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PUBLIC SERVICE COMMISSION

Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

APPLICATION FOR APPROVAL OF	)	
THE TRANSFER OF CONTROL OF	)	
ALLTEL KENTUCKY, INC. AND	)	**Case No. 2005-00534**
KENTUCKY ALLTEL, INC.	)	

JOINT APPLICANTS' RESPONSES TO ATTORNEY GENERAL'S SUPPLEMENTAL REQUESTS FOR INFORMATION

Alltel Kentucky, Inc. ("AKI"); Kentucky Alltel, Inc. ("KAI"); Alltel Communications, Inc.; Alltel Holding Corp.; Valor Communications Group; and Alltel Holding Corporate Services, Inc. (hereinafter, collectively, "Joint Applicants") hereby submit the following Responses to the Attorney General of the Commonwealth of Kentucky in accord with the instructions attached to the Supplemental Requests and to the extent same are consistent with law:

Respectfully submitted,

Mark R. Overstreet
Stites & Harbison PLLC
421 West Main Street
P.O. Box 634
Frankfort, Kentucky 40602-0634

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 1

1. Please refer to the Joint Applicants' response to CWA Initial Request 69. Provide a list showing the date each case was filed, procedural timelines, whether a hearing is scheduled, and if so, the date(s) for such hearing(s).

Response: This request seeks information which is publicly available and may be obtained directly by the Attorney General.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 2

2. Please refer to the **[BEGIN CONFIDENTIAL]** January 26, 2006 email from Cesar Caballero **[END CONFIDENTIAL]**contained in response to CWA Initial Request No. 60. Provide copies of responses to discovery questions in all other state commission proceedings regarding the spin off, including any documents or attachments that have not been provided previously to parties in this case.

Response: Joint Applicants already have provided documents and attachments that have been filed in their other pending state commission proceedings through the course of answering the voluminous data requests served on Joint Applicants herein by the Attorney General. To that extent, this request is overly broad and unduly burdensome and will not yield any information not already produced herein. Without waiving any objection to this request, Joint Applicants will make available for review by the Attorney General all responses and documents filed in other state proceedings related to the spin and merger at Joint Applicants' Little Rock offices.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 3

3. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Quantify the New Holding Company's (or Merged Wireline Business, "MWB") total annual interest cost for all debt (senior secured debt and senior unsecured debt as shown on Exhibit 6 to the Amended and Restated Application at the indicated "BB" debt rating, versus the total annual interest cost for all debt at the lowest investment grade debt rating, through 2008. Show calculations including the market interest rates used, and provide source documentation used in calculating such interest costs.

Response: The New Holding Company has not yet received a credit rating but expects to receive same by the end of May. Based on the attached information supplied by JP Morgan, the spread differential between a BBB- and a BB+ is 41 basis points. Resulting in approximately $20 million of additional interest expense. The spread differential between BBB- and BB is 70 basis points, resulting in approximately $35 million of additional interest expense. See attached spreadsheet for interest calculations.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 4

4. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Exhibit 6 to the Amended and Restated Application states that the transactions will trigger a "put" right for holders of Valor Senior notes, to require NewCo/MWB to purchase the notes at 101% of par. Provide documents that show the proportion of outstanding notes that are anticipated to be "put" to NewCo/MWB according to the holders' put rights.

   a. State the source of funds that will be used to purchase the Valor notes that are "put" to NewCo/MWB.

      Response: The Valor bond currently trades between 104 and 105 and has not traded below 102 since the beginning of the year. While the investors in the Valor bond have the right to sell the bond to the Company at 101 after a Change of Control event ("put"), it is not likely that any investor would do so, given the bonds can be sold in the market for 105.

      In the unlikely event Valor's bonds are put to the company pursuant to a change of control, the purchase will be funded through the use of Term Loan C of the Senior Secured Credit Facility.

      Included in the accompanying CD-ROM is a graph of the historical trading levels for the Valor debt. Also included are the Transaction Overview and Summary of Senior Secured Credit Facilities.

      Response provided by Rob Clancy.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 5</u>

5. Please reference the Joint Applicants' response to the CWA's Initial Data Request No. 51. Has Alltel sought or received indicative debt ratings for NewCo/MWB from any debt rating service entity such as Moody's, Fitch, or Standard and Poor? If so, provide copies of documents and letters containing such indicative ratings. If not, explain why such indicative debt ratings have not been sought.

Response: Management met with Moody's, Fitch and Standard & Poor's on April 4th and 5th to discuss the upcoming transactions. The New Holding Company expects to receive credit ratings by the end of May.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 6

6. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. State Alltel's understanding of the maximum total debt ($X billion) NewCo/MWB could bear after the proposed spin off and merger, while still being likely to achieve "investment grade" debt ratings from the debt rating services.

   a. State the corresponding debt to EBITDA ratio that is indicated by this maximum total debt.

Response: The credit rating agencies evaluate issuers and assign ratings based on many different criteria. The agencies' ratings are highly discretionary, and Joint Applicants cannot speculate as to the maximum debt level to receive an investment grade rating.

Included in the accompanying CD-ROM are the "RLEC Credit Comps" which show the capital structure, credit statistics and corresponding credit ratings for the New Holding Company and its competitors.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 7

7. Please reference the Joint Applicants' response to CWA No. 60. Provide copies of the capital budgets for, including or pertaining to Alltel's Kentucky operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007).

   a. Show capital budget dollars by category of expenditure in the format used to breakdown capital expenditures on p. 25 of the Data Book in response to CWA Initial Request No. 60.

Response: To the extent that these are available, they are included in the accompanying CD-ROM.

Response provided by Mike Skudin.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 8

8. Please reference the Joint Applicants' response to CWA No. 60. Provide copies of the capital budgets for, including or pertaining to Alltel's ILEC operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007), in the format used to breakdown capital expenditures on **[BEGIN CONFIDENTIAL]** p. 25 of the Data Book in response to CWA Initial Request No. 60 **[END CONFIDENTIAL]**.

Response: Included in the accompanying CD-ROM.

Response provided by Mike Skudin.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 9</u>

9. Please reference the Joint Applicants' response to CWA No. 47. Provide documents which contain the two most recent debt ratings analyses for Valor from each of the major bond rating agencies (e.g., Moody's, Fitch and Standard and Poor).

Response: Included in the accompanying CD-ROM are the Valor credit agency reviews. The first file includes the ratings reports from December 9, 2005, that discuss the announced merger with Alltel's wireline division. The second and third files are ratings reports prior to the December 9, 2005 announcement for Valor Telecommunications Enterprises and Valor Communications Group, respectively. Please note that Fitch does not currently cover Valor.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 10

10. Please reference the Joint Applicants' response to CWA No. 47 and 51. Provide documents from each major bond rating agency (e.g., Moody's, Fitch and Standard and Poor) which show the debt rating that Alltel is expected to have, post-spin off.

Response: Included in the accompanying CD-ROM are the most recent ratings reports issued by Moody's, Fitch and Standard & Poors reflecting the change in rating or rating outlook.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 11

11. Please reference the Joint Applicants' response to CWA No. 60. Provide documents which show Alltel wireline studies and plans **[BEGIN CONFIDENTIAL]** to offer and expand video service offerings, to address the "video opportunity" shown on page 20 of Alltel's December 9, 2005 Investor Briefing.

Response: Today, Alltel's wireline interests pursue future options to bring video services to Alltel's customers, and the New Holding Company will continue pursuing such options.

In the fourth quarter of 2005, through an agency partnership with EchoStar, Alltel launched an all digital video offering from DISH Network. Alltel began offering triple-play bundles including discounts for multiple products on one bill. These voice, broadband, and video bundles have resonated well with customers resulting in solid penetration rates. DISH service is available in Alltel's ILEC territories to residential customers.

Regarding video services via IPTV, Alltel has researched and modeled the opportunity quite extensively over recent years. At this juncture, given the nascent state of this technology and service, Alltel continues to monitor the video competitive landscape and technological advances. No current plans exist to trial or launch video via IPTV at this time.

Response provided by Roger Woziwodzki.

a. State the locations in Kentucky that appear to be economically viable for consideration of the "video opportunity";

Response: Alltel offers DISH Network to all its residential customers in Kentucky. As mentioned above, Alltel continues to monitor IPTV technologies and costs and will deploy when economically viable and supported by the marketplace.

Response provided by Roger Woziwodzki.

b. State the standards or criteria in dollars and units that are used to asses economic viability for the "video opportunity"

Response: Generally, Alltel considers the following criteria on a case-by-case basis to assess economic opportunities: expected penetration rates, return on investment, cash flow, costs to deploy, and other relevant market considerations. There are no specific "hurdle rates" or targets. Alltel uses its reasonable business judgment based on the factors above to make final deployment determinations.

Response provided by Roger Woziwodzki.

c. Estimate the capital costs as currently understood by Alltel to deploy the "video opportunity" in Kentucky where economic viability thresholds appear to be met or likely to be met **[END CONFIDENTIAL]**.

   Response: See response to 11(b) above.

   Response provided by Roger Woziwodzki.

d. Explain the basis for Alltel's claim of confidentiality for the **[BEGIN CONFIDENTIAL]** December 9, 2005 Investor Briefing **[END CONFIDENTIAL]**.

Response: Joint Applicants inadvertently deemed the December 9, 2005 Investor Briefing as confidential.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 12

12. Provide documents which show:

a. Average (wireline) revenue per residential line for each Alltel state;

Response: Included in accompanying CD-ROM is Alltel's average revenue per line ("ARPU") by state. ARPU calculations include retail and wholesale revenues as well as all lines.

Response provided by Brent Whittington.

b. Average (wireline) revenue per residential line for each Valor state;

Response: The following are Valor's average retail rates for residential basic local exchange service. Information excludes wholesale revenues, subscriber line charges and non-residential lines.

Oklahoma: $25.49
Texas: $20.71
New Mexico: $21.25

Response provided by Bill Kreutz.

c. Average (wireline) investment per line for each Alltel state; and

Response: Included in accompanying CD-ROM.

Response provided.by Brent Whittington.

d. Average (wireline) investment per line for each Valor state.

Response: Included in accompanying CD-ROM.

Response provided by Bill Kreutz .

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 13

13. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Identify by name, title and location each of the members of the "Steering Committee" referenced in "Item 1.01" under the heading "Distribution Agreement" of the Company's Form 8-K filed on December 9, 2005.

a. Provide the dates of each meeting of this committee or its subcommittees if any.
b. Provide documents reviewed or considered by the committee, including minutes of meetings.

Response: These were informal meetings that took place on a weekly basis. There were not any formal agendas and no minutes of the meetings were kept.

Answer provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 14

14. To the extent not already previously provided, please provide copies of all presentations and documents provided to the Alltel Board of Directors or its committees regarding:

a. the spin off of the wireline business, and,
b. the spin off of the wireline business in the form of the currently proposed transaction.

Response: Joint Applicants previously produced all presentations to the Alltel Board of Directors.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 15

15. Provide copies of all presentations and documents provided to the Valor Communications Board of Directors or its committees regarding:

a. potential merger with Alltel, and,
b. potential merger with Alltel in the form of the currently proposed transaction.

