of any conflict between the terms of this Agreement and the terms of any other Transaction Agreement, the terms of such other Transaction Agreement shall be applicable.

Section 12.2 *Expenses.* Except as set forth in Section 12.2 of the Disclosure Letter, whether or not the Distribution is consummated, the costs and expenses incurred by AT Co. or Spinco or their respective Subsidiaries in connection with this Agreement, the Preliminary Restructuring contemplated hereby, the Contribution, the Special Dividend, the Debt Exchange, the Spinco Financing and the Merger (including (i) all underwriter's discounts, fees and expenses associated with the Spinco Financing and the Debt Exchange; and (ii) all broker, finder and similar advisory fees incurred by AT Co. or Spinco in connection with the transactions contemplated by this Agreement and the Merger Agreement) shall be paid by Spinco; provided, however, that in the event that the aggregate amount of all such expenses exceeds $115 million less the principal amount of any Additional Spinco Indebtedness, AT Co. shall pay such excess expenses (the "AT Excess Expenses"). For the avoidance of doubt, the expenses of AT Co. and Spinco shall not include any expenses of the Company's legal, accounting, financial and other advisors or any costs of refinancing the Company's outstanding Indebtedness or any other costs incurred by the Company in connection with the transactions contemplated hereby or by the Merger Agreement.

Section 12.3 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to its conflicts of laws principles.

Section 12.4 *Notices.* All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed given upon (a) a transmitter's confirmation of a receipt of a facsimile transmission (but only if followed by confirmed delivery of a standard overnight courier the following business day or if delivered by hand the following business day), (b) confirmed delivery of a standard overnight courier or when delivered by hand or (c) the expiration of five business days after the date mailed by certified or registered mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other addresses for a party as shall be specified by like notice):

If to AT Co. or any member of the AT Co. Group, to:

ALLTEL Corporation
One Allied Drive
Little Rock, Arkansas 72202
Attention: Chief Executive Officer
(with a copy to the Corporate Secretary)
Facsimile: (501) 905–5444

If to Spinco or any member of the Spinco Group prior to the Distribution Date, to:

ALLTEL Holding Corp.
One Allied Drive
Little Rock, Arkansas 72202
Attention: Chief Executive Officer
(with a copy to the Chairman)
Facsimile: (501) 905–0962

or to such other address as any party hereto may have furnished to the other parties by a notice in writing in accordance with this Section.

Section 12.5 *Amendment and Modification.* This Agreement may be amended, modified or supplemented, and any provision hereunder may be waived, only by a written agreement signed by all of the parties hereto, together with (i) prior to the Effective Time, in the case of any material amendment, modification or supplement, a Company Consent and (ii) following the Effective Time, in the case of any material amendment, modification or supplement, the consent of a majority of the Surviving Corporation's "independent" directors (as such term is defined in the regulations of the securities exchange in which the Surviving Corporation's securities then are listed.

Section 12.6 *Successors and Assigns; No Third–Party Beneficiaries.* This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, but neither this Agreement nor any of the rights, interests and obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties and a Company Consent. Except for the provisions of Sections 7.3 and 7.4 relating to indemnities, which are also for the benefit of the Indemnitees, this Agreement is solely for the benefit of AT Co., Spinco and the Company and their respective Subsidiaries and Affiliates and is not intended to confer upon any other Persons any rights or remedies hereunder; provided, however, that the Company is and shall be a stated and intended third party beneficiary hereof.

Section 12.7 *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 12.8 *Interpretation.* The Article and Section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the parties hereto and shall not in any way affect the meaning or interpretation of this Agreement.

Section 12.9 *Severability.* If any provision of this Agreement or the application thereof to any person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party.

Section 12.10 *References; Construction.* References to any "Article," "Exhibit," "Schedule" or "Section," without more, are to Articles, Exhibits, Schedules and Sections to or of this Agreement. Unless otherwise expressly stated, clauses beginning with the term "including" or similar words set forth examples only and in no way limit the generality of the matters thus exemplified.

Section 12.11 *Termination.* Notwithstanding any provision hereof, following termination of the Merger Agreement, this Agreement may be terminated and the Distribution abandoned at any time prior to the Distribution Date by and in the sole discretion of the Board of Directors of AT Co. In the event of such termination, no party hereto or to any other Transaction Agreement (other than the Merger Agreement) shall have any Liability to any Person by reason of this Agreement or any other Transaction Agreement (other than the Merger Agreement).

