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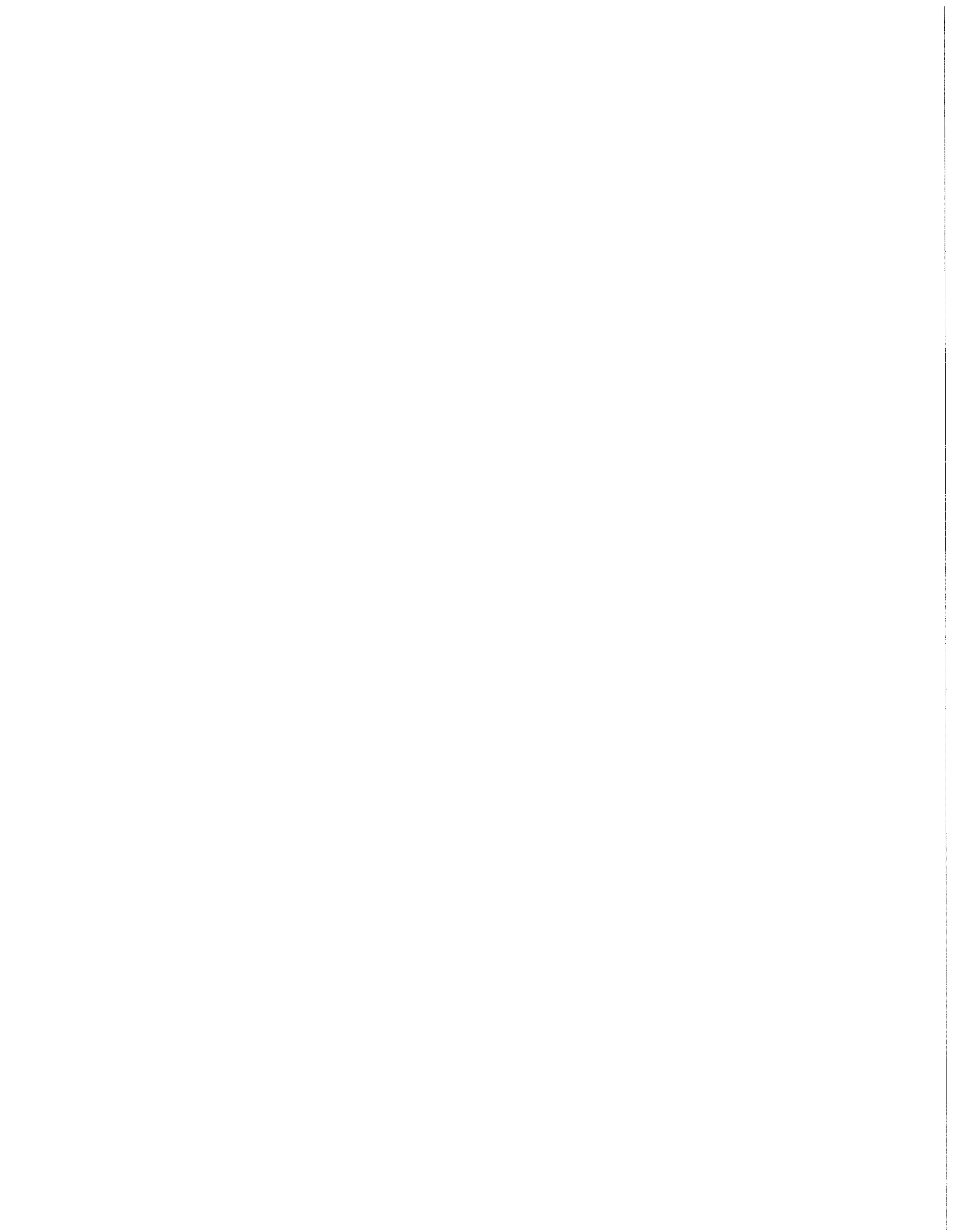


2. Please identify all of the Joint Applicants' subsidiaries and affiliates that will exist following the contemplated transaction, and state with specificity whether each one will be subject to regulation by:

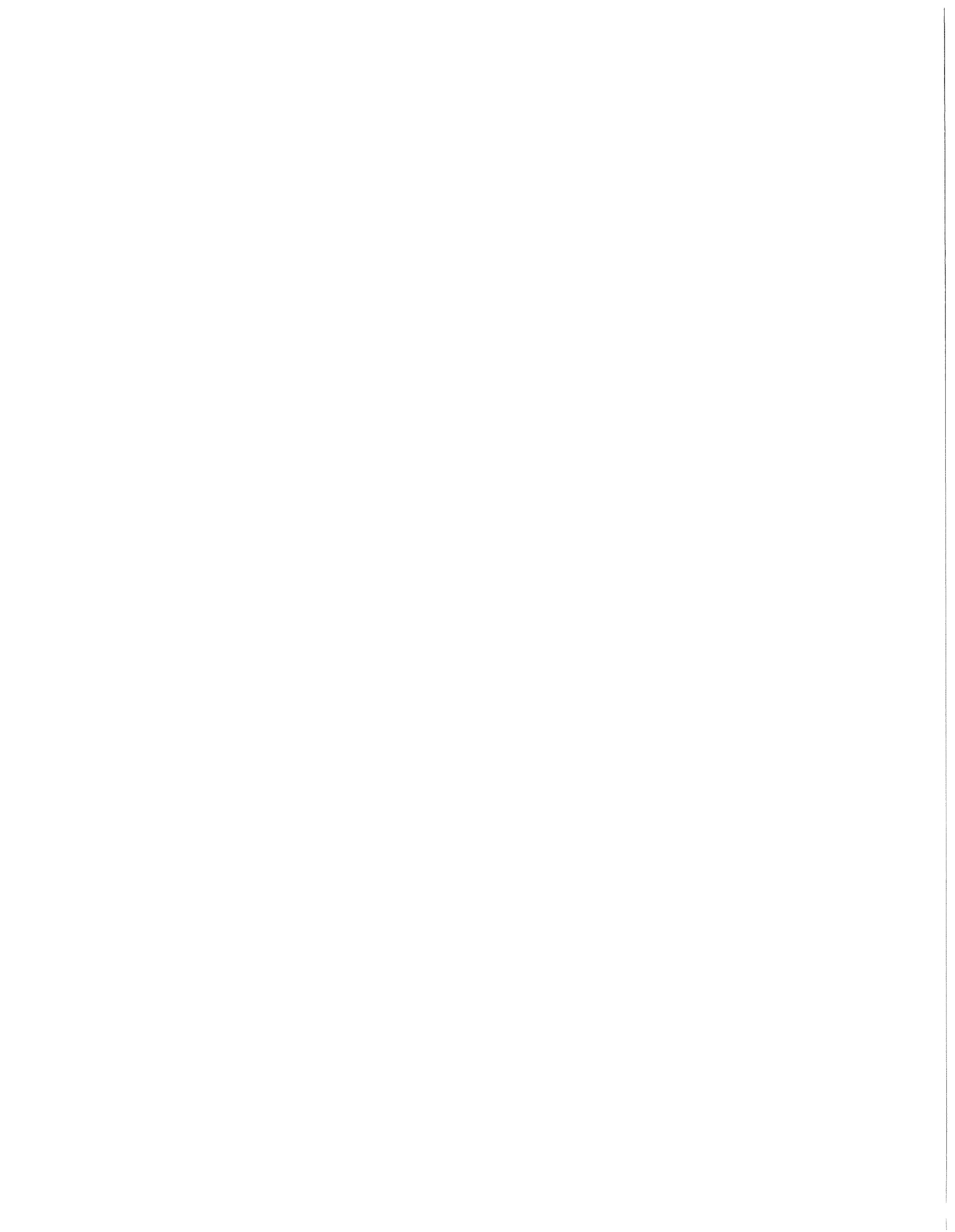
a. the Kentucky Public Service Commission;
b. any other state utility commission, and if so, the name of the commission(s);
c. the Federal Communications Commission; and
d. any other state or federal agency.

Response:

Affiliate	Federal Agency	State Commission
Alltel Arkansas, Inc.	**FCC**	**Arkansas**
Alltel Alabama, Inc.	**FCC**	**Alabama**
Alltel Carolina, Inc.	**FCC**	**North Carolina**
Alltel Florida, Inc.	**FCC**	**Florida**
Alltel Georgia, Inc.	**FCC**	**Georgia**
Alltel Georgia Communications Corp.	**FCC**	**Georgia**
Georgia Alltel Telecom, Inc.	**FCC**	**Georgia**
Standard Telephone Company	**FCC**	**Georgia**
Georgia Telephone Corporation	**FCC**	**Georgia**
Accucomm Telecommunications, Inc. d/b/a Alltel	**FCC**	**Georgia**
Alltel Kentucky, Inc.	**FCC**	**Kentucky**
Kentucky Alltel, Inc.	**FCC**	**Kentucky**
Alltel Mississippi, Inc.	**FCC**	**Mississippi**
Alltel Missouri, Inc.	**FCC**	**Missouri**
Alltel Nebraska, Inc.	**FCC**	**Nebraska**
Alltel New York, Inc.	**FCC**	**New York**
Alltel Ohio, Inc.	**FCC**	**Ohio**
The Western Reserve Telephone Comp.	**FCC**	**Ohio**
Alltel Oklahoma, Inc.	**FCC**	**Oklahoma**
Oklahoma Alltel, Inc.	**FCC**	**Oklahoma**
Alltel Pennsylvania, Inc.	**FCC**	**Pennsylvania**
Alltel South Carolina, Inc.	**FCC**	**South Carolina**
Texas Alltel, Inc.	**FCC**	**Texas**
Sugar Land Telephone Company	**FCC**	**Texas**
Alltel Holding Corp.	**None**	**None**
Alltel Holding Corporate Services, Inc.	**FCC**	*** All state commissions that regulate intrastate toll services except Alaska.**
Alltel Communications Products,	**None.**	**None.**

Inc.		
Alltel Communications Products International, Inc.	None	None
Alltel Publishing Corporation	None	None
Alltel Publishing Listing Management Corporation	None	None
Accucomm Networks, Inc.	None	None
Alltel Communications Holdings of the Midwest, Inc.	None	None
Alltel Communications of the Midwest, Inc.	FCC	Nebraska
Alltel Network Services of the Midwest, Inc.	None	None.
Teleview, Inc.	FCC	None
TriNet, Inc.	None	None
Valor Communications Group	None	None
Valor Telecom Equipment, LP	None	None
Valor Telecommunications of Texas, LP	FCC	Texas
Kerrville Telephone LP	FCC	Texas
KCC Telcom LP	FCC	Texas
Valor Telecom LD, LP	FCC	AR, OK, NM, TX
Valor Telecommunications of New Mexico, LLC	FCC	New Mexico
Valor Telecommunications of Oklahoma, LLC	FCC	Oklahoma

Response provided by Cesar Caballero.



3. Please state what benefits the Joint Applicants hope to reach as a result of the contemplated transaction.

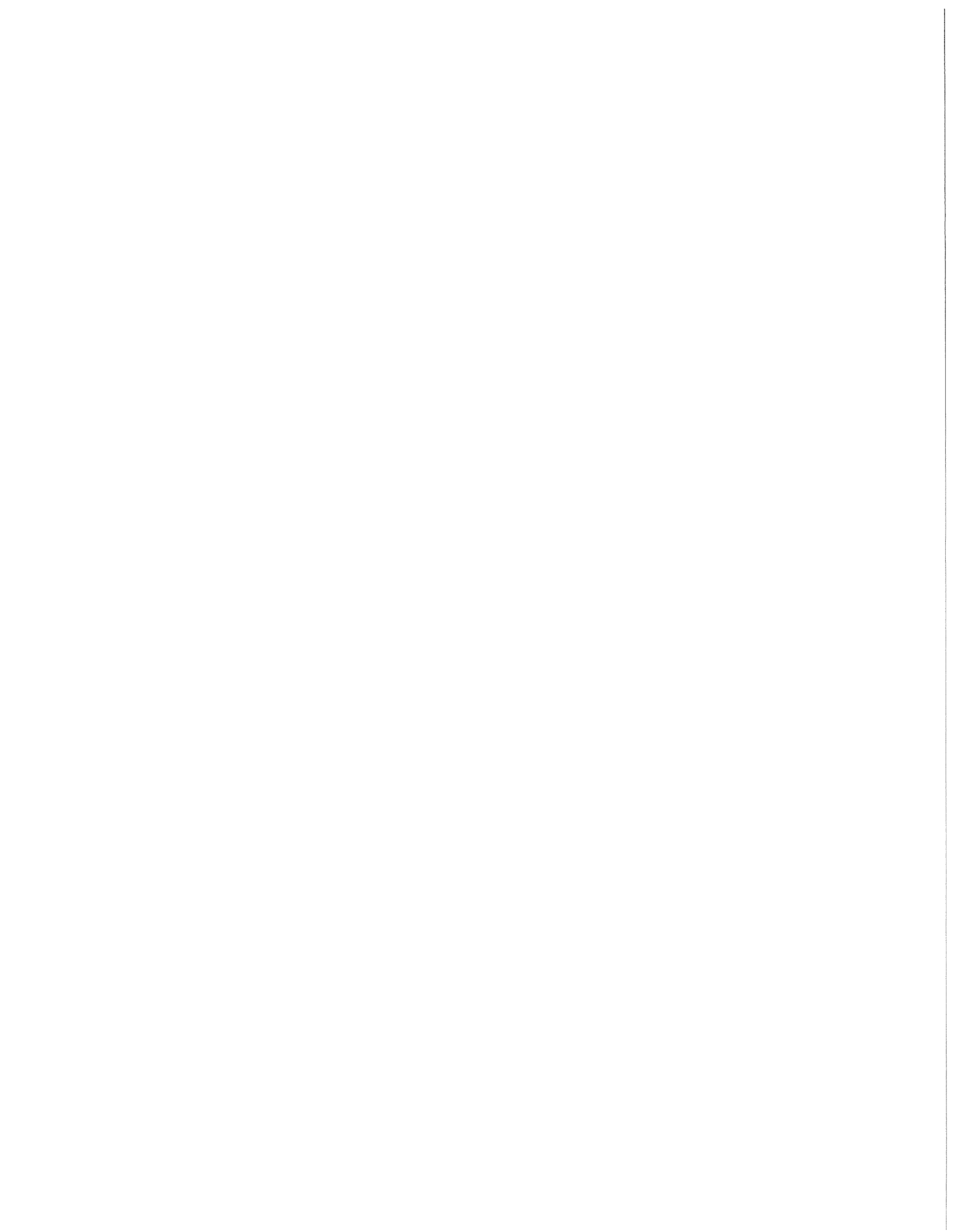
Response: The primary benefit Joint Applicants will achieve as a result of the transactions are a management team and corporate support staff with the ability to focus exclusively on wireline emerging strategic, operational and financial opportunities. Currently, the Alltel Corporation derives 70% of its revenues from wireless services and only 30% from wireline services. By separating the wireline business from Alltel Corporation's wireless business, the wireline business and its management team will be dedicated solely to ensuring that its wireline customers continue to receive quality services and updated wireline product offerings. Capital deployment and marketing efforts will focus solely on wireline efforts to the benefit of wireline customers. Not having to divide capital and/or employees between wireless and wireline network maintenance critically positions the wireline business to take advantage of future wireline strategies and business opportunities. Subsequently merging the separated wireline business with Valor further creates the potential positive financial impact of an expected gain of $40 million net annual synergies and increases the overall scale and scope of the Merged Wireline Business, positioning it in the top of its industry peer group with respect to access lines and revenues. Additionally, Alltel shareholders, in the aggregate, will hold 85% of the Merged Wireline Business. Finally, the structure created is tax efficient, and from the proposed financing structure and guarantees, Joint Applicants expect to achieve significant annual interest expense savings up to or greater than $50.0 million.

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

a. Will the transaction in any way facilitate the Joint Applicants' ability to charge for priority delivery of its content?

Response: No.

Response provided by Michael Rhoda



4. Did, or will, the Joint Applicants have to seek approval from the Federal Communications Commission regarding the contemplated transaction? If so, please submit copies of any and all filings and responses from the FCC in this regard.

Response: Yes. Alltel sought FCC approval with respect to the transfer of Section 214 domestic and international applications as well as the transfer of certain wireless licenses owned by the wireline business. Alltel also filed a petition for waiver asking the FCC to allow the new company's subsidiaries to remain regulated under their existing form of regulation for interstate services subsequent to the merger.

Response provided by Cesar Caballero.

a. If so, did or will the FCC seek as a condition to the transaction, enforcement over issues pertaining to "net neutrality" (for purposes of this document and this discovery request, the term in quotation marks is defined as the concept that owners of telephonic and/or cable networks should not be able to dictate how a consumer uses the internet, or discriminate against any internet content, regardless of the source).

Response: No. The FCC approved all transfers and petitions without imposing any conditions.

Response provided by Cesar Caballero.

b. Do any of the Joint Applicants currently employ multi-tiered pricing schemes for internet usage? If not, do any of them deliver internet traffic on a best-efforts basis? Do or will any of them (including the MWB) anticipate employing the use of multi-tiered pricing schemes following the contemplated transaction?

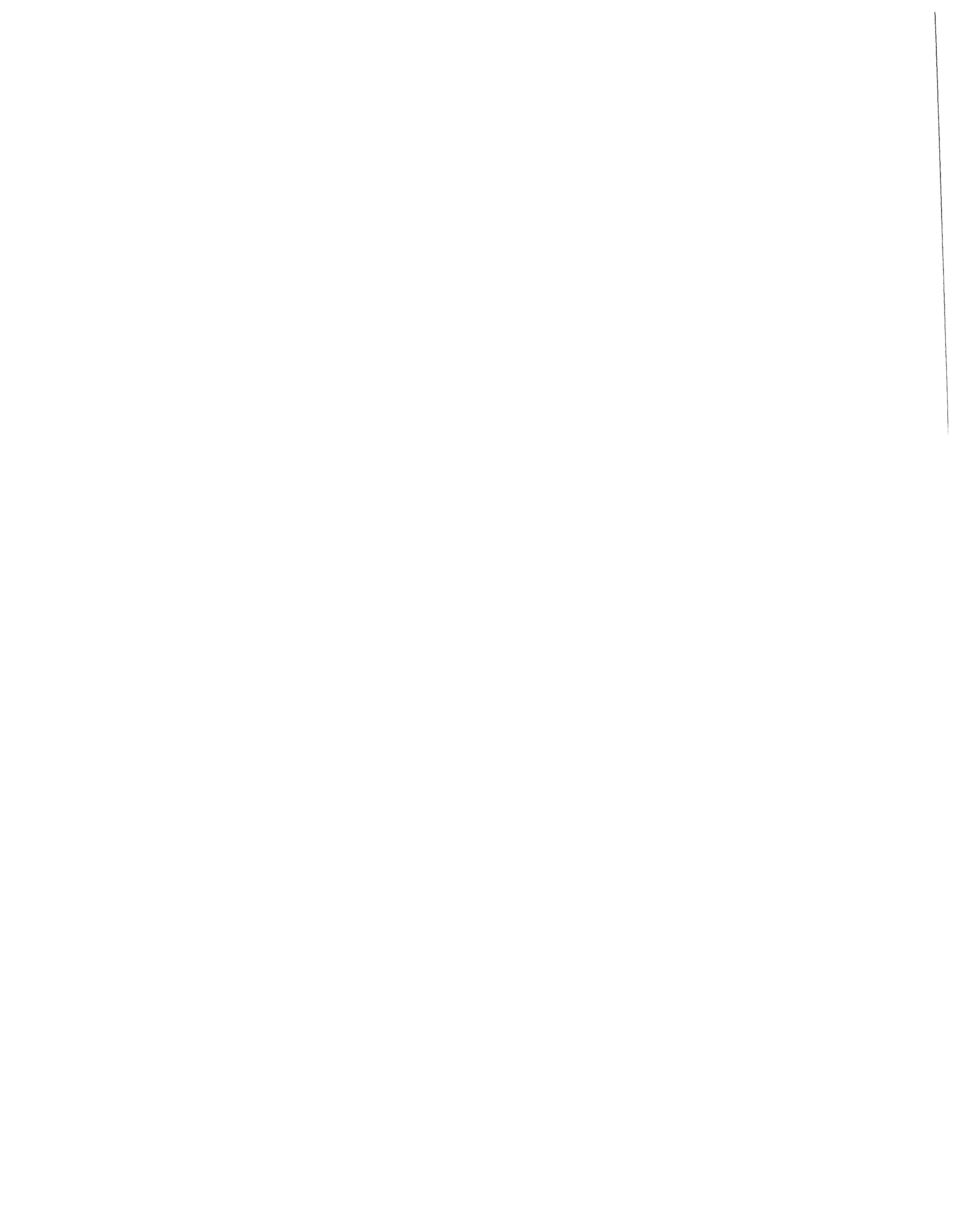
Response: With respect to internet usage, not at this time. Alltel provides internet services pursuant to the terms and conditions publicly available on its website at www.alltel.net (see terms and conditions link).

Response provided by Darren Decker.

c. Do any Joint Applicants anticipate charging internet content providers a fee based on volume sent over the Joint Applicants' network(s)?

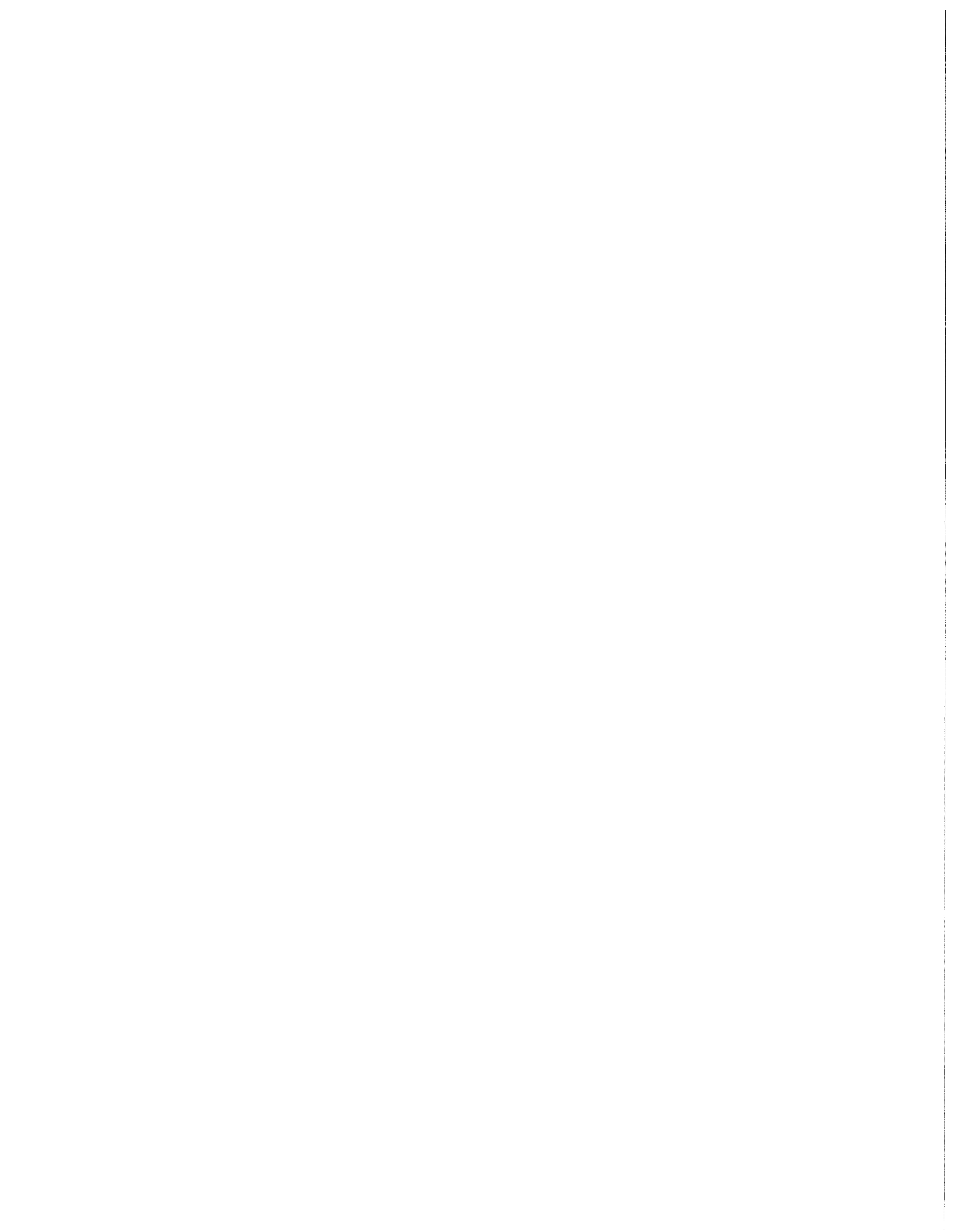
Response: Not at this time.

Response provided by Darren Decker.



FCC Filings

Responsive to AG #4



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December 30, 2005

Marlene S. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: *Erratum to Petition for Waiver of Section 61.41*
WCB/Pricing 05-37

Dear Ms. Dortch:

On December 22, 2005, New Valor filed a petition for waiver requesting that the Commission waive relevant portions of the "all-or-nothing" rule codified at Section 61.41 of the Commission's rules ("Petition").[1] Please replace the current text of footnote 23 in the Petition with the following:

[23] *See supra* nn. 8-9 (noting the waivers granted to ALLTEL – regarding both the ALLTEL/Aliant and ALLTEL/Verizon properties – Valor, Puerto Rico Telephone Company and CenturyTel); *see also Saddleback Communications and Qwest Corporation*, 16 FCC Rcd 21159 (APD 2001) (granting the 61.41 waiver request to permit rate-of-return regulated Saddleback to continue to operate under rate-of-return regulation after acquiring access lines from Qwest subject to price cap regulation); *Dickey Rural Telephone Cooperative, Dickey Rural Access, Inc., et al.*, 17 FCC Rcd 16881 (WCB 2002) (granting the 61.41 waiver request to permit rate-of-return regulated Dickey Rural to continue to operate under rate-of-return regulation after acquiring exchanges from Citizens that are subject to price cap regulation); *Nemont Telephone Cooperative, Inc., Missouri Valley Communications, Inc. et al.; Petition for Waiver of Sections 61.41(c)(2), 69.3(e)(11) and 69.605(c) of the Commission's Rules*, 18 FCC Rcd 838 (WCB 2003) (granting the 61.41 waiver to permit Nemont to continue to operate under rate-of-return regulation after acquiring Citizens' exchanges subject to price cap regulation).

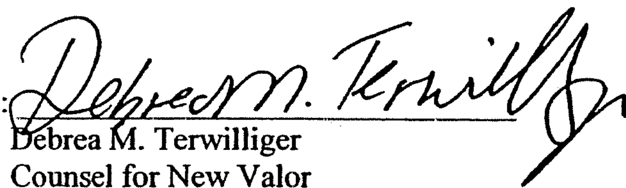
---

[1] New Valor's waiver request went on Public Notice on December 29, 2005. *Pleading Cycle Established for New Valor Petition for Waiver of Section 61.41 of the Commission's Rules, Public Notice*, WCB/Pricing 05-37, DA 05-3354 (rel. Dec. 29, 2005).

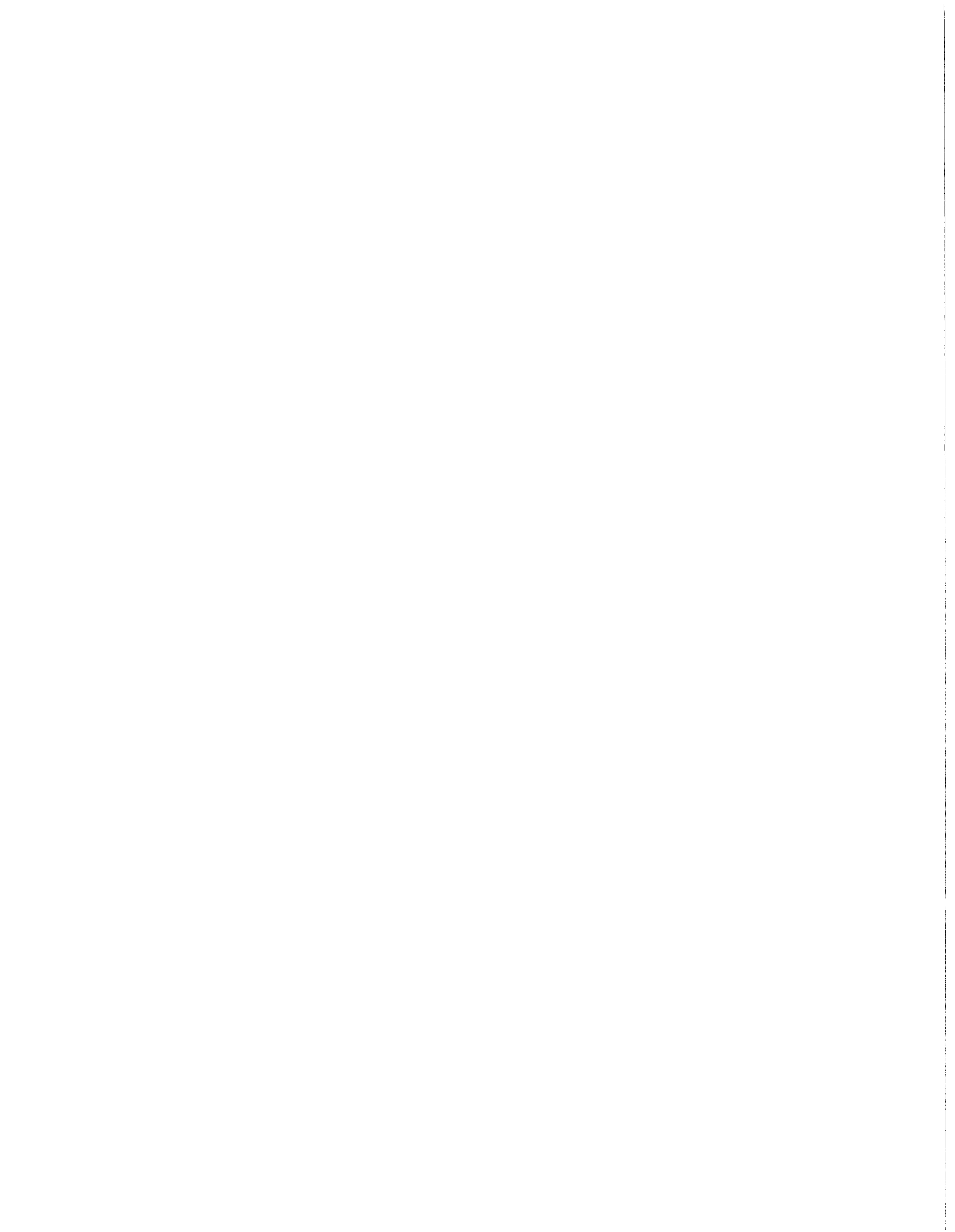
If there are any questions regarding this request, please contact the undersigned.

Respectfully submitted,

WILKINSON BARKER KNAUER, LLP

By: 

Debrea M. Terwilliger
Counsel for New Valor



DESCRIPTION OF TRANSACTION AND PUBLIC INTEREST STATEMENT

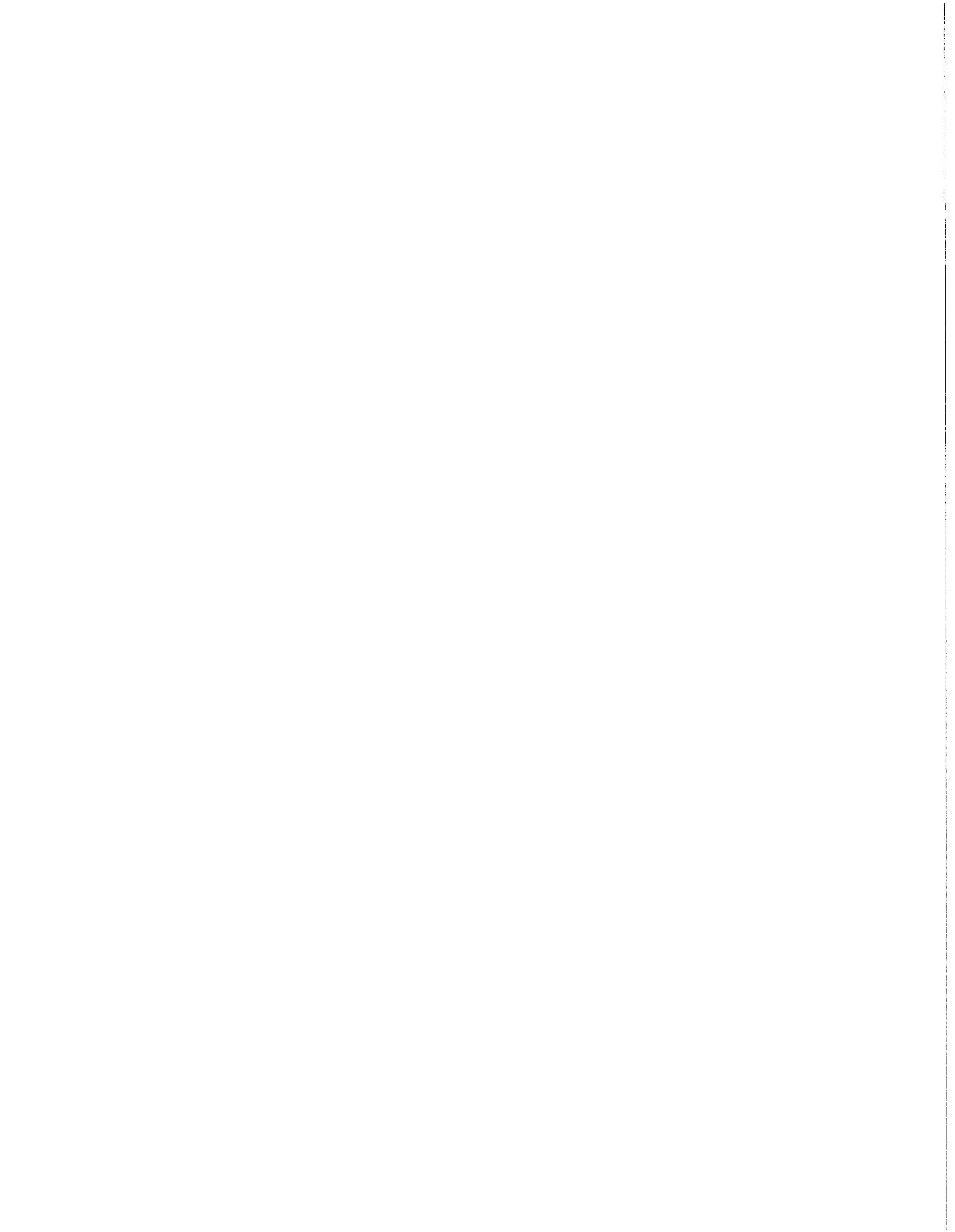
Pursuant to Section 1.948 of the Commission's rules, 47 C.F.R. § 1.948, Valor Communications Group, Inc. ("Valor" or "Transferor") and New Valor ("New Valor" or "Transferee") (together "Applicants") seek approval by the Federal Communications Commission ("FCC" or the "Commission") for the transfer of control of Valor and its subsidiaries from Valor as presently owned to New Valor as it will be owned following a merger between Valor and ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation (ALLTEL) pursuant to the transaction described below. New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction. The current stockholders of ALLTEL will control New Valor upon completion of the transaction, thus resulting in a substantial change in the ultimate control over the FCC licensee and Section 214-authorized carrier subsidiaries of Valor.

The purpose of this filing is to obtain Commission consent for Valor to transfer control to New Valor (1) various ownership interests in Title III wireless licensees that are principally used in conjunction with its wireline businesses, and (2) various minority ownership interests in two Part 22 cellular radiotelephone licenses.

Information concerning the overall transaction and the principal parties to the transaction is provided below.

I. THE PARTIES

ALLTEL. ALLTEL, a Delaware corporation headquartered in Little Rock, Arkansas, is a diversified telecommunications company that is publicly traded on the New York Stock

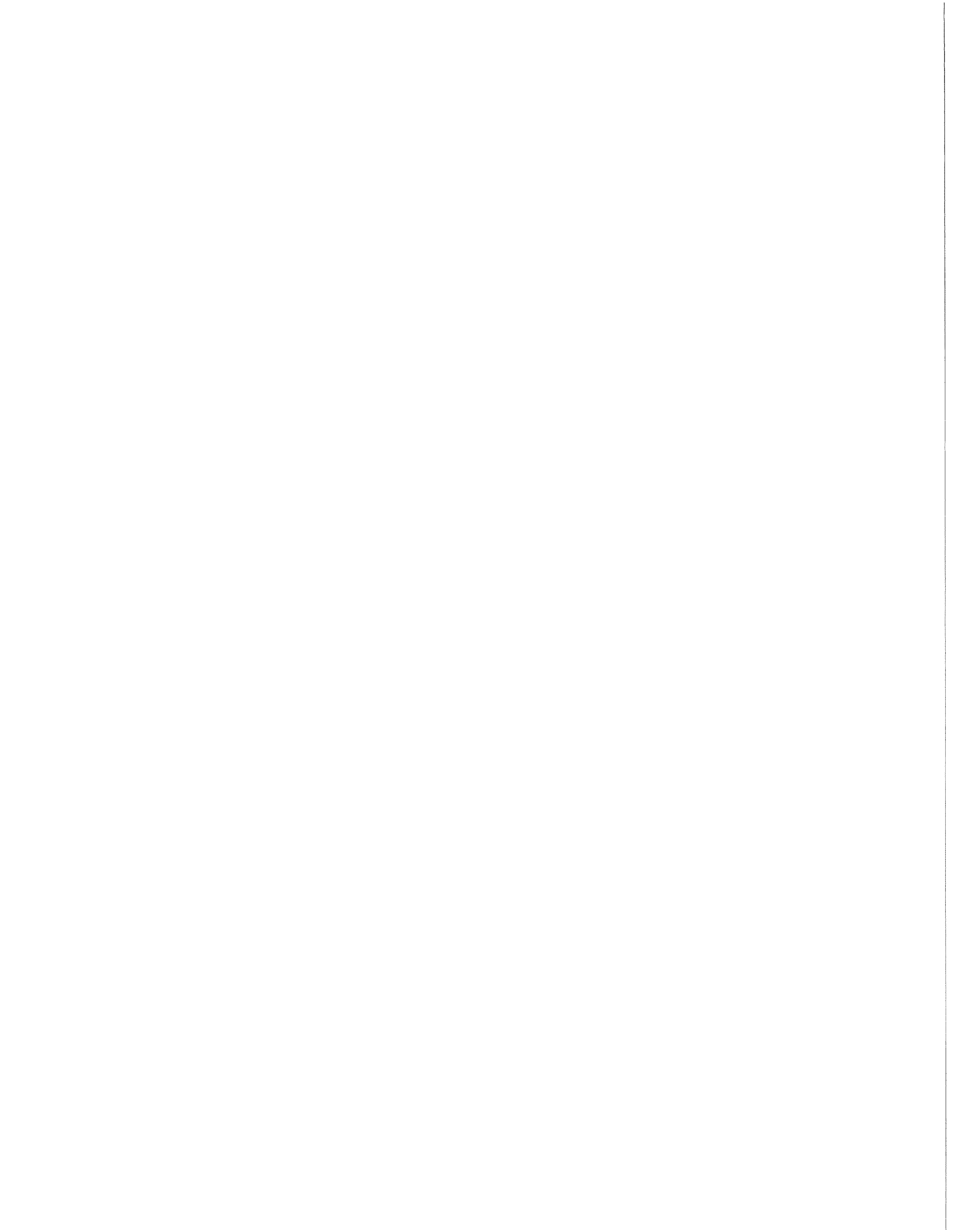


Exchange ("NYSE"). Through its subsidiaries, ALLTEL provides wireless, local wireline telephone, long-distance, Internet and broadband services to residential and business customers in 34 states.

AHC is a wholly-owned subsidiary of ALLTEL which has been formed to facilitate the proposed transaction. The current ALLTEL subsidiaries that conduct the wireline businesses and other businesses including directory publishing operations, information services, product distribution operations and management services (other than such operations which support ALLTEL's wireless telecommunications business) will become subsidiaries of AHC. The ALLTEL subsidiaries offering wireless telecommunications services will not become subsidiaries of AHC.

Valor. Valor Communications Group, Inc. is a NYSE-traded Delaware corporation headquartered in Irving, Texas and is the holding company owner of subsidiaries that offer a number of telecommunications services. Through its subsidiaries, Valor provides local wireline telephone, long-distance, Internet and broadband services to residential and business customers in four states. In addition, Valor indirectly owns a minority interest in two cellular licensees providing wireless services in one Cellular Market Area, and holds one paging and radiotelephone license for areas within the state of Texas.

New Valor. New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction. Subsidiaries of New Valor will include the current subsidiaries of Valor as well as subsidiaries of AHC. These subsidiaries will continue to operate (likely under new names) the businesses currently operated by subsidiaries of Valor and wireline and related businesses currently operated by subsidiaries of ALLTEL. As described in Section II below, upon consummation of the transaction described herein 85 percent



of the shares of New Valor will be held by the shareholders of ALLTEL. The remaining 15 percent of New Valor's shares will be held by Valor's current shareholders. Other than the ALLTEL shareholders, there will be no common ownership of ALLTEL and New Valor upon consummation of the merger.

II. THE TRANSACTION

As noted, the instant application is part of a larger transaction that will consist of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses as held by subsidiaries of AHC followed by a merger of AHC into Valor. This transaction will be comprised of four distinct steps. Step 1 will involve the transfer of certain assets to the ALLTEL subsidiaries that are to become subsidiaries of AHC so as to effectuate the separation of ALLTEL's wireless businesses from its wireline businesses. It is not expected that any FCC licenses will be assigned to a different licensee as part of this preliminary restructuring.

Step 2 will involve the contribution/transfer of stock of certain ALLTEL subsidiaries from ALLTEL to AHC. As a result of this transfer, the assets of ALLTEL's wireline and certain other non-wireless businesses will be held by subsidiaries of AHC in the ALLTEL corporate structure.[1]

In Step 3, ALLTEL will distribute all the shares of AHC to the ALLTEL stockholders. However, these shares of stock will be issued to a Distribution Agent for purposes of completing the merger in Step 4.

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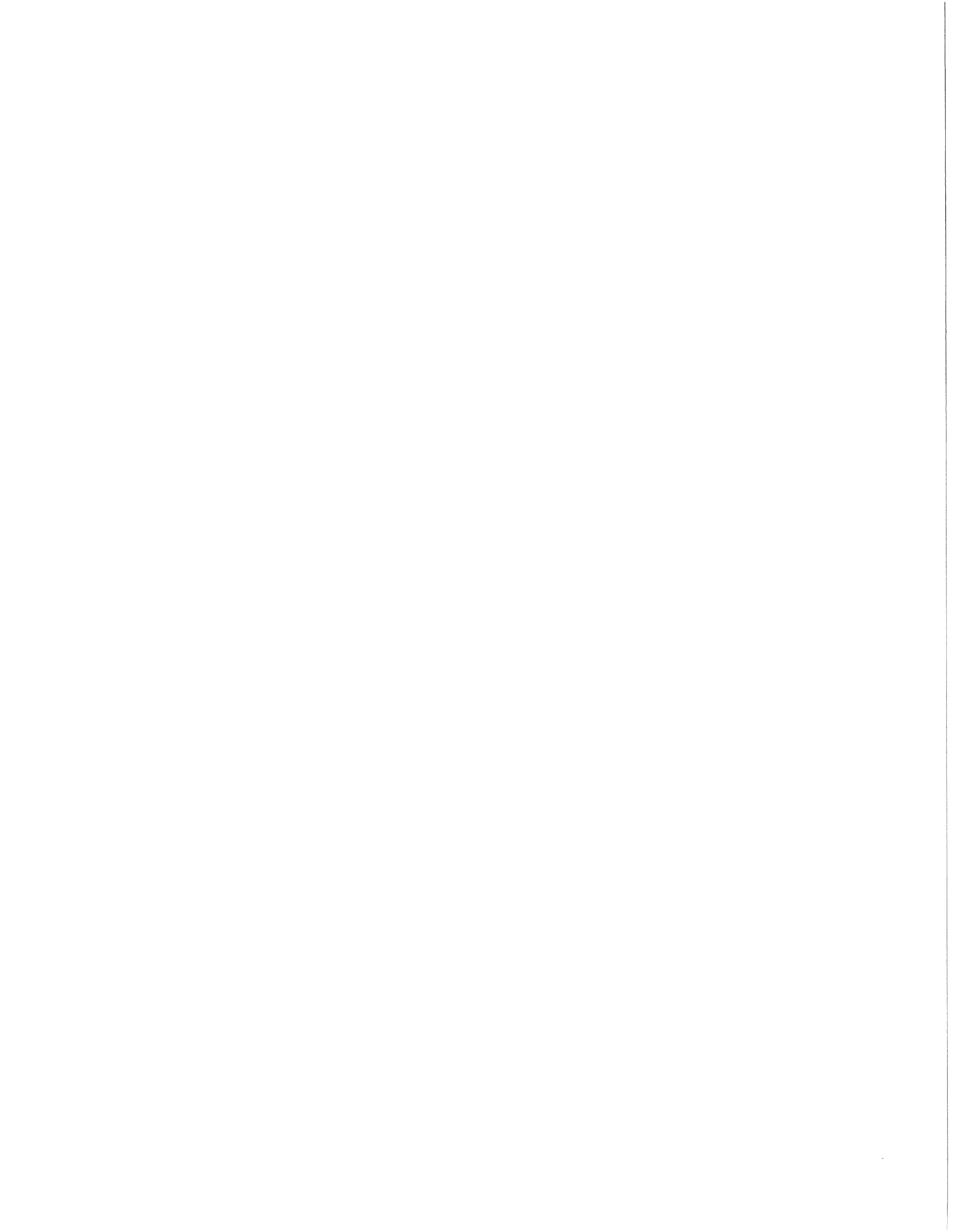
[1] In consideration for the stock of these subsidiaries, AHC will issue additional shares of AHC stock to ALLTEL, will issue notes to ALLTEL and will pay a special cash dividend to ALLTEL.



In Step 4, AHC will merge into Valor. Valor will issue approximately 400 million new shares of stock, each share of outstanding stock of AHC will be converted into 1.05 shares of stock of Valor and the Distribution Agent will then distribute such shares of Valor stock to the stockholders of ALLTEL. Upon completion of the merger, Valor will be the surviving corporation (referred to herein as New Valor), and the stockholders of ALLTEL will own 85 percent of the common stock of New Valor and the pre-merger stockholders of Valor will own 15 percent of the common stock of New Valor.[2]

All four steps described above are part of an integrated overall transaction. Steps 2 through 4 will be completed one after the other in a short period of time, that is, nearly simultaneously as part of a single closing. The overall transaction can be summarized as follows: (1) the assets of the wireless and wireline business of ALLTEL will be separated; (2) the wireline businesses will be contributed to AHC; (3) the stock of AHC will be spun off to the ALLTEL stockholders; and (4) AHC will be merged into Valor (which will be the surviving corporation and the name of which will likely be changed).

As a result of the overall transaction, there will be a transfer of control of AHC and its new subsidiaries from ALLTEL to New Valor. However, the existing stockholders of ALLTEL

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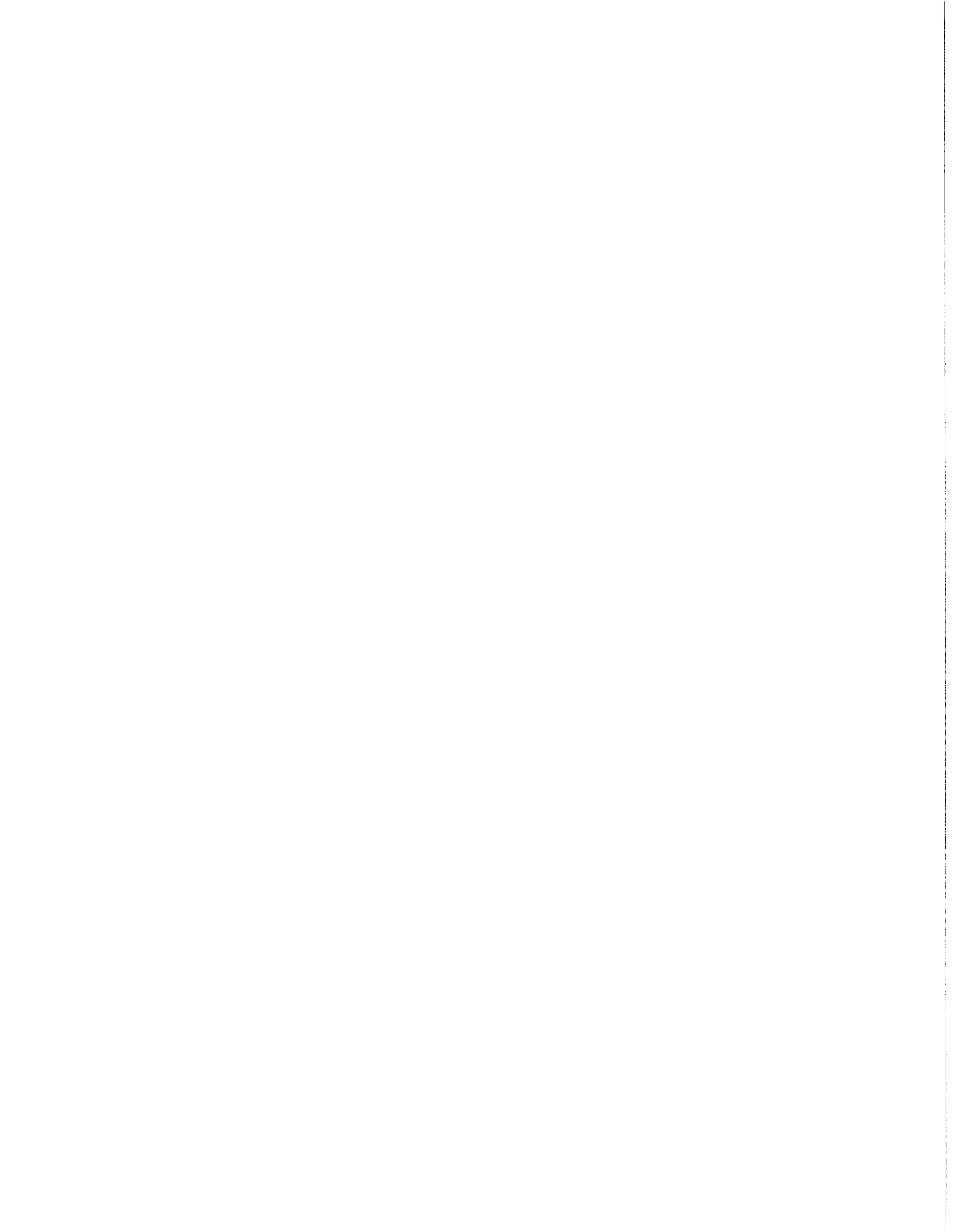
[2] As mentioned previously, the corporate name of Valor will likely be changed immediately following completion of the merger. The names of the AHC subsidiaries will also likely be changed upon completion of the merger. The initial Board of Directors of New Valor will consist of nine (9) members as follows: the Chairman of the Board of Directors of AHC; the Chief Executive Officer of AHC; six (6) persons designated by ALLTEL (at least four (4) of whom are to be "independent directors" under the rules of the NYSE); and one (1) person designated by Valor (which person is to be an "independent director" under the rules of the NYSE). These directors will serve staggered terms so that three (3) directors will be elected by the stockholders of New Valor each year going forward.



will be in control of New Valor following completion of the transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC and its subsidiaries and the transfer of control of those entities is *pro forma* in nature.

There will also be a transfer of control of the subsidiaries of Valor from Valor to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon consummation, such transfer of control will result in a substantial change in the ultimate control over Valor subsidiaries holding FCC licenses and authorizations, including the license interest at issue in the instant application.

III. PUBLIC INTEREST STATEMENT

Pursuant to Sections 310(d) and 214 of the Communications Act of 1934, as amended, the subject licensees and authorized carriers may not be transferred unless the Commission finds "that the public interest, convenience and necessity will be served thereby."[3] The first step in this analysis is an evaluation of the transferee's qualifications. Pursuant to Section 310(d), "the Commission may not consider whether the public interest, convenience, and necessity might be served by the transfer… of the permit or license to a person other than the proposed transferee."[4] New Valor is legally, technically and financially qualified with regard to the instant transfer of control applications.

As noted, the wireless licenses being transferred, which consist mostly of ancillary and support facilities, are a small part of a larger transaction which is clearly in the public interest.[5]

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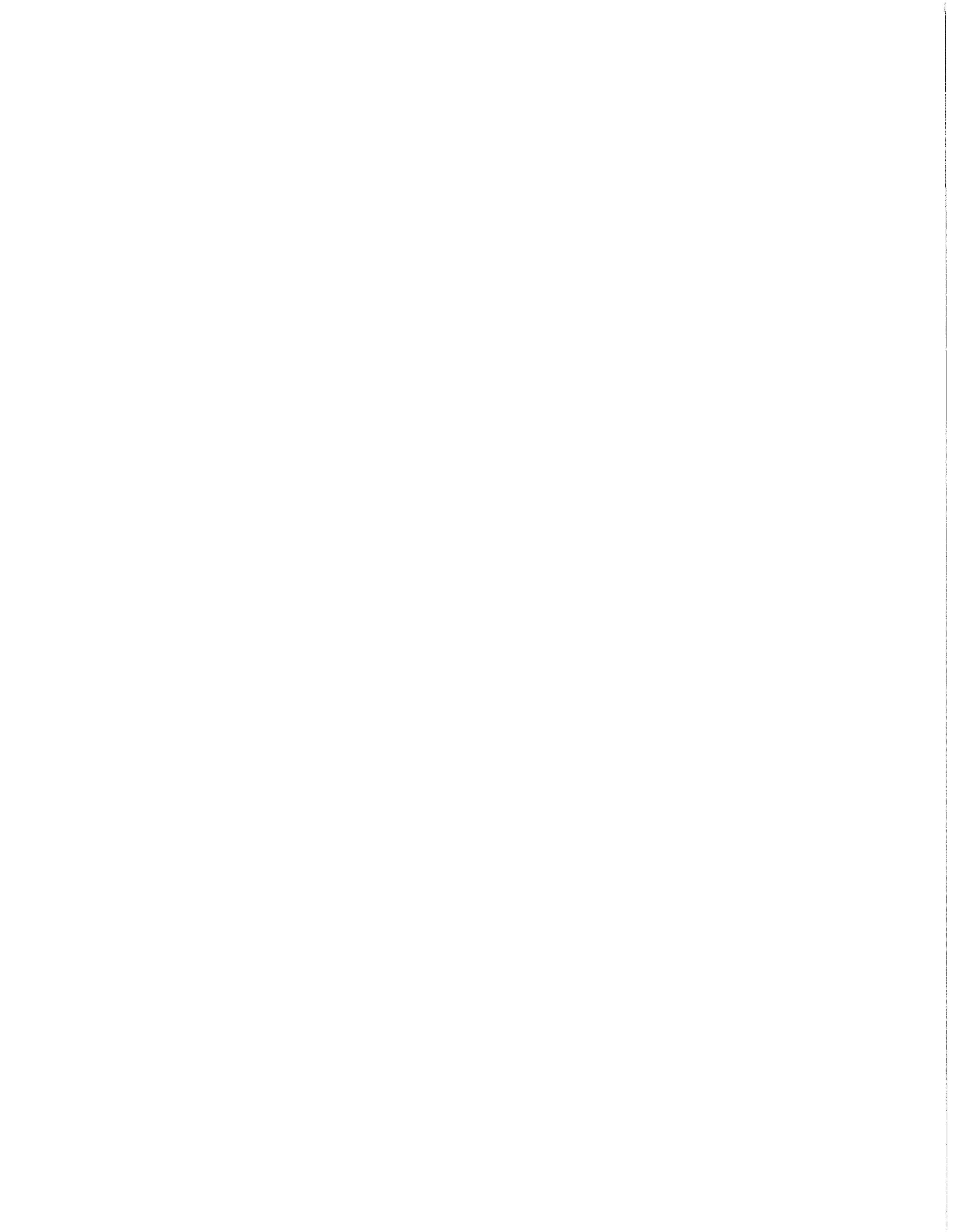
[3] 47 U.S.C. §§ 214, 310(d).

[4] *Id.* § 310(d).

[5] By virtue of the merger, New Valor will become one of the nation's premier rural wireline operators. ALLTEL's and Valor's complementary facilities and markets will facilitate

(continued on next page)



With respect to Valor's minority, general partnership interests in Texas RSA 15B2 Limited Partnership and CGKC&H No. 2 Rural Cellular Limited Partnership (both of which hold licenses for partitioned portions of the Texas 15 CMA), New Valor will continue to manage the former partnership (through subsidiaries), but does not and will not manage the latter partnership as a result of this transaction.

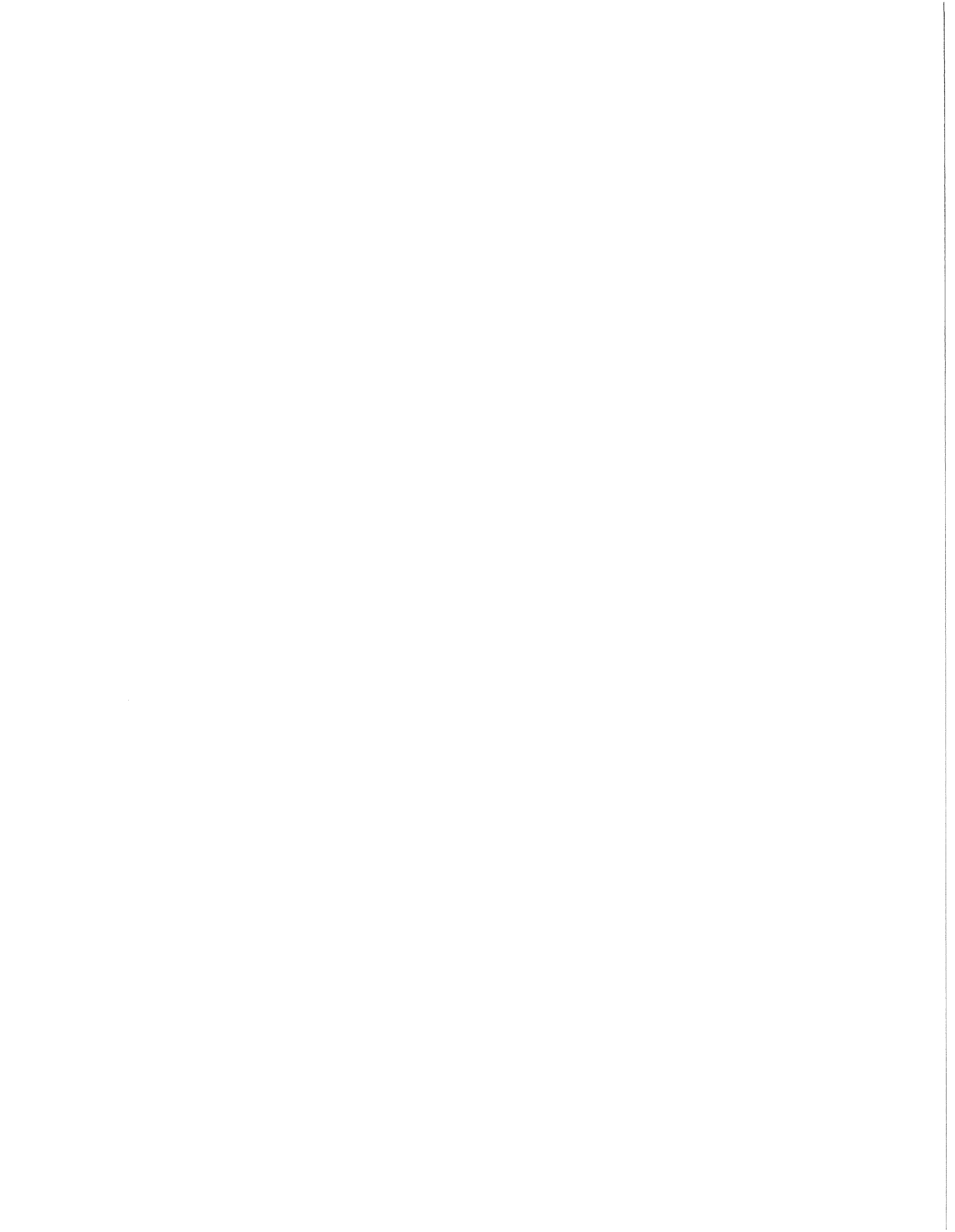
Finally, the transaction will not result in harm to competition in any relevant market. Commission approval of the proposed transaction will not result in any CMRS overlaps in the same geographic area, nor will it reduce the number of competitors operating in the same geographic area.

IV. CONCLUSION

For the reasons set forth herein, favorable Commission action on this application would be consistent with the public interest and is therefore warranted. Moreover, the Applicants respectfully request streamlined processing under Section 1.948(j) of the Commission's rule, 47 C.F.R. § 1.948(j).

---

an ease of integration; indeed, Valor already utilizes ALLTEL's billing system for its own subscribers. The merger will enable New Valor to recognize approximately $40 million in synergies, and create a principally rural local wireline provider with 3.4 million access lines.