Response: Provided directly by Valor to Mark Overstreet, counsel for Joint Applicants.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 16

16. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Define the term "high yield debt securities" as it appears in "Item 1.01" under the heading "Distribution Agreement" of Alltel Corporation's Form 8-K filed on December 9, 2005.

a. Provide the current market interest rate for such high yield debt securities.
b. Describe any other material conditions that affect price or interest cost in the current market for such high yield debt securities.
c. Describe the distinction(s) if any that exist between a "high yield debt security" and a "junk bond", including any pertinent references to bond rating classifications.

Response: High-yield, or non investment-grade, debt securities are bonds that are issued by organizations that are considered below "investment-grade" by one of the leading credit rating agencies (Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings). The credit ratings agencies evaluate issuers and assign ratings on a scale that includes approximately 20 ratings based on their opinions of the issuer's ability to service their debt obligations. The top ten ratings for each agency are considered investment grade. The agencies' ratings are highly discretionary and do not necessarily predict whether or not a company will remain healthy or default. This is evidenced by the fact that, in 2005, no companies with a rating by Moody's similar to Alltel's expected rating defaulted on their debt but some investment grade companies did default. It should also be noted that the majority of U.S. corporate debt issuers, over 60%, fall into the non-investment grade category. These include household names such as Reader's Digest, Host Marriott, Del Monte Foods, MGM Mirage and Hertz-Rent-A-Car. In addition, many of our RLEC competitors such as Citizens, FairPoint, Cincinnati Bell, Otelco, Consolidated Communications and Madison River have non-investment grade ratings and higher leverage than the New Holding Company.

(a) Interest rates for non-investment grade companies with ratings ranging from BB+ to BB- are on average only 150 bps (1.50%) higher than the average interest rates obtained by companies with investment grade ratings in the BBB+ to BBB- range. More specifically, the difference between the bottom range of investment grade (BBB-) and the top range of non-investment grade (BB+), which is closer to where the New Holding Company is expected to be rated, is only 40bps in the current environment. Market interest rates for all high-yield debt securities currently range from approximately 7% to over 11% with the cost of the New Holding Company's debt securities expected to be at the bottom of this range.

(b) Interest rates for corporate debt securities are determined by a combination of macro-economic and industry trends as well as company-specific and bond-specific factors. Interest rates on corporate debt are generally calculated as a spread to a similar U.S. treasury. As treasury rates change in response to macro-economic factors corporate interest rates will also fluctuate. Industry-specific growth prospects, risks and levels of competition will also impact interest rates. Finally, lenders and investors will evaluate company-specific factors such as financial strength, leverage levels and management quality, and bond-specific factors (*e.g.*, whether the bonds

are secured or unsecured) in assessing credit risk and determining appropriate interest rates.

(c) "Junk bond" is a slang term often used to refer to non-investment grade (high-yield) debt securities. The term "junk bond" can be considered misleading in the sense that it implies that all high-yield debt issuers pose a very high risk of defaulting on their debt. There is a wide range of ratings in the non-investment grade category, and in 2005 less than 2% of companies that Moody's considered to be non-investment grade, or speculative grade, defaulted on their debt, and no companies with ratings in the high non-investment grade category defaulted on their debt.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 17

17. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 5. Identify and describe each of the "preliminary restructuring transactions" referred to in "Item 1.01" under the heading "Distribution Agreement" of Alltel Corporation's Form 8-K filed on December 9, 2005.

a. Provide the dates of each restructuring transaction whether accomplished or yet to be accomplished;

Response: A final date depends upon resolution of the pending approvals of the various state regulatory agencies.

Response provided by Brent Whittington.

b. Provide the journal entries complete with descriptions for each restructuring transaction on the books of "Spinco" or its subsidiaries, and on the books of the Company or its subsidiaries.

Response: Because the final date is not yet known, the actual journal entries have not been calculated as the amounts will change depending upon the actual date.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 18

18. Provide documents which show all intellectual property currently owned by Alltel or Valor, divided between:

a. That intellectual property which will be owned by "Spinco" after the separation;

Response: Assuming the definition of "intellectual property" would include internally developed software, the New Holding Company will own any internally developed software related to the wireline billing and related back-office systems.

Response provided by Brent Whittington.

b. That intellectual property which will be owned by Alltel after the separation.

Response: Assuming the definition of "intellectual property" would include internally developed software, Alltel Corporation will own any internally developed software related to the wireless billing and related back-office systems.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 19

19. Provide documents which show all intangible property currently owned by Alltel or Valor, divided between:

a. That intangible property which will be owned by "Spinco" after the separation; and

Response: Please refer to the Valor Communications Group Inc. Unaudited Pro Forma Combined Condensed Balance Sheet as of December 31, 2005 on page 144 of the S-4. "Spinco" intangibles prior to the merger totaled $1,536.4 million, comprised of $1,218.7 million of goodwill and $317.7 million of other intangibles ($265.0 million of non-amortizable franchise rights, $6.1 million of amortizable franchise rights, and $46.6 million of amortizable customer lists). Valor intangibles prior to the merger totaled $1,057.0 million, comprised entirely of goodwill. Under GAAP purchase accounting rules (in accordance with SFAS 141), Valor's pre-merger goodwill will be eliminated, and the goodwill arising from Alltel Holding Corp.'s purchase of Valor will be booked (presently estimated to be $942.2 million.)

Response provided by Brent Whittington.

b. That intangible property which will be owned by Alltel after the separation.

Response: As of December 31, 2005, Alltel will have intangible assets of $9,320.0 million after the separation ($7,458.6 million of goodwill and $1,861.4 million of other intangibles).

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 20

20. Provide the following information regarding Alltel's provision of DSL service in each of its Kentucky exchanges:

a. The number and percent of residential customers subscribing to Alltel's DSL;
b. the method used to provide DSL to these customers;
c. the number of DSL capable lines;
d. the number of lines equipped for DSL;
e. planned additions to DSL capable lines, by year for the next three years;
f. planned additions to DSL equipped lines, by year for the next three years.

Responses:

a. **As of March 21, 2006, Alltel's Kentucky entities had approximately 55,000 residential DSL subscribers, which represent 15.2% of total residential access lines.**
b. **Alltel currently provides and the New Holding Company will continue to provide broadband service to customers via the Asymmetrical Digital Subscriber Line (ADSL) technology. The customer-designated premise must be within 18,000 feet of a DSL equipped serving wire center or Central Office Equivalent (COE) in order to qualify for service.**
c. **As of March 21, 2006, Alltel's Kentucky entities had approximately 370,000 DSL addressable lines.**
d. **See response to subpart c.**
e. **Alltel currently selects and the New Holding Company will continue to select new deployment sites on a quarterly basis. Therefore, the information requested is not available as the deployment list for 2006 has not been completed.**
f. **See response to subpart e.**

Responses provided by Darren Decker.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 21</u>

21. Explain and provide:

a. the dividend and cash management policy whereby the Alltel Kentucky entities pay periodic dividends to corporate/regional operations.

Response: Dividends are paid monthly from Kentucky Alltel Inc. ("KAI") and Alltel Kentucky Inc. ("AKI") to their parent if two criteria are met: (1) KAI and AKI have net income, and (2) KAI and AKI's debt-to-equity ratio is 0.65 or below. If both criteria are met, then the dividend from KAI and AKI to their parent is equal to 90% of KAI and AKI's net income.

Response provided by David Cameron.

b. the amount of dividends paid for the five most recent years, the corporate entity to which the dividends are paid, and explain the purposes/use of the dividends (for example, show dividends paid by purpose, for example corporate/regional interest/debt principal, capital investment, dividends to shareholders, and other purposes).

Response:

Dividends are paid to the sole stockholder, Alltel Corporation, to support investment and funding requirements by the sole stockholder on behalf of the operating companies.

	AKI	**KAI**
2005	**$4,721,000**	**$19,582,247**
2004	**$4,540,000**	**$13,674,343**
2003	**$4,074,000**	**$11,900,000**
2002	**$2,954,000**	**$12,346,000**
2001	**$4,158,444**	**N/A**

Response provided by David Cameron.

c. the amount of dividends that local operations will pay for five years after the spin-off and provide supporting documents and calculations.

Response: Projected dividends have not been determined for local operations. However, the dividend policy, as discussed above, is not expected to change.

Response provided by David Cameron.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 22

22. Describe all planned or potential changes in local and other intrastate rates that will result for local operations from this spin-off, by state.

Response: There are none.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 23

23. Please refer to the **[BEGIN CONFIDENTIAL]** balance sheets contained as an attachment to the September 21, 2005 email from Scott Wheeler **[END CONFIDENTIAL]**, attached to the Joint Applicants' response to CWA Initial Request 60. Provide the following information for each Alltel and Valor state in which Alltel and Valor have incumbent local exchange company operations, on both a GAAP accounting basis and regulatory accounting basis if different than GAAP:

a. Total investment in plant in service and
b. Accumulated depreciation and amortization reserves related to total plant in service.

Response: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 24

24. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 3.

a. Specifically identify the "future wireline strategies" that the MWB will seek to undertake upon separation. Specifically state why the MWB could not have undertaken such strategies without the separation, if that is the case.

Response: Joint Applicants cannot identity particular strategies at this time. However, the New Holding Company, as a 100% wireline company, will have a singular focus to drive and obtain wireline strategies. Currently, this is not possible, as Alltel Corporation's wireline interests are only one part of an entity that is 70% wireless-focused and it emphasizes wireless strategies intended to improve Alltel wireless' fifth-place position in a wireless marketplace comprised primarily of five main wireless companies.

Response provided by Jeffery Gardner.

b. Specifically identify the "future business opportunities" that the MWB will explore upon separation. Specifically state why the MWB could not have explored such opportunities without the separation, if that is the case.

Response: See response to subpart (a) above.

Response provided by Jeffery Gardner.

c. The response states "significant annual interest expense savings of up to or greater than $50.0 million." Clearly identify the two items that are being compared to calculate this indicated $50 million—what is "scenario A" versus "scenario B", the difference between which is $50 million?

Response: This was explained in Joint Applicants' Response 2(b) to LUCFG's First Data Requests, wherein Joint Applicants explained that "actual interest expense savings will exceed the amount above in the event the secured debt is greater than $2.5 billion."

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 25</u>

25. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 6. The request asked for copies of all filings with other regulatory bodies yet only the Missouri application was supplied. Please provide only copies of the applications filed with the remaining bodies.

Response: This request and the prior request seek information that is publicly available and directly obtainable by the Attorney General. Joint Applicants previously provided a copy of the Missouri application as a courtesy and example of other similar filings. The website (http://www.naruc.org/displaycommon.cfm?an=15) provides a link to all state commissions websites that the Attorney General may use to access this information requested. Joint Applicants previously provided applicable docket information in response to Request 69 of the CWA's First Set of Interrogatories.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 26

26. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. The response indicates that the financial statements will not change in any "material way." Please explain in what way, any, changes will be made.

Response: Changes will be made to the extent that the net impact of synergies and/or dissynergies affects allocations to the operating companies.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 27

27. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. The "report" references only "expenses." Show and describe any impacts from the merger on the revenue side, e.g., Alltel revenues no longer received from Valor.

