

VALOR COMMUNICATIONS GROUP INC

Form 424B3

May 26, 2006

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May 26, 2006

To the Stockholders of Valor Communications Group, Inc.:

As previously announced, the Board of Directors of Valor Communications Group, Inc. has unanimously approved a strategic merger that will combine Valor and the wireline telecommunications business of Alltel Corporation. Pursuant to the Agreement and Plan of Merger Valor entered into on December 8, 2005, as amended on May 18, 2006, with Alltel Corporation and Alltel Holding Corp. (which we refer to as Spinco), Spinco will merge with and into Valor and Valor will survive as a stand-alone company and will hold and conduct the combined business operations of Valor and Spinco. Following completion of the merger, the separate existence of Spinco will cease. The merger will take place immediately after Alltel contributes the assets making up its wireline telecommunications business to Spinco and distributes the common stock of Spinco to a third-party exchange agent for the benefit of its stockholders. As a result of the transactions, Alltel will receive approximately \$4.2 billion of combined cash proceeds and debt reduction (on a consolidated basis). Immediately following the merger, Valor will change its name to

Windstream Corporation and its common stock will be quoted on the New York Stock Exchange and will be traded under the ticker symbol WIN.

Valor will issue an aggregate number of shares of common stock to Alltel stockholders pursuant to the merger such that when the merger is completed, Alltel stockholders will collectively own approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream Corporation on a fully diluted basis. To achieve this result, the aggregate number of shares of Valor common stock that will be issued in the merger will be equal to 5.667 multiplied by the aggregate number of shares of Valor common stock outstanding on a fully diluted basis immediately prior to the effective time. **Therefore, this number and the value of the per share merger consideration Alltel Stockholders will receive will not be known until the effective time of the merger.** Although, based on its current shares outstanding, Valor expects to issue approximately 405,000,000 shares of common stock to Alltel stockholders in the aggregate, or approximately 1.04 shares of common stock per each share of Alltel common stock held by Alltel stockholders, pursuant to the merger, any increase or decrease in the number of shares of Valor common stock outstanding that occurs for any reason prior to the effective time of the merger would cause these numbers to change. Therefore, we cannot provide a minimum or maximum number of shares that will be issued in the merger, however, we expect that the number of shares of Valor common stock will not change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. In all cases, however, the amount of shares to be issued will yield the 85/15 relative post-merger ownership percentage described above. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive to also change. The number of shares of Valor common stock to be issued to Alltel stockholders in the merger will not be adjusted as a result of fluctuations in the market price of Valor common stock. For a more complete discussion of the calculation of the number of shares of Valor common stock to be issued pursuant to the merger, see the section titled "The Transactions - Calculation of Merger Consideration" on page 35 of the accompanying proxy statement/prospectus-information statement. Before Valor may issue these shares the Valor certificate of incorporation must be amended to increase the authorized shares of Valor common stock from 200,000,000 to 1,000,000,000. Existing shares of Valor common stock will remain outstanding.

We cordially invite you to attend the annual meeting of Valor stockholders to be held on Tuesday, June 27, 2006 at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York 10019, at 2:00 p.m., local time. At the annual meeting, we will ask you to consider and vote on proposals to adopt and approve the merger agreement

and the transactions contemplated thereby. You will also be asked to elect directors and act on other matters normally considered at Valor's annual meeting. **The Board of Directors of Valor has unanimously approved the merger agreement and unanimously recommends that the Valor stockholders vote FOR the proposals to (i) adopt the merger agreement, (ii) approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, and (iii) approve the issuance of Valor common stock pursuant to the merger, each of which is necessary to effect the merger, as well as FOR the adoption of the 2006 Equity Incentive Plan (which is conditioned upon stockholder approval of the merger proposals), the Board's nominees for director and the ratification of Valor's independent auditors.**

**Your vote is very important.** We cannot complete the merger unless the proposals relating to the adoption of the merger agreement, the increase of the authorized number of shares of Valor common stock and the issuance of Valor stock pursuant to the merger are adopted by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Valor common stock entitled to vote at the annual meeting. Only stockholders who owned shares of Valor common stock at the close of business on May 5, 2006 will be entitled to vote at the annual meeting. **Whether or not you plan to be present at the annual meeting, please complete, sign, date and return your proxy card in the enclosed envelope, or authorize the individuals named on your proxy card to vote shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card.** If you hold your shares in street name, you should instruct your broker how to vote in accordance with your voting instruction form. If you do not submit your proxy, instruct your broker how to vote your shares, or vote in person at the annual meeting, it will have the same effect as a vote against adoption of the merger agreement.

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

The accompanying proxy statement/prospectus-information statement explains the merger, the merger agreement and the transactions contemplated thereby and provides specific information concerning the annual meeting. **Please review this document carefully. You should consider the matters discussed under the heading Risk Factors Risks Relating to the Spin-Off and the Merger on page 23 of the accompanying proxy statement/prospectus-information statement before voting.**

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

Sincerely,

John J. Mueller  
President and Chief Executive Officer  
Member of the Board of Directors

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

This proxy statement/prospectus-information statement is dated May 26, 2006,  
and is first being mailed to stockholders on or about May 26, 2006.

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

May 26, 2006

To the Stockholders of Alltel Corporation:

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

It is presently estimated that approximately 1.04 shares of Valor common stock will be issued to Alltel stockholders for each share of Spinco common stock they are entitled to receive on the distribution date. However, this amount will be calculated based on the fully diluted number of shares of Valor common stock outstanding immediately prior to the effective time of the merger and Alltel common stock outstanding on the record date for the spin-off, which Alltel will publicly announce prior to the expected completion of the spin-off and merger, and therefore will not be finally determined until the effective time. As a result, the estimated ratio of 1.04 shares of Valor common stock for each share of Alltel common stock would change to the extent the number of shares of Alltel common stock or Valor common stock outstanding changes for any reason prior to these times, however, we expect that the number of shares of Valor common stock will not change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. In all cases, however, when the merger is completed, Alltel's stockholders will collectively own approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream Corporation on a diluted basis. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive in the merger to also change. A more complete discussion of the calculation of the number of shares of Valor common stock to be issued pursuant to the merger is contained in the accompanying proxy statement/prospectus-information statement. You and all other holders of Alltel common stock will not be required to pay for the shares of Valor common stock you receive and you will also retain all of your shares of Alltel common stock.