Electronic Form 159

Payment Summary

Applicant FRN	Applicant Name	Fee Due
0010612513	Valor Communications Group, Inc.	$195.00
Total Amount Due :		**$195.00**

VIEW FORM 159 PAY BY CREDIT CARD

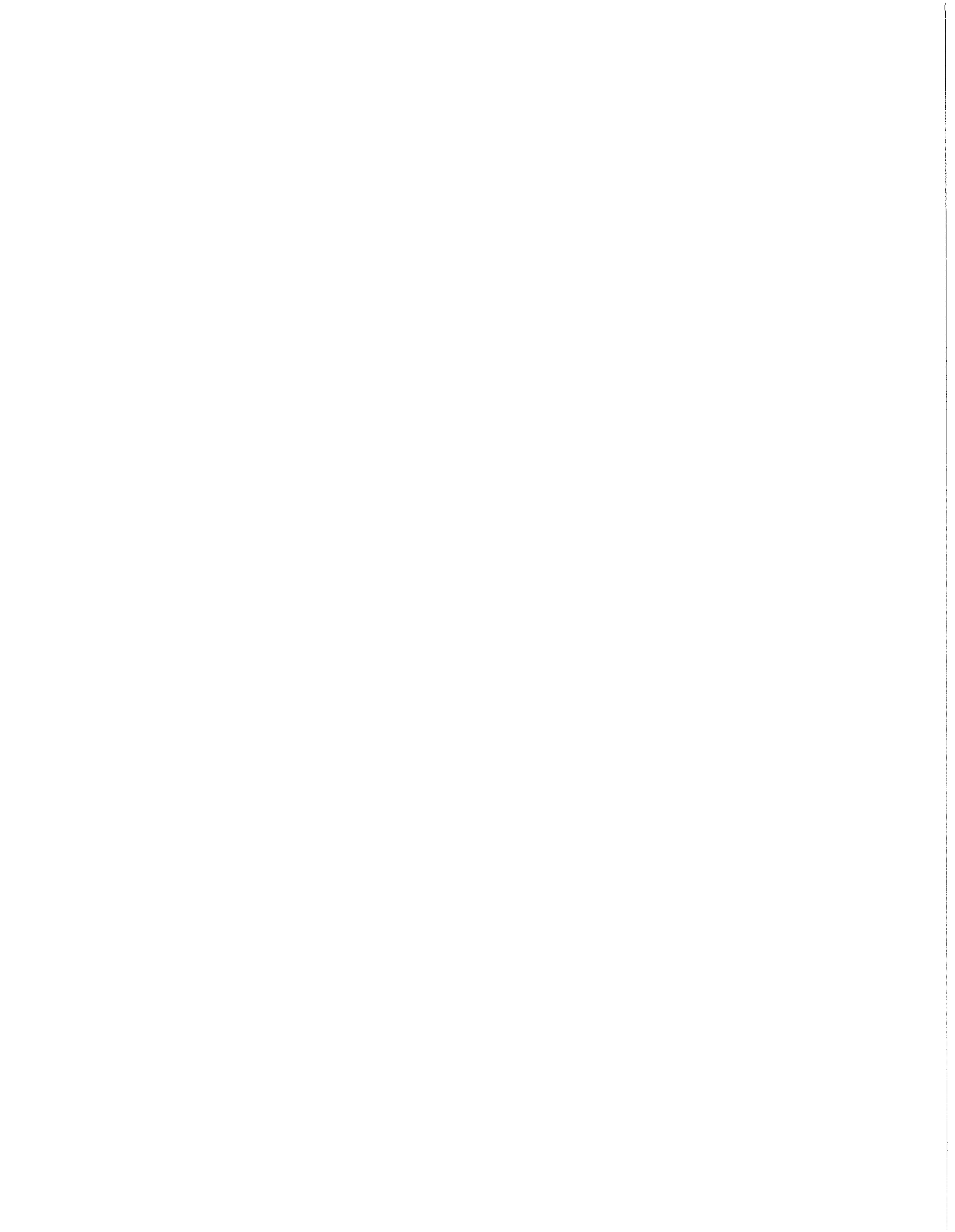
Note: When you click **Pay By Credit Card**, the new U.S. Treasury credit card transaction screen includes some changes that may appear new to frequent FCC applicants who use our system:

- Besides typing your credit card number, you are now required to type your card's security code, the last group of numbers printed on the security strip on the back of your card (click sample).
- Ensure the card holder name on the **Payment Information** screen is the same as the name specified on the credit card used for making a payment. If not, you can edit the card holder name field to match the name printed on the credit card.
- The U.S. Treasury may reject Credit Card transactions greater than $99,999.99. This limit includes multiple transactions on the same Credit Card totaling more than this limit in a single day. For transactions greater than $99,999.99, an alternative method of payment must be used. Payment methods can be found at http://www.fcc.gov/fees. Reference: Treasury Bulletin No. 2005-03 (http://www.fms.treas.gov/tfm/vol1/05-03.html)

Customer Service

FCC Fees Web Policies / Privacy Policy FCC Home Page

If you have any questions or concerns please contact your licensing system help desk.



Electronic Form 159

Payment Confirmation

Your transaction has been approved. For your records, please note the following:

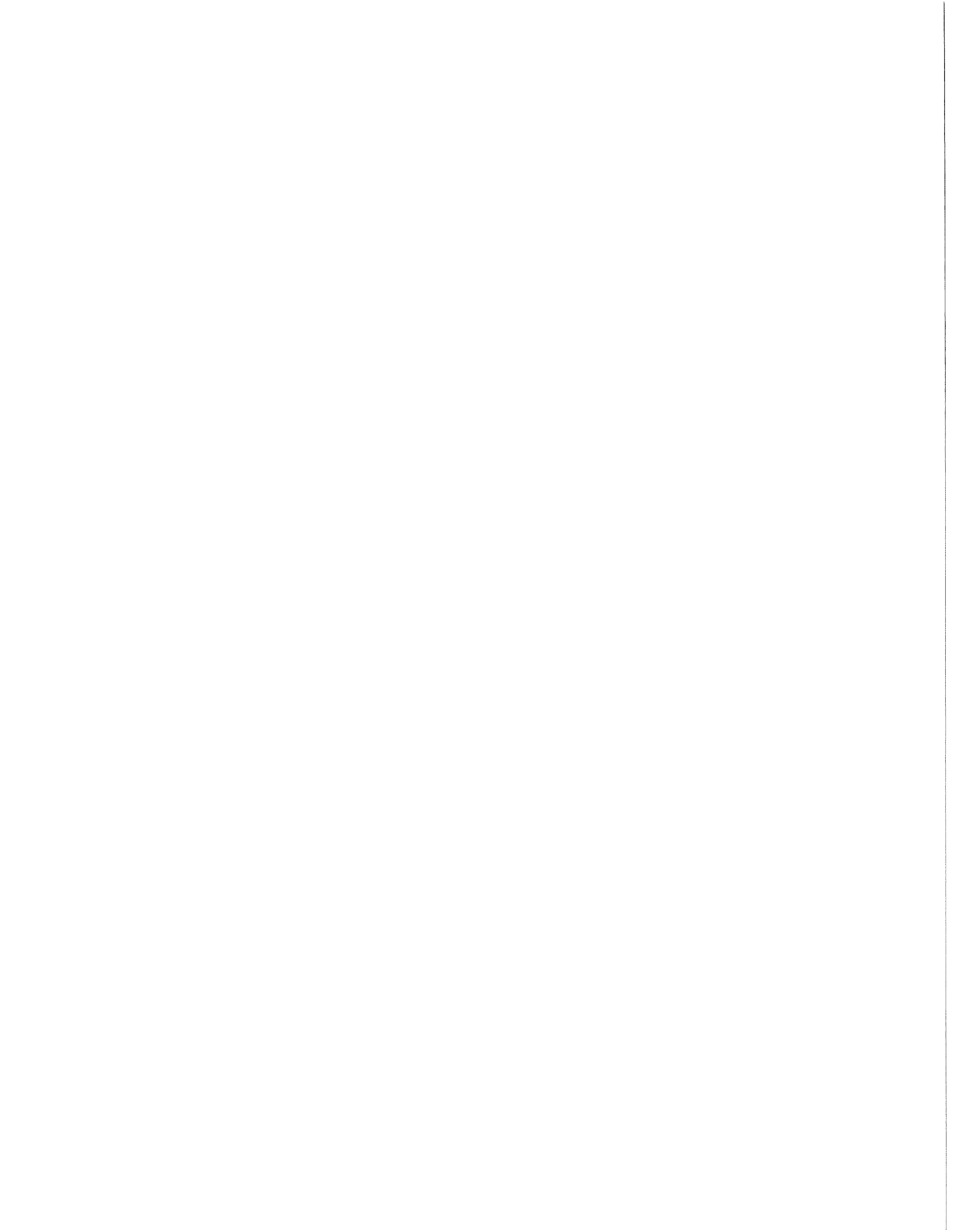
REMITTANCE ID NUMBER :	**838428**
AUTHORIZATION NUMBER :	**001012**
AMOUNT PAID :	**$195.00**

PRINT FORM 159 CLOSE

Customer Service

FCC Fees | Web Policies / Privacy Policy | FCC Home Page

If you have any questions or concerns please contact your licensing system help desk.



Remittance ID:838428 Authorization Number:001012
Successful Authorization -- Date Paid: 12/21/05
FILE COPY ONLY!!

READ INSTRUCTIONS CAREFULLY BEFORE PROCEEDING (1) LOCKBOX #358994	FEDERAL COMMUNICATIONS COMMISSION **REMITTANCE ADVICE** **FORM 159** PAGE NO 1 OF 2	APPROVED BY OMB 3060-059 SPECIAL USE FCC USE ONLY

SECTION A - Payer Information

(2) PAYER NAME (if paying by credit card, enter name exactly as it appears on your card) **ALLTEL Communications, Inc.**		(3) TOTAL AMOUNT PAID (dollars and cents) **$195.00**
(4) STREET ADDRESS LINE NO. 1 **One Allied Drive, B2F02-A**		
(5) STREET ADDRESS LINE NO. 2		
(6) CITY **Little Rock**	(7) STATE **AR**	(8) ZIP CODE **72202**
(9) DAYTIME TELEPHONE NUMBER (INCLUDING AREA CODE) **501-9058555**	(10) COUNTRY CODE (IF NOT IN U.S.A.) **US**	

FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(11) PAYER (FRN) **0001720101**	(12) FCC USE ONLY

IF PAYER NAME AND THE APPLICANT NAME ARE DIFFERENT, COMPLETE SECTION B
IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

(13) APPLICANT NAME **Valor Communications Group, Inc.**		
(14) STREET ADDRESS LINE NO. 1 **201 East John Carpenter Freeway**		
(15) STREET ADDRESS LINE NO. 2		
(16) CITY **Irving**	(17) STATE **TX**	(18) ZIP CODE **75062**
(19) DAYTIME TELEPHONE NUMBER (INCLUDING AREA CODE) **(972) 373-1000**	(20) COUNTRY CODE (IF NOT IN U.S.A.)	

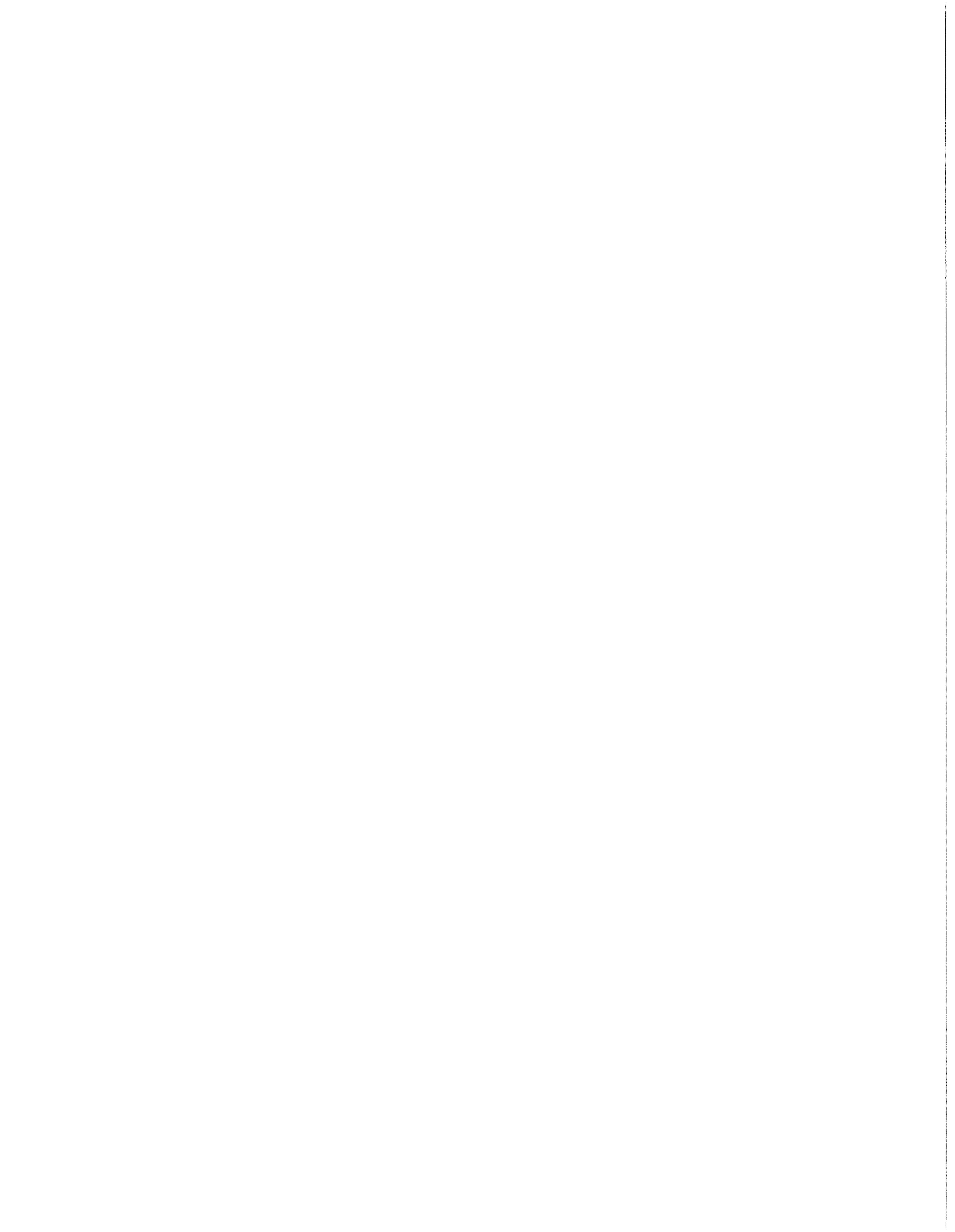
FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(21) APPLICANT (FRN) **0010612513**	(22) FCC USE ONLY

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) FCC Call Sign/Other ID **WLN891**	(24A) Payment Type Code(PTC) **CAPM**	(25A) Quantity **1**
(26A) Fee Due for (PTC) **$55.00**	(27A) Total Fee **$55.00**	FCC Use Only
(28A) FCC CODE 1	(29A) FCC CODE 2 **0002415755**	

(23B) FCC Call Sign/Other ID **WLN895**	(24B) Payment Type Code(PTC) **CAPM**	(25B) Quantity **1**
(26B) Fee Due for (PTC) **$55.00**	(27B) Total Fee **$55.00**	FCC Use Only



(28B) FCC CODE 1	(29B) FCC CODE 2 0002415755

REMITTANCE ADVICE (Continuation Sheet)
FEDERAL COMMUNICATIONS COMMISSION
FORM 159-C
PAGE NO 2 OF 2

APPROVED BY OMB 3060-058

SPECIAL USE

FCC USE ONLY

USE THIS SECTION ONLY FOR EACH ADDITIONAL APPLICANT
SECTION BB - ADDITIONAL APPLICANT INFORMATION

Field	Value
(13) APPLICANT NAME	Valor Communications Group, Inc.
(14) STREET ADDRESS LINE NO. 1	201 East John Carpenter Freeway
(15) STREET ADDRESS LINE NO. 2	
(16) CITY	Irving
(17) STATE	TX
(18) ZIP CODE	75062
(19) DAYTIME TELEPHONE NUMBER (INCLUDING AREA CODE)	(972) 373-1000
(20) COUNTRY CODE (IF NOT IN U.S.A.)	

FCC REGISTRATION NUMBER (FRN) AND TAX IDENTIFICATION NUMBER (TIN) REQUIRED

(21) APPLICANT (FRN)	(22) FCC USE ONLY
0010612513	

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) FCC Call Sign/Other ID	(24A) Payment Type Code(PTC)	(25A) Quantity
WLN894	CCPM	1
(26A) Fee Due for (PTC)	(27A) Total Fee	FCC Use Only
$85.00	$85.00	
(28A) FCC CODE 1	(29A) FCC CODE 2	
	0002415755	

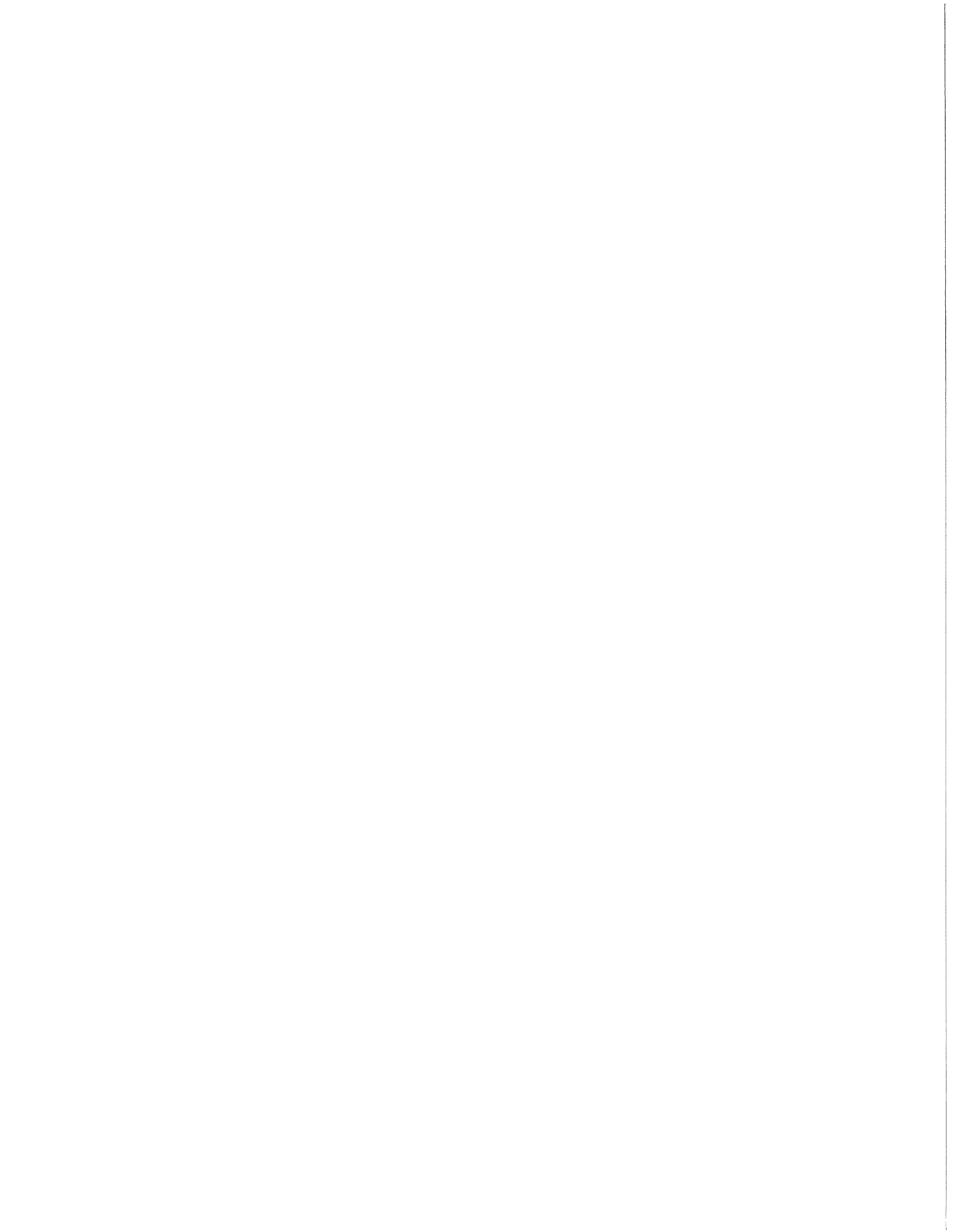
(23B) FCC Call Sign/Other ID	(24B) Payment Type Code(PTC)	(25B) Quantity
(26B) Fee Due for (PTC)	(27B) Total Fee	FCC Use Only
(28B) FCC CODE 1	(29B) FCC CODE 2	

(23C) FCC Call Sign/Other ID	(24C) Payment Type Code(PTC)	(25C) Quantity
(26C) Fee Due for (PTC)	(27C) Total Fee	FCC Use Only
(28C) FCC CODE 1	(29C) FCC CODE 2	

(23D) FCC Call Sign/Other ID	(24D) Payment Type Code(PTC)	(25D) Quantity
(26D) Fee Due for (PTC)	(27D) Total Fee	FCC Use Only
(28D) FCC CODE 1	(29D) FCC CODE 2	

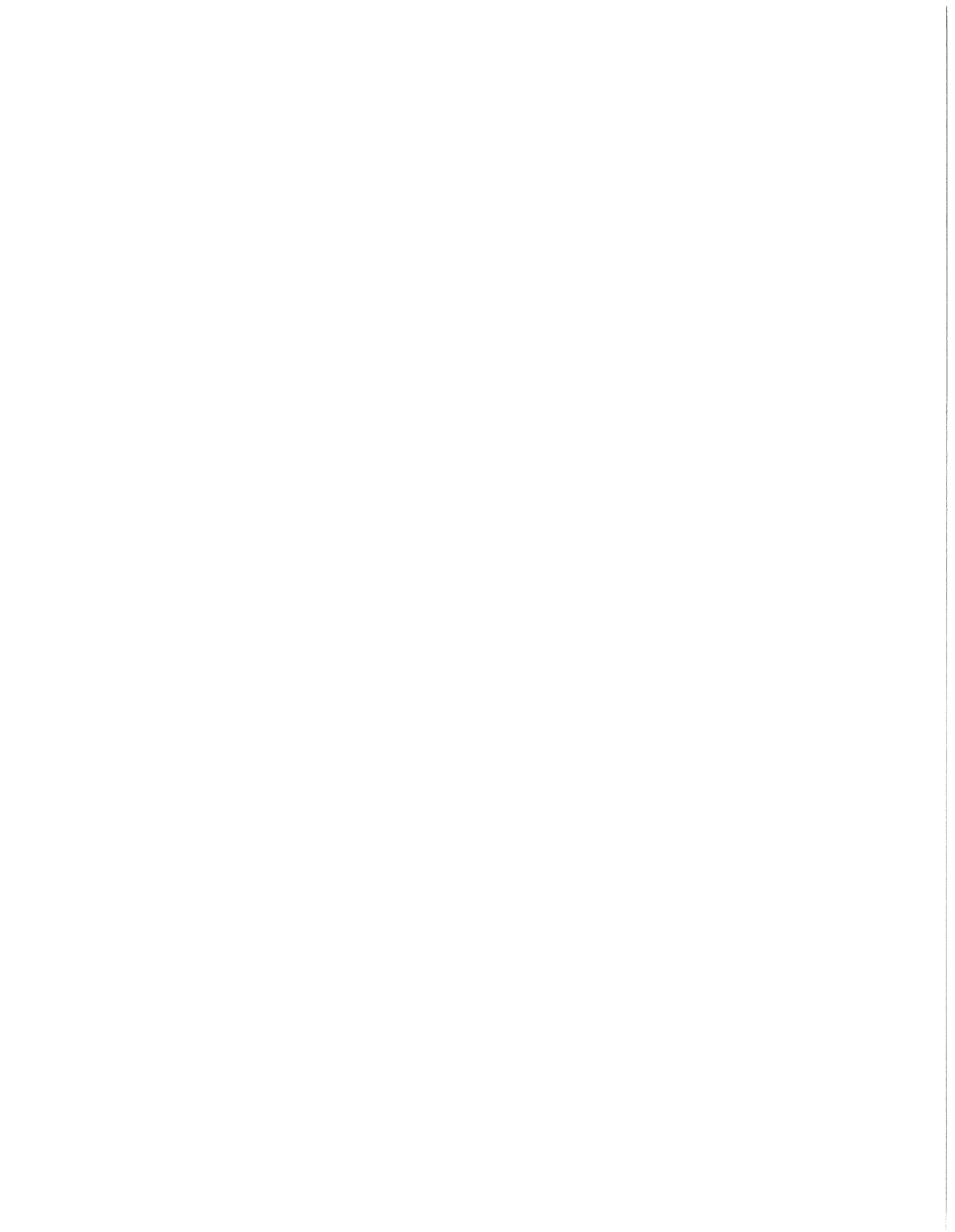
(23E) FCC Call Sign/Other ID	(24E) Payment Type Code(PTC)	(25E) Quantity
(26E) Fee Due for (PTC)	(27E) Total Fee	FCC Use Only
(28E) FCC CODE 1	(29E) FCC CODE 2	

(23F) FCC Call Sign/Other ID	(24F) Payment Type Code(PTC)	(25F) Quantity
(26F) Fee Due for (PTC)	(27F) Total Fee	FCC Use Only



(28F) FCC CODE 1	(29F) FCC CODE 2

FCC FORM 159-C February 2003(REVISED)



Judelsohn, David

From: paygovadmin@mail.doc.twai.gov
Sent: Wednesday, December 21, 2005 6:49 PM
To: Judelsohn, David
Subject: Pay.Gov Payment Confirmation

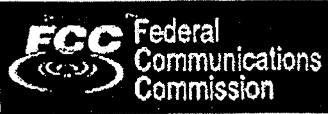
THIS IS AN AUTOMATED MESSAGE. PLEASE DO NOT REPLY.

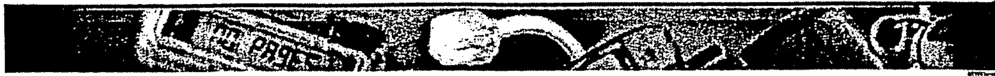
Your transaction has been successfully completed.

Payment Summary

Application Name: Remittance Advice Form 159 Pay.gov Tracking ID: 24TNFNCG Payment Agency Tracking ID: 838428

Cardholder Name: ALLTEL Communications, Inc.
Cardholder Address: One Allied Drive, B2F02-A Cardholder City: Little Rock Cardholder State: AR Cardholder Country: USA Cardholder Zip Code: 72202 Card Type: Visa Payment Amount: $195.00 Current Date and Time: Dec 21, 2005 6:48:40 PM





Universal Licensing System

Application Search

Search Results

[?] HELP

New Search   Refine Search   Printable Page   Query Download   Map Application

Specified Search

File Number=**0002415755**

Matches **1**- 1 (of **1**)

= Open Petition For Reconsideration (PFR) Status

TP = Termination Pending

Page 1

	File Number	Call Sign	Applicant Name	FRN	Purpose	Radio Service	Receipt Date	Status
1	0002415755		New Valor	0014400220	Transfer of Control	AL	12/21/2005	Pending
	File Number	**Call Sign**	**Applicant Name**	**FRN**	**Purpose**	**Radio Service**	**Receipt Date**	**Status**

Page 1

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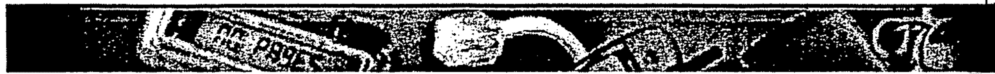
Basic Search By File Number

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Phone: 1-888-CALL-FCC (1-888-225-5322)
TTY: 1-888-TELL-FCC (1-888-835-5322)
E-mail: fccinfo@fcc.gov



Universal Licensing System

0002415755 - New Valor

History

File Number 0002415755

Application Status 2 - Pending

Return to Admin

History

Date	Event
12/22/2005	Offlined for Non-Wireless Activity Review
12/22/2005	Redlight Review Completed
12/22/2005	Payment Confirmed
12/21/2005	Transfer of Control Received

Federal Communications Commission
445 12th Street SW
Washington, DC 20554

Phone: 1-888-CALL-FCC (1-888-225-5322)
TTY: 1-888-TELL-FCC (1-888-835-5322)
E-mail: fccinfo@fcc.gov

WILKINSON) BARKER) KNAUER) LLP

2300 N STREET, NW
SUITE 700
WASHINGTON, DC 20037
TEL 202.783.4141
FAX 202.783.5851
www.wbklaw.com
ROBERT G. MORSE
202.383.3393
rmorse@wbklaw.com

FCC/MELLON DEC 21 2005

STAMP AND RETURN

December 21, 2005

Federal Communications Commission
Wireline Competition Bureau - CPD - 214 Appls.
P.O. Box 358145
Pittsburgh, PA 15251-5145

Re: *Application to Transfer of Control of Domestic and International Section 214 Authority from Valor Communications Group, Inc. to New Valor*

To Whom It May Concern:

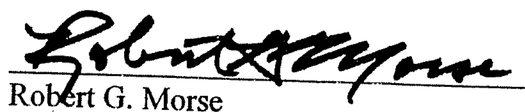
Attached please find an original and 5 copies of an application for Commission consent to the transfer of control of the Section 214-authorized subsidiaries of Valor Communications Group, Inc. ("Valor," FRN 0010612513) from Valor to New Valor (FRN 0014400220) pursuant to Section 214 of the Communications Act, as amended, 47 U.S.C. § 214.

Pursuant to Section 63.04(b) of the rules, this application is submitted as a consolidated domestic and international Section 214 transfer of control application and has been filed concurrently with the International Bureau via the International Bureau Filing System. Enclosed is a completed FCC Form 159 and a check for $895.00, payable to the Federal Communications Commission. Streamlined processing is requested pursuant to Section 63.03 of the rules.

Please contact Kathryn A. Zachem at (202) 783-4141 if there are questions concerning this application.

Respectfully submitted,

WILKINSON BARKER KNAUER, LLP

By: 
Robert G. Morse

Enclosures

READ INSTRUCTIONS CAREFULLY BEFORE PROCEEDING

STAMP AND RETURN

FEDERAL COMMUNICATIONS COMMISSION
REMITTANCE ADVICE

Approved by OMB 3060-0589

Page 1 of 1

(1) LOCKBOX # 358145

SECTION A – PAYER INFORMATION

(2) PAYER NAME (if paying by credit card enter name exactly as it appears on the card): Wilkinson Barker Knauer, LLP

(3) TOTAL AMOUNT PAID (U.S. Dollars and cents): $895.00

(4) STREET ADDRESS LINE NO. 1: 2300 N Street, N.W.

(5) STREET ADDRESS LINE NO. 2: Suite 700

(6) CITY: Washington

(7) STATE: DC

(8) ZIP CODE: 20037-1128

(9) DAYTIME TELEPHONE NUMBER (include area code): (202) 783-4141

(10) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(11) PAYER (FRN): 0003775731

IF MORE THAN ONE APPLICANT, USE CONTINUATION SHEETS (FORM 159-C)

COMPLETE SECTION BELOW FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(13) APPLICANT NAME: Valor Communications Group, Inc.

(14) STREET ADDRESS LINE NO. 1: 201 East John Carpenter Freeway

(15) STREET ADDRESS LINE NO. 2

(16) CITY: Irving

(17) STATE: TX

(18) ZIP CODE: 75062

(19) DAYTIME TELEPHONE NUMBER (include area code): (972) 373-1000

(20) COUNTRY CODE (if not in U.S.A.)

FCC REGISTRATION NUMBER (FRN) REQUIRED

(21) APPLICANT (FRN): 0010612513

(22) FCC USE ONLY

COMPLETE SECTION C FOR EACH SERVICE, IF MORE BOXES ARE NEEDED, USE CONTINUATION SHEET

(23A) CALL SIGN/OTHER ID	(24A) PAYMENT TYPE CODE CUT	(25A) QUANTITY 1
(26A) FEE DUE FOR (PTC) $895.00	(27A) TOTAL FEE $895.00	FCC USE ONLY
(28A) FCC CODE 1	(29A) FCC CODE 2	

(23B) CALL SIGN/OTHER ID	(24B) PAYMENT TYPE CODE	(25B) QUANTITY
(26B) FEE DUE FOR (PTC)	(27B) TOTAL FEE	FCC USE ONLY
(28B) FCC CODE 1	(29B) FCC CODE 2	

SECTION D – CERTIFICATION

CERTIFICATION STATEMENT

I ____________, certify under penalty of perjury that the foregoing and supporting information is true and correct to the best of my knowledge, information and belief.

SIGNATURE ____________ DATE ____________

SECTION E - CREDIT CARD PAYMENT INFORMATION

MASTERCARD____ VISA____ AMEX____ DISCOVER____

ACCOUNT NUMBER ____________ EXPIRATION DATE ____________

I hereby authorize the FCC to charge my credit card for the service(s)/authorization herein described

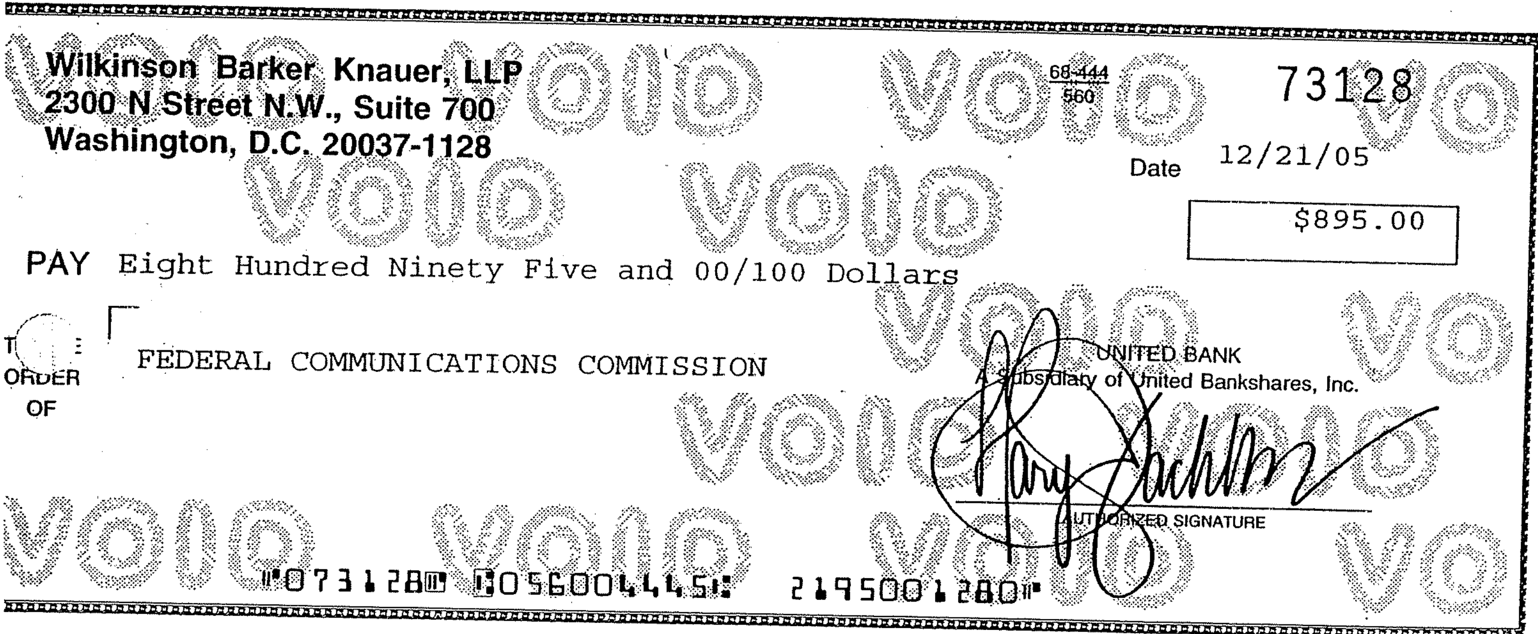
SIGNATURE ____________ DATE ____________

SEE PUBLIC BURDEN ON REVERSE

Wilkinson Barker Knauer, LLP

Date	Invoice No.	Description	Amount
12/21/05	42420		$895.00

FCC001 Total: $895.00



Wilkinson Barker Knauer, LLP
2300 N Street N.W., Suite 700
Washington, D.C. 20037-1128

68-444
560

73128

Date 12/21/05

$895.00

PAY Eight Hundred Ninety Five and 00/100 Dollars

TO THE ORDER OF FEDERAL COMMUNICATIONS COMMISSION

UNITED BANK
A Subsidiary of United Bankshares, Inc.

AUTHORIZED SIGNATURE

VOID

073128 056004445 2195001280

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
VALOR COMMUNICATIONS GROUP, INC., Transferor	)	File No. ITC-T/C-_______
	)	
and	)	WC Docket No. _______
	)	
VALOR COMMUNICATIONS GROUP, INC. (NEW VALOR), Transferee	)	
	)	
Application for Transfer of Control of Domestic and International Authorization Under Section 214 of the Communications Act, as Amended	)	

To: International Bureau
Wireline Competition Bureau

APPLICATION FOR TRANSFER OF CONTROL

Pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act), 47 U.S.C. § 214, and Sections 63.03, 63.04 and 63.24(e) of the rules, 47 C.F.R. §§ 63.03, 63.04 and 63.24(e), Valor Communications Group, Inc. ("Valor" or "Transferor," FRN 0010612513) and New Valor, ("New Valor" or "Transferee" FRN 0014400220) (together "Applicants") seek approval by the Federal Communications Commission ("FCC" or the "Commission") for the transfer of control of Valor and its subsidiaries from Valor as presently owned to New Valor as it will be owned following a merger between Valor and ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation ("ALLTEL," FRN 0002942159) pursuant to the transaction described below. New Valor will be the same corporate entity as Valor Communications Group, Inc., but likely with a new name as the surviving entity in the merger

transaction.[1] The current stockholders of ALLTEL will control New Valor upon completion of the transaction, thus resulting in a substantial change in the ultimate control over the FCC licensee and Section 214-authorized carrier subsidiaries of Valor.

In addition to the transfer of control applications being filed for subsidiaries of Valor, *pro forma* transfer of control applications are being filed for subsidiaries of AHC. These applications seek Commission approval for the transfer of control of AHC and its subsidiaries from ALLTEL to New Valor. (Where appropriate, post-consummation notifications will be filed in lieu of applications.)

Information concerning the overall transaction and the principal parties to the transaction is provided below.

I. THE PARTIES

ALLTEL. ALLTEL, a Delaware corporation headquartered in Little Rock, Arkansas, is a diversified telecommunications company that is publicly traded on the New York Stock Exchange ("NYSE"). Through its subsidiaries, ALLTEL provides wireless, local wireline telephone, long-distance, Internet and broadband services to residential and business customers in 34 states. These services are provided in mid-sized cities and rural areas throughout much of the Southeast and portions of the Northeast, Southwest and upper Midwest. ALLTEL provides wireline services in 15 of these 34 states to approximately 2.9 million access lines.[2]

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[1] The new name, if any, has not yet been determined.

[2] These states are: Alabama; Arkansas; Florida; Georgia; Kentucky; Mississippi; Missouri; Nebraska; North Carolina; New York; Ohio; Oklahoma; Pennsylvania; South Carolina; and Texas. ALLTEL provides local exchange service through the following entities: ALLTEL Arkansas, Inc.; ALLTEL Alabama, Inc.; ALLTEL Florida, Inc.; ALLTEL Georgia, Inc.; Georgia ALLTEL Telcom, Inc.; ALLTEL Georgia Communications Corp.; Standard Telephone Company; Accucomm; Georgia Telephone Corporation; ALLTEL Kentucky, Inc.; Kentucky ALLTEL, Inc.; ALLTEL Mississippi, Inc.; ALLTEL Missouri, Inc.; ALLTEL

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AHC is a wholly-owned subsidiary of ALLTEL which has been formed to facilitate the proposed transaction. The current ALLTEL subsidiaries that conduct the wireline businesses and other businesses including directory publishing operations, information services, product distribution operations and management services (other than such operations which support ALLTEL's wireless telecommunications business) will become subsidiaries of AHC. The ALLTEL subsidiaries offering wireless telecommunications services will not become subsidiaries of AHC.

Valor. Valor Communications Group, Inc. is a NYSE-traded Delaware corporation headquartered in Irving, Texas and is the holding company owner of subsidiaries that offer a number of telecommunications services, including local exchange service to approximately 530,000 access lines. Through wholly owned subsidiary holding companies, Valor holds an indirect 100 percent interest in Valor Telecommunications of Texas, L.P. ("Valor Texas"), an incumbent local exchange carrier ("ILEC") that as of June 30, 2005 provides local exchange service to approximately 506,000 access lines in four states: Arkansas, New Mexico, Oklahoma and Texas. Valor also holds an indirect 100 percent interest in Valor Telecommunications LD, LP ("Valor LD"), which provides interexchange and resold international services in those four states.[3] Valor is also the parent company of Kerrville Communications Corp. ("KCC") which, in

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Nebraska, Inc.; ALLTEL New York, Inc.; ALLTEL Carolina, Inc.; ALLTEL Ohio, Inc.; Western Reserve Telephone Company; ALLTEL Oklahoma, Inc.; Oklahoma ALLTEL, Inc.; ALLTEL Pennsylvania, Inc.; ALLTEL South Carolina, Inc.; Texas ALLTEL, Inc.; and Sugar Land Telephone Company.

[3] Valor LD changed its corporate form from a limited liability company to a limited partnership in mid-2003. Valor LD's name is registered correctly in IBFS, and the Commission's CORES system has been recently updated to reflect the change. While this event entailed a *pro forma* transaction and post-consummation notification obligation, *see* 47 C.F.R. §§ 63.24(d) note 2 and 63.24(f), the Commission was apprised of Valor LD's corporate form when Valor filed to obtain Commission consent (which was granted) for its 2004 initial public
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turn, is primarily a rural ILEC in Kerrville, Texas providing a number of communications services through other subsidiaries, including local exchange service to approximately 24,000 access lines. KCC subsidiaries Advanced Tel-Com Systems, LP ("ATS") and Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless ("Five Star") provide resold international services. KCC subsidiary KCC TelCom, Inc. d/b/a K2C is a competitive local exchange carrier ("CLEC") in Bourne and Fredericksburg, Texas.

New Valor. New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction. Subsidiaries of New Valor will include the current subsidiaries of Valor as well as subsidiaries of AHC. These subsidiaries will continue to operate (likely under new names) the businesses currently operated by subsidiaries of Valor and the wireline and related businesses currently operated by subsidiaries of ALLTEL. As described in Section II below, upon consummation of the transaction described herein 85 percent of the shares of New Valor will be held by the shareholders of ALLTEL. The remaining 15 percent of New Valor's shares will be held by Valor's current shareholders. Other than the ALLTEL shareholders, there will be no common ownership of ALLTEL and New Valor upon consummation of the merger.

II. THE TRANSACTION

The overall transaction will consist of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses as held by subsidiaries of AHC followed by a merger of AHC into Valor.[4] This transaction will be comprised of four distinct steps. Step 1

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offering. *See* Public Notice, *International Authorizations Granted,* DA 04-1413, File No. ITC-T/C-20040412-00157 (May 20, 2004).

[4] A diagram illustrating the transaction is attached as Exhibit B.

will involve the transfer of certain assets to the ALLTEL subsidiaries that are to become subsidiaries of AHC so as to effectuate the separation of ALLTEL's wireless businesses from its wireline businesses. It is not expected that any FCC licenses will be assigned to a different licensee as part of this preliminary restructuring.

Step 2 will involve the contribution/transfer of stock of certain ALLTEL subsidiaries from ALLTEL to AHC. As a result of this transfer, the assets of ALLTEL's wireline and certain other non-wireless businesses will be held by subsidiaries of AHC in the ALLTEL corporate structure.[5]

In Step 3, ALLTEL will distribute all the shares of AHC to the ALLTEL stockholders. However, these shares of stock will be issued to a Distribution Agent for purposes of completing the merger in Step 4.

In Step 4, AHC will merge into Valor. Valor will issue approximately 400 million new shares of stock, each share of outstanding stock of AHC will be converted into 1.05 shares of stock of Valor, and the Distribution Agent will then distribute such shares of Valor stock to the stockholders of ALLTEL. Upon completion of the merger, Valor will be the surviving corporation (referred to herein as New Valor), and the stockholders of ALLTEL will own 85 percent of the common stock of New Valor and the pre-merger stockholders of Valor will own 15 percent of the common stock of New Valor.[6]

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[5] In consideration for the stock of these subsidiaries, AHC will issue additional shares of AHC stock to ALLTEL, will issue notes to ALLTEL and will pay a special cash dividend to ALLTEL.

[6] As mentioned previously, the corporate name of Valor will likely be changed immediately following completion of the merger. The names of the AHC subsidiaries will also likely be changed upon completion of the merger. The initial Board of Directors of New Valor will consist of nine (9) members as follows: the Chairman of the Board of Directors of AHC; the Chief Executive Officer of AHC; six (6) persons designated by ALLTEL (at least four (4) of whom are to be "independent directors" under the rules of the NYSE); and one (1) person
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All four steps described above are part of an integrated overall transaction. Steps 2 through 4 will be completed one after the other in a short period of time, that is, nearly simultaneously as part of a single closing. The overall transaction can be summarized as follows: (1) the assets of the wireless and wireline business of ALLTEL will be separated; (2) the wireline businesses will be contributed to AHC; (3) the stock of AHC will be spun off to the ALLTEL stockholders; and (4) AHC will be merged into Valor (which will be the surviving corporation and the name of which will likely be changed).

As a result of the overall transaction, there will be a transfer of control of AHC and its new subsidiaries from ALLTEL to New Valor. However, the existing stockholders of ALLTEL will be in control of New Valor following completion of the transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC and its subsidiaries and the transfer of control of those entities is *pro forma* in nature. There will also be a transfer of control of the subsidiaries of Valor from Valor to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon consummation, such transfer of control will result in a substantial change in the ultimate control over Valor subsidiaries holding FCC licenses and authorizations.

III. PUBLIC INTEREST STATEMENT

Pursuant to Sections 310(d) and 214 of the Communications Act of 1934, as amended, the subject licensees and authorized carriers may not be transferred unless the Commission finds

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designated by Valor (which person is to be an "independent director" under the rules of the NYSE). These directors will serve staggered terms so that three (3) directors will be elected by the stockholders of New Valor each year going forward.

"that the public interest, convenience and necessity will be served thereby."[7] The first step in this analysis is an evaluation of the transferee's qualifications. Pursuant to Section 310(d), "the Commission may not consider whether the public interest, convenience, and necessity might be served by the transfer… of the permit or license to a person other than the proposed transferee."[8] New Valor is legally, technically and financially qualified with regard to the instant transfer of control applications.

A. Public Interest Benefits of the Merger Generally

1. *The Merger Will Enable New Valor to Provide Additional Focus and Resources to the Wireline Business and Customers*

New Valor will operate in an industry that has been and continues to be subject to rapid technological advances, evolving consumer preferences, and dynamic change. These factors, combined with regulatory developments, create an environment in which the interests of ALLTEL's wireline business are diverging from a wireless-centric focus. The establishment of New Valor creates an independent, stand-alone wireline-centric corporation that serves the public interest by allowing ALLTEL's separated ILECs to focus squarely on enhancing their local wireline operations and combines with Valor's complementary markets with favorable rural characteristics, thereby allowing New Valor to better deliver a broadening range of high quality services to local residential and business customers.

By virtue of the merger, New Valor will become one of the nation's premier rural wireline operators. ALLTEL's and Valor's complementary facilities and markets will facilitate an ease of integration; indeed, Valor already utilizes ALLTEL's billing system for its own subscribers. The merger will enable New Valor to recognize approximately $40 million in

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[7] 47 U.S.C. §§ 214, 310(d).

[8] *Id.* § 310(d).

synergies, and create a principally rural local wireline provider with 3.4 million access lines. The vast majority of New Valor's exchange areas will have fewer than 2,000 access lines, with an average of 25 access lines per square mile. A map of the Applicants' combined coverage is attached as Exhibit C.

The separation of ALLTEL's wireline business and its combination with that of Valor has the beneficial effect of better aligning New Valor's interests with the interests of its customers. The combined company's strategic wireline focus will allow for a stronger local emphasis and permit New Valor to provide services tailored to customers' needs. New Valor will ensure that service quality and the customer experience for current ALLTEL and Valor wireline customers remain high priorities. Customers will experience no less than business as usual, but very likely an improved experience, as New Valor enhances service delivery, product development, and customer interaction. ALLTEL and Valor both have deployed DSL services throughout many of their markets, and ALLTEL in particular is already a leader among independent LECs in broadband deployment.[9] The merger will provide enhanced strategic, financial, and operational opportunities for each business, including improving the already commendable levels of broadband penetration, and expanding service to include video and bundled wireless offerings.

2. *The Merger Will be Seamless to Subscribers.*

The separation and merger, other than a likely change of name, will be virtually transparent to customers of both ALLTEL and Valor. Up to and after the separation and merger,

[9] DSL service is available to approximately 73 percent of ALLTEL's wireline customers, up from 63 percent at year-end 2004. As of December 15, 2005, ALLTEL had 391,000 DSL subscribers, up from 243,000 at year-end 2004. Through third quarter 2005, DSL service is available on 71 percent of Valor's access lines. Valor had 47,309 DSL subscribers at the end of the third quarter 2005, up from 16,521 subscribers at the end of third quarter 2004.

customers will receive the same full range of products and services they received prior to the separation, at the same prices, and under the same terms and conditions. Currently, ALLTEL's and Valor's ILEC subsidiaries offer bundles of local calling and custom calling features combined with other services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. New Valor will enter into the necessary arrangements to allow it to continue providing bundled service offerings.

Moreover, the customer interface with New Valor will not change. Customers will continue to call existing numbers to order new services, report service problems, and inquire about billing or other customer care issues. New Valor will provide customers notice of the transfer and name change (if any) via bill messages. A sample customer notice will be provided to the Commission in advance of its distribution in accordance with Section 64.1120(e) of the rules.[10]

New Valor will concentrate even more on the telecommunications needs of wireline customers, and local affairs will continue to be managed by men and women with established local relationships and extensive knowledge of the telecommunications business. Applicants' participation in the local community will be ongoing and continue to be of great importance. Furthermore, the senior executive team will be comprised of many of the same executives that have guided ALLTEL's and Valor's local operations in the past. Their experience and expertise, combined with new flexibility to pursue wireline-centric strategic goals, will ensure that New Valor's service quality and standards remain at the highest levels.

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[10] *See* 47 C.F.R. § 64.1120(e).

New Valor will provide the same high quality local exchange and resold long distance service it does today, subject to the same rules, regulations, and applicable tariffs. The transaction will not affect the existing price regulation plan, service quality obligations, or tariffs.[11] Further, the terms and prices for existing wholesale services under applicable access tariffs will remain unchanged as a result of this transfer. Finally, the transfer of control will not impact the terms of any existing interconnection agreements or obligations under state and federal laws regarding interconnection.

B. The Transaction Poses No Competitive Risks for the Domestic Interstate Market and Approval Is Consistent with Commission Precedent

The transaction will not result in harm to competition in any relevant market and will yield tangible public interest benefits. ALLTEL and Valor presently have a miniscule share of the domestic interstate interexchange market and are regulated as nondominant in that market.[12] The Commission has already determined that combinations between nondominant carriers resulting in less than 10 percent market share of the interstate interexchange market are "extremely unlikely [to] result in a public interest harm" and "unlikely to raise public interest

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[11] This transfer will not result in substantive tariff changes. With respect to price regulation, New Valor has concurrently filed a request for waiver of the Commission's Section 61.41 "all or nothing" rule to ensure that the existing interstate access pricing regime (price cap or rate-of-return) for each market is retained pending Commission action in a related rulemaking proceeding. *See* discussion at Exhibit A.

[12] *See* 47 C.F.R. § 63.01; *Regulatory Treatment Of LEC Provision Of Interexchange Services Originating In The LEC's Local Exchange Area and Policy And Rules Concerning The Interstate, Interexchange Marketplace*, 12 FCC Rcd. 15756, ¶ 163 (1997) (independent ILECs subject to nondominant regulatory treatment conditioned on separation requirements) ("*ILEC Regulatory Classification Order*"). Commission data indicates that ALLTEL Communications Inc.'s 2003 combined intrastate, interstate and international toll revenues of approximately $175 million amounted to just over two tenths of one percent of industry's total of over $77 billion. *See* Wireline Competition Bureau, *Trends in Telephone Service*, at Table 9.5 (WCB April 2005).

concerns."[13] New Valor's market share will fall well below that threshold. Moreover, as New Valor (like its predecessor companies) will offer only resold interexchange services, anticompetitive harm is even less likely.[14]

With respect to the Applicants' ILEC markets, the Commission has found that where mergers between non-BOC ILECs result in no overlaps and no or minimal adjacencies between markets where the adjacent exchanges are very small, "no harm to competition is likely to occur."[15] Moreover, where rural and less populated areas are involved, the Commission has found that such areas "are less attractive to new entrants" and, thus, concerns relating to the loss of potential competition are even less acute.[16]

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[13] *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 30 (2002) (citing to U.S. Dept. of Justice and Federal Trade Commission Horizontal Merger Guidelines, § 1.51 n.18).

[14] *See Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace; Leaco Rural Telephone Cooperative, Inc. Petition for Waiver*, 14 FCC Rcd. 10771, ¶ 22 (1999) (finding that "independent LECs that provide long distance services solely on a resale basis are less likely to engage in anticompetitive activity such as access discrimination and cost misallocation than facilities-based independent LEC providers of such services"). Even if New Valor were to initiate facilities-based interexchange services, the Commission has determined that an ILEC long distance affiliate's compliance with separate affiliation criteria is sufficient to warrant nondominant regulatory treatment. *See ILEC Regulatory Classification Order* at ¶ 163.

[15] *See Joint Applications of Global Crossing Ltd. and Citizens Communications Co.*, 16 FCC Rcd. 8507, ¶ 9 (CCB, CSB, WTB 2001) ("*Global Crossing/Citizens*"); *ALLTEL Corporation*, 14 FCC Rcd. 14191, ¶ 9 (merger "unlikely to result in any adverse effect on competition in the relevant markets" where no overlaps or adjacencies occur). Indeed, the Commission has approved mergers between smaller ILECs where a merger results in the *loss* of a competitor in an exchange area. *See Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd.*, 16 FCC Rcd. 15293, ¶¶ 8-9 (CCB, WTB 2001).

[16] *See Global Crossing/Citizens* at ¶ 7 (citing *Application of GTE Corp. and Bell Atlantic Corp.*, 15 FCC Rcd. 14032, 14095 ¶ 117 (2000)). Like the *Global Crossing/Citizens* transaction, given the nature of the ALLTEL-Valor merger this is clearly an instance in which the Commission's extensive merger analysis previously employed in BOC-related mergers is inapplicable. *Global Crossing/Citizens* involved two companies with ILEC exchanges operating
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The instant transaction will result in no overlaps and a comparatively small number of adjacencies affecting a limited number of access lines. Valor and ALLTEL combined hold 1,058 exchange areas.[17] Thirty-nine (39) of these exchanges, principally in Texas, with a few in New Mexico and Oklahoma, have adjacencies:

- *West Texas/Southeast New Mexico*. The ALLTEL exchanges of Plains and Higginbotham, TX (1,031 and 187 access lines, respectively) are adjacent to the Valor exchanges of Denver City, TX (2,980), Seagraves, TX (563) and Hobbs, NM (19,216).

- *South Central Oklahoma*. The ALLTEL exchanges of Elmore City (1,049) and Elmore West (244) are adjacent to the Valor exchanges of Maysville (1,125) and Lindsay (3,077).

- *East Central Texas*. The ALLTEL exchanges of Kopperl (434), Lakeside Village (370), Iredell (558), Paluxy (222), Brandon (185), Coolidge (534), Prairie Hill (208), Ben Hur (104), Blum (644), Waterwood (625), Valley Mills (1,330), Covington (815), and Mosheim (146) are adjacent to the Valor exchanges of Morgan (288), Whitney (6,065), Walnut Springs (675), Bynum (185), Milford (440), Irene (460), Hubbard (1,237), Mount Calm (419), Riesel (974), Glen Rose (4,246), Trinity (6,403), Dawson (928), Crawford (978), Frost (526), Purdon (567), Richland (275) and Groveton (1,497).

The Commission has traditionally expressed concern regarding a reduction in the number of potential competitive entrants when large RBOCs with adjacent markets merge their operations.[18] However, the Commission has uniformly approved transactions involving a limited

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in 25 states with over two million access lines and, accounting for two other Citizens transactions, 30 states with over 3 million access lines. *See id.* at ¶ 2; Application of Citizens Communications Company, CCB Pol No. 00-1, at 2-4 (filed Oct. 10, 2000). The instant transaction involves ILEC properties in 16 states with 3.4 million access lines. *Global Crossing/Citizens* involved adjacencies in four states, and involving 71 exchanges ranging from a couple hundred to nearly 300,000 access lines. *See* Global Crossing Ltd. and Citizens Communications Co. *Ex Parte Presentation*, CCB Pol. No. 00-1, at 5-6 and Attachment C. The adjacencies at issue here are in four states and in exchanges ranging from 104 to 19,216 access lines – with all but 6 of the 39 exchanges with adjacencies having less than 2,000 access lines, and only one (Hobbs, NM) having over 10,000 access lines.

[17] Valor owns 237 exchanges, and ALLTEL owns 821.

[18] *See, e.g.*, *In re Applications of NYNEX Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 12 FCC Rcd. 19985, 19990-91 (1997); *Application of GTE Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 15 FCC Rcd. 14032, 14090-92 (2000);
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number of adjacent exchanges affecting a limited number of access lines.[19] The instant transaction clearly falls into the latter category.[20] Thirty-nine (39) of the total 1058 exchange areas involved in the transaction have adjacencies – only 3.7 percent of the total. In contrast, *Global Crossing/Citizens* involved 71 exchanges with adjacencies.[21] Moreover, ALLTEL's and Valor's exchanges are located in precisely the types of low-density rural and less populated areas the Commission has recognized "are less attractive to new entrants" – as evidenced by the fact that neither ALLTEL nor Valor ever sought to enter those adjacent markets, and that there are CLEC competitors in only a few of the affected ALLTEL or Valor markets.[22]

Application of Ameritech Corp. and SBC Communications Inc., Memorandum Opinion and Order, 14 FCC Rcd. 14712, 14745 (1999).

[19] *See, e.g., Global Crossing/Citizens* at ¶¶ 1, 5-8; Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Hartman Tel. Exchanges, Inc. to Randall J. Raile and Kacey L. Raile*, WC Docket No. 04-320, DA 04-3225, n.3 (WCB rel. Oct. 13, 2004) ("*Hartman PN*"); Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Certain Affiliates of MJD Services Corp. to Golden West Telephone Properties, Inc.*, WC Docket No. 03-186, DA 03-3004, n.2 (WCB rel. Sept. 30, 2003) ("*MJD PN*"); *see also* Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Berkshire Tel. Co. to Fairpoint Communications, Inc.*, WC Docket No. 03-184, DA 05-1095, n.5 (WCB rel. Apr. 15, 2005) (approval granted after state commission granted subject to conditions).

[20] *See Global Crossing/Citizens* at ¶ 7.

[21] *See supra* note 16.

[22] *See Global Crossing/Citizens* at ¶ 7. Applicants note that for the Global Crossing/Citizens transaction, the Federal Trade Commission and U.S. Department of Justice granted the parties' request for "early termination" (which allows the agencies to promptly conclude their review when no enforcement action is contemplated because the transaction will not lessen competition) only 14 days after submission. *See* Federal Trade Comm'n, *Granting of Request for Early Termination of the Waiting Period Under the Premerger Notification Rules*, 65 Fed. Reg. 68141, 68143 (Nov. 14, 2000); *Premerger Notification Rules; Waiting Period Termination*, 47 Fed. Reg. 40159, *corrected* 47 Fed. Reg. 41512 (1982).

C. International Section 214 Public Interest Considerations

Approval of the proposed transaction (i) will promote and preserve competition in the international telecommunications marketplace and (ii) will ensure that New Valor has the necessary authority to continue to offer seamless international services to existing ALLTEL and Valor customers. The proposed transaction poses no risk of anticompetitive impact on the U.S. international telecommunications marketplace. Applicants together hold only a miniscule share of the international telecommunications market.[23] For this reason alone, New Valor would have no ability to adversely affect competition.

In addition, the Commission's principal concern for "the exercise of foreign market power in the U.S. market" is that such market power "could harm U.S. consumers through increases in prices, decreases in quality, or reductions in alternatives in end user markets."[24] As the Commission explained further, "generally, this risk occurs when a U.S. carrier is affiliated with a foreign carrier that has sufficient market power on the foreign end of a route to affect competition adversely in the U.S. market."[25] As discussed herein, New Valor will acquire no affiliations with foreign carriers, much less any with market power. Thus, consumers would not be harmed by the transaction.

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[23] ALLTEL, which has the larger of the two wireline operations involved, is listed in Commission-compiled data as having 0.123 percent of reported international pure resale revenues for 2003 – a figure which includes the company's wireless operations which are not part of the instant transaction. *See* International Bureau, *2003 International Telecommunications Data*, Table D at 2, (Jan. 2005). Moreover, this figure does not account for competitors' *facilities-based* international services.

[24] *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market; Market Entry and Regulation of Foreign-Affiliated Entities*, Report and Order and Order on Reconsideration, 12 FCC Rcd. 23891, 23951-54 (1997).

[25] *See id.*

IV. SECTION 63.24 INFORMATION

In accordance with Section 63.24(e) of the Commission's rules, 47 C.F.R. § 63.24(e), the Applicants submit the following information in support of the instant application. Information is provided responsive to the provisions of Section 63.18 of the rules, paragraphs (a) through (p), as applicable.

Information for Transferor and Transferee

(a) Name, address, and telephone number

Transferor:

Valor Communications Group, Inc.
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000
Fax: (972) 373-1150

Authorized Carriers (with FRN Information):

Valor Telecommunications LD, LP (FRN 00068114990)
Advanced Tel-Com Systems, L.P. (FRN 0008229429)
Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless (FRN 0006157887)
c/o Valor Telecommunications, LLC
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000

Transferee:

New Valor
One Allied Drive
Little Rock, AR 72202
Tel: (501) 905-8706
Fax: (501) 905-0962

(b) Citizenship

Transferor:

Valor is a Delaware Corporation.

Authorized Carriers:

Valor LD is a Delaware limited partnership.

ATS is a Texas limited partnership.

Five Star is a Texas limited Partnership

Transferee:

Valor (New Valor) is a Delaware Corporation.

(c) Contact Information

For the Transferor and Authorized Carriers:

William M. Ojile, Jr.
Senior Vice President, Chief Legal Officer & Secretary
Valor Communications Group, Inc.
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000
Fax: (972) 373-1150
Email: bojile@valortelecom.com

For the Transferee:

Kathryn A. Zachem
Wilkinson Barker Knauer, LLP
2300 N Street, NW Suite 700
Washington, DC 20037
Tel: (202) 783-4141
Fax: (202) 783-5851
Email: kzachem@wbklaw.com

(d) International Section 214 Authorizations

Authorized Carriers:

Valor LD: File No. ITC-214-20000719-00451

ATS: File No. ITC-214-19981110-00835

Five Star: File No. ITC-214-20010802-00418

Transferor:

None

Transferee:

New Valor holds no international Section 214 authorization in its own right.[26]

Information for Transferee

(h) Ten Percent or Greater Interest Holders

New Valor will be a publicly-traded company and with no 10 percent or greater interest holders after consummation of the transaction.

(i) Foreign Carrier Affiliation Certification

New Valor certifies that it will have no foreign carrier affiliations upon consummation of the transaction.[27]

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[26] Applicants note that to effect the merger, ALLTEL's wholly-owned subsidiary ALLTEL Communications, Inc. will assign international Section 214 authority on a *pro forma* basis to Alltel Holding Corporate Services, Inc. (final name to be determined), the New Valor subsidiary to be providing long distance services for the ALLTEL wireline customers affected by the transaction. This component of the merger transaction is not at issue in the instant application.

[27] ALLTEL Corporation acquired a number of foreign carrier affiliations as a result of its merger with Western Wireless. *See* Public Notice, Report No. 05-00099, DA 05-2683, File No. FCN-NEW-20050831-00024 (rel. Oct. 12, 2005). As no shareholder of ALLTEL or New Valor will have a greater than 25 percent or otherwise controlling interest in either company, ALLTEL's remaining foreign carrier affiliates are not attributable to New Valor. *See* 47 C.F.R. § 63.09(e) (providing that for international Section 214 purposes, "[t]wo entities are affiliated with each other if one of them, or an entity that controls one of them, directly or indirectly owns more than 25 percent of the capital stock of, or controls, the other one.").

(j) Foreign Carrier and Destination Countries

New Valor certifies that upon consummation of the transaction (1) it will not be a foreign carrier, (2) it does not control any foreign carriers, (3) no entity that will own more than 25 percent of or control New Valor controls a foreign carrier, and (4) two or more foreign carriers (or parties that control foreign carriers) do not own, in the aggregate, more than 25 percent of New Valor.

(k) WTO Membership of Destination Countries

Not applicable.

(l),(m) Nondominant Regulatory Classification

Not applicable. As New Valor will have no foreign carrier affiliations, it is entitled to continued nondominant regulatory classification pursuant to Section 63.10(a)(1) of the rules, 47 C.F.R. § 63.10(a)(1).