RESPONSE: There are no material revenues or receivables between Valor and Alltel or vice versa other than the billing and back office functions performed by Alltel on behalf of Valor. After the merger, these revenues will be eliminated in consolidation (for year ended December 31, 2005, these revenues were approximately $16 million per page 150 of Valor S-4, footnote k).

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 28

28. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Provide the supporting workpapers, data sources and calculations that underlie the synergy estimates provided on the table. Separately show and reconcile how the loss (post-merger) of any revenues and expenses related to services Alltel Telecommunications Services provides to Valor currently is accounted for in the net synergy estimates.

RESPONSE: Included in accompanying CD-ROM. Additionally, no reconciliation exists because the Alltel revenue loss is offset by an identical expense reduction for Valor and therefore is not a synergy.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 29

29. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Provide detailed documentation showing calculations and data sources for the **[BEGIN CONFIDENTIAL]** "corporate net incremental costs" **[END CONFIDENTIAL]** from separation.

Response: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 30

30. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 a. Explain why the "Collections" synergy depicted on the report is **[BEGIN CONFIDENTIAL]** $500,000 more **[END CONFIDENTIAL]** than that shown on page 35 of the response to the Attorney General's Initial Data Request No. 22.

Response: The $2,967,000 of "Collections" synergy on the report did not reflect the add backs of $(350,000) for outside collection agency fees and $(150,000) for credit check fees to Equifax. The "Collections" synergy has now been revised to $2,947,000 and is reflected on the revised schedule included in the accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 31

31. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 7 b.

(1) Please provide the dollar figures that correspond to the following terms used in Alltel's response:

(a) "the combined total annual operating expenses of Valor";
(b) "the estimated annual operating expenses of Alltel's wireline business if it were a separate public company";
(c) "the annual operating expenses of the Merged Wireline Business";
(d) "annual operating expenses incurred by Alltel that are allocated to Alltel's wireline operating companies today";
(e) "the expected annual corporate shared service allocations to the operating companies in the Merged Wireline Business", including:
 i. The total amount allocated; and
 ii. The amount allocated to each operating company in each state.
(f) the current total annual Alltel corporate shared service allocations to the Alltel operating companies; and
(g) the current annual Alltel corporate shared service allocations to the Alltel operating companies, by state.

Responses:

a. $338.9 million for the year ended December 31, 2005.
b. $2,289.7 million for the year ended December 31, 2005.
c. $2,341.8 million for the year ended December 31, 2005.
d. **Estimated to be approximately $270 million for the year ended December 31, 2005.**
e. **Included in accompanying CD-ROM.**
f. **Included in accompanying CD-ROM.**
g. **Included in accompanying CD-ROM.**

Response provided by Brent Whittington.

(2) Please quantify the term "roughly the same", as used by Alltel in this response.

Response: A change within the 2% - 5% range.

Response provided by Brent Whittington.

(3) Please quantify the term "material", as used by Alltel in this response.

Response: A change greater than 5%.

Response provided by Brent Whittington.

(4) Explain and quantify the extent to which Alltel believes the $40 million in"synergy savings" will be offset by increases in other expense areas.

Response: The $40 million is savings is a net number, comprised of increases in expenses as a result of separation (approximately $12 million) offset by decreases in expenses as a result of integration (approximately $52 million).

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 32</u>

32. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 9. The data request asked the Joint Applicants to state any financial impact such "losses did or may have on any of the Kentucky based holdings." Please respond to the question

Response: Joint Applicants already responded to this question. The first sentence of Joint Applicants' response to the Attorney General's Initial Data Request No. 9 stated as follows, "There was no damage to Kentucky properties associated with the hurricanes in 2005."

Response provided by Mike Skudin.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 33

33. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 12. Please provide details with quantification on the capital deployment and marketing efforts noted in the Joint Applicants' response.

Response: Joint Applicants have no such quantifications.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 34

34. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 13. Provide documents which show Alltel/MWB plans to "make broadband services more widely available and continue improvements in higher speeds and greater portal content." Provide this information for MWB as a whole, and for Kentucky separately.

Response: There are no such documents. Further, to the extent that the request seeks information outside the scope of this Kentucky proceeding, it is irrelevant and immaterial.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 35

35. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 17.

a. Please explain why the response is considered "highly confidential and proprietary."

Response: The information is not publicly available, is treated as highly proprietary by Joint Applicants, and contains individual employee salary information. Further, public disclosure of specific employee names is irrelevant to the proceeding.

Response provided by Cesar Caballero.

b. Are the Joint Applicants aware that similar information has been obtained in other PSC proceedings and was not treated as confidential?

Response: Joint Applicants are not aware of any such proceedings.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 36

36. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 a. How will the costs be booked on regulatory books of account? Will the costs be expensed in toto in period, or amortized over time? Provide pro forma journal entries including account numbers.

Response: Costs-to-achieve the transaction will be booked to the New Holding Company and not allocated to the operating companies. The New Holding Company is not required to keep books on a regulatory accounting basis. Costs will either be booked in the period they occur or amortized over time in accordance with GAAP.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 37

37. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 b. How will the costs be booked on regulatory books of account? Will the costs be expensed in toto in period, or amortized over time? Provide pro forma journal entries including account numbers.

Response: Costs-to-achieve cost savings will be booked to the New Holding Company and not allocated to the operating companies. The New Holding Company is not required to keep books on a regulatory accounting basis. Costs will either be booked in the period they occur or amortized over time in accordance with GAAP.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 38

38. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 d. Explain the mechanisms that will be used to ensure that the costs-to-achieve cost savings which are "100% allocated to the holding company" will not subsequently be charged out from the holding company to regulated entities such as Kentucky Alltel, directly or indirectly, through charges for corporate services or other means.

Response: The precise mechanism to keep these expenses at the New Holding Company has not yet been developed but likely will include charging the costs-to-achieve cost savings to a specific group of accounts that are not allocated within its general ledger system.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 39

39. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 f. What costs are anticipated? When are they expected? Please provide a detailed breakdown for both questions.

Response: Presently undetermined.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 40</u>

40. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 18 j. When do the Joint Applicants anticipate the finalization of potential cost savings? Provide the most current ("draft") understanding and schedule of these cost savings.

Response: Joint Applicants do not have an anticipated date for finalization of cost savings. Most current draft is attached in response to Request No. 30.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 41

41. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 19. The Joint Applicants refer to their answer to Question 18 m which in turn refers to their answer to Question 7(b). However, neither appears to answer No. 19. Please answer the question.

Response: Joint Applicants will continue to follow the FCC's Title 47, Part 64 prescribed rules related to cost assignment between regulated and non-regulated operations.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 42

42. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 22, page 15. Describe and quantify **[BEGIN CONFIDENTIAL]** any diseconomies from Valor's use of different vendor equipment for DLSAM applications. Describe how MWB will address this circumstance and embedded base/contractual commitments going forward **[END CONFIDENTIAL]**.

Response: Joint Applicants have no such descriptions or quantifications. Joint Applicants have not made any specific determinations regarding how to resolve the embedded base or contractual commitments going forward but are presently working through these issues as part of the merger integration planning.

Response provided by Mike Skudin.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 43

43. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 22, page 26, "other items noted."

a. For Valor, identify and explain each **[BEGIN CONFIDENTIAL]** accounting difference on the books between the company's regulatory accounting and GAAP accounting **[END CONFIDENTIAL]**.

Response: Valor's Kerrville Telephone subsidiary is accounted for under SFAS No. 71; therefore, there is no difference between that entity's regulatory accounting and GAAP accounting. For Valor's other operations, the application of SFAS No. 71 is not appropriate. In those subsidiaries, the primary differences between regulatory accounting and GAAP accounting are the recognition of cost of removal, non-elimination of inter-company transactions, and use of depreciable lives established by the applicable regulatory body under regulatory accounting, but not under GAAP accounting.

Response provided by Brent Whittington.

b. Provide quantifications of any differences identified in a, above.

Response: Not readily available.

Response provided by Brent Whittington.

c. Describe in detail whether Valor's accounting **[BEGIN CONFIDENTIAL]** for external reporting use does or does not meet the standards of financial accounting and reporting contained in SFAS No. 71 (as SFAS No. 71 is understood and implemented by Alltel).

Response: See response above to subpart (a).

Response provided by Brent Whittington.

d. State whether Valor has implemented the requirements of SFAS No. 143 in its accounting for asset retirement obligations (as understood and implemented by Alltel). If not, describe in detail why this implementation has not occurred **[END CONFIDENTIAL]**.

Response: Yes.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 44</u>

44. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request Nos. 25 and 26. What are the anticipated changes? Please provide comprehensive detail in the answer.

Response: As noted in Joint Applicants' response to Attorney General Initial Data Request No. 26, Joint Applicants must amend or renegotiate a number of contracts with third party vendors that currently provide services or sell goods to Joint Applicants on a consolidated basis. One method to effect the change is to obtain the agreement of the third party to divide an existing contract into two separate agreements that would apply after the effective time of the transactions, with one agreement for the Merged Wireline Business and the other agreement for the remaining businesses of Alltel Corporation. The other principal method to effect the change is for the Merged Wireline Business to obtain a new contract with a vendor and to leave the existing contract to apply for the remaining businesses of Alltel Corporation. Any changes to the pricing, scope and other terms of the agreement are determined based upon a number of factors, including the rights of Joint Applicants to assign rights or obligations under the existing agreement and the relative bargaining positions of Joint Applicants and the vendor. Given the large number of contracts that must be divided or duplicated as part of the transactions, it is overly burdensome to provide comprehensive detail on the anticipated changes.

Response provided by Jeffery Gardner.

a. Will any of the entities with which Joint Applicants enter into any of the contracts referenced in these two initial requests be affiliated in any way with Joint Applicants' directors, contractors, or consultants?

   Response: No. It is not anticipated that the Merged Wireline Business will enter into any new contracts as a consequence of the contemplated transactions with any parties who are affiliated in any way with Joint Applicants' directors. The agreements to be changed are with third party vendors, and as such the vendors will be "contractors" or "consultants" of Joint Applicants depending on the nature of the relationship.

   Response provided by Jeffery Gardner.

b. If your answer to a., above, is "yes", then identify, in detail:
   i. the director, contractor, or consultant; and
   ii. the exact nature of the contract (i.e., if for services, the specific nature of the services; if for products, the specific nature of the products).

   Response: See Joint Applicants' Response to (a) above.

   Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 45

45. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 33. Will the Joint Applicants continue to offer basic local exchange service with a la carte features which are not considered as "packages"?

Response: Yes.

Response provided by Darren Decker.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 46

46. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 34. Please explain exactly where on Exhibit 6 one can determine the amount for each Kentucky company's (Kentucky Alltel and Alltel Kentucky) allocation / assignment/apportionment of the guarantees/liens.

Response: Under Senior Secured Credit Facilities, Column 3 ("Comments") Note A, Joint Applicants state that the entire debt will be guaranteed and secured by personal property and other necessary assets of the New Holding Company and all of its subsidiaries, including each of the Kentucky companies.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 47

47. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 41. Will the parent company manage to effectively raise capital if it does not have an investment grade rating?

Response: Yes.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 48

48. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 54. Please explain in detail the 2% -5% changes that are contemplated.