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

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

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

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

Sincerely,

Scott T. Ford



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**Valor Communications Group, Inc.**  
**201 E. John Carpenter Freeway, Suite 200, Irving, Texas 75062**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**TO BE HELD JUNE 27, 2006**

To the Stockholders of Valor Communications Group, Inc.:

The annual meeting of stockholders of Valor Communications Group, Inc. will be held on Tuesday, June 27, 2006 at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York 10019, at 2:00 p.m., local time. The annual meeting is being held for the following purposes:

1. to adopt the Agreement and Plan of Merger, dated as of December 8, 2005 and amended on May 18, 2006, as such may be further amended from time to time (the Merger Agreement), by and among Alltel Corporation, Alltel Holding Corp. ( Spinco ) and Valor Communications Group, Inc., pursuant to which (i) Spinco will merge with and into Valor, after which Valor will survive as a stand-alone company and will hold and conduct the combined business operations of Valor and Spinco and (ii) Valor will issue an aggregate number of shares in the merger equal to 5.667 multiplied by Valor's total number of shares of common stock outstanding on a fully diluted basis immediately prior to the merger, which we expect to equal approximately 403,000,000 shares;
2. to approve the amendment of the certificate of incorporation of Valor pursuant to the merger to increase the authorized number of shares of Valor common stock from 200,000,000 to 1,000,000,000;
3. to approve the issuance of up to 405,000,000 shares of Valor common stock to Alltel stockholders in accordance with the terms of the Merger Agreement;
4. to adopt and approve the 2006 Equity Incentive Plan, a copy of which is attached as Annex G to this proxy statement/ prospectus-information statement;
5. to elect eleven (11) directors to serve until the 2007 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death;
6. to ratify the appointment of Deloitte & Touche LLP as Valor's independent registered public accounting firm for the fiscal year ending December 31, 2006 or until their earlier removal or termination;
7. to adjourn the annual meeting, if necessary, to solicit additional proxies for the adoption of the merger agreement, approval of the amendment to the Certificate of Incorporation and Bylaws of Valor pursuant to the merger or approval of the issuance of shares of Valor common stock pursuant to the merger; and
8. to transact any and all other business that may properly come before the annual meeting or any adjourned session of the annual meeting.

**THE PROPOSALS SET FORTH IN ITEMS ONE THROUGH THREE ABOVE ARE CONDITIONED ON THE OTHER TWO AND APPROVAL OF EACH IS REQUIRED FOR COMPLETION OF THE MERGER.** The proposal set forth in item four is conditioned upon the approval of the first three items. Furthermore, you should be aware that if the merger is completed, then by virtue of the merger the persons elected at the annual meeting to serve as directors shall be replaced by the persons who serve as directors of Spinco immediately prior to the merger. It is currently anticipated that Valor's post-merger Board of Directors will consist of the following nine persons: Jeffery R. Gardner (who most recently served as Alltel's Executive Vice President - Chief Financial Officer), Francis X. Frantz (who most recently served as Alltel's Executive Vice President - External Affairs, General Counsel and Secretary), Anthony J. de Nicola (the current Chairman of Valor's Board of Directors) and six directors designated by Alltel. You should also be aware that if the merger is completed, PricewaterhouseCoopers LLP will become Valor's post-merger independent registered public accounting firm for the fiscal year ending December 31, 2006.

Only stockholders who owned shares of Valor common stock at the close of business on May 5, 2006, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting and any adjournment or postponement of it. A stockholders list will be available for inspection by any stockholder entitled to vote at the annual meeting during ordinary business hours at Valor's principal offices for ten days prior to the annual meeting as well as at the location of the annual meeting for the entire time of the annual meeting.

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

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

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

By Order of the Board of Directors,

William M. Ojile, Jr.  
Secretary

Irving, Texas  
May 26, 2006

**YOUR VOTE IS VERY IMPORTANT**

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

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**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement/ prospectus-information statement incorporates important business and financial information about Valor Communications Group, Inc. from documents previously filed with the Securities and Exchange Commission that are not included in or delivered with this proxy statement/ prospectus-information statement. This information is available to you without charge upon your written or oral request. You can obtain documents incorporated by reference in this proxy statement/ prospectus-information statement by requesting them in writing, by telephone or by e-mail from Valor with the following contact information or on Valor's website at [www.valortelecom.com](http://www.valortelecom.com):

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

If you would like to request any documents, please do so by June 16, 2006 in order to receive them before the annual meeting.

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

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

17 State Street, 10<sup>th</sup> Floor  
New York, NY 10004  
Call toll free: (888) 206-1124

ALL INFORMATION CONTAINED IN THIS PROXY STATEMENT/ PROSPECTUS-INFORMATION STATEMENT WITH RESPECT TO ALLTEL OR SPINCO AND THEIR SUBSIDIARIES HAS BEEN PROVIDED BY ALLTEL. ALL INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT/ PROSPECTUS-INFORMATION STATEMENT WITH RESPECT TO VALOR (INCLUDING THE FINANCIAL ADVISORS TO VALOR) AND ITS SUBSIDIARIES HAS BEEN PROVIDED BY VALOR.

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**QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS**

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

A: Valor Communications Group, Inc. (also referred to herein as Valor) stockholders are being asked to consider and vote upon proposals to adopt the merger agreement entered into among Valor, Alltel Corporation (also referred to herein as Alltel) and Alltel Holding Corp. (also referred to herein as Spinco), to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan. Other matters to be considered and voted upon at the annual meeting are the election of directors, ratification of Valor's independent auditors and such other matters as may properly come before the meeting.

**Q: What will happen in the spin-off?**

A: First, Alltel will contribute its wireline telecommunications business to Spinco in exchange for, among other things, a special dividend in the aggregate amount of approximately \$2.275 billion and the distribution by Spinco to Alltel of certain Spinco debt securities, which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors representing approximately \$1.673 billion in debt reduction to Alltel. As the sole stockholder of Spinco, Alltel will receive 100% of the special dividend. After the contribution and immediately prior to the merger, Alltel will spin-off Spinco by distributing all of the shares of Spinco common stock to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis. Such shares will be immediately converted into that number of shares of Valor common stock Alltel stockholders will be entitled to receive in the merger. As a result, Alltel stockholders will never hold Spinco securities.

**Q: What will happen in the merger?**

A: In the merger, Spinco will merge with and into Valor in accordance with the terms of the merger agreement. Valor will survive the merger as a stand-alone company holding and conducting the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to Windstream Corporation and its common stock will be quoted on the New York Stock Exchange under the symbol WIN. For ease of reference, throughout this proxy statement/prospectus-information statement we will refer to Windstream Corporation, the new company formed by the merger of Valor and Spinco as Windstream.

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

A: As a result of the merger, it is currently estimated that Alltel stockholders will be entitled to receive approximately 1.04 shares of Valor common stock for each share of Alltel common stock that they own as of the record date for the spin-off. However, this amount will be finally determined at the effective time of the merger based on Valor shares outstanding immediately prior to the effective time and Alltel shares outstanding on the record date for the spin-off. Therefore the number of shares of Valor common stock received by Alltel stockholders will change to the extent that Valor or Alltel's shares outstanding at such times are not the same as our estimates due to increases or decreases in share amounts for any reason, however, we expect that the number of shares of Valor common stock will not change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive in the merger to also change. No fractional

shares of Valor common stock will be issued to Alltel stockholders in the merger. Alltel stockholders that otherwise would be entitled to a fraction of a Valor common share will be entitled to receive a cash payment in lieu of issuance of that fractional share. See The Merger Agreement Merger Consideration on page 80. Following the merger, approximately 85% of the outstanding common shares of Windstream will be held by Alltel stockholders collectively.