(n) Special Concessions Certification

New Valor certifies that it has not agreed to accept special concessions directly or indirectly from any foreign power with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.

(o) Federal Benefits/Anti-Drug Abuse Act of 1988 Certification

Applicants certify pursuant to Sections 1.2001 through 1.2003 of the rules, 47 C.F.R. § 1.2001-1.2003, that no party to the application is subject to a denial of Federal Benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 862.

(p) Eligibility for Streamlined Processing

As New Valor is not a foreign carrier and does not have any foreign carrier affiliations, the instant application qualifies for streamlined processing pursuant to Section 63.12 of the rules, 47 C.F.R. § 63.12.

V. TRANSFER OF CONTROL OF DOMESTIC SECTION 214 AUTHORITY

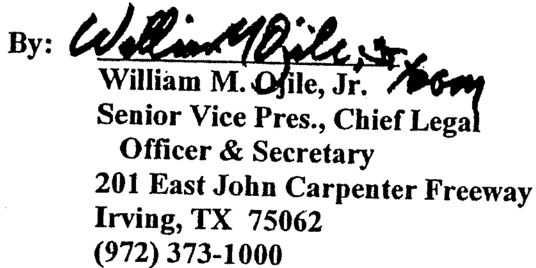
Pursuant to Section 63.04(b) of the rules, 47 C.F.R. § 63.04(b), information responsive to Section 63.04(a)(6)-(a)(12) of the rules is provided in Exhibit A.

VI. CONCLUSION

For the foregoing reasons, Applicants request Commission consent to the transfer of control of Valor and its subsidiaries to New Valor in connection with the transaction described herein.

Respectfully submitted,

VALOR COMMUNICATIONS GROUP, INC.

By: 

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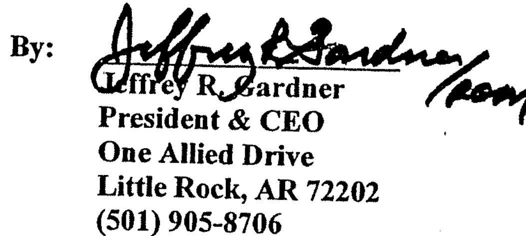
VALOR COMMUNICATIONS GROUP, INC.
(NEW VALOR)

By: 

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December 21, 2005

EXHIBIT A

Transfer of Control of Domestic Section 214 Authority Information Responsive to Section 63.04(a)(6)-(a)(12) of the Rules

1. Description of Transaction (§ 63.04(a)(6))

The proposed transaction is described in Section II of the Application.

2. Description of Geographic Service Area and Services in Each Area (§ 63.04(a)(7))

Applicants' wireline domestic interstate and international services are described in detail in Sections I and III of the Application. A map showing the parties' ILEC service areas is attached as Exhibit C hereto. Applicants reiterate that ALLTEL's current ILEC and CLEC service territories do not overlap with those of Valor.

Valor and ALLTEL both presently offer resold domestic interstate and international interexchange services in their service territories, and New Valor will continue to offer such services after consummation of the merger.

Valor holds an indirect minority general partnership interest in two Part 22 cellular licensees.

3. Eligibility for Streamlined Processing (§ 63.04(a)(8))

Applicants request that the Commission exercise its discretion to apply the streamlined procedures of Section 63.03(a) of the rules to the instant application.[28] This application presents no "novel questions of fact, law, or policy which cannot be resolved under outstanding

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[28] *See Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 28 (2002) ("*2002 Streamlining Order*"). Should the Commission decide not to treat the instant application as streamlined, the parties nonetheless submit that an abbreviated public comment cycle and expeditious Commission review process is appropriate under the circumstances. *See Hartman PN* (public comment cycle concluded 21 days after public notice, grant issued 38 days after public notice); *MJD PN* (public comment cycle concluded 21 days after public notice, grant issued 33 days after public notice).

precedents and guidelines."[29] The accompanying international Section 214 application is subject to streamlined processing pursuant to Section 63.12, and the accompanying Title III applications are subject to expedited approval processes.[30] Thus, streamlined processing of the instant application will not complicate the Commission's review of the accompanying international Section 214 and Title III applications.

But for the small number of adjacent ILEC markets, the Applicants would meet the streamlining criteria of Section 63.03(b)(2)(iii) of the rules.[31] ALLTEL and Valor combined will hold far less than 10 percent of the interstate interexchange market and under two percent of the nation's aggregate installed subscriber lines.[32] There are no overlaps between ALLTEL's and Valor's LEC markets and, as discussed in Section III.B of the Application, the small number of adjacent exchange areas raises no novel issues of law or policy.[33] Thus, the small number of

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[29] *See 2002 Streamlining Order* at ¶ 28.

[30] *See* Application at § IV (discussing streamlined eligibility under 47 C.F.R. § 63.12); 47 C.F.R. 1.948(j)(2). (For reference purposes, the lead application for the Title III licenses is in the Commission's Universal Licensing System, FCC File No. 0002415755.) In any event, the Wireline Competition Bureau may grant the instant application under streamlined review conditioned on completion of related reviews by the International and Wireless Telecommunications Bureaus and without prejudice to the outcome of those proceedings. *See 2002 Streamlining Order* at ¶ 23.

[31] Section 63.03(b)(2)(iii) of the rules provides, in relevant part, that: "Where a proposed transaction would result in a transferee having a market share in the interstate, interexchange market of less than 10 percent, and the transferee would provide competitive telephone exchange services or exchange access services (if at all) exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the transaction" then streamlined processing presumptively applies where "[t]he applicants are incumbent independent local exchange carriers ... that have, in combination, fewer than two (2) percent of the nation's subscriber lines installed in the aggregate nationwide, and no overlapping or adjacent service areas." 47 C.F.R. § 63.03(b)(2)(iii).

[32] *See* Application at § III.B.

[33] *See id.*

adjacencies between ALLTEL's and Valor's ILEC service areas should not preclude streamlined processing.

New Valor has separately requested a waiver of the Section 61.41 "all or nothing" rule to preserve the existing price cap and rate of return regulatory classification for each of the to-be-New Valor ILEC subsidiaries.[34] In the *2004 MAG Order*, the Commission held that "all outstanding interim waivers of the all-or-nothing rule that depend on our decision in this proceeding shall continue in effect until we issue a final order on this issue."[35] Moreover, in the Commission's pending *2004 MAG Order*, the Commission specifically provided that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation."[36] Given the Commission's policy adopted in the *2004 MAG Order* and *MAG Second FNPRM* to maintain such waivers while its review of the all-or-nothing rule is pending,

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[34] *See ALLTEL Corporation Petition for Waiver of Section 61.41, et. al*, 17 FCC Rcd. 27696 (WCB 2002). In this consolidated decision, the Wireline Competition Bureau ("WCB") in relevant part granted a waiver to permit rate-of-return regulated ALLTEL to maintain recently acquired Verizon properties as price cap regulated until the conclusion of the rulemaking on the all-or-nothing rule. Additionally, the WCB granted an extension of previous waiver grant, which permitted ALLTEL to keep its Aliant properties as price cap until conclusion of the rulemaking. In a similar decision, the WCB granted Valor a waiver permitting the existing exchanges of Valor's wholly-owned subsidiary Kerrville Telephone Company to continue to operate under rate-of-return regulation until completion of the rulemaking, even though Valor operates under price cap regulation. *Valor Telecommunications, LLC Petition for Waiver of Section 61.41 of the Commission's Rules*, 17 FCC Rcd. 25544 (WCB 2002).

[35] *See Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Federal-State Joint Board on Universal Service*, Report and Order and Second Further Notice of Proposed Rulemaking, 19 FCC Rcd. 4122, 4129 ¶¶ 10, n.40 (2002) ("*2004 MAG Order*" or "*MAG Second FNPRM*").

[36] *See id.*, 19 FCC Rcd. at 4129 ¶¶ 10-11, n.39.

this is clearly an instance in which the "streamlined review process does not jeopardize the appropriate waiver analysis."[37]

4. **Other Related Applications (§ 63.04(a)(9))**

Concurrently with the instant application, Applicants are filing applications to transfer control of various Title III wireless authorizations held by (1) Valor subsidiaries and, (2) ALLTEL subsidiaries (insofar as the rules require prior Commission approval of the *pro forma* transfer of control of such licensees).

5. **Statement of Imminent Business Failure (§ 63.04(a)(10))**

Not applicable.

6. **Separately Filed Waiver Requests (§ 63.04(a)(11))**

As noted above, New Valor has requested a waiver of Sections 61.41(b) and (c)(2) of the rules, 47 C.F.R. §§ 61.41(b), (c)(2).

7. **Public Interest Statement (§ 63.04(a)(12))**

See Section III of the Application.

[37] *See 2002 Streamlining Order* ¶ 56.

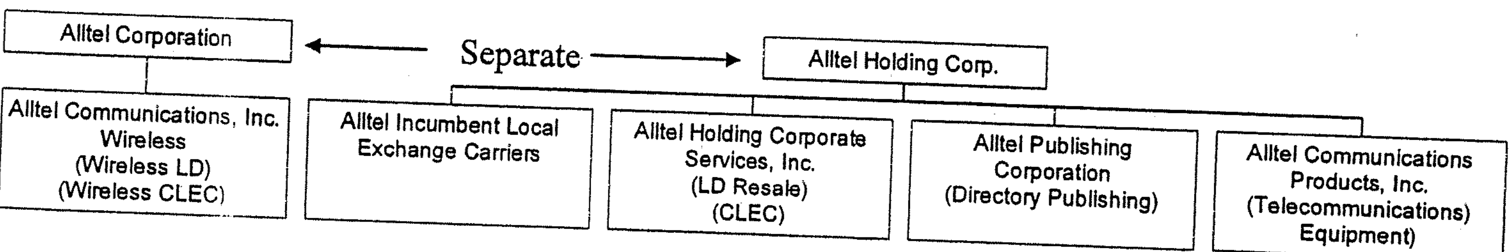
EXHIBIT B

Diagrams Illustrating the Transaction

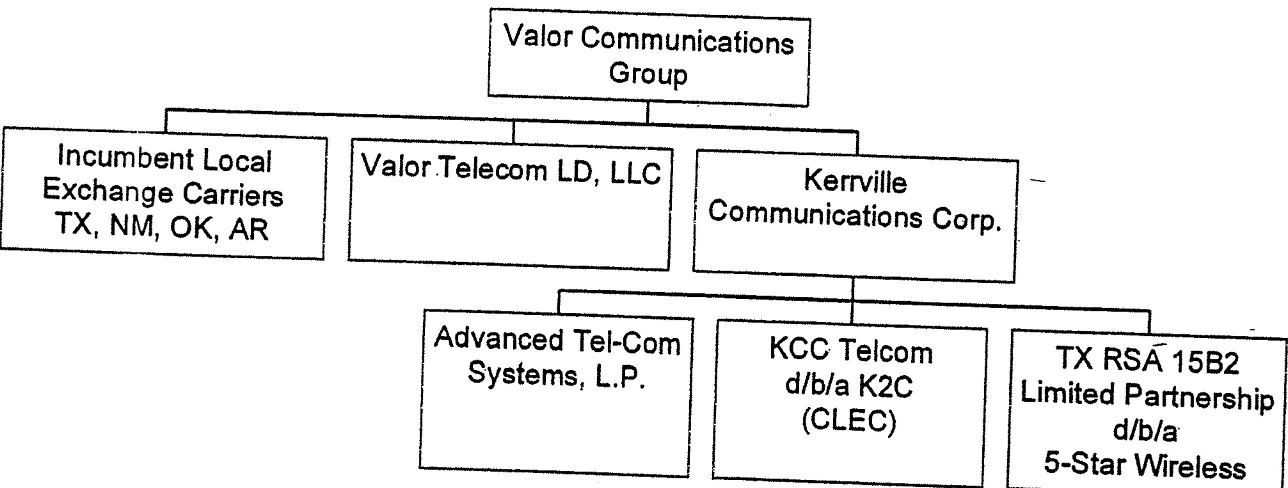
PRE-SEPARATION
ALLTEL CORPORATION[1]

[1]These diagrams illustrate the various stages of the transaction and the implications for the companies' LEC and interexchange properties and international Section 214-authorized subsidiaries. These diagrams do not provide a comprehensive overview of the companies' corporate ownership structures and various holding companies.

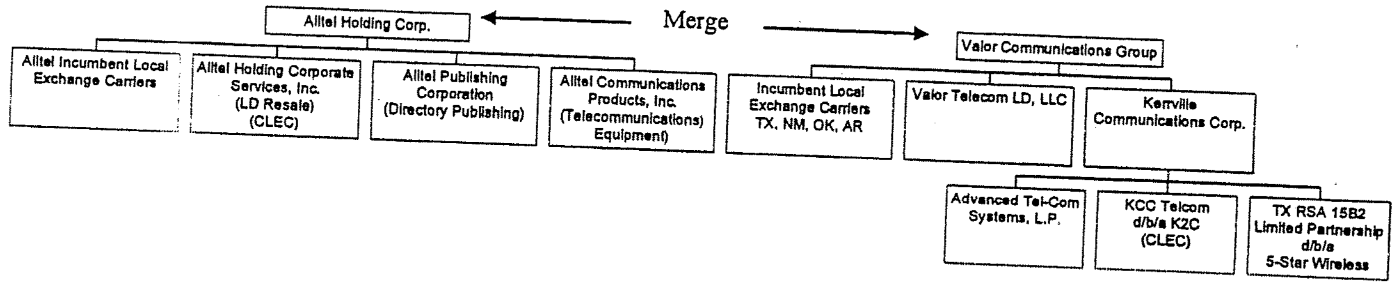
POST-SEPARATION
ALLTEL CORP



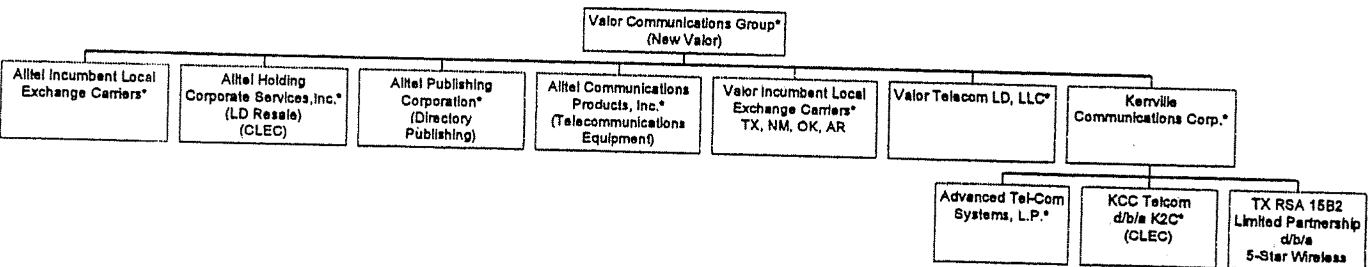
PRE-MERGER
VALOR COMMUNICATIONS GROUP



MERGER



MERGED WIRELINE BUSINESS



* ACTUAL NAMES ARE YET TO BE DETERMINED

EXHIBIT C

Service Area Coverage Map

Alltel Wireline / Valor Communications

Alltel Wireline
Valor Communications

STAMP AND RETURN

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
Valor Communications Group, Inc. (New Valor)	)	File No.
	)	
Petition for Waiver of Section 61.41 of the Commission's Rules	)	
	)	

RECEIVED
DEC 2 2 2005
Federal Communications Commission
Office of Secretary

To: The Commission

PETITION FOR WAIVER OF SECTION 61.41

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December 22, 2005

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SUMMARY

New Valor will be formed as a result of a merger of Valor Communications Group, Inc. ("Valor") and the wireline properties of ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation ("ALLTEL"). New Valor requests that the Commission waive relevant portions of its "all-or-nothing" rule to permit New Valor to continue to operate the ALLTEL and Valor Communications Group, Inc. properties under the existing regulatory regime applicable to each of the component local exchange companies. Under existing waivers, ALLTEL and Valor each hold component incumbent local exchange companies – some of which operate under price cap regulation and others that operate under rate-of-return regulation. This request would allow New Valor to maintain the regulatory status quo.

The waiver request is consistent with the Commission's policy direction and prior waiver decisions regarding the all-or-nothing rule. In the *2004 MAG Order,* the Commission specifically stated that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation." In fact, the Commission has routinely granted or extended waivers to carriers, including ALLTEL and Valor, as a result of the pending rulemaking on the all-or-nothing rule. Strict application of the rule also would be inconsistent with the purposes and structure of price cap regulation. Price cap regulation was not designed to address the relatively small, diverse, dispersed subscriber base served by New Valor. In addition, the policy concerns under-girding the all-or-nothing rule are not implicated by this waiver request. The increasing vigor of both inter- and intramodal competition, as well as the Commission's pro-competitive policies, have suppressed cross-subsidization incentives and undercut cost shifting opportunities. New Valor also is not attempting to game the system. New Valor only seeks to maintain the status quo and will not be shifting between price cap and rate-of-return regulation. Finally, a waiver here promotes the public interest. Under the waiver, customers of New Valor's price cap and rate-of-return companies will continue to enjoy the respective benefits of those policies. Thus, there is "good cause" for the requested waiver.

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of	)	
	)	
Valor Communications Group, Inc. (New Valor)	)	File No.
	)	
	)	
Petition for Waiver of Section 61.41 of the Commission's Rules	)	
	)	
	)	
	)	

To: The Commission

PETITION FOR WAIVER OF SECTION 61.41

New Valor will be formed as a result of a merger of Valor Communications Group, Inc. ("Valor") and the wireline properties of ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation ("ALLTEL"). Pursuant to Section 1.3 of the Federal Communications Commission's rules,[1] New Valor requests that the Commission waive relevant portions of its "all-or-nothing" rule[2] to permit New Valor to continue to operate the ALLTEL and Valor Communications Group, Inc. properties under the existing regulatory regime applicable to each of the component local exchange companies. Under existing waivers, ALLTEL and Valor each hold component incumbent local exchange companies ("ILECs") – some of which operate under price cap regulation and others that operate under rate-of-return

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[1] 47 C.F.R. § 1.3.

[2] Specifically, New Valor requests a waiver of Sections 61.41(b), 61.41(c)(1) and 61.41(c)(2), as well as any other necessary provisions of the Commission's rules, in connection with the merger. 47 C.F.R. § 61.41(b), (c)(1)and (c)(2).

regulation.[3] This request would allow New Valor to maintain the regulatory status quo. Grant of New Valor's waiver is consistent with Commission precedent, protects the interests of small company consumers, does not create an opportunity for gaming or cross-subsidization, and advances the public interest.

I. BACKGROUND AND SUMMARY

On December 8, 2005, Valor, AHC and ALLTEL entered into an Agreement and Plan of Merger.[4] The overall transaction will consist of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses, as held by the AHC subsidiaries. Then, AHC will merge into Valor, which will be the surviving corporation (referred to herein as "New Valor").[5] The existing stockholders of ALLTEL will control New Valor following consummation of the transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC's wireline ILEC subsidiaries, and the transfer of control of those entities is *pro forma* in nature. There will be a transfer of control of Valor and its subsidiaries to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon

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[3] All of ALLTEL's component incumbent local exchange companies are rate-of-return regulated except for the former Aliant and Verizon properties. Pursuant to Commission waiver, the Aliant and Verizon properties continue to operate under price cap regulation. Valor's component local exchange companies operate under price cap regulation, with the exception of the recently acquired Kerrville property. The Commission granted Valor a waiver to permit it to continue operating the Kerrville property under rate-of-return regulation. ALLTEL and Valor request herein, to the extent necessary, that these previously granted waivers also be applied to New Valor. See the attached Exhibit 1, which notes by study area which type of regulation is currently in use.

[4] For a more detailed description of the transaction, see the attached Domestic and International Section 214 transfer of control application filed concurrently with this waiver request (attached as Exhibit 2).

[5] New Valor likely will be renamed after close of the merger.

consummation, such transfer of control will result in a substantial change in the ultimate control of the Valor subsidiaries holding FCC licenses and authorizations.

This transaction will advance the public interest by combining ALLTEL and Valor's highly complementary rural assets, each primarily focused on serving small and mid-sized towns and cities. Valor currently serves approximately 550,000 access lines in four states, while ALLTEL provides service to 2.9 million access lines in 15 states. The combination of the Valor properties with ALLTEL to create New Valor will expand upon ALLTEL's existing service in Texas, Oklahoma and Arkansas. The Valor properties also will expand ALLTEL's footprint into one new state – New Mexico.

The waiver request is completely consistent with the Commission's policy direction and prior waiver decisions regarding the all-or-nothing rule. In the *2004 MAG Order,*[6] the Commission specifically stated that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation."[7] In fact, the Commission has routinely granted or extended waivers to carriers, including ALLTEL and Valor, as a result of the pending rulemaking on the all-or-nothing rule.[8] Moreover, the Commission has

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[6] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service, Report and Order and Second Further Notice of Proposed Rulemaking*, 19 FCC Rcd 4122 (2004) ("*2004 MAG Order*" or "*Second FNPRM*").

[7] *Id.* at n.39.

[8] *ALLTEL Corporation Petition for Waiver of Section 61.41, et al.*, 17 FCC Rcd 27696 (WCB 2002) ("*ALLTEL/Verizon Waiver Order*"). In this consolidated decision, the Wireline Competition Bureau ("WCB") granted a waiver to permit rate-of-return regulated ALLTEL to maintain Verizon properties recently acquired as price cap regulated until the conclusion of the rulemaking on the all-or-nothing rule. Additionally, the WCB granted an extension of a previous waiver grant, which permitted ALLTEL to keep its Aliant properties as price cap until

(continued on next page)

acknowledged in a variety of circumstances, including in waivers to ALLTEL and Valor,[9] that price cap regulation should not be reflexively imposed on rate-of-return carriers acquiring price cap assets.[10] In any event, as the Commission previously has held, it is not consistent with the

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conclusion of the rulemaking. Also, the WCB granted the waiver request of rate-of-return regulated CenturyTel to keep 96 new exchanges acquired from Verizon in Missouri as price cap until conclusion of the rulemaking. Finally, this decision also granted a waiver to rate-of-return regulated PRTC to permit it to keep its newly acquired GTE properties as price cap until conclusion of rulemaking. *See also Valor Telecommunications, LLC Petition for Waiver of Section 61.41 of the Commission's Rules*, 17 FCC Rcd 25544 (WCB 2002) ("*Valor Waiver Order*"). In the Valor decision, the WCB also granted a waiver permitting the exchanges of Valor's wholly-owned subsidiary Kerrville Telephone Company to continue to operate under rate-of-return regulation until completion of the rulemaking, even though Valor operates under price cap regulation. In the *2004 MAG Order*, the Commission extended the waiver requests granted in these decisions (and all other active waivers) until it acts on the *Second FNPRM. 2004 MAG Order*, 19 FCC Rcd at n.40.

[9] *AL LTEL Corporation Petition for Waiver of Section 61.41 of the Commission's Rules and Applications for Transfer of Control*, 14 FCC Rcd 14191 (1999) ("*ALLTEL/Aliant 1999 Waiver Order*") (granting a waiver to permit ALLTEL to convert newly acquired price cap facilities from Aliant to rate-of-return regulation); *ALLTEL Corporation Petition for Waiver of Section 61.41 of the Commission's Rules*, 15 FCC Rcd 23227 (CCB 2000) ("*ALLTEL/Aliant 2000 Waiver Order*") (permitting ALLTEL to keep the Aliant properties under rate-of-return regulation pending the outcome of its request to elect price cap regulation on a permanent basis for 13 of ALLTEL's study areas, including Aliant); *ALLTEL Corporation Petition for Waiver of Section 61.41 of the Commission's Rules*, 16 FCC Rcd 12407 (CCB 2001) ("*ALLTEL/Aliant 2001 Waiver Order*") (extending ALLTEL's waiver regarding the Aliant properties for one more year, finding that Aliant's price cap facilities operate under a more cost causative rate structure and converting to rate-of-return regulation would undo the benefits of that reform); *ALLTEL Service Corporation*, 8 FCC Rcd 7054 (CCB 1993) ("*ALLTEL/GTE Waiver Order*") (granting ALLTEL's waiver to permit it to convert price cap regulated GTE facilities to rate-of-return regulation); *Valor Waiver Order*, 17 FCC Rcd at 25547.

[10] *See, e.g.*, *Valor Waiver Order*, 17 FCC Rcd at 25547 ("As we have previously noted, rate-of-return carriers confront numerous serious and complex issues regarding universal service support whenever the 'all-or-nothing' rule requires them to convert to price cap regulation."); *see also infra* n.33.

public interest to require New Valor to adhere to the all-or-nothing rule that the FCC signaled may be modified or repealed in a pending rulemaking.[11]

Application of the rule also would be inconsistent with the purposes and structure of price cap regulation. Price cap regulation was not designed to address the relatively small, diverse, dispersed subscriber base served by New Valor. In addition, the policy concerns under-girding the all-or-nothing rule are not implicated by this waiver request. The all-or-nothing rule was primarily motivated by two concerns: cross subsidization and gaming the system.[12] The increasing vigor of both inter- and intramodal competition, as well as the Commission's pro-competitive policies, have suppressed cross-subsidization incentives and undercut cost shifting opportunities. In addition, there is no incentive for ALLTEL to convert to price cap regulation, particularly given the limits imposed by the *CALLS Order*.[13] Certainly there is no risk of ALLTEL enduring the transaction costs and FCC scrutiny that would inevitably flow from attempting to shift strategically between the two regimes in order to game the system.

Finally, a waiver here promotes the public interest. Under the waiver, customers of New Valor's price cap and rate-of-return companies will continue to enjoy the respective benefits of those policies. Absent a waiver, however, New Valor would be forced to convert all of its companies to price cap, but (at least according to the Commission's tentative conclusion) would

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[11] *ALLTEL/Verizon Waiver Order*, 17 FCC Rcd at 27699 ("[W]e do not believe the public interest would be served by requiring ALLTEL and CenturyTel to undertake the burdens of converting their acquired exchanges to rate-of-return regulation based on a rule that may be modified or eliminated in the near future."); *Second FNPRM*, 19 FCC Rcd at 4163.

[12] *2004 MAG Order*, 19 FCC Rcd at 4126-27.

[13] *Access Charge Reform,* 15 FCC Rcd 12962 (2000), *reversed and remanded in part sub nom. Texas Office of Public Util. Counsel, v. FCC*, 265 F.3d 313 (5th Cir. 2001), *cert. denied,* 535 U.S. 986 (2002) ("*CALLS Order*").

be barred from participation in the CALLS' plan compensation regime.[14] Alternatively, New Valor would be forced to convert all of its exchanges to rate of return,[15] denying some consumers of the benefits of price caps. Neither all-or-nothing outcome benefits the public interest. Thus, there is "good cause" for the requested waiver.[16]

II. GOOD CAUSE EXISTS TO MAINTAIN THE STATUS QUO TREATMENT FOR EACH COMPONENT COMPANY POST-MERGER

Waiver of Commission rules is permitted upon a showing of "good cause."[17] Specifically, "[t]he Commission may exercise its discretion to waive a rule where particular facts would make strict compliance inconsistent with the public interest,"[18] or, alternatively, where "special circumstances warrant a deviation from the general rule and such deviation will serve the public interest."[19]

New Valor presents good cause for waiver of the all-or-nothing rule. The all-or-nothing rule in Section 61.41(b) requires an ILEC filing price cap tariffs in any study area to file price cap tariffs in all of its study areas. The price cap merger provisions in Section 61.41(c) apply the all-or-nothing rule to mergers and acquisitions. Section 61.41(c)(2) specifically provides that

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[14] *Second FNPRM*, 19 FCC Rcd at 4163 (tentatively concluding that the CALLS plan was not designed to be open to new carriers or study areas).

[15] In the *2004 MAG Order*, the Commission modified the all-or-nothing rule to permit a limited exception that "when a rate-of-return carrier acquires lines from a price cap carrier and elects to bring the acquired lines into rate-of-return regulation, [the amended rule] will permit the acquiring carrier to convert the price cap lines back to rate-of-return regulation." *2004 MAG Order*, 19 FCC Rcd at 4129; *see also* 47 C.F.R. § 61.41(e).

[16] *See* 47 C.F.R. § 1.3.

[17] *See id.*

[18] *Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation*, 7 FCC Rcd 4355, 4364 n.118 (1992) (subsequent history omitted).

when a non-price cap company acquires a price cap company, or assets thereof, the acquiring company becomes subject to price cap regulation no later than one year following the effective date of the transaction.[20] The Commission's recent amendment to the all-or-nothing rule, however, permits non-price cap carriers that acquire price cap lines "to convert those lines back to rate-of-return regulation" without a waiver.[21]

A. Commission Precedent Compels a Waiver Here

Waivers have been, and continue to be, appropriate during the pendency of the Commission's all-or-nothing rulemaking. The Commission began a proceeding in 2001 to determine the continued efficacy of these all-or-nothing rules, specifically requesting comment on whether the all-or-nothing rule should be modified or eliminated.[22] During the pendency of that proceeding, the Commission has granted waivers to ALLTEL, Valor and other rate-of-return

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[19] *Northeast Cellular Tel. Co. v. FCC*, 897 F.2d 1164, 1166 (D.C. Cir. 1990) (citing *WAIT Radio v. FCC*, 418 F.2d 1153, 1158 (D.C. Cir. 1969), *cert. denied*, 409 U.S. 1027 (1972)).

[20] 47 C.F.R. § 61.41(b), (c)(2).

[21] *2004 MAG Order*, 19 FCC Rcd at 4129; 47 C.F.R. § 61.41(e). There is a limitation on this rule. The lines converted back to rate-of-return regulation cannot be subject to average schedule settlements. 47 C.F.R. § 61.41(e).

[22] *Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers; Federal-State Joint Board on Universal Service; Access Charge Reform for Incumbent Local Exchange Carriers Subject to Rate-of-Return Regulation; Prescribing the Authorized Rate of Return for Interstate Services of Local Exchange Carriers, Second Report and Order and Further Notice of Proposed Rulemaking in CC Docket No. 00-256, Fifteenth Report and Order in CC Docket No. 96-45, and Report and Order in CC Docket Nos. 98-77 and 98-166*, 16 FCC Rcd 19613 (2001) ("*Second MAG Order*" or "*FNPRM*"). In this *FNPRM*, the Commission noted that the all-or-nothing rule was created ten years ago, and therefore, it wished to explore whether its regulatory policy of generally not permitting affiliated carriers to operate under different systems of regulation continues to serve any public interest. Additionally, the Commission asked what impact the competitive environment has on these rules. Specifically, the Commission noted the ALLTEL/Aliant waiver grant as an example of how the all-or-nothing regulatory requirement may be overly restrictive or out of step with marketplace realities.

carriers that acquired price cap facilities.[23] The waivers permit some of the carriers to keep separate rate-of-return and price cap facilities until the Commission decides whether to retain or modify the all-or-nothing rules. In these decisions, the FCC held that the public interest would not be served by requiring carriers to switch their acquired facilities to price caps or rate-of-return regulation if the carriers would eventually not have to make such a conversion after the rulemaking was decided.[24]

Granting a waiver to New Valor also would be consistent with the spirit and letter of the Commission's decision to extend the ALLTEL and Valor waivers until the conclusion of the all-or-nothing rulemaking. In 2004, the Commission released the *2004 MAG Order* and a *Second FNPRM* on the all-or-nothing rule. The Commission stated the record in the proceeding was "insufficient ... to decide ... whether or how to adopt additional reforms of the all-or-nothing

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[23] *See supra* nn. 8-9 (noting the waivers granted to ALLTEL – regarding both the ALLTEL/Aliant and ALLTEL/Verizon properties – Valor, Puerto Rico Telephone Company and CenturyTel); *see also Saddleback Communications and Qwest Corporation*, 16 FCC Rcd 21159 (APD 2001) (granting the 61.41 waiver request to permit rate-of-return regulated Saddleback to keep newly acquired Qwest facilities under price cap regulation); *Dickey Rural Telephone Cooperative, Dickey Rural Access, Inc., et al. Waiver*, 17 FCC Rcd 16881 (WCB 2002) (granting the 61.41 waiver request to permit rate-of-return regulated Dickey Rural to keep the newly acquired Citizens facilities under price cap regulation); *Nemont Telephone Cooperative, Inc., Missouri Valley Communications, Inc.; Petition for Waiver of Sections 61.41(c)(2), 69.3(e)(11) and 69.605(c) of the Commission's Rules*, 18 FCC Rcd 838 (WCB 2003) (granting the 61.41 waiver to permit Nemont to continue to operate under rate-of-return regulation after acquiring Citizens' exchanges subject to price cap regulation).

[24] *See ALLTEL/Verizon Waiver Order*, 17 FCC Rcd at 27699 (noting that under the special circumstance of the pending rulemaking on the all-or-nothing rule, the FCC did not "believe the public interest would be served by requiring ALLTEL ... to undertake the burdens of converting their acquired exchanges to rate-of-return regulation based on a rule that may be modified or eliminated in the near future"); *Valor Waiver Order*, 17 FCC Rcd at 25547 (noting Valor's claim that "it will suffer substantial financial and administrative burdens if required to convert its Kerrville exchanges to price cap regulation" and finding therefore that "the public interest will be served by allowing Kerrville to remain under rate-of-return regulation until the Commission completes its review of the 'all-or-nothing' rule").

rule."[25] "In light of the relatively uninformative record on these issues, we largely defer action on the all-or-nothing rule until we have reviewed the additional comments on this issue."[26] In this decision, the Commission also specifically stated that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation."[27] Consistent with this statement, the Commission extended the time granted under previous waiver requests to maintain the status quo for those carriers during the pendency of the rulemaking.[28] Valor and ALLTEL were subject to that extension. The Commission has taken no further action on the all-or-nothing rule. As a result, granting New Valor's waiver request is consistent with the FCC's prior decisions to maintain the status quo until the end of the rulemaking.

B. ALLTEL's Small Size Makes It Ill-Suited to Price Cap Regulation

Although the pending all-or-nothing rulemaking and the Commission's prior policies alone constitute good cause warranting waiver of the rule, a waiver here is also appropriate because small carriers like ALLTEL are ill-positioned to convert to price cap regulation. The Commission always has been sensitive to the administrative burdens imposed on smaller companies by application of these rules. In the *ALLTEL/GTE Waiver Order*, the Commission stated:

> [S]maller companies should not be forced into a regulatory regime that was designed based largely on the historical performance of the largest local exchange carriers. Given the Commission's reservations about mandatory application of the price cap plan to

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[25] *2004 MAG Order*, 19 FCC Rcd at 4129.

[26] *Id.*

[27] *Id.* at n.39.

[28] *Id.* at n.40.

> carriers other than GTE and the Regional Bell Operating Companies, our application of the all-or-nothing rule must take into account the Commission's concerns about applying the price cap system to smaller carriers.[29]

The Commission reaffirmed this view in the *ALLTEL/Verizon Waiver Order*, stating that "although it believes that incentive-based regulation is generally superior to rate-of-return regulation, it is sensitive to the needs of smaller carriers."[30]

New Valor qualifies as a smaller carrier, particularly compared with the huge RBOCs that price caps were designed to reach. The combined access lines that will be held by New Valor represent less than 2% of the nation's total wireline switched access lines.[31] Moreover, New Valor's combined 3.4 million access lines pale in comparison to the number of lines served

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[29] *ALLTEL/GTE Waiver Order*, 8 FCC Rcd at 7054 (citing *Policy and Rules Concerning Rates for Dominant Carriers, Second Report and Order*, 5 FCC Rcd 6786 (1990) and *Erratum*, 5 FCC Rcd 7664 (1990) (*LEC Price Cap Order*), *modified on recon.*, 6 FCC Rcd 2637 (1991), *petitions for further recon. dismissed*, 6 FCC Rcd 7482 (1991), *further modified on recon.*, 6 FCC Rcd 4524 (1991) (*ONA/Part 69 Order*), *appeals of LEC Price Cap Order affirmed sub nom., National Rural Telecom Association v. FCC*, 988 F.2d 174 (D.C. Cir. 1993)); *see also, Regulation of Small Telephone Companies*, 2 FCC Rcd 3811 (1987), *amended by*, 3 FCC Rcd 5770 (1988); *ALLTEL/Aliant Waiver Order*, 14 FCC Rcd at 14202.

[30] *ALLTEL/Verizon Waiver Order*, 17 FCC Rcd at 27699.

[31] ALLTEL includes in this count both its switched access and special access lines, while the Commission's nationwide total only counts switched access lines. *See* FCC's Trend Report Chart 8.1, End User Switched Access Lines Reported (June 2004). Additionally, fewer access lines are at issue regarding the price cap entities here than were at issue in previous waiver grants. In the ALLTEL/Verizon transaction, ALLTEL acquired 596,000 access lines regulated under the price cap regime from Verizon Kentucky. In this transaction, Valor is contributing 552,525 access lines to New Valor (525,810 of the access lines are price cap regulated, while 26,715 of the access lines are Kerrville's rate-of-return regulated lines). Additionally, although the 1993 ALLTEL/GTE transaction involved fewer access lines – 300,000 – it was slightly larger than the instant transaction in its relative scope, involving an acquisition that comprised about 20 percent of the post-transaction number of ALLTEL access lines. *See ALLTEL/Aliant 1999 Waiver Order*, 14 FCC Rcd at 14200. Valor's 552,525 access lines represent only 19.25% of the post-transaction holdings of New Valor. Thus, the rationale for grant of this waiver is analogous to that recognized by the Commission with respect to the prior waivers.

by the RBOCs: 45.2 million served by Verizon; 44.3 million served by AT&T; 19.1 million served by BellSouth; and 13.4 million served by Qwest.[32]

The Commission also correctly has recognized that it is ill-advised to require price cap regulation for classes of carriers that do not exhibit the same characteristics as the largest ILECs.[33] More specifically, the FCC has declined to apply price cap regulation to ALLTEL since it lacks the economies of scope and scale of the largest LECs for whom the price cap system was designed.[34] The Commission found that ALLTEL "serves dispersed geographic areas" and therefore "faces varied market conditions."[35] As such, "the types of efficiencies that may be sustainable for the Regional Bell Operating Companies and GTE in the long run may not be sustainable in many of the ALLTEL LEC study areas."[36] New Valor's expanded service area does not alter this analysis. New Valor's exchanges generally still are not contiguous and are dispersed throughout the states it serves. New Valor combined will hold 1,058 exchange areas, of which only 39 of these exchanges have adjacencies – only 3.7 percent of the total.[37] The areas served, moreover, are lightly populated for the most part. The vast majority of New Valor's

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[32] Selected RBOC Local Telephone Data Dec. 2004, *Local Telephone Competition and Broadband Deployment*, *available at* http://www.fcc.gov/Bureaus/Common_Carrier/Reports/FCC-State_Link/IAD/RBOC_Local_Telephone_Dec_2004.xls (Dec. 2004).

[33] *See Policy and Rules Concerning Rates for Dominant Carriers*, 5 FCC Rcd 6786, 6818-19 (1990), *recon.*, 6 FCC Rcd 2637, 2699-2703 (1991); *see also ALLTEL/GTE Waiver Order*, 8 FCC Rcd at 7054-55 ("The Commission recognized that smaller companies should not be forced into a regulatory regime that was designed based largely on the historical performance of the largest local exchange carriers.").

[34] *ALLTEL/Aliant Waiver Order*, 14 FCC Rcd 14199-200.

[35] *Id.* at 14201.

[36] *Id.* at 14202.

[37] Valor owns 237 exchanges, and ALLTEL owns 821. The adjacencies will be principally in Texas, with a few in New Mexico and Oklahoma.

exchange areas will have fewer than 2,000 access lines, with an average of 25 access lines per square mile, compared to the 128 average access lines per square mile served by the non-rural carriers.[38] This variation in service characteristics undermines the ability of the New Valor's entities to achieve uniform efficiencies across all of its service areas and, therefore, undermines the effectiveness of price cap regulation.[39]

III. GRANT OF THE REQUESTED WAIVER WILL NOT RESULT IN COST-SHIFTING OR "GAMING"

The Commission's concerns underlying the all-or-nothing rule are not triggered by the creation of New Valor. The all-or-nothing rule was designed to prevent anticompetitive behavior when a price cap and a rate-of-return company merge or one such company acquires assets of the other. The Commission has explained:

> Absent such a rule, a company might attempt to shift costs from its price cap affiliate to its rate of return affiliate, allowing the rate of return affiliate to earn more (because of its greater revenue requirement) while generating greater earnings for the price cap affiliate (*i.e.*, without triggering the sharing mechanism). Also, if a LEC [local exchange carrier] were allowed to go back and forth between rate of return regulation and price cap regulation, it could game the system by building up a large rate base under rate of return regulation, then opting for price caps which rewards carriers for making efficiency gains.[40]

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[38] This figure was derived from company investor filings made for the non-rural carriers.

[39] Despite the characteristics of the totality of New Valor's territory, the company does not seek to alter the price cap regulation of the former Valor properties.

[40] *ALLTEL/GTE Waiver Order*, 8 FCC Rcd at 7054 (citing *Policy and Rules Concerning Rates for Dominant Carriers*, 6 FCC Rcd 2637, 2706 (1991) (subsequent history omitted)).

In cases where cost-shifting or gaming concerns are not present, the Commission consistently has granted requests for waiver of Section 61.41(c).[41] Here, as explained below, New Valor is not pursuing this transaction "as a means to circumvent the Commission's rules,"[42] and its waiver request should be granted.

First, this transaction does not raise cost-shifting concerns. The rise of competition undercuts any cost-shifting strategy. In particular, competition from inter- and intramodal providers is increasingly strong.[43] Wireless carriers, cable companies and VoIP providers are

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[41] *See, e.g., Saddleback Waiver Order*, 16 FCC Rcd at 21165; *Columbine Telephone Company, Inc.*, 12 FCC Rcd 3622 (CCB 1997); *Alpine Communications, L.C.*, 12 FCC Rcd 2367 (CCB 1997); *U S West Communications, Inc. and Eagle Telecommunications, Inc.*, 10 FCC Rcd 1771 (1995); *ALLTEL/GTE Waiver Order*; *Island Telephone Company*, 7 FCC Rcd 6382 (CCB 1992); *Chautauqua & Erie Telephone Corporation*, 7 FCC Rcd 6081 (CCB 1992); *U S West Communications and Gila River Telecommunications, Inc.*, 7 FCC Rcd 2161 (CCB 1992).

[42] *See Kendall Telephone, Inc. and Wisconsin Bell, Inc.; Definition of "Study Area" Contained in the Part 36 Appendix-Glossary of the Commission's Rules; Kendall Telephone, Inc. Petition for Waiver of Sections 61.41(c)(2), 69.3(e)(6), and 69.3(g)(2) of the Commission's Rules*, 13 FCC Rcd 17739, 17744 (APD 1998).

[43] *See, e.g., Wireless substitution in full swing, says study*, RCR WIRELESS NEWS, Sept. 19, 2005, at 30. This article states that industry research and analyst firm The Yankee Group has reported that "wireless usage continues to outpace wireline usage in the United States." Yankee Group "surveys reveal that cell phones displace 60 percent of long distance and 36 percent of local calling from landlines to wireless." *See also* Patrick Barnard, *Fitch: Enabling Technologies Will Increase Competition in 2006*, TMCNET, Dec. 1, 2005, *available at* http://www.tmcnet.com/channels/voip-switching-and-service-delivery/articles/110-fitch-enabling-technologies-will-increase-competition-2006.htm. This article details the recent release of Fitch Ratings, an international ratings agency. Fitch issued a report in the first week of December asserting "that telecommunications enabling technologies, including VoIP and 3G wireless, are 'broadening the competitive overlap of wireline operators [in the U.S.], leading to a higher level of service substitution and competitive risk.'" As a result of this increased competition, "[w]ireline revenues, including traditional voice services as well as data, are expected to stay flat or go down slightly in 2006 compared to 2005." Fitch notes that "'[t]raditional voice services will continue to be pressured by access line erosion, particularly associated with wireless substitution and the increasing scale of cable multiple system operator (MSO) telephony offerings.'" Additionally, the article states that Fitch believes residential wireline service will continue to erode "in 2006 mainly due to the increasing popularity of VoIP and 3G wireless services."

offering bundled local and long-distance service at one rate, making it significantly more difficult for any carrier to recover excess costs in access rates. Moreover, there is no evidence of any cost shifting between the rate-of-return and price cap components of ALLTEL or Valor since their prior acquisitions. Nor is New Valor aware of any allegations of cost-shifting by other carriers operating pursuant to waivers. In fact, in the Second FNRPM, the Commission noted that the debate over whether cost-shifting can occur has been "in very general terms, with little in the way of specific detail."[44]

Finally, there is no incentive to engage in improper cost shifting because such conduct would encourage uneconomic entry into those study areas by competitors.[45] Importantly, cost shifting incentives have been suppressed even further by the Commission's actions in its *MAG Orders*. In particular, the greater pricing flexibility allowed by the *Second MAG Order* and *2004*

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[44] *Second FNPRM*, 19 FCC Rcd at 4163. In the *Second FNRPM*, the Commission also tentatively concluded "that existing accounting and regulatory processes should permit parties and the Commission to detect cost shifting by rate-of-return carriers that file cost-based tariffs." Although some ALLTEL and Valor's Kerrville properties do not file cost-based tariffs since they concur in the NECA pooling process, NECA has specific processes to ensure that carriers participating in the pool submit legitimate costs. In particular, carriers participating in the pool must submit cost studies to NECA. *See, e.g.*, 47 C.F.R. § 69.605(a) ("Access revenues and cost data shall be reported by participants in association tariffs to the association for computation of monthly pool revenues distributions in accordance with this subpart."); *July 1, 2004, Annual Access Charge Tariff Filings,* 19 FCC Rd 23877, 23878 (2004) (noting that NECA cost companies "receive pool revenues for interstate access services based on their actual interstate investment and expenses, calculated each year from cost studies" submitted by the carrier). We note that ALLTEL does operate two small properties subject to average schedule regulation, accounting for roughly 12,000 lines or approximately .4% of New Valor's total access lines.

[45] For example, a rate-of-return carrier charging higher rates to recover costs for its price cap affiliate could be faced with new competition. The high rates charged by the rate-of-return carrier could lead a competitor to enter the market and provide service at a lower rate.

MAG Order for rate-of-return ILECs[46] provides rate-of-return carriers greater opportunities to respond to competition without resorting to cost-shifting and other anticompetitive strategies.

Furthermore, there should be no Commission concern that New Valor will "game the [price cap] system."[47] As explained above, price cap regulation is not a suitable option for New Valor overall and, therefore, the company has no current plans or intent to convert any of its rate-of-return operations to price cap regulation. New Valor certainly has no plans to shift repeatedly between the two regimes in order to gain the type of arbitrage that the all-or-nothing rule was designed to prevent.[48]

Moreover, as a practical matter, the Commission has tentatively concluded that the CALLS plan[49] is effectively "closed" to current rate-of-return carriers, precluding such carriers from converting to price cap regulation, even if such a result were desirable.[50] Specifically, in the *Second FNPRM*, the Commission tentatively concluded that that CALLS plan was not designed to be open to new carriers or study areas since it was a voluntarily negotiated

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[46] *Second MAG Order*, 16 FCC Rcd 19641; *2004 MAG Order*, 19 FCC Rcd 4134-46 (providing greater flexibility to allow rate-of-return carriers to set more economically efficient rates and respond to competitive entry by permitting geographically deaveraged transport and special access rates).

[47] *ALLTEL/GTE Waiver Order*, 8 FCC Rcd at 7054.

[48] *ALLTEL/Aliant 2001 Waiver Order*, 16 FCC Rcd at 12409 (noting that ALLTEL/Aliant stated that maintaining the status quo for the Aliant exchanges is beneficial because it "will eliminate the potential for customer confusion and rate churn that would result from changing the Aliant exchanges at this point in time to rate-of-return regulation.").

[49] The CALLS plan replaced the original price cap structure, establishing three target levels for traffic-sensitive access rates.

[50] Under the *CALLS Order*, interstate access universal service support for areas served by price cap carriers was fixed at $650 million annually. 15 FCC Rcd at 13046, 13049. Thus, a rate-of-return carrier seeking to convert to price cap regulation likely would encounter vehement opposition from other price cap carriers anxious to preserve their respective shares of the $650 million universal service fund.

agreement among price cap carriers and certain IXCs that addressed pricing and universal service concerns as a package; when the plan was created, there was no consideration of possible participation by carriers that were under rate-of-return regulation.[51] In fact, the replacement of the original price cap rules with the CALLS plan was the reason why ALLTEL withdrew a request to convert 13 of its study areas to price cap regulation. Until the Commission provides a method by which rate-of-return carriers can easily transition to incentive-based regulation, such as an alternative regulation plan, New Valor will be in no position to convert to price caps.[52]

IV. GRANT OF THE WAIVER SERVES THE PUBLIC INTEREST

Grant of the waiver also serves the public interest by maintaining the status quo for all of New Valor's customers. A waiver would allow the FCC to balance the public interest benefits of incentive regulation for the New Valor price cap entities with the proper deference to the distinct concerns of New Valor small telephone company rate-of-return exchanges. As the FCC previously recognized, although price cap regulation is currently "not ... suitable for [ALLTEL's] entire operation,"[53] it yields benefits for the customers that now receive service

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[51] *Second FNPRM,* 19 FCC Rcd at 4163.

[52] Currently, ALLTEL, in conjunction with Madison River Communications, LLC and TDS Telecom, Inc., has an alternative regulation plan before the Commission that would permit rate-of-return carriers to elect to use incentive-based regulation under Section 61.39 of the Commission's rules on a study area basis, thereby permitting carriers to be rewarded for their efficiencies that have been made by earning more than the current rate-of-return level (11.25%), if applicable. Letter from Stephen G. Kraskin. Kraskin, Lesse & Cosson, LLC, to Marlene H. Dortch, Secretary, Federal Communications Commission (filed May 9, 2003). Additionally, CenturyTel has filed an alternative regulation plan that proposes a five-year plan to modify the Commission's price cap rules to permit rate-of-return carriers to elect a modified form of price cap regulation on a study area basis. *Second FNPRM,* 19 FCC Rcd at 4159. The Commission has sought comment on these plans, tentatively concluding that it would adopt a voluntary alternative regulation plan that could be elected on the study area level. *Id.* at 4163.

[53] *ALLTEL/Aliant 1999 Waiver Order,* 14 FCC Rcd at 14201.

under a price cap regime.[54] Retention of price cap regulation also will enable these customers to continue to enjoy the benefits of the *CALLS Order*.[55] The Commission previously has noted the public benefits from maintaining both the Aliant and Verizon exchanges under price cap regulation, while maintaining ALLTEL's largely rate-of-return status;[56] the same rationale applies to the Valor properties.

As discussed above, the newly formed New Valor will also advance the public interest through additional economies of scale and scope in the provision of telecommunications services upon grant of the requested waiver and consummation of the transaction. The combined resources of ALLTEL and Valor's operations will enhance New Valor's ability to offer both expanded and innovative services and will encourage continued investment in new technologies. In particular, New Valor will improve broadband penetration to the rural public.[57] Furthermore, this acquisition will permit New Valor to realize significant economic, marketing, and technical service synergies and efficiencies, which will increase its ability to continue providing high quality, competitively priced telecommunications services and to compete vigorously in the

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[54] The Commission noted in the recent *ALLTEL/Verizon Waiver Order* its preference for incentive-based regulation. *ALLTEL/Verizon Waiver Order*, 17 FCC Rcd at 27699.

[55] *CALLS Order*, 15 FCC Rcd at 12974-82.

[56] *ALLTEL/Aliant 2001 Waiver Order*, 16 FCC Rcd at 12409-10 ("Under price cap regulation, the Aliant exchanges have reformed their access charges and, therefore, have a more cost causative interstate rate structure. Returning the Aliant exchanges to rate-of-return regulation at this time would undo the benefits those reforms."); *ALLTEL/Verizon Waiver Order*, 17 FCC Rcd at 27698-99.

[57] DSL service is available to approximately 73 percent of ALLTEL's wireline customers, up from 63 percent year-end 2004. As of December 15, 2005, ALLTEL had 391,000 DSL subscribers, up from 243,000 at year-end 2004. Through third quarter 2005, DSL service is available on 71 percent of Valor's access lines. Valor had 47,309 DSL subscribers at the end of the third quarter, up from 16,521 subscribers at the end of third quarter 2004.

telecommunications marketplace. New Valor customers also will benefit from the substantial managerial and technical expertise and resources of the combined operations. Thus, the proposed acquisition and grant of this waiver will benefit the public interest.

V. CONCLUSION

Grant of New Valor's waiver is consistent with Commission precedent, protects the interests of small company consumers, does not create an opportunity for gaming or cross-subsidization, and advances the public interest. Thus the Commission should grant a waiver of the necessary provisions of 47 C.F.R. § 61.41 to permit the status quo to be maintained regarding New Valor's price cap and rate-of-return operations.

Respectfully submitted,

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December 22, 2005

EXHIBIT 1

New Valor
Federal Regulatory Treatment

Alltel Properties	Form of Regulation
ALLTEL Nebraska, Inc.	Price-Cap
Kentucky ALLTEL, Inc.	Price-Cap
Accuccom	Rate-of-Return
ALLTEL Alabama, Inc.	Rate-of-Return
ALLTEL Arkansas, Inc.	Rate-of-Return
ALLTEL Communications Inc.	Rate-of-Return
ALLTEL Florida, Inc.	Rate-of-Return
ALLTEL Georgia Communications Corp.	Rate-of-Return
ALLTEL Georgia, Inc.	Rate-of-Return
ALLTEL Kentucky, Inc.	Rate-of-Return
ALLTEL Mississippi, Inc.	Rate-of-Return
ALLTEL Missouri, Inc.	Rate-of-Return
ALLTEL New York, Inc.	Rate-of-Return
ALLTEL North Carolina, Inc.	Rate-of-Return
ALLTEL Ohio, Inc.	Rate-of-Return
ALLTEL Oklahoma, Inc.	Rate-of-Return
ALLTEL Pennsylvania, Inc.	Rate-of-Return
ALLTEL South Carolina, Inc.	Rate-of-Return
ALLTEL Texas, Inc.	Rate-of-Return
Georgia ALLTEL Telcom, Inc.	Rate-of-Return
Georgia Telephone Corporation	Rate-of-Return
Oklahoma ALLTEL, Inc.	Rate-of-Return
Standard Telephone Company	Rate-of-Return
Sugar Land Telephone Company	Rate-of-Return
Western Reserve Telephone Company	Rate-of-Return

Valor Properties	Form of Regulation
Valor Telecom - New Mexico VANM	Price-Cap
Valor Telecom - New Mexico VANN	Price-Cap
Valor Telecom - Texas VATX	Price-Cap
Valor Telecom - Texas VCTX	Price-Cap
Valor Telecom - Oklahoma	Price-Cap
Kerrville Telephone Company	Rate-of-Return

EXHIBIT 2

Before the
Federal Communications Commission
Washington, DC 20554

In the Matter of VALOR COMMUNICATIONS GROUP, INC., Transferor and VALOR COMMUNICATIONS GROUP, INC. (NEW VALOR), Transferee Application for Transfer of Control of Domestic and International Authorization Under Section 214 of the Communications Act, as Amended	))))))))))))))	File No. ITC-T/C-_______ WC Docket No. _______

To: International Bureau
Wireline Competition Bureau

APPLICATION FOR TRANSFER OF CONTROL

Pursuant to Section 214 of the Communications Act of 1934, as amended (the "Act), 47 U.S.C. § 214, and Sections 63.03, 63.04 and 63.24(e) of the rules, 47 C.F.R. §§ 63.03, 63.04 and 63.24(e), Valor Communications Group, Inc. ("Valor" or "Transferor," FRN 0010612513) and New Valor, ("New Valor" or "Transferee" FRN 0014400220) (together "Applicants") seek approval by the Federal Communications Commission ("FCC" or the "Commission") for the transfer of control of Valor and its subsidiaries from Valor as presently owned to New Valor as it will be owned following a merger between Valor and ALLTEL Holding Corp. ("AHC"), a wholly-owned subsidiary of ALLTEL Corporation ("ALLTEL," FRN 0002942159) pursuant to the transaction described below. New Valor will be the same corporate entity as Valor Communications Group, Inc., but likely with a new name as the surviving entity in the merger

transaction.[1] The current stockholders of ALLTEL will control New Valor upon completion of the transaction, thus resulting in a substantial change in the ultimate control over the FCC licensee and Section 214-authorized carrier subsidiaries of Valor.

In addition to the transfer of control applications being filed for subsidiaries of Valor, *pro forma* transfer of control applications are being filed for subsidiaries of AHC. These applications seek Commission approval for the transfer of control of AHC and its subsidiaries from ALLTEL to New Valor. (Where appropriate, post-consummation notifications will be filed in lieu of applications.)

Information concerning the overall transaction and the principal parties to the transaction is provided below.

I. THE PARTIES

ALLTEL. ALLTEL, a Delaware corporation headquartered in Little Rock, Arkansas, is a diversified telecommunications company that is publicly traded on the New York Stock Exchange ("NYSE"). Through its subsidiaries, ALLTEL provides wireless, local wireline telephone, long-distance, Internet and broadband services to residential and business customers in 34 states. These services are provided in mid-sized cities and rural areas throughout much of the Southeast and portions of the Northeast, Southwest and upper Midwest. ALLTEL provides wireline services in 15 of these 34 states to approximately 2.9 million access lines.[2]

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[1] The new name, if any, has not yet been determined.

[2] These states are: Alabama; Arkansas; Florida; Georgia; Kentucky; Mississippi; Missouri; Nebraska; North Carolina; New York; Ohio; Oklahoma; Pennsylvania; South Carolina; and Texas. ALLTEL provides local exchange service through the following entities: ALLTEL Arkansas, Inc.; ALLTEL Alabama, Inc.; ALLTEL Florida, Inc.; ALLTEL Georgia, Inc.; Georgia ALLTEL Telcom, Inc.; ALLTEL Georgia Communications Corp.; Standard Telephone Company; Accucomm; Georgia Telephone Corporation; ALLTEL Kentucky, Inc.; Kentucky ALLTEL, Inc.; ALLTEL Mississippi, Inc.; ALLTEL Missouri, Inc.; ALLTEL
(continued on next page)

AHC is a wholly-owned subsidiary of ALLTEL which has been formed to facilitate the proposed transaction. The current ALLTEL subsidiaries that conduct the wireline businesses and other businesses including directory publishing operations, information services, product distribution operations and management services (other than such operations which support ALLTEL's wireless telecommunications business) will become subsidiaries of AHC. The ALLTEL subsidiaries offering wireless telecommunications services will not become subsidiaries of AHC.

Valor. Valor Communications Group, Inc. is a NYSE-traded Delaware corporation headquartered in Irving, Texas and is the holding company owner of subsidiaries that offer a number of telecommunications services, including local exchange service to approximately 530,000 access lines. Through wholly owned subsidiary holding companies, Valor holds an indirect 100 percent interest in Valor Telecommunications of Texas, L.P. ("Valor Texas"), an incumbent local exchange carrier ("ILEC") that as of June 30, 2005 provides local exchange service to approximately 506,000 access lines in four states: Arkansas, New Mexico, Oklahoma and Texas. Valor also holds an indirect 100 percent interest in Valor Telecommunications LD, LP ("Valor LD"), which provides interexchange and resold international services in those four states.[3] Valor is also the parent company of Kerrville Communications Corp. ("KCC") which, in

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Nebraska, Inc.; ALLTEL New York, Inc.; ALLTEL Carolina, Inc.; ALLTEL Ohio, Inc.; Western Reserve Telephone Company; ALLTEL Oklahoma, Inc.; Oklahoma ALLTEL, Inc.; ALLTEL Pennsylvania, Inc.; ALLTEL South Carolina, Inc.; Texas ALLTEL, Inc.; and Sugar Land Telephone Company.

[3] Valor LD changed its corporate form from a limited liability company to a limited partnership in mid-2003. Valor LD's name is registered correctly in IBFS, and the Commission's CORES system has been recently updated to reflect the change. While this event entailed a *pro forma* transaction and post-consummation notification obligation, *see* 47 C.F.R. §§ 63.24(d) note 2 and 63.24(f), the Commission was apprised of Valor LD's corporate form when Valor filed to obtain Commission consent (which was granted) for its 2004 initial public

(continued on next page)

turn, is primarily a rural ILEC in Kerrville, Texas providing a number of communications services through other subsidiaries, including local exchange service to approximately 24,000 access lines. KCC subsidiaries Advanced Tel-Com Systems, LP ("ATS") and Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless ("Five Star") provide resold international services. KCC subsidiary KCC TelCom, Inc. d/b/a K2C is a competitive local exchange carrier ("CLEC") in Bourne and Fredericksburg, Texas.

New Valor. New Valor will be the same corporate entity as Valor, but likely with a new name as the surviving entity in the merger transaction. Subsidiaries of New Valor will include the current subsidiaries of Valor as well as subsidiaries of AHC. These subsidiaries will continue to operate (likely under new names) the businesses currently operated by subsidiaries of Valor and the wireline and related businesses currently operated by subsidiaries of ALLTEL. As described in Section II below, upon consummation of the transaction described herein 85 percent of the shares of New Valor will be held by the shareholders of ALLTEL. The remaining 15 percent of New Valor's shares will be held by Valor's current shareholders. Other than the ALLTEL shareholders, there will be no common ownership of ALLTEL and New Valor upon consummation of the merger.

II. THE TRANSACTION

The overall transaction will consist of a spin-off by ALLTEL to its stockholders of ALLTEL's wireline and certain other businesses as held by subsidiaries of AHC followed by a merger of AHC into Valor.[4] This transaction will be comprised of four distinct steps. Step 1

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offering. *See* Public Notice, *International Authorizations Granted*, DA 04-1413, File No. ITC-T/C-20040412-00157 (May 20, 2004).

[4] A diagram illustrating the transaction is attached as Exhibit B.

will involve the transfer of certain assets to the ALLTEL subsidiaries that are to become subsidiaries of AHC so as to effectuate the separation of ALLTEL's wireless businesses from its wireline businesses. It is not expected that any FCC licenses will be assigned to a different licensee as part of this preliminary restructuring.

Step 2 will involve the contribution/transfer of stock of certain ALLTEL subsidiaries from ALLTEL to AHC. As a result of this transfer, the assets of ALLTEL's wireline and certain other non-wireless businesses will be held by subsidiaries of AHC in the ALLTEL corporate structure.[5]

In Step 3, ALLTEL will distribute all the shares of AHC to the ALLTEL stockholders. However, these shares of stock will be issued to a Distribution Agent for purposes of completing the merger in Step 4.

In Step 4, AHC will merge into Valor. Valor will issue approximately 400 million new shares of stock, each share of outstanding stock of AHC will be converted into 1.05 shares of stock of Valor, and the Distribution Agent will then distribute such shares of Valor stock to the stockholders of ALLTEL. Upon completion of the merger, Valor will be the surviving corporation (referred to herein as New Valor), and the stockholders of ALLTEL will own 85 percent of the common stock of New Valor and the pre-merger stockholders of Valor will own 15 percent of the common stock of New Valor.[6]

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[5] In consideration for the stock of these subsidiaries, AHC will issue additional shares of AHC stock to ALLTEL, will issue notes to ALLTEL and will pay a special cash dividend to ALLTEL.