Section 12.12 *Consent to Jurisdiction and Service of Process.* Each of the parties to this Agreement hereby irrevocably and unconditionally (i) agrees to be subject to, and hereby consent and submits to, the

jurisdiction of the courts of the State of Delaware and of the federal courts sitting in the State of Delaware, (ii) to the extent such party is not otherwise subject to service of process in the State of Delaware, hereby appoints the Corporation Service Company as such party's agent in the State of Delaware for acceptance of legal process and (iii) agrees that service made on any such agent set forth in (ii) above shall have the same legal force and effect as if served upon such party personally within the State of Delaware.

Section 12.13 *Waivers.* Except as provided in this Agreement, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

Section 12.14 *Specific Performance.* The parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy at law or in equity.

Section 12.15 *Waiver of Jury Trial.* Each of the parties hereto irrevocably and unconditionally waives all right to trial by jury in any litigation, claim, action, suit, arbitration, inquiry, proceeding, investigation or counterclaim (whether based in contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement thereof.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

ALLTEL CORPORATION

By: /s/ Scott T. Ford
Name: Scott T. Ford
Title: CEO & President

ALLTEL HOLDING CORP.

By: /s/ Jeffery R. Gardner
Name: Jeffery R. Gardner
Title: President

Annex C

VOTING AGREEMENT

VOTING AGREEMENT (this "Agreement") dated as of December 8, 2005, is by and among ALLTEL Holding Corp., a Delaware corporation ("Spinco"), and each Person (as defined in the Merger Agreement (as defined below)) listed on the signature page hereof as a stockholder (each, a "Stockholder" and, collectively, the "Stockholders"). For purposes of this Agreement, capitalized terms used and not defined herein shall have the respective meanings ascribed to them in the Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), by and between Spinco, ALLTEL Corporation, a Delaware corporation ("AT Co.") and Valor Communications Group, Inc., a Delaware corporation (the "Company").

RECITALS

A. Each Stockholder "beneficially owns" (as such term is defined in Rule 13d–3 promulgated under the Securities Exchange Act of 1934, as amended) and is entitled to dispose of (or to direct the disposition of) and to vote (or to direct the voting of) the number of shares of common stock, par value $.0001 per share, of the Company (the "Common Stock") set forth opposite such Stockholder's name on Schedule A hereto (such shares of Common Stock, together with all other shares of capital stock of the Company acquired by any Stockholder after the date hereof and during the term of this Agreement, being collectively referred to herein as the "Subject Shares").

B. Concurrently with the execution and delivery of this Agreement, Spinco and the Company are entering into the Merger Agreement providing for the merger of Spinco with and into the Company, with the Company surviving the Merger (the "Merger") upon the terms and subject to the conditions set forth therein.

C. As a condition to entering into the Merger Agreement, Spinco has required that the Stockholders enter into this Agreement, and the Stockholders desire to enter into this Agreement to induce Spinco to enter into the Merger Agreement.

D. The Board of Directors of the Company has taken all actions so that the restrictions contained in the Company's certificate of incorporation and the General Corporation Law of the State of Delaware (the "DGCL") applicable to a "business combination" (as defined in Section 203 of the DGCL) will not apply to the execution, delivery or performance of this Agreement or the Merger Agreement, or to the consummation of the Merger, this Agreement and the Merger Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual premises, representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound, hereby agree as follows:

1. *Representations and Warranties of Each Stockholder.*

Each Stockholder severally (and not jointly) represents and warrants to Spinco as follows:

(a) *Due Authorization and Organization.* Such Stockholder is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization (as applicable). Such Stockholder has all requisite legal power (corporate or other) and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by such Stockholder and constitutes a valid and binding obligation of such Stockholder enforceable in accordance with its terms subject to (i) bankruptcy, insolvency, moratorium and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(b) *No Conflicts.* (i) No filing by such Stockholder with any governmental body or authority, and no authorization, consent or approval of any other person is necessary for the execution of this Agreement by such Stockholder and the consummation by such Stockholder of the transactions contemplated hereby

and (ii) none of the execution and delivery of this Agreement by such Stockholder, the consummation by such Stockholder of the transactions contemplated hereby or compliance by such Stockholder with any of the provisions hereof shall (A) conflict with or result in any breach of the organizational documents of such Stockholder, (B) result in, or give rise to, a violation or breach of or a default under (with or without notice or lapse of time, or both) any of the terms of any material contract, trust agreement, loan or credit agreement, note, bond, mortgage, indenture, lease, permit, understanding, agreement or other instrument or obligation to which such stockholder is a party or by which such Stockholder or any of its Subject Shares or assets may be bound, or (C) violate any applicable order, writ, injunction, decree, judgment, statute, rule or regulation, except for any of the foregoing as would not reasonably be expected to prevent such Stockholder from performing its obligations under this Agreement.