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**Q: Has Alltel set a record date for the distribution of Spinco shares in the spin-off?**

A: No. Alltel will publicly announce the record date when it has been determined. This announcement will be made prior to the completion of the spin-off and the merger.

**Q: What should Alltel stockholders do now?**

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

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

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

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

**Q: What will be the indebtedness of Windstream following completion of the spin-off and merger?**

A: By virtue of the merger, Windstream will assume \$267.0 million in Alltel debt, of which \$81.0 million (plus related make-whole premiums) will be refinanced with borrowings from its new credit facilities and/or a portion of the net proceeds from the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended. Windstream will also assume \$400.0 million in outstanding Valor notes, which will be equally and ratably secured with debt under the new credit facilities. Windstream will be required to offer to repurchase any of the outstanding Valor notes that may be tendered as a result of the merger, which constitutes a change of control under the indenture governing the Valor notes, and will borrow additional amounts under its new credit facilities to the extent necessary to fund the purchase of any Valor notes that are tendered. However, no Valor bonds are expected to be tendered as a result of the merger as their current trading price exceeds the put price. The trading price of the bonds was \$102.75 as of May 18, 2006 versus a put price of \$101. In addition, Windstream will refinance approximately \$781.0 million (plus related premiums) outstanding under Valor's existing credit facility with borrowings from its new credit facilities and/or a portion of the net proceeds from the issuance of senior unsecured debt securities in a Rule 144A offering. The amounts assumed by Windstream, together with the issuance of the debt securities, the borrowings under the new credit facilities and certain expenses related to the spin-off, merger and financing transactions, will result in Windstream having approximately \$5.5 billion in total debt immediately following completion of the merger.

**Q: Does Valor's Board support the merger?**

A: Yes. The Valor Board of Directors has unanimously approved the merger agreement and the merger and unanimously recommends that Valor stockholders vote FOR the proposals to adopt the merger agreement, to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan.

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

A: After the merger, your rights as a stockholder will be governed by the amended and restated certificate of incorporation and the restated bylaws, attached to this document as Annex E and Annex F, respectively, rather than the current certificate of incorporation and bylaws of Valor. A comparison of the differences of your rights as a stockholder under these two governing documents is discussed in the section titled "Comparison of the Rights of Valor Stockholders Before and After the Spin-Off and Merger" starting on page 168 of this proxy statement/prospectus-information statement.

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

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

**Q: Will Valor pay a dividend for the third quarter?**

A: Yes. Valor expects to pay a pro-rated third quarter dividend based upon its current policy of paying dividends on each share of its common stock at a rate of \$1.44 per share per annum. Valor will pay such dividend to Valor stockholders of record as of the close of business on the business day immediately preceding the closing date of the merger, and the dividend will be payable for the period between July 1, 2006 through the closing date of the merger. For example, if closing occurs on July 17, Valor will pay a pro-rata dividend for the 17 days of the third quarter at its quarterly dividend rate of \$0.36 per share, or \$.07 per share ( $17/92 \times \$0.36$ ).

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

A: The merger will be tax-free to Valor stockholders. Alltel stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the spin-off or the merger, except for any gain or loss attributable to the receipt of cash in lieu of a fractional share of Valor common stock. The material U.S. federal income tax consequences of the spin-off and the merger are described in more detail under "Certain United States Federal Income Tax Consequences of the Spin-Off and the Merger" on page 76.

**Q: Are there risks associated with the merger?**

A: Yes. We may not achieve the expected benefits of the merger because of the risks and uncertainties discussed in the section titled "Risk Factors" starting on page 23 and the section titled "Special Note Concerning Forward-Looking Statements" starting on page 217. Those risks include, among other things, risks relating to the uncertainty that we will be able to integrate the existing Valor business with the Spinco business successfully and uncertainties relating to the performance of the businesses following the completion of the merger.

**Q: What should Valor stockholders do now?**

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

other nominee.

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

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

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**Q: How do Valor stockholders vote?**

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

use the toll-free number, if any, shown on your proxy card;

visit the website, if any, shown on your proxy card to submit a proxy via the Internet; or

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope.

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

A: If you are a Valor stockholder and you fail to respond with a vote or fail to instruct your broker or other nominee how to vote on the proposals to adopt the merger agreement, to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, and to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger, it will have the same effect as a vote against these proposals, each of which must be approved for the merger to occur. If you respond and abstain from voting, your proxy will have the same effect as a vote against these proposals. If you respond but do not indicate how you want to vote on the proposals, your proxy will be counted as a vote in favor of these proposals.

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

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

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

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

As of April 28, 2006, a total of 307,997 shares of our common stock remain available for awards under our 2005 Long-Term Equity Incentive Plan (the 2005 Plan ), adopted in February 2005. Windstream will be a considerably larger company than Valor was at the time of the adoption of the 2005 Plan and will correspondingly have more key employees. As a result, to ensure that Windstream has adequate means to provide equity incentive compensation for its employees thereafter, the Board of Directors deems it to be in the best interests of Valor for its stockholders to approve the adoption of the 2006 Equity Incentive Plan.

**Q: Who can vote at the Valor annual meeting?**

A: Holders of Valor common stock can vote their shares at the annual meeting if they are holders of record of those shares at the close of business on May 5, 2006, the record date for the annual meeting.

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

A:

The annual meeting of Valor stockholders will be held on Tuesday, June 27, 2006 at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York 10019, at 2:00 p.m., local time.

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

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

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

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

by sending a written notice to the corporate secretary of Valor that is received prior to the annual meeting stating that you revoke your proxy;

by properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the annual meeting;

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by logging onto the Internet website specified on your proxy card in the same manner you would to submit your proxy electronically or by calling the telephone number specified on your proxy card prior to the annual meeting, in each case if you are eligible to do so and following the instructions on the proxy card; or

by attending the annual meeting and voting in person.

Simply attending the annual meeting will not revoke a proxy.

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

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

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

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

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

**Q: When will the merger be completed?**

A: We are working to complete the merger as quickly as possible. If approved by the Valor stockholders, we hope to complete the merger as early as the third quarter of 2006. However, it is possible that factors outside our control could require us to complete the merger at a later time or not complete it at all. For a discussion of the conditions to the merger see Merger Agreement Conditions to the Completion of Merger beginning on page 86.