[6] As mentioned previously, the corporate name of Valor will likely be changed immediately following completion of the merger. The names of the AHC subsidiaries will also likely be changed upon completion of the merger. The initial Board of Directors of New Valor will consist of nine (9) members as follows: the Chairman of the Board of Directors of AHC; the Chief Executive Officer of AHC; six (6) persons designated by ALLTEL (at least four (4) of whom are to be "independent directors" under the rules of the NYSE); and one (1) person
(continued on next page)

All four steps described above are part of an integrated overall transaction. Steps 2 through 4 will be completed one after the other in a short period of time, that is, nearly simultaneously as part of a single closing. The overall transaction can be summarized as follows: (1) the assets of the wireless and wireline business of ALLTEL will be separated; (2) the wireline businesses will be contributed to AHC; (3) the stock of AHC will be spun off to the ALLTEL stockholders; and (4) AHC will be merged into Valor (which will be the surviving corporation and the name of which will likely be changed).

As a result of the overall transaction, there will be a transfer of control of AHC and its new subsidiaries from ALLTEL to New Valor. However, the existing stockholders of ALLTEL will be in control of New Valor following completion of the transaction. Therefore, there will be no substantial change in the ultimate ownership and control of AHC and its subsidiaries and the transfer of control of those entities is *pro forma* in nature. There will also be a transfer of control of the subsidiaries of Valor from Valor to New Valor. Because the existing stockholders of ALLTEL will control New Valor upon consummation, such transfer of control will result in a substantial change in the ultimate control over Valor subsidiaries holding FCC licenses and authorizations.

III. PUBLIC INTEREST STATEMENT

Pursuant to Sections 310(d) and 214 of the Communications Act of 1934, as amended, the subject licensees and authorized carriers may not be transferred unless the Commission finds

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designated by Valor (which person is to be an "independent director" under the rules of the NYSE). These directors will serve staggered terms so that three (3) directors will be elected by the stockholders of New Valor each year going forward.

"that the public interest, convenience and necessity will be served thereby."[7] The first step in this analysis is an evaluation of the transferee's qualifications. Pursuant to Section 310(d), "the Commission may not consider whether the public interest, convenience, and necessity might be served by the transfer… of the permit or license to a person other than the proposed transferee."[8] New Valor is legally, technically and financially qualified with regard to the instant transfer of control applications.

A. Public Interest Benefits of the Merger Generally

1. *The Merger Will Enable New Valor to Provide Additional Focus and Resources to the Wireline Business and Customers*

New Valor will operate in an industry that has been and continues to be subject to rapid technological advances, evolving consumer preferences, and dynamic change. These factors, combined with regulatory developments, create an environment in which the interests of ALLTEL's wireline business are diverging from a wireless-centric focus. The establishment of New Valor creates an independent, stand-alone wireline-centric corporation that serves the public interest by allowing ALLTEL's separated ILECs to focus squarely on enhancing their local wireline operations and combines with Valor's complementary markets with favorable rural characteristics, thereby allowing New Valor to better deliver a broadening range of high quality services to local residential and business customers.

By virtue of the merger, New Valor will become one of the nation's premier rural wireline operators. ALLTEL's and Valor's complementary facilities and markets will facilitate an ease of integration; indeed, Valor already utilizes ALLTEL's billing system for its own subscribers. The merger will enable New Valor to recognize approximately $40 million in

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[7] 47 U.S.C. §§ 214, 310(d).

[8] *Id.* § 310(d).

synergies, and create a principally rural local wireline provider with 3.4 million access lines. The vast majority of New Valor's exchange areas will have fewer than 2,000 access lines, with an average of 25 access lines per square mile. A map of the Applicants' combined coverage is attached as Exhibit C.

The separation of ALLTEL's wireline business and its combination with that of Valor has the beneficial effect of better aligning New Valor's interests with the interests of its customers. The combined company's strategic wireline focus will allow for a stronger local emphasis and permit New Valor to provide services tailored to customers' needs. New Valor will ensure that service quality and the customer experience for current ALLTEL and Valor wireline customers remain high priorities. Customers will experience no less than business as usual, but very likely an improved experience, as New Valor enhances service delivery, product development, and customer interaction. ALLTEL and Valor both have deployed DSL services throughout many of their markets, and ALLTEL in particular is already a leader among independent LECs in broadband deployment.[9] The merger will provide enhanced strategic, financial, and operational opportunities for each business, including improving the already commendable levels of broadband penetration, and expanding service to include video and bundled wireless offerings.

2. ***The Merger Will be Seamless to Subscribers.***

The separation and merger, other than a likely change of name, will be virtually transparent to customers of both ALLTEL and Valor. Up to and after the separation and merger,

[9] DSL service is available to approximately 73 percent of ALLTEL's wireline customers, up from 63 percent at year-end 2004. As of December 15, 2005, ALLTEL had 391,000 DSL subscribers, up from 243,000 at year-end 2004. Through third quarter 2005, DSL service is available on 71 percent of Valor's access lines. Valor had 47,309 DSL subscribers at the end of the third quarter 2005, up from 16,521 subscribers at the end of third quarter 2004.

customers will receive the same full range of products and services they received prior to the separation, at the same prices, and under the same terms and conditions. Currently, ALLTEL's and Valor's ILEC subsidiaries offer bundles of local calling and custom calling features combined with other services via sales of its own services or its own services combined with the services of another provider sold via a sales agency arrangement. These bundled offerings were designed to meet the customer demand for a true "one stop shop" for communications needs. New Valor will enter into the necessary arrangements to allow it to continue providing bundled service offerings.

Moreover, the customer interface with New Valor will not change. Customers will continue to call existing numbers to order new services, report service problems, and inquire about billing or other customer care issues. New Valor will provide customers notice of the transfer and name change (if any) via bill messages. A sample customer notice will be provided to the Commission in advance of its distribution in accordance with Section 64.1120(e) of the rules.[10]

New Valor will concentrate even more on the telecommunications needs of wireline customers, and local affairs will continue to be managed by men and women with established local relationships and extensive knowledge of the telecommunications business. Applicants' participation in the local community will be ongoing and continue to be of great importance. Furthermore, the senior executive team will be comprised of many of the same executives that have guided ALLTEL's and Valor's local operations in the past. Their experience and expertise, combined with new flexibility to pursue wireline-centric strategic goals, will ensure that New Valor's service quality and standards remain at the highest levels.

[10] *See* 47 C.F.R. § 64.1120(e).

New Valor will provide the same high quality local exchange and resold long distance service it does today, subject to the same rules, regulations, and applicable tariffs. The transaction will not affect the existing price regulation plan, service quality obligations, or tariffs.[11] Further, the terms and prices for existing wholesale services under applicable access tariffs will remain unchanged as a result of this transfer. Finally, the transfer of control will not impact the terms of any existing interconnection agreements or obligations under state and federal laws regarding interconnection.

B. The Transaction Poses No Competitive Risks for the Domestic Interstate Market and Approval Is Consistent with Commission Precedent

The transaction will not result in harm to competition in any relevant market and will yield tangible public interest benefits. ALLTEL and Valor presently have a miniscule share of the domestic interstate interexchange market and are regulated as nondominant in that market.[12] The Commission has already determined that combinations between nondominant carriers resulting in less than 10 percent market share of the interstate interexchange market are "extremely unlikely [to] result in a public interest harm" and "unlikely to raise public interest

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[11] This transfer will not result in substantive tariff changes. With respect to price regulation, New Valor has concurrently filed a request for waiver of the Commission's Section 61.41 "all or nothing" rule to ensure that the existing interstate access pricing regime (price cap or rate-of-return) for each market is retained pending Commission action in a related rulemaking proceeding. *See* discussion at Exhibit A.

[12] *See* 47 C.F.R. § 63.01; *Regulatory Treatment Of LEC Provision Of Interexchange Services Originating In The LEC's Local Exchange Area and Policy And Rules Concerning The Interstate, Interexchange Marketplace*, 12 FCC Rcd. 15756, ¶ 163 (1997) (independent ILECs subject to nondominant regulatory treatment conditioned on separation requirements) ("*ILEC Regulatory Classification Order*"). Commission data indicates that ALLTEL Communications Inc.'s 2003 combined intrastate, interstate and international toll revenues of approximately $175 million amounted to just over two tenths of one percent of industry's total of over $77 billion. *See* Wireline Competition Bureau, *Trends in Telephone Service*, at Table 9.5 (WCB April 2005).

concerns."[13] New Valor's market share will fall well below that threshold. Moreover, as New Valor (like its predecessor companies) will offer only resold interexchange services, anticompetitive harm is even less likely.[14]

With respect to the Applicants' ILEC markets, the Commission has found that where mergers between non-BOC ILECs result in no overlaps and no or minimal adjacencies between markets where the adjacent exchanges are very small, "no harm to competition is likely to occur."[15] Moreover, where rural and less populated areas are involved, the Commission has found that such areas "are less attractive to new entrants" and, thus, concerns relating to the loss of potential competition are even less acute.[16]

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[13] *Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 30 (2002) (citing to U.S. Dept. of Justice and Federal Trade Commission Horizontal Merger Guidelines, § 1.51 n.18).

[14] *See Regulatory Treatment of LEC Provision of Interexchange Services Originating in the LEC's Local Exchange Area and Policy and Rules Concerning the Interstate, Interexchange Marketplace; Leaco Rural Telephone Cooperative, Inc. Petition for Waiver*, 14 FCC Rcd. 10771, ¶ 22 (1999) (finding that "independent LECs that provide long distance services solely on a resale basis are less likely to engage in anticompetitive activity such as access discrimination and cost misallocation than facilities-based independent LEC providers of such services"). Even if New Valor were to initiate facilities-based interexchange services, the Commission has determined that an ILEC long distance affiliate's compliance with separate affiliation criteria is sufficient to warrant nondominant regulatory treatment. *See ILEC Regulatory Classification Order* at ¶ 163.

[15] *See Joint Applications of Global Crossing Ltd. and Citizens Communications Co.*, 16 FCC Rcd. 8507, ¶ 9 (CCB, CSB, WTB 2001) ("*Global Crossing/Citizens*"); *ALLTEL Corporation*, 14 FCC Rcd. 14191, ¶ 9 (merger "unlikely to result in any adverse effect on competition in the relevant markets" where no overlaps or adjacencies occur). Indeed, the Commission has approved mergers between smaller ILECs where a merger results in the *loss* of a competitor in an exchange area. *See Joint Applications of Telephone and Data Systems, Inc. and Chorus Communications, Ltd.*, 16 FCC Rcd. 15293, ¶¶ 8-9 (CCB, WTB 2001).

[16] *See Global Crossing/Citizens* at ¶ 7 (citing *Application of GTE Corp. and Bell Atlantic Corp.*, 15 FCC Rcd. 14032, 14095 ¶ 117 (2000)). Like the *Global Crossing/Citizens* transaction, given the nature of the ALLTEL-Valor merger this is clearly an instance in which the Commission's extensive merger analysis previously employed in BOC-related mergers is inapplicable. *Global Crossing/Citizens* involved two companies with ILEC exchanges operating
(continued on next page)

The instant transaction will result in no overlaps and a comparatively small number of adjacencies affecting a limited number of access lines. Valor and ALLTEL combined hold 1,058 exchange areas.[17] Thirty-nine (39) of these exchanges, principally in Texas, with a few in New Mexico and Oklahoma, have adjacencies:

- *West Texas/Southeast New Mexico.* The ALLTEL exchanges of Plains and Higginbotham, TX (1,031 and 187 access lines, respectively) are adjacent to the Valor exchanges of Denver City, TX (2,980), Seagraves, TX (563) and Hobbs, NM (19,216).

- *South Central Oklahoma.* The ALLTEL exchanges of Elmore City (1,049) and Elmore West (244) are adjacent to the Valor exchanges of Maysville (1,125) and Lindsay (3,077).

- *East Central Texas.* The ALLTEL exchanges of Kopperl (434), Lakeside Village (370), Iredell (558), Paluxy (222), Brandon (185), Coolidge (534), Prairie Hill (208), Ben Hur (104), Blum (644), Waterwood (625), Valley Mills (1,330), Covington (815), and Mosheim (146) are adjacent to the Valor exchanges of Morgan (288), Whitney (6,065), Walnut Springs (675), Bynum (185), Milford (440), Irene (460), Hubbard (1,237), Mount Calm (419), Riesel (974), Glen Rose (4,246), Trinity (6,403), Dawson (928), Crawford (978), Frost (526), Purdon (567), Richland (275) and Groveton (1,497).

The Commission has traditionally expressed concern regarding a reduction in the number of potential competitive entrants when large RBOCs with adjacent markets merge their operations.[18] However, the Commission has uniformly approved transactions involving a limited

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in 25 states with over two million access lines and, accounting for two other Citizens transactions, 30 states with over 3 million access lines. *See id.* at ¶ 2; Application of Citizens Communications Company, CCB Pol No. 00-1, at 2-4 (filed Oct. 10, 2000). The instant transaction involves ILEC properties in 16 states with 3.4 million access lines. *Global Crossing/Citizens* involved adjacencies in four states, and involving 71 exchanges ranging from a couple hundred to nearly 300,000 access lines. *See* Global Crossing Ltd. and Citizens Communications Co. *Ex Parte Presentation*, CCB Pol. No. 00-1, at 5-6 and Attachment C. The adjacencies at issue here are in four states and in exchanges ranging from 104 to 19,216 access lines – with all but 6 of the 39 exchanges with adjacencies having less than 2,000 access lines, and only one (Hobbs, NM) having over 10,000 access lines.

[17] Valor owns 237 exchanges, and ALLTEL owns 821.

[18] *See, e.g., In re Applications of NYNEX Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 12 FCC Rcd. 19985, 19990-91 (1997); *Application of GTE Corp. and Bell Atlantic Corp.*, Memorandum Opinion and Order, 15 FCC Rcd. 14032, 14090-92 (2000);
(continued on next page)

number of adjacent exchanges affecting a limited number of access lines.[19] The instant transaction clearly falls into the latter category.[20] Thirty-nine (39) of the total 1058 exchange areas involved in the transaction have adjacencies – only 3.7 percent of the total. In contrast, *Global Crossing/Citizens* involved 71 exchanges with adjacencies.[21] Moreover, ALLTEL's and Valor's exchanges are located in precisely the types of low-density rural and less populated areas the Commission has recognized "are less attractive to new entrants" – as evidenced by the fact that neither ALLTEL nor Valor ever sought to enter those adjacent markets, and that there are CLEC competitors in only a few of the affected ALLTEL or Valor markets.[22]

Application of Ameritech Corp. and SBC Communications Inc., Memorandum Opinion and Order, 14 FCC Rcd. 14712, 14745 (1999).

[19] *See, e.g., Global Crossing/Citizens* at ¶¶ 1, 5-8; Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Hartman Tel. Exchanges, Inc. to Randall J. Raile and Kacey L. Raile*, WC Docket No. 04-320, DA 04-3225, n.3 (WCB rel. Oct. 13, 2004) ("*Hartman PN*"); Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Certain Affiliates of MJD Services Corp. to Golden West Telephone Properties, Inc.*, WC Docket No. 03-186, DA 03-3004, n.2 (WCB rel. Sept. 30, 2003) ("*MJD PN*"); *see also* Public Notice, *Wireline Competition Bureau Grants Consent for Transfer of Control of Berkshire Tel. Co. to Fairpoint Communications, Inc.*, WC Docket No. 03-184, DA 05-1095, n.5 (WCB rel. Apr. 15, 2005) (approval granted after state commission granted subject to conditions).

[20] *See Global Crossing/Citizens* at ¶ 7.

[21] *See supra* note 16.

[22] *See Global Crossing/Citizens* at ¶ 7. Applicants note that for the Global Crossing/Citizens transaction, the Federal Trade Commission and U.S. Department of Justice granted the parties' request for "early termination" (which allows the agencies to promptly conclude their review when no enforcement action is contemplated because the transaction will not lessen competition) only 14 days after submission. *See* Federal Trade Comm'n, *Granting of Request for Early Termination of the Waiting Period Under the Premerger Notification Rules*, 65 Fed. Reg. 68141, 68143 (Nov. 14, 2000); *Premerger Notification Rules; Waiting Period Termination*, 47 Fed. Reg. 40159, *corrected* 47 Fed. Reg. 41512 (1982).

C. International Section 214 Public Interest Considerations

Approval of the proposed transaction (i) will promote and preserve competition in the international telecommunications marketplace and (ii) will ensure that New Valor has the necessary authority to continue to offer seamless international services to existing ALLTEL and Valor customers. The proposed transaction poses no risk of anticompetitive impact on the U.S. international telecommunications marketplace. Applicants together hold only a miniscule share of the international telecommunications market.[23] For this reason alone, New Valor would have no ability to adversely affect competition.

In addition, the Commission's principal concern for "the exercise of foreign market power in the U.S. market" is that such market power "could harm U.S. consumers through increases in prices, decreases in quality, or reductions in alternatives in end user markets."[24] As the Commission explained further, "generally, this risk occurs when a U.S. carrier is affiliated with a foreign carrier that has sufficient market power on the foreign end of a route to affect competition adversely in the U.S. market."[25] As discussed herein, New Valor will acquire no affiliations with foreign carriers, much less any with market power. Thus, consumers would not be harmed by the transaction.

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[23] ALLTEL, which has the larger of the two wireline operations involved, is listed in Commission-compiled data as having 0.123 percent of reported international pure resale revenues for 2003 – a figure which includes the company's wireless operations which are not part of the instant transaction. *See* International Bureau, *2003 International Telecommunications Data*, Table D at 2, (Jan. 2005). Moreover, this figure does not account for competitors' *facilities-based* international services.

[24] *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market; Market Entry and Regulation of Foreign-Affiliated Entities*, Report and Order and Order on Reconsideration, 12 FCC Rcd. 23891, 23951-54 (1997).

[25] *See id.*

IV. SECTION 63.24 INFORMATION

In accordance with Section 63.24(e) of the Commission's rules, 47 C.F.R. § 63.24(e), the Applicants submit the following information in support of the instant application. Information is provided responsive to the provisions of Section 63.18 of the rules, paragraphs (a) through (p), as applicable.

Information for Transferor and Transferee

(a) Name, address, and telephone number

Transferor:

Valor Communications Group, Inc.
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000
Fax: (972) 373-1150

Authorized Carriers (with FRN Information):

Valor Telecommunications LD, LP (FRN 00068114990)
Advanced Tel-Com Systems, L.P. (FRN 0008229429)
Texas RSA15B2 Limited Partnership d/b/a Five Star Wireless (FRN 0006157887)
c/o Valor Telecommunications, LLC
201 East John Carpenter Freeway
Irving, TX 75062
Tel: (972) 373-1000

Transferee:

New Valor
One Allied Drive
Little Rock, AR 72202
Tel: (501) 905-8706
Fax: (501) 905-0962

(b) Citizenship

Transferor:

Valor is a Delaware Corporation.

Authorized Carriers:

Valor LD is a Delaware limited partnership.

ATS is a Texas limited partnership.

Five Star is a Texas limited Partnership

Transferee:

Valor (New Valor) is a Delaware Corporation.

(c) Contact Information

For the Transferor and Authorized Carriers:

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Senior Vice President, Chief Legal Officer & Secretary
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Tel: (972) 373-1000
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For the Transferee:

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Wilkinson Barker Knauer, LLP
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Washington, DC 20037
Tel: (202) 783-4141
Fax: (202) 783-5851
Email: kzachem@wbklaw.com

(d) **International Section 214 Authorizations**

Authorized Carriers:

Valor LD: File No. ITC-214-20000719-00451

ATS: File No. ITC-214-19981110-00835

Five Star: File No. ITC-214-20010802-00418

Transferor:

None

Transferee:

New Valor holds no international Section 214 authorization in its own right.[26]

Information for Transferee

(h) **Ten Percent or Greater Interest Holders**

New Valor will be a publicly-traded company and with no 10 percent or greater interest holders after consummation of the transaction.

(i) **Foreign Carrier Affiliation Certification**

New Valor certifies that it will have no foreign carrier affiliations upon consummation of the transaction.[27]

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[26] Applicants note that to effect the merger, ALLTEL's wholly-owned subsidiary ALLTEL Communications, Inc. will assign international Section 214 authority on a *pro forma* basis to Alltel Holding Corporate Services, Inc. (final name to be determined), the New Valor subsidiary to be providing long distance services for the ALLTEL wireline customers affected by the transaction. This component of the merger transaction is not at issue in the instant application.

[27] ALLTEL Corporation acquired a number of foreign carrier affiliations as a result of its merger with Western Wireless. *See* Public Notice, Report No. 05-00099, DA 05-2683, File No. FCN-NEW-20050831-00024 (rel. Oct. 12, 2005). As no shareholder of ALLTEL or New Valor will have a greater than 25 percent or otherwise controlling interest in either company, ALLTEL's remaining foreign carrier affiliates are not attributable to New Valor. *See* 47 C.F.R. § 63.09(e) (providing that for international Section 214 purposes, "[t]wo entities are affiliated with each other if one of them, or an entity that controls one of them, directly or indirectly owns more than 25 percent of the capital stock of, or controls, the other one.").

(j) Foreign Carrier and Destination Countries

New Valor certifies that upon consummation of the transaction (1) it will not be a foreign carrier, (2) it does not control any foreign carriers, (3) no entity that will own more than 25 percent of or control New Valor controls a foreign carrier, and (4) two or more foreign carriers (or parties that control foreign carriers) do not own, in the aggregate, more than 25 percent of New Valor.

(k) WTO Membership of Destination Countries

Not applicable.

(l),(m) Nondominant Regulatory Classification

Not applicable. As New Valor will have no foreign carrier affiliations, it is entitled to continued nondominant regulatory classification pursuant to Section 63.10(a)(1) of the rules, 47 C.F.R. § 63.10(a)(1).

(n) Special Concessions Certification

New Valor certifies that it has not agreed to accept special concessions directly or indirectly from any foreign power with respect to any U.S. international route where the foreign carrier possesses market power on the foreign end of the route and will not enter into such agreements in the future.

(o) Federal Benefits/Anti-Drug Abuse Act of 1988 Certification

Applicants certify pursuant to Sections 1.2001 through 1.2003 of the rules, 47 C.F.R. § 1.2001-1.2003, that no party to the application is subject to a denial of Federal Benefits pursuant to Section 5301 of the Anti-Drug Abuse Act of 1988, 21 U.S.C. § 862.

(p) Eligibility for Streamlined Processing

As New Valor is not a foreign carrier and does not have any foreign carrier affiliations, the instant application qualifies for streamlined processing pursuant to Section 63.12 of the rules, 47 C.F.R. § 63.12.

V. TRANSFER OF CONTROL OF DOMESTIC SECTION 214 AUTHORITY

Pursuant to Section 63.04(b) of the rules, 47 C.F.R. § 63.04(b), information responsive to Section 63.04(a)(6)-(a)(12) of the rules is provided in Exhibit A.

VI. CONCLUSION

For the foregoing reasons, Applicants request Commission consent to the transfer of control of Valor and its subsidiaries to New Valor in connection with the transaction described herein.

Respectfully submitted,

VALOR COMMUNICATIONS GROUP, INC.

By: ______________________

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December 21, 2005

EXHIBIT A

Transfer of Control of Domestic Section 214 Authority
Information Responsive to Section 63.04(a)(6)-(a)(12) of the Rules

1. Description of Transaction (§ 63.04(a)(6))

The proposed transaction is described in Section II of the Application.

2. Description of Geographic Service Area and Services in Each Area (§ 63.04(a)(7))

Applicants' wireline domestic interstate and international services are described in detail in Sections I and III of the Application. A map showing the parties' ILEC service areas is attached as Exhibit C hereto. Applicants reiterate that ALLTEL's current ILEC and CLEC service territories do not overlap with those of Valor.

Valor and ALLTEL both presently offer resold domestic interstate and international interexchange services in their service territories, and New Valor will continue to offer such services after consummation of the merger.

Valor holds an indirect minority general partnership interest in two Part 22 cellular licensees.

3. Eligibility for Streamlined Processing (§ 63.04(a)(8))

Applicants request that the Commission exercise its discretion to apply the streamlined procedures of Section 63.03(a) of the rules to the instant application.[28] This application presents no "novel questions of fact, law, or policy which cannot be resolved under outstanding

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[28] *See Implementation of Further Streamlining Measures for Domestic Section 214 Authorizations*, Report and Order, 17 FCC Rcd. 5517, ¶ 28 (2002) ("*2002 Streamlining Order*"). Should the Commission decide not to treat the instant application as streamlined, the parties nonetheless submit that an abbreviated public comment cycle and expeditious Commission review process is appropriate under the circumstances. *See Hartman PN* (public comment cycle concluded 21 days after public notice, grant issued 38 days after public notice); *MJD PN* (public comment cycle concluded 21 days after public notice, grant issued 33 days after public notice).

precedents and guidelines."[29] The accompanying international Section 214 application is subject to streamlined processing pursuant to Section 63.12, and the accompanying Title III applications are subject to expedited approval processes.[30] Thus, streamlined processing of the instant application will not complicate the Commission's review of the accompanying international Section 214 and Title III applications.

But for the small number of adjacent ILEC markets, the Applicants would meet the streamlining criteria of Section 63.03(b)(2)(iii) of the rules.[31] ALLTEL and Valor combined will hold far less than 10 percent of the interstate interexchange market and under two percent of the nation's aggregate installed subscriber lines.[32] There are no overlaps between ALLTEL's and Valor's LEC markets and, as discussed in Section III.B of the Application, the small number of adjacent exchange areas raises no novel issues of law or policy.[33] Thus, the small number of

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[29] *See 2002 Streamlining Order* at ¶ 28.

[30] *See* Application at § IV (discussing streamlined eligibility under 47 C.F.R. § 63.12); 47 C.F.R. 1.948(j)(2). (For reference purposes, the lead application for the Title III licenses is in the Commission's Universal Licensing System, FCC File No. 0002415755.) In any event, the Wireline Competition Bureau may grant the instant application under streamlined review conditioned on completion of related reviews by the International and Wireless Telecommunications Bureaus and without prejudice to the outcome of those proceedings. *See 2002 Streamlining Order* at ¶ 23.

[31] Section 63.03(b)(2)(iii) of the rules provides, in relevant part, that: "Where a proposed transaction would result in a transferee having a market share in the interstate, interexchange market of less than 10 percent, and the transferee would provide competitive telephone exchange services or exchange access services (if at all) exclusively in geographic areas served by a dominant local exchange carrier that is not a party to the transaction" then streamlined processing presumptively applies where "[t]he applicants are incumbent independent local exchange carriers ... that have, in combination, fewer than two (2) percent of the nation's subscriber lines installed in the aggregate nationwide, and no overlapping or adjacent service areas." 47 C.F.R. § 63.03(b)(2)(iii).

[32] *See* Application at § III.B.

[33] *See id.*

adjacencies between ALLTEL's and Valor's ILEC service areas should not preclude streamlined processing.

New Valor has separately requested a waiver of the Section 61.41 "all or nothing" rule to preserve the existing price cap and rate of return regulatory classification for each of the to-be-New Valor ILEC subsidiaries.[34] In the *2004 MAG Order*, the Commission held that "all outstanding interim waivers of the all-or-nothing rule that depend on our decision in this proceeding shall continue in effect until we issue a final order on this issue."[35] Moreover, in the Commission's pending *2004 MAG Order*, the Commission specifically provided that "until such time as the all-or-nothing rule may be further revised, carriers can continue to petition for waiver of the all-or-nothing rule so that they may operate affiliates under both rate-of-return and price cap regulation."[36] Given the Commission's policy adopted in the *2004 MAG Order* and *MAG Second FNPRM* to maintain such waivers while its review of the all-or-nothing rule is pending,

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[34] *See ALLTEL Corporation Petition for Waiver of Section 61.41, et. al*, 17 FCC Rcd. 27696 (WCB 2002). In this consolidated decision, the Wireline Competition Bureau ("WCB") in relevant part granted a waiver to permit rate-of-return regulated ALLTEL to maintain recently acquired Verizon properties as price cap regulated until the conclusion of the rulemaking on the all-or-nothing rule. Additionally, the WCB granted an extension of previous waiver grant, which permitted ALLTEL to keep its Aliant properties as price cap until conclusion of the rulemaking. In a similar decision, the WCB granted Valor a waiver permitting the existing exchanges of Valor's wholly-owned subsidiary Kerrville Telephone Company to continue to operate under rate-of-return regulation until completion of the rulemaking, even though Valor operates under price cap regulation. *Valor Telecommunications, LLC Petition for Waiver of Section 61.41 of the Commission's Rules*, 17 FCC Rcd. 25544 (WCB 2002).

[35] *See Multi-Association Group (MAG) Plan for Regulation of Interstate Services of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers, Federal-State Joint Board on Universal Service*, Report and Order and Second Further Notice of Proposed Rulemaking, 19 FCC Rcd. 4122, 4129 ¶¶ 10, n.40 (2002) ("*2004 MAG Order*" or "*MAG Second FNPRM*").

[36] *See id.*, 19 FCC Rcd. at 4129 ¶¶ 10-11, n.39.

this is clearly an instance in which the "streamlined review process does not jeopardize the appropriate waiver analysis."[37]

4. **Other Related Applications (§ 63.04(a)(9))**

Concurrently with the instant application, Applicants are filing applications to transfer control of various Title III wireless authorizations held by (1) Valor subsidiaries and, (2) ALLTEL subsidiaries (insofar as the rules require prior Commission approval of the *pro forma* transfer of control of such licensees).

5. **Statement of Imminent Business Failure (§ 63.04(a)(10))**

Not applicable.

6. **Separately Filed Waiver Requests (§ 63.04(a)(11))**

As noted above, New Valor has requested a waiver of Sections 61.41(b) and (c)(2) of the rules, 47 C.F.R. §§ 61.41(b), (c)(2).

7. **Public Interest Statement (§ 63.04(a)(12))**

See Section III of the Application.

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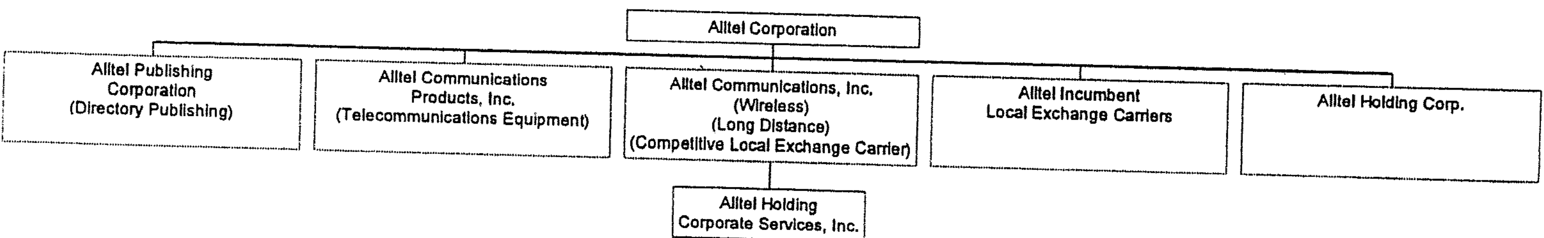
[37] *See 2002 Streamlining Order* ¶ 56.

EXHIBIT B

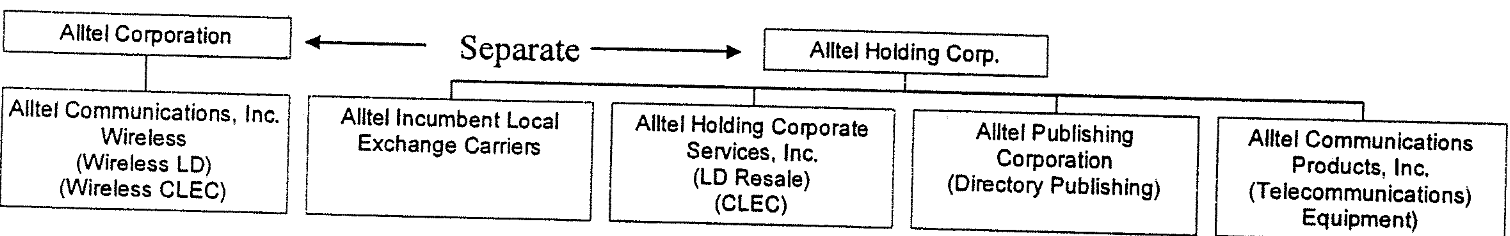
Diagrams Illustrating the Transaction

PRE-SEPARATION
ALLTEL CORPORATION[1]

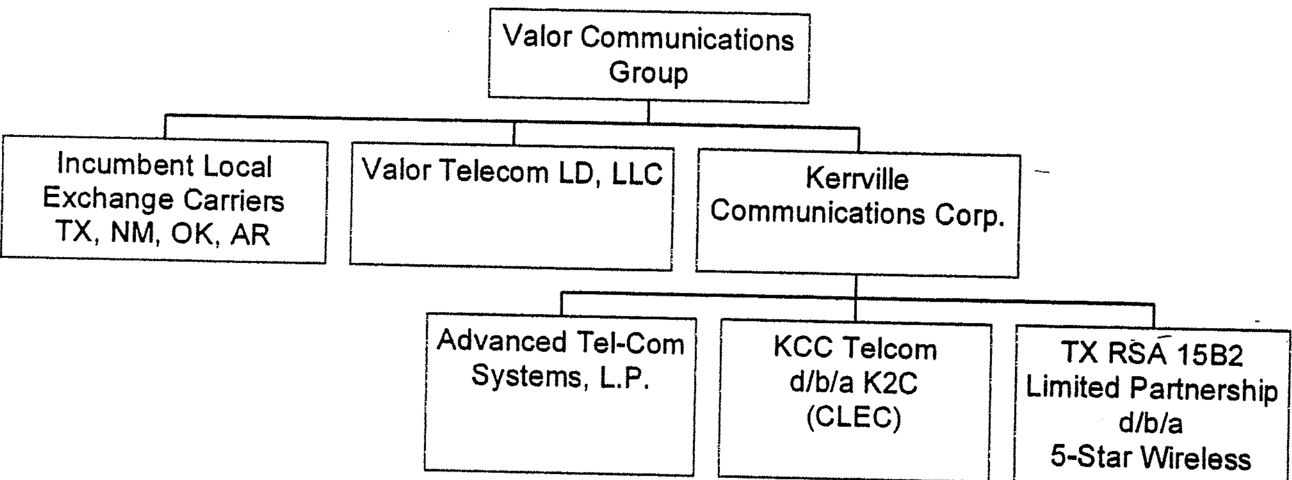


[1]These diagrams illustrate the various stages of the transaction and the implications for the companies' LEC and interexchange properties and international Section 214-authorized subsidiaries. These diagrams do not provide a comprehensive overview of the companies' corporate ownership structures and various holding companies.

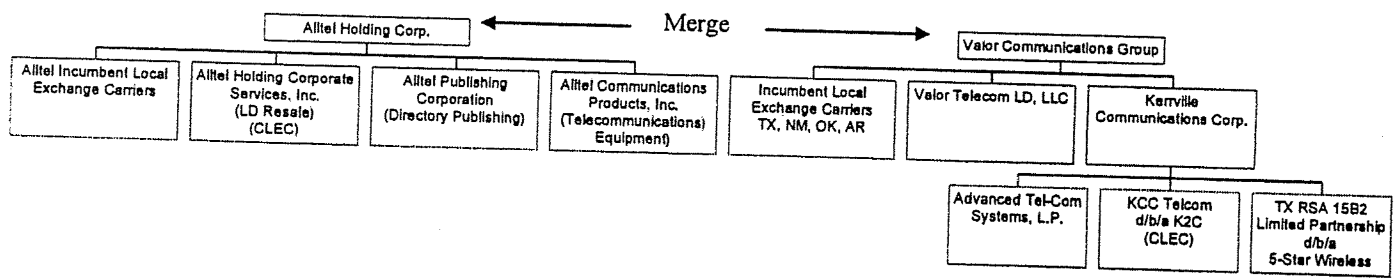
POST-SEPARATION
ALLTEL CORP



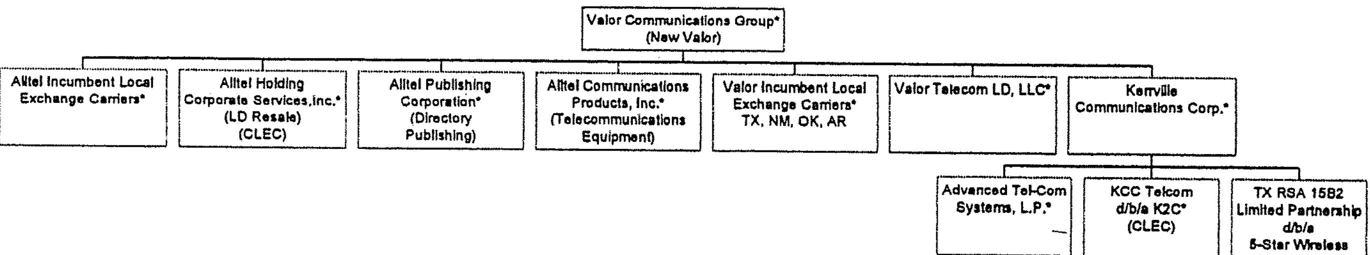
PRE-MERGER
VALOR COMMUNICATIONS GROUP



MERGER



MERGED WIRELINE BUSINESS



* ACTUAL NAMES ARE YET TO BE DETERMINED

EXHIBIT C

Service Area Coverage Map

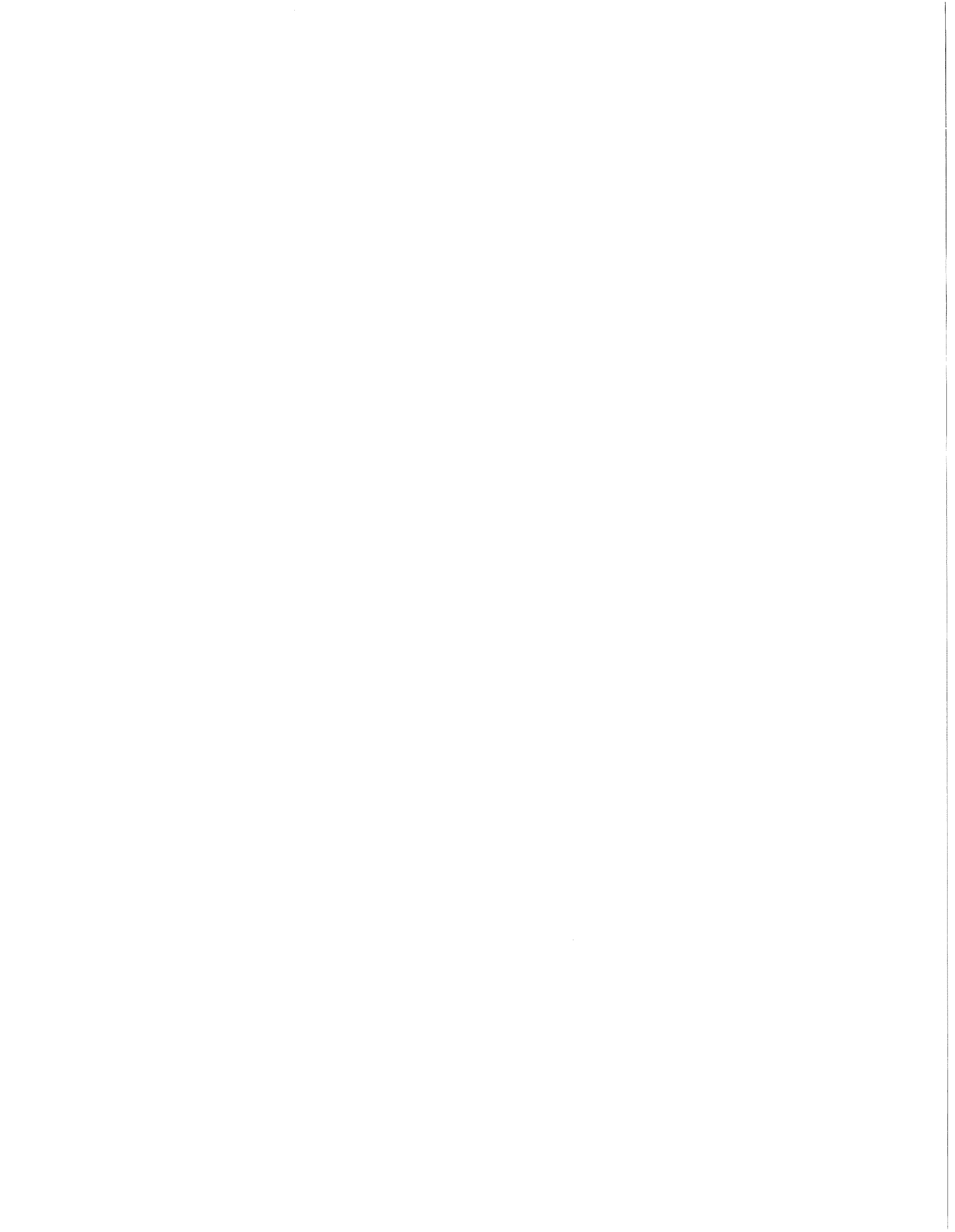
Alltel Wireline / Valor Communications

Alltel Wireline
Valor Communications

5. Please provide copies of any and all documents the Joint Applicants have filed with the Securities and Exchange Commission regarding the contemplated transaction.

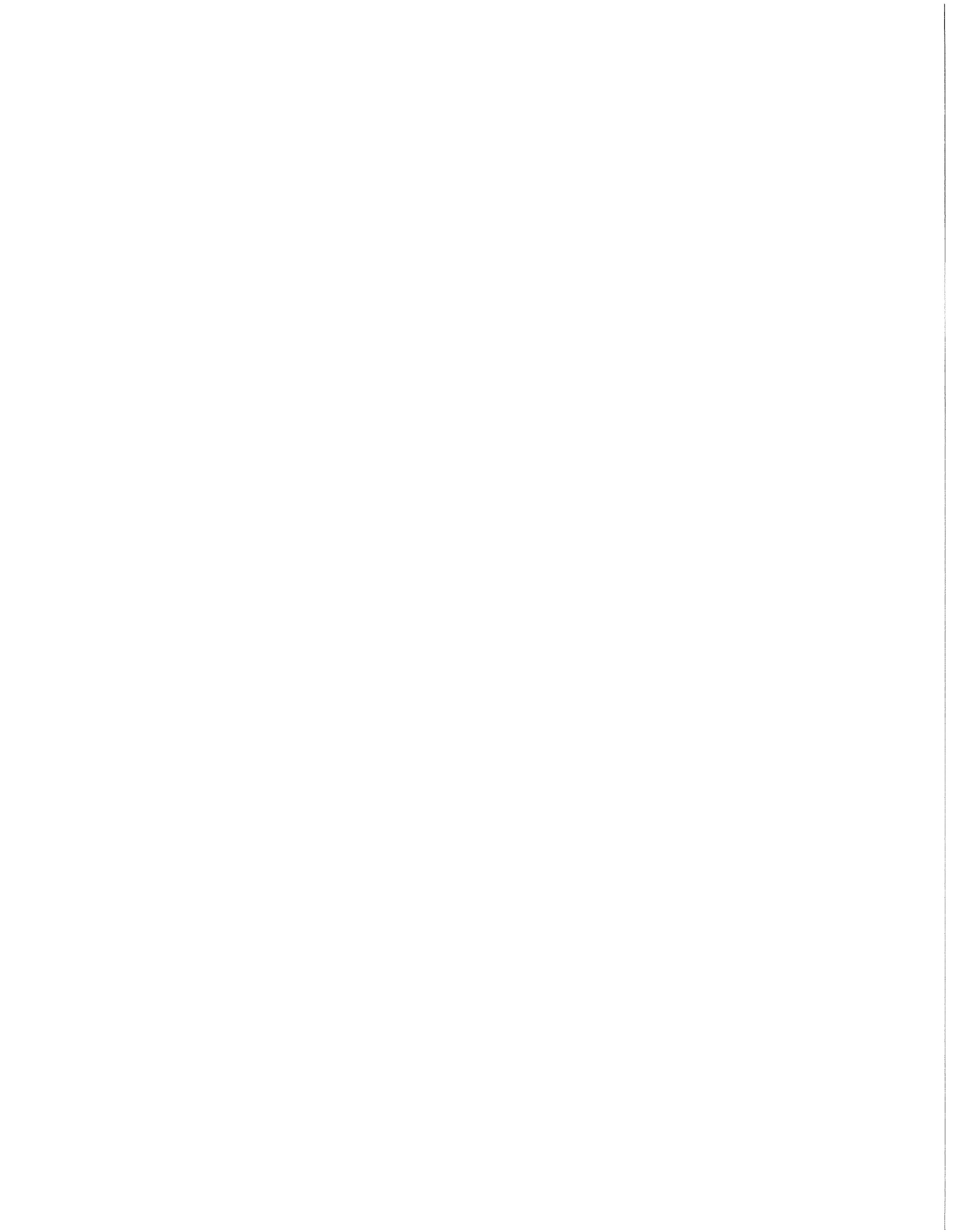
Response: Attached hereto.

Response provided by Jeffery Gardner.



SEC Filings

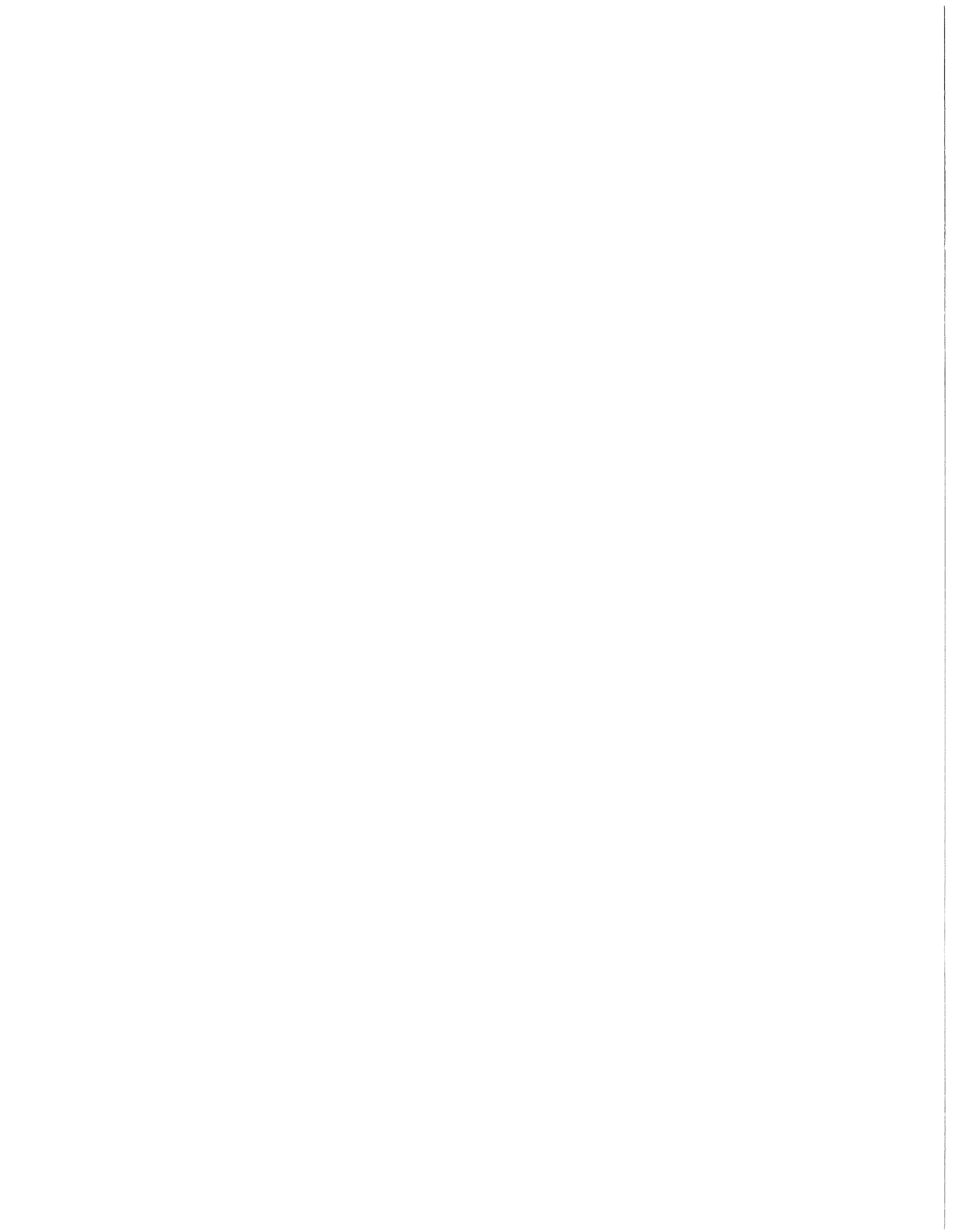
Responsive to AG #5



Form SC 13D

ALLTEL CORP - VCG
Filed: December 19, 2005 (period:)

Filing by person(s) reporting owned shares of common stock in a public company >5%



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13D
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO RULE 13d-1(a) AND AMENDMENTS THERETO FILED PURSUANT TO RULE 13d-2(a)

(Amendment No.)*

Valor Communications Group, Inc.

(Name of Issuer)

Common Stock, par value $.0001 per share

(Title of Class of Securities)

920255106

(CUSIP Number)

ALLTEL Corporation
Francis X. Frantz
Executive Vice President-External Affairs, General Counsel and Secretary
One Allied Drive
Little Rock, Arkansas 72202
Telephone: (501) 905-8000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

December 8, 2005

(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), Rule 13d-1(f) or Rule 13d-1(g), check the following box [_].

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

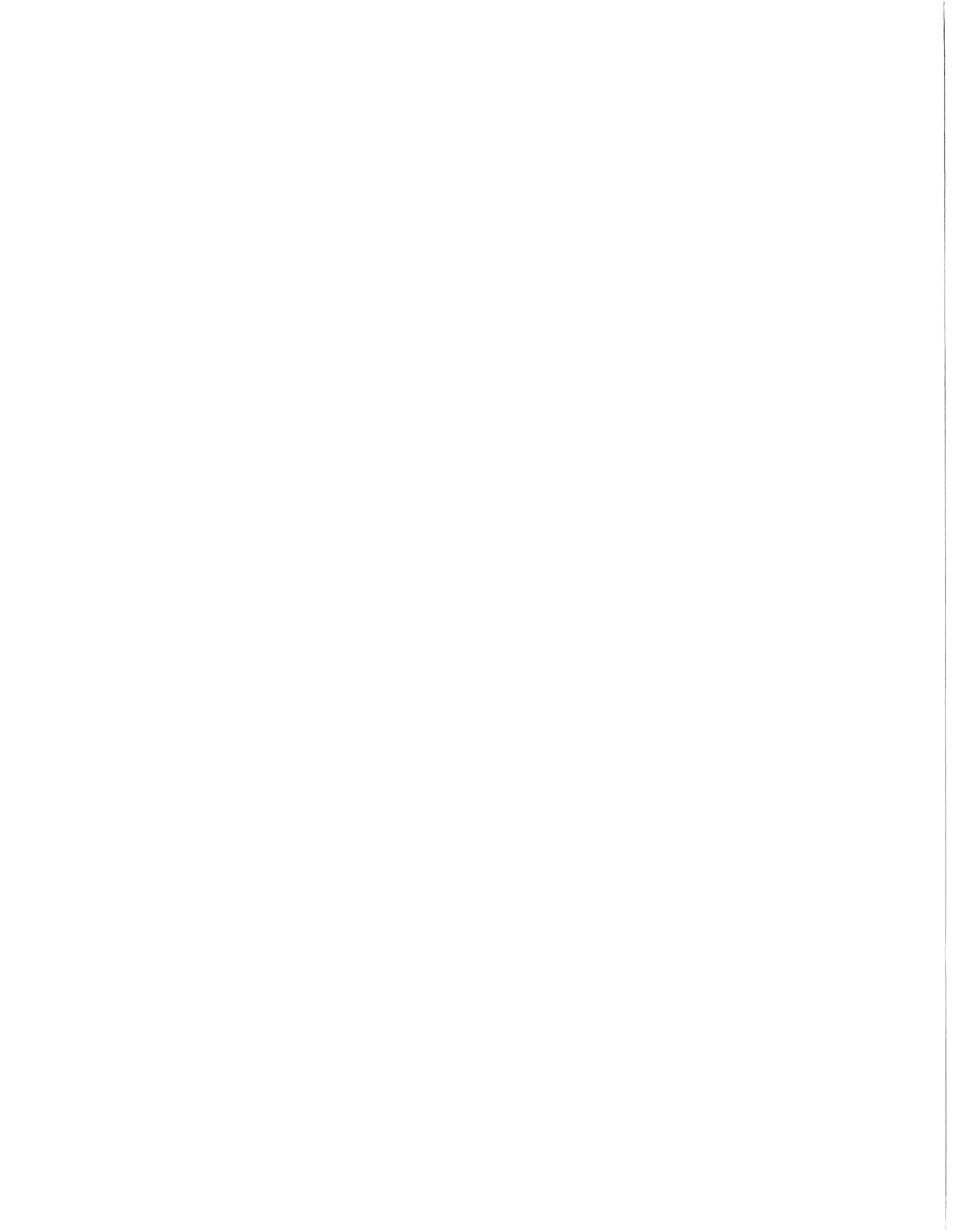
* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP NO. 920255106

1.	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON ALLTEL Corporation (I.R.S. Employer Identification Number 34-0868285)		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [_] (b) [x]		
3.	SEC USE ONLY		
4.	SOURCE OF FUNDS OO		
5.	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [_]		
6.	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7.	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH SOLE VOTING POWER None
		8.	SHARED VOTING POWER 29,952,955*
		9.	SOLE DISPOSITIVE POWER None
		10.	SHARED DISPOSITIVE POWER None
11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 29,952,955*		
12.	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES [_]		
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 42.11%*		
14.	TYPE OF REPORTING PERSON CO		

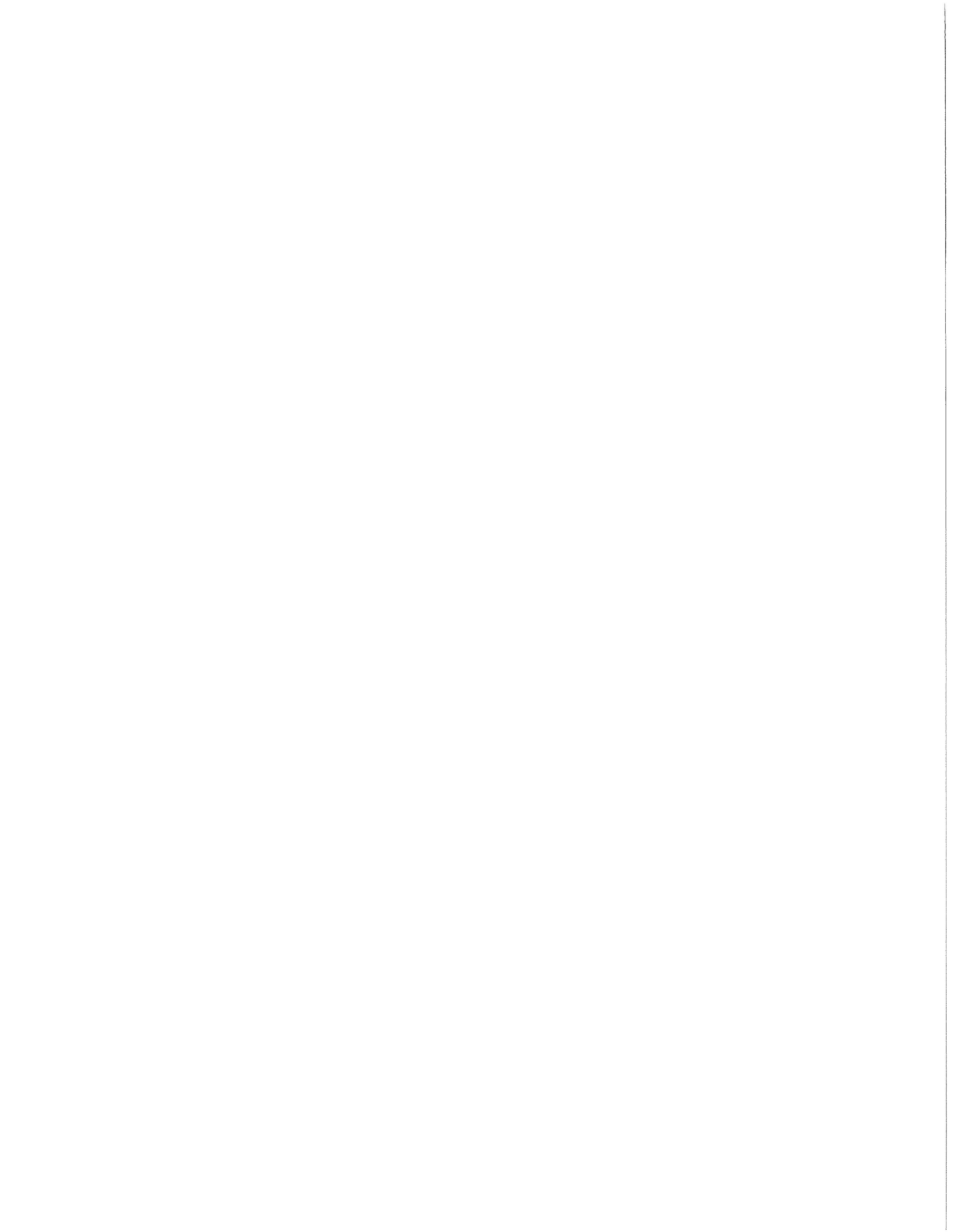
* See discussion in Items 4 and 5 of this Schedule 13D.



CUSIP NO. 920255106

1.	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON ALLTEL Holding Corp. (I.R.S. Employer Identification Number 20-3767982)		
2.	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) [_] (b) [x]		
3.	SEC USE ONLY		
4.	SOURCE OF FUNDS OO		
5.	CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) [_]		
6.	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH		7.	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH SOLE VOTING POWER None
		8.	SHARED VOTING POWER 29,952,955*
		9.	SOLE DISPOSITIVE POWER None
		10.	SHARED DISPOSITIVE POWER None
11.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 29,952,955*		
12.	CHECK IF THE AGGREGATE AMOUNT IN ROW (11) [_]		
13.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 42.11%*		
14.	TYPE OF REPORTING PERSON CO		

* See discussion in Items 4 and 5 of this Schedule 13D.



The information set forth in response to each separate Item below shall be deemed to be a response to all Items where such information is relevant.

Item 1. Security and Issuer.

This Statement on Schedule 13D (this "Statement") relates to the shares of common stock, par value $.0001 per share (the "Common Stock"), of Valor Communications Group, Inc., a Delaware corporation ("Valor"). The principal executive offices of Valor are located at 201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062.

Item 2. Identity and Background.

(a) - (c), (f) This Statement is filed by ALLTEL Corporation, a Delaware corporation ("ALLTEL"), and ALLTEL Holding Corp., a newly formed Delaware corporation and a wholly owned subsidiary of ALLTEL ("Spinco" and, together with ALLTEL, the "Reporting Persons", and each a "Reporting Person"). The principal business address of each of the Reporting Persons is One Allied Drive, Little Rock, Arkansas 72202. ALLTEL is a customer-focused communications company providing wireless, local telephone, long-distance, Internet and high-speed data services to residential and business customers. Spinco is a newly formed holding company organized to hold ALLTEL's wireline telecommunications business and certain related business operations (the "Spinco Business") in connection with the separation of the Spinco Business from ALLTEL, as described more fully herein.

The (i) name, (ii) business address, (iii) present principal occupation or employment, (iv) name, principal business and address of any corporation or other organization in which such employment is conducted, and (v) citizenship of each director and executive officer of ALLTEL and Spinco are set forth on Schedule I hereto and incorporated herein by reference.

(d) - (e) During the last five years, none of the Reporting Persons, nor, to the knowledge of any of the Reporting Persons, any of the individuals referred to in Schedule I, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction resulting in a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws, or finding violations with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On December 9, 2005, ALLTEL announced that it will spin off the Spinco Business by contributing the stock of the subsidiaries conducting the Spinco Business to Spinco and distributing all of the shares of capital stock of Spinco to ALLTEL's stockholders. Immediately thereafter, Spinco will merge (the "Merger") with Valor, with Valor continuing as the surviving corporation. In order to effect the spin-off and merger, ALLTEL entered into a Distribution Agreement, dated December 8, 2005 with Spinco and

an Agreement and Plan of Merger dated December 8, 2005 (the "Merger Agreement") with ALLTEL and Valor. In connection with the spin-off and 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% of the outstanding equity interest of the surviving corporation immediately after the Merger and the stockholders of Valor holding the remaining 15% of such equity interests (subject, in each case, to dilution from compensatory equity grants and other issuances).

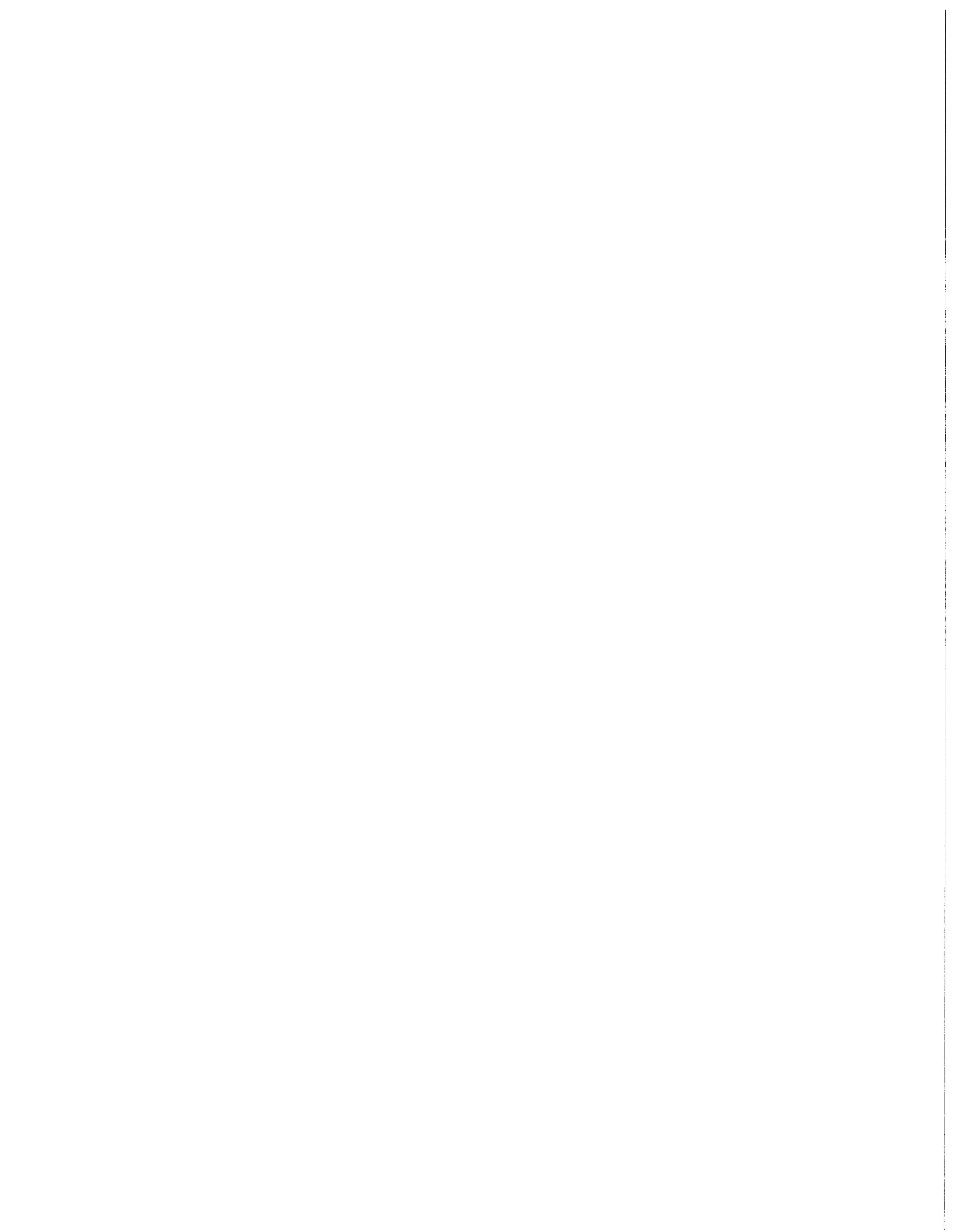
As a condition of Spinco entering into the Merger Agreement, and in consideration thereof, certain affiliates of Welsh, Carson, Anderson & Stowe and certain affiliates of Vestar Capital Partners (collectively, the "Stockholders") entered into a Voting Agreement, dated as of December 8, 2005 (the "Voting Agreement"). Pursuant to the Voting Agreement, each of the Stockholders agreed to vote in favor of the Merger and against any competing proposal. Spinco did not pay additional consideration to the Stockholders in connection with the execution and delivery of the Voting Agreement.