(c) *The Subject Shares.* Schedule A sets forth, opposite such Stockholder's name, the number of Subject Shares over which such Stockholder has record or beneficial ownership as of the date hereof. As of the date hereof, such Stockholder is the record or beneficial owner of the Subject Shares denoted as being owned by such Stockholder on Schedule A and has the sole power to vote (or cause to be voted) such Subject Shares. Except as set forth on such Schedule A, neither such Stockholder nor any controlled affiliate of such Stockholder owns or holds any right to acquire any additional shares of any class of capital stock of the Company or other securities of the Company or any interest therein or any voting rights with respect to any securities of the Company. Such Stockholder has good and valid title to the Subject Shares denoted as being owned by such Stockholder on Schedule A, free and clear of any and all pledges, mortgages, liens, charges, proxies, voting agreements, encumbrances, adverse claims, options, security interests and demands of any nature or kind whatsoever, other than those created by this Agreement, as disclosed on Schedule A, or as would not prevent such Stockholder from performing its obligations under this Agreement.

(d) *Reliance By Spinco.* Such Stockholder understands and acknowledges that Spinco is entering into the Merger Agreement in reliance upon such Stockholder's execution and delivery of this Agreement.

(e) *Litigation.* As of the date hereof, there is no action, proceeding or investigation pending or threatened against such Stockholder that questions the validity of this Agreement or any action taken or to be taken by such Stockholder in connection with this Agreement.

2. *Representations and Warranties of Spinco.*

Spinco hereby represents and warrants to the Stockholders as follows:

(a) *Due Authorization and Organization.* Spinco is duly organized, validly existing and in good standing under the laws of the State of Delaware. Spinco has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by Spinco and constitutes a valid and binding obligation of Spinco enforceable in accordance with its terms subject to (i) bankruptcy, insolvency, moratorium and other similar laws now or hereafter in effect relating to or affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether considered in a proceeding at law or in equity).

(b) *Conflicts.* (i) No filing by Spinco with any governmental body or authority, and no authorization, consent or approval of any other person is necessary for the execution of this Agreement by Spinco and the consummation by Spinco of the transactions contemplated hereby and (ii) none of the execution and delivery of this Agreement by Spinco, the consummation by Spinco of the transactions contemplated hereby or compliance by Spinco with any of the provisions hereof shall (A) conflict with or result in any breach of the certificate of incorporation or by–laws of Spinco, (B) result in, or give rise to, a violation or breach of or a default under (with or without notice or lapse of time, or both) any of the terms of any material contract, loan or credit agreement, note, bond, mortgage, indenture, lease, permit, understanding, agreement or other instrument or obligation to which Spinco is a party or by which Spinco or any of its assets may be bound, or (C) violate any applicable order, writ, injunction, decree, judgment,

statute, rule or regulation, except for any of the foregoing as would not prevent Spinco from performing its obligations under this Agreement.

(c) *Reliance by the Stockholders.* Spinco understands and acknowledges that the Stockholders are entering into this Agreement in reliance upon the execution and delivery of the Merger Agreement by Spinco.

3. *Covenants of Each Stockholder.*

Until the termination of this Agreement in accordance with Section 5, each Stockholder, in its capacity as such, agrees as follows:

(a) At the Company Stockholders Meeting or at any adjournment, postponement or continuation thereof or in any other circumstances occurring prior to the Company Stockholders Meeting upon which a vote or other approval with respect to the Merger and the Merger Agreement is sought, each Stockholder shall vote (or cause to be voted) the Subject Shares (and each class thereof) held by such Stockholder (i) in favor of the approval of the Merger and the approval and adoption of the Merger Agreement; and (ii) except with the written consent of Spinco, against any Company Acquisition Proposal. Any such vote shall be cast in accordance with such procedures relating thereto so as to ensure that it is duly counted for purposes of determining that a quorum is present and for purposes of recording the results of such vote. Each Stockholder agrees not to enter into any agreement or commitment with any person the effect of which would be inconsistent with or violative of the provisions and agreements contained in this Section 3(a).