**Q: Who can answer my questions?**

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

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

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

Investor Relations Department  
Alltel Corporation  
One Allied Drive  
Little Rock, Arkansas 72202

Tel: (877) 446-3682

Email address: [alltel.investor.relations@alltel.com](mailto:alltel.investor.relations@alltel.com)

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

Georgeson Shareholder

17 State Street, 10<sup>th</sup> Floor

New York, NY 10004

Call toll free: (888) 206-1124

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**SUMMARY**

This summary highlights selected information from this proxy statement/ prospectus-information statement and may not contain all of the information that is important to you. To understand the transactions fully and for a more complete description of the legal terms of the spin-off and the merger, you should carefully read this entire proxy statement/ prospectus-information statement and the other documents to which we refer you, including in particular the copies of the merger agreement, the distribution agreement and the voting agreement, and the opinions of Wachovia Securities and Bear, Stearns & Co. Inc. that are attached to this proxy statement/ prospectus-information statement as Annexes A-1, A-2, B, C, D-1 and D-2, respectively. See also **Where You Can Find Additional Information** on page 219. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.

This proxy statement/ prospectus-information statement is:

a prospectus of Valor Communications Group, Inc. relating to the issuance of shares of Valor Communications Group, Inc. common stock in connection with the merger;

a prospectus of Alltel Holding Corp. relating to the distribution of shares of its common stock to a third-party exchange agent for the benefit of Alltel stockholders in the spin-off;

a proxy statement of Valor Communications Group, Inc. for use in the solicitation of proxies for Valor's annual meeting; and

an information statement of Alltel Corporation relating to the spin-off of the shares of Spinco common stock to Alltel stockholders.

**The Companies (page 21)**

**Valor Communications Group, Inc.**

Valor Communications Group, Inc.

201 E. John Carpenter Freeway, Suite 200

Irving, Texas 75062

Valor Communications Group, Inc. (also referred to herein as **Valor**) is one of the largest providers of telecommunications services in rural communities in the southwestern United States and, based on the number of telephone lines it has in service, the seventh largest independent telephone company in the country. As of March 31, 2006, Valor operated 516,511 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas. Valor believes that in many of its markets it is the only service provider that offers customers an integrated package of local and long distance voice, high-speed data and Internet access as well as a variety of enhanced services such as voicemail and caller identification. Valor generated revenues of \$125.6 million and net income of \$16.0 million in the three months ended March 31, 2006, and revenues of \$505.9 million and net income of \$35.3 million in the year ended December 31, 2005.

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

**Alltel Holding Corp.**

Alltel Holding Corp.

4001 Rodney Parham Road

Little Rock, AR 72212

Alltel Holding Corp. (also referred to herein as **Spinco**) is currently a wholly-owned subsidiary of Alltel Corporation (also referred to herein as **Alltel**) and was incorporated in its current form as a Delaware corporation on November 2, 2005 to hold Alltel's wireline telecommunications business. Alltel's wireline



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telecommunications business is currently operated by certain of its subsidiaries, each of which will be transferred to Spinco prior to the closing of the spin-off and the merger. These subsidiaries provide wireline local, long-distance, network access and Internet services. These subsidiaries also sell and warehouse telecommunications products, publish telephone directories for affiliates and other independent telephone companies. This proxy statement/prospectus-information statement describes Spinco as if it held the subsidiaries and other assets that will be transferred to it prior to closing for all historical periods presented.

Spinco generated revenues and sales of \$703.0 million and net income of \$112.8 million in the three months ended March 31, 2006; and revenues and sales of \$2,923.5 million and net income of \$374.3 million in the year ended December 31, 2005.

**The Annual Meeting (page 184)**

The annual meeting of Valor stockholders will take place on Tuesday, June 27, 2006 at the Sheraton New York Hotel & Towers, 811 Seventh Avenue, New York, New York 10019, at 2:00 p.m., local time. At the annual meeting, Valor stockholders will be asked to consider and vote on proposals to adopt the merger agreement, to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan. Other matters to be acted on at the annual meeting are the election of directors, ratification of Valor's independent auditors and such other matters as may properly come before the meeting.

**Annual Meeting Record Date; Voting Information (page 185)**

Valor stockholders are entitled to vote at the annual meeting if they owned shares of Valor common stock at the close of business on May 5, 2006, the annual meeting record date.

As of the annual meeting record date, approximately 71,096,887 shares of Valor common stock were issued and outstanding and entitled to vote at the annual meeting and there were 186 holders of record of Valor common stock. Each share of Valor common stock entitles the holder to one vote at the annual meeting.

**Required Vote (page 185)**

The affirmative vote of a majority of the voting power of the outstanding shares of Valor common stock entitled to vote on the proposals voting together as a single class is required to adopt the merger agreement, to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, and to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger. The adoption of the 2006 Equity Incentive Plan and the ratification of the appointment of Valor's independent auditors requires the affirmative vote of a majority of the votes represented and entitled to vote on each such matter, and directors shall be elected by a plurality of the votes represented and entitled to vote on the matter.

**Voting by Valor Management (page 187)**

Certain stockholders of Valor have entered into a voting agreement with Alltel whereby they have agreed to vote or cause to be voted all of the Valor shares they own in favor of the adoption of the merger agreement. For more information regarding the Voting Agreement see "The Voting Agreement" beginning herein at page 96. In addition, Valor's directors and executive officers have either entered into this agreement with Alltel in their capacity as a stockholder of Valor or have otherwise indicated they intend to vote their Valor common shares in favor of the merger proposals. These stockholders and Valor's executive officers and directors together hold an aggregate of approximately 42% of the aggregate number of votes entitled to be cast at the annual meeting.

**The Transactions (page 33)**

On December 9, 2005, Alltel and Valor announced they entered into a transaction providing for the spin-off of Alltel's wireline telecommunications business and the merger of such business with and into Valor.

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Below is a step-by-step list illustrating the sequence of material events relating to the spin-off of Spinco and merger of Spinco and Valor. Each of these events are discussed in more detail throughout this proxy statement/prospectus-information statement. Each of following events will occur in the following order on the closing date of the merger except for Step 1, which will occur prior to the closing date, and Steps 9 and 10, which will occur promptly following the closing of the merger.

**Step 1** Alltel will engage in a series of restructuring transactions to effect the transfer to Spinco's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business and the transfer to Alltel of all assets not relating to such business.

**Step 2** Alltel will contribute all of the capital stock of the Spinco subsidiaries to Spinco in exchange for (i) that number of shares of Spinco common stock to be distributed to a third party exchange agent for the benefit of Alltel shareholders in the spin-off, and (ii) the issuance of the exchange notes by Spinco to Alltel.

**Step 3** Spinco will enter into a new senior secured credit facility providing commitments for borrowings in an amount up to \$4.2 billion.