Response: The expenses allocated to the operating companies of the Merged Wireline Business possibly could change by an immaterial amount.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 49

49. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 56. Please explain in detail the 2% -5% changes that are contemplated.

Response: See response to Request No. 48.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 50

50. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 57. Please explain in detail the 2% -5% changes that are contemplated.

Response: See response to Request No. 48.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 51

51. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 59. Describe the impact of higher cost of capital (from less than investment grade rating debt ratings and related higher required dividend yield) on the ability to fund technology investments, including investments which would be feasible at "investment grade" cost of capital, but are non-feasible at the higher cost of capital associated with less than investment grade cost of capital.

Response: As illustrated in the response to Request No. 3, the increase in the cost of capital between low investment grade and high non-investment grade is only 40-70 basis points. Furthermore, the New Holding Company will have approximately $200 million of excess cash flow per year, and to the extent it identifies new capital investment opportunities, it will have the flexibility and capability to make those investments.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 52

52. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 60. Is an inference to be drawn from the answer that basic local exchange service will not be a focus of "appropriate" investment?

Response: No.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 53

53. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 61. If the transaction is approved, will the companies commit to providing a copy of the referenced spreadsheet to the PSC and the Attorney General's Office?

Response: Yes, conditioned expressly on the information being granted confidential and proprietary protection by the Commission and treated as same by the Attorney General and Commission, and their staffs.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 54

54. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 62. Please answer the question.

Response: Yes. Conversely, if overall corporate allocations also increase, then this would represent additional costs the regulated companies would bear.

Response provided by Brent Whittington.

a. Mr. Gardner's testimony indicates that savings will flow through to the subsidiaries; yet the Joint Applicants' response to AG-1-7b states no savings will be passed on to Joint Applicants' customers. Are these statements not inconsistent? If not, state exactly, with specificity, why not.

Response: No, these statements are not inconsistent. The expenses directly incurred by our Kentucky operating companies are not expected to change as a result of the transactions. The indirect expenses incurred by the New Holding Company for the benefit of the operating companies (centralized corporate support services) are likely to change, but not significantly when compared to the amount of indirect expenses allocated to the pre-separation Alltel operating companies.

Currently, the operating companies receive the benefit of an efficient holding company corporate support services structure that leverages its costs and focus between two large businesses, wireless and wireline. While this efficient structure yields certain financial benefits to the corporation, the operating companies and their customers, it also creates constant tension in the decision making process primarily reflected in the allocation of human and capital resources.

The decision to separate the Alltel wireless and wireline businesses will relieve the referenced tension, but additional expenses will be incurred by both new businesses. Among these costs for the new stand-alone wireline company are the establishment of a board of directors, a senior management team, the additional corporate staff members required to compensate for the loss of employees remaining with Alltel Wireless subsequent to the separation and other related expenses. Were it not for the pending merger with Valor Communications Group, the annual expenses for the standalone wireline company and the related allocations of these expenses would increase.

However, the merger and targeted synergy savings referenced in Mr. Gardner's testimony dilute the expected expense increase impact of the separation, as described above. Since Valor is a relatively smaller company, when compared to Alltel's wireline business its cost structure is not as efficient. The result of this fact is that Valor's operating companies receive a larger allocation of centralized service expenses comparative to Alltel prior to the merger. The merger will significantly reduce the allocated expenses for Valor operating entities and will reduce the amount of allocated expense to Alltel's operating entities when compared to what the allocations would have been after separation. Coincidentally, Joint

Applicants believe that the amount of post merger allocations to the New Holding Company's operating companies will not increase from the allocations prior to the separation of the Alltel communications businesses.

Therefore, the statements in Jeff Gardner's testimony and the Joint Applicants subsequent response to AG-1 7 (b) are not inconsistent at all and, in fact, are complimentary.

Response provided by Michael Rhoda.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 55</u>

55. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 68. Please answer the question. $7.7 billion in assets does not equal total equity and debt of $11.2 billion. Please provide the requested reconciliation.

Response: Total debt and equity is $7.7 billion (see page 144 of the S-4). Enterprise value equals $11.2 billion.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 56

56. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 69. Will the Kentucky companies incur no financial risk under this transaction? If the Joint Applicants' answer is yes, do the lenders share the same understanding? Provide any and all relevant documentation in this regard.

Response: The New Holding Company does not plan to issue debt at the Kentucky operating company level. The required financing will be issued at the holding company level, which will be secured by guarantees and liens provided by the operating companies. The guarantees and liens create no unnecessary risk for the Kentucky companies. In exchange for the additional security, our debt costs should be slightly lower.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 57

57. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 71. Describe in detail the guarantee of the cash management agreement that will be required of MWB subsidiaries including the Kentucky companies, including the rationale for the guarantee how it would be applied to the Kentucky companies in the event the guarantee is resorted to.

Response: The New Holding Company will enter into a cash management agreement with a financial institution that will assist it in management of its cash collections on a consolidated basis in essentially the same manner as is currently done for the consolidated businesses of Alltel Corporation. Under a cash management agreement, a financial institution would advance funds to the MWB based on checks written by customers of the MWB that have been tendered for deposit but for which funds have not been cleared for payment. If a customer's check is subsequently rejected for payment, MWB is required to repay the financial institution for any amounts advanced on the rejected check. The Kentucky companies, as MWB subsidiaries, would guarantee all obligations under the cash management agreement of their affiliate who enters into the agreement. In addition to any fees payable to the cash management financial institution, the obligation to repay advances on rejected checks represents the principal obligation for which the MWB subsidiaries would provide a guarantee.

As for the rationale, we anticipate that the guarantee will lower the MWB's costs as the cash management financial institution may require higher fees or other forms of security, such as a letter of credit, if the MWB subsidiaries do not provide the guarantee. Furthermore, because the MWB subsidiaries will benefit from efficiencies that result from conducting cash management services on a consolidated basis, we believe it is appropriate that the MWB subsidiaries provide a guarantee for the obligations of the MWB under the cash management agreement. Under the guarantee, the Kentucky companies, as MWB subsidiaries, would guarantee all obligations of the applicable affiliate who is a party to the cash management agreement to the maximum extent allowed by law.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 58

58. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 72 b. At what value (market, book or otherwise) will compensation be made?

Response: Compensation will generally be made at market value where available.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 59</u>

59. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 73 a. Please explain in detail the 2% -5% changes that are contemplated.

Response: See response to Request No. 48.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 60

60. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 73 b. Are "other services" projected or anticipated even if they are not presently identified?

Response: No.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 61

61. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 75. Please explain in detail the 2% -5% changes that are contemplated.

Response: See response to Request No. 48.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 62

62. Please reference the Joint Applicants' response to the Attorney General's Initial Data Requests No. 1 c. , wherein the Joint Applicants state that no Alltel employee will be terminated or laid off; yet in their testimony, the Joint Applicants state that costs associated with early termination of Kentucky-based staff will not be levied against Kentucky ratepayers. Are these responses contradictory?

Response: No. In response to the Attorney General's Initial Data Request 1.c, Joint Applicants stated that no employee residing in Kentucky will be terminated or laid off as a result of the transactions. Joint Applicants' testimony did not state that costs associated with early termination of Kentucky-based staff would not be levied against Kentucky ratepayers.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 63

63. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 2b. The response implies that the addition of Valor to the Alltel local exchange companies "will provide increased buying power."

a. Please state whether the response is intended to mean that the "lower cost of equipment, network, materials and supplies" is expected to be achieved through purchases from Alltel Communications Products, Inc.

Response: Yes.

Response provided by Brent Whittington.

b. Please provide documents which show 2005 gross sales revenue of Alltel Communications Products Inc. for sales of "equipment, network, materials and supplies."

Response: $2,021.6 million.

Response provided by Brent Whittington.

c. Please provide documents which show what proportion of the gross sales revenue indicated in b, above, is associated with Alltel Communications Products' sales to Alltel's <u>wireline</u> business.

Response: $177.0 million (per page F-24 of Valor S-4).

Response provided by Brent Whittington.

d. Please provide documents which show what proportion of the gross sales revenue indicated in b, above, is associated with Alltel Communications Products' sales to Alltel's <u>wireless</u> business.

Response: $1,447.9 million.

Response provided by Brent Whittington.

e. Identify any types of "equipment, network, materials and supplies" which were procured by Alltel Wireless through Alltel Communications Products Inc. in 2005 or previous periods, but are not anticipated to be procured through ACP following the spin off and merger transactions. Provide an estimate of the associated dollar volume.

Response: Primarily handsets, accessories and network infrastructure. The estimated dollar volume was $1.4 billion, however all these transactions were recorded at cost and will not affect the margin of ACP following the transactions.

Response provided by Brent Whittington.

f. Provide documents which show Valor's gross purchases in 2005 of "equipment, network, materials and supplies."

Response: Included in accompanying CD-ROM.

Response provided by

g. Provide documents which show the proportion of Valor's gross purchases in 2005 as indicated in f., above, which were procured from Alltel Communications Products, Inc.

Response: Included in accompanying CD-ROM.

Response provided by Bill Kreutz.

h. State the incremental additional volume discount that is expected to be obtained from Alltel Communications Products, Inc. as a result of added purchase volumes due to the merger with Valor Communications, by supplier and type of product.

Response: An overall estimate of $3 million of purchasing power savings is expected, resulting primarily from both added purchase volumes and buying direct from ACP preferred suppliers.

Response provided by Brent Whittington.

i. Quantify the aggregate reduced cost on purchases from suppliers due to the incremental additional volume discounts identified in g., above.

Response: Such information is not readily available or maintained in the requested format in the ordinary course of business.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 64

64. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 2 d. The request asked for a detailed chart but one was not provided. Please provide the requested chart.

Response: Such information is not readily available or maintained in the requested format in the ordinary course of business.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 65

65. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 a. If the financing will remain the same, how will the competition by the wireless be eliminated? Where is the benefit to ratepayers?

Response: The financing of affiliates at the parent level will remain the same; however the focus of capital budgets and capital spending will improve because they will be developed solely to fund wireline initiatives without having to compete for capital dollars with the wireless affiliates. As explained in the applications and testimony, the ratepayers will benefit from a company dedicated to the wireline business that will be able to expand products and services to its Kentucky customers.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 66</u>

66. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 a. Please provide documents that show how "wireline competition for capital with wireless" has been administered in the past several years by Alltel. For example:

a. Documents that show what "hurdle rates" are used to allocate capital or determine which capital projects are funded and which are not;
b. Documents that show corporate policies regarding allocation of capital between wireline versus wireless business segments; and
c. Documents that show guidelines for capital expenditures.

Response: Joint Applicants do not maintain any such documents. Allocation of capital is determined on a project by project basis and the needs of each business unit. This strategy has been successful to date. However, as mentioned in Request No. 24, the wireline interests are only one part of an entity that is 70% wireless-focused and it emphasizes wireless strategies intended to improve Alltel wireless' fifth-place position in a wireless marketplace comprised primarily of five main wireless companies. This dynamics will make the availability of capital more scarce for the wireline if it continues to be a non-strategic component of a large wireless enterprise.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 67

67. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 3 b. If the capital will be budgeted and allocated as it is today, how will the competition by the wireless be eliminated? Where is the benefit to ratepayers?