(b) Each Stockholder agrees not to, directly or indirectly, (i) sell, transfer, tender, pledge, encumber, assign or otherwise dispose of (collectively, a "Transfer") or enter into any agreement, option or other arrangement with respect to, or consent to a Transfer of, or convert or agree to convert, any or all of the Subject Shares to any person, other than in accordance with the Merger Agreement, except in each case for Transfers to such Stockholder's affiliates as agree to be bound hereby, or (ii) grant any proxies (other than the Company proxy card in connection with the Company Stockholders Meeting if and to the extent such proxy is consistent with the Stockholder's obligations under Section 3(a) hereof), deposit any Subject Shares into any voting trust or enter into any voting arrangement, whether by proxy, voting agreement or otherwise, with respect to any of the Subject Shares, other than pursuant to this Agreement. Such Stockholder further agrees not to commit or agree to take any of the foregoing actions or take any action that would have the effect of preventing, impeding, interfering with or adversely affecting its ability to perform its obligations under this Agreement.

(c) Such Stockholder shall not, nor shall such Stockholder permit any controlled affiliate of such Stockholder to, nor shall such Stockholder act in concert with or permit any controlled affiliate to act in concert with any person to make, or in any manner participate in, directly or indirectly, a "solicitation" (as such term is used in the rules of the Securities and Exchange Commission) of proxies or powers of attorney or similar rights to vote, or seek to advise or influence any person with respect to the voting of, any shares of Common Stock intended to facilitate any Company Acquisition Proposal or to cause stockholders of the Company not to vote to approve and adopt the Merger Agreement. Such Stockholder shall not, and shall direct any investment banker, attorney, agent or other adviser or representative of such Stockholder not to, directly or indirectly, through any officer, director, agent or otherwise, enter into, solicit, initiate, conduct or continue any discussions or negotiations with, or knowingly encourage or respond to any inquiries or proposals by, or provide any information to, any person, other than Spinco, relating to any Company Acquisition Proposal. Each Stockholder hereby represents that, as of the date hereof, it is not engaged in discussions or negotiations with any party other than Spinco and AT Co. with respect to any Company Acquisition Proposal.

4. *Stockholder Capacity.*

No Person executing this Agreement, or any officer, director, partner, employee, agent or representative of such Person, who is or becomes during the term of this Agreement a director or officer of the Company shall be deemed to make any agreement or understanding in this Agreement in such Person's capacity as a

director or officer. Each Stockholder is entering into this Agreement solely in his or her capacity as the record holder or beneficial owner of, or the trustee of a trust whose beneficiaries are the beneficial owners of, such Stockholder's Subject Shares and nothing herein shall limit or affect any actions taken by a Stockholder in his or her capacity as a director or officer of the Company.

5. *Termination.*

This Agreement shall terminate (i) upon the earlier of (A) the approval and adoption of the Merger Agreement at the Company Stockholders Meeting, (B) provided that the Company Stockholders Meeting shall have been held, the failure of the stockholders of the Company to approve and adopt the Merger Agreement at the Company Stockholders Meeting, (C) the Merger Agreement is amended in a manner that is materially disadvantageous to the Stockholders without the Stockholders' consent and (D) the termination of the Merger Agreement in accordance with its terms by any party thereto for any reason, or (ii) at any time upon notice by Spinco to the Stockholders. No party hereto shall be relieved from any liability for intentional breach of this Agreement by reason of any such termination. Notwithstanding the foregoing, Section 6 and Sections 11 through 21, inclusive, of this Agreement shall survive the termination of this Agreement.

6. *Appraisal Rights.*

To the extent permitted by applicable law, each Stockholder hereby waives any rights of appraisal or rights to dissent from the Merger that it may have under applicable law.

7. *Publication.*

Each Stockholder hereby authorizes Spinco and the Company to publish and disclose in the Proxy Statement/ Prospectus and the Registration Statement (including any and all documents and schedules filed with the Securities and Exchange Commission relating thereto) its identity and ownership of shares of Common Stock and the nature of its commitments, arrangements and understandings pursuant to this Agreement.