The Merger is subject to the approval of Valor stockholders, the expiration or earlier termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act, the receipt of certain required consents from the Federal Communications Commission and the receipt of certain private letter rulings and legal opinions regarding the tax-free nature of the spin-off, the Merger and certain related transactions, as well as other customary closing conditions. Copies of the Merger Agreement and the Voting Agreement are filed as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference.

Item 4. Purpose of Transaction.

This statement on Schedule 13D has been filed in connection with the execution of the Voting Agreement by Spinco and the Stockholders, which the parties entered into as an inducement for, and in consideration of, Spinco entering into the Merger Agreement. Pursuant to the Voting Agreement, the Stockholders, which collectively own or are entitled to direct the voting of 29,952,955 shares of Common Stock, which represents approximately 42.11%[1] of the shares of Common Stock deemed to be outstanding pursuant to Rule 13d-3(d)(1) and approximately 42.11% of the voting power of Valor, have agreed to vote (or cause to be voted) their shares of 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 acquisition proposals that may be submitted to a vote of the stockholders of Valor regarding an acquisition. In addition, the Stockholders are prohibited from selling, transferring, converting or otherwise disposing of the shares subject to the Voting Agreement, if such sale, transfer, conversion or disposition would result in the Stockholders' inability to vote such shares as required pursuant to the terms of the Voting Agreement.

[1] The share ownership percentages described in this Schedule are based on 71,130,634 shares of Common Stock outstanding as of December 6, 2005.



The purpose of the Voting Agreement is to facilitate stockholder approval for ALLTEL, Spinco and Valor to consummate the transactions contemplated by the Merger Agreement.

Upon the consummation of the Merger, the directors of Spinco immediately prior to the effective time of the Merger will be the directors of the surviving corporation, until their respective successors are duly elected or appointed and qualified. Upon consummation of the Merger, the officers of Spinco immediately prior to the effective time of the Merger will be the initial officers of the surviving corporation, until their respective successors are duly appointed.

At the effective time of the Merger, the certificate of incorporation of Valor will be amended as provided in the Merger Agreement, and as so amended will be the certificate of incorporation of the surviving corporation, until thereafter amended in accordance with such certificate of incorporation and the General Corporation Law of the State of Delaware ("DGCL"). The amended certificate of incorporation of the surviving corporation will, among other things, expand the number of authorized shares of common stock from 200,000,000 to 2,000,000,000 and the number of authorized shares of preferred stock from 20,000,000 to 200,000,000, and will also provide for a classified board of directors, with each class of directors serving three-year staggered terms.

At the effective time of the Merger, the bylaws of Valor will be amended and restated in their entirety as provided in the Merger Agreement, and as so amended and restated, will be the bylaws of the surviving corporation, until thereafter amended in accordance with the certificate of incorporation of the surviving corporation, such bylaws and the DGCL.

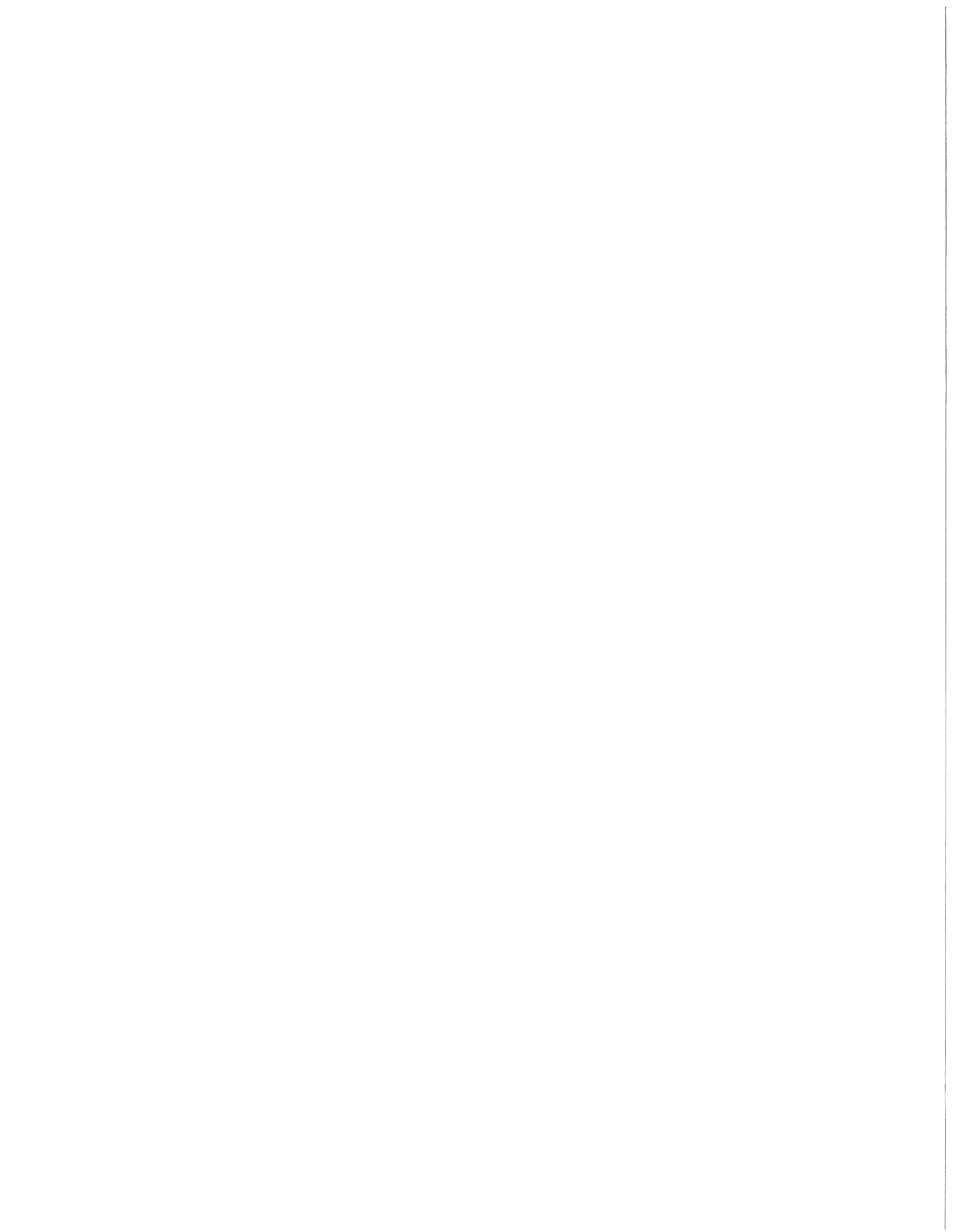
Except as set forth in this Item 4, none of the Reporting Persons nor, to the knowledge of any of the Reporting Persons, any of the individuals referred to in Schedule I, has any plans or proposals which relate to or would result in any of the actions specified in clauses (a) through (j) of Item 4 of Schedule 13D (although the Reporting Persons reserve the right to develop such plans).

The foregoing summary of certain provisions of the Merger Agreement and the Voting Agreement is not intended to be complete and is qualified in its entirety by reference to the full text of such agreements.

Item 5. Interest in Securities of the Issuer.

(a)-(b) As of the filing date of this Schedule 13D, as a result of the Voting Agreement, the Reporting Persons may be deemed to have (i) beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) and (ii) shared power to vote or direct the vote 29,952,955 shares of Common Stock, which represents approximately 42.11% of the shares of Common Stock deemed to be outstanding pursuant to Rule 13d-3(d)(1).

The Reporting Persons are not entitled to any rights of a stockholder of Valor. None of the Reporting Persons has (i) sole or shared power to vote or direct the vote or (ii) sole or shared power to dispose or direct the disposition of Common Stock. Each of



the Reporting Persons expressly disclaims any beneficial ownership of any of the Common Stock under the Voting Agreement. Other than as set forth above, neither any Reporting Person nor any subsidiary of any Reporting Person, nor, to the knowledge of any Reporting Person, any of the individuals referred to in Schedule I, beneficially owns any Common Stock as to which it has the sole or shared power to vote or to direct the vote or has the sole or shared power to dispose or to direct the disposition of such shares.

(c) Except as set forth or incorporated herein, neither any Reporting Person nor, to the knowledge of any Reporting Person, any of the individuals referred to in Schedule I, has effected any transaction in Common Stock during the past 60 days.

(d) Not applicable

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

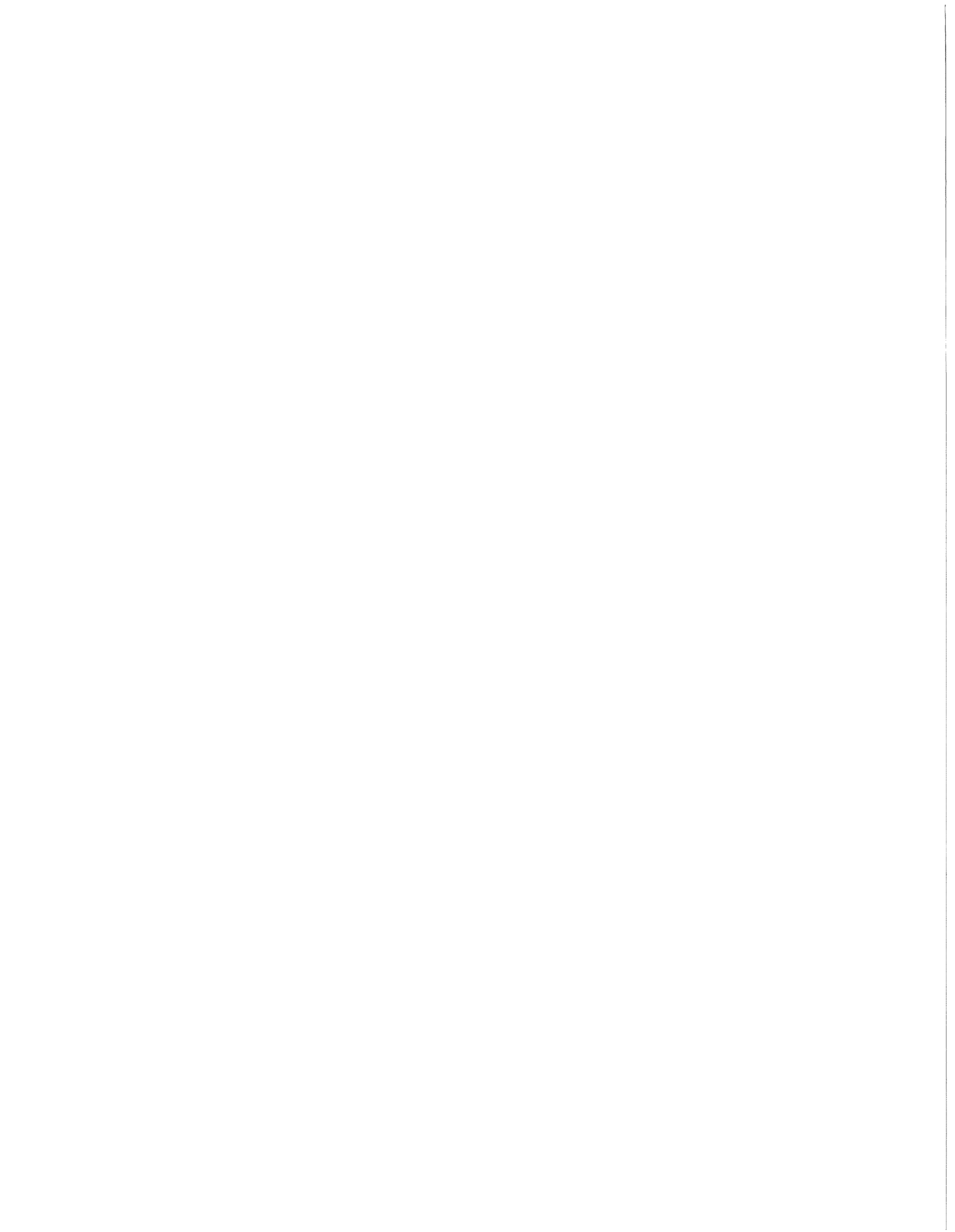
Other than the Merger Agreement and the Voting Agreement, to the knowledge of the Reporting Persons, there are no contracts, arrangements, understandings or relationships (legal or otherwise) among the persons named in Item 2 and Schedule I and between such persons and any other person with respect to the securities of Valor, including, but not limited to, transfer or voting of any of the securities, finder's fees, joint ventures, loan or option arrangement, puts or calls, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

Item 7. Material to be filed as Exhibits.

99.1. Agreement and Plan of Merger, dated December 8, 2005, among ALLTEL Corporation, a Delaware corporation, ALLTEL Holding Corp., a Delaware corporation and Valor Communications Group, Inc., a Delaware corporation (incorporated herein by reference to Exhibit 2.2 to the Current Report on Form 8-K filed by ALLTEL Corporation on December 9, 2005).

99.2. Voting Agreement, dated December 8, 2005, between ALLTEL Holding Corp., a Delaware corporation, and the Stockholders listed therein (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K filed by ALLTEL Corporation on December 9, 2005).

99.3 Joint Filing Agreement, dated December 16, 2005, between ALLTEL Corporation and ALLTEL Holding Corp.



After reasonable inquiry and to the best of each of the undersigned's knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

Dated: December 19, 2005

ALLTEL CORPORATION

By: /s/ Francis X. Frantz
Name: Francis X. Frantz
Title: Executive Vice President-External
Affairs, General Counsel and Secretary

ALLTEL HOLDING CORP.

By: /s/ Francis X. Frantz
Name: Francis X. Frantz
Title: Chairman

SCHEDULE I

Set forth below is a list of each executive officer and director of ALLTEL Corporation and ALLTEL Holding Corp. setting forth the business address and present principal occupation or employment (and the name and address of any corporation or organization in which such employment is conducted) of each person. The persons named below are citizens of the United States.

Directors of ALLTEL Corporation

Name and Business Address	Present Principal Occupation (principal business of employer)	Name and Address of Corporation or Other Organization (if different from address provided in Column 1)
John R. Belk Belk, Inc. 2801 West Tyvola Charlotte, NC 28217-4500	President and Chief Operations Officer of Belk, Inc. (department store retailer)	
William H. Crown CC Industries, Inc. 222 North La Salle St., Suite 1000 Chicago, IL 60601	President and Chief Executive Officer of CC Industries, Inc. (diversified investment company); Vice President of Henry Crown and Company (diversified investment company); Vice President of Dane Acquisition Corp. and General Partner of Great Dane Limited Partnership (semi-truck trailers and accessories manufacturer)	
Joe T. Ford ALLTEL Corporation P.O. Box 2177 (72203) One Allied Drive Little Rock, AR 72202	Chairman of ALLTEL Corporation	
Scott T. Ford ALLTEL Corporation P.O. Box 2177 (72203) One Allied Drive Little Rock, AR 72202	President and Chief Executive Officer of ALLTEL Corporation	
Dennis E. Foster Foster Thoroughbred Investments 600 The Grange Lane Lexington, KY 40511	Principal of Foster Thoroughbred Investments	
Lawrence L. Gellerstedt, III Cousins Properties Inc. 2500 Windy Ridge Parkway Suite 1600 Atlanta, GA 30339	President of the Office/Multi-Family Division of Cousins Properties Inc. (real estate investment firm and property management services provider)	
Emon A. Mahony, Jr. Mahony Law Firm 106 West Main Street Suite 406 El Dorado, AR 71730	Chairman of the Board of Arkansas Oklahoma Gas Corporation (natural gas company); Vice President and Secretary of Mahony Corporation (family investment company); Managing Partner of EAM Company, LLC (family investment company)	Arkansas Oklahoma Gas Corporation P.O. Box 17004 115 North 12th Street Fort Smith, AR 72917
John P. McConnell	Chairman and Chief Executive	

Worthington Industries, Inc. 200 Old Wilson Bridge Road Columbus, OH 43085	Officer of Worthington Industries, Inc, (metal processor and manufacturer)	
Josie C. Natori The Natori Company 40 East 34th Street New York, NY 10016	President and Chief Executive Officer of the Natori Company (upscale fashion house)	
Gregory W. Penske Penske Automotive Group, Inc. 3534 North Peck Road El Monte, CA 91731	President of Penske Automotive Group, Inc. (car dealership operator)	
Warren A. Stephens Stephens, Inc. 111 Center Street Little Rock, AR 72201	Chairman of the Board, President and Chief Executive Officer of Stephens Inc. (investment banking firm)	
Ronald Townsend 13440 Ellsworth Lane Jacksonville, FL 32225	Communications Consultant (self-employed)	

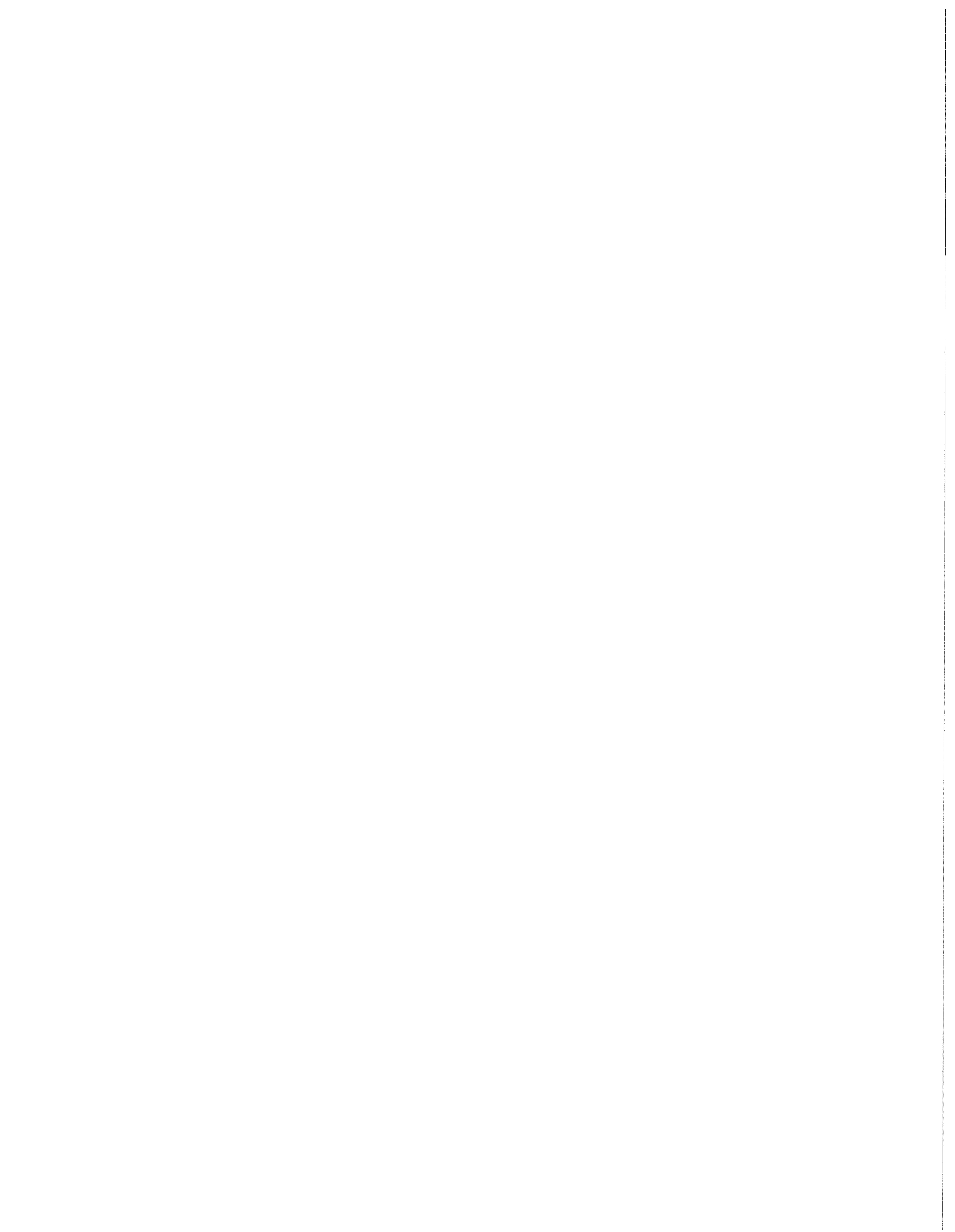
Executive Officers of ALLTEL Corporation (who are not Directors)[2]

Name	Present Principal Occupation
Kevin L. Beebe	Group President - Operations
Jeffrey H. Fox	Group President - Shared Services
Francis X. Frantz	Executive Vice President - External Affairs, General Counsel and Secretary
Jeffrey R. Gardner	Executive Vice President - Chief Financial Officer
Keith A. Kostuch	Senior Vice President - Strategy and Sourcing
C.J. Duvall Jr.	Executive Vice President - Human Resources
Sharilyn S. Gasaway	Controller
John A. Ebner	Treasurer

[2] Each executive officer's present principal occupation is with ALLTEL Corporation. The business address of each executive officer is ALLTEL Corporation, P. O. Box 2177 (72203), One Allied Drive, Little Rock, Arkansas 72202.

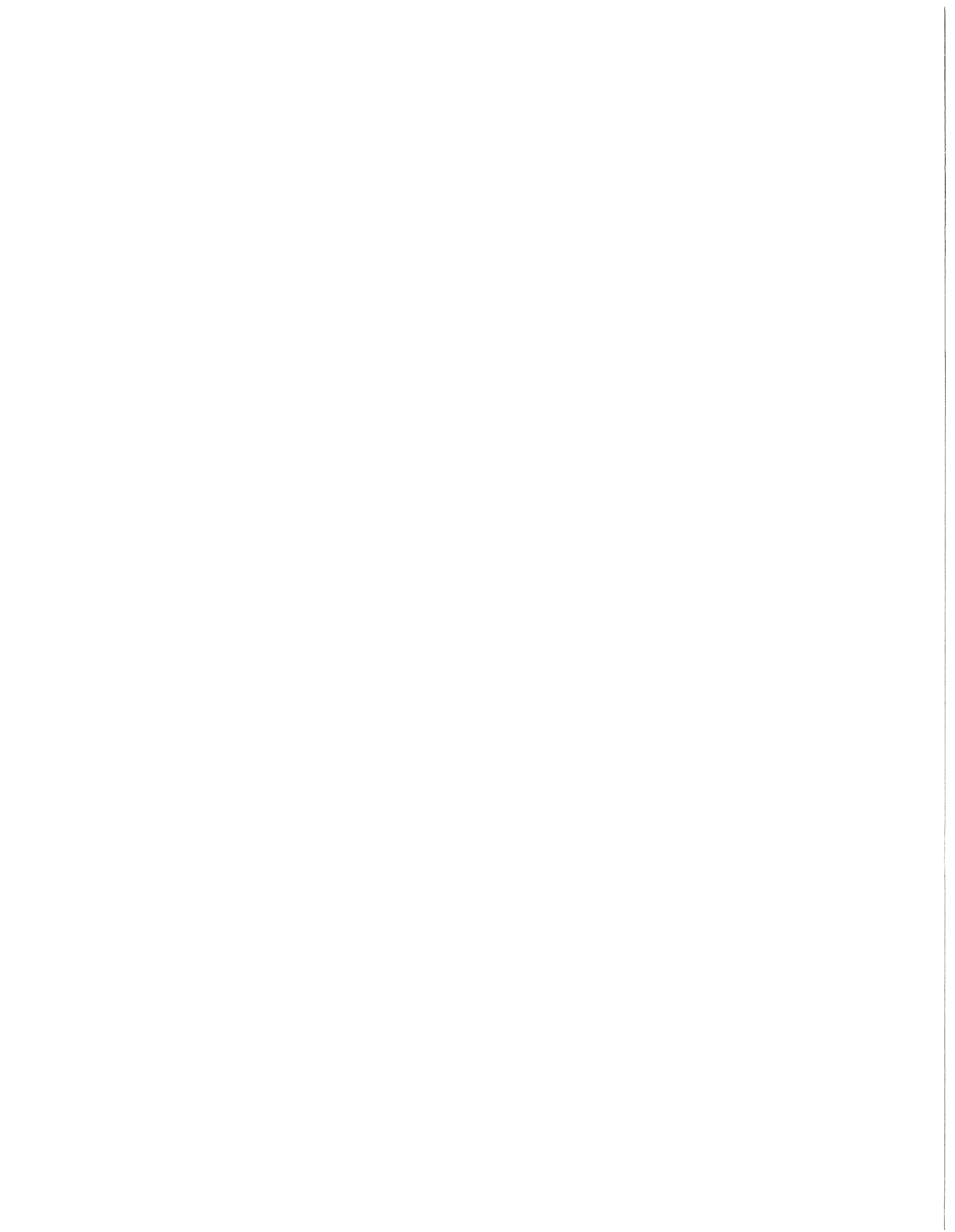
Directors and Officers of ALLTEL Holding Corp.[3]

Name	Principal Occupation
Jeffery R. Gardner	Executive Vice President - Chief



	Financial Officer of ALLTEL Corporation
Francis X. Frantz	Executive Vice-President - External Affairs, General Counsel and Secretary of ALLTEL Corporation
John A. Ebner	Treasurer of ALLTEL Corporation

[3] The present principal occupation of each director and executive officer of ALLTEL Holding Corp. is with ALLTEL Corporation. See table of executive officers of ALLTEL Corporation above. The business address of each director and executive officer of ALLTEL Holding Corp. is ALLTEL Holding Corp., P. O. Box 2177 (72203), One Allied Drive, Little Rock, Arkansas 72202.



INDEX TO EXHIBITS

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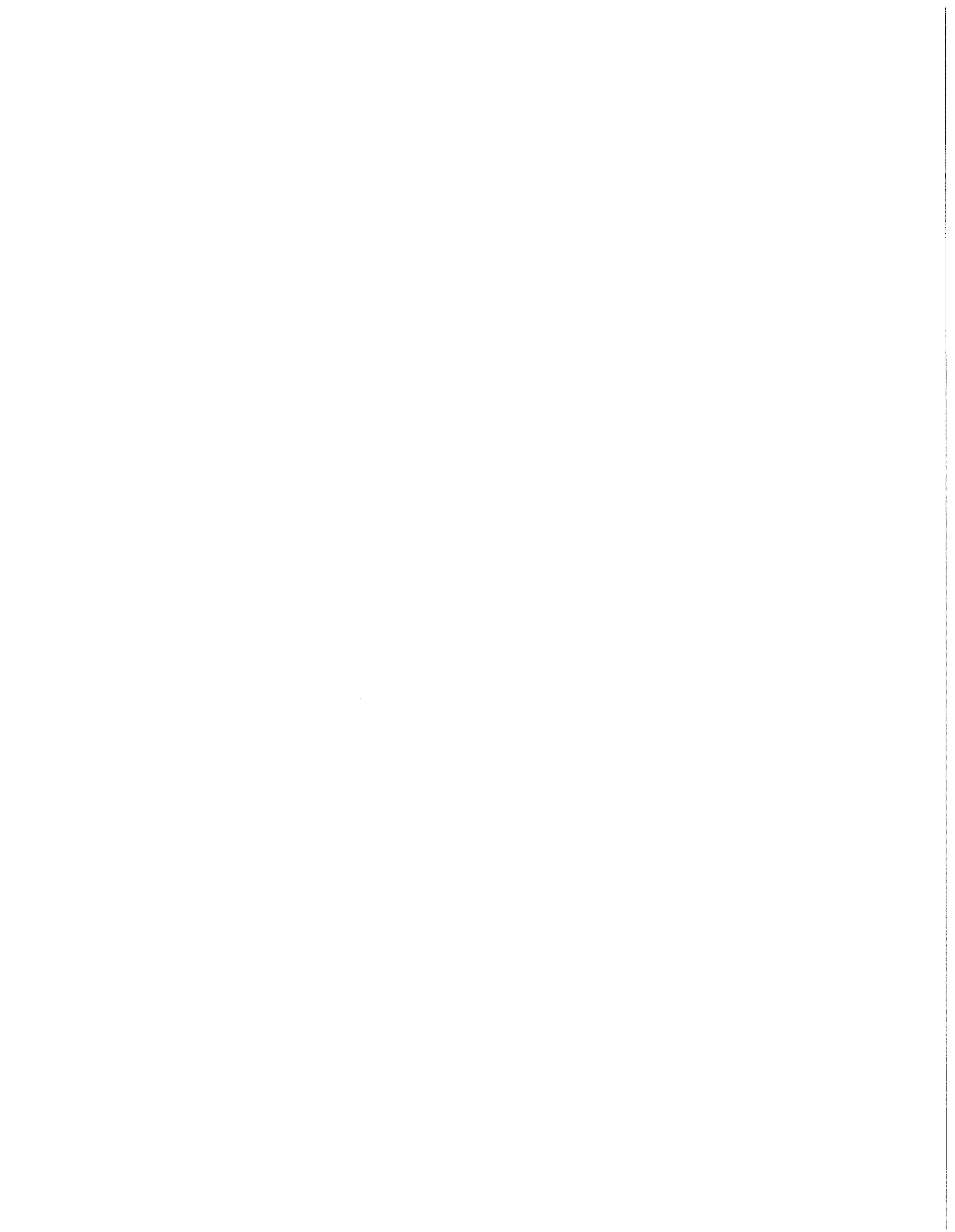

Exhibit 99.3

Joint Filing Agreement Pursuant to Rule 13d-1(k)(1)

This agreement is made pursuant to Rule 13d-1(k)(1) under the Securities Exchange Act of 1934 (the "Act") by and among the parties listed below, each referred to herein as a "Joint Filer". The Joint Filers agree that a statement of beneficial ownership as required by Section 13(d) of the Act and the Rules thereunder may be filed on each of their behalf on Schedule 13D or Schedule 13G, as appropriate, and that said joint filing may thereafter be amended by further joint filings. The Joint Filers state that they each satisfy the requirements for making a joint filing under Rule 13d-1(k)(1).

Date: December 16, 2005

ALLTEL CORPORATION

By: /s/ Francis X. Frantz
Name: Francis X. Frantz
Title: Executive Vice President - External Affairs,
General Counsel and Secretary

ALLTEL HOLDING CORP.

By: /s/ Francis X. Frantz
Name: Francis X. Frantz
Title: Chairman

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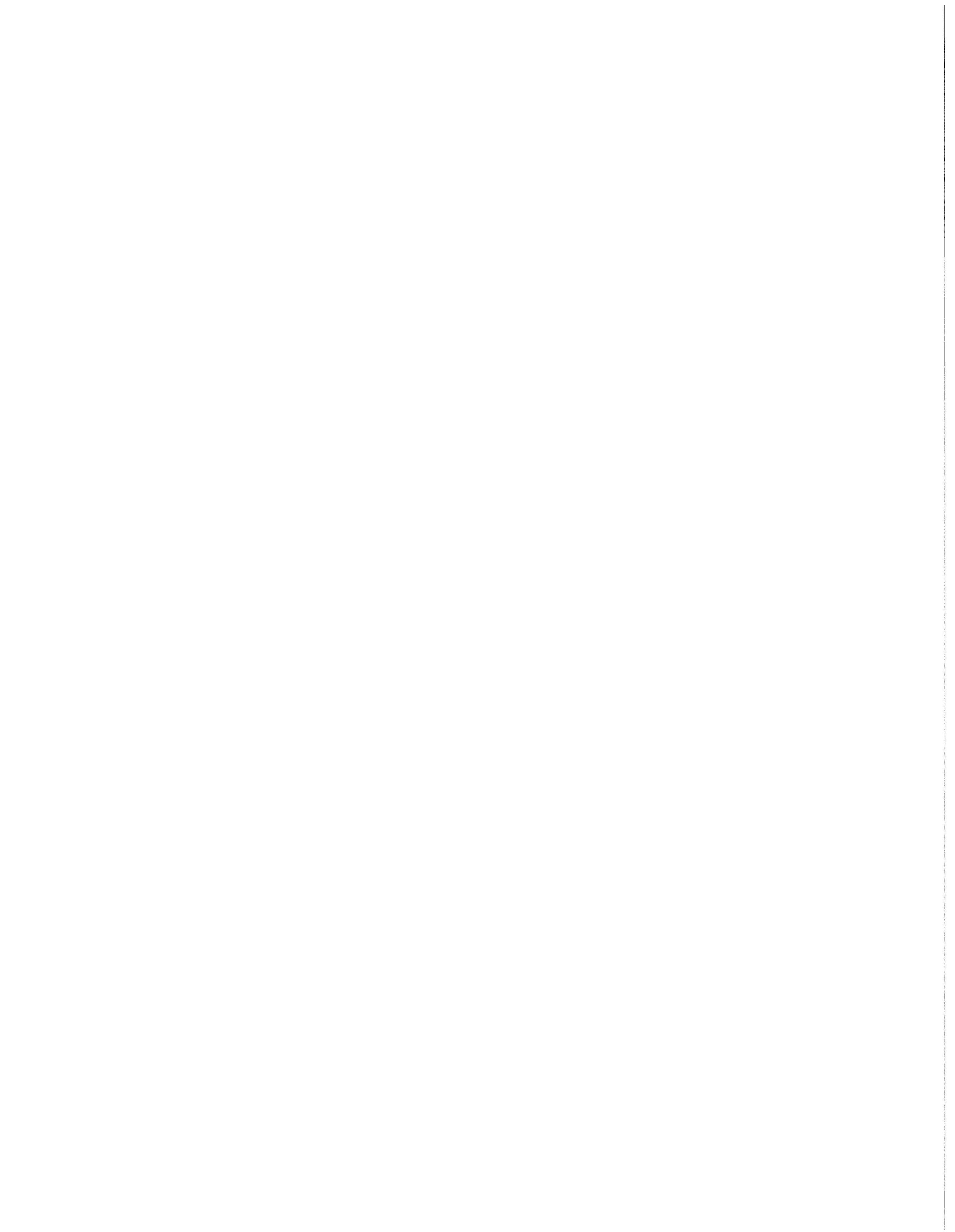

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 9, 2005

ALLTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-4996	34-0868285
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Allied Drive, Little Rock, Arkansas	72202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 905-8000

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

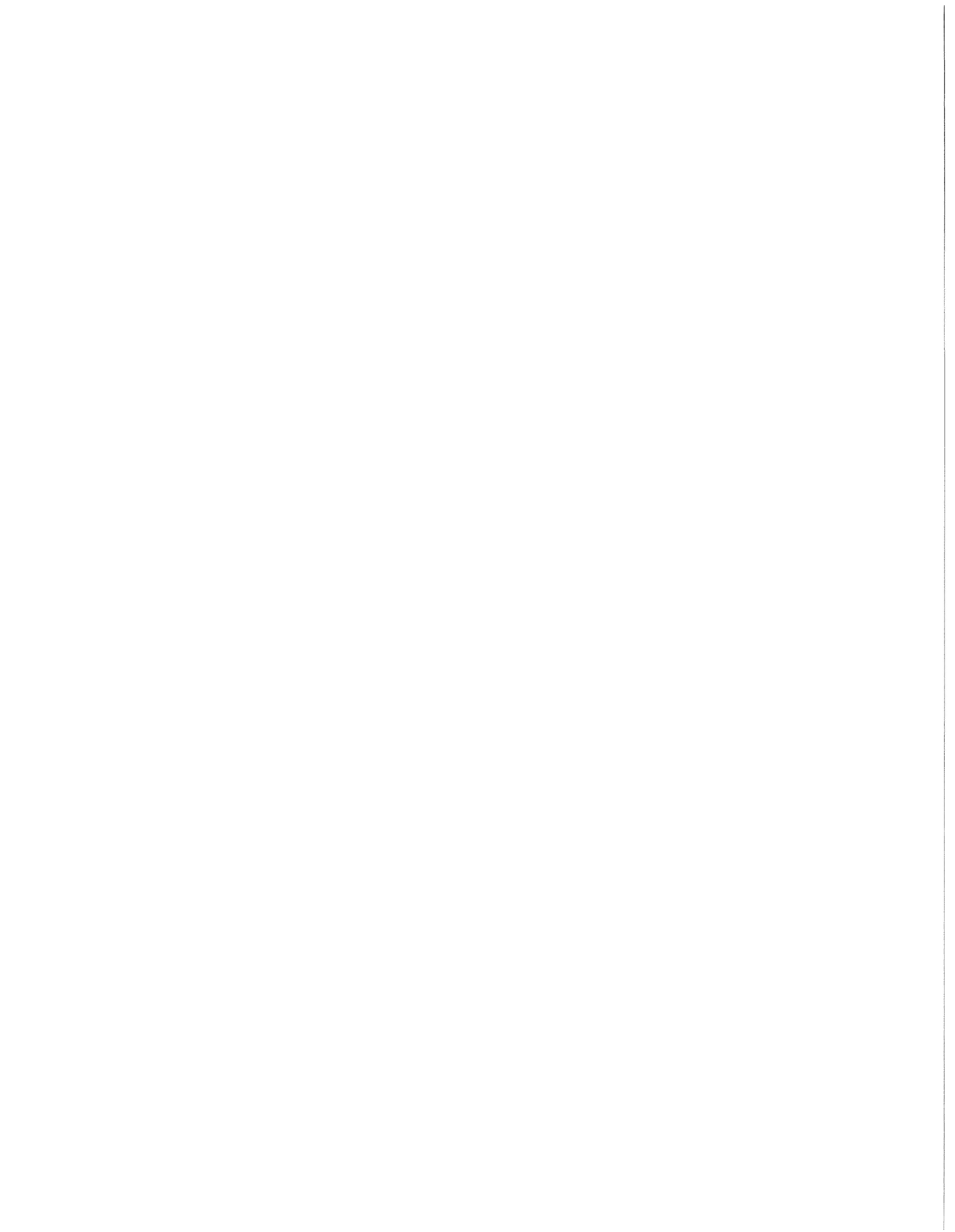
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. *Entry into a Material Definitive Agreement.*

On December 9, 2005, ALLTEL Corporation (the "Company") announced that it would spin off its wireline telecommunications business to its stockholders and merge it with Valor Communications Group, Inc. ("Valor"). In order to effect the spin-off and merger, the Company entered into (i) a Distribution Agreement (the "Distribution Agreement") with ALLTEL Holding Corp., a newly formed, wholly owned subsidiary of the Company ("Spinco"), (ii) an Agreement and Plan of Merger (the "Merger Agreement") with Spinco and Valor and (iii) an Employee Benefits Agreement (the "Employee



Benefits Agreement") with Spinco. These agreements, which are described in greater detail below, provide for the separation of the Company's wireline telecommunications business and certain related business operations (the "Spinco Business"), the distribution to the Company's stockholders of all of the shares of capital stock of Spinco, a holding company subsidiary formed to hold the Company's wireline business, and the merger of Spinco with and into Valor, with Valor continuing as the surviving corporation.

Distribution Agreement

Pursuant to the Distribution Agreement, and subject to the terms and conditions set forth therein, the Company will engage in a series of preliminary restructuring transactions to effect the transfer to Spinco's subsidiaries of all of the assets relating to the Spinco Business and the transfer to the Company's subsidiaries of all assets not relating to the Spinco Business. Following these preliminary restructuring transactions, and immediately prior to the effective time of the Valor merger described below, the Company will contribute (the "Contribution") all of the stock of the Spinco subsidiaries to Spinco in exchange for: (i) the issuance to the Company of Spinco common stock to be distributed to the Company's stockholders pro rata in the spin-off (the "Distribution"), (ii) the payment of a special dividend to the Company in an amount not to exceed the Company's tax basis in Spinco (the "Special Dividend"), and (iii) the distribution by Spinco to the Company of certain Spinco debt securities (the "Spinco Exchange Notes") in an amount equal to the difference between the Spinco Financing amount and the Special Dividend, which the Company intends to exchange for outstanding Company debt securities or otherwise transfer to the Company's creditors (the "Debt Exchange"). The separation of the assets and liabilities of the Spinco Business from the Company's remaining assets, as well as the terms of the various separation agreements and similar arrangements, between the Company and Spinco will be subject to the review of a steering committee comprised of representatives designated by the Company, Spinco and Valor.

Prior to the Distribution, Spinco will consummate certain financing transactions (the "Spinco Financing") pursuant to which Spinco will borrow approximately $3.965 billion through a new senior credit agreement, the issuance of high yield debt securities in an offering under Rule 144A or a public offering and the distribution of the Spinco Exchange Notes to the Company. The proceeds of the Spinco Financing will be used to pay the Special Dividend and for other purposes. The Company has received a commitment letter (the "Commitment Letter") from J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A. (collectively, "JP Morgan"), Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation (collectively, "Merrill Lynch") to provide the Company 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. The maximum principal amount available under the term loan facilities will be reduced in the event that the Company elects to fund a portion of its capital requirements through the issuance of high yield debt securities in an offering under Rule 144A or a public offering. 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. The Company has agreed to pay JP Morgan and Merrill Lynch certain fees in connection with the commitment letter and has agreed to indemnify JP Morgan and Merrill Lynch against certain liabilities.

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The Distribution Agreement provides for a post-Closing adjustment to the extent that the net indebtedness of Spinco immediately following the Distribution is more or less than $4.2 billion.

In connection with the transactions contemplated by the Distribution Agreement and the Merger Agreement, the Company, Spinco and Valor will enter into certain related agreements, including a Tax Sharing Agreement, an Employee Benefits Agreement, one or more Transition Services Agreements, and amendments to the Valor charter and by-laws, copies or the terms of which are attached as exhibits to the Merger Agreement or the Distribution Agreement, as the case may be. Consummation of the Distribution is subject to the satisfaction of the conditions applicable to the Company and Spinco contained in the Merger Agreement, as described below.

In connection with the execution of the Distribution Agreement, the Company and Spinco entered into the Employee Benefits Agreement pursuant to which the parties agreed to establish certain benefit plans, programs and arrangements for employees of the Company that will be employees of Spinco after the Distribution. The Employee Benefits Agreement provides for, among other things, the establishment by Spinco, and/or transfer by the Company to Spinco, of certain employee benefit plans, policies and compensation programs, including defined benefit and contribution retirement plans, health and welfare plans, incentive and stock-based compensation plans and certain executive benefit plans. The Employee Benefits Agreement also provides for the separation of assets and liabilities related to benefit plans to be assumed by Spinco at the time of the Distribution and addresses the treatment of Company employees that will be employed by Spinco. Subject to certain exceptions, the Employee Benefits Agreement also provides for reciprocal indemnification with respect to certain losses relating to (i) the transfer of assets and liabilities under the Employee Benefits Agreement, (ii) certain administrative errors or failures of the parties and (iii) certain claims for benefits under the Spinco employee benefit plans, policies and compensation programs.

Merger Agreement

Pursuant to the Merger Agreement, and subject to the terms and conditions set forth therein, immediately after the consummation of the Spinco Financing, the payment of the Special Dividend, the distribution to the Company of the Spinco Exchange Notes and the consummation of the Distribution, Spinco will merge (the "Merger") with and into Valor, with Valor continuing as the surviving corporation (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 the Company's stockholders holding 85% of the outstanding equity interests of the Surviving Corporation immediately after the Merger and the stockholders of Valor holding the remaining 15% of such equity interests (subject , in each case, to dilution from compensatory equity grants and other issuances).

The Merger Agreement provides that, following the Merger, Jeffrey Gardener, who currently serves as Executive Vice President - Chief Financial Officer of the Company, will serve as the Chief Executive Officer of the Surviving Corporation, and Francis X. Frantz, who currently serves as the Executive Vice President - External Affairs, General Counsel and Secretary of the Company will serve as Chairman of the Board of Directors of the Surviving Corporation. The Merger Agreement also provides that following the Merger, the Board of Directors of the Surviving Corporation will consist of nine members: Messrs. Frantz and Gardener, six directors to be designated by the Company and one director to be designated by Valor, with a majority of the Board being "independent" within the meaning of the NYSE's rules.

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The Merger Agreement contains customary representations and warranties between the Company and Spinco, on the one hand, and Valor, on the other, including with respect to accuracy of financial statements, the absence of undisclosed liabilities and similar matters. The parties have also agreed to a variety of customary covenants and agreements, including with respect to confidentiality, cooperation, public disclosure, regulatory cooperation and similar matters. Subject to Delaware law, the initial quarterly dividend rate of the Surviving Corporation following the merger will be $0.25 per share.

Under the terms of the Merger Agreement, Spinco and Valor are restricted from taking certain actions prior to the effective time of the Merger that could adversely affect the tax-free treatment of the Distribution and related transactions. In addition, the Surviving Corporation will indemnify the Company for any such actions that disqualify the Distribution for such tax-free treatment.

Unless the Merger Agreement is earlier terminated, Valor is required to submit the Merger Agreement to a stockholder vote even if the Valor Board has withdrawn its recommendation of the Merger. Valor is generally prohibited from soliciting competing acquisition proposals and may not discuss a competing acquisition proposal unless the proposal is superior to the Merger or the Valor Board of Directors determines in good faith that the proposal could lead to a superior proposal. In such event, Valor may engage in discussions with the prospective acquirer, provided certain information is given to the Company, and Valor may terminate the Merger Agreement to accept a superior proposal, subject to certain conditions

and the payment of the termination fee described below.

The Merger Agreement may be terminated: (i) by mutual consent of the parties, (ii) by any of the parties if the Merger has not been completed by December 8, 2006 (the "Termination Date"), (iii) by any of the parties if the Merger is enjoined, (iv) by the Company and Spinco, on the one hand, or Valor, on the other hand, upon an incurable material breach of the Merger Agreement by the other party or parties, (v) by any party if the Company's stockholders fail to approve the Merger, (vi) by the Company or Spinco if Valor withdraws its recommendation of the Merger or fails to hold its stockholder meeting within 60 days after effectiveness of the registration statement, or (vii) by the Company to accept a superior acquisition proposal, provided that Valor gives the Company prior notice and attempts to renegotiate the transaction, and upon termination Valor enters into a competing transaction.

In the event that (i) Valor terminates the Merger Agreement to accept a superior acquisition proposal, (ii) the Company and Spinco terminate the Merger Agreement because Valor has withdrawn its recommendation of the Merger, (iii) any of the parties terminates the Merger Agreement because the Termination Date has passed or AT Co. and Spinco terminate the Merger Agreement because the Company fails to hold its stockholder meeting, or (iv) any of the parties terminates the Merger Agreement because the Company's stockholders fail to approve the Merger, and in the case of clauses (iii) and (iv) Valor agrees to or consummates a business combination transaction within one year after termination, then Valor must pay the Company a $35 million termination fee. If any party terminates the Merger Agreement because the termination date has passed or the Company terminates the Merger Agreement because of a material breach by the Company or Spinco and, in either case, at the time of termination substantially all other conditions to the Merger have been satisfied but the required IRS rulings or tax opinions for the transaction have not been received, then the Company must pay Valor a $20 million termination fee and, if the Spinco Financing condition has not been satisfied at the time of termination, then the Company must pay Valor an increased termination fee of $35 million.

Consummation of the Merger is subject to the satisfaction of certain conditions, including, among others, (i) the approval of the Merger by the stockholders of Valor, (ii) the receipt of required regulatory approvals, including the approval of the Federal Communications Commission and the expiration of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended, (iii) consummation of the Contribution, the Distribution and the Debt Exchange, (iv) consummation of the Spinco Financing, (v) receipt of surplus, solvency and certain other opinions and (vi) receipt of certain rulings from the Internal Revenue Service. The Merger and the other transactions contemplated by the Merger Agreement and the Distribution Agreement are expected to be completed in the second quarter of 2006.

Voting Agreement

In connection with the execution of the Distribution Agreement and the Merger Agreement, Spinco entered in a Voting Agreement (the "Voting Agreement") with certain stockholders of Valor who collectively own approximately 39% 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 foregoing descriptions of the Distribution Agreement, the Merger Agreement, the Voting Agreement, the Employee Benefits Agreement and the Commitment Letter are qualified in their entirety by reference to the full text of the Distribution Agreement, the Merger Agreement, the Voting Agreement, the Employee Benefits Agreement and the Commitment Letter, copies of which are attached hereto as Exhibits 2.1, 2.2, 10.1, 10.2, and 10.3 , respectively, and incorporated herein by reference.

ITEM 7.01 ***Regulation FD Disclosure***

On December 8, 2005, the Company issued a press release announcing the transactions contemplated by the

Distribution Agreement and the Merger Agreement (the "Press Release"). A copy of the Press Release is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information contained in this Item 7.01 is not filed for purposes of the Securities Exchange Act of 1934 and is not deemed incorporated by reference by any general statements incorporating by reference this report or future filings into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates the information by reference. By including this Item 7.01 disclosure in the filing of this Current Report on Form 8-K and furnishing this information, we make no admission as to the materiality of any information in this report that is required to be disclosed solely by reason of Regulation FD.

The information contained herein is summary information that is intended to be considered in the context of our SEC filings and other public announcements that we may make, by press release or otherwise, from time to time. We undertake no duty or obligation to publicly update or revise the information contained in this report, although we may do so from time to time as we believe is warranted. Any such updating may be made through the filing of other reports or documents with the Securities and Exchange Commission, through press releases or through other public disclosures.

Forward Looking Statements

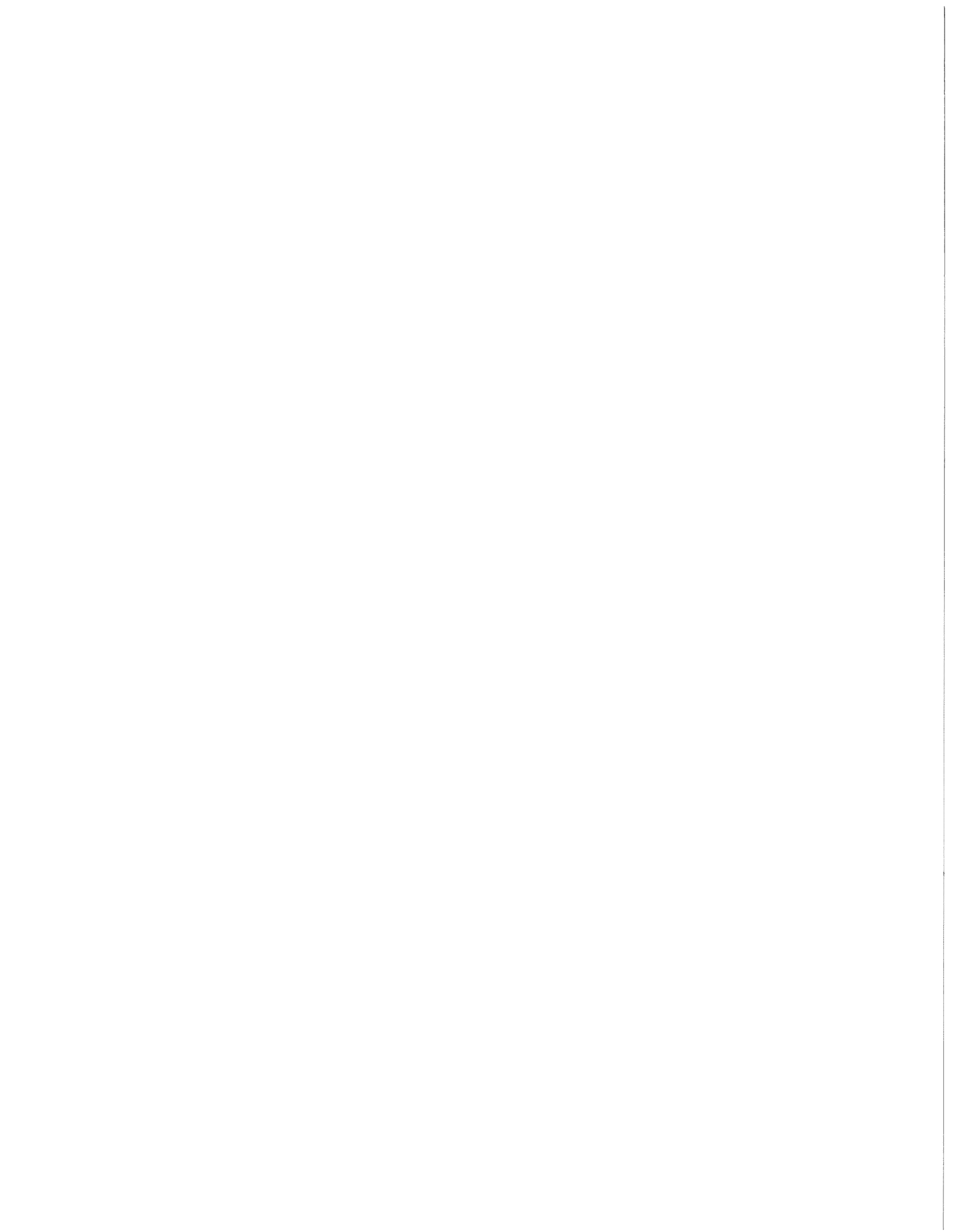
This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to uncertainties that could cause actual future events and results of the Company and Spinco to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs, and assumptions that the Company believes are reasonable but are not guarantees of future events and results.

Actual future events and results of the Company and Spinco may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Factors that could cause actual results to differ materially from those contemplated above include, among others: adverse changes in economic conditions in the markets served by the Company, Spinco and Valor; 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 separation of the Company 's wireline business; failure to realize expected synergies and other benefits as a result of the Merger and other transactions described above; adverse changes in the terms and conditions of wireline or wireless agreements of the Company, Spinco and Valor; the potential for adverse changes in the ratings given to the Company 's debt securities by nationally accredited ratings organizations; the availability and cost of financing in the corporate debt markets; the uncertainties related to the Company's strategic investments; the effects of work stoppages; the effects of litigation, including any litigation with respect to the Distribution or the Merger; and the effects of federal and state legislation, rules, and regulations governing the communications industry. In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including, among others general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes. the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause the Company's actual results to differ materially from those contemplated in the forward-looking statements included in this Current Report on Form 8-K should be considered in connection with information regarding risks and uncertainties that may affect the Company's future results included in the Company's filings with the Securities and Exchange Commission at www.sec.gov.

ITEM 9.01. ***Financial Statements and Exhibits.***

(c) Exhibits.

See Exhibit Index.



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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

ALLTEL CORPORATION
(Registrant)

By: /s/ Jeffery R. Gardner
Jeffery R. Gardner
Executive Vice President — Chief Financial Officer
(Principal Financial Officer)
December 9, 2005

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Distribution Agreement, dated as of December 8, 2005, between ALLTEL Corporation and ALLTEL Holding Corp.
2.2	Agreement and Plan of Merger, dated as of December 8, 2005, among ALLTEL Corporation, ALLTEL Holding Corp., and Valor Communications Group, Inc.
10.1	Voting Agreement, dated as of December 8, 2005, between ALLTEL Corporation and certain shareholders of Valor Communications Group, Inc. named therein.
10.2	Employee Benefits Agreement, dated as of December 8, 2005, between ALLTEL Corporation and ALLTEL Holding Corp.
10.3	Commitment Letter, dated as of December 8, 2005, from J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation.
99.1	Press release of ALLTEL Corporation, dated December 9, 2005.

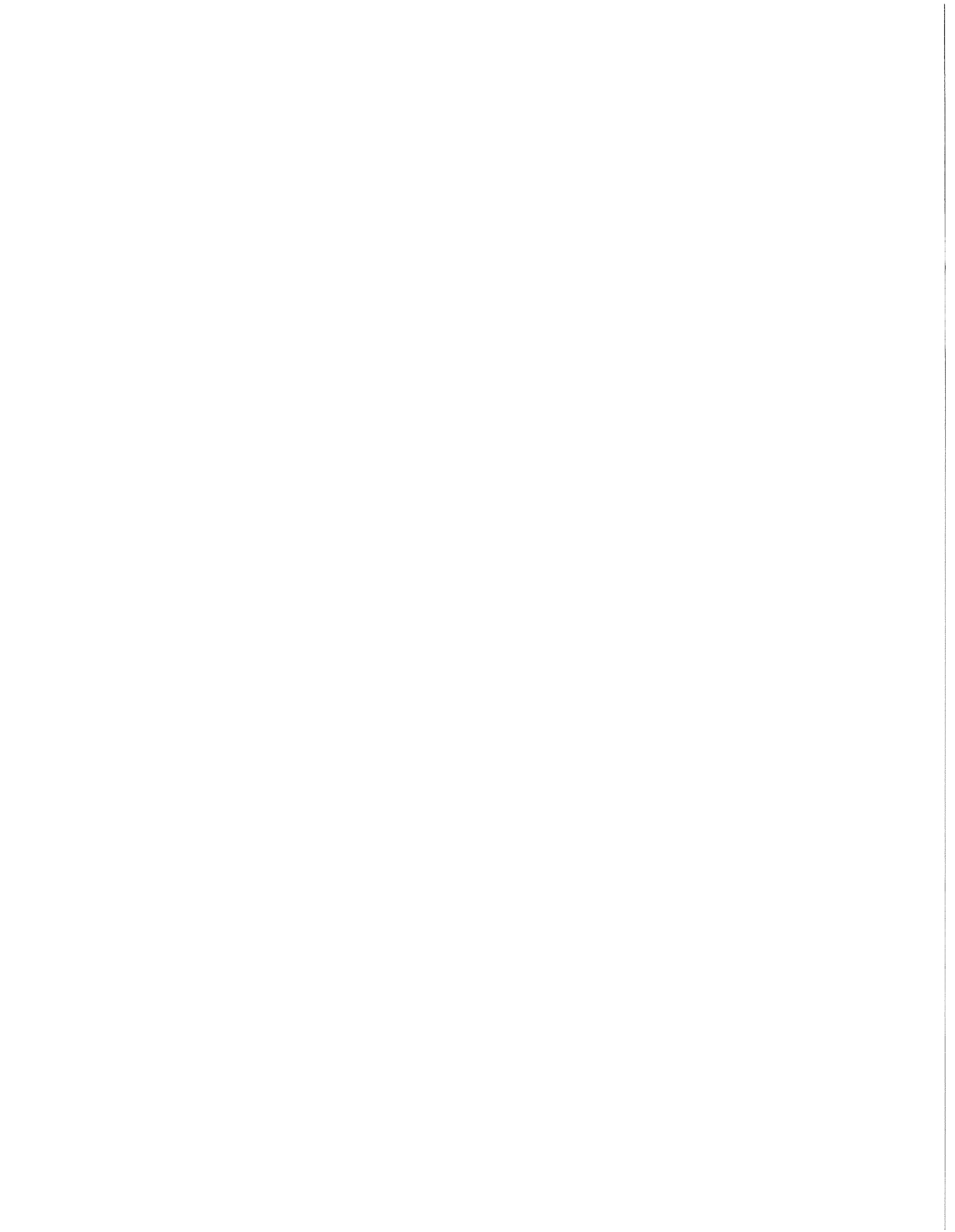


Exhibit 99.1

For additional information contact:

Andrew Moreau 501-905-7962
Vice President - Corporate Communications
andrew.moreau@alltel.com

Rob Clancy 501-905-8991
Vice President - Investor Relations
rob.clancy@alltel.com

Release Date: Dec. 9, 2005

Alltel Spins Off Wireline Business and Merges It with VALOR, Creates New Rural-Focused Wireline Company

- **Transaction Is Tax Free for Alltel, VALOR and Respective Shareholders**
- **Alltel Executives Named to Lead the Wireline Business**
- **Wireline Business Will Have Headquarters in Central Arkansas**
- **Alltel Becomes a Pure Wireless Company**
- **Alltel Plans $3 Billion Share-Repurchase Program After Spin-off**
- **Collective Dividend to Increase 1 Cent**

LITTLE ROCK, Ark. - Alltel today announced that it will spin off its wireline business and merge it with VALOR Communications Group Inc. in a transaction valued at about $9.1 billion, based on VALOR's closing stock price as of Dec. 8. The combination creates a major wireline competitor focused on the rural U.S. The transaction will be a tax-free separation of Alltel's wireline business and will reposition the remaining Alltel as a pure-play wireless service provider with roughly 11 million customers in 34 states.

The spin-off and merger with VALOR will create a new wireline company located in Central Arkansas, with Alltel shareholders owning 85 percent of the combined entity. VALOR Communications, based in Irving, Texas, will issue approximately 400 million shares of stock to the shareholders of Alltel in exchange for the Alltel wireline business. Current Alltel shareholders will continue to own 1 share of the remaining wireless entity and will receive 1.05 shares of VALOR stock for each share of Alltel they currently own.

In addition, VALOR Communications will assume approximately $4.2 billion in additional debt. The $9.1 billion transaction will be tax-free to Alltel, VALOR and each company's shareholders. With $5.4 billion in total net debt, the new merged company will be levered at approximately 3.2 times net debt to operating income before depreciation and amortization, substantially lower than VALOR's current leverage ratio of approximately 4 times debt to operating income before depreciation and amortization.

Alltel's and VALOR's wireline businesses have complementary geographic footprints with favorable rural characteristics, and their integration will benefit from Alltel's existing billing system outsourcing relationship with VALOR.

"This transaction creates new growth opportunities for both the wireless and wireline businesses as separate entities," said Scott Ford, Alltel president and chief executive officer. "Each business will have sufficient scale to compete on its own and will be appropriately capitalized to take advantage of strategic, operational and financial opportunities."

Management teams drawn from Alltel will lead the wireless and wireline businesses. "Both businesses will gain skilled management teams with a great breadth of experience in the communications industry, with the wireline business adding senior leadership from VALOR's current team," Ford said.