Response: See response to Request No. 65.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 68</u>

68. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 6a. Similar to the table provided in response to 6.a, provide debt to equity ratios on an accounting book basis:

a. for the current parent and
b. those anticipated for the MWB after the spin off and merger transactions.

Responses: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 69

69. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Please provide a schedule showing the development of Alltel's current embedded weighted average cost of debt.

Response: Included in the accompanying CD-ROM is Alltel Corporation's Weighted Average Cost of Capital calculation as of 12/31/05. Also attached is the Cost of Debt calculation with supporting documentation for the weighted average coupon.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 70

70. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 10. The staff asked for certain documents which were not provided. Please provide them, even if it requires creating same.

Response: Joint Applicants stated previously that this information was not available, and further object to the request to create information or documents as such a request is outside the scope of appropriate or lawful discovery.

Response provided by Brent Whittington and Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 71

71. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 14 b. Staff asked for a quantification but none was provided. Please provide same.

Response: Commission Staff asked for quantification if possible, and Joint Applicants have provided Staff with all available information.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 72

72. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 14 b. Please refer to the following statements:

> Valor Form S-4, p. 21: "Spinco and Valor may not realize the anticipated benefits from the merger."... "Spinco and Valor cannot assure you that they will successfully or cost-effectively integrate the Valor businesses and the existing business 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." ; and
>
> Valor Form 10-K: "Newco may not realize the anticipated benefits from the merger."

(a) Do these statements of the Joint Applicants contradict their previously filed testimony? If not, why not?

Response: No. Under the federal securities laws, Alltel and Valor must disclose to their respective shareholders risk factors relating to an investment in the common stock to be issued in the transactions. While Joint Applicants believe that the anticipated benefits of the transactions will be achieved, such belief does not obviate the obligation to disclose risk factors to shareholders under the federal securities laws.

Response provided by Brent Whittington.

(b) How much risk is there that the anticipated benefits may not develop?
Response: Due to subjective elements of determination, Joint Applicants cannot quantify such risk.

Response provided by Brent Whittington.

(c) Specify what is meant by use of the term "material."

Response: In the context quoted, "material" means an event or circumstance that a reasonable investor would consider important in making an investment decision.

Response provided by Brent Whittington.

(d) Under what circumstances would Newco not realize the anticipated benefits of the proposed merger?

Response: Joint Applicants provided the following example of the circumstances in Valor's Form S-4 at page 21: "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."

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 73

73. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 16. How can value be brought to the new company with "access to capital" when the new company will not even have an investment grade rating, at least in part due to merging with a company with substantial existing debt and negative net worth?

Response: In their applications, testimony and responses to numerous data requests, Joint Applicants have explained in detail how the New Holding Company will have ample access to capital. Furthermore, Joint Applicants provided commitment letters from JP Morgan and Merrill Lynch that demonstrate that the New Holding Company will be financially strong and have access to capital to maintain and improve its network and provide customers with new and innovative products and services.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 74

74. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 17.

a. Explain how Valor's unamortized debt issuance costs constitute an "asset";

Response: Unamortized debt issuance costs meet the asset criteria established by the FASB in Statement of Financial Accounting Concepts No. 6.

Response provided by Brent Whittington.

b. Explain how Valor's unamortized debt issuance costs will be accounted for when the debt to which those costs are related is extinguished by the recapitalization of the MWB with new debt;

Response: Unamortized debt issuance costs will be written off in accordance with GAAP purchase accounting rules (SFAS No. 141).

Response provided by Brent Whittington.

c. Provide the pro forma journal entry that accomplishes the elimination of the unamortized debt issuance costs coincident with the extinguishment of the related debt in the merger and recapitalization process.

Response: Debit goodwill, credit other assets. Please see page 146, footnote c. of S-4.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 75

75. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 18, and the Joint Applicants' response to the Attorney General's Initial Data Request No. 22 at page 23. Explain in detail, and reconcile how it is stated that there are no "unfunded pension liabilit[ies] per ERISA guidelines" on the one hand, versus the identified unfunded pension liabilities from due diligence shown on page 23.

Response: The statement related to Valor's unfunded pension in the due diligence report refers to funding status from a GAAP perspective (in accordance with SFAS No. 87).

Response provided by Robert Boyd.

a. Summarize the ERISA guidelines to which Alltel is referring.

Response: Alltel was referring to ERISA sections 301 and 302. Any request for Joint Applicants to summarize guidelines or create information is inappropriate discovery.

Response provided by Robert Boyd.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 76</u>

76. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 20. Please answer the question with regard to any authority, regardless of regulatory, state, federal, or foreign.

Response: Joint Applicants already provided a response and indicated that Valor is not.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 77

77. Please reference the Joint Applicants' response to the Initial Data Request of Commission Staff at No. 21. Please provide a copy of the referenced settlement.

Response: Included in the CD-ROM accompanying these responses.

Response provided by Michael Rhoda.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 78</u>

78. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 2. Given the possibility of an event wherein AKI and KAI would be required to repay the debt, would the PSC be precluded under KRS 278.020, or any other PSC jurisdiction or authority, from denying the lenders control or possession of AKI's and KAI's assets? If the answer is yes, please explain. Also, have the lenders been so informed? Provide copies of any and all relevant documents to this effect.

Response: Alltel has verbally informed both Merrill Lynch and JP Morgan, as well as outside counsel, regarding these restrictions, but no documentation has been provided by either Alltel or the bankers to the other party regarding these restrictions.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 79

79. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to "A Message from Jack Mueller" dated January 27, 2006, the article states that the Executive Steering Committee will meet weekly. Please provide copies of any reports, minutes, emails, communications or otherwise which relate to those meetings.

Response: See response to Request No. 13.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 80

80. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to "A Message from Jack Mueller" dated February 14, 2006, the article states that "bargaining unit employees should consult their collective bargaining agreement for force adjustment and termination allowance information."

a. Does this statement apply only to Valor union members? If not, to whom does it apply?
b. Does this statement apply to AKI or KAI members?

Responses:

a. The statement applies only to Valor union members.

b. No. The audience for communication titled "A Message from Jack Mueller" is the current Valor employees.

Responses provided by Susan Bradley.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 81

81. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to the December 9, 2005 transcript by Jeff Gardner, to whom, when, where, and how were the comments delivered?

Response: The comments were delivered to Alltel employees on December 9, 2005 via the corporate Intranet.

Response provided by David Avery.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 82

82. Please reference the Joint Applicants' response to the Initial Data Request of the LFUCG at No. 25. In regard to the December 9, 2005 transcript by Scott Ford, to whom, when, where, and how were the comments delivered?

Response: The comments were delivered to Alltel employees on December 9, 2005 via the corporate Intranet.

Response provided by David Avery.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 83

83. Please reference the Joint Applicants' response to CWA Initial Data Request No. 17: State in dollars the amount of "Accumulated Postretirement Benefit Obligation" that Alltel expects will be distributed to or otherwise transferred to the Merged Wireline Business. Provide data sources and supporting calculations.

Response: A preliminary estimate of the APBO to be transferred to the Wireline business was made by Ernst and Young in December 2005. It will be refined and reviewed up to and following the Merger Date. However, it is believed to be close to the amount of the final transfer. Please see the report "Alltel Corporation FAS 106: Wireline Allocation" included in the accompanying CD-ROM for amounts, methodology and calculations. This report is considered proprietary and confidential.

Response provided by Robert Boyd.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 84

84. Please reference the Joint Applicants' response to CWA Initial Data Request No. 16. State in dollars the amount of pension plan assets that Alltel expects will be distributed to or otherwise transferred to or retained by the Merged Wireline Business. Provide data sources and supporting calculations.

Response: A preliminary estimate of the pension plan assets to be transferred to the Wireline business was made by Ernst and Young in December 2005. It will be refined and reviewed up to and following the Merger Date. However, it is believed to be close to the amount of the final transfer. Please see the report "Alltel Corporation Pension Plan: Wireline Allocation" included in the accompanying CD-ROM for amounts, methodology and calculations. This report is considered proprietary and confidential.

Response provided by Robert Boyd.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 85

85. Please reference the Joint Applicants' response to CWA Initial Data Request No. 16. State in dollars the amount of accumulated pension benefit obligation (FAS 87) that Alltel expects will be distributed to or otherwise transferred to the Merged Wireline Business. Provide data sources and supporting calculations.

Response: A preliminary estimate of the pension plan liabilities to be transferred to the Wireline business was made by Ernst and Young in December 2005. It will be refined and reviewed up to and following the Merger Date. However, it is believed to be close to the amount liabilities of the final transfer. Please see the report "Alltel Corporation Pension Plan: Wireline Allocation" included in the accompanying CD-ROM for amounts, methodology and calculations. This report is considered proprietary and confidential.

Response provided by Robert Boyd.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 86

86. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA Initial Request No. 49. Please quantify the New Holding Company's (or Merged Wireline Business, "MWB") total annual dividend cost associated with the capital structure with the indicated "BB" debt rating, versus the total annual dividend cost associated with a capital structure designed to achieve an investment grade debt rating, through 2008. Show calculations and provide source documentation used or referred to in the calculations.

Response: The New Holding Company plans to pay a $1 dividend per share. With 474 million shares outstanding, the total dividend paid is $474 million, regardless of credit rating.

Response provided by Rob Clancy.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 87</u>

87. Please reference the Joint Applicants' response to CWA Initial Data Request No. 58. To the extent not already provided, provide documents used in or considered by Alltel's Board of Directors and executive management team to determine the $3.965 billion of Spinco financing given by Spinco to Alltel as a result of the separation of the wireless and wireline businesses.

Response: All documents related to the New Holding Company's financing have been provided.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 88

88. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA's Initial Request No. 49. Please provide a copy of the most recent Alltel testimony and attachments filed at any state utility commission that address and include Alltel's recommendation of the appropriate cost of capital (including return on equity) for its ILEC (incumbent local exchange company) operation.

Response: No such testimony has been filed. To the extent that this request seeks copies of testimony filed in other states, that information is publicly available and may be obtained directly by the Attorney General. In addition to Kentucky, Joint Applicants have filed testimony in Pennsylvania (Docket Nos. A-310325F0006, A-312050F0006, S-00061098 and S-00061099), Ohio (Docket No. 05-1580-TP-ACO) and Missouri (Docket No. TM-2006-0272).

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 89

89. Please reference the Joint Applicants' responses to the Attorney General's Initial Data Request No. 47, and to CWA's Initial Request No. 49. Please provide a copy of the most recent Alltel testimony and attachments filed at any state utility commission that address and include Alltel's recommendation of the appropriate capital structure for its ILEC (incumbent local exchange company) operation.

Response: See response to Request No. 88.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 90</u>

90. Please reference the attachments to the Joint Applicants' response to CWA Initial Data Request No. 52. The notes to the pro forma financial statements reference Alltel Holding's completion of **[BEGIN CONFIDENTIAL]** appraisals to arrive at the fair market value of Valor assets and liabilities **[END CONFIDENTIAL]**. Provide documents and related workpapers and data sources which show this item.