8. *Amendment of Company Securityholders Agreement.*

Each Stockholder shall take all action necessary, and shall use its reasonable best efforts to cause each other stockholder of the Company party thereto, to cause the Securityholders Agreement, dated as of February 14, 2005, by and among the Company, the Stockholders and certain other stockholders of the Company (the "Company Securityholders Agreement") to be amended effective as of the Effective Time (as defined in the Merger Agreement), without any cost or liability to the Company, such that from and after the Effective Time, the Company Securityholders Agreement shall have substantially the terms set forth on Exhibit G to the Merger Agreement.

9. *Affiliate Letters.*

Each Stockholder agrees to execute a Rule 145 Affiliate Agreement in substantially the form attached as Exhibit F to the Merger Agreement, as soon as practicable after the date hereof.

10. *Governing Law.*

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without giving effect to the conflicts of law principles thereof.

11. *Jurisdiction; Waiver of Jury Trial.*

(a) Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of Delaware or any Delaware state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal or state court sitting in the State of Delaware.

(b) Each of the parties hereto irrevocably waives all right to trial by jury in any action, suit, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Agreement or the actions of the parties hereto in the negotiation, administration, performance and enforcement hereof.

12. *Specific Performance.*

The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of Delaware or in Delaware state court, this being in addition to any other remedy to which they are entitled at law or in equity.

13. *Amendment, Waivers, Etc.*

This Agreement may be amended by Spinco and the Stockholders at any time before or after adoption of the Merger Agreement by the stockholders of the Company; provided, however, that after such adoption, no amendment shall be made that by Law or in accordance with the rules of any relevant stock exchange or automated inter–dealer quotation system requires further approval by such stockholders without such further approval. This Agreement may not be amended except by an instrument in writing signed by Spinco and the Stockholders. At any time prior to the Effective Time, Spinco and the Stockholders may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or acts of the other party; (ii) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant to this Agreement; and (iii) waive compliance with any of the agreements or conditions of the other party contained herein; provided, however, that no failure or delay by Spinco or the Stockholders in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of Spinco or the Stockholders to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

14. *Assignment; No Third Party Beneficiaries.*

Neither this Agreement nor any of the rights, benefits or obligations hereunder may be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of all of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties hereto and their respective successors and permitted assigns. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than Spinco and the Stockholders and their respective successors and permitted assigns) any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, and no Person (other than as so specified) shall be deemed a third party beneficiary under or by reason of this Agreement.

15. *Notices.*

All notices, consents, requests, instructions, approvals and other communications provided for in this Agreement shall be in writing and shall be deemed validly given upon personal delivery or one day after being sent by overnight courier service or by telecopy (so long as for notices or other communications sent by telecopy, the transmitting telecopy machine records electronic conformation of the due transmission of the notice), at the following address or telecopy number, or at such other address or telecopy number as a party may designate to the other parties:

If to Spinco, to:

AT Holding Corp.
One Allied Drive
Little Rock, Arkansas 72202
Attention: Chief Executive Officer
(with a copy to the Chairman)
Telecopy: (501) 905–0962

If to any Stockholder, at the address set forth under such Stockholder's name on Schedule A hereto or to such other address as the party to whom notice is to be given may have furnished to the other parties in writing in accordance herewith.

16. *Severability.*

If any provision of this Agreement is held to be invalid or unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the parties hereto to the maximum extent possible. In any event, the invalidity or unenforceability of any provision of this Agreement in any jurisdiction shall not affect the validity or enforceability of the remainder of this Agreement in that jurisdiction or the validity or enforceability of this Agreement, including that provision, in any other jurisdiction.

17. *Integration.*

This Agreement (together with the Merger Agreement to the extent referenced herein), including Schedule A hereto, constitutes the full and entire understanding and agreement of the parties with respect to the subject matter hereof and thereof and supersedes any and all prior understandings or agreements relating to the subject matter hereof and thereof.

18. *Mutual Drafting.*

Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties.

19. *Section Headings.*

The section headings of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

20. *Counterparts.*

This Agreement may be executed in one or more counterparts (including by facsimile), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

21. *Definitions.*

References in this Agreement (except as specifically otherwise defined) to "affiliates" shall mean, as to any person, any other person which, directly or indirectly, controls, or is controlled by, or is under common control with, such person. As used in this definition, "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

[SIGNATURE PAGE FOLLOWS]

Table of Contents

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and date first above written.