**Step 4** Spinco will pay a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which is estimated to equal approximately \$2.275 billion).

**Step 5** Alltel will spin-off Spinco by distributing all of the shares of Spinco common stock to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis.

**Step 6** Alltel exchanges the exchange notes received from Spinco for outstanding Alltel debt securities or otherwise transfers such exchange notes to Alltel's creditors representing approximately \$1.673 billion in debt reduction to Alltel.

**Step 7** Spinco will merge with and into Valor and shares of Spinco common stock held by the exchange agent will be converted into that number of shares of Valor common stock that Alltel stockholders will be entitled to receive in the merger.

**Step 8** The exchange agent will issue shares of Valor common stock to Alltel stockholders in accordance with the terms of the merger agreement.

**Step 9** Valor will change its name to Windstream Corporation and its common stock will be quoted on the New York Stock Exchange under the symbol "WIN".

**Step 10** Windstream may issue up to an additional \$800 million in debt securities in a private placement pursuant to Rule 144A of the Securities Act of 1933, which will reduce dollar-for-dollar the commitments under its senior secured credit facility.

### **The Spin-Off (page 33)**

In the spin-off, Alltel will contribute its wireline telecommunications business to Spinco in exchange for: the issuance to Alltel of Spinco common stock to be distributed in the spin-off,

the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which is estimated to equal approximately \$2.275 billion), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin-off, to repay outstanding indebtedness, or both, within one year following the spin-off, and

the distribution by Spinco to Alltel of certain Spinco debt securities (which we will refer to as the exchange notes), which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors, representing approximately \$1.673 billion in debt reduction to Alltel.

As a result of the transactions, Alltel will receive approximately \$4.2 billion of combined cash proceeds and debt reduction through the special dividend, the distribution of the exchange notes and the assumption by Windstream on a consolidated basis of approximately \$267 million in existing Spinco debt securities.

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After the contribution and immediately prior to the merger, Alltel will spin-off Spinco by distributing all of the shares of Spinco common stock to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis. Such shares will be immediately converted into that number of shares of Valor common stock Alltel stockholders will be entitled to receive in the merger. As a result, Alltel stockholders will never hold shares of Spinco common stock.

**The Merger (page 34)**

In the merger, Spinco will merge with and into Valor in accordance with the merger agreement. Valor will survive the merger as a stand-alone company that will hold and conduct the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to Windstream Corporation, and its common stock will be quoted on the New York Stock Exchange under the ticker symbol WIN . For ease of reference, throughout this proxy statement/prospectus-information statement we will refer to Windstream Corporation, the new company formed by the merger of Valor and Spinco as Windstream.

It is presently estimated that Alltel stockholders will receive approximately 1.04 shares of Windstream common stock for each share of Alltel common stock they own on the record date for the spin-off. However, this amount is subject to change based on the number of shares of Alltel common stock outstanding on such date and Valor common stock outstanding immediately prior to the effective time of the merger. We do not expect the number of shares of Valor common stock to change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. In any event, upon consummation of the merger, on a diluted basis, 85% of Windstream will collectively be held by Alltel common stockholders and 15% will collectively be held by the stockholders of Valor. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive in the merger to also change. For a more complete discussion of the calculation of the number of shares of Valor common stock to be issued in the merger, see the section titled The Transactions Calculation of Merger Consideration on page 35 of this proxy statement/ prospectus-information statement. Holders of Alltel common stock will not be required to pay for the shares of Valor common stock they receive and will also retain all of their shares of Alltel Corporation. Existing shares of Valor common stock will remain outstanding.

**Valor Board of Directors Recommendation to Valor Stockholders (page 45)**

The Valor Board of Directors has unanimously determined that the merger is advisable and fair to, and in the best interests of, Valor and its stockholders and unanimously recommends that Valor stockholders vote **FOR** the proposals to adopt the merger agreement, to approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan and, if necessary, to adjourn the annual meeting to solicit additional proxies for the merger proposals.

**Valor's Reasons for the Merger (page 43)**

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

In the course of their discussions, both Valor and Alltel recognized that a merger of Alltel's wireline business with Valor could potentially have substantial strategic and financial benefits. The Board considered issues such as the amount of debt that the merged company would assume and the agreements between



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Spinco and Alltel. The pro forma capital structure of Windstream will produce lower debt leverage, lower cost of capital and a lower dividend payout ratio than Valor, all of which should reduce the overall financial risk of the combined company. With respect to the agreements between Alltel and Spinco, the Valor Board examined those arrangements in total, and determined that the overall financial impact of those arrangements was not disadvantageous to Spinco. Upon completion of the merger, we expect that Windstream stock will trade at a modest premium over Valor's current share price. Furthermore, Valor's current stockholders may have an opportunity to improve their long-term returns by holding shares of Windstream which we expect will be a leading rural wireline telephone company and one of the largest local telecommunications carriers in the United States.

**Opinion of Valor's Financial Advisors (page 46)**

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

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

The full text of the written opinions of each of Wachovia Securities and Bear Stearns, which set forth assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken in connection with its opinion, is attached to this proxy statement/ prospectus-information statement as Annexes D-1 and D-2, respectively. Each of Wachovia Securities and Bear Stearns provided its opinion for the information and assistance of the Valor Board of Directors in connection with their consideration of the transactions contemplated by the merger agreement and the distribution agreement. Neither opinion is a recommendation as to how any holder of Valor common stock should vote with respect to the transactions contemplated by the merger agreement. As is customary, both Wachovia Securities and Bear Stearns will receive a fee for their services. Wachovia Securities will receive a fee of \$6,000,000 for its services, \$750,000 of which was payable upon delivery of its fairness opinion and \$5,250,000 of which is payable upon consummation of the merger. For investment banking and other financial advisory services rendered to Valor over the past two years (other than fees in connection with the merger), Valor has paid Wachovia Securities \$4.75 million. For investment banking and other financial advisory services rendered to Alltel over the past two years, Alltel has paid Wachovia Securities \$6.4 million. Bear Stearns received a fee of \$1 million for its services, none of which was contingent upon the successful completion of the merger. Bear Stearns had been previously engaged by Valor to provide certain investment banking and other services. In connection with such services Bear Stearns has received compensation of approximately \$1.1 million during the past two years. Valor encourages its stockholders to read these opinions in their entirety. Alltel has not engaged Bear Stearns for investment banking or other financial advisory services over the past two years.