Response: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 91

91. Please reference the Joint Applicants' responses to the following initial data requests: CWA No. 60 and AG Nos. 59 & 60. Provide documents which show Alltel's current/most recently used "hurdle rate" or "hurdle rates" for investments in local exchange company projects and programs.

a. Provide documents which show how each "hurdle rate" is derived (e.g., development of cost of capital components plus risk/uncertainty adder if any); and
b. Provide documents which show capital projects that were considered but rejected due to a failure to meet hurdle rate thresholds, from 2000 to date.
c. Provide documents which show capital projects by state that were considered but rejected due to a failure to meet hurdle rate thresholds, from 2000 to date.

Response: See response to Request No. 66.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 92

92. Please reference the Joint Applicants' response to AG-1-7. Provide documents such as invoices which show billings (monthly or otherwise) to the Kentucky companies by company (Alltel Kentucky and Kentucky Alltel) from any other Alltel affiliate in the 2005 accounting period for:

a. Centralized functions including human resources, finance, tax, media, legal, planning, general support, and information services; and
b. All other functions or services.
c. Indicate the amounts of any "true-ups" associated with these billings, and whether such true ups are included in or excluded from the amounts provided above.

Responses: Not available.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 93</u>

93. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. The Duff & Phelps letter references **[BEGIN CONFIDENTIAL]** "financial models created in conjunction with the Company's advisors" to "project financial performance for the years 2006-2010". **[END CONFIDENTIAL]** Please provide all projected financial performance outputs from the financial models, including any underlying tables and attachments.

Response: Reports are included in the accompanying CD-ROM and are proprietary and confidential.

Response provided by Jeff Schiedemeyer.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 94</u>

94. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. The Duff and Phelps letter references **[BEGIN CONFIDENTIAL]** "representations and written documentation from management regarding identified contingent liabilities" **[END CONFIDENTIAL].** Please provide such representations and written documentation.

Response: Reports are included in the accompanying CD-ROM and are proprietary and confidential.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 95

95. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64. Please provide the Duff & Phelps **[BEGIN CONFIDENTIAL]** financial projections **[END CONFIDENTIAL]** referenced in the **[BEGIN CONFIDENTIAL]** first paragraph of page 3 **[END CONFIDENTIAL]**.

Response: Projections are included in the accompanying CD-ROM and are proprietary and confidential.

Response provided by Jeff Schidemeyer.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 96

96. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 64, and the Duff and Phelps letter. What is the dollar amount of Alltel Wireline's **[BEGIN CONFIDENTIAL]** "stated capital amount pursuant to Section 154 of the Delaware General Corporation Law" **[END CONFIDENTIAL]**?

Response: The stated capital amount referenced by Duff and Phelps is $33 million.

Response provided by Brent Whittington.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 97</u>

97. Please reference the "Kentucky Alltel Statement of Cash Flows" attached to the Joint Applicants' response to CWA's Initial Data Request No. 44, the changes in Accounts Receivable line:

a. Provide documents which show beginning of year/end of year accounts receivable balances for accounts receivable from any and all Kentucky Alltel affiliates, detailed by affiliate.

Response:

Year	Affiliate	Beginning	Ending
2003	**Parent**	**$44,648,991**	**$184,525,463**
2004	**Parent**	**$184,525,463**	**$297,238,158**
2005	**Parent**	**$297,238,158**	**$393,428,599**

Response provided by David Cameron.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 98

98. Please refer to the Joint Applicants' response to CWA' Initial Request No. 60. State Kentucky Alltel's plans and timetable **[BEGIN CONFIDENTIAL]** regarding the election of alternative regulation before the PSC. State whether and when Kentucky Alltel intends to cap the price of basic local service at existing rates **[END CONFIDENTIAL]**.

Response: Kentucky Alltel, Inc. is not eligible for the existing statutory alternative regulation plan and is not under any obligation to "cap the price of basic local service at existing rates." Further, prior efforts to develop a satisfactory alternative regulation plan at the Commission and the legislature have been unsuccessful.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 99

99. Please reference the Joint Applicants' response to the CWA's Initial Data Request No. 17.

a. Explain whether or not the **[BEGIN CONFIDENTIAL]** Accumulated Post retirement Benefit Obligation for "Aliant" (Section 1, page 1) is solely related to employees of Aliant Communications which was merged into Alltel in 1999 **[END CONFIDENTIAL]**.
b. Explain how and why this entity's **[BEGIN CONFIDENTIAL]** APBO comprises such a large proportion of Alltel's total APBO **[END CONFIDENTIAL]**.

Response:

(a) Yes, the APBO shown in the report is solely related to employees and retirees of Aliant.

(b) As reflected on page 17 of the previously provided FAS 106 report, Aliant retirees are a substantial proportion (47%) of all retirees receiving medical benefits and the majority (74%) of retirees receiving dental benefits. Further, as reflected on pages 27-35 of the report, Aliant retirees prior to 2002 were subsidized 100% by the company in comparison to lesser subsidies for retirees of other operations. These two factors are primarily responsible for the large APBO of Aliant.

Response provided by Robert Boyd.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 100

100. Please reference the Joint Applicants' supplemental response to CWA's Initial Data Request Nos. 46 and 47, the **[BEGIN CONFIDENTIAL]** "Confidential Presentation to Analysts" dated March 2006. For each of the credit/loan facilities listed in the table on page 15:

a. State the anticipated maturity date for each facility;
b. State the anticipated "bullet" amount due for each facility at maturity **[END CONFIDENTIAL].**

Response: See the "Summary of Senior Secured Credit Facilities" (included in the accompanying CD-ROM) which includes the tenor and amortization for each facility.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 101

101. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the attachment entitled **[BEGIN CONFIDENTIAL]** "The Changing Landscape", at pages 47-48.

a. Explain why the Commission should approve the merger of Alltel Wireline and Valor, when that merger has the lowest Estimated Enterprise Value and the next to lowest estimated Equity Value per Share among the various options displayed on those pages.
b. State the factors which positively differentiate the Valor merger among the various options displayed on those pages.
c. Quantify the impact/benefit of those differentiating factors identified in b., above **[END CONFIDENTIAL]**.

Response:

a. **The Commission should approve the merger of Alltel Wireline and Valor for all of the reasons cited in the initial Application, Amended and Restated Application, the witness testimony filed on behalf of Joint Applicants, and the information presented in the extensive responses to the exhaustive data requests in this matter.**

Among the many factors considered during the evaluation process of multiple strategic alternatives are the financial condition of the various entities, the complexity/ease with which the organizations can be integrated, the asset profile including the condition of the networks and the competitive environment along with countless other factors. While the referenced document, "The Changing Landscape" at pages 47 and 48, reflects projected valuations of various strategic combination alternatives, these projections are based solely on the combination of the separate company financial metrics and the differences are largely related to size as opposed to the quality of the assets and/or the respective management. Additionally, these comparisons ignore the impacts of other important factors. This presentation was made to the Alltel Board of Directors on September 16, 2005, prior to any discussions with prospective merger partners. In fact, the presentation includes financial data from at least one company that never participated in merger discussions with Alltel.

b. **Among the positive differentiating factors for Valor compared to other potential merger partners are: (1) ease of integration (Valor uses the same billing and customer care information systems as Alltel); (2) the contiguity of its exchanges; (3) the regulatory environment within the Valor states; (4) the willingness of Valor's board of directors to merge with Alltel's wireline business; and (5) the strength of Valor's management team.**

c. **This question presumes the other alternatives presented on pages 47 and 48 were prospective merger partners and that the ultimate decision came down to a financial comparison of the various alternatives. However, that presumption is inaccurate, and therefore, the stated question cannot be**

answered any further than has already been stated in sub-parts a. and b. above.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 102

102. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 72.

a. Identify and describe each of the companies shown on the spreadsheets (e.g, "499")

Response:

- **Co. 289: ALLTEL Communications Service Corporation – houses majority of shared services and assets**
- **Co. 497: ALLTEL Network Services of the Midwest, Inc. – Nebraska fiber company**
- **Co. 498: Trinet, Inc. – Georgia fiber company**
- **Co. 499: ALLTEL Communications, Inc. – Fiber company for all other states**
- **Co. 500: ALLTEL Communications, Inc. – primarily a wireless holding company but does contain some shared assets**
- **Co. 999: ALLTEL Corporation, Inc. – parent corporation**

Response provided by Brent Whittington.

b. Identify those assets which are related to "Alltel CLEC."

Response: None of the assets of the companies identified on the specific spreadsheets relate to Alltel CLEC.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 103

103. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the **[BEGIN CONFIDENTIAL]** Appendix to the November 1, 2005 discussion materials presentation attachment.

a. Explain what the "tender costs" consist of, as depicted on that appendix. **[END CONFIDENTIAL]**

Response: The tender costs are the premiums that will be required to repurchase Alltel debt in the open market as part of the debt for debt exchange.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 104

104. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the **[BEGIN CONFIDENTIAL]** December 2005 Presentation to the Board of Directors:

a. Page 7. Identify and describe the "key deal issues." **[END CONFIDENTIAL]**

Response: Key deal issues were Alltel shareholder ownership and management structure.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 105

105. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47, the **[BEGIN CONFIDENTIAL]** September 1, 2005 Discussion Materials presentation page 7:

a. Explain in detail the reasons why the debt level in the "target capital structure" has materially increased from the level shown on this page to the $5.7 billion debt level contained in the Application in this matter. **[END CONFIDENTIAL]**

Response: In the September 1, 2005 presentation "Cardinal Regarding Potential Wireline Spin-Off Alternatives", the structures presented only contemplated the spin and did not include the merger with Valor. The merger with Valor will create a leading rural wireline telecommunications carrier with enhanced opportunities resulting from the new size and position of the New Holding Company in the industry.

The new combined company will have approximately $5.5 billion of net debt. The New Holding Company expects a leverage ratio of 3.2 times net debt/OIBDA (or Operating Income Before Depreciation and Amortization) and a targeted divided payment ratio of 70%, thereby allowing flexibility for continued investment and pursuit of strategic opportunities that enhance the scale, scope and product/service delivery capabilities of the Merged Wireline Business. This capital structure was selected after completion of a lengthy and thorough review, and it is the right structure to balance the long-term return to shareholders and provide for continued capital investment in the wireline business.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 106

106. Please reference the "Cost Methodology" description on the "Services Attachment" pages of the attachment to Joint Applicants' response to the Attorney General's Initial Data Request No. 38:

a. State the "interim balance sheet date";

Response: Anticipated to be the closing date of the transactions.

Response provided by Brent Whittington.

b. Provide documents which show the actual or estimated cost of transition services to be provided to Spinco as the term "actual cost" is used in the "Cost Methodology" discussion;

Response: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

c. Provide documents which show the allocated cost of transition services to be provided to SpinCo as of the interim balance sheet date as the term "cost allocated to the SpinCo business" is used in the "Cost Methodology" discussion.

Response: Included in accompanying CD-ROM.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 107

107. The Joint Applicants' responses to CWA's Initial Data Requests fail to identify the person answering those questions. Please provide the name(s) of each person answering each of these questions.

Response: Included in the accompanying CD-ROM.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 108

108. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 47. Explain what limits to MWB management actions are necessary or anticipated in order to maintain the tax free status of the spin off and merger transactions. State how long these limitations will last.