ALLTEL HOLDING CORP.

By: /s/ Jeffery R. Gardner
Name: Jeffery R. Gardner
Title: President

WCAS MANAGEMENT CORPORATION

By: /s/ Jonathan M. Rather
Name: Jonathan M. Rather
Title: Treasurer

Russell L. Carson
Andrew M. Paul
Pondfield Holdings, L.P.
Thomas E. McInerney
Robert A. Municucci
Anthony J. de Nicola
Paul B. Queally
Lawrence B. Sorrel
D. Scott Mackesy
John Clark
Sean M. Traynor
John Almeida, Jr.
Sanjay Swani
Eric Lee
Jonathan M. Rather

By: /s/ Jonathan M. Rather
Jonathan M. Rather, Individually and as
Attorney–in–Fact

THE PATRICK WELSH 2004 IRREVOCABLE TRUST

By: /s/ Carol Welsh
Name: Carol Welsh
Title: Trustee

THE BRUCE K. ANDERSON 2004 IRREVOCABLE TRUST

By: /s/ Mary A. Anderson
Name: Mary A. Anderson
Title: Trustee

/s/ Jill Hanau
JILL HANAU

/s/ Lauren Melkus
LAUREN MELKUS

ESTATE OF RUDOLPH E. RUPERT

By: /s/ Claudia de Dominicis
Claudia de Dominicis, Executor

WELSH CARSON ANDERSON & STOWE IX, L.P.

By: WCAS IX Associates LLC,
Its General Partner

By: /s/ Jonathan M. Rather
Name: Jonathan M. Rather
Title: Managing Member

WCAS CAPITAL PARTNERS III, L.P.

By: WCAS CP III Associates LLC,
Its General Partner

By: /s/ Jonathan M. Rather
Name: Jonathan M. Rather
Title: Managing Member

WELSH CARSON ANDERSON &
STOWE VIII, L.P.

By: WCAS VIII Associates LLC,
Its General Partner

By: /s/ Jonathan M. Rather
Name: Jonathan M. Rather
Title: Managing Member

/s/ Michael Donovan
MICHAEL DONOVAN

VESTAR CAPITAL PARTNERS III, L.P.

By: Vestar Associates III, L.P.,
Its General Partner
By: Vestar Associates Corporation III,
Its General Partner

By: /s/ Norman W. Alpert
Name: Norman W. Alpert
Title: Managing Director

VESTAR CAPITAL PARTNERS IV, L.P.,

By: Vestar Associates IV, L.P.
Its General Partner
By: Vestar Associates Corporation IV,
Its General Partner

By: /s/ Norman W. Alpert
Name: Norman W. Alpert
Title: Managing Director

VESTAR/ VALOR, LLC

By: Vestar Associates IV, L.P.,
Its Managing Member
By: Vestar Associates Corporation IV,
Its General Partner

By: /s/ Norman W. Alpert
Name: Norman W. Alpert
Title: Managing Director

/s/ Norman W. Alpert
NORMAN W. ALPERT

/s/ Frederico Pena
FREDERICO PENA

Annex D–1

OPINION OF WACHOVIA SECURITIES

December 8, 2005

Board of Directors
Valor Communications Group, Inc.
200 E. John Carpenter Freeway
Suite 200
Irving, TX 75062

Ladies and Gentlemen:

You have asked Wachovia Capital Markets, LLC ("Wachovia Securities") to advise you with respect to the fairness, from a financial point of view, to Valor Communications Group, Inc., a Delaware corporation ("Valor" or the "Company") and its stockholders, of the Aggregate Merger Consideration (as hereinafter defined) to be paid by the Company pursuant to that certain Agreement and Plan of Merger, dated as of December 8, 2005 (the "Agreement"), by and among the Company, Alltel Corporation, a Delaware corporation ("AT Co."), Alltel Holding Corp., a newly formed Delaware corporation and a wholly owned subsidiary of AT Co. ("Spinco"). Terms used, but not defined, herein, shall have the meaning ascribed to them by the Agreement.