**Alltel's Reasons for the Spin-Off and the Merger (page 63)**

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

the creation of skilled management teams at both Alltel and Windstream having proven track records of delivering financial results, a great breadth of experience in the communications industry, and a deep commitment to providing quality communications services to customers;

the expectation that Alltel will receive cash proceeds and debt reduction totaling about \$4.2 billion resulting from the spin-off, which will result in Alltel having net debt of about \$1.2 billion and having leverage of about 0.5 times net debt (or consolidated indebtedness less cash and cash equivalents) to operating income before depreciation and amortization;

the potential value, as determined by evaluating pre and post transaction discounted cash flows, EBITDA, yield, and other measures of the pre and post transaction wireline businesses, created for Alltel stockholders who collectively, in the aggregate, will hold approximately 85% of the outstanding



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shares of Windstream immediately following the merger and the perceived strong investor demand for both a pure-play wireless company and a pure-play rural wireline company;

Alltel's and Valor's wireline businesses have complementary geographic footprints with favorable rural characteristics, and their integration will benefit from Alltel's existing billing system outsourcing relationship with Valor providing the potential to create a market leader in the rural wireline telecommunications industry;

the potential positive financial impact resulting from such a combination (including, without limitation, an expected gain of \$40 million in net annual synergies from the combination) the benefit of which would be passed on to Alltel stockholders through the spin-off and merger;

the tax-efficient structure for Alltel and Alltel's stockholders of the proposed spin-off and immediate merger of Spinco with and into Valor; and

the expectation that Windstream will pay an annual dividend of \$1 per share of common stock, which equals \$1.04 per equivalent Alltel share.

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

As a result of the consideration of the foregoing and other relevant considerations, the Alltel board of directors determined that the spin-off and merger, including the terms of the merger agreement, distribution agreement and the other agreements relating to the merger, are fair to, and in the best interests of, Alltel and Alltel stockholders.

**Interests of Certain Persons in the Merger (page 65)**

In considering the Valor Board of Directors' determination to approve the merger agreement and to recommend that Valor stockholders vote to adopt the merger agreement, to approve the amendment of the Valor organizational documents in their entirety pursuant to the merger increasing the authorized shares of Valor common stock, to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger and to adopt the 2006 Equity Incentive Plan, Valor stockholders should be aware of potential conflicts of interest of, and the benefits available to, certain Valor stockholders, directors and officers. These stockholders, directors and officers may have interests in the merger that may be different from, or in addition to, the interests of Valor stockholders as a result of, among other things:

the appointment of Valor's current Chairman of the Board of Directors to the board of Windstream;

the acceptance of employment offers or consulting agreements with Windstream by certain of Valor's executive officers;

the acceleration of vesting of a portion of each executive officer's cash awards, if any, resulting in accelerated payments of \$760,000 in the aggregate;

amendments to Mr. Mueller's and Mr. Ojile's employment agreements that will increase severance payable thereunder from 18 months of base salary to 24 months resulting in aggregate severance payments of \$1,500,000;

amendments to Mr. Mueller's and Mr. Ojile's employment agreements that will increase bonus payments upon termination of employment to two times annual target bonus resulting in aggregate bonus payments of \$1,250,000;

severance payable to Mr. Vaughn of 18 months salary and one-year's bonus resulting in an aggregate severance payment of \$1,587,500, which includes a tax gross-up benefit payable to Mr. Vaughn to compensate him for

excise taxes estimated to be \$775,000 imposed upon him pursuant to Section 280G of the Internal Revenue Code of 1986, as amended;

the acceleration of vesting of restricted stock grants made to Valor's executive officers and directors scheduled to vest in 2007 and for those executive officers who will not remain employed by Windstream, the acceleration of vesting of restricted stock grants scheduled to vest in 2008 and

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beyond, resulting in the accelerated vesting of 973,696 shares of Valor common stock in the aggregate; and

the filing of a shelf registration statement for the benefit of persons affiliated with WCAS, and Vestar Capital Partners, who currently hold in the aggregate approximately 41% of Valor's outstanding common stock, and the grant of certain other registration rights to WCAS and Vestar.

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

**Regulatory Approval (page 68)**

The transactions contemplated by the merger agreement will require the approval of the public service or public utilities commissions of the following states in their capacities as regulators of competitive local exchange carriers (CLEC) and incumbent local exchange carriers (ILEC) operations of Alltel and Valor: Florida, Georgia, Kentucky, Mississippi, Missouri, New York, Ohio, Pennsylvania, South Carolina and Texas. On April 12, 2006, Alltel obtained an amendment to the commitment letter for the senior secured credit facilities to remove certain guaranties and liens, and such amendment eliminated the need for approval of the transaction by certain state regulatory agencies. The parties must also obtain state commission approval of the transfer to Spinco of the long distance customers and certificates of authority of Alltel, or the issuance to Spinco of new certificates of authority, in all states except Alaska.

Valor and Spinco completed the filing of all of the foregoing applications that were required to be filed prior to completion of the merger for the authority and approval with respect to the ILEC operation in January 2006. The public service or public utilities commission in each of the states of Florida, Georgia, Kentucky, Missouri, Mississippi and South Carolina has granted its approval. The parties expect that the remaining applicable state commissions will make a determination on these applications no later than the second quarter of 2006.

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

Each party's obligations to complete the merger are subject to receipt of the consents of the above referenced state regulators (other than Texas, which is a post-closing procedural approval) and FCC authorization that, if not obtained, would reasonably be expected to have a material adverse effect on Valor, Alltel or Spinco.

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

The merger agreement provides that each of Valor, Alltel and Spinco, subject to customary limitations, will use their respective reasonable best efforts to take promptly all actions and to assist and cooperate with the other parties in doing all things necessary, proper or advisable under applicable laws and regulations to consummate the merger and the transactions contemplated by the merger agreement. Alltel, Spinco and Valor also agreed to use all reasonable efforts to resolve any objections or challenges from a regulatory authority.

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For a more complete discussion of regulatory matters relating to the merger, see **The Transactions** Regulatory Approvals beginning on page 68.

**Merger Consideration (page 80)**

The merger agreement provides that Valor will issue in the aggregate to holders of Alltel common stock a number of shares of Valor common stock equal to (a) the number of shares of Valor common stock outstanding on a fully-diluted basis as the effective time of the merger multiplied by (b) 5.667, we refer to the product of this formula as the aggregate merger consideration. Each share of Spincor common stock distributed for the benefit of Alltel stockholders in the spin-off will be converted into the right to receive a number of shares of Valor common stock equal to the aggregate merger consideration, divided by the number of Alltel shares outstanding as of the record date for the spin-off, which Alltel will announce prior to the expected completion of the spin-off and the merger.

It is presently estimated that Valor will issue in the aggregate approximately 403 million shares of common stock to Alltel stockholders pursuant to the merger, or approximately 1.04 shares of Valor common stock (subject to variation as a result of compensatory equity grants and other issuances) for each share of Alltel common stock outstanding as of the record date for the spin-off. Given that these amounts are calculated based on the number of shares of Alltel common stock outstanding as of the record date for the spin-off and Valor common stock outstanding at the effective time of the merger, the actual number of shares of Valor common stock to be issued will not be determined until the effective time, and there is no maximum or minimum number of shares that will be issued. We do not expect the number of shares of Valor common stock to change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. In any event, the calculation of the merger consideration set forth in the merger agreement is structured so that, regardless of the number of Valor shares and Spincor shares outstanding immediately prior to the effective time of the merger, when the merger is completed, Alltel stockholders will collectively own approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream on a fully diluted basis. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive to also change.