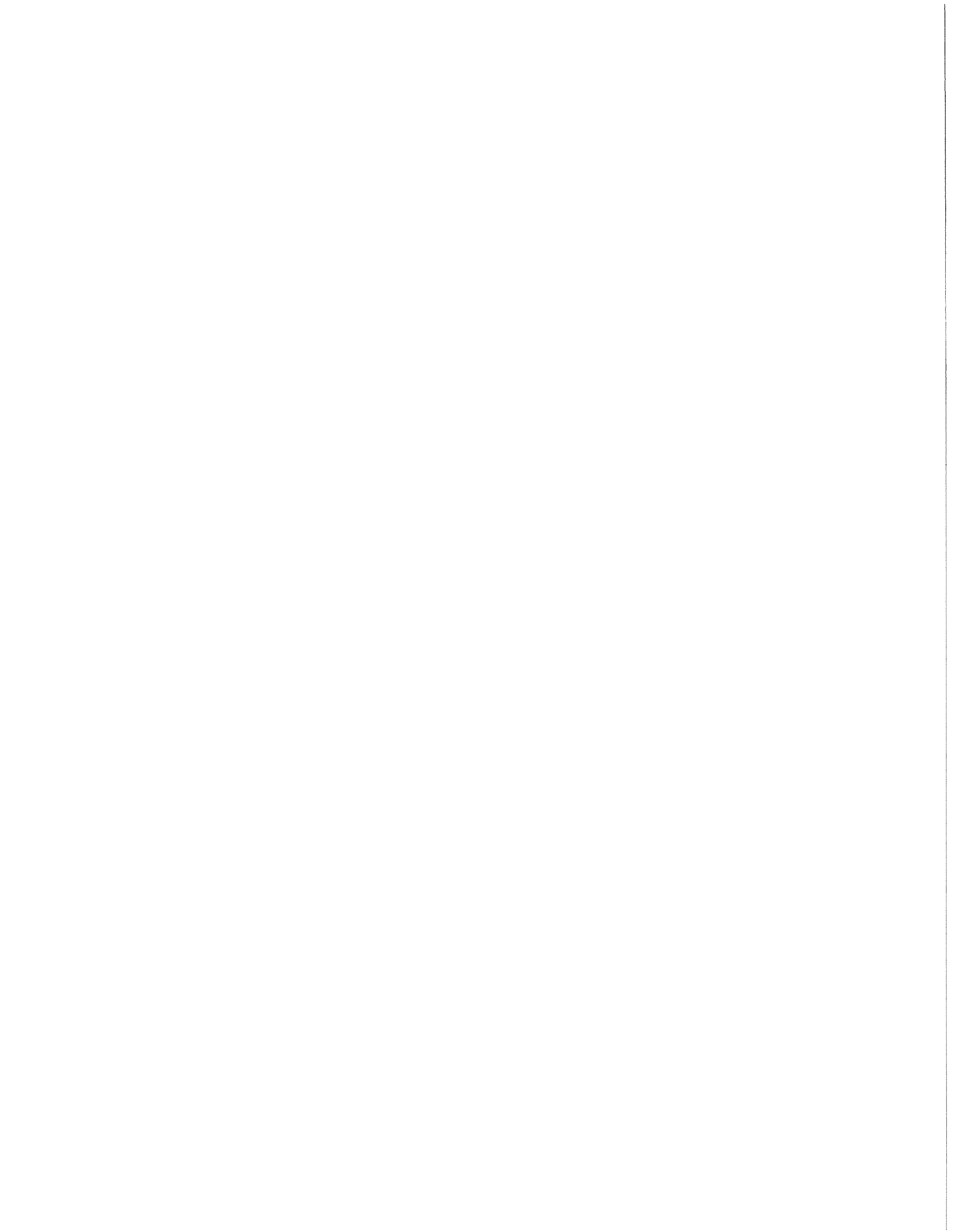
Francis X. "Skip" Frantz, currently executive vice president and secretary of Alltel who has been with Alltel for more than 15 years, will become chairman of the board of the combined wireline company. Jeffery Gardner, currently executive vice president and chief financial officer of Alltel, will become president and chief executive officer of the new company. He has been with Alltel since 1998 and has been in the industry since 1986.

"VALOR is a very good fit with the Alltel wireline business and the combined companies will add value for our shareholders and provide quality service for our customers," Gardner said. "I look forward to working with my colleagues at VALOR to run our new company."

Following are the highlights for the combined wireline business:

- Revenues and operating income before depreciation and amortization (pre-synergy) for the last 12 months ending Sept. 30, 2005, were $3.4 billion and $1.7 billion, respectively. The company will have about 3.4 million customers in 16 states.
- The company expects to gain $40 million in net annual synergies from the combination.
- The company expects to pay an annual dividend of $1 per share of common stock, which equals $1.05 per equivalent Alltel share.
- The combined company will have net debt of about $5.4 billion.
- Alltel's wireline business will keep the majority of communications support services, including publishing, IT outsourcing services, retail long distance and the wireline sales portion of communications products.

The wireline business will have nine total board members, including Frantz and Gardner, each serving a staggered three-year term. Dennis Foster, currently a member of Alltel's board, will join the board of the new wireline company as lead director. Alltel will name



five other directors, and one director will be named by VALOR Communications. The company initially will locate its headquarters in facilities currently owned by Alltel and will seek a permanent location.
The wireline leadership team also will include:

- John Koch, currently president of Alltel's wireline operations, will become chief operating officer. Koch has been with Alltel since 1998 and has been in the communications business since 1991.
- Brent Whittington, currently senior vice president of operations support for Alltel, will become executive vice president and chief financial officer. Whittington joined Alltel in 2002 as vice president for finance and accounting.
- Rob Clancy, currently vice president of investor relations for Alltel, will become senior vice president, treasurer and will lead investor relations efforts. Clancy joined Alltel in 1998 and has been in the communications industry since 1987.

The transaction is expected to close by mid-2006 and requires approval from VALOR shareholders, federal and state regulators and a letter ruling from the Internal Revenue Service approving the tax-free status.
The separation of the wireless and wireline businesses is part of Alltel's strategic push to grow its domestic wireless business. During the year, Alltel has purchased Western Wireless, certain assets of Cingular and Public Service Cellular. The company also has agreed to acquire Midwest Wireless.
Here are the highlights for the wireless business:

- Alltel will remain the nation's fifth-largest wireless carrier with about 11 million customers in 34 states. Revenue and operating income before depreciation and amortization for the last 12 months ending Sept. 30, 2005, were $7.5 billion and $2.6 billion, respectively, pro forma to include Western Wireless and Midwest Wireless.
- Alltel will own and operate the nation's largest wireless network covering a population of 75 million with its 850 MHz business. Alltel also will remain the largest independent roaming partner to the top four wireless carriers.
- Alltel expects to receive cash proceeds and debt reduction totaling about $4.2 billion resulting from the spin-off.
- Alltel plans an open market $3 billion share repurchase program for the two years following the spin-off. The company also plans to implement a $1 billion debt-reduction program.
- The wireless business expects to pay an annual dividend of 50 cents per share of common stock.
- After the spin-off, Alltel will have net debt of about $1.2 billion and be levered at about 0.5 times net debt to operating income before depreciation and amortization, prior to the planned repurchase program.

In the wireless business, Ford will continue in his current role as will Kevin Beebe, group president of operations; Jeff Fox, group president of shared services; and John Ebner, treasurer.
Sharilyn Gasaway, currently controller for Alltel, will become executive vice president and chief financial officer. Gasaway has been with Alltel since 1999 and has served in various management roles in accounting and finance. Tony Thomas, currently vice president of wireless wholesale operations, will become vice president of investor relations.
Additionally, Alltel today announced it has signed an agreement to sell the Haitian and Bolivian wireless operations it acquired from Western Wireless earlier this year for an undisclosed cash price. The transaction, subject to regulatory and other approvals, is expected to close by mid-2006.
J.P. Morgan Securities Inc., Merrill Lynch & Co. and Stephens Inc. acted as financial advisers to Alltel. Skadden, Arps, Slate, Meagher & Flom LLP served as counsel to Alltel.

Investor Call and Webcast
A conference call and Webcast will be held today at 8 a.m. CST. To take part in the conference call, dial 866-831-6162 and enter the pass code 74875056. The Webcast may be accessed at www.alltel.com/investors.

Media Call and Webcast
A conference call for media will be held today at 11 a.m. CST. To take part in the conference call, dial 866-383-8119 and enter the pass code 48612524. The Webcast may be accessed at www.alltel.com/news.

About Alltel
Alltel is a customer-focused communications company with more than 15 million customers in 36 states and nearly $10 billion in annual revenues.
Alltel claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs, and assumptions and are not guarantees of future events and results. Actual future events and results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Representative examples of these factors include (without limitation) adverse changes in economic conditions in the markets served by Alltel; 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 pending acquisitions and dispositions, including the pending acquisition of the Idaho markets and Midwest Wireless and the pending dispositions of Western Wireless' Kansas and Nebraska markets, the Austrian, Bolivian and Haitian operations, and the wireline business; the risks associated with the integration of acquired businesses, including the integration of Western Wireless; the uncertainties related to any discussions or negotiations regarding the sale of any of the international assets; adverse changes in the terms and conditions of the wireless roaming agreements of Alltel; the potential for adverse changes in the ratings given to Alltel's debt securities by nationally accredited ratings organizations; the availability and cost of financing in the corporate credit and debt markets necessary to consummate the disposition of the wireline business; the uncertainties related to Alltel's strategic investments; the effects of litigation; and the effects of federal

and state legislation, rules, and regulations governing the communications industry. In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including (without limitation) general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Non-GAAP Financial Measures

This news release includes certain non-GAAP financial measures. A reconciliation of each such measure to the most directly comparable GAAP measure is below.

Wireless Net Debt to Operating Income

for the twelve months ended September 30: (Dollars in millions)	Pro Forma Combined
Long-term debt, including current maturities	$1,223.1
Cash and short-term investments	(69.4)
Net debt	$1,153.7
Operating income under GAAP	$1,489.7
Net debt to operating income	0.8

Wireline Net Debt to Operating Income

for the twelve months ended September 30, 2005: (Dollars in millions)	Pro Forma Combined
Long-term debt, including current maturities	$5,389.1
Cash and short-term investments	(55.1)
Net debt	$5,334.0

Wireless Net Debt to OIBDA from Current Businesses

for the twelve months ended September 30 2005 (Dollars in millions)	Pro Forma Combined
Net debt (see above)	$1,153.7
Wireless Operating income under GAAP	$1,489.7
Restructuring and other charges	6.2
Incremental costs related to Hurricane Katrina	10.2
Change in accounting for leases with scheduled rent increases	19.8
Depreciation and amortization expense	1,079.4
OIBDA from current businesses	$2,605.3
Net debt to OIBDA from current businesses	0.4

Wireline Net Debt to OIBDA from Current Businesses

for the twelve months ended September 30, 2005: (Dollars in millions)	Pro Forma Combined
Net debt (see above)	$5,334.0
Operating income under GAAP	$1,088.8
Restructuring and other charges	11.8
Depreciation and amortization expense	572.5
OIBDA from current businesses	$1,673.1
Net debt to OIBDA from current businesses	3.2

- end -

Alltel, NYSE: AT
www.alltel.com

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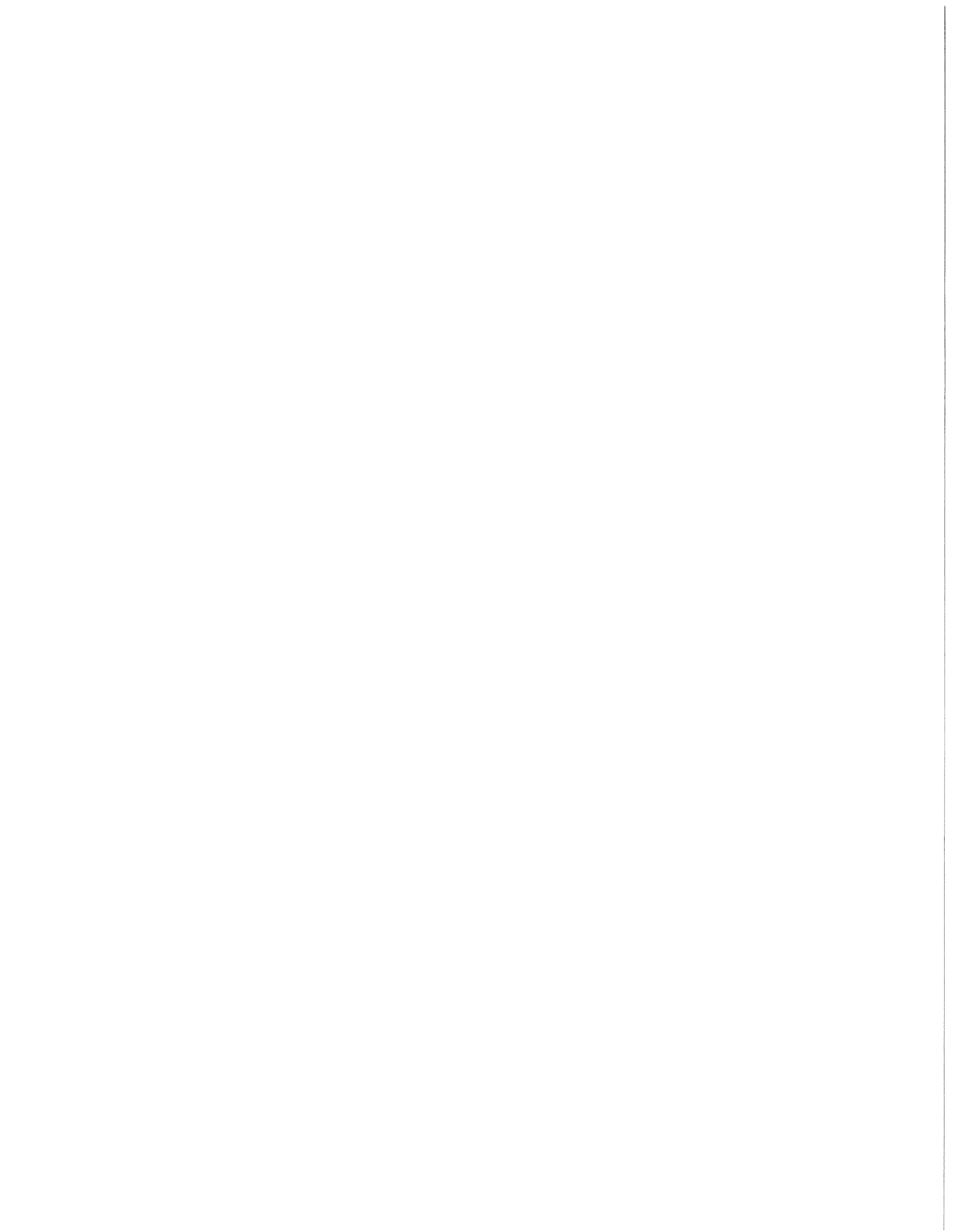
Form 8-K

ALLTEL CORP - at

Filed: January 11, 2006 (period: December 29, 2005)

Report of unscheduled material events or corporate changes.



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EX-10 (Material contracts)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 29, 2005

ALLTEL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	1-4996	34-0868285
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Allied Drive, Little Rock, Arkansas	72202
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 905-8000

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01. ***Entry into a Material Definitive Agreement.***

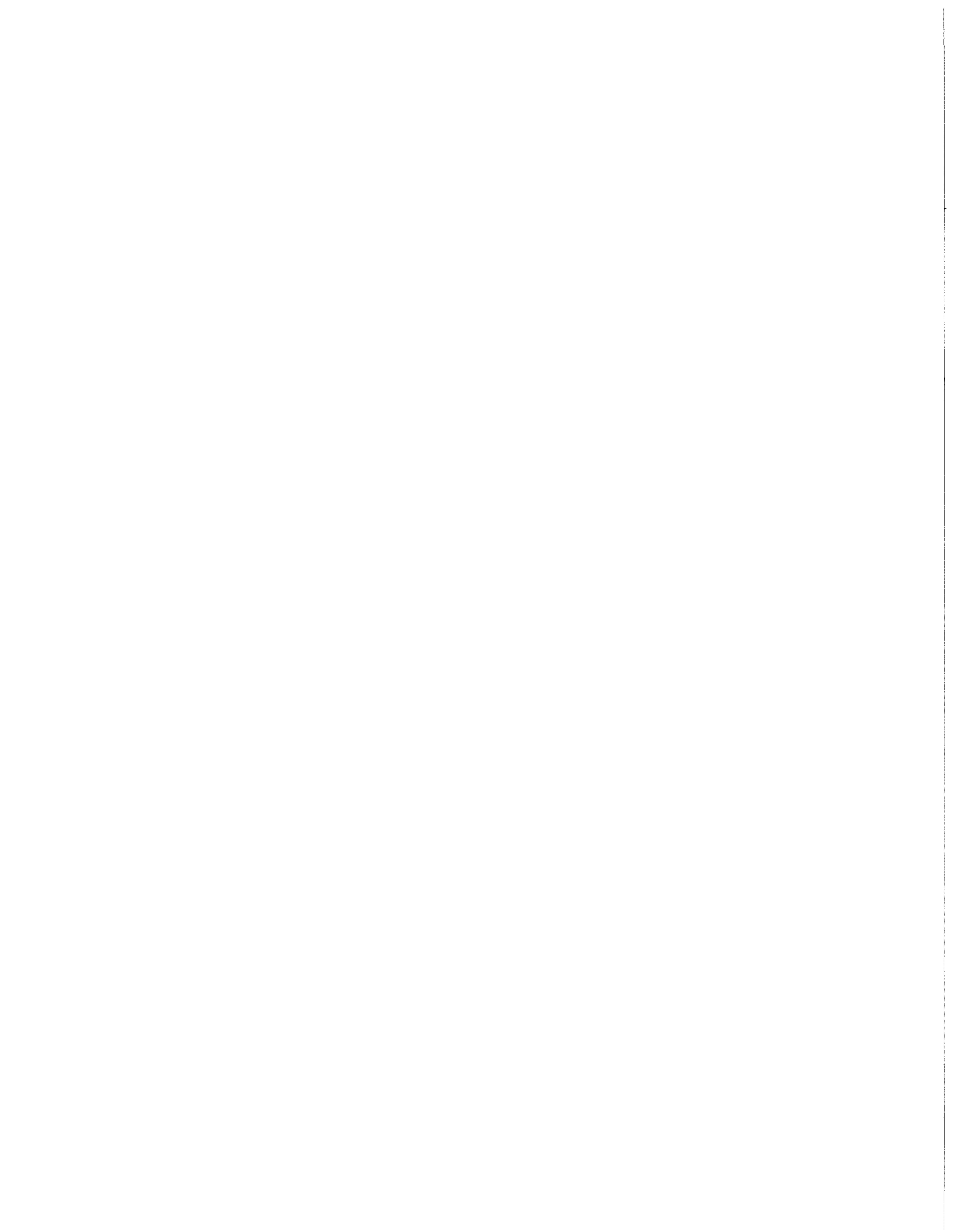
ALLTEL Corporation ("Alltel") maintains the Supplemental Executive Retirement Plan. In contemplation of the separation of Alltel's wireline and wireless businesses in accordance with the Distribution Agreement dated December 8, 2005, by and between Alltel and Alltel Holding Corp. (the "Distribution Agreement"), effective December 29, 2005, Alltel amended the Supplemental Executive Retirement Plan to provide that Francis X. Frantz and Jeffery R. Gardner will become vested in certain benefits under the plan upon the earliest to occur of January 1, 2007 and the date Alltel distributes all of the issued and outstanding shares of Alltel Holding Corp. common stock to Alltel's stockholders in accordance with the Distribution Agreement. These benefits will be paid in the form of a single lump sum within 10 days of Messrs. Frantz's and Gardner's respective retirements from Alltel.

The foregoing description of the amendment to the Supplemental Executive Retirement Plan is qualified in its entirety by the amended plan document attached as Exhibit 10.1.

ITEM 9.01. ***Financial Statements and Exhibits.***

(c) Exhibits.

See Exhibit Index.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Current Report on Form 8-K to be signed on its behalf by the undersigned hereunto duly authorized.

ALLTEL CORPORATION
(Registrant)

By: /s/ Jeffery R. Gardner
Jeffery R. Gardner
Executive Vice President -- Chief Financial Officer
(Principal Financial Officer)
January 11, 2006

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
10.1	Amendment No. 2 to the ALLTEL Corporation Supplemental Executive Retirement Plan.

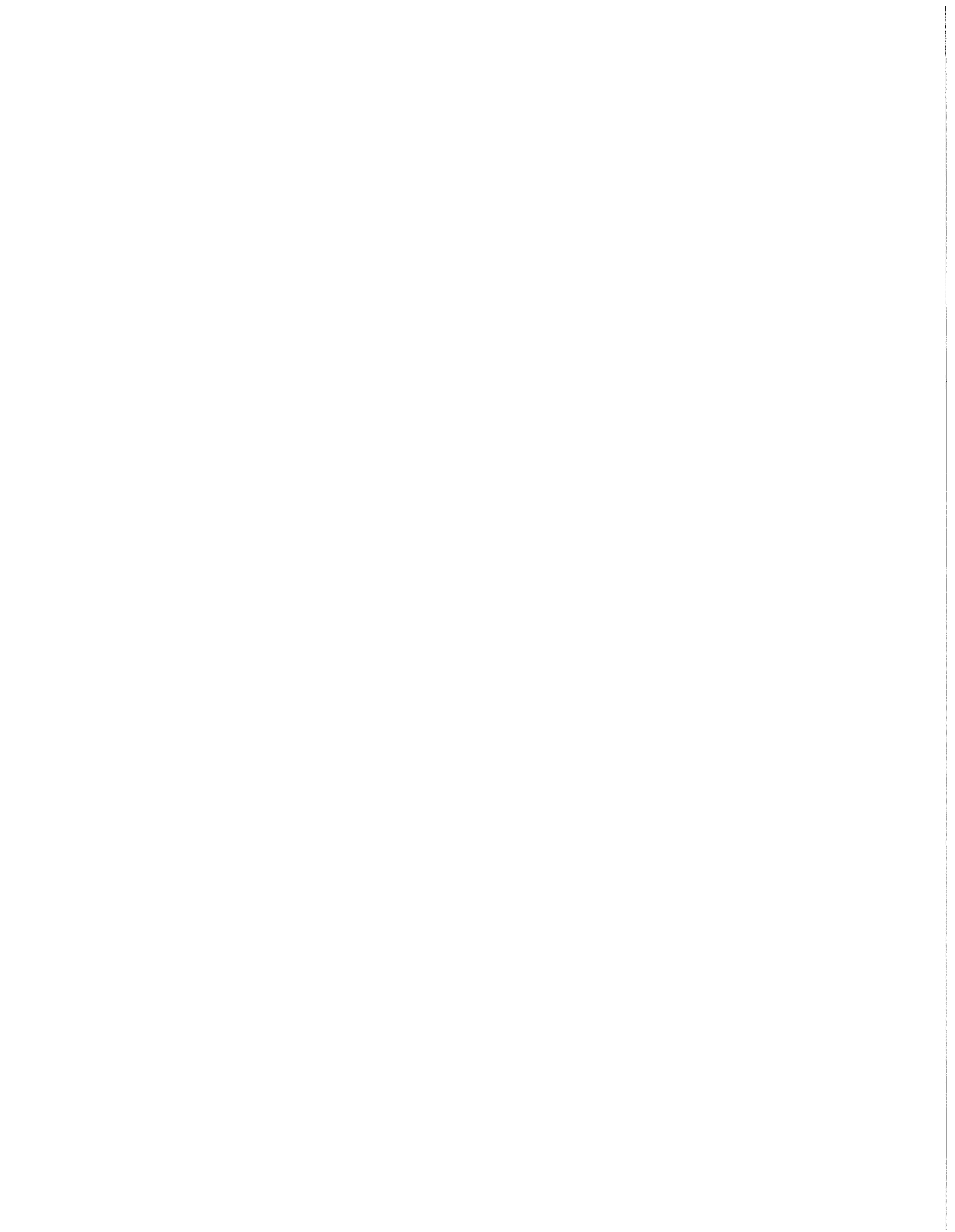


Exhibit 10.1

AMENDMENT NO. 2 TO THE

ALLTEL CORPORATION

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

WHEREAS, Alltel corporation ("Alltel") maintains the Alltel Corporation Supplemental Executive Retirement Plan (the "Plan"); and

WHEREAS, Alltel desires to amend the Plan to change the vesting date of Francis X. Frantz and Jeffery R. Gardner and to provide for a single lump sum payment of these participants' retirement benefit.

NOW, THEREFORE, BE IT RESOLVED, that, effective as of December 8, 2005, the Plan is hereby amended in the following respects:

1. Section 2.01 (ee) is amended by the addition of the following sentence to the end thereof:

"Nothwithstanding anything contained in Section 3.07 of the Plan to the contrary and only with respect to Francis X. Frantz and Jeffery R. Gardner, the Special Early Retirement Date with respect to each of Francis X. Frantz and Jeffery R. Gardner shall be the earlier to occur of the Distribution Date (as defined in the distribution Agreement by and between Alltel and Alltel Holding Corp., dated as of December 8, 2005) or January 1, 2007."

2. Section 3.04 of the Plan is amended by the addition of the following sentence to the end thereof:

"Notwithstanding anything contained in this Section 3.04 to the contrary, and only with respect to Francis X. Frantz and Jeffery R. Gardner, the retirement benefit payable to Francis X. Frantz and Jeffery R. Gardner under the Plan shall be paid in the form of a single lump sum payment (based on the actuarial assumptions set forth in Exhibit A, attached hereto) within 10 days of their Retirement (or such later date as required under Section 409A of the Code). "

IN WITNESS WHEREOF, this Amendment has been executed as of this 29th day of December, 2005.

ALLTEL CORPORATION

By: /s/ Sharilyn S. Gasaway
Title: Controller

EXHIBIT A

Alltel Corporation - Executive Retirement Benefits

Assumptions

Rate of Compensation Increases	5.0%
Employer Profit-Sharing Contribution Rate before 1/1/06	4.0%
Employee Profit-Sharing Contribution Rate after 12/31/05	6.0%
Investment Earnings	6.0%
30-year Treasury Rate (for conversion of Profit-Sharing to annuity values	4.5%
Lump Sum Interest Rate (SERP benefit only)	6.0%
Lump Sum Mortality Table	GAM-94-M
2005 Social Security Wage Base	$90,000
Future Increase for Social Security Wage Base	3.0%
Normal Form of Payment (SERP benefit only)	50% joint and survivor annuity
Spouse's Age	Wives are assumed to be three years younger than their husbands

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SEC EDGAR Filing Information

Form 8-K -- Current report

Period of Report: **2005-12-09**
Filing Date Changed: **2005-12-09**
Documents: **7**

SEC Accession No.
0000065873-05-000113
Filing date: **2005-12-09**
Accepted: **2005-12-09 12:15:13**

Item 1.01: Entry into a Material Definitive Agreement
Item 7.01: Regulation FD Disclosure
Item 9.01: Financial Statements and Exhibits

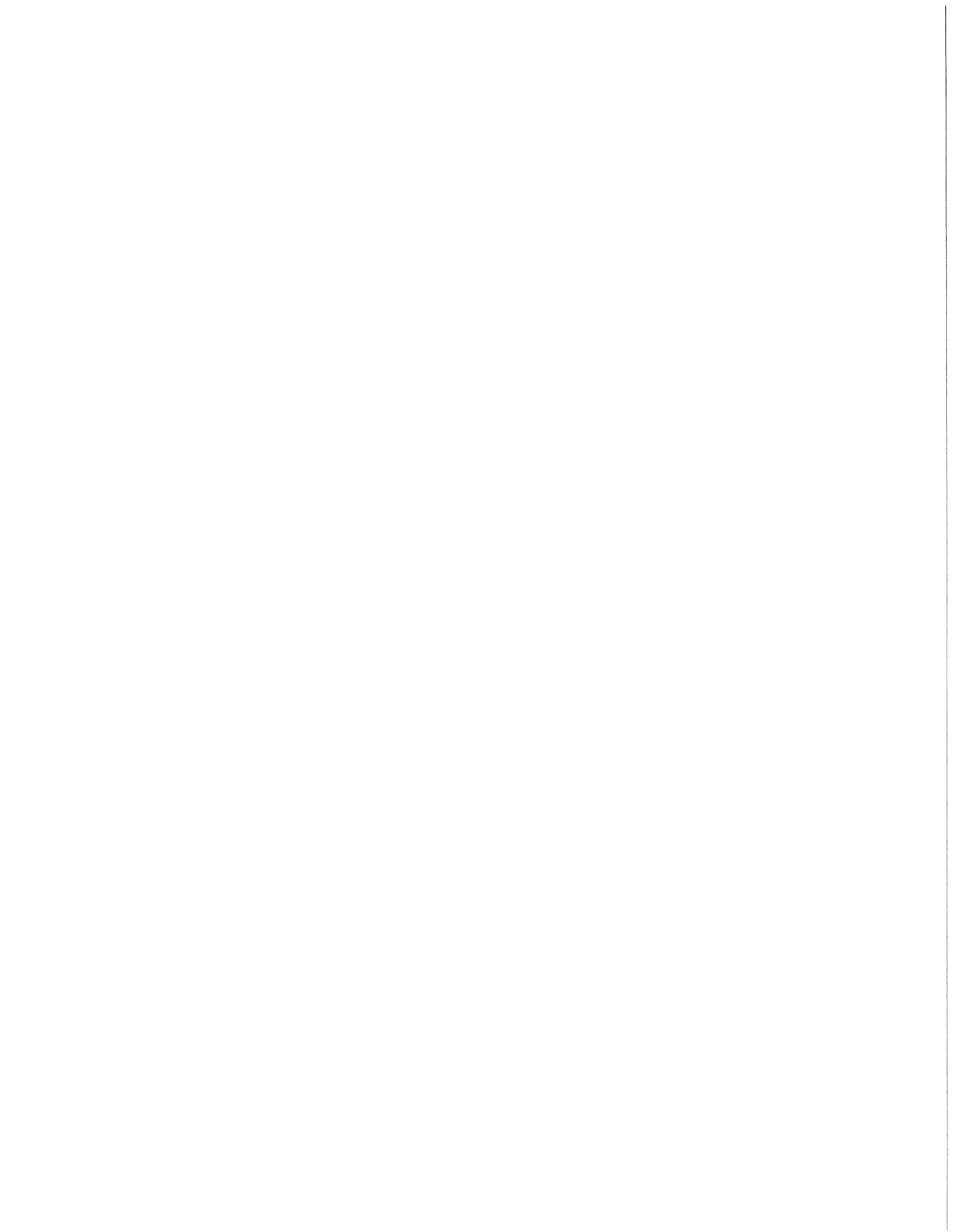
Table of submitted documents:

Seq	Type	Document	Size	Description
1	8-K	alltel8k120905.htm	57289	FORM 8-K OF ALLTEL CORPORATION
2	EX-2.1	alltelex21120905.htm	336295	DISTRIBUTION AGREEMENT BETWEEN ALLTEL CORPORATION AND ALLTEL HOLDING CORP
3	EX-2.2	alltelex22120905.htm	652127	AGREEMENT AND PLAN OF MERGER AMONG ALLTEL CORPORATION, ALLTEL HOLDING CORP., AND
4	EX-10.1	alltelex101120905.htm	143706	VOTING AGREEMENT BETWEEN ALLTEL CORPORATION AND CERTAIN SHAREHOLDERS OF VALOR CO
5	EX-10.2	alltelex102120905.htm	181599	EMPLOYEE BENEFITS AGREEMENT BETWEEN ALLTEL CORPORATION AND ALLTEL HOLDING CORP
6	EX-10.3	alltelex103120905.htm	211599	COMMITMENT LETTER FROM J.P. MORGAN SECURITIES, INC., JPMORGAN CHASE BANK, N.A.,
7	EX-99.1	alltelex991120905.htm	63964	PRESS RELEASE OF ALLTEL CORPORATION, DATED DECEMBER 9, 2005
		0000065873-05-000113.txt	1648210	**Complete submission text file**

Filer Information

ALLTEL CORP (Filer) (**0000065873**)
IRS No.: **340868285** | State of Incorp.: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-04996** | Film No.: **051254715**
SIC: **4812** Radiotelephone Communications

Business Address	Mailing Address
ONE ALLIED DR	ONE ALLIED DR
LITTLE ROCK AR 72202	LITTLE ROCK AR 72202
5019058967	



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) **December 8, 2005**

VALOR COMMUNICATIONS GROUP, INC.

(Exact name of registrant as specified in charter)

Delaware
(State or other jurisdiction of incorporation)

001-32422 (Commission File Number)	20-0792300 (IRS Employer Identification No.)
201 E. John Carpenter Freeway, Suite 200, Irving, Texas (Address of principal executive offices)	75062 (Zip Code)
Registrant's telephone number, including area code	(972) 373-1000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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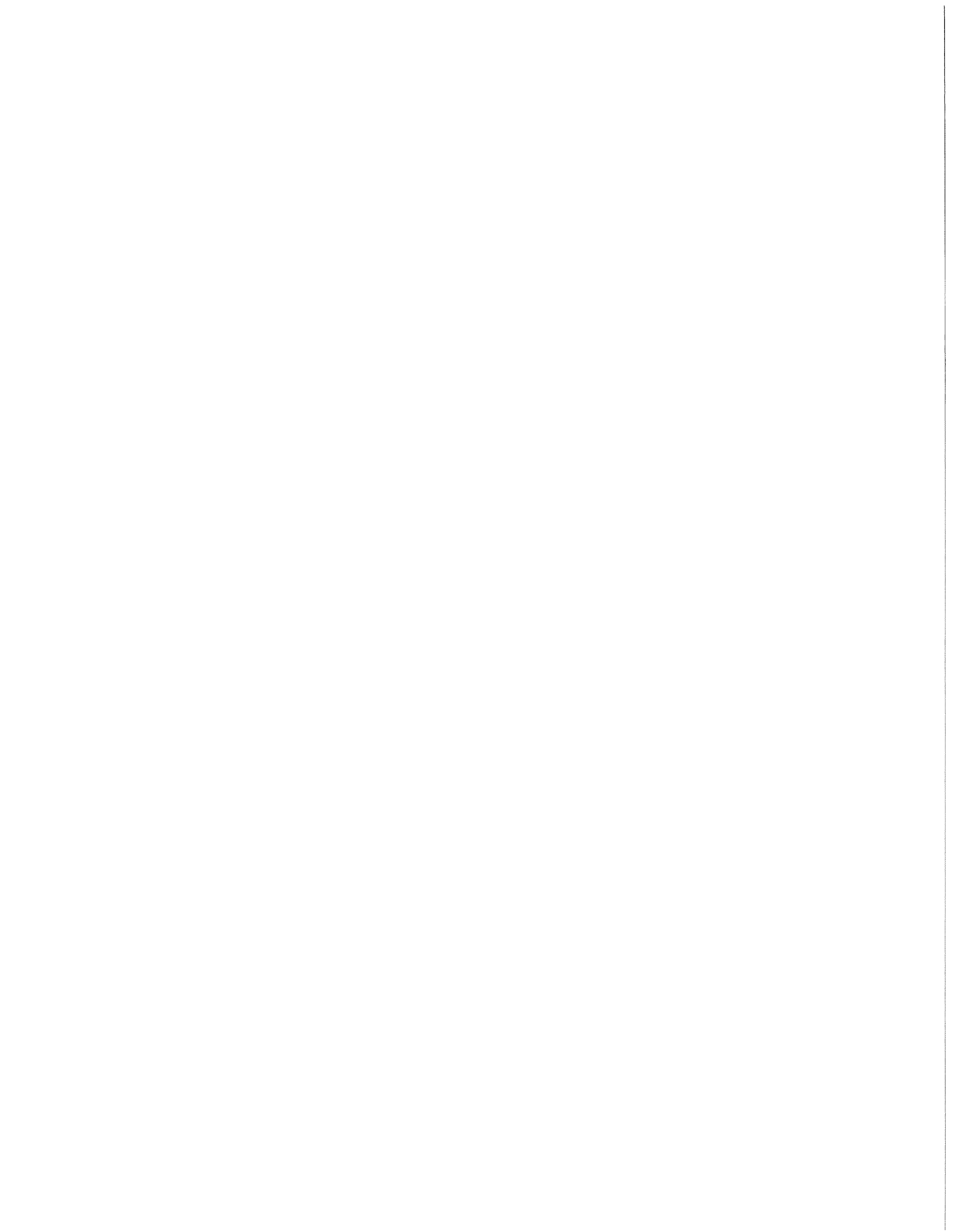


ITEM 1.01. Entry into a Material Definitive Agreement.

On December 9, 2005, Valor Communications Group, Inc. (the "Company") announced that it entered into an Agreement and Plan of Merger (the "Merger Agreement") with ALLTEL Holding Corp. ("Spinco"), a newly formed, wholly owned subsidiary of Alltel Corporation ("Alltel" that will hold Alltel's wireline telecommunications business and certain related business operations ("Alltel Wireline") following the contribution by Alltel of Alltel Wireline to Spinco (the "Contribution"). Following the Contribution, Alltel will distribute to its stockholders all of the shares of capital stock of Spinco (the "Distribution"), and then Spinco will be merged with and into the Company, with the Company continuing as the surviving corporation. In order to effect the Contribution and the Distribution, Alltel and Spinco entered into a Distribution Agreement (the "Distribution Agreement"). Prior to the Distribution, Spinco will consummate certain financing transactions (the "Spinco Financing") pursuant to which Spinco will borrow approximately $3.965 billion through a new senior credit agreement, the issuance of high yield debt securities in an offering under Rule 144A or a public offering and the distribution of Spinco debt securities to the Company. The proceeds of the Spinco Financing will be used to pay a dividend to Alltel's stockholders (in an amount not to exceed Alltel's tax basis in Spinco) and for other purposes.

Merger Agreement

Pursuant to the Merger Agreement, and subject to the terms and conditions set forth therein, immediately after the consummation of the Contribution and the Distribution, Spinco will merge (the "Merger") with and into the Company, with the Company continuing as the surviving corporation (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 the Company that will result in Alltel's stockholders holding 85% of the outstanding equity interests of the Surviving Corporation immediately after the Merger and the stockholders of the Company holding the remaining 15% of such equity interests (subject , in each case, to dilution from compensatory equity grants and other issuances).

The Merger Agreement provides that, following the Merger, Jeffrey Gardener, who currently serves as Executive Vice President — Chief Financial Officer of Alltel, will serve as the Chief Executive Officer of the Surviving Corporation, and Francis X. Frantz, who currently serves as the Executive Vice President — External Affairs, General Counsel and Secretary of Alltel will serve as Chairman of the Board of Directors of the Surviving Corporation. The Merger Agreement also provides that following the Merger, the Board of Directors of the Surviving Corporation will consist of nine members: Messrs. Frantz and Gardener, six directors to be designated by Alltel and one director to be designated by the Company, with a majority of the Board of Directors of the Surviving Corporation being "independent" within the meaning of the NYSE's rules.

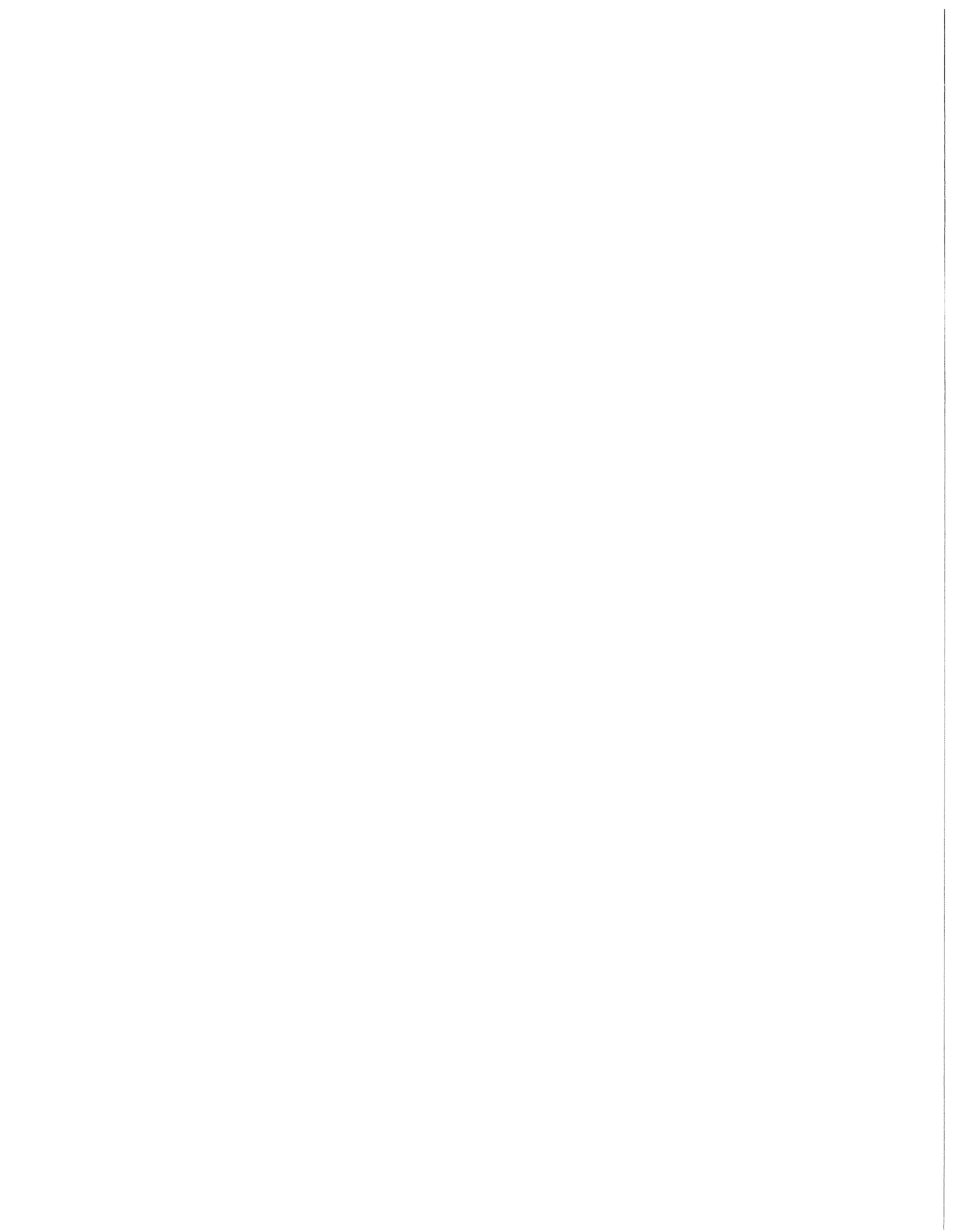
The Merger Agreement contains customary representations and warranties between Alltel and Spinco, on the one hand, and the Company, on the other, including with respect to accuracy of financial statements, the absence of undisclosed liabilities and similar matters. The parties hav also agreed to a variety of customary covenants and agreements, including with respect to confidentiality, cooperation, public disclosure, regulatory cooperation and similar matters. The initial quarterly dividend rate of the Surviving Corporation following the Merger will be $0.2 per share.

Under the terms of the Merger Agreement, Spinco and the Company are restricted from taking certain actions prior to the effective time of the Merger that could adversely affect the tax-free treatment of the Distribution and related transactions. In addition, the Surviving Corporation will indemnify Alltel for any such actions that disqualify the Distribution for such tax-free treatment.

Unless the Merger Agreement is earlier terminated, the Company is required to submit the Merger Agreement to a stockholder vote even if th Board of Directors of the Company (the "Board) has withdrawn its recommendation of the Merger. The Company is generally prohibited fron soliciting competing acquisition proposals and may not discuss a competing acquisition proposal unless the proposal is superior to the Merger or the Board determines in good faith that the proposal could lead to a superior proposal. In such event, the Company may engage in discussions with the prospective acquirer, provided certain information is given to Alltel, and the Company may terminate the Merger Agreement to accept a superior proposal, subject to certain conditions and the payment of the termination fee described below.

The Merger Agreement may be terminated: (i) by mutual consent of the parties, (ii) by any of the parties if the Merger has not been completed by December 8, 2006 (the "Termination Date"), (iii) by any of the parties if the Merger is enjoined, (iv) by Alltel and Spinco, on the one hand or the Company, on the other hand, upon an incurable material breach of the Merger Agreement by the other party or parties, (v) by any party the Company's stockholders fail to approve the Merger, (vi) by Alltel or Spinco if the Company withdraws its recommendation of the Merger or fails to hold its stockholder meeting within 60 days after effectiveness of the registration statement, or (vii) by the Company to accept a superior acquisition proposal, provided that the Company gives Alltel prior notice and attempts to renegotiate the transaction, and upon termination the Company enters into a competing transaction.

In the event that (i) the Company terminates the Merger Agreement to accept a superior acquisition proposal, (ii) Alltel and Spinco terminate the Merger Agreement because the Board has withdrawn its recommendation of the Merger, (iii) any of the parties terminates the Merger Agreement because the Termination Date has passed or Alltel and Spinco terminate the Merger Agreement because the Company fails to hold its stockholder meeting, or (iv) any of the parties terminates the Merger Agreement because the Company's stockholders fail to approve the Merger, and in the case of clauses (iii) and (iv) the Company agrees to or consummates a business combination transaction within one year after termination, then the Company must pay Alltel a $35 million termination fee. If any party terminates the Merger Agreement because the Termination Date has passed or the Company terminates the Merger Agreement because of a material breach by Alltel or Spinco and, in either case, at the time of termination substantially all other conditions to the Merger have been satisfied but the required IRS rulings or tax opinions for the transaction have not been received, then Alltel must pay the Company a $20 million



termination fee and, if Alltel has failed to obtain sufficient financing to consummate the Distribution at the time of termination, then Alltel mu: pay the Company an increased termination fee of $35 million.

Consummation of the Merger is subject to the satisfaction of certain conditions, including, among others, (i) the approval of the Merger by the stockholders of the Company, (ii) the receipt of required regulatory approvals, including the approval of the Federal Communications Commission and the expiration of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (iii) consummation of the Contribution, the Distribution and the distribution by Spinco to Alltel of certain Spinco debt securities, (iv) consummation of the Spinco Financing, (v) receipt of surplus, solvency and certain other opinions and (vi) receipt of certain rulings from the Internal Revenue Service. The Merger and the other transactions contemplated by the Merger Agreement are expected to be completed in the second quarter of 2006.

The foregoing description of the Merger Agreement is qualified in its entirety by reference to the full text of the Merger Agreement, which is incorporated herein by reference.

Forward Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. Such forward-looking statements are subject to uncertainties that could cause actual future events and results of the Company to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs, and assumptions that the Company believes are reasonable but are not guarantees of future events and results.

Actual future events and results of the Company may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Factors that could cause actual results to differ materially from those contemplated above include, among others: adverse changes in economic conditions in the markets served by the Company, Spinco and Alltel; 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 separation of Alltel's wireline business; failure to realize expected synergies and other benefits as a result of the Merger and other transactions described above; adverse changes in the terms and conditions of wireline agreements of the Company, Spinco and Alltel; the potential for adverse changes in the ratings given to the Company 's debt securities by nationally accredited ratings organizations; the availability and cost of financing in the corporate debt markets; the uncertainties related to the Company's strategic investments; the effects of work stoppages; the effects of litigation,

including any litigation with respect to the Distribution or the Merger; and the effects of federal and state legislation, rules, and regulations governing the communications industry. In addition to these factors, actual future performance, outcomes, and results may differ materially because of more general factors including, among others general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause the Company's actual results to differ materially from those contemplated in the forward-looking statements included in this Current Report on Form 8-K should be considered in connection with information regarding risks and uncertainties that may affect the Company's future results included in the Company's filings with the Securities and Exchange Commission at www.sec.gov.

ITEM 7.01. Regulation FD Disclosure.

The Company issued a press release on December 9, 2005 announcing the transactions contemplated by the Merger Agreement (the "Press Release"), a copy of which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

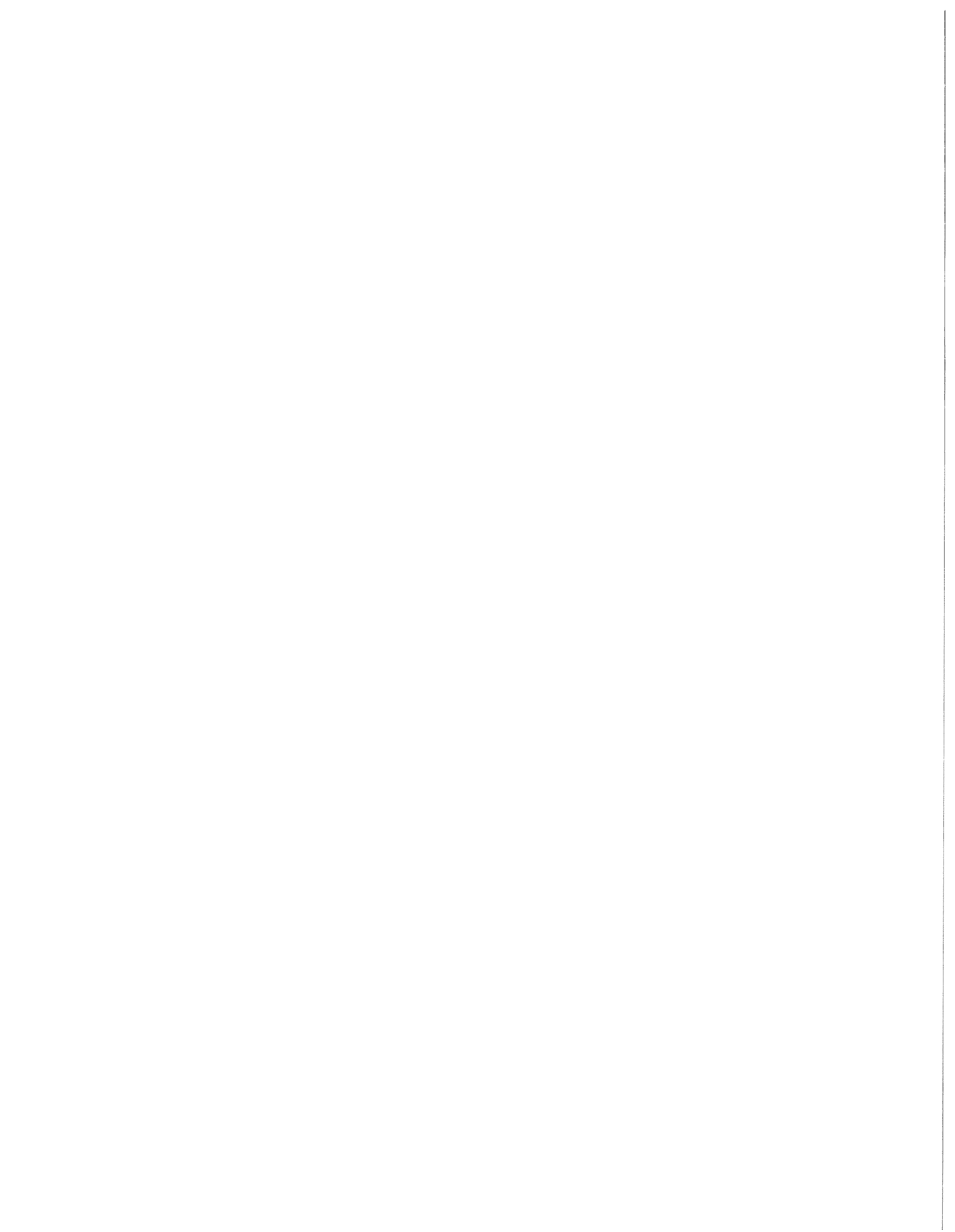
The information contained in this Item 7.01 is not filed for purposes of the Securities Exchange Act of 1934 and is not deemed incorporated by reference by any general statements incorporating by reference this report or future filings into any filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent the Company specifically incorporates the information by reference. By including this Item 7.01 disclosure in the filing of this Current Report on Form 8-K and furnishing this information, we make no admission as to the materiality of any information in this report that is required to be disclosed solely by reason of Regulation FD.

The information contained herein is summary information that is intended to be considered in the context of our SEC filings and other public announcements that we may make, by press release or otherwise, from time to time. We undertake no duty or obligation to publicly update or revise the information contained in this report, although we may do so from time to time as we believe is warranted. Any such updating may be made through the filing of other reports or documents with the Securities and Exchange Commission, through press releases or through other public disclosures.

ITEM 9.01. Financial Statements and Exhibits.

(c) Exhibits.

See Exhibit Index.



SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VALOR COMMUNICATIONS GROUP, INC.

Date: December 9, 2005

/s/ William M. Ojile, Jr.
William M. Ojile, Jr.
Senior Vice President, Chief Legal Officer and Secretary

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger, dated as of December 8, 2005, among ALLTEL Corporation, ALLTEL Holding Corp., and Valor Communications Group, Inc.*
99.1	Press release of Valor Communications Group, Inc., dated December 9, 2005.

* Incorporated by reference to the Form 8-K of ALLTEL Corporation filed with the Securities and Exchange Commission on December 9, 2005.

Exhibit 99

FOR IMMEDIATE RELEASE

Investor Relations Contact:
Keith Terreri or Sheryl Seyer
investorrelations@VALORtelecom.com
(972) 373-1296 office
(972) 373-1150 facsimile

Media Contac
Cynthia T. Cru
ccruz@VALORtelecom.coı
(972) 373-1134 offic
(469) 420-2540 facsimil

VALOR Communications Group, Inc.
Announces Merger with Alltel's Wireline Business

Transaction Creates the Leading Rural-Focused Wireline Company in the U.S.

IRVING, Texas, Dec. 9, 2005 — VALOR Communications Group, Inc. (NYSE:VCG) today announced that its Board of Directors has approved an agreement in which VALOR would merge with Alltel's (NYSE:AT) Wireline business segment ("Alltel Wireline"). Alltel Wireline will be spun off and then merged with VALOR Communications Group, Inc. in a Reverse Morris Trust transaction that will create the leading rural-focused wireline company with 3.4 million access lines in 16 states. In the transaction VALOR will issue approximately 400 million shares of stock in exchange for Alltel Wireline stock. Upon completion of the transaction, VALOR shareholders will own 15 percent of the combined entity.

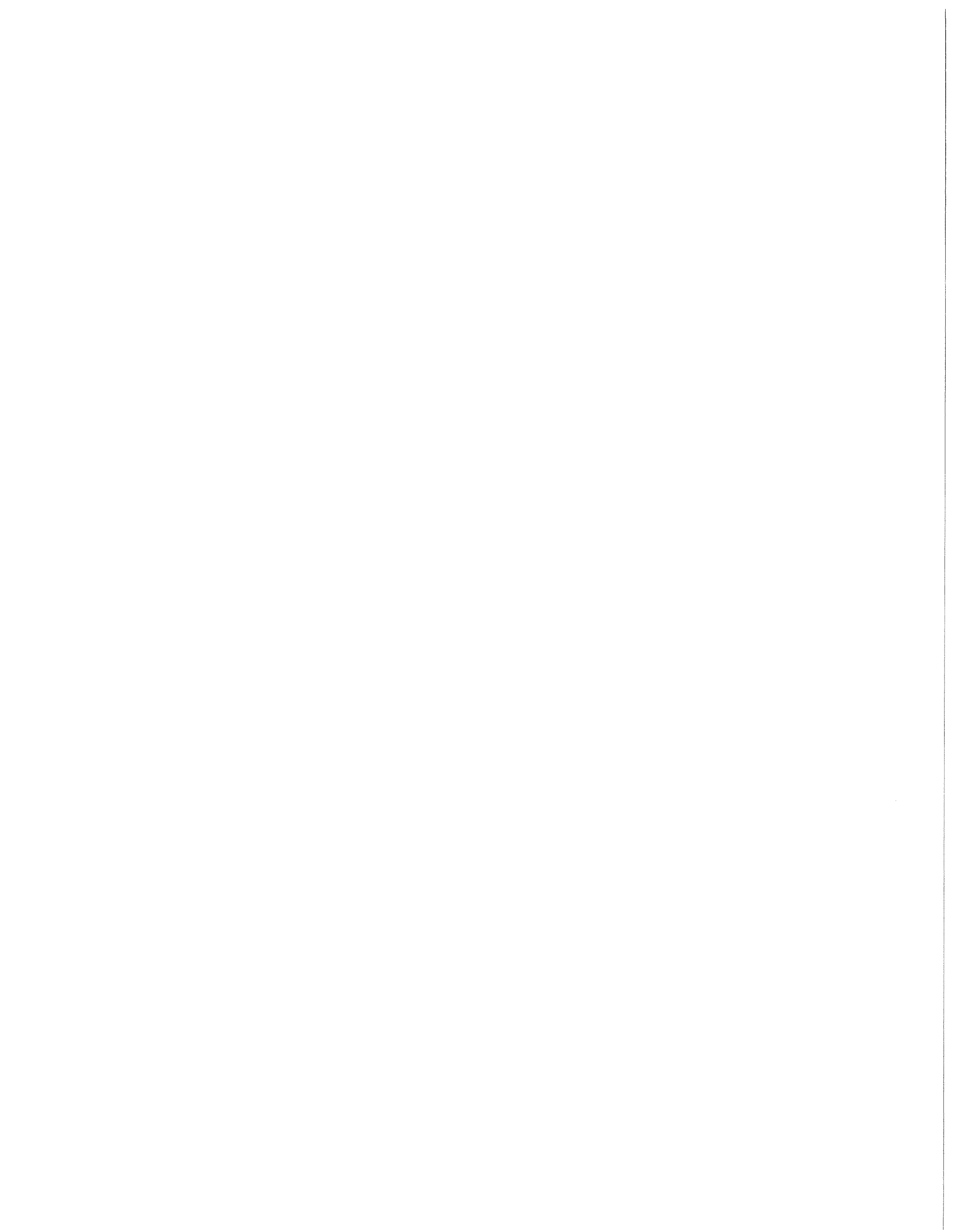
VALOR will host a conference call today at 11:00 a.m. (EST) to discuss the merger. Details appear later in this press release under "Conference Call Information."

Transaction Highlights

- Creates the leading rural-focused wireline company
- Highly complementary rural market footprint
- Ease of integration (VALOR uses the Alltel billing platform)
- Greater economies of scale and scope will produce synergies for the combined company of approximately $40 million on an annual basis
- Better diversification of customers, revenues and earnings across a broader geographic area
- Pro Forma capital structure results in lower leverage and lower cost of capital
- Company headquarters to be located in Central Arkansas
- Current Alltel executives to assume senior leadership roles; VALOR executives to play key roles

"This combination creates the clear industry leader in rural wireline telecom. Our leverage and payout ratio will decrease significantly and the combined company will have larger scale, a well clustered rural footprint and a stronger competitive position. We also have a common billing platform already in place, which reduces integration risk," said Jack Mueller, VALOR Communications Group president and chief executive officer.

- More -



Pro Forma Highlights

- Approximately 3.4 million access lines across 16 states
- Revenues of $3.4 billion for LTM 9/30/05
- OIBDA of $1.7 billion for LTM 9/30/05
- Leverage of approximately 3.2 times
- Payout ratio in the 65-70% range

Mr. Mueller also stated, "As part of our previously discussed focused strategy, VALOR continually reviews strategic transactions and believes that this transaction provides significant value creation for our shareholders. In addition, I believe the combined company will be able to better leverage existing infrastructure creating cost savings opportunities, financial flexibility and potentia for further value creation."

"VALOR is a very good fit with the Alltel wireline business and the combined companies will add value for our shareholders," said Jeff Gardner, president and chief executive officer of the new company. "I am pleased that the new company will add senior leadership from VALOR's current team and I look forward to working with my colleagues at VALOR to run our new company," added Mr. Gardner.

The transaction is expected to close by mid-2006 and requires approval from VALOR shareholders, federal and state regulators and a letter ruling from the Internal Revenue Service approving the tax-free status.

Voting Agreements

Shareholders representing approximately 42% of the VALOR share ownership have entered into voting agreements pursuant to which they have agreed to vote in favor of this transaction.

Dividends

VALOR also announced that its Board of Directors has declared a dividend of $0.36 per share of common stock for shareholders of record on Dec. 31, 2005. The dividend is payable on Jan. 16, 2006.

VALOR plans to continue paying its current dividend through the date of closing. Post closing the combined company expects to pay an annual dividend of $1.00 per share.

2005 Outlook

For the full year 2005, VALOR maintains its expectations of cash available to pay dividends, as defined in its third quarter 2005 earnings release, of $128 million to $133 million on a pro forma basis. The company continues to expect full year 2005 capital expenditures of approximately $59 million.

Advisors

VALOR was advised on the transaction by Wachovia Securities and Kirkland & Ellis, LLP. Wachovia Securities and Bear, Stearns & Co., Inc. rendered fairness opinions regarding the transaction to VALOR's board of directors.

- More -

Conference Call Information

VALOR will host a conference call and simultaneous Webcast to discuss the Alltel Wireline merger at 11 a.m. (EST) on Fri., Dec. 9, 2005. Presentation slides and the webcast links are available from VALOR's website at www.valortelecom.com in the investor relations section. To access the call, dial 1-800-218-0204, or outside the United States, dial 1-303-262-2075. A pass code is not required. A replay of the call will be available beginning at approximately 1 p.m. (EST), Dec. 9, 2005, through Dec. 16, 2005, by calling 1-800-405-2236 or, outside the United States, 1-303-590-3000. The pass code for the replay is 11048044#. The webcast replay will be available after the call from the link on our website.

Non-GAAP Measures

Historically, VALOR has presented certain non-GAAP measures that we believe to be useful indicators to investors in our common stock. These measures include both adjusted EBITDA and Cash Available to Pay Dividends (CAPD). We have introduced a new non-GAAP measure, Operating Income Before Depreciation and Amortization (OIBDA), in this release because it is a measure that is currently utilized by Alltel Wireline and we believe it is useful to present the same measure for comparative purposes. Also, it is likely that upon the closing of this transaction the combined entity will present this measure. A reconciliation of Operating Income, as determined under Generally Accepted Accounting Principles, to OIBDA for VALOR, Alltel Wireline, and the pro forma combined entity have been included in the table that follows. We plan to continue to present adjusted EBITDA and CAPD in our future releases until such time as the transaction has been completed.

This press release includes management's estimate of pro forma CAPD for the year ending December 31, 2005. VALOR believes the most directly comparable GAAP measure would be "Net cash provided by operating activities." Due to the difficulty in forecasting and quantifying the amounts that would be required to be included in this comparable GAAP measure, VALOR is not providing an estimate of net cash provided by operating activities for the year ending December 31, 2005 at this time.

About VALOR Communications Group

VALOR Communications Group (NYSE:VCG) is one of the largest providers of telecommunications services in rural communities in the southwestern United States. The company, through its subsidiary VALOR Telecom, offers to residential, business and government customers a wide range of telecommunications services, including: local exchange telephone services, which covers basic dial-tone service as well as enhanced services, such as caller identification, voicemail and call waiting; long distance services; and data services, such as providing digital subscriber lines. VALOR Communications Group is headquartered in Irving, Texas. For more information, visit www.valortelecom.com. Information contained on our website does not comprise a part of this press release.

Safe Harbor Statement

Certain matters discussed in this press release may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Words such as "believes," "anticipates," "expects," "intends," "estimates," "projects, " "outlook" and other similar expressions, which are predictions of or indicate future events and trends, typically identify forward-looking statements. Statements in this press release regarding VALOR Communications Group's business that are not historical facts, including our intention to pay quarterly dividends and our 2005 outlook, are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results or the timing of events to differ materially from those described in the forward-looking statements. We cannot assure you that the expectations discussed in these forward-looking statements will be attained. Some of the factors that could cause actual results or the timing of certain events to differ from those described in these forward-looking statements include, without limitation: our leverage and debt service obligations; the terms of our credit facility and our rights and obligations there under; any adverse changes in government regulation; the risk that we may not be able to retain existing customers or obtain new customers; the risk of increased competition in the markets we serve; our financial position, results of operations and availability of capital; and other risks detailed from time to time in our filings with the Securities and Exchange Commission, including, without limitation, the risks described in our Prospectus dated July 1, 2005, relating to our senior notes exchange offer and in our Annual Report on Form 10-K filed on March 31, 2005 with the Securities and Exchange Commission. We disclaim any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, the occurrence of future events or otherwise, except as required by law.