Pursuant to the Agreement and the Distribution Agreement entered into by and between AT Co. and Spinco as of the date of the Agreement, AT Co. will engage in the Preliminary Restructuring (as defined in the Distribution Agreement) in order to separate the Spinco Assets from the AT Co. Assets and in exchange for the contribution to Spinco, directly or indirectly, of all of the issued and outstanding capital stock or other equity securities of the Spinco Subsidiaries, Spinco will issue to AT Co. the Spinco Common Stock (as defined in the Distribution Agreement), distribute to AT Co. the Spinco Exchange Notes (as defined in the Distribution Agreement) and pay to AT Co. the Special Dividend (as defined in the Distribution Agreement), all upon the terms and subject to the conditions set forth in the Distribution Agreement. On the Distribution Date, AT Co. will distribute all of the issued and outstanding shares of Spinco Common Stock to the Distribution Agent for the benefit of the holders as of the Record Date (as defined in the Distribution Agreement) of the outstanding AT Co. Common Stock. Pursuant to the Agreement, at the Effective Time, Spinco shall be merged with and into the Company (the "Merger"), the separate existence of Spinco shall cease and the Company shall continue as the surviving corporation of the Merger. The Agreement further provides that all of the shares of Spinco Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive an aggregate number of shares of the Company, par value $0.0001 ("Company Common Stock"), equal to the product of (x) 5.6667 multiplied by (y) the aggregate number of shares of Company Common Stock issued and outstanding, on a Fully Diluted Basis, immediately prior to the Effective Time (the "Aggregate Merger Consideration") that will result in the fully diluted Company Common Stock at the Effective Time of the Merger being held 85% by the former AT Co. stockholders and 15% by the stockholders of the Company immediately prior to the Effective Time of the Merger. The terms and conditions of the Merger are more fully set forth in the Agreement.

In arriving at our opinion, we have, among other things:

- Reviewed the Agreement, including the financial terms of the Merger, and the agreements contemplated thereby;
- Reviewed Annual Reports on Form 10–K of AT Co. for the three fiscal years ended December 31, 2004; Annual Reports on Form 10–K of the Company for the fiscal year ended December 31, 2004; certain interim reports to stockholders and Quarterly Reports on Form 10–Q of AT Co. and the Company; and certain business, financial, and other information regarding each of AT Co. and the Company that was publicly available;
- Reviewed certain business, financial, and other information regarding the Company and its prospects that was furnished to us by, and we have discussed with, the management of the Company;

Board of Directors
Valor Communications Group, Inc.
December 8, 2005
Page 2

- Reviewed certain business, financial, and other information regarding AT Co. and Spinco and their prospects that were furnished to us by, and we have discussed with, the management of AT Co. and Spinco;
- Reviewed the stock price and trading history of the Company Common Stock;
- Compared the available business, financial, and other information regarding each of the Company and Spinco with similar information regarding certain publicly traded companies that we deemed relevant;
- Compared the proposed financial terms of the Agreement with the financial terms of certain other business combinations and transactions that we deemed relevant;
- Developed discounted cash flow models for each of the Company and Spinco based upon estimates provided by the management of each of the Company and Spinco, as to each of the Company and Spinco respectively, and certain estimates discussed with the management of the Company;
- Reviewed the potential pro forma impact of the Merger on the Company's financial statements;
- Considered other information such as financial, economic and market criteria that we deemed relevant; and
- Participated in the discussions and negotiations among representatives of the Company and AT Co. and their respective financial and legal advisors that resulted in the Agreement.

In connection with our review, we have assumed and relied upon the accuracy and completeness of the foregoing financial and other information we have obtained and reviewed for the purpose of our opinion, and we have not assumed any responsibility for, nor conducted, any independent verification of such information. We have relied upon the assurances of the management of the Company and AT Co. that they are not aware of any facts or circumstances that would make such information about the Company or AT Co. inaccurate or misleading. We have been provided with prospective financial information, including post–merger synergies, for the Company and Spinco by each of their managements, respectively. We have also been provided with prospective financial information of Spinco by AT Co., including cost allocations by AT Co. to Spinco. We have discussed such prospective financial information, as well as the assumptions upon which they are based, with the managements of the Company, AT Co. and Spinco. We have assumed that the forecasts, estimates, judgments, and all assumptions expressed by the management of each of the Company, AT Co. and Spinco in such projections have been reasonably formulated and that they are the best currently available forecasts, estimates, judgments, allocations and assumptions of each of the respective managements of the Company, AT Co. and Spinco regarding such projections. We assume no responsibility for and express no view as to any such prospective financial information or the assumptions upon which they are based. We have also assumed that the cost allocations by AT Co. to Spinco provided to us by AT Co. reflect the true standalone costs that Spinco will experience following the Merger. We have discussed certain estimates for the Company and for Spinco, and the reasonableness of the assumptions upon which they are based, with the management of the Company. You have not asked us to, nor have we, explored or conducted a review of strategic alternatives for the Company. In arriving at our opinion, we have not conducted any physical inspection or assessment of the facilities or assets of the Company, AT Co. or Spinco. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off–balance sheet assets and liabilities) of the Company, AT Co. or Spinco or any of their respective subsidiaries and have not been furnished with any such evaluations or appraisals.