Alltel stockholders that otherwise would be entitled to a fraction of a Valor common share will be entitled to receive a cash payment in lieu of issuance of that fractional share.

**Conditions to the Completion of the Merger (page 86)**

Consummation of the merger is subject to the satisfaction of certain conditions, including, among others:  
the obtaining of the requisite approval by the stockholders of Valor;

the receipt of required regulatory approvals, including the approval of the Federal Communications Commission (which Valor received on February 1, 2006), the relevant state public service or public utilities commissions and the expiration of the applicable waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended (which Valor received on January 3, 2006);

the SEC declaring effective the registration statement, of which this proxy statement/ prospectus-information statement is a part (which the SEC declared effective on May 26, 2006);

consummation of the contribution transaction, the distribution transaction and the debt exchange transaction, each of which are described elsewhere in this proxy statement/ prospectus-information statement;

consummation of the financing of Spincor;

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receipt of surplus, solvency and certain other opinions;

each party's compliance in all material respects with its obligations under the merger agreement;

that no event or circumstance shall have occurred that has or would have a Material Adverse Effect on Valor or Spinco; and

receipt of certain rulings from the Internal Revenue Service and certain tax opinions.

To the extent that either the board of directors of Valor or Alltel waives the satisfaction of a condition to closing that the board of directors of Valor deems material, Valor's board of directors shall resolicit stockholder approval of the merger.

**Termination (page 88)**

The merger agreement may be terminated:

by mutual consent of the parties,

by any of the parties if the merger has not been completed by December 8, 2006, the so-called termination date,

by any of the parties if the merger is enjoined,

by Alltel and Spinco, on the one hand, or Valor, on the other hand, upon an incurable material breach of the merger agreement by the other party or parties,

by any party if the requisite approval of Valor's stockholders is not obtained,

by Alltel or Spinco if Valor withdraws its recommendation of the merger or fails to hold its stockholder meeting within 60 days after effectiveness of the registration statement to which this proxy statement/prospectus-information statement is attached, or

by Valor to accept a superior acquisition proposal, provided that Valor gives Alltel prior notice and attempts to renegotiate the transaction, and upon termination Valor enters into a competing transaction.

**Termination Fee Payable in Certain Circumstances (page 88)**

In the event that (i) Valor terminates the merger agreement to accept a superior acquisition proposal, (ii) Alltel and Spinco terminate the merger agreement because Valor has withdrawn its recommendation of the merger, (iii) any of the parties terminates the merger agreement because the termination date has passed or Alltel and Spinco terminate the merger agreement because Valor fails to hold its stockholder meeting, or (iv) any of the parties terminates the merger agreement because the requisite approval of Valor's stockholders is not obtained, and in the case of clauses (iii) and (iv) prior to such termination, a third party makes a company acquisition proposal, and Valor agrees to or consummates a business combination transaction within one year after termination with a third party, then Valor must pay Alltel a \$35 million termination fee.

If any party terminates the merger agreement because the termination date has passed or Valor terminates the merger agreement because of a material breach by Alltel or Spinco and, in either case, at the time of termination substantially all other conditions to the merger have been satisfied but the required IRS rulings or tax opinions for the transaction have not been received, then Alltel must pay Valor a \$20 million termination fee and, if Spinco's financing condition has not been satisfied at the time of termination, then Alltel must pay Valor an increased termination fee of \$35 million.

**Name Change; Listing (page 167)**

Immediately following completion of the merger, the Board of Directors will merge a wholly-owned subsidiary of the surviving company into the company and, in connection with such merger, change the name of the company from Valor Communications Group, Inc. to Windstream Corporation Promptly



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thereafter, the company will file a restated certificate of incorporation with the Delaware Secretary of State reflecting the name change. Shares of Windstream Corporation will be traded on the NYSE under the new trading symbol WIN.

**Distribution Agreement (page 92)**

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

Pursuant to the distribution agreement, Alltel will transfer to Spinco's subsidiaries all of the assets relating to Alltel's wireline telecommunications business, including Alltel's ILEC, CLEC and internet access operations, related marketing and sales operations, and other operations comprising Alltel's wireline telecommunications business, as well as all of Alltel's directory publishing operations, telecommunication information services operations, product distribution operations (other than any such operations supporting Alltel's wireless telecommunications business), network management services operations, and wireline long-distance services operations (other than the fiber backbone supporting those operations and the revenues attributable to Alltel's wireless telecommunications business as a result of its use of the fiber backbone). The distribution agreement also provides for the transfer to Alltel's subsidiaries of all assets not relating to such businesses.

Following these transactions, and immediately prior to the effective time of the merger, Alltel will contribute all of the stock of the Spinco subsidiaries to Spinco in exchange for the issuance to Alltel of Spinco common stock to be distributed to the exchange agent for the benefit of Alltel's stockholders pro rata in the spin-off, the special dividend (which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin-off, to repay outstanding indebtedness, or both, within one year following the spin-off) and the Spinco debt securities to be transferred to Alltel's creditors.

**Certain United States Federal Income Tax Consequences of the Spin-Off and the Merger (page 76)**

The spin-off is conditioned upon Alltel's receipt of a private letter ruling from the Internal Revenue Service (the IRS) (which Alltel received on April 7, 2006) to the effect that the spin-off will qualify as tax-free to Alltel, Spinco and the Alltel stockholders for United States federal income tax purposes under Sections 355, 368 and related provisions of the Internal Revenue Code of 1986, as amended (the Code). The spin-off is also conditioned upon the receipt by Alltel of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Alltel, to the effect that the spin-off will be tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code. As set forth in the IRS letter ruling and the tax opinion:

no gain or loss will be recognized by (and no amount will be included in the income of) Alltel common stockholders upon the receipt by the exchange agent on their behalf of shares of Spinco common stock in the spin-off;

the aggregate tax basis of the Alltel common stock and the Spinco common stock in the hands of each Alltel common stockholder after the spin-off will equal the aggregate tax basis of the Alltel common stock held by the stockholder immediately before the spin-off, allocated between the Alltel common stock and the Spinco common stock in proportion to the relative fair market value of each on the date of the spin-off; and

the holding period of the Spinco common stock received by an Alltel common stockholder will include the holding period at the time of the spin-off of the Alltel common stock on which the distribution is made.