- More -

VALOR Communications Group, Inc.
Pro Forma Financial Measures Reflecting Merger With Alltel Wireline
(dollars in millions)
(Unaudited)

OIBDA for the twelve months ended December 31, 2004	Alltel Wireline	Valor	Pro Forma Adjustments	Pro Forma Combined
Operating income under GAAP	$ 667.6	$177.1	$ 270.2(a)	$1,114.
Depreciation & amortization	508.5	86.5	—	595.
OIBDA	$1,176.1	$263.6	$ 270.2	$1,709.

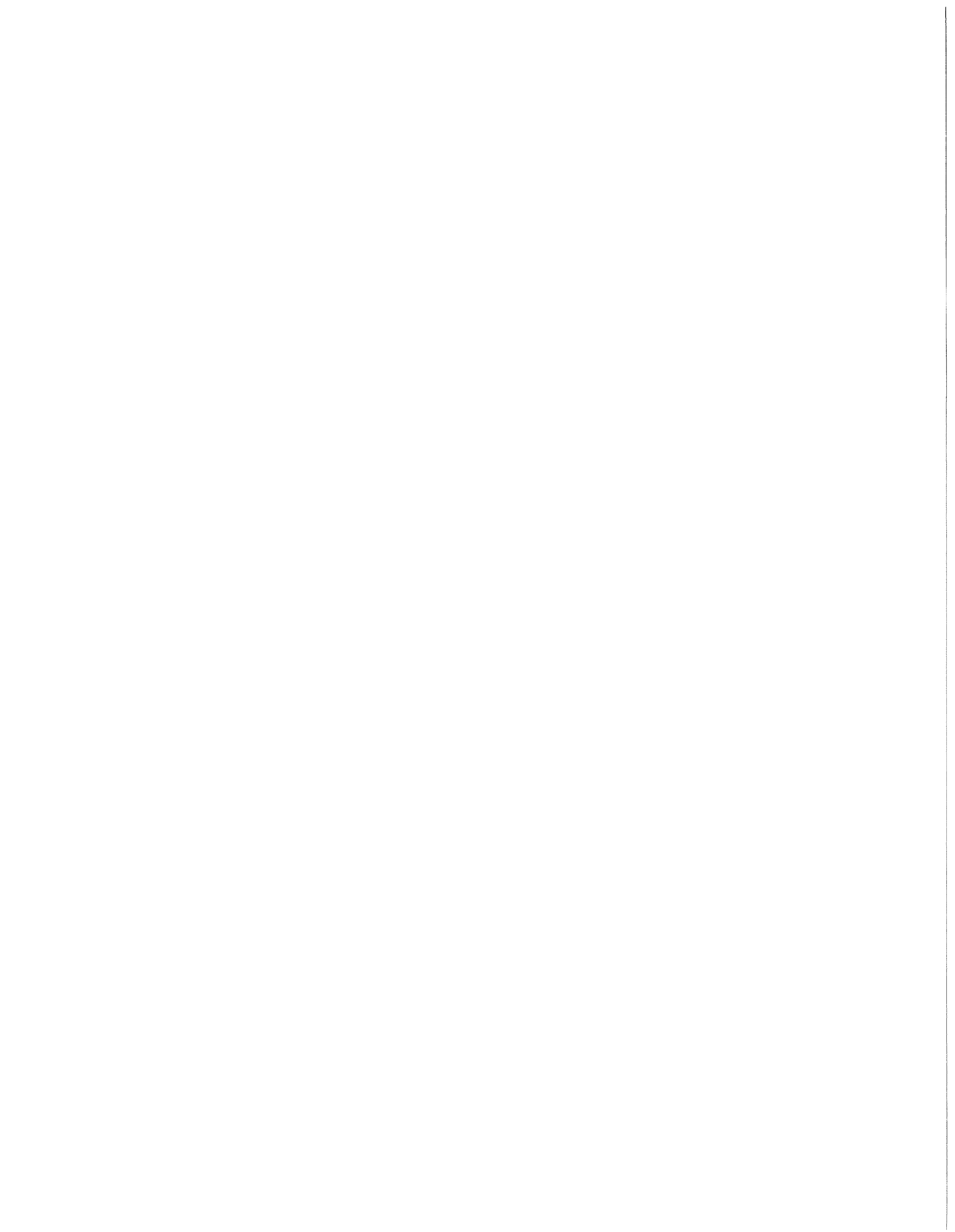
OIBDA for the twelve months ended September 30, 2005	Alltel Wireline	Valor	Pro Forma Adjustments	Pro Forma Combined
Operating income under GAAP	$ 656.2	$164.5	$ 268.1(a)	$1,088.
Depreciation & amortization	482.9	89.6	—	572.
OIBDA	$1,139.1	$254.1	$ 268.1	$1,661.

Net Debt to OIBDA for the twelve months ended September 30, 2005:		Alltel Wireline	Valor	Pro Forma Adjustments	Pro Forma Combined
Long-term debt, including current maturities		$ 281.9	$1,180.7	$ 3,926.5(b)	$5,389.1
Cash and cash equivalents		(8.4)	(46.7)	—	(55.1
Net debt	(A)	$ 273.5	$1,134.0	$ 3,926.5	$5,334.0
Operating income under GAAP		$ 656.2	$ 164.5	$ 268.1(a)	$1,088.8
Restructuring and other charges		11.8	—	—	11.8
Depreciation and amortization expense		482.9	89.6	—	572.5
OIBDA	(B)	$1,150.9	$ 254.1	$ 268.1	$1,673.1
Net debt to OIBDA	(A)/(B)		4.5 x		3.2 x

(a) - Adjustment for Royalty expense under the Alltel brand name to discontinue.

(b) - Adjustment to reflect the amount to leverage the Alltel wireline acquisition.

###



FORM S-4

VALOR COMMUNICATIONS GROUP INC – VCG

Filed: February 28, 2006 (period:)

Registration of securities issued in business combination transactions

Subject to completion, as filed with the Securities and Exchange Commission on February 28, 2006
Registration No. 333–[•]

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form S–4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

VALOR COMMUNICATIONS GROUP, INC.

(To be renamed "[•]")
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**4813**	**20–0792300**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

William M. Ojile, Jr., Esq.
Senior Vice President,
Chief Legal Officer and Secretary
Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
(972) 373–1000
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

COPIES TO:

Joshua N. Korff, Esq.	Richard N. Massey, Esq.	John P. Fletcher	Daniel L. Heard, Esq.
Kirkland & Ellis LLP	Executive Vice President	Executive Vice President	Kutak Rock LLP
Citigroup Center	and Secretary	and General Counsel	425 W. Capitol Avenue
153 East 53rd Street	Alltel Corporation	Alltel Holding Corp.	Suite 1100
New York, NY 10022	One Allied Drive	One Allied Drive	Little Rock, AR 72201
Tel. (212) 446–4800	Little Rock, Arkansas 72202	Little Rock, Arkansas 72202	Tel. (501) 975–3000
Fax (212) 446–4900	Tel. (501) 905–0625	Tel. (501)–905–0809	Fax (501) 975–3001
	Fax (501) 905–0962	Fax (501) 905–0707	

Approximate date of commencement of proposed sale to public: As soon as practicable following the effective date of this Registration Statement and the date on which all other conditions to the merger of Alltel Holding Corp. with and into Valor Communications Group, Inc. pursuant to the merger agreement described in the enclosed document have been satisfied or waived.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post–effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Common Stock, par value $.0001 per share	402,715,523	N/A	$3,721,091,432.52	$398,157.78

(1) This Registration Statement relates to shares of common stock, par value $0.0001 per share, of Valor Communications Group, Inc. issuable to holders of common stock, par value $0.01, of Alltel Holding Corp. ("Spinco") pursuant to the proposed merger of Spinco with and into Valor. The amount of Valor common stock to be registered represents the maximum number of shares of common stock that Valor will issue to holders of common stock of Spinco upon consummation of the merger based on a formula set forth in the merger agreement, which requires that Valor issue a number of shares of its common stock equal to the aggregate number of shares of Valor common stock issued and outstanding, on a fully diluted basis, as of the effective time of the merger, multiplied by 5.667. Because it is not possible to accurately state the number of shares of Valor common stock that will be outstanding as of the effective time of the merger, this calculation is based on 71,063,265 shares of Valor common stock outstanding as of February 1, 2006.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(f)(2) of the Securities Act, based on the book value (computed as of February 1, 2006, the most recent date for which such information is available) of the common stock of Spinco to be exchanged in the merger.

(3) Computed in accordance with Rule 457(f) and Section 6(b) under the Securities Act of 1933 by multiplying (A) the proposed maximum aggregate offering price for all securities to be registered by (B) 0.000107.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/ prospectus–information statement is not complete and may be changed. Valor Communications Group, Inc. may not distribute or issue the shares of Valor common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/ prospectus–information statement is not an offer to distribute these securities and Valor Communications Group, Inc. is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

SUBJECT TO COMPLETION DATED FEBRUARY 28, 2006

201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062

[•], 2006

To the Stockholders of Valor Communications Group, Inc.:

As previously announced, the Board of Directors of Valor Communications Group, Inc. has unanimously approved a strategic merger that will combine Valor and the wireline telecommunications business of Alltel Corporation. Pursuant to the Agreement and Plan of Merger Valor entered into on December 8, 2005 with Alltel Corporation and Alltel Holding Corp. (which we refer to as "Spinco"), Spinco will merge with and into Valor and Valor will survive as a stand–alone company and will hold and conduct the combined business operations of Valor and Spinco. Following completion of the merger, the separate existence of Spinco will cease. The merger will take place immediately after Alltel contributes the assets making up its wireline telecommunications business to Spinco and distributes the common stock of Spinco to its stockholders. Immediately following the merger, Valor will change its name to "[•]" and its common stock will be quoted on the New York Stock Exchange and will be traded under the ticker symbol [•]. When the merger is completed, Alltel stockholders will together own approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of [•] on a fully diluted basis.

In the merger, it is presently estimated that each share of Spinco common stock will be converted into the right to receive approximately 1.04 shares of Valor common stock. Existing shares of Valor common stock will remain outstanding. Valor expects to issue approximately 403,000,000 shares of common stock to Alltel stockholders pursuant to the merger. However, this amount is subject to change as a result of compensatory equity grants and other issuances of Valor common stock. For a more complete discussion of the calculation of the number of shares of Valor common stock to be issued pursuant to the merger, see the section titled "The Transactions — Calculation of Merger Consideration" on page [•] of the accompanying proxy statement/ prospectus–information statement. Before Valor may issue these shares the Valor certificate of incorporation must be amended to increase the authorized shares of Valor common stock from 200,000,000 to 2,000,000,000.

We cordially invite you to attend the annual meeting of Valor stockholders to be held on [•], 2006 at [•], at [•], local time. At the annual meeting, we will ask you to consider and vote on proposals to adopt and approve the merger agreement and the transactions contemplated thereby. You will also be asked to elect directors and act on other matters normally considered at Valor's annual meeting. **The Board of Directors of Valor has unanimously approved the merger agreement and unanimously recommends that the Valor stockholders vote FOR the proposals to (i) adopt the merger agreement, (ii) approve an amendment to the Valor certificate of incorporation pursuant to the merger increasing the authorized shares of Valor common stock, and (iii) 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 the ratification of Valor's independent auditors.**

Your vote is very important. We cannot complete the merger unless the proposals relating to the adoption of the merger agreement, the amendment to Valor's certificate of incorporation pursuant to the merger and the issuance of Valor stock pursuant to the merger are adopted by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Valor common stock entitled to vote at the annual meeting. Only stockholders who owned shares of Valor stock at the close of business on [•], 2006 will be entitled to vote at the annual meeting. **Whether or not you plan to be present at the annual meeting, please complete, sign, date and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote shares by calling the toll–free telephone number or by using the Internet as described in the instructions included with your proxy card.** If you hold your shares in "street name", you should instruct your broker how to vote in accordance with your voting instruction form. If you do not submit your proxy, instruct your broker how to vote your shares, or vote in person at the annual meeting, it will have the same effect as a vote against adoption of the merger agreement.

You should be aware that certain stockholders have already agreed with Alltel to vote or cause to be voted all of the Valor shares they own in favor of the adoption of the merger agreement, the amendment to the Valor certificate of incorporation increasing the authorized shares of Valor common stock pursuant to the merger and the issuance of Valor common stock pursuant to the merger. Further, you should also be aware that our directors and executive officers have either entered into this agreement with Alltel or otherwise indicated that they intend to vote their Valor common shares FOR the merger proposals. These stockholders and our executive officers and directors together hold an aggregate of approximately 42% of the aggregate number of votes entitled to be cast.

The accompanying proxy statement/ prospectus–information statement explains the merger, the merger agreement and the transactions contemplated thereby and provides specific information concerning the annual meeting. **Please review this document carefully. You should consider the matters discussed under the heading "Risk Factors — Risks Relating to the Spin–Off and the Merger" on page 21 of the accompanying proxy statement/ prospectus–information statement before voting.**

On behalf of our Board of Directors, I thank you for your support and appreciate your consideration of this matter.

Sincerely,

John J. Mueller
President and Chief Executive Officer

Member of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved the merger described in this proxy statement/ prospectus–information statement or the Valor Communications Group, Inc. common stock to be issued in connection with the spin–off and merger, or determined if this proxy statement/ prospectus–information statement is accurate or adequate. Any representation to the contrary is a criminal offense.

This proxy statement/ prospectus–information statement is dated [•], 2006,
and is first being mailed to stockholders on or about [•], 2006.

ALLTEL CORPORATION
One Allied Drive • Little Rock, Arkansas 72202
Telephone (501) 905–8000
www.alltel.com

[•], 2006

To the Stockholders of Alltel Corporation:

On December 9, 2005, we announced that we would spin–off to our stockholders shares of Alltel Holding Corp. (which we refer to as "Spinco"), a subsidiary of Alltel Corporation into which we will contribute our wireline telecommunications business, and that Spinco would then merge with Valor Communications Group, Inc. After the spin–off and merger, Valor, which will be renamed "[•]," will be a separately traded public company that will own and operate the combined businesses of Spinco and Valor. The new company's common stock will be listed on the New York Stock Exchange under the trading symbol "[•]".

It is presently estimated that approximately 1.04 shares of Valor common stock will be issued to Alltel stockholders for each share of Spinco common stock they are entitled to receive on the distribution date. However, this amount is subject to change based on the number of shares of Spinco common stock to be distributed and as a result of compensatory equity grants and other issuances of Valor common stock. A more complete discussion of the calculation of the number of shares of Valor common stock to be issued pursuant to the merger is contained in the accompanying proxy statement/ prospectus–information statement. You and all other holders of Alltel common stock will not be required to pay for the shares of Valor common stock you receive and you will also retain all of your shares of Alltel common stock. When the merger is completed, Alltel stockholders will together own approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of [•] on a diluted basis.

This transaction represents a significant strategic step that will sharpen Alltel's focus on its higher growth wireless telecommunications business. The spin–off will also allow Alltel stockholders to benefit from the success and upside potential of the new company.

Alltel Corporation's Board of Directors has determined that the spin–off of the wireline business and the combination with Valor is advisable and in the best interests of Alltel and its stockholders, and has approved the proposed transaction. You need not take any action to participate in the spin–off or the merger. **No vote of Alltel Corporation stockholders is required in connection with this transaction.**

The following document contains important information describing the terms of the spin–off and the merger. We encourage you to read it carefully.

We look forward to completing the spin–off and merger and to the exciting opportunities it presents for our stockholders.

Sincerely,

Scott T. Ford
President and Chief Executive Officer

Valor Communications Group, Inc.

201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD [•], 2006

To the Stockholders of Valor Communications Group, Inc.:

The annual meeting of stockholders of Valor Communications Group, Inc. will be held on [•], 2006 at [•], at [•], local time. The annual meeting is being held for the following purposes:

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) Spinco 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 that is 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, 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.

Only stockholders who owned shares of Valor common stock at the close of business on [•], 2006, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement of it. A stockholders' list will be available for inspection by any stockholder entitled to vote at the annual meeting during ordinary business hours at Valor's principal offices for ten days prior to the annual meeting as well as at the location of the annual meeting for the entire time of the annual meeting.

The merger agreement and the merger, along with the other transactions which would be effected in connection with the merger, are described more fully in the attached proxy statement/ prospectus–information statement, and we urge you to read it carefully. Valor stockholders have no appraisal rights under Delaware law in connection with the merger.

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.

To ensure that your shares of Valor common stock are represented at the annual meeting, please complete, date and sign the enclosed proxy card and mail it promptly in the envelope provided. Any executed but unmarked proxy cards will be voted in accordance with the recommendations of the Valor Board of Directors, including FOR adoption of the merger agreement and FOR the election of Board of Director's nominees for director. Valor stockholders may revoke their proxy in the manner described in the accompanying proxy statement/ prospectus–information statement before it has been voted at the annual meeting.

By Order of the Board of Directors,

Irving, Texas
[•], 2006

YOUR VOTE IS VERY IMPORTANT

Whether or not you plan to be present at the annual meeting, please promptly complete, sign, date and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote shares by calling the toll–free telephone number or by submitting a proxy via the Internet as described in the instructions included with your proxy card or voting information form.

REFERENCES TO ADDITIONAL INFORMATION

This proxy statement/ prospectus–information statement incorporates important business and financial information about Valor Communications Group, Inc. from documents previously filed with the Securities and Exchange Commission that are not included in or delivered with this proxy statement/ prospectus–information statement. This information is available to you without charge upon your written or oral request. 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 Valor with the following contact information or on Valor's website at www.valortelecom.com:

Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
Attn: Investor Relations
Tel: (866) 779–1296
Email: investorrelations@valortelecom.com

If you would like to request any documents, please do so by [•], 2006 in order to receive them before the annual meeting.

See "Where You Can Find Additional Information" for more information about the documents referred to in this proxy statement/ prospectus–information statement.

In addition, if you have questions about the merger you may contact:

17 State Street, 10th Floor
New York, NY 10004
Call toll free: (888) 206–1124

ALL INFORMATION CONTAINED IN THIS PROXY STATEMENT/ PROSPECTUS–INFORMATION STATEMENT WITH RESPECT TO ALLTEL OR SPINCO AND THEIR SUBSIDIARIES HAS BEEN PROVIDED BY ALLTEL. ALL INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/ PROSPECTUS–INFORMATION STATEMENT WITH RESPECT TO VALOR (INCLUDING THE FINANCIAL ADVISORS TO VALOR) AND ITS SUBSIDIARIES HAS BEEN PROVIDED BY VALOR. NEITHER VALOR ON THE ONE HAND, NOR SPINCO OR ALLTEL, ON THE OTHER HAND, WARRANTS THE ACCURACY OF THE INFORMATION PROVIDED BY THE OTHER PARTY.

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QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS

Q: What are Valor Communications Group, Inc. stockholders being asked to vote on at the annual meeting?

A: Valor Communications Group, Inc. (also referred to herein as "Valor") stockholders are being asked to consider and vote upon proposals to adopt the merger agreement entered into among Valor, Alltel Corporation (also referred to herein as "Alltel") and Alltel Holding Corp. (also referred to herein as "Spinco"), 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. Other matters to be considered and voted upon at the annual meeting are the election of directors, ratification of Valor's independent auditors and such other matters as may properly come before the meeting.

Q: What will happen in the spin–off and merger?

A: First, Alltel will engage in a series of preliminary restructuring transactions to effect the transfer to Spinco's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business and the transfer to Alltel of all assets not relating to such business. 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 (which we will refer to as the "contribution") in exchange for:

- the issuance to Alltel of Spinco common stock to be distributed to Alltel's stockholders pro rata in the spin–off (which we will refer to as the "distribution"),
- 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 (which we will refer to as 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, Spinco will consummate certain financing transactions pursuant to which it will incur approximately $3.965 billion in indebtedness through (1) borrowings 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.

After the contribution and immediately prior to the merger, Alltel will spin–off Spinco to the stockholders of Alltel by distributing all of its shares of Spinco common stock to Alltel stockholders on a pro rata basis. Spinco will then merge with and into Valor in accordance with the merger agreement. Valor will survive the merger as a stand–alone company holding and conducting the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to [•] and its common stock will be quoted on the New York Stock Exchange. 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."

Pursuant to the merger, it is presently estimated that Alltel stockholders will receive approximately 1.04 shares of Valor common stock for each share of Spinco common stock they are entitled to receive on the distribution date. However, this amount is subject to change based on the number of shares of Spinco common stock distributed to Alltel stockholders and as a result of compensatory equity grants and other issuances of Valor common stock that may be made prior to the spin–off. For a more complete discussion

of the calculation of the number of shares of Valor common stock to be issued in the merger, see the section titled "The Transactions — Calculation of Merger Consideration" on page [•] of this proxy statement/ prospectus–information statement. Holders of Alltel common stock will not be required to pay for the shares of Valor common stock they receive and will also retain all of their shares of Alltel Corporation. Existing shares of Valor common stock will remain outstanding.

By virtue of the merger, Newco will assume $261.0 million in Alltel debt on a consolidated basis 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.

Q: What will Alltel Corporation stockholders be entitled to receive pursuant to the transactions?

A: As a result of the merger, Alltel stockholders will be entitled to receive approximately 1.04 shares of Valor common stock (subject to variation based on the number of shares of Spinco common stock distributed to Alltel stockholders and as a result of compensatory equity grants and other issuances) for every share of Spinco common stock that they are entitled to receive in the distribution of the Spinco businesses to Alltel stockholders. No fractional shares of Valor common stock will be issued to Alltel stockholders in the merger. Alltel stockholders that otherwise would be entitled to a fraction of a Valor common share will be entitled to receive a cash payment in lieu of issuance of that fractional share. See "The Merger Agreement — Merger Consideration" on page [•]. Following the merger, approximately 85% of the outstanding common shares of Newco will be held by Alltel stockholders.

Q: Does Valor's Board support the merger?

A: Yes. The Valor 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 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.

Q: How will my rights as a Newco stockholder after the merger differ from my current rights as a Valor stockholder?

A: After the merger, your rights as a stockholder will be governed by the amended and restated certificate of incorporation attached to this document as Annex E, rather than the current certificate of incorporation of Valor. A comparison of the differences of your rights as a stockholder under these two governing documents is discussed in the section titled "Comparison of the Rights of Valor Stockholders Before and After the Spin–Off and Merger" starting on page [•] of this proxy statement/ prospectus–information statement.

Q: What will happen to Valor's dividend policy as a result of the merger?

A: 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."

Q: What are the material tax consequences to Valor stockholders and Alltel stockholders resulting from the spin–off and the merger?

A: The merger will be tax–free to Valor stockholders. Assuming that the spin–off qualifies as a tax–free distribution under Sections 355, 368 and related provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and that the merger qualifies as a tax–free reorganization under Section 368(a) of the Code, Alltel stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the spin–off or the merger, except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of Valor common stock. The material U.S. federal income tax consequences of the spin–off and the merger are described in more detail under "Certain United States Federal Income Tax Consequences of the Spin–Off and the Merger" on page [•].

Q: Are there risks associated with the merger?

A: Yes. We may not achieve the expected benefits of the merger because of the risks and uncertainties discussed in the section titled "Risk Factors" starting on page [•] and the section titled "Special Note Concerning Forward–Looking Statements" starting on page [•]. Those risks include, among other things, risks relating to the uncertainty that we will be able to integrate the existing Valor business with the Spinco business successfully and uncertainties relating to the performance of the businesses following the completion of the merger.

Q: What should Alltel stockholders do now?

A: Alltel common stockholders should carefully read this proxy statement/ prospectus–information statement, which contains important information about the spin–off, the merger, Spinco and Valor. Alltel stockholders are not required to take any action to approve the spin–off, the merger or any of the transactions contemplated thereby. After the merger, Newco will mail to holders of Alltel common stock who are entitled to receive shares of Valor common stock book–entry statements evidencing their ownership of Valor common stock and other information regarding their receipt of Valor common stock.

ALLTEL STOCKHOLDERS WILL NOT BE REQUIRED TO SURRENDER THEIR EXISTING ALLTEL CORPORATION COMMON SHARES IN THE SPIN–OFF TRANSACTION OR THE MERGER AND THEY SHOULD NOT RETURN THEIR ALLTEL STOCK CERTIFICATES.

Q: How will the market price of Alltel common stock be affected by the merger?

A: The market value of Alltel common stock following the merger will decrease in order to give effect to the distribution. Some or all of this decrease in value realized by Alltel stockholders will be offset by the value of the Newco common stock they will receive in the merger. However, there can be no assurances that the combined trading prices of shares of Alltel common stock and Newco common stock after the merger will be equal to or greater than the trading price of shares of Alltel common stock prior to the merger. Until the market has fully evaluated the business of Alltel without the business of Newco, the price at which shares of Alltel common stock trade may fluctuate significantly. Similarly, until the market has fully evaluated the combined businesses of Valor and Spinco on a stand–alone basis, the price at which shares of Newco common stock trade may fluctuate significantly.

Q: What should Valor stockholders do now?

A: After carefully reading and considering the information contained in this proxy statement/ prospectus–information statement, Valor stockholders should vote their shares as soon as possible so that their shares will be represented and voted at the Valor annual meeting. Please follow the instructions set forth on the enclosed proxy card or on the voting instruction form provided by the record holder if your shares are held in the name of your broker or other nominee.

Q. Have any stockholders already agreed to vote for the merger?

A. Yes. Holders of approximately 41% of Valor common stock have agreed to vote for the adoption of the merger agreement and have signed a Voting Agreement with Spinco to that effect.

Q: How do Valor stockholders vote?

A: Valor stockholders may vote before the annual meeting in one of the following ways:

- use the toll–free number, if any, shown on your proxy card;
- visit the website, if any, shown on your proxy card to submit a proxy via the Internet; or
- complete, sign, date and return the enclosed proxy card in the enclosed postage–paid envelope.

Q: What if a Valor stockholder does not vote on the matters relating to the merger?

A: If you are a Valor stockholder and you fail to respond with a vote or fail to instruct your broker or other nominee how to vote on the proposals 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, it will have the same effect as a vote against these proposals, each of which must be approved for the merger to occur. In addition, if you fail to vote or instruct your broker or other nominee to vote on the proposal to adopt the 2006 Equity Incentive Plan, it will also have the same effect as a vote against this proposal. If you respond and abstain from voting, your proxy will have the same effect as a vote against these proposals. If you respond but do not indicate how you want to vote on the proposals, your proxy will be counted as a vote in favor of these proposals.

Q: What stockholder approvals are needed in connection with the merger?

A: The merger cannot be completed unless the merger agreement is adopted, the amendment to Valor's certificate of incorporation pursuant to the merger increasing the authorized number of shares of Valor common stock is approved and the issuance of Valor common stock to Alltel stockholders pursuant to the merger is approved by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Valor common stock entitled to vote at the annual meeting. No vote of Alltel stockholders is required or being sought in connection with the spin–off transaction or the merger.

Q: Why are Valor stockholders being asked to approve the 2006 Equity Incentive Plan?

A: Valor stockholders are being asked to approve the 2006 Equity Incentive Plan to ensure that upon completion of the merger, Newco has in place an equity incentive plan that will enable it to address equity incentives for the management of Newco in a timely manner.

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 342,469 remain available for awards. Newco will be a considerably larger company than Valor was at the time of the adoption of the 2005 Plan and will correspondingly have more key employees. To focus the Newco management team on objectives that are designed to enhance the value and performance of the merged entity to the benefit of the Valor stockholders, it is anticipated that Newco will grant equity awards to its key employees following completion of the merger. As a result, to ensure that Newco has adequate means to provide equity incentive compensation for its employees thereafter, the Board of Directors deems it to be in the best interests of Valor for its stockholders to approve the adoption of the 2006 Equity Incentive Plan because if Valor stockholders approve the merger, but not act on the 2006 Equity Incentive Plan at the annual meeting, Newco would be required to either call a special stockholder meeting following completion of the merger or wait until its 2007 annual meeting of stockholders to obtain approval for a new equity compensation plan.

Q: Who can vote at the Valor annual meeting?

A: Holders of Valor common stock can vote their shares at the annual meeting if they are holders of record of those shares at the close of business on [•], 2006, the record date for the annual meeting.

Q: When and where is the annual meeting of Valor stockholders?

A: The annual meeting of Valor stockholders will be held at [•] on [•], 2006 at [•], at [•], local time.

Q: If I am not going to attend the annual meeting, should I return my proxy card(s)?

A: Yes. Returning your proxy card(s) ensures that your shares will be represented at the annual meeting, even if you are unable to or do not attend.

Q: Can Valor stockholders change their vote after they mail their proxy card?

A: Yes. If you are a holder of record of Valor common stock and have properly completed and submitted your proxy card, you can change your vote in any of the following ways:

- 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;
- by properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the annual meeting;
- by 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
- by attending the annual meeting and voting in person.

Simply attending the annual meeting will not revoke a proxy.

If you are a Valor stockholder whose shares are held in "street name" by your broker and you have directed such person to vote your shares, you should instruct such person to change your vote.

Q: If my Valor shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will vote your Valor shares only if you provide instructions on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares will not be voted, which will have the effect of a vote against the adoption of the merger agreement, the approval of the amendment to Valor's certificate of incorporation increasing the authorized number of shares of Valor common stock, the approval of the issuance of Valor common stock to Alltel stockholders pursuant to the merger and the adoption of the 2006 Equity Incentive Plan.

Q: Can Alltel or Valor stockholders demand appraisal of their shares?

A: No. Neither Alltel nor Valor stockholders have appraisal rights under Delaware law in connection with the spin–off, the merger or the transactions contemplated thereby.

Q: When will the merger be completed?

A: We are working to complete the merger as quickly as possible. If approved by the Valor stockholders, we hope to complete the merger as early as the second quarter of 2006. However, it is possible that factors outside our control could require us to complete the merger at a later time or not complete it at all. For a discussion of the conditions to the merger see "Merger Agreement — Conditions to Merger" beginning on page [•].

Q: Who can answer my questions?

A: If you are a Valor stockholder and you have any questions about the merger, the annual meeting, or if you need assistance in voting your shares, please contact:

Investor Relations Department
Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062
Attn: Investor Relations
Tel: (866) 779–1296
Email address: investorrelations@valortelecom.com

If you are an Alltel stockholder and you have any questions regarding the distribution of Spinco shares, the merger or any matter described in this proxy statement/ prospectus–information statement, please direct your questions to:

Investor Relations Department
Alltel Corporation
One Allied Drive
Little Rock, Arkansas 72202
Tel: (877) 446–3682
Email address: alltel.investor.relations@alltel.com

In addition, if you have questions about the merger or if you need additional copies of this proxy statement/ prospectus–information statement you may also contact:

Georgeson Shareholder
17 State Street, 10th Floor
New York, NY 10004
Call toll free: (888) 206–1124

SUMMARY

This summary highlights selected information from this proxy statement/ prospectus–information statement and may not contain all of the information that is important to you. To understand the transactions fully and for a more complete description of the legal terms of the spin–off and the merger, you should carefully read this entire proxy statement/ prospectus–information statement and the other documents to which we refer you, including in particular the copies of the merger agreement, the distribution agreement and the voting agreement, and the opinions of Wachovia Securities and Bear, Stearns & Co. Inc. that are attached to this proxy statement/ prospectus–information statement as Annexes A, B, C, D–1 and D–2, respectively. See also "Where You Can Find Additional Information" on page [•]. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

This proxy statement/ prospectus–information statement is:

- a prospectus of Valor Communications Group, Inc. relating to the issuance of shares of Valor Communications Group, Inc. common stock in connection with the merger;
- a proxy statement of Valor Communications Group, Inc. for use in the solicitation of proxies for Valor's annual meeting; and
- an information statement of Alltel Corporation relating to the spin–off of its shares of Spinco common stock to Alltel stockholders.

The Companies (page [•])

Valor Communications Group, Inc.

Valor Communications Group, Inc.
201 E. John Carpenter Freeway, Suite 200
Irving, Texas 75062

Valor Communications Group, Inc. (also referred to herein as "Valor") is one of the largest providers of telecommunications services in rural communities in the southwestern United States and the seventh largest independent telephone company in the country. As of December 31, 2005, Valor operated 518,456 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas. Valor believes that in many of its markets it is the only service provider that offers customers an integrated package of local and long distance voice, high–speed data and Internet access as well as a variety of enhanced services such as voicemail and caller identification. Valor generated revenues of $505.9 million and net income of $35.3 million in the year ended December 31, 2005.

Valor was formed in connection with the acquisition in 2000 of select telephone assets from GTE Southwest Corporation, which is now part of Verizon. Valor's formation was orchestrated by its equity sponsors Welsh, Carson, Anderson & Stowe, or WCAS, Vestar Capital Partners, Citicorp Venture Capital and a group of founding individuals. Valor completed its initial public offering of shares of common stock on February 9, 2005 and its shares began trading on the NYSE under the symbol "VCG."

Alltel Holding Corp.

Alltel Holding Corp.
One Allied Drive
Little Rock, AR 72202

Alltel Holding Corp. (also referred to herein as "Spinco") is currently a wholly–owned subsidiary of Alltel Corporation (also referred to herein as "Alltel") and was incorporated in its current form as a Delaware corporation on November 2, 2005 to hold Alltel's wireline telecommunications business. Alltel's wireline telecommunications business is currently operated by certain of its subsidiaries, each of which will be transferred to Spinco prior to the closing of the spin–off and the merger. These subsidiaries provide wireline local, long–distance, network access and Internet services. These subsidiaries also sell and warehouse

telecommunications products, publish telephone directories for affiliates and other independent telephone companies. This proxy statement/ prospectus–information statement describes Spinco as if it held the subsidiaries and other assets that will be transferred to it prior to closing for all historical periods presented.

The Annual Meeting (page [•])

The annual meeting of Valor stockholders will take place on [•], 2006 at [•], at [•], local time. At the annual meeting, Valor stockholders will be asked to consider and vote on proposals 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. Other matters to be acted on at the annual meeting are the election of directors, ratification of Valor's independent auditors and such other matters as may properly come before the meeting.

Annual Meeting Record Date; Voting Information (page [•])

Valor stockholders are entitled to vote at the annual meeting if they owned shares of Valor common stock at the close of business on [•], 2006, the annual meeting record date.

As of the annual meeting 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. Each share of Valor common stock entitles the holder to one vote at the annual meeting.

Required Vote (page [•])

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 and to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger. The adoption of the 2006 Equity Incentive Plan and the ratification of the appointment of Valor's independent auditors requires the affirmative vote of a majority of the votes represented and entitled to vote on each such matter, and directors shall be elected by a plurality of the votes represented and entitled to vote on the matter.

Voting by Valor Management (page [•])

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 proposals. 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.

The Transactions (page [•])

On December 8, 2005, Alltel, Spinco and Valor entered into an Agreement and Plan of Merger providing for the merger of Valor with the wireline telecommunications business of Alltel. In connection with the merger, Alltel will contribute its wireline telecommunications business to Spinco in exchange for, among other things, a special dividend in the aggregate approximate amount of $2.4 billion and approximately $1.538 billion in Spinco debt securities (or exchange notes), which Alltel will exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors, thereby reducing Alltel's outstanding indebtedness. As the sole stockholder of Spinco, Alltel will receive 100% of the special dividend. As a result of the transactions, Alltel will receive approximately $4.2 billion of combined 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. After the contribution and immediately prior to the merger, Alltel will effect a spin–off of Spinco to the stockholders of Alltel by distributing all of its shares of Spinco common stock to Alltel stockholders on a pro rata basis. Spinco will then merge with and into Valor in accordance with the merger agreement. Valor will survive the merger as a stand–alone company that will hold and conduct the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to [•], and its common stock will be quoted on the New York Stock Exchange. 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."

In the merger, it is presently estimated that Alltel stockholders will receive approximately 1.04 shares of Newco common stock for each share of Spinco common stock they are entitled to receive on the distribution date. However, this amount is subject to change 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 of Valor common stock that may be made prior to the spin–off. For a more complete discussion of the calculation of the number of shares of Valor common stock to be issued in the merger, see the section titled "The Transactions — Calculation of Merger Consideration" on page [•] of this proxy statement/ prospectus–information statement. Holders of Alltel common stock will not be required to pay for the shares of Valor common stock they receive and will also retain all of their shares of Alltel Corporation. Existing shares of Valor common stock will remain outstanding. Upon consummation of the merger, on a diluted basis, 85% of Newco will be held by Alltel common stockholders and 15% will be held by the stockholders of Valor.

Valor Board of Directors' Recommendation to Valor Stockholders (page [•])

The Valor Board of Directors has unanimously determined that the merger is advisable and fair to, and in the best interests of, Valor and its stockholders and unanimously recommends that Valor stockholders vote **FOR** the proposals 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 and, if necessary, to adjourn the annual meeting to solicit additional proxies for the merger proposals.

Valor's Reasons for the Merger (page [•])

In recommending the merger to Valor stockholders, the Valor Board of Directors considered the company's current and historical financial condition and results of operations as well as its future prospects and strategic objectives. The Board of Directors examined the potential impact of industry trends and risks facing the company and the industry as a whole on such prospects and objectives. The Board of Directors reviewed the strategic options available to Valor, both potential transaction opportunities and remaining as a separate public company and the risk associated with each option. The Board of Directors authorized management to explore potential transactions and Valor's senior management subsequently began discussions with Alltel.

In the course of their discussions, both Valor and Alltel recognized that a merger of Alltel's wireline business with Valor could potentially have substantial strategic and financial benefits. Upon completion of the merger, we expect that Newco stock will trade at a modest premium over Valor's current share price. Furthermore, Valor's current stockholders may have an opportunity to improve their long–term returns by holding shares of Newco which we expect will be a leading rural wireline telephone company and one of the largest local telecommunications carriers in the United States.

Opinion of Financial Advisors (page [•])

In deciding to approve the merger, the Valor Board of Directors considered separate opinions delivered to it by its financial advisors Wachovia Securities and Bear, Stearns & Co. Inc.

Each of Wachovia Securities and Bear Stearns delivered its opinion to the Valor Board of Directors, which opinions were subsequently confirmed in writing, that as of December 8, 2005, and based upon and subject to the factors, qualifications, judgments and assumptions set forth therein, the aggregate consideration to be issued by Valor in the merger is fair, from a financial point of view, to Valor and its stockholders.

The full text of the written opinions of each of Wachovia Securities and Bear Stearns, which set forth assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken in connection with its opinion, is attached to this proxy statement/ prospectus–information statement as Annexes D–1 and D–2, respectively. Each of Wachovia Securities and Bear Stearns provided its opinion for the information and assistance of the Valor Board of Directors in connection with their consideration of the transactions contemplated by the merger agreement and the distribution agreement. Neither opinion is a recommendation as to how any holder of Valor common stock should vote with respect to the transactions contemplated by the merger agreement. Valor encourages its stockholders to read these opinions in their entirety.

Alltel's Reasons for the Spin–Off and the Merger (page [•])

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 approximately $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.

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.

Interests of Certain Persons in the Merger (page [•])

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, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan, 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:

- the appointment of Valor's current Chairman of the Board of Directors to the board of Newco;
- the acceptance of employment or consulting agreements with Newco by certain of Valor's executive officers;
- the acceleration of vesting of a portion of each executive officer's cash awards, if any, and shares of restricted stock that were scheduled to vest on January 1, 2007;
- amendments to certain executives' employment agreements that will increase severance payable thereunder from 18 months of base salary to 24 months;
- amendments to certain executives' employment agreements that will increase bonus payments upon termination of employment to two times annual target bonus;
- the acceleration of vesting of restricted stock grants scheduled to vest in 2008 and beyond for those executive officers who will not remain employed by Newco; and
- the filing of a shelf registration statement for the benefit of persons affiliated with WCAS, and Vestar Capital Partners, who currently hold in the aggregate approximately 41% of Valor's outstanding common stock, and the grant of certain other registration rights to WCAS and Vestar.

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 and 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 Approval (page [•])

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 competitive local exchange carriers ("CLEC") and incumbent local exchange carriers ("ILEC") operations of Alltel and Valor: Florida, Georgia, Kentucky, Mississippi, Missouri, Nebraska, New York, North Carolina, Ohio, Pennsylvania, South Carolina and Texas. 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 foregoing applications that were required to be filed prior to completion of the merger for the authority and approval with respect to the ILEC operation 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, 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.

Each party's obligations to complete the merger are subject to receipt of the consents of the above referenced state regulators and FCC authorization that, if not obtained, would reasonably be expected to have a material adverse effect on Valor, Alltel or Spinco.

In addition, completion of the spin–off and the merger requires that we submit filings under the Hart–Scott–Rodino Antitrust Improvements Act of 1976 to the Department of Justice and the Federal Trade Commission and satisfy certain waiting period requirements. Valor and Spinco submitted the required filings under the Hart–Scott–Rodino Act on December 21, 2005 and early termination of the waiting period requirements was granted on January 3, 2006.

The merger agreement provides that each of Valor, Alltel and Spinco, subject to customary limitations, will use their respective 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.

For a more complete discussion of regulatory matters relating to the merger, see "The Transactions — Regulatory Approvals" beginning on page [•].

Merger Consideration (page [•])

The merger agreement provides that Valor will issue in the aggregate to holders of Alltel common stock a number of shares of Valor common stock equal to (a) the number of shares of Valor common stock outstanding on a fully–diluted basis as the effective time of the merger multiplied by (b) 5.667, we refer to the product of this formula 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 shares of Valor common stock equal to the aggregate merger consideration, divided by the number of Spinco shares outstanding as the effective time of the merger. The calculation of the aggregate 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.

Alltel stockholders that otherwise would be entitled to a fraction of a Valor common share will be entitled to receive a cash payment in lieu of issuance of that fractional share.

Conditions to the Completion of the Merger (page [•])

Consummation of the merger is subject to the satisfaction of certain conditions, including, among others:

- the obtaining of the requisite approval by the stockholders of Valor;
- the receipt of required regulatory approvals, including the approval of the Federal Communications Commission (which Valor received on February 1, 2006), the relevant state public service or public utilities commissions and the expiration of the applicable waiting period under the Hart–Scott Rodino Antitrust Improvements Act of 1976, as amended (which Valor received on January 3, 2006);
- the SEC declaring effective the registration statement, of which this proxy statement/ prospectus–information statement is a part;
- consummation of the contribution transaction, the distribution transaction and the debt exchange transaction, each of which are described elsewhere in this proxy statement/ prospectus–information statement;
- consummation of the financing of Spinco;
- receipt of surplus, solvency and certain other opinions;

- each party's compliance in all material respects with its obligations under the merger agreement;
- that no event or circumstance shall have occurred that has or would have a "Material Adverse Effect" on Valor or Spinco; and
- receipt of certain rulings from the Internal Revenue Service and certain tax opinions.

Termination (page [•])

The merger agreement may be terminated:

- by mutual consent of the parties,
- by any of the parties if the merger has not been completed by December 8, 2006, the so–called "termination date,"
- by any of the parties if the merger is enjoined,
- by Alltel and Spinco, on the one hand, or Valor, on the other hand, upon an incurable material breach of the merger agreement by the other party or parties,
- by any party if the requisite approval of Valor's stockholders is not obtained,
- by Alltel or Spinco if Valor withdraws its recommendation of the merger or fails to hold its stockholder meeting within 60 days after effectiveness of the registration statement to which this proxy statement/ prospectus–information statement is attached, or
- by Valor to accept a superior acquisition proposal, provided that Valor gives Alltel prior notice and attempts to renegotiate the transaction, and upon termination Valor enters into a competing transaction.

Termination Fee Payable in Certain Circumstances (page [•])

In the event that (i) Valor terminates the merger agreement to accept a superior acquisition proposal, (ii) Alltel and Spinco terminate the merger agreement because Valor has withdrawn its recommendation of the merger, (iii) any of the parties terminates the merger agreement because the termination date has passed or Alltel and Spinco terminate the merger agreement because Valor fails to hold its stockholder meeting, or (iv) prior to such termination, a third party makes a company acquisition proposal, and any of the parties terminates the merger agreement because the requisite approval of Valor's stockholders is not obtained, and in the case of clauses (iii) and (iv) Valor agrees to or consummates a business combination transaction within one year after termination with a third party that, after the date of the merger agreement, made a proposal to Valor regarding an alternative transaction, then Valor must pay Alltel a $35 million termination fee.

If any party terminates the merger agreement because the termination date has passed or Valor terminates the merger agreement because of a material breach by Alltel or Spinco and, in either case, at the time of termination substantially all other conditions to the merger have been satisfied but the required IRS rulings or tax opinions for the transaction have not been received, then Alltel must pay Valor a $20 million termination fee and, if Spinco's financing condition has not been satisfied at the time of termination, then Alltel must pay Valor an increased termination fee of $35 million.

Name Change; Listing (page [•])

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 [•].

Distribution Agreement (page [•])

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. The distribution agreement also contains certain other terms governing the relationship between Alltel and Spinco with respect to or in consequence of the spin–off transaction.

Pursuant to the distribution agreement, Alltel will transfer to Spinco's subsidiaries 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 Alltel's wireline telecommunications business, 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). The distribution agreement also provides for the transfer to Alltel's subsidiaries of all assets not relating to such businesses.

Following these 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 special dividend (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 Spinco debt securities to be transferred to Alltel's creditors.

Certain United States Federal Income Tax Consequences of the Spin–Off and the Merger (page [•])

The spin–off is conditioned upon Alltel's receipt of a private letter ruling from the Internal Revenue Service (the "IRS") 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. 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. Assuming that the spin–off qualifies as described above:

- 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;
- 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
- 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.

It is a condition to the obligations of Alltel, Spinco and Valor to consummate the merger that Alltel and Spinco receive the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, and that Valor receives 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. Assuming that the merger is treated as a tax–free reorganization, as set forth in the tax opinions:

- 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 in the merger, except to the extent of any cash received in lieu of a fractional share of Valor common stock;

- an Alltel stockholder's tax basis in the Valor common stock received in 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;
- 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;
- neither Spinco nor Valor will recognize any gain or loss in the merger; and
- Valor stockholders will not recognize any gain or loss in the merger.

Please see "Certain United States Federal Income Tax Consequences of the Spin–Off and the Merger" on page [•] for more information.

The Voting Agreement (page [•])

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 Vestar Capital Partners who collectively owned approximately 41% of Valor's outstanding common shares as of December 8, 2005. 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.

Financing of Newco (page [•])

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 a senior secured five–year revolving credit facility in the principal amount of $500.0 million and senior secured term loan facilities in an aggregate amount of up to $3.7 billion. A portion of the financing of Newco may also be financed with the proceeds from a Rule 144A offering or public offering of up to $800.0 million of senior unsecured notes, in which case the term loan facilities, or a portion thereof, will be reduced dollar for dollar.

The proceeds of the term loan facilities will be used (i) 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, (ii) 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), and (iii) to purchase any of Valor's outstanding bonds that are tendered pursuant to the terms thereof as a result of the merger. The $3.3 billion of the $3.7 billion term loan facilities 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.

It is expected that following completion of the merger Newco will have approximately $5.5 billion in total debt. For a discussion of the debt to be assumed or incurred by Newco in the merger see the section titled "The Transactions" in this proxy statement/ prospectus–information statement beginning on page [•].

Management of Newco following the Merger (page [•])

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. 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.

Comparison of the Rights of Stockholders Before and After the Spin–Off and Merger (page [•])

Upon completion of the spin–off and merger, the certificate of incorporation and bylaws of Newco will be in the forms 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 and the certificate of incorporation and bylaws of Newco after the spin–off and merger, some differences do exist. A summary of the material differences between the rights of Valor stockholders before and after the spin–off and merger is set forth under the heading "Comparison of the Rights of Stockholders Before and After the Spin–off and Merger."

SELECTED HISTORICAL FINANCIAL DATA OF SPINCO

Spinco is a newly formed holding company organized for the sole purpose of holding the wireline telecommunications business of Alltel. This proxy statement/ prospectus–information statement describes Spinco as if it held the subsidiaries that will be transferred to it prior to closing of the spin–off and the merger for all periods and dates presented. The following selected historical financial information of Spinco for each of the fiscal years ended December 31, 2005, 2004, 2003 and 2002 has been derived from the financial statements of Alltel, principally representing Alltel's historical wireline and communications support segments, which were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The financial data as of December 31, 2001 and for the year then ended, has been derived from Alltel's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Spinco for the periods and dates presented. This information is only a summary and should be read in conjunction with management's discussion and analysis of results of operations and financial condition of Spinco and the financial statements and notes thereto of Spinco included in this proxy statement/ prospectus–information statement beginning on page F–1.

	Year Ended December 31,				
	2005	2004	2003	2002	2001 (Unaudited)
	(Dollars in millions, except per share data)				
Revenues and sales	$ 2,923.5	$ 2,933.5	$ 3,003.3	$ 2,835.7	$ 2,607.8
Operating expenses	1,779.8	1,745.6	1,827.8	1,740.1	1,573.6
Depreciation expense	474.2	508.5	519.4	469.8	425.1
Restructuring and other charges	35.7	11.8	12.2	37.9	18.7
Total costs and expenses	2,289.7	2,265.9	2,359.4	2,247.8	2,017.4
Operating income	633.8	667.6	643.9	587.9	590.4
Other income (expense), net	11.6	13.7	5.8	2.0	(1.1)
Intercompany interest income (expense), net	23.3	(15.2)	(21.6)	(26.8)	(19.3)
Interest expense	(19.1)	(20.4)	(27.7)	(39.6)	(44.2)
Gain (loss) on disposal of assets and other	—	—	23.9	—	(2.9)
Income before income taxes	649.6	645.7	624.3	523.5	522.9
Income taxes	267.9	259.4	247.1	202.5	201.8
Income before cumulative effect of accounting change	381.7	386.3	377.2	321.0	321.1
Cumulative effect of accounting change, net of tax	(7.4)	—	15.6	—	16.9
Net income	$ 374.3	$ 386.3	$ 392.8	$ 321.0	$ 338.0
Balance sheet data:					
Total assets	$ 4,929.7	$ 5,079.2	$ 5,276.9	$ 5,519.8	$ 3,833.6
Total equity	$ 3,489.2	$ 3,706.8	$ 3,925.6	$ 4,039.0	$ 2,362.7
Total long–term debt (including current maturities)	$ 260.8	$ 282.9	$ 304.8	$ 587.3	$ 625.9
Cash flows provided by (used in):					
Operating activities	$ 953.9	$ 962.2	$ 1,135.0	$ 822.4	N/A
Investing activities	$ (352.7)	$ (329.7)	$ (356.9)	$ (2,164.3)	N/A
Financing activities	$ (602.4)	$ (627.1)	$ (784.2)	$ 1,340.1	N/A
Statistical Data (at year–end):					
Wireline access lines	2,885,673	3,009,388	3,095,635	3,167,275	2,612,325
Long–distance customers	1,750,762	1,770,852	1,680,181	1,542,210	1,265,710
Broadband (DSL) customers	397,696	243,325	153,028	70,182	26,816
Capital expenditures	$ 352.9	$ 333.3	$ 383.2	$ 405.0	N/A

Notes to Selected Financial Information:

A. During 2005, Spinco incurred $4.4 million of severance and employee benefit costs related to a workforce reduction in its wireline operations. Spinco also incurred $31.3 million of incremental costs, principally consisting of investment banker, audit and legal fees, related to the pending spin off of its wireline business to Alltel stockholders. These transactions decreased net income $34.1 million. During 2005, Spinco prospectively reduced depreciation rates for its ILEC operations in Florida, Georgia, North Carolina and South Carolina to reflect the results of studies of depreciable lives completed by Spinco in the second quarter of 2005. The depreciable lives were lengthened to reflect the estimated remaining useful lives of the wireline plant based on Spinco'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 December 31, 2005, Spinco adopted Financial Accounting Standards Board Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." The cumulative effect of this accounting change resulted in a one-time non-cash charge of $7.4 million, net of income tax benefit of $4.6 million.

B. During 2004, Spinco reorganized its operations and support teams and also announced its plans to exit its Competitive Local Exchange Carrier 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. 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 reduction primarily reflected differences between estimated and actual costs paid in completing the previous planned lease and contract terminations. These transactions decreased net income $7.3 million. Effective April 1, 2004, Spinco prospectively reduced depreciation rates for its ILEC operations in Nebraska, reflecting the results of a triennial study of depreciable lives completed by Spinco 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.

C. 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. 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 previously planned lease terminations. During 2003, Spinco also wrote off certain capitalized software development costs of $5.6 million that had no alternative future use or functionality. These transactions decreased net income by $7.4 million. In 2003, Spinco sold certain assets and related liabilities, including selected customer contracts and capitalized software development costs, associated with Spinco's telecommunications information services operations to Convergys Information Management Group, Inc. In connection with this sale, Spinco recorded a pretax gain of $31.0 million. In addition, Spinco 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 during 2003. In connection with the early retirement of the debt, Spinco incurred pretax termination fees of $7.1 million. These transactions increased net income by $10.7 million. Effective January 1, 2003, Spinco adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations." The cumulative effect of this accounting change resulted in a one-time non-cash credit of $15.6 million and net of income tax expense of $10.3 million.

D. During 2002, Spinco announced its plans to exit its CLEC operations in seven states representing less than 20% of its CLEC access lines. Spinco also consolidated its call center and product distribution operations. In connection with these activities, Spinco recorded restructuring charges totaling $10.9 million consisting of $8.2 million in severance and employee benefit costs related to planned workforce reductions and

$2.7 million of costs associated with terminating certain CLEC transport agreements and lease termination fees incurred with the closing of certain call center and product distribution locations. In exiting the CLEC operations, Spinco also incurred $2.2 million of costs to disconnect and remove switching and other transmission equipment from central office facilities and expenses to notify and migrate customers to other service providers. Spinco also wrote off certain capitalized software development costs totaling $4.1 million that had no alternative future use or functionality. In connection with the purchase of local telephone properties in Kentucky, Spinco incurred $17.0 million of computer system conversion costs and $3.7 million of branding and signage costs. These transactions decreased net income $23.2 million.

E. During 2001, Spinco recorded pretax charges of $18.7 million incurred in connection with the restructuring of its wireline and product distribution operations. During 2001, Spinco prepaid $73.5 million of long–term debt prior to its stated maturity date and incurred pretax termination fees of $2.9 million in connection with the early retirement of that debt. These charges decreased net income by $12.9 million. Effective January 1, 2001, Spinco changed its method of accounting for a subsidiary's pension plan to conform to Alltel's primary pension plan. The cumulative effect of this accounting change resulted in a non–cash credit of $16.9 million, net of income tax expense of $11.2 million.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALOR

Valor is a holding company and has no direct operations. Valor was formed for the sole purpose of reorganizing the company's corporate structure and consummating its initial public offering in 2005. Valor's principal assets are the direct and indirect equity interests of its subsidiaries. As a result, separate historical financial results for Valor for the periods prior to its formation have not been presented. Only the historical consolidated financial results of Valor Telecommunications, LLC have been presented for those periods.

The selected financial data presented below at December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 was derived from Valor's audited consolidated financial statements included in Valor's Annual Report on Form 10–K for the year ended December 31, 2005. The selected financial data presented below for the years ended December 31, 2002 and 2001 and at December 31, 2003, 2002 and 2001 was derived from Valor's audited consolidated financial statements for those periods. The information in the following table should be read together with Valor's audited consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included in Valor's Annual Report on Form 10–K for the year ended December 31, 2005.

	Year Ended December 31,				
	2005	2004	2003	2002(1)	2001
	(Dollars in millions, except per owner's unit/per share data)				
Statement of Operations data:					
Operating revenues	$ 505.9	$ 507.3	$ 497.3	$ 479.9	$ 424.9
Operating expenses	338.9	330.2	315.1	320.6	321.6
Operating income	167.0	177.1	182.3	159.3	103.3
Income (loss) from continuing operations	35.3	(27.8)	58.1	19.8	(44.9)
Per owners unit/ per common share data:					
Basic and diluted income (loss) from continuing operations:					
Class A and B common interests	0.09	(0.09)	0.73	0.22	(0.58)
Class C interests	0.01	(0.46)	0.15	0.09	—
Common Share — basic(3)	0.42	—	—	—	—
Common Share — diluted(3)	0.41	—	—	—	—
Basic and diluted net (loss) income:					
Class A and B common interests	0.09	(0.09)	0.73	0.17	(0.77)
Class C interests	0.01	(0.46)	0.15	0.09	—
Common Share — basic(3)	0.42	—	—	—	—
Common Share — diluted(3)	0.41	—	—	—	—
Cash dividends declared per common share:	1.26	—	—	—	—
Cash flow data from continuing operations:					
Net cash provided by operating activities	$ 191.1	$ 143.7	$ 166.1	$ 150.4	$ 100.3
Net cash used in investing activities	$ (32.7)	$ (34.9)	$ (66.3)	$ (216.8)	$ (106.6)
Net cash (used in) provided by financing activities **Other data:**	$ (111.2)	$ (93.2)	$ (99.5)	$ 71.0	$ 8.1
Acquisitions	$ —	$ 1.5	$ —	$ 128.1	$ —
Depreciation and amortization(2)	$ 89.9	$ 86.5	$ 81.6	$ 73.3	$ 110.8

	Year Ended December 31,				
	2005	2004	2003	2002(1)	2001
	(Dollars in millions, except per owner's unit/per share data)				
Balance Sheet data:					
Total assets	$ 1,962.8	$ 1,971.2	$ 2,039.0	$ 2,062.4	$ 1,913.1
Long–term debt (including current maturities)	$ 1,180.6	$ 1,601.0	$ 1,464.0	$ 1,544.3	$ 1,469.4
Notes payable	$ —	$ 1.9	$ 6.7	$ 1.2	$ 10.2
Redeemable preferred interests	$ —	$ 236.1	$ 370.2	$ 370.2	$ 370.2
Redeemable preferred interests of subsidiary	$ —	$ 15.8	$ 24.5	$ 21.2	$ 20.6
Statistical Data (at year–end):					
Wireline access lines	518,456	540,337	556,745	571,308	551,599
Long–distance customers	232,031	216,437	188,526	130,622	62,234
Broadband (DSL) customers	52,759	22,884	8,779	3,510	511
Capital expenditures	$ 57.4	$ 65.5	$ 69.9	$ 89.5	$ 107.9

(1) Valor acquired all of the outstanding common stock, preferred stock and common stock equivalents of Kerrville Communications Corporation on January 31, 2002 and such assets, liabilities and results of operations have been included from that date.

(2) In accordance with Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, Valor discontinued the amortization of goodwill. Amortization expense associated with goodwill was $53.9 million for the year ended December 31, 2001.

(3) Represents the period following February 9, 2005, the closing date of our initial public offering.

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA

The summary below sets forth selected unaudited historical pro forma financial data for Valor after giving effect to the merger for the period indicated. The following table should be read together with the consolidated financial statements and accompanying notes of Spinco included in this proxy statement/ prospectus–information statement and of Valor included in the documents described under "Where You Can Find Additional Information" and the unaudited pro forma condensed combined financial statements and accompanying discussion and notes set forth under the heading "Unaudited Pro Forma Combined Condensed Financial Information" included herein. The pro forma amounts in the table below are presented for illustrative purposes only and do not indicate what the financial position or the results of operations of Valor would have been had the merger occurred as of the date or for the period presented. The pro forma amounts also do not indicate what the financial position or future results of operations of Valor will be. No adjustment has been included in the pro forma amounts for any anticipated cost savings or other synergies. See "Unaudited Pro Forma Combined Condensed Financial Information" on page [•].

	For the Year Ended or as of December 31, 2005 (Dollars in millions, except per share data)
Revenue and sales	$ 3,413.50
Depreciation and Amortization	$ 593.30
Operating income	$ 1,071.70
Net income from continuing operations	$ 677.90
Income taxes	$ 274.30
Basic earnings per share from continuing operations	$ 0.85
Diluted earnings per share from continuing operations	$ 0.85
Weighted average common shares outstanding:	
Basic	474.20
Diluted	474.50
Dividends per common share	$ 1.00
Total assets	$ 7,771.6
Total stockholders' equity	$ 518.9
Total long–term debt (including current maturities and short–term debt)	$ 5,526.00
Book value per common share	$ 1.14

COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA

The summary below sets forth certain unaudited historical per share information for Valor and unaudited pro forma information of Valor as if Spinco and Valor had been combined for the period shown ("pro forma combined"). The unaudited pro forma combined per share data presented below for the year ended December 31, 2005 combines certain per share financial data of Spinco and Valor. The following table should be read together with the consolidated financial statements and accompanying notes of Spinco included elsewhere in this proxy statement/ prospectus–information statement and of Valor included in the documents described under "Where You Can Find Additional Information." The pro forma amounts in the table below are presented for illustrative purposes only and do not indicate what the financial position or the results of operations of Valor would have been had the merger occurred as of the date or for the period presented. The pro forma amounts also do not indicate what the financial position or future results of operations of Valor will be. No adjustment has been included in the pro forma amounts for any anticipated cost savings or other synergies as a result of the merger of for any potential inefficiencies or loss of synergies that may result from Spinco's separation from Alltel. Because Valor stockholders will own one share of Newco for each share of Valor they owned prior to the merger, the Valor unaudited pro forma equivalent data will be the same as the corresponding unaudited pro forma combined data.

	For the Year Ended or as of December 31, 2005
Valor Historical	
Basic earnings per common share from continuing operations	$ 0.42
Basic earnings per owner's unit, Class A and B common interests	$ 0.09
Basic earnings per owner's unit, Class C common interests	$ 0.01
Diluted earnings per common share from continuing operations	$ 0.42
Diluted earnings per owner's unit, Class A and B common interests	$ 0.09
Diluted earnings per owner's unit, Class C common interests	$ 0.01
Book value per share	$ 8.04
Cash dividends per share	$ 1.26
Newco Pro Forma Combined	
Basic earnings per common share from continuing operations	$ 0.85
Diluted earnings per common share from continuing operations	$ 0.85
Book value per share	$ 1.14
Cash dividends per share	$ 1.00
Valor Pro Forma Equivalents	
Basic earnings per common share from continuing operations	$ 0.85
Diluted earnings per common share from continuing operations	$ 0.85
Book value per share	$ 1.14
Cash dividends per share	$ 1.00

VALOR COMMUNICATIONS GROUP, INC.
MARKET PRICE AND DIVIDEND INFORMATION

Valor common stock currently trades on the New York Stock Exchange ("NYSE") under the symbol "VCG." On December 8, 2005, the last trading day before the announcement of the signing of the merger agreement, the last sale price of Valor common stock reported by the NYSE was $12.24. On [•], 2006, the last practicable trading day prior to the date of this proxy statement/ prospectus–information statement, the last sale price of Valor common stock reported by the NYSE was [•]. Valor completed its initial public offering on February 9, 2005 and registered 29,375,000 shares of common stock which began trading on the NYSE under the symbol "VCG." Prior to February 9, 2005, Valor's common stock was not publicly traded. The following table sets forth the high and low closing sales prices of Valor common stock for the periods indicated. The quotations are as reported in published financial sources. For current price information, Valor stockholders are urged to consult publicly available sources.

	Valor Communications Group, Inc. Common Stock	
	High	Low
Calendar Year Ended Dec. 31, 2005		
First Quarter(1)	$ 16.00	$ 14.47
Second Quarter	$ 14.67	$ 12.84
Third Quarter	$ 14.19	$ 13.53
Fourth Quarter	$ 13.62	$ 11.40
Calendar Year Ended Dec. 31, 2006		
First Quarter (through February 24, 2006)	$ 12.18	$ 11.54

(1) Represents the high and low closing prices for Valor common stock for the period of February 9, 2005 through March 31, 2005.