In rendering our opinion, we have assumed that the Merger will be consummated on the terms described in the Agreement and the agreements contemplated thereby without waiver of any material terms or conditions and that each party to the Agreement and the agreements contemplated thereby will perform all of

the covenants and agreements required to be performed by it thereunder without any consents or waivers of the other parties thereto. We have also assumed that in the course of obtaining any necessary legal, regulatory or third party consents and/or approvals, no restrictions will be imposed or delay will be suffered that will have a material adverse effect on the Company, or on the Merger or on other actions contemplated by the Agreement in any way meaningful to our analysis. We have further assumed that the Agreement and the agreements contemplated thereby will not differ in any material respect from the drafts furnished to and reviewed by us. In addition, we have assumed that the Merger and the distribution to Spinco will be tax–free, for federal income tax purposes.

Our opinion is necessarily based on economic, market, financial and other conditions as they exist on, and can be evaluated as of, the date hereof. Although subsequent developments may affect this opinion, we do not have any obligation to update, revise or reaffirm this opinion. Our opinion does not address the merits of the underlying decision by the Company to enter into the Agreement, including the relative merits of the Merger compared with other business strategies or transactions that may have been considered by the Company's management, its Board of Directors or any committee thereof. We are not expressing any opinion herein with respect to the prices at which the Company Common Stock will trade following the announcement of the Merger or the prices at which the Company Common Stock will trade following the consummation of the Merger.

Wachovia Securities is a trade name of Wachovia Capital Markets, LLC, an investment banking subsidiary and affiliate of Wachovia Corporation. We have been engaged to render certain financial advisory services to the Board of Directors of the Company in connection with the Merger, and will receive a fee for such services, a portion of which is payable upon delivery of this opinion, and the principal portion of which is payable upon consummation of the Merger. In addition, the Company has agreed to reimburse our expenses and indemnify us against certain liabilities that may arise out of our engagement. Wachovia Securities and our affiliates provide a full range of financial advisory, securities and lending services in the ordinary course of business for which we receive customary fees. In connection with unrelated matters, Wachovia Securities and its affiliates (including Wachovia Corporation and its affiliates) in the past have provided financing services to the Company, certain of its affiliates and AT Co. and may provide similar or other such services to, and maintain relationships with, the Company, certain of its affiliates and AT Co. in the future. Wachovia Securities served as a co–Lead Arranger, Joint Book–Running Manager and Syndication Agent in the Company's $1.67 billion refinancing in October 2004, as a Senior co–Manager for the Company's $440 million initial public offering in February 2005 and as a co–Manager on the Company's $400 million senior unsecured notes offering in February 2005. Wachovia Securities and its affiliates maintain banking, finance and investment relationships with certain affiliates of the Company, including Welsh Carson Anderson & Stowe, in certain of whose funds an affiliate of Wachovia Securities invests, and Vestar Capital Partners and certain of their respective portfolio companies. Wachovia Securities or one of its affiliates is currently a senior secured lender to AT Co. Additionally, in the ordinary course of our business, we currently, and in the future may, trade in the debt and equity securities (or related derivative securities) of the Company and AT Co. for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities. Wachovia Securities maintains research coverage of the equity securities of the Company and the equity and debt securities of AT Co.

This opinion is for the information and use of the Board of Directors of the Company in connection with its consideration of the Merger. This opinion does not and shall not constitute a recommendation to any holder of shares of Company Common Stock as to how such holder should vote in connection with the Agreement or any other matter related thereto. Our opinion may not be disclosed, summarized, excerpted from, or otherwise publicly referred to without our prior written consent, except that this opinion may be reproduced in full in any proxy statement mailed or provided to the holders of Company Common Stock.