Response: The information with respect to Joint Applicants' legal analyses and interpretations is privileged and attorney-client work product. The Attorney General may refer to the Internal Revenue Code of 1986, as amended, in particular Sections 355, 368, and related provisions as well as Safe Harbor VIII of Treas. Reg. Section 1.355-7(d) and Safe Harbor IX of Treas. Reg. Section 1.355-7(d).

Response provided by Cesar Caballero.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 109</u>

109. Please reference the Joint Applicants' response to the Attorney General's Initial Data Request No. 22. Provide copies of the capital budgets for, including or pertaining to Valor's ILEC operations for the current year (e.g., 2006), the immediately preceding year (e.g., 2005), and the upcoming year (e.g., 2007).

a. Show capital budget dollars by category of expenditure in a format analogous to the format used to breakdown capital expenditures on **[BEGIN CONFIDENTIAL]** page 25 of the Data Book provided in response to CWA Initial Request No. 60 **[END CONFIDENTIAL]**.

Response: Included in accompanying CD-ROM.

Response provided by Bill Kreutz.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 110

110. Please refer to the Joint Applicants' responses to the following initial data requests: AG Nos. 3, 41 and 47; and CWA No. 49. Please provide a schedule showing the development of Alltel's weighted average cost of debt for its existing debt, at market interest rates existing at the time immediately prior to Alltel's announcement of the spin off and merger transactions.

Response: See response to Request No. 69.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 111

111. Please refer to the Joint Applicants' responses to the following initial data requests: AG Nos. 3, 41 and 47; and CWA No. 49. Please provide a schedule showing the development of NewCo's weighted average cost of debt, at current market interest rates, for the "Schedule of Proposed Debt" provided in Exhibit 6 to the Amended Application in this matter.

Response: Please see the Transaction Overview and Summary of Senior Secured Credit Facilities and Senior Unsecured Notes that were provided with the response to Request No. 4. Based on the Transaction Overview – Expected Scenario, the weighted average coupon is calculated below.

Based on Expected Scenario		
Debt Instrument	Expected Coupon	Principal
ALLTEL Georgia	6.50%	80,000,000
Aliant	6.75%	100,000,000
Valor notes	7.50%	400,000,000
Term loan A	6.25%	500,000,000
Term loan B	6.50%	2,000,000,000
Revolver	6.25%	63,000,000
Newco notes	7.25%	2,365,000,000
		5,508,000,000
Weighted Average Coupon	**6.87%**	

Note:
Assumes 3 month Libor is 5%

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 112

112. Please reference the Joint Applicants' response to CWA Initial Data Request No. 60.

a. Page 4 of the **[BEGIN CONFIDENTIAL]** Wachovia "Follow up Rate Lock Presentation", dated January 2006; explain the "weak correlation between rate lock products and the ultimate coupon paid by high yield issuers." **[END CONFIDENTIAL]**

Response: One of the purposes of this presentation was to illustrate the lack of correlation between treasuries and high-yield bonds, given that high yield bonds are not generally priced as a spread to treasuries. The New Holding Company does not plan to enter into Treasury locks. However, it is likely that it will fix a large portion of its floating rate debt upon issuance.

Response provided by Rob Clancy.

b. Page 7 of the **[BEGIN CONFIDENTIAL]** "Alltel Wireline Management Presentation" dated October 2005; explain the meaning of "Alltel Communications Products" "excludes businesses supporting the Wireless segment (Wireless handsets/accessories and Wireless network infrastructure)" **[END CONFIDENTIAL]**. Does Alltel Wireless procure wireless handsets and wireless network infrastructure through Alltel Communications Products?

Response: Yes.

Response provided by Brent Whittington.

c. Page 45 of the **[BEGIN CONFIDETIAL]** "Alltel Wireline Management Presentation"; what is the expected total cost of rebuilding accounting, HR management, payroll and associated systems" for Wireline **[END CONFIDENTIAL]**.

Response: Approximately $12 million.

Response provided by Brent Whittington.

d. Page 62 of the **[BEGIN CONFIDENTIAL]** "Alltel Wireline Management Presentation"; explain what is meant by "aggressively managing CAPEX to offset line pressure", including an explanation of the term "line pressure" **[END CONFIDENTIAL]**.

Response: Joint Applicants use the phrase "aggressively manage" with respect to their capital expenditures to indicate that the New Holding Company will be very diligent about ensuring that it receives the lowest possible pricing from its vendors and that it spends its capital in the right places such as modernizing its network. "Line pressure" refers to line losses.

Response provided by Jeffery Gardner.

e. Page 76-77 of the **[BEGIN CONFIDENTIAL]** "Alltel Wireline Management Presentation" dated October 2005; provide estimated post-separation "Core Wireline" costs by function, **[END CONFIDENTIAL]** equivalent/comparable to the 2004 costs depicted on these pages.

Response: This information is not available and not maintained in the requested format in the ordinary course of business.

Response provided by Brent Whittington.

f. Please provide a copy of the **[BEGIN CONFIDENTIAL]** "business plan of the surviving company which must include projections through 2012" as referenced in the December 5, 2005 email from Daniel Heard to Jeff Gardner on the subject of "Cardinal Financing." **[END CONFIDENTIAL]**

Response: Alltel provided projections through 2010 in the Supplemental Response to questions CWA 1-46, Attorney General 1-47 and LFUCG 1-15 of the Initial Requests. Projections for 2012 have not been developed at this time.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 113

113. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Provide Alltel's estimations of the impact on AKI and KAI interstate revenues for each of the alternative intercarrier compensation mechanisms currently before the Federal Communications Commission in the matter of Developing a Unified Intercarrier Compensation Regime, CC Docket No. 01-92.

Response: Alltel continues to monitor this proceeding closely but cannot with any reasonable certainty quantify impacts for the Kentucky properties and has not developed same at this time because neither reform proposal is sufficiently developed in any meaningful way.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 114

114. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Provide AKI and KAI interstate revenues broken down by company, and by account and subaccount for 2005.

Response: Interstate revenues are wholly irrelevant to the matters pending before the Commission in this instant proceeding. Without waiving their objection to this irrelevant request, Joint Applicants respond as follows:

2005 Receipts:

Kentucky Alltel, Inc.: $ 95.7 million.

Alltel Kentucky, Inc.: $ 4.1 million.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 115

115. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please identify for AKI and KAI each of the interstate funds and support mechanisms from which interstate revenue was received in 2005, and the amount of 2005 revenues for each of same, by company. Also, provide estimates of 2006 revenues from each of those sources and explain the reasons for any anticipated increases or decreases.

Response: Interstate revenues are wholly irrelevant to the matters pending before the Commission in this instant proceeding. Without waiving their objection to this irrelevant request, Joint Applicants respond as follows:

2005 Receipts:

Kentucky Alltel, Inc.

High Cost Model: $ 5.2 million
High Cost Loop: $1.3 million
Interstate Access Support: $9.2 million.

Alltel Kentucky, Inc.
Interstate Common Line Support: $81K.
Local Switching Support: $210K

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 116

116. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please provide for AKI and KAI the USF contribution factor used for payments to the federal Universal Service Fund, and the related dollars which were paid in by each company in 2005.

Response: The information requested is wholly irrelevant to the matters pending before the Commission in this instant proceeding. Without waiving their objection to this irrelevant request, Joint Applicants respond as follows:

Kentucky Alltel, Inc.: $5.3 million.
Alltel Kentucky, Inc,: $ 286K.
Contribution Factor: First Quarter 10.7%, second quarter 11.1%, third and fourth quarter 10.2%.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 117

117. Please refer to the Joint Applicants' response to CWA's Initial Data Request No. 60. Please provide for AKI and KAI the USF contribution factor used in 2006 for payments to the federal Universal Service Fund, and the related dollars which are estimated to be paid in by each company in 2006.

Response: The information requested is wholly irrelevant to the matters pending before the Commission in this instant proceeding. Without waiving their objection to this irrelevant request, Joint Applicants respond as follows: First quarter 10.2%, second quarter 10.9%. The contribution factor is subject to quarterly changes by the FCC depending on the needs of the funds. Alltel cannot predict what the contribution factor will be in the second half of 2006 and has not estimated its 2006 USF contributions.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 118

118. State whether the MWB anticipates having access to the market for borrowing via Commercial Paper if it does not have an investment grade debt rating.

Response: No, the New Holding Company does not anticipate borrowing via commercial paper, which is insignificant given Joint Applicants' other evidence that the New Holding Company will have more than adequate access to capital.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 119

119. Please reference the Joint Applicants' Response to AG No. 22. The Due Diligence Report provided indicates that it is **[BEGIN CONFIDENTIAL]** Version 2. Is there a Version 1? If so, please provide same **[END CONFIDENTIAL]**.

Response: Report is included in the accompanying CD-ROM and is proprietary and confidential.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 120

120. Please reference the **[BEGIN CONFIDENTIAL]** Final Due Diligence Report dated December 6, 2005, at pages 18 through 20. At page 20, at the "Summary," wherein it is stated "These items may be subject to disclosure and correction." Were the items disclosed and corrected? If so, please provide documentation demonstrating the disclosure and correction and any penalty or resolution to the matter(s) **[END CONFIDENTIAL]**.

Response: The following item was verbally disclosed to state regulators and corrected: 4 aboveground storage tanks are in process of registration with the State of Texas. In addition, the following items are being corrected: SPCC Plans are being implemented at regulated facilities. To date, no penalties have been assessed.

Response provided by Robin Haeffner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 121

121. Please reference the Due Diligence Report at page **[BEGIN CONFIDENTIAL]** 20. Reference is made to "Additional Synergy Materials." **[END CONFIDENTIAL]**. Please provide a copy of same.

Response: See response to Request No. 28.

Response by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 122

122. Please refer to the Due Diligence Report at page **[BEGIN CONFIDENTIAL]** 20 paragraph 3.2. Risk Management/Safety. The paragraph contains a statement, "The Data Room provided no additional material to assist in our effort to validate the $1.702 MM. Have the Joint Applicants confirmed those savings and, if so, have they included that in their financial information? **[END CONFIDENTIAL]**.

Response: No. Joint Applicants are in the process of confirming same.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 123

123. Please refer to the Due Diligence Report at page **[BEGIN CONFIDENTIAL]** 20 at paragraph 3.3.1, Commercial Office Lease Summary. What is the current position of the Joint Applicants insofar as the Cinergy savings resulting from the four areas notes? **[END CONFIDENTIAL]**.

Response: To the extent that the request intended to reference synergy savings, nothing has changed since the completion of the Due Diligence Report.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 124

124. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 27 at paragraph 4.5.4, Revenue Accounting. Please provide a copy of the quote "Additional Synergy Materials" noted **[END CONFIDENTIAL]**.

Response: See response to Request No. 28.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 125

125. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 30. Please provide a copy of the "Synergy Materials" so noted **[END CONFIDENTIAL].**

Response: See response to Request No. 28.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 126

126. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 34, paragraph 5.2., Synergy Numbers. Please provide a copy of the "Additional Synergy Materials dated October, 2005." In addition, please state which number the Joint Applicants used for the customer service savings, i.e., the number proposed by Valor, or that which the company determined. Please provide the exact figure **[END CONFIDENTIAL]**.