Market price data for Spinco has not been presented as Spinco common shares do not trade separately from Alltel Corporation common shares. Valor's dividend policy is to pay quarterly dividends at a rate of $1.44 per share, per annum, to the extent such dividends are permitted by applicable law and by the terms of Valor's credit facility. For information on Newco's dividend policy following the merger, see "The Transactions — Dividend Policy of Newco."

THE MERGER

Introduction

Stockholders of Valor Communications Group, Inc. are being asked to adopt the Agreement and Plan of Merger, dated as of December 8, 2005, by and among Alltel Corporation, Alltel Holding Corp. and Valor. Under the merger agreement, Alltel Holding Corp. (which we refer to as "Spinco") will merge with and into Valor, and Valor will survive as a stand–alone company and will hold and conduct the combined business operations of Valor and Spinco. Following completion of the merger, the separate existence of Spinco will cease. The merger will take place immediately after Alltel contributes the assets making up its wireline telecommunications business to Spinco and distributes the common stock of Spinco to its stockholders. Immediately following the merger, Valor will change its name to "[•]", and its common stock will be quoted on the NYSE and will be traded under the ticker symbol [•]. 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." When the merger is completed, Alltel stockholders will together own approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of Newco on a diluted basis.

In the merger, each share of Spinco common stock will be converted into the right to receive shares of Valor common stock. Existing shares of Valor common stock will remain outstanding. Valor expects to issue up to approximately 403 million shares of common stock to Alltel stockholders pursuant to the merger. However, this amount is subject to change as a result of compensatory equity grants and other issuances of Valor common stock. Before Valor may issue these shares, the Valor certificate of incorporation must be amended to increase the authorized shares of Valor common stock from 200,000,000 to 2,000,000,000. Accordingly, Valor stockholders are also being asked to approve an 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.

For a more complete discussion of the merger and the transactions to be consummated in connection therewith, see the section titled "The Transactions" on page [•] of this proxy statement/ prospectus–information statement.

The Companies

Valor Communications Group, Inc.

Valor is one of the largest providers of telecommunications services in rural communities in the southwestern United States and the seventh largest independent telephone company in the country. As of December 31, 2005, Valor operated 518,456 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas. Valor believes that in many of its markets it is the only service provider that offers customers an integrated package of local and long distance voice, high–speed data and Internet access as well as a variety of enhanced services such as voicemail and caller identification. Valor generated revenues of $505.9 million and net income of $35.3 million in the year ended December 31, 2005.

Valor was formed in connection with the acquisition in 2000 of select telephone assets from GTE Southwest Corporation, which is now part of Verizon. Valor's formation was orchestrated by its equity sponsors WCAS, Vestar Capital Partners, Citicorp Venture Capital and a group of founding individuals. Valor completed its initial public offering of shares of common stock on February 9, 2005, and its shares began trading on the NYSE under the symbol "VCG."

Alltel Holding Corp.

Alltel Holding Corp. (also referred to herein as "Spinco") is currently a wholly–owned subsidiary of Alltel Corporation and was incorporated in its current form as a Delaware corporation on November 21, 2005 for the purpose of holding Alltel Corporation's wireline business to be transferred to it in connection with the spin–off. Alltel Corporation's wireline business is currently operated by certain of its subsidiaries, each of

which will be transferred to Spinco prior to the closing of the spin–off and the merger. These subsidiaries provide wireline local, long–distance, network access and Internet services. These subsidiaries also sell and warehouse telecommunications products and publish telephone directories for affiliates and other independent telephone companies. This proxy statement/ prospectus–information statement describes Spinco as if it held the subsidiaries that will be transferred to it prior to closing of the spin–off and the merger for all historical periods presented.

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. As of December 31, 2005, including customers of its wireline and long–distance services, Spinco served approximately 2.9 million communications customers in rural areas in 15 states.

Spinco is organized based on the products and services that it offers. Under this organizational structure, Spinco's operations consist of its wireline and communications support services segments. Spinco's wireline segment consists of Spinco's incumbent local exchange carrier ("ILEC"), competitive local exchange carrier ("CLEC") and Internet access operations. Communications support services consist of Spinco's long–distance and network management services, communications products, directory publishing operations and the telecommunications information services operations. As of December 31, 2005, Spinco's wireline subsidiaries provide local telephone service to approximately 2.9 million customers primarily located in rural areas in 15 states. The wireline subsidiaries also offer facilities for private line, data transmission and other communications services. Wireline revenues, which consist of local service, network access and long–distance and miscellaneous revenues, comprised 81.1 percent of Spinco's total operating revenues from business segments in 2005. Communications support services consist of Spinco's long–distance and network management services, product distribution, directory publishing and/telecommunications information services operations. Spinco provides long–distance service in all of the states in which Spinco 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 approximately 1.75 million customers. Network management services are currently marketed to business customers in select areas. These services are ancillary service offerings and are not significant components of Spinco's communications operations. Revenues and sales from Spinco's other operations comprised 22.6 percent of Spinco's total operating revenues from business segments in 2005.

RISK FACTORS

You should carefully consider the following risk factors, together with the other information contained in this proxy statement/ prospectus–information statement and the annexes hereto and documents incorporated by reference herein. Any of these risks could materially and adversely affect the price of Newco's common stock following completion of the merger.

Risks Relating to the Spin–Off and the Merger

The calculation of the merger consideration will not be adjusted in the event the value of the business or assets of Spinco decline before the merger is completed. As a result, at the time you vote on the merger you will not know what the value of Newco common stock will be following completion of the merger.

The calculation of the number of shares of Valor common stock to be issued pursuant to the merger will not be adjusted in the event the value of the Alltel wireline telecommunications business that is being contributed to Spinco declines. If the value of this business declines after Valor stockholders approve the merger proposals, the market price of the common stock of the combined company following completion of the merger will be less than Valor stockholders anticipated when they voted to approve the merger proposals. While Valor will not be required to consummate the merger upon the occurrence of any event or circumstances that has, or could reasonably be expected to have, a material adverse effect on Spinco, neither Alltel nor Valor will be permitted to terminate the merger agreement or resolicit the vote of Valor stockholders because of any changes in the value of the Spinco business or the market prices of their respective common stocks that do not rise to the level of a material adverse effect on Spinco (as defined in the merger agreement).

Spinco and Valor may not realize the anticipated benefits from the merger.

The success of the merger will depend, in part, on the ability of Spinco and Valor to realize the anticipated synergies, cost savings and growth opportunities from integrating the businesses of Valor with those of Spinco. The companies' success in realizing these synergies, cost savings and growth opportunities, and the timing of this realization, depends on the successful integration of Spinco's and Valor's business and operations. Even if the companies are able to integrate their business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings and growth opportunities that Spinco and Valor currently expect from this integration or that these benefits will be achieved within the anticipated time frame. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, the benefits from the merger may be offset by costs incurred in integrating the companies and regulatory authorities may impose adverse conditions on the combined business in connection with granting approval for the merger.

The integration of Spinco and Valor following the merger may present significant challenges.

There is a significant degree of difficulty and management distraction inherent in the process of integrating the Spinco and Valor businesses. These difficulties include:

- the necessity of coordinating geographically separate organizations;
- the challenge of integrating the business cultures of each company, which may prove to be incompatible; and
- the need to retain key officers and personnel of Spinco and Valor.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of Spinco and Valor's businesses. Following completion of the merger, Newco's new senior management team, which will be put into place by virtue of the merger, may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage the business of Newco, service existing customers, attract new customers and develop new products or

strategies. If Newco's senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Newco's business could suffer.

Spinco and Valor cannot assure you that they will successfully or cost–effectively integrate the Valor businesses and the existing businesses of Spinco. The failure to do so could have a material adverse effect on Newco's business, financial condition and results of operations following completion of the merger.

After the close of the transaction, sales of Newco common stock may negatively affect its market price.

The market price of Newco common stock could decline as a result of sales of a large number of shares of Newco common stock in the market after the completion of the merger or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for Newco to obtain additional capital by selling equity securities in the future at a time and at a price that Newco deems appropriate.

Immediately after the merger, Alltel stockholders will hold, in the aggregate, approximately 85% of Newco common stock on a fully diluted basis. Currently, Alltel stock is included in index funds tied to the Standard & Poor's 500 Index or other stock indices and institutional investors subject to various investing guidelines. Because Newco will not be included in these indices at the time of the merger or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may be required to sell Newco common stock that they receive in the spin–off. These sales may negatively affect Newco's common stock price.

Regulatory agencies may delay or impose conditions on approval of the spin–off and the merger, which may diminish the anticipated benefits of the merger.

Completion of the spin–off and merger is conditioned upon the receipt of required government consents, approvals, orders and authorizations. While Valor and Spinco intend to pursue vigorously all required governmental approvals and do not know of any reason why they would not be able to obtain the necessary approvals in a timely manner, the requirement to receive these approvals before the spin–off and merger could delay the completion of the spin–off and merger, possibly for a significant period of time after Valor stockholders have approved the merger proposals at the annual meeting. In addition, these governmental agencies may attempt to condition their approval of the merger on the imposition of conditions that could have an adverse effect on Newco's operating results or the value of Newco's common stock after the spin–off and merger are completed. Any delay in the completion of the spin–off and merger could diminish anticipated benefits of the spin–off and merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the transaction. Any uncertainty over the ability of the companies to complete the spin–off and merger could make it more difficult for Spinco and Valor to retain key employees or to pursue business strategies. In addition, until the spin–off and merger are completed, the attention of Spinco and Valor management may be diverted from ongoing business concerns and regular business responsibilities to the extent management is focused on matters relating to the transaction, such as obtaining regulatory approvals.

Some of the directors, officers and stockholders of Valor have interests that may be different from, or in addition to, the interests of Valor stockholders.

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 and to take the other recommended actions, 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:

- arrangements regarding the appointment of directors and officers of Valor;
- restrictions upon certain restricted shares under Valor stock plans issued prior to the date of the merger agreement, including those held by executive officers and directors, will lapse; and
- modifications to employment and severance arrangements maintained for Valor executive officers that may result in increased benefits to such officers.

You should read "The Transactions — Interests of Certain Persons in the Merger" on page [•] for a more complete description of the interests and benefits listed above.

The merger agreement contains provisions that may discourage other companies from trying to acquire Valor.

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to Valor that might result in greater value to Valor stockholders than the merger. The merger agreement generally prohibits Valor from soliciting any acquisition proposal. In addition, if the merger agreement is terminated by Valor or Alltel in circumstances that obligate Valor to pay a termination fee and to reimburse transaction expenses to Alltel, Valor's financial condition may be adversely affected as a result of the payment of the termination fee and transaction expenses, which might deter third parties from proposing alternative business combination proposals.

If the spin–off does not constitute a tax–free spin–off under section 355 of the Code or the merger does not constitute a tax–free reorganization under section 368(a) of the Code, either as a result of actions taken in connection with the spin–off or the merger or as a result of subsequent acquisitions of stock of Alltel or stock of Newco, then Alltel, Newco and/or Alltel stockholders may be responsible for payment of United States federal income taxes.

The spin–off and merger are 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 by Alltel 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 and 368 and related provisions of the Code. 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 and Newco will not be able to rely on the ruling.

The spin–off and merger are 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 other related provisions of the Code. The opinion will rely on the IRS letter ruling as to matters covered by the ruling. Lastly, the spin–off and the merger are conditioned on Alltel's receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP and Valor's receipt of an opinion of Kirkland & Ellis LLP, counsel to Valor, each to the effect that the merger will be treated as a tax–free reorganization within the meaning of Section 368(a) of the Code. All of these opinions will be based on, among other things, current law and certain representations and assumptions as to factual matters made by Alltel, Spinco and Valor. 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 adversely affect the conclusions reached by counsel in its opinion. The opinions will not be binding on the IRS or the courts, and the IRS or the courts may not agree with the opinions.

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 Newco 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 a disqualifying action taken by Newco or its subsidiaries after the distribution. See "Risk Factors — Risks Relating to Newco's Business After the Merger — Newco may be affected by significant restrictions after the merger" and "The Merger Agreement — Tax Matters." 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.

See "Certain United States Federal Income Tax Consequences of the Spin–Off and the Merger" beginning on page [•].

Failure to complete the merger could adversely impact the market price of Valor common stock as well as Valor's business and operating results.

If the merger is not completed for any reason, the price of Valor common stock may decline to the extent that the market price of Valor common stock reflects positive market assumptions that the spin–off and the merger will be completed and the related benefits will be realized. Valor may also be subject to additional risks if the merger is not completed, including:

- depending on the reasons for termination of the merger agreement, the requirement that Valor pay Alltel a termination fee of $35 million;
- substantial costs related to the merger, such as legal, accounting, filing, financial advisory and financial printing fees, must be paid regardless of whether the merger is completed; and
- potential disruption to the businesses of Valor and distraction of its workforce and management team.

Valor Stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.

After the merger's completion, Valor stockholders will own a significantly smaller percentage of Newco than they currently own of Valor. Following completion of the merger, Valor's stockholders will own approximately 15% of Newco on a fully–diluted basis. Consequently, Valor stockholders, as a group, will be able to exercise less influence over the management and policies of Newco than they currently exercise over the management and policies of Valor.

Risks Relating to Newco's Business After the Merger

Following completion of the merger, Newco will face intense competition in its businesses that could reduce its market share or adversely affect its financial performance.

Substantial and increasing competition exists in the wireline communications industry. Some of Newco's incumbent local exchange carrier (ILEC) operations have experienced, and will continue to experience, competition in their local service areas. Sources of competition to Newco's local service business will include, but are not limited to, wireless communications providers, resellers of local exchange services, interexchange carriers, satellite transmission service providers, cable television companies, competitive access service

providers, including, without limitation, those utilizing Unbundled Network Elements–Platform or UNE–P, and voice–over–Internet–protocol, or VoIP, and providers using other emerging technologies. Competition, mainly from wireless and broadband substitution, has caused a reduction in the number of Valor and Spinco's access lines and generally has caused pricing pressure in the industry. In the future, it is expected that the number of access lines served by Newco will continue to be adversely affected by wireless and broadband substitution and that industry wide pricing pressure will continue.

Cable television companies deploying a cable modem service will represent Newco's principal competitors for broadband Internet access. As of December 31, 2005 cable modem competition existed in exchanges representing 45 percent of Valor's access lines and in exchanges representing 85 percent of Spinco's access lines, representing 79 percent of the total combined access lines.

Newco will provide services to its customers over access lines, and if it loses access lines like Spinco and Valor historically have, its revenues, earnings and cash flow from operations could be adversely affected.

Newco's business will generate revenue by delivering voice and data services over access lines. Spinco and Valor have each experienced net access line loss over the past few years, and during the year ended December 31, 2005, the number of access lines they served collectively declined by 4 percent due to a number of factors, including increased competition and wireless and broadband substitution. Following the merger, Newco is expected to continue to experience net access line loss in its markets for an unforeseen period of time. Newco's inability to retain access lines could adversely affect its revenues, earnings and cash flow from operations.

Newco will be subject to government regulation of the telecommunications industry.

As a provider of wireline communication services, Valor and Spinco have been granted operating authority by each of the 16 states in which they conduct ILEC and CLEC operations. Following completion of the merger, Newco will be subject to various forms of regulation from the regulatory commissions in each of these 16 states as well as from the FCC. State regulatory commissions have primary jurisdiction over local and intrastate services including to some extent, the rates that Newco will charge customers, including, without limitation, other telecommunications companies, and service quality standards. The FCC has primary jurisdiction over interstate services including the access rates that Newco will charge other telecommunications companies that will use its network and other issues related to interstate service. Future revenues, costs, and capital investment in its wireline business could be adversely affected by material changes to these regulations, including, but not limited to, changes in inter–carrier compensation, state and federal Universal Service Fund ("USF") support, UNE and UNE–P pricing and requirements, and VoIP regulation. Federal and state communications laws may be amended in the future, and other laws may affect Newco's business. In addition, laws and regulations applicable to Newco and its competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment, or the impact such developments or changes would have.

In 2005, Valor and Spinco received 22.8% and 5.8% of their respective revenues from state and federal Universal Service Funds, and any adverse regulatory developments with respect to these funds could adversely affect Newco's profitability following completion of the merger.

Valor and Spinco receive state and federal USF revenues to support the high cost of providing affordable telecommunications services in rural markets. Such support payments constituted 22.8% and 5.8% of Valor and Spinco's revenues, respectively, for the year ended December 31, 2005.

Following completion of the merger, Newco will be required to make contributions to state and federal USFs each year. Current state and federal regulations allow Newco to recover these contributions by including a surcharge on its customers' bills. If state and/or federal regulations change, and Newco becomes ineligible to receive support, such support is reduced, or Newco becomes unable to recover the amounts it contributes to the state and federal USFs from its customers, its earnings and cash flow from operations would be directly and adversely affected.

You may not receive the level of dividends provided for in the dividend policy Newco's Board of Directors will adopt upon the closing of the merger or any dividends at all.

The Board of Directors of Newco will adopt a dividend policy, effective upon the closing of the merger, which reflects an intention to distribute a substantial portion of the cash generated by Newco's business in excess of operating needs, interest and principal payments on Newco's indebtedness, capital expenditures, taxes and future reserves, if any, as regular quarterly dividends to Newco stockholders. See "The Transactions — Dividend Policy of Newco" The Board of Directors of Newco may, in its discretion, amend or repeal this dividend policy. Newco's initial dividend policy is based upon Alltel and Valor's current assessment of Newco's business and the environment in which it will operate, and that assessment could change based on competitive or technological developments (which could, for example, increase its need for capital expenditures) or new growth opportunities. In addition, future dividends with respect to shares of Newco common stock, if any, will depend on, among other things, Newco's cash flows, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that Newco's Board of Directors may deem relevant. The Newco Board of Directors may decrease the level of dividends provided for in the dividend policy or discontinue the payment of dividends entirely. Newco's senior secured credit facility and notes are expected to contain significant restrictions on its ability to make dividend payments. We cannot assure you that Newco will generate sufficient cash from continuing operations in the future, or have sufficient surplus or net profits, as the case may be, under Delaware law, to pay dividends on its common stock in accordance with the dividend policy adopted by the Newco Board of Directors. The reduction or elimination of dividends may negatively affect the market price of Newco's common stock.

Newco's substantial indebtedness could adversely affect its operations and financial condition.

Although Newco's leverage ratio of debt to operating income before depreciation and amortization will be substantially lower after the merger than Valor's current leverage ratio, Newco will have substantial indebtedness following completion of the merger. As currently contemplated and as described in "Financing of Newco" beginning on page [•], it is expected that Newco will have approximately $5.5 billion in consolidated debt after the closing of the transaction. This indebtedness could have important consequences to Newco, such as:

- limiting its operational flexibility due to the covenants contained in its debt agreements;
- limiting its ability to invest operating cash flow in its business due to debt service requirements;
- limiting its ability to compete with companies that are not as highly leveraged and that may be better positioned to withstand economic downturns;
- increasing its vulnerability to economic downturns and changing market conditions; and
- to the extent that Newco's debt is subject to floating interest rates, increasing its vulnerability to fluctuations in market interest rates.

Newco expects to generate sufficient funds to pay its expenses and to pay the principal and interest on its outstanding debt from its operations. Newco's ability to meet its expenses and debt service obligations will depend on its future performance, which will be affected by financial, business, economic and other factors, including potential changes in customer preferences, the success of product and marketing innovation and pressure from competitors. If Newco does not have enough money to meet its debt service obligations, it may be required to refinance all or part of its existing debt, sell assets or borrow more money. Newco may not be able to, at any given time, refinance its debt, sell assets or borrow more money on terms acceptable to it.

Newco will be subject to restrictive debt covenants, which may restrict its operational flexibility.

After the merger, Newco's credit facilities and senior unsecured notes will contain covenants that restrict its ability with respect to 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, and will limit its ability to enter into mergers, consolidations, acquisitions, asset dispositions and

will place restrictions on other matters generally restricted in senior secured loan agreements. After the merger, the new credit facilities will also require the company to maintain specified financial ratios and satisfy financial condition tests. Newco's ability to meet those financial ratios and tests may be affected by events beyond its control, and we cannot assure you that it will meet those ratios and tests. A breach of any of these covenants, ratios, tests or restrictions could result in an event of default under the new credit facilities and the notes, in which case, the lenders and/or holders of the notes could elect to declare all amounts outstanding to be immediately due and payable and the lenders could terminate its commitments to extend additional loans. If the lenders under the new credit facilities and/or the holders of the notes accelerate the payment of the indebtedness, we cannot assure you that Newco's assets would be sufficient to repay in full the indebtedness and any other indebtedness that would become due as a result of any acceleration.

Newco will likely incur a significant one–time charge relating to the integration of the operations of Valor with Spinco that could materially and adversely affect the future results of operations of Newco following the merger.

We are developing a plan to integrate the operations of Valor with Spinco after the merger. We anticipate that Newco will incur a one–time charge to earnings in connection with the integration. We will not be able to quantify the amount of this charge or the time at which it will be incurred until after the merger is completed. The amount of the charge may be significant, and the charge may have a material and adverse effect on the results of operations of Newco in the period in which it is recorded.

Newco may be affected by significant restrictions following the merger.

Even if the spin–off otherwise qualifies as a spin–off under Section 355 of the Internal Revenue Code, the distribution of Valor common stock to Alltel stockholders in connection with the spin–off and the merger may not qualify as tax–free to Alltel under Section 355(e) of the Internal Revenue Code if 50% or more of the stock of Alltel or Spinco (including Newco as a successor to Spinco) is acquired as part of a plan or series of related transactions that includes the spin–off.

The merger agreement restricts Newco from taking certain actions that could cause the spin–off to be taxable to Alltel under Section 355(e) or otherwise jeopardize the tax–free status of the spin–off or the merger (which the merger agreement refers to as "disqualifying actions"), including:

- generally, for two years after the spin–off, taking, or permitting any of its subsidiaries to take, an action that might be a disqualifying action without receiving the prior consent of Alltel;
- for two years after the spin–off, 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's 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 spin–off, repurchasing Newco's shares, except to the extent consistent with guidance issued by the IRS;
- for two years after the spin–off, permitting certain wholly–owned subsidiaries that were wholly–owned subsidiaries of Spinco at the time of the spin–off to cease the active conduct of the Spinco business to the extent so conducted by those subsidiaries immediately prior to the spin–off; and
- for two years after the spin–off, 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, Newco receives the prior consent of Alltel.

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 Valor as to the effect of such action on the tax–free status of the transactions described in this document. 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 (except to the extent that Alltel has delivered a previous determination to Newco permitting such action), Newco generally will be required to indemnify, defend and hold harmless Alltel and its subsidiaries (or any successor to any of them) from and against any and all resulting tax–related losses incurred by Alltel.

Because of these restrictions, Newco may be limited in the amount of stock that it can issue to make acquisitions or raise additional capital in the two years subsequent to the spin–off and merger. Also, Newco's indemnity obligation to Alltel might discourage, delay or prevent a change of control during this two–year period that stockholders of Newco may consider favorable. See "The Merger Agreement" on page [•],: "The Tax Sharing Agreement" on page [•] and "Certain United States Federal Income Tax Consequences of the Spin–Off and the Merger" beginning on page [•].

Rapid and significant changes in technology could require Newco to significantly increase capital investment or could result in reduced demand for its services.

New communication technologies may impact Newco's wireline business. For example, Newco may be unable to retain existing customers who decide to replace their wireline telephone service with wireless telephone service. Furthermore, the development and deployment of cable and DSL broadband technology will likely result in additional local telephone line losses for Newco as its customers shift from dial–up data services to high–speed data services. In addition, VoIP technology, which operates on broadband technology, now provides Newco's competitors with a low–cost alternative to access the home and provide local telephone voice services to Newco's wireline customers. The proliferation of replacement technologies impacting its wireline business could require Newco to make significant additional capital investment or could result in reduced demand for its services, both of which could adversely impact its financial performance and results of operations.

Disruption in Newco's networks and infrastructure may cause it to lose customers and incur additional expenses.

To be successful, Newco will need to continue to provide its customers with reliable service over its networks. Some of the risks to Newco's networks and infrastructure include: physical damage to access lines, breaches of security, capacity limitations, power surges or outages, software defects and disruptions beyond Newco's control, such as natural disasters and acts of terrorism.

From time to time in the ordinary course of business, Newco will experience short disruptions in its service due to factors such as cable damage, inclement weather and service failures of its third party service providers. We cannot assure you that Newco will not experience more significant disruptions in the future. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause Newco to lose customers and incur expenses, and thereby adversely affect Newco's business, revenue and cash flow.

Weak economic conditions may decrease demand for Newco's services.

Newco will be sensitive to economic conditions and downturns in the economy. Downturns in the economies and vendor concentration in the markets Newco serves could cause its existing customers to reduce their purchases of Newco's basic and enhanced services and make it difficult for Newco to obtain new customers.

THE TRANSACTIONS

Structure of the Spin–Off and the Merger

On December 8, 2005, Alltel, Spinco and Valor entered into an Agreement and Plan of Merger providing for the merger of Valor with the wireline telecommunications business of Alltel. Prior to the merger, Alltel will engage in a series of preliminary restructuring transactions to effect the transfer to Spinco's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business and the transfer to Alltel of all assets not relating to such business. 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 (which we will refer to as the "contribution") in exchange for:

- the issuance to Alltel of Spinco common stock to be distributed to Alltel's stockholders pro rata in the spin–off (which we will refer to as the "distribution"),
- 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 (which we will refer to as 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, Spinco will consummate certain financing transactions pursuant to which it will incur approximately $3.965 billion in indebtedness through (1) borrowings 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. For a more complete discussion of the financing of Newco see "Financing of Newco" beginning on page [•].

After the contribution and immediately prior to the merger, Alltel will spin–off Spinco to the stockholders of Alltel by distributing all of its shares of Spinco common stock to Alltel stockholders on a pro rata basis. Spinco will then merge with and into Valor in accordance with the merger agreement. Valor will survive the merger as a stand–alone company holding and conducting the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to [•] and its common stock will be quoted on the New York Stock Exchange. 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."

In the merger, Alltel stockholders will be entitled to receive a number of shares of Valor common stock, in exchange for each share of Spinco common stock such stockholders are entitled to receive, which will be determined based on the calculation set forth below in the section below titled "Calculation of Merger Consideration." Holders of Alltel common stock will not be required to pay for the shares of Valor common stock they receive and will also retain all of their shares of Alltel common stock. Existing shares of Valor common stock will remain outstanding.

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.

Calculation of 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 shares of Valor common stock outstanding as of the effective time of the merger multiplied by (b) 5.667. For ease of reference, we will refer to the product of this equation as the "aggregate merger consideration." Under the distribution agreement, Alltel stockholders will be entitled to receive shares of Spinco common stock (the amount of which will be determined by Alltel and Spinco prior to the distribution) based on the number of shares of Alltel common stock they own at the effective time of the merger. 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 the aggregate merger consideration, divided by the number of Spinco shares outstanding as of the effective time of the merger. For ease of reference, we will refer to the product of this equation as the "per share merger consideration."

Neither the aggregate merger consideration nor the per share merger consideration will be adjusted in the event of a decline in the value of the Alltel wireline telecommunications business that is being contributed to Spinco. If the value of this business declines after Valor stockholders approve the merger proposals, the market price of Newco common stock following completion of the merger will be less than Valor stockholders anticipated when they voted to approve the merger proposals. In this event, there will also be no adjustment of the aggregate merger consideration, or the per share merger consideration.

It is presently estimated that Valor will issue in the aggregate approximately 403 million shares of common stock to Alltel stockholders pursuant to the merger, or 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) for each share of Spinco common stock outstanding as of the effective time of the merger. When the merger is completed, Alltel stockholders will together own approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of Newco on a fully diluted basis. The following illustration sets forth the manner in which these estimated amounts were calculated:

For purposes of this calculation only it is assumed that the effective time of the merger occurred on February 1, 2006. On February 1, 2006 there were 387,188,917 shares of Alltel common stock outstanding and 71,063,265 fully-diluted shares of Valor common stock outstanding.

Step 1: Calculate the "aggregate merger consideration." The merger agreement provides that Valor will issue to holders of Alltel common stock a number of Valor shares equal to the number of fully-diluted shares of Valor common stock outstanding as of the effective time of the merger multiplied by 5.667. As of February 1, 2006 there were 71,063,265 shares of Valor common stock outstanding. Therefore to determine the aggregate merger consideration we must multiply 71,063,265 by 5.667, which equals 402,715,522.76 shares.

Step 2: Determine number of Spinco shares outstanding. The distribution agreement contemplates Alltel issuing a number of shares of Spinco common stock for each share of Alltel common stock outstanding as of the effective time that is to be determined by Alltel and Spinco prior to the distribution. For purposes of this illustration only, it is assumed that one share of Spinco common stock will be issued for each share of Alltel common stock outstanding. Assuming 387,188,917 shares of Alltel common stock are outstanding as of the effective time of the merger, there will be 387,188,917 shares of Spinco common stock outstanding as of the effective time of the merger.

Step 3: Calculate the "per share merger consideration." The merger agreement provides that each share of Spinco common stock will be converted into the right to receive a number of Valor shares equal to the aggregate merger consideration, divided by the number of Spinco shares outstanding as the effective time of the merger. In this illustration the aggregate merger consideration equals 402,715,522.76 shares and the number of Spinco shares outstanding as of the effective time is

387,188,917. Hence, to determine the per share merger consideration we must divide 402,715,522.76 by 387,188,917, which equals approximately 1.04.

Based on the foregoing, it is currently estimated that Alltel stockholders will receive approximately 1.04 shares of Valor common stock in exchange for each Spinco share such stockholder is entitled to receive in the distribution and that Valor will be obligated to issue in the aggregate 402,715,522.76 shares of Valor common stock to Alltel stockholders. This issuance would result in Alltel stockholders owning approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of Newco on a fully diluted basis following completion of the merger.

The following table set forth the values used in the above calculation:

Valor Common Stock Outstanding (fully-diluted)	Spinco Common Stock Outstanding	Aggregate Merger Consideration	Approximate per Share Merger Consideration
71,063,265	387,188,917	402,715,522.76	1.04

The actual number of shares of Valor common stock outstanding as of the effective time of the merger will likely be different than the number of shares outstanding as of February 1, 2006 (as set forth in the above illustration) as a result of compensatory equity grants and other issuances of Valor common stock. Any change in the number of shares outstanding will cause the aggregate merger consideration to be different from that set forth in the above illustration. In addition, the actual number of shares of Spinco common stock distributed to Alltel stockholders may be different than as set forth in the above illustration if Alltel and Spinco elect to issue more or less than one share of Spinco common stock for each outstanding share of Alltel common stock. Any change in the number of shares of Spinco common stock distributed will cause the per merger consideration to change. However, the calculation of the merger consideration is structured so that following completion of the merger Alltel stockholders will own approximately 85%, and Valor's stockholders will own approximately 15%, of the shares of common stock of Newco on a fully diluted basis notwithstanding such issuances.

We encourage you to carefully read the merger agreement and the distribution agreement which are attached as Annexes A and B to this proxy statement/ prospectus–information statement and incorporated herein by reference, respectively, because they set forth the terms of the merger and the distribution of shares of Spinco common stock to Alltel's common stockholders.

Background of the Merger

In pursuing strategies to enhance stockholder value, Valor regularly considered opportunities for strategic business combinations. Valor received and responded to requests for potential transaction proposals from third parties operating rural local exchange carriers and actively pursued possible business combination transactions with those third parties. In addition, from time to time, Valor's senior management engaged in informal discussions regarding possible business combination transactions with their counterparts at other telecommunications companies. However, after analysis of financial information and other factors and after discussions with the Valor Board of Directors, none of these discussions progressed beyond the preliminary stages. Valor's Board of Directors received regular updates from management concerning Valor's transaction opportunities, and the topic of potential strategic transactions was a recurring agenda item at most board meetings. At various times, and most recently in August 2005, senior management invited Valor's financial advisors (other than the financial advisors that rendered opinions to the Board of Directors of Valor in connection with the merger) to provide the Board of Directors with a comprehensive overview of the potential financial and stockholder benefits of various transactional opportunities between Valor and other rural local exchange carriers.

Alltel announced in January 2005 that it would undertake a thorough review of the strategic alternatives available to its wireline business. Since the inception of Valor's business operations in July 2000, Valor has had a relationship with Alltel, which provides Valor with outsourced operational support services, including billing and customer care systems. Following the Alltel announcement, and in the context of this long–standing business relationship, at various times members of Valor's Board of Directors and senior management contacted members of Alltel's senior management team to express interest in Alltel's strategic review process, and to inquire about potential opportunities for a business combination between Valor and Alltel's wireline

business. Valor's financial advisors kept the company informed regarding the Alltel process and its potential implications to Valor.

As the Alltel review process progressed, Valor's financial advisors recommended that the timing was appropriate for Valor to initiate a preliminary meeting with representatives of Alltel to further discuss a possible transaction. In August 2005, Anthony J. de Nicola, Valor's Chairman of the Board, contacted Scott Ford, Alltel's President and Chief Executive Officer, to schedule a meeting between the companies. On September 13, 2005, Mr. de Nicola and John J. Mueller, Valor's Chief Executive Officer, met in Little Rock, Arkansas with Mr. Ford and Jeffrey H. Fox, Alltel's Group President — Shared Services. At that meeting, Mr. Mueller presented information prepared by Valor management on Valor's operations and the potential operational and financial benefits of a strategic transaction between Valor and Alltel. Mr. Ford stated that Alltel was considering initiating an active process to explore strategic options for repositioning its wireline assets and invited Valor to consider participating in such a process were it to occur. At a September 14, 2005 meeting of Valor's Board of Directors, Mr. Mueller advised the Board on the meeting between Alltel and Valor senior management, and described the process that Alltel planned to undertake and the potential for a strategic combination between Valor and the Alltel wireline business. The Board of Directors authorized Valor management to participate in a potential Alltel process.

On September 22, 2005, Alltel announced its intention to begin a formal process to assess the market environment for a strategic repositioning of its wireline business. On that date, Valor and Alltel executed a non–disclosure agreement. Thereafter, on September 28, 2005, Valor received an information book, which provided detailed financial and operational information on Alltel's wireline business and other related operating units it proposed to separate. Under separate cover, Valor received correspondence from Alltel's financial advisors on September 30, 2005 inviting Valor to "participate in a review of a potential merger with Alltel's wireline business units and related ancillary operations" in conjunction with the separation of those operations from Alltel's wireless operations. The correspondence indicated that Alltel would consider merger proposals that met certain principal objectives, including ensuring tax–free treatment of the transaction, maximizing Alltel stockholder value, establishing an appropriate capital structure, implementing a sustainable dividend policy and consummating an acceptable transaction expeditiously with the least disruption to the wireline business and its employees, suppliers and customers. Alltel requested the submission of detailed proposals no later than October 17, 2005.

In preparation for Valor's participation in the Alltel process, on September 15, 2005 Mr. de Nicola contacted Wachovia Securities to explore the possibility of Wachovia Securities serving as Valor's financial advisor in connection with the Company's evaluation of the Alltel opportunity. On September 28, 2005, Wachovia Securities provided Valor's senior management and several members of its Board with a preliminary presentation addressing a proposed framework for developing a proposal for Alltel's wireline business. The presentation delineated issues for Valor to consider in developing its proposal, and included financial analyses of comparable public companies, projections of operating statistics and valuations for a stand–alone Alltel wireline entity and preliminary valuation analyses for a combination of Alltel and Valor under various scenarios. On October 15, 2005, Valor and Wachovia Securities executed an engagement letter and non–disclosure agreement.

On October 10, 2005, the Valor Board of Directors held a special meeting, the purpose of which was for management to update the Board on the Alltel process and the potential participation of Valor in that process. At this meeting, the Board adopted a resolution authorizing Valor to evaluate the Alltel materials and to prepare and submit a proposal to Alltel. The Board also approved and ratified Valor's engagement of legal, financial, tax and accounting experts to aid in the evaluation of the Alltel opportunity and to assist Valor in the preparation of its proposal. Finally, the Board approved the creation of the Special Finance Committee, the purpose of which was to assist management with respect to the Alltel opportunity and to provide information on the Alltel process to the remainder of the Board. The members of the Special Finance Committee were Mr. de Nicola, and Board members Norman Alpert and Edward Heffernan.

On October 14, 2005, the Special Finance Committee met with members of Valor senior management and Wachovia Securities representatives to discuss the status of the preparation of Valor's response to Alltel.

Wachovia Securities made a presentation to the Special Finance Committee that addressed the various financial issues raised by Valor's proposed response to Alltel, including issues of valuation of Valor and benefits to stockholders of Alltel and Valor. Valor's management also updated the Special Finance Committee on its analysis of potential synergies that might result from a merger of Valor and Alltel's wireline business.

On October 17, 2005, Valor submitted to Alltel a preliminary proposal containing the terms of a potential merger between Valor and Alltel's wireline business and its related ancillary operations. That response contained an offer letter and a PowerPoint presentation setting forth the terms of the Valor offer.

Beginning on October 25 and continuing through October 26, 2005, representatives of Valor and Alltel and their respective financial advisors met in Little Rock, Arkansas. During these meetings, Valor and Alltel made management presentations, began preliminary due diligence relating to the other's businesses and explored the possible synergies of a potential merger of Valor and Alltel's wireline business. Thereafter, Valor and Alltel provided each other with access to documents for the purpose of continued due diligence.

On November 3, 2005 the Valor Board of Directors held a regularly scheduled meeting. During this meeting, Wachovia Securities provided the Board with an update on the Alltel process and updated its earlier Board presentation with respect to the terms and benefits of a potential merger.

On November 11, 2005, Alltel's financial advisors scheduled a meeting with Mr. de Nicola and Wachovia Securities' representatives, and provided them with a preliminary term sheet in response to Valor's October 17, 2005 submission. The Alltel term sheet outlined the material terms upon which Alltel would be willing to merge the Alltel wireline business with Valor.

At various times following the November 11, 2005 meeting, Mr. Ford and Mr. de Nicola discussed the differences between each company's proposal. In these discussions, and in other communications between the parties' financial advisors during the period of November 11–14, 2005, certain fundamental economic terms were negotiated, including, among other terms, the percentage of ownership that Valor and Alltel stockholders would have in the surviving corporation following the merger, the dividend pay–out ratio, the appropriate debt capitalization of the company, the amount of the annual dividend, and the number of Newco board of director positions that would be allocated to pre–merger Valor directors in Newco.

On November 16, 2005, the Special Finance Committee of the Valor Board of Directors met with members of Valor's senior management and representatives of Wachovia Securities in order to review the current status of the potential Alltel transaction. Representatives of Wachovia Securities highlighted the differences between the terms proposed by Valor and those proposed by Alltel. Mr. de Nicola then updated the Committee on the status of the discussions on merger terms between him and Mr. Ford, as well as other discussions between the parties' financial advisors where they attempted to resolve differences between the parties' economic terms. The Committee discussed with Wachovia Securities the terms on which Valor and Alltel could potentially reach agreement, and discussed whether those terms would be fair to Valor's stockholders. The Committee also considered, in light of current and expected future market conditions and risks, whether other potential transactional opportunities would produce superior benefits to Valor's stockholders. After substantial discussion, the Committee members recommended that management attempt to complete a merger agreement with Alltel. Wachovia Securities preliminarily advised the Committee that it believed, subject to further review and analysis, it would be able to render an opinion to Valor's Board of Directors that a merger on the discussed terms was fair from a financial point of view to Valor and its stockholders. The Committee also determined that it was a best practice of sound corporate governance for the Committee to recommend that the Board of Directors engage another advisor to provide the Board with a second fairness opinion.

Following the meeting of the Valor Special Finance Committee, Mr. de Nicola communicated Valor's merger terms to Mr. Ford. Thereafter, Mr. Ford communicated to Mr. de Nicola Alltel's preliminary acceptance of Valor's proposed merger terms, subject to completion of definitive agreements and final approval by Alltel's board of directors.

On November 18, 2005, the Valor Board of Directors held a special meeting to discuss the potential Alltel transaction. Wachovia Securities provided the Board with an overview of the proposed transaction,

including the principal economic terms upon which Valor and Alltel had reached a preliminary agreement. Wachovia Securities made a presentation to the Board showing the estimated valuation and the potential stockholder value of the proposed merger. Kirkland & Ellis LLP, Valor's legal advisor, discussed the Board's obligations under Delaware law. Thereafter, the Board adopted a resolution authorizing management to take all necessary and appropriate steps required to complete a merger agreement with Alltel, including the completion of due diligence and the retention of any necessary advisors.

On November 18, 2005, Alltel's financial advisors provided Valor's management and financial advisors with the draft of a merger agreement and distribution agreement and on December 3, 2005, a tax sharing agreement. From November 21 through December 8, 2005, management, legal and financial representatives for Valor and Alltel met numerous times, engaged in numerous conference calls and exchanged drafts to negotiate the merger agreement, various other ancillary agreements and other legal, tax and regulatory issues. In addition, Valor finalized its due diligence with respect to the Alltel wireline business, including submission of follow–up due diligence requests and meeting with members of the Alltel management team with respect to various legal, business and financial issues.

On November 29, 2005, members of the Valor and Alltel management teams met in Dallas, Texas. The purpose of the meeting was to allow various members of Alltel's management team to meet with their Valor counterparts to discuss specific issues related to discrete operational and administrative aspects of Valor's business. On November 30 through December 1, 2005, Valor and Alltel continued their discussions in Little Rock, Arkansas. Members of Valor's management team, and its legal, financial and accounting advisors, continued Valor's legal, business, tax and accounting due diligence. In addition, Alltel management provided Valor management and its legal and financial advisors with an overview of prospective, post–merger inter–company agreements between Alltel's wireline and wireless businesses, as well as discussing other potential operational details regarding a combined Valor — Alltel wireline entity.

On November 30 and December 2, 2005, the Special Finance Committee of the Valor Board met. During both meetings, counsel from Kirkland & Ellis LLP reviewed the status of the negotiations on the merger agreement and ancillary agreements, and addressed major open issues in those negotiations. Also, members of Valor management and the company's various advisors updated the Committee on the status of Valor's business, legal, tax and accounting due diligence on Alltel.

Valor engaged Bear, Stearns & Co. Inc. on December 5, 2005 to provide an independent opinion on the fairness of the potential merger. Bear Stearns met with members of Alltel's management, and it conducted an independent review of financial information regarding Valor and the Alltel wireline business and the merger documentation.

On December 6, 2005, the Valor Board met again to review the possible merger with the Alltel wireline business. Members of Valor's senior management team, and its legal, tax, accounting and financial advisors, made preliminary presentations to the Board regarding the results of their business, legal, tax and accounting due diligence of the Alltel wireline business, valuation analyses, the strategic rationale for the potential merger and the terms and conditions of the merger, including a detailed review of significant open and resolved legal issues. Following the presentation of this information, the Board authorized Valor management to continue to pursue the proposed merger.

Valor and Alltel completed their negotiations of the merger agreement and ancillary documents on December 8, 2005. Later that day, the Valor Board of Directors met to review the final terms and conditions of the merger agreement and received final reports regarding the business, legal, tax and accounting due diligence from Valor's senior management team, and its legal, tax, accounting and financial advisors. The Board discussed other potential strategic alternatives that Valor had reviewed prior to exploring the Alltel opportunity and that might be available to Valor, including remaining as a separate independent entity and considered such potential alternatives and the proposed Alltel transaction. At this meeting, the Board also received oral and written opinions of Wachovia Securities and Bear Stearns, that as of December 8, 2005, and based upon and subject to the factors, qualifications, judgments and assumptions set forth in the written opinions, the aggregate consideration to be issued by Valor in the merger was fair from a financial point of view to Valor and its stockholders. Following further discussion, the Valor Board unanimously determined that

the merger was in the best interests of Valor and its stockholders, approved the merger and the merger agreement, the distribution agreement, the tax sharing agreement and related ancillary agreements, authorized the filing of all necessary regulatory applications and consents on behalf of Valor, authorized the preparation and filing of a Registration Statement on Form S–4, and directed Valor's management to take all other actions necessary to effectuate the completion of the merger. It also approved the issuance of shares of Valor's common stock in connection with the merger. In addition, Valor's Compensation Committee approved certain retention and severance benefits that are being provided to retain employees in connection with the merger.

The parties signed the merger agreement on December 8, 2005. Before the opening of trading on the New York Stock Exchange on December 9, 2005, the parties issued press releases announcing the execution of the merger agreement.

Valor's Reasons for the Merger

The following discussion of the information and factors discussed by the Valor Board of Directors is not meant to be exhaustive but is believed to include all material factors considered by it in reaching its determination that the Valor — Spinco merger is fair to and in the best interests of Valor and its stockholders. The 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 merger are fair to, and in the best interests of, Valor and Valor stockholders. Rather, the 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 Board of Directors determined that the 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, Valor and its stockholders.

In reaching its recommendation, the Board considered the current and historical financial condition and results of operations of Valor, competitive activity, the prospects and strategic objectives of Valor, and the Valor–specific and industry risks involved in achieving those objectives. The Board of Directors also considered trends in the industry in which Valor operates, and the strategic options available to Valor, including other potential transactional opportunities available to Valor and the alternative to remain a separate public company, as well as the risks and uncertainties associated with such alternatives.

In the course of their discussions, both Valor and Alltel recognized that there were substantial potential strategic and financial benefits of the proposed merger. The completed merger should provide Valor stockholders with a modest premium over current share price, and Valor's current stockholders may have an opportunity to improve their long–term returns by creating a leading rural–focused wireline company and one of the largest local telecommunications carriers in the United States.

The footprint of Alltel's rural markets and the states in which it operates are highly complementary to Valor's rural market footprint, and Alltel will bring high quality rural assets to the combined company. With over 3.4 million access lines in sixteen states as of December 31, 2005, Newco will be one of the largest local telecommunications carriers in the United States, and the largest local telecommunications carrier primarily focused on rural markets. As a result, Newco will have significantly greater size and scale than what Valor enjoys today.

Since the inception of Valor's business operations in July 2000, Valor has had a relationship with Alltel, which provides Valor with outsourced operational support services, including a billing and customer care platform. The fact that the companies share a common billing and customer care platform may ease the business integration of Valor and Spinco, and may reduce the costs and risks associated with the integration.

Because of increased size and economies of scale, Newco should have greater financial flexibility to develop and deploy products, expand the capacity of its network, respond to competitive pressures and implement future transactions. Newco's increased size, economies of scale and total capabilities are also expected to enable it to improve the cost structure for its products and services, enhancing its ability to offer services and compete profitably. The post–merger company will have better diversification of customers, revenues and earnings across a broader geographic area. It also should have the ability to better leverage

existing infrastructure, creating cost savings opportunities, financial flexibility and potential for further value creation.

The pro forma capital structure of Newco results in lower debt leverage and lower cost of capital, which should reduce the overall financial risk of the combined company. Moreover, the merger positions the combined company as an industry consolidator.

Valor believes that Newco will benefit substantially from capital investment, cost and revenue synergies. Valor and Alltel estimate the annual value of these synergies at approximately $40.0 million. These synergies include, but are not limited to, the following:

- expected volume discounts and benefits of increased purchasing capacity expected to result from Newco's increased size and scale;
- reduction in office space, real estate and facilities;
- consolidation of back–office functions;
- reduced employee and related costs associated with maintaining duplicative functions; and
- reduced combined sales and marketing costs and general and administrative costs.

The foregoing estimates were developed by the senior managements of Valor and Alltel during their due diligence reviews. The expected terms for realizing potential sources of synergies and cost savings vary because of the variety of sources within each category, such that some are estimated to affect results of operations in the short term and others over the long term.

The actual synergistic benefits from the merger and costs of integration could be different from the foregoing estimates, and these differences could be material. Accordingly, there can be no assurance that any of the potential benefits described above or included in the factors considered by the Valor Board of Directors will be realized. See "Risk Factors — Risks Relating to the Spin–Off and the Merger."

Valor Board of Directors' Recommendation to Valor Stockholders

The Valor Communications Group, Inc. Board of Directors has unanimously approved the merger agreement and unanimously recommends that the Valor stockholders vote FOR the proposals to adopt the merger agreement, approve the increase in authorized shares of Valor common stock pursuant to the merger and 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 on stockholder approval of the merger proposals).

Opinion of Valor's Financial Advisor — Wachovia Securities

Valor's Board of Directors retained Wachovia Securities on October 15, 2005 to act as its financial advisor and to provide a fairness opinion in connection with the transactions contemplated by the merger agreement. Valor's Board of Directors selected Wachovia Securities to act as its financial advisor based on Wachovia Securities' qualifications, expertise and reputation. At the meeting of Valor's Board of Directors on December 8, 2005, Wachovia Securities rendered its oral opinion, subsequently confirmed in writing on December 8, that as of December 8, 2005, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken in such opinion, the aggregate merger consideration to be paid by Valor pursuant to the merger agreement was fair, from a financial point of view, to Valor and its stockholders.

The full text of the written opinion of Wachovia Securities which sets forth the assumptions made, matters considered and limitations on the opinion and on the review undertaken in connection with the opinion, is attached as Annex D–1. The opinion of Wachovia Securities is for the information and use of the Board of Directors of Valor in connection with its consideration of the merger and relates only to the fairness, from a financial point of view, of the aggregate merger consideration to Valor and its stockholders. This opinion does not and shall not constitute a recommendation to any holder of Valor common stock as to how

such holder should vote in connection with the merger agreement or any other matter related thereto. You should carefully read the opinion in its entirety.

In arriving at its opinion, Wachovia Securities, among other things:

- Reviewed the merger agreement, including the financial terms of the merger, and the agreements contemplated thereby;
- Reviewed Annual Reports on Form 10–K of Alltel for the three fiscal years ended December 31, 2004; Annual Reports on Form 10–K of Valor for the fiscal year ended December 31, 2004; certain interim reports to stockholders and Quarterly Reports on Form 10–Q of Alltel and Valor; and certain business, financial, and other information regarding each of Alltel and Valor that was publicly available;
- Reviewed certain business, financial, and other information regarding Valor and its prospects that was furnished to Wachovia Securities by, and discussed with, the management of Valor;
- Reviewed certain business, financial, and other information regarding Alltel and Spinco and their prospects that were furnished to Wachovia Securities by, and discussed with, the management of Alltel and Spinco;
- Reviewed the stock price and trading history of Valor common stock;
- Compared the available business, financial, and other information regarding each of Valor and Spinco with similar information regarding certain publicly traded companies that Wachovia Securities deemed relevant;
- Compared the proposed financial terms of the merger agreement with the financial terms of certain other business combinations and transactions that Wachovia Securities deemed relevant;
- Developed discounted cash flow models for each of Valor and Spinco based upon estimates provided by the management of each of Valor and Spinco, as to each of Valor and Spinco respectively, and certain estimates discussed with the management of Valor;
- Reviewed the potential pro forma impact of the merger on Valor's financial statements;
- Considered other information such as financial, economic and market criteria that Wachovia Securities deemed relevant; and
- Participated in the discussions and negotiations among representatives of Valor and Alltel and their respective financial and legal advisors that resulted in the merger agreement.

In connection with its review, Wachovia Securities assumed and relied upon the accuracy and completeness of the foregoing financial and other information and did not and does not assume any responsibility for, nor did it conduct, any independent verification of such information. Wachovia Securities relied upon the assurances of the management of Valor and Alltel that they were not aware of any facts or circumstances that would make such information about Valor or Alltel inaccurate or misleading.

Wachovia Securities has been provided with prospective financial information, including post–merger synergies, for Valor and Spinco by each of their managements, respectively. Wachovia Securities was also provided with prospective financial information of Spinco by Alltel, including cost allocations by Alltel to Spinco. Wachovia Securities discussed such prospective financial information, as well as the assumptions upon which they are based, with the management of each of Valor, Alltel and Spinco. Wachovia Securities assumed that the forecasts, estimates, judgments, and all assumptions expressed by the management of each of Valor, Alltel and Spinco in such projections have been reasonably formulated and that they were the best available forecasts, estimates, judgments, allocations and assumptions of each of the respective managements of Valor, Alltel and Spinco regarding such projections. Wachovia Securities did not and does not assume any responsibility for, and did not and does not express any view as to, any such prospective financial information or the assumptions upon which they are based. Wachovia Securities also assumed that the cost allocations by Alltel to Spinco provided to Wachovia Securities by Alltel reflect the true standalone costs that Spinco will experience following the merger. Wachovia Securities discussed certain estimates for Valor and for Spinco,

and the reasonableness of the assumptions upon which they are based, with the management of Valor. The Board of Directors of Valor did not place any limitations on Wachovia Securities in conducting its analysis of the merger in connection with rendering its fairness opinion. The Board of Directors of Valor did not ask Wachovia Securities to, nor did Wachovia Securities, explore or conduct a review of strategic alternatives for Valor. Wachovia Securities has not conducted any physical inspection or assessment of the facilities or assets of Valor, Alltel or Spinco. In addition, Wachovia Securities has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off–balance sheet assets and liabilities) of Valor, Alltel or Spinco or any of their respective subsidiaries and has not been furnished with any such evaluations or appraisals.

In rendering its opinion, Wachovia Securities assumed that the merger will be consummated on the terms described in the merger agreement and the agreements contemplated thereby without waiver of any material terms or conditions, and that each party to the merger 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. Wachovia Securities 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 Valor, or on the merger or on other actions contemplated by the merger agreement in any way meaningful to Wachovia Securities' analysis. Wachovia Securities further assumed that the merger agreement and the agreements contemplated thereby will not differ in any material respect from the drafts furnished to and reviewed by Wachovia Securities. In addition, Wachovia Securities has assumed that the merger and the distribution to Spinco will be tax–free, for United States federal income tax purposes.

The summary set forth below does not purport to be a complete description of the analyses performed by Wachovia Securities, but describes, in summary form, the material elements of the presentation that Wachovia Securities made to Valor's Board of Directors on December 8, 2005, in connection with Wachovia Securities' fairness opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Wachovia Securities considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. The analyses described below must be considered as a whole, and considering portions of these analyses, without considering all of them, would create an incomplete view of the process underlying Wachovia Securities' analyses and opinion. Wachovia Securities reached a single conclusion as to fairness based on its experience and professional judgment and its analysis as a whole. This fairness conclusion was communicated to the Valor Board of Directors. Wachovia Securities does not, as part of its process, isolate various analyses and reach separate conclusions with respect to their relative significance and relevance.

Wachovia Securities chose to perform the financial analyses that it performed in connection with the transaction based on its experience and professional judgment. These analyses were performed solely as a part of Wachovia Securities' analysis of the fairness, from a financial point of view, to Valor and its stockholders, as of the date of the opinion, of the aggregate merger consideration paid by Valor pursuant to the terms of the merger agreement and were conducted in connection with the delivery by Wachovia Securities of its fairness opinion to the Valor Board of Directors.

Valuation of Valor on a Stand–Alone Basis

In conducting its analysis, Wachovia Securities used six methodologies to determine the valuation of Valor as a stand–alone entity.

Historical Stock Trading Analysis. Wachovia Securities reviewed publicly available historical trading prices for shares of Valor common stock for the period beginning on the date of Valor's initial public offering (February 9, 2005) and ending on December 6, 2005. The trading range of shares of Valor common stock in this period was $11.28 — $16.17.

Comparable Companies Analysis. Wachovia Securities compared financial, operating and stock market data of Valor to the following publicly traded companies that participate predominantly, or in part, in the

regional telecommunications industry: CenturyTel, Cincinnati Bell, Commonwealth Telephone, Iowa Telecommunications, Citizens Communications, Fairpoint Communications, and Consolidated Communications. The multiples and ratios of each of the selected publicly traded companies were based upon the most recent publicly available information.

The following table presents the most relevant analyses of the selected publicly traded companies:

	Low	High	Median	Mean	Reference Multiple Range	Implied Valor Equity Value per Share
Enterprise Value to 2005(E) EBITDA (earnings before interest, taxes, depreciation and amortization)	5.5x	8.3x	6.9x	6.9x	6.1x – 7.8x	$7.64 – $14.29
Equity Value to 2005(E) Free Cash Flow	6.3x	9.5x	8.0x	8.0x	7.0 – 9.3x	$12.75 – $16.97
Enterprise Value per Access Line	$3,158.4	$4,509.1	$3,675.0	$3,678.8	$3,175 – 4,153	$7.32 – $14.46

With regard to the comparable companies analysis summarized above, Wachovia Securities selected comparable publicly traded companies on the basis of various factors, including the size of the public company and the similarity of the lines of business. No public company used as a comparison, however, is identical to Valor. Accordingly, these analyses are not purely mathematical, but also involve complex considerations and judgments concerning the differences in financial and operating characteristics of the comparable companies and other factors. These factors could affect the public trading value of the comparable companies to which Valor is being compared.

Selected Transactions Analysis. Using publicly available information and analysis prepared by Wachovia Securities, Wachovia Securities examined selected transactions involving companies with similar types of operations as Valor announced from December 1999 to November 2004. The selected transactions were:

Target	Acquiror
NTELOS	Quadrangle/CVC
Verizon Communications — Hawaii	The Carlyle Group
TXU Communications	Consolidated Communications
Illinois Consolidated Telephone Co.	Homebase Acquisition Corp.
Conestoga Enterprises	D&E Communications
Verizon — KY	ALLTEL
Verizon — AL, MO	CenturyTel
Kerrville Communications	VALOR Telecom
Global Crossing ILEC	Citizens Communications
GTE Corp. (Illinois)	Citizens Communications

The following table presents the most relevant analyses of these transactions:

	Low	High	Median	Reference Multiple Range	Implied Equity Value per Share
Enterprise Value to LTM (last twelve months) EBITDA	6.0x	9.4x	7.4x	6.5x – 7.5x	$9.15 – $13.01
Enterprise Value per Access Line	$2,334	$4,370	$3,137	$3,250 – $4,000	$7.86 – $13.34

Because the market conditions, rationale and circumstances surrounding each of the transactions analyzed were specific to each transaction and because of the inherent differences between Valor's businesses, operations and prospects and those of the comparable acquired companies, Wachovia Securities believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis. Accordingly, Wachovia Securities also made qualitative judgments concerning differences between the characteristics of these transactions (including market conditions, rationale and circumstances surrounding each of the transactions, and the timing, type and size of each of the transactions) and the merger that could affect Valor's acquisition value.

Premiums Paid Analysis. Based on publicly available information, Wachovia Securities analyzed the premiums paid in selected comparable transactions involving publicly traded companies as of thirty (30) days prior to the announcement date of each transaction. The selected comparable transactions are as follows:

Target	Acquiror
First National Bankshares FL	Fifth Third Bancorp
Varco International Inc.	National-Oilwell Inc.
Artesyn Technologies Inc.	Bel Fuse Inc.
Cornerstone Realty Income Trust	Colonial Properties Trust
Veritas Software Corp.	Symantec Corp.
Public Svc Enterprise Group Inc.	Exelon Corp.
Gillette Co.	Procter & Gamble Co.
AT&T Co.	SBC Communications Inc.
Great Lakes Chemical Corp.	Crompton Corp.
Ask Jeeves Inc.	IAC/ InterActive Corp.
Mykrolis Corp.	Entegris Inc.
Macromedia Inc.	Adobe Systems Inc.
SpectraSite Inc.	American Tower Corp.
Cinergy Corp.	Duke Energy Corp.
Shurgard Storage Centers Inc.	Public Storage Inc.
WFS Financial Inc.	Wachovia Corporation
Westcorp	Wachovia Corporation
Medicis Pharmaceutical Corp.	Mentor Corp.

The following table presents the results of this analysis:

	Low	High	Median	Mean	Reference Multiple Range	Implied Valor Equity Value per Share
30-Day Premium	(3.4)%	35.8%	16.8%	17.3%	(3.4)% – 35.8%	$12.07 – $16.97

No company utilized in the premiums paid analysis is identical to Valor, nor is any transaction identical to the merger. Therefore, a purely quantitative premiums paid analysis would not be dispositive in the context of the merger, and an appropriate use of such analysis involves qualitative judgments concerning the differences between the characteristics of these transactions and the merger that would affect the value of the selected companies and Valor.

Discounted Cash Flow Analysis of Valor. Wachovia Securities performed a discounted cash flow analysis for Valor on a stand-alone basis based on financial estimates for 2006-2010 provided by the management of Valor and estimates discussed with the management of Valor. 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 $9.62 — $13.15.

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 $8.01 to $11.25.

Implied Percentage Ownership Analysis

Based in part on the valuation of Valor as a stand-alone entity, Wachovia Securities then performed financial analyses to determine the ranges of implied percentage ownership by holders of Valor common stock

in the combined company. Wachovia Securities then compared these ranges of implied percentage ownership to the actual post–merger ownership of 15.0% of the combined company by current holders of Valor common stock pursuant to the merger agreement.

Implied Percentage Ownership Analysis based on Comparable Public Companies. Wachovia Securities analyzed the implied equity value of Valor and Spinco using the same comparable companies as in the Valor stand–alone analysis of comparable publicly traded companies.

	Reference Multiple Range	Valor Implied Equity Value	Spinco Implied Equity Value 2005(E)	Valor Implied Percentage Ownership of Combined Company	
				Low End of Ranges	High End of Ranges
Enterprise Value per 2005(E) Access Lines	$3,175 – $4,153	$520 – $1,029	$5,024 – $7,841	9.4%	11.6%
Enterprise Value to 2005(E) EBITDA	6.1x – 7.8x	$544 – $1,017	$4,487 – $6,922	10.8%	12.8%
Equity Value to 2005(E) Free Cash Flow	7.0x – 9.3x	$907 – $1,207	$3,558 – $4,734	20.3%	20.3%

Contribution Analysis. Wachovia Securities reviewed Valor and Spinco's respective financial contribution to the combined company with respect to the relative contributions to access lines, EBITDA and free cash flow on an estimated basis for 2005 and on a projected basis for 2006 based on information provided by the managements of Valor, Alltel and Spinco. The results of this analysis indicated the following implied equity contribution by holders of Valor common stock to the combined company:

	Implied Valor %
Access Lines 2005(E)–2006(P)	15.3% – 15.5%
EBITDA 2005(E)–2006(P)	16.3% – 16.3%
Free Cash Flow 2005(E)–2006(P)	20.3% – 21.2%

Debt–Adjusted Contribution Analysis. Wachovia Securities also reviewed Valor and Spinco's respective financial contribution to the combined company with respect to the relative contributions to access lines and EBITDA on a debt–adjusted basis for 2006 based on information provided by the managements of Valor, Alltel and Spinco and based on a range of values of the combined company reflected by dividend yields of 7%–8%. In this analysis, the enterprise value of the combined company (as implied by a particular dividend yield) was allocated to each of Valor and Alltel based on their relative contributions to access lines and EBITDA and then adjusted by the debt contributed by each company to arrive at an implied equity contribution. The results of this analysis indicated an implied equity contribution by holders of Valor common stock to the combined company of 9.9%–11.0% based on access lines and 11.7%–12.4% based on EBITDA.

Discounted Cash Flow Analysis of Valor and Spinco. Wachovia Securities performed a discounted cash flow analysis for each of Valor and Spinco on a stand–alone basis based on financial estimates for 2006–2010 provided by the managements of each of Valor and Spinco and estimates discussed with the management of Valor.

With respect to Spinco on a stand–alone basis, Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010 and discount rates ranging from 6.75% to 7.75%. The implied Spinco equity values ranged from $3,923 million to $5,183 million.

With respect to Valor on a stand–alone basis, 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 values ranged from $684 million to $935 million.

Using the relevant values from the ranges of the implied equity values resulting from the discounted cash flow analysis for each of Valor and Spinco on a stand–alone basis, Wachovia Securities calculated the