Response: See response to Request No. 28 for copy of "Additional Synergy Materials". Joint Applicants did not use Valor's customer service savings number. Joint Applicants developed their own estimates of customer service savings of $6.465 million.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 127

127. Please reference the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 39. Provide a copy of the settlement with the Texas Public Utility Commission "stemming from unspecified 'customer complaints' " **[END CONFIDENTIAL].**

Response: See response to Request No. 77.

Response provided by Michael Rhoda.

JOINT APPLICANTS' RESPONSE TO AG
SUPPLEMENTAL DATA REQUEST NO. 128

128. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 52 at paragraph 10.2.1, Kerrville Contract. Please explain why Valor has been "asked to postpone its decision and put other items on hold to impact future business" as it relates to merging the Kerrville Contract into the larger CWA Contract in February, 2006 **[END CONFIDENTIAL]**.

Response: It is common for merging companies to postpone decisions that impact future business. In this case, however, Valor had already committed to combine the two bargaining contracts when the Kerrville contract expired in February 2006, subject to effects bargaining. Valor and the CWA reached agreement and combined the two contracts in February 2006.

Response provided by Susan Bradley.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 129

129. Please reference the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 52, paragraph 10.1.4, Other Non-Bargaining Severance Costs. Please explain from what company the 580 employees would experience the "RIF"? **[END CONFIDENTIAL].**

Response: REDACTED AS CONFIDENTIAL

Response provided by Susan Bradley.

129. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 53, paragraph 10.2.5, Call Centers. Please explain the statement, "The neutrality agreement may pose risks for Alltel's non-unionized call center locations"? **[END CONFIDENTIAL]**

Response: Alltel deals with its employees directly rather than through a third party. During the collective bargaining process, Alltel has not agreed to include neutrality language in contracts and prefers to follow the National Labor Relations Board election process if there is an organizing effort. The New Holding Company will honor Valor's existing collective bargaining agreement that contains neutrality language in the heritage Valor properties.

Response provided by Susan Bradley.

130. Please refer to the Due Diligence Report at **[BEGIN CONFIDENTIAL]** page 54, paragraph 10.3 Retirement Plans. Did "HR" evaluate the pension and OPEB funding levels? If so, please provide a copy **[END CONFIDENTIAL]**.

Response: Yes. See the "Alltel Corporation Pension Plan: Wireline Allocation" and "Alltel Corporation FAS 106: Wireline Allocation" for evaluation.

Response provided by Robert Boyd.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 132

132. Please refer to the Joint Applicants' Response to Attorney General, No. 47 at the **[BEGIN CONFIDENTIAL]** Rating Agency Presentation, Wireline Spin-off Review December, 2005, at page 6. This document has been redacted. Please provide a copy of same **[END CONFIDENTIAL]**.

Response: Redacted portions include sensitive strategic material regarding the wireless division that are wholly irrelevant to the Commission's determinations in this proceeding and are unlikely to lead to production of any material or relevant information.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 133

133. Please refer to the same document at **[BEGIN CONFIDENTIAL]** page 11. Is Kentucky included in that list in question? **[END CONFIDENTIAL].**

Response: No.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 134

134. Please refer to the same document at **[BEGIN CONFIDENTIAL]** page 23. What is meant by "inoculate the base in front of competition?" **[END CONFIDENTIAL].**

Response: It means to provide multiple products and services to customers in order to have a better opportunity to retain them long term.

Response provided by Jeffery Gardner.

145. Please refer to the same document at page 75. Please provide an unredacted copy and explain why it was previously redacted.

Response: Redacted portions include sensitive strategic material regarding the wireless division that are wholly irrelevant to the Commission's determinations in this proceeding and are unlikely to lead to production of any material or relevant information.

Response provided by Cesar Caballero.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 146

146. Please refer to the Joint Applicants' Response to CWA No. 46. Reference the **[BEGIN CONFIDENTIAL]** Rating Agency Presentation, Wireline Spin-off Review, December, 2005, at page 6 **[END CONFIDENTIAL].** Please provide an unredacted copy of same and explain why the previous copy was redacted.

Response: See response to Request No. 132.

<u>JOINT APPLICANTS' RESPONSE TO AG</u>
<u>SUPPLEMENTAL DATA REQUEST NO. 147</u>

147. Please refer to the Joint Applicants' Response to CWA No. 52. Please provide the name and title of the individual who prepared the documents.

Response: See response to Request No. 107.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 148

148. Please refer to the Joint Applicants' Response to CWA No. 60. Refer to the email from **[BEGIN CONFIDENTIAL]** Bob Powers to Brit Whittington dated January 4, 2006, at 12:21 p.m. Please explain what is meant by the statement, "We fee that hedging at this time makes a lot of sense, given the substantial open rate risk that Alltel has in relation to its anticipated bond issue." **[END CONFIDENTIAL].**

Response: What is meant is that Alltel will issue bonds upon close of this transaction and there is risk that between December until the transaction closes interest rates might rise or fall.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 149

149. Please refer to the email from **[BEGIN CONFIDENTIAL]** Laine Harbor to Jeff Gardner dated October 12, 2005, at 2:02 p.m. Did the Joint Applicants have a final version of the Wireless Data Book? If so, please provide same **[END CONFIDENTIAL]**.

Response: There is no Wireless Data Book.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 150

150. Please refer to the **[BEGIN CONFIDENTIAL]** Alltel Wireline Management Presentation dated October, 2005.

a. Who annotated this document?
b. At page 27, who provided the annotation of 15 million? What does this mean? Who circled the wording at the bottom of the page where it includes "2006 (6/06 Exp.)" What does it mean?
c. Please refer to page 53 and explain the significance of all the annotations.
d. Please explain the bullet entitled "Workforce continuously right-sized as access lines decline (14 percent overall reduction from beginning of 2005 to end of 2007)" **[END CONFIDENTIAL].**

Response to (a): John Ebner. Response to (b), (c), and (d): All referenced annotations are irrelevant, insignificant, and have no meaning material to the issues in this proceeding.

Response provided by Cesar Caballero.

150. Please refer to **[BEGIN CONFIDENTIAL]** page 60 and reference the page entitled Alltel Corporation Consolidated Balance Sheet by Segment in Rounded Thousands for the Period Ending September 30, 2005, which contains annotations at the top **[END CONFIDENTIAL]**. Please provide a legible copy of the page so that the annotations can be read.

Response: Joint Applicants previously provided the only available copy and state further that said annotations are insignificant and irrelevant.

Response provided by Cesar Caballero.

<u>JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 152</u>

152. Please reference the **[BEGIN CONFIDENTIAL]** Barclay's Capital Alltel Corp.-Credit Update dated September 22, 2005. What is meant at page 1 with the statement, "As a result, we reiterate our Underweight recommendation on Alltel?" **[END CONFIDENTIAL].**

Response: Barclay's produced the referenced report, and Joint Applicants do not know Barclay's intent.

Response provided by Jeffery Gardner.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 153

153. Please refer to the **[BEGIN CONFIDENTIAL]** Presentation to the Board of Directors, Separation of Alltel Wireline dated ~~September~~ December 2005 **[END CONFIDENTIAL]**.

a. Please provide missing copies of pages 3-7, 24-35, 38-51, and 59-64.

Response: The entire presentation was provided in response to CWA's initial data request No. 50. Several pages were redacted because they contained strategic information about the wireless division, irrelevant in the instant proceeding and some included attorney-client privilege. Redacted portions include sensitive strategic material regarding the wireless division that are wholly irrelevant to the Commission's determinations in this proceeding and are unlikely to lead to production of any material or relevant information.

Response provided by Jeffery Gardner.

b. Please refer to page **[BEGIN CONFIDENTIAL]** 52. Please provide a copy of the presentation and the Opinion of Houlihan, Lokey, Howard & Zukin **[END CONFIDENTIAL]**.

Response: Houlihan Lokey Howard & Zukin was one of the companies considered for the referenced presentation and opinion; however, Joint Applicants subsequently engaged Duff & Phelps to provide the referenced services.

Response provided by Jeffery Gardner.

c. Please refer to page **[BEGIN CONFIDENTIAL]** 42. (This page is numbered 42 but is inserted between pages 52 and 53). Please explain what is meant by "DCF's for both Valor and Alltel Wireline imply lower values in market-based valuation methodologies" and "terminal growth assumed to be zero to negative" **[END CONFIDENTIAL]**.

Response: There are different methodologies of valuating an enterprise. The statement means that under a DCF analysis, which is one of the methodologies, the valuation of Alltel wireline and Valor is lower than under a different methodology. Relative to the second statement, it simply means that EBITDA is projected to decline.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 154

154. Please refer to Joint Applicants' Response to CWA Nos. 46 and 47 and LFUCG No. 15. Reference the **[BEGIN CONFIDENTIAL]** March, 2006, Alltel Wireline/Valor Communications Group, Inc., document prepared by J.P. Morgan and Merrill Lynch, at page 6. What is meant by the bullet "The Effects of Litigation"? **[END CONFIDENTIAL].**

Response: Investment bankers prepared this report, and the page referenced includes all the standard disclaimers with regards to forward looking statements.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 155

155. Please reference page **[BEGIN CONFIDENTIAL]** 11 of the same document. Who are the "named agents"? **[END CONFIDENTIAL].**

Response: The named agents included Wachovia, Bank of America, Citigroup, Barclay's, and two joint leads, JP Morgan and Merrill Lynch.

Response provided by Rob Clancy.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 160

160. Please reference page **[BEGIN CONFIDENTIAL]** 37 of the same document. Please explain the effects on Kentucky in regard to the "reduced employee-related costs associate with maintaining duplicative functions?" **[END CONFIDENTIAL].**

Response: There are no effects on Kentucky as Joint Applicants have explained.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 161

161. Please refer to the Joint Applicants' Responses to CWA questions Nos. 46 and 47, and LFUCG No. 17. Refer to the **[BEGIN CONFIDENTIAL]** Alltel Wireline/Valor Due Diligence Presentation dated March 7, 2006, at page 2. Please explain what is meant by "the uncertainties related to NewCo Strategic Investments" and "the effects of litigation" and "the effects of work stoppages?" **[END CONFIDENTIAL]**

Response: These are standard disclosures to comply with the provisions of the Private Securities Litigation Reform Act of 1995 when presenting forward looking statements.

Response provided by Brent Whittington.

JOINT APPLICANTS' RESPONSE TO AG SUPPLEMENTAL DATA REQUEST NO. 162

162. Please provide an unredacted copy of any and all materials not listed herein that has been previously redacted and for which attorney-client privilege has not been so asserted.

Response: Joint Applicants already have provided all relevant, nonprivileged requested and available information. Further, this request is overly vague, unduly burdensome, and unlikely to lead to production or discovery of any relevant or material information.

Response provided by Cesar Caballero.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served upon the following persons by overnight delivery service and by electronic transmission (except for all exhibits, exclusive of the Response to Supplemental Request No. 15, which are being delivered on a CD-ROM by overnight delivery) and except as otherwise noted:

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on this the 7th day of April, 2006.

Mark R. Overstreet

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