It is a condition to the obligations of Alltel, Spinco and Valor to consummate the merger that Alltel and Spinco receive the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, and that Valor receives the

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opinion of Kirkland & Ellis LLP, both to the effect that the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Code. As set forth in the tax opinions:

Alltel common stockholders will not recognize gain or loss on the exchange of their Spinco common stock (received by the exchange agent on their behalf in the spin-off) for shares of Valor common stock in the merger, except to the extent of any cash received in lieu of a fractional share of Valor common stock;

an Alltel stockholder's tax basis in the Valor common stock received in the merger (including any fractional share interest deemed to be received and exchanged for cash) will equal the stockholder's tax basis in the Spinco common stock surrendered in exchange therefor;

an Alltel stockholder's holding period for the Valor common stock received pursuant to the merger will include the holding period for the shares of Spinco common stock surrendered in exchange therefor;

neither Spinco nor Valor will recognize any gain or loss in the merger; and

Valor stockholders will not recognize any gain or loss in the merger.

Please see "Certain United States Federal Income Tax Consequences of the Spin-Off and the Merger" on page 76 for more information.

**The Voting Agreement (page 96)**

In connection with the execution of the distribution agreement and the merger agreement, Spinco entered in a voting agreement with persons affiliated with Welsh, Carson, Anderson & Stowe and Vestar Capital Partners who collectively owned approximately 41% of Valor's outstanding common shares as of December 8, 2005. Pursuant to the voting agreement, these stockholders have agreed to vote all of their shares of Valor common stock (i) in favor of the approval of the merger and the approval and adoption of the merger agreement and (ii) except with the written consent of Spinco, against certain alternative proposals that may be submitted to a vote of the stockholders of Valor regarding an acquisition of Valor. In the event that the merger agreement terminates for any reason, the voting agreement will automatically terminate.

**Financing of Windstream (page 103)**

On December 8, 2005, Alltel and J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation entered into a commitment letter and a related engagement and fee letter (which we collectively refer to as the "financing letters") with respect to the financing of Windstream following the spin-off and the merger. The commitment letter is subject to customary conditions to consummation, including the absence of any event or circumstance that, individually or in the aggregate, is materially adverse to the business, assets, properties, liabilities or condition (financial or otherwise), of Spinco and its subsidiaries or Valor and its subsidiaries since September 30, 2005. Alltel has agreed to pay JPMorgan and Merrill Lynch certain fees in connection with the commitment letter and has agreed to indemnify JPMorgan and Merrill Lynch against certain liabilities. On April 12, 2006, Alltel obtained an amendment to the commitment letter to remove certain guaranties and related liens. No other changes to the terms of the commitment letter, including the interest rates and fees, were made by such amendment.

These financing letters provide for a commitment of an aggregate amount of up to \$4.2 billion in financing, consisting of a senior secured five-year revolving credit facility in the principal amount of \$500.0 million and senior secured term loan facilities in an aggregate amount of up to \$3.7 billion. A portion of the financing of Windstream may also be financed with the proceeds from a Rule 144A offering of up to \$800.0 million of senior unsecured notes, in which case the term loan facilities, or a portion thereof, will be reduced dollar for dollar.

The proceeds of the term loan facilities and any Rule 144A offering of senior unsecured notes that is consummated will be used (i) to finance the approximately \$2.275 billion special dividend payment to Alltel, which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin-off, to repay outstanding indebtedness, or both, within one year following the spin-off, (ii) to refinance Valor's existing bank facility in the amount of approximately



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\$781.0 million and approximately \$81.0 million of Alltel's outstanding bonds (plus related make-whole premiums), and (iii) to purchase any of Valor's outstanding bonds that are tendered pursuant to the terms thereof as a result of the merger. \$3.3 billion of the \$3.7 billion term loan facilities will be available in a single draw down on the date of closing to consummate the spin-off and merger transactions. The revolving credit facility may be used by Windstream for general corporate purposes, and a portion will be available for letters of credit. The actual amount initially drawn under the revolving credit facility on the date of closing is not expected to exceed \$90.0 million. The term loan facilities and the revolving credit facility are referred to herein as the Senior Secured Credit Facilities.

Windstream's direct and indirect domestic subsidiaries will serve as guarantors of the Senior Secured Credit Facilities and hedge agreements entered into in connection therewith, except that no guarantee is required of a subsidiary to the extent that the transactions require, or the granting of such guarantee would require, the approval of any state regulatory agency. The Senior Secured Credit Facilities, guaranties thereof and hedge agreements entered into in connection therewith will be secured by substantially all of the property and assets of Windstream and its subsidiaries who are guarantors.

It is expected that following completion of the merger Windstream will have approximately \$5.5 billion in total debt. For a discussion of the debt to be assumed or incurred by Windstream in the merger see the section titled "The Transactions" in this proxy statement/prospectus-information statement beginning on page 33.

**Management of Windstream following the Merger (page 152)**

The merger agreement provides that the Board of Directors of Spinco at the effective time of the merger will become the Board of Directors of Windstream, and will consist of nine individuals: Francis X. Frantz, who most recently served as the Executive Vice President - External Affairs, General Counsel and Secretary of Alltel, Jeffery R. Gardner, who most recently served as Executive Vice President - Chief Financial Officer of Alltel, six other persons named by Alltel and one person named by Valor. Additionally, the merger agreement provides that, as of the completion of the merger, Mr. Frantz will serve as Chairman of the Board. Valor has designated Anthony J. de Nicola as its designee to the Windstream board. Five of Alltel's designees to the Windstream board are identified under the heading "Management of Windstream Following the Merger - Alltel Corporation Designees to the Board of Directors" on page 152 of this proxy statement/prospectus-information statement. The final Alltel designee will be named prior to completion of the spin-off and merger.

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

**Comparison of the Rights of Stockholders Before and After the Spin-Off and Merger (page 168)**

Upon completion of the spin-off and merger, the certificate of incorporation and bylaws of Windstream will be in the forms attached as Annex E and F, respectively, to this document and incorporated by reference herein. Although there are substantial similarities between the certificate of incorporation and bylaws of Valor prior to the spin-off and merger and the certificate of incorporation and bylaws of Windstream after the spin-off and merger, some differences do exist. A summary of the material differences between the rights of Valor stockholders before and after the spin-off and merger is set forth under the heading "Comparison of the Rights of Stockholders Before and After the Spin-off and Merger."

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF SPINCO**

Spinco is a newly formed holding company organized for the sole purpose of holding the wireline telecommunications business of Alltel. This proxy statement/prospectus-information statement describes Spinco as if it held the subsidiaries that will be transferred to it prior to closing of the spin-off and the merger for all periods and dates presented. The following selected historical financial information of Spinco for each of the fiscal years ended December 31, 2005, 2004, 2003 and 2002 has been derived from the financial statements of Alltel, principally representing Alltel's historical wireline and communications support segments, which were audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm. The financial data as of March 31, 2006 and 2005 and for the three month periods then ended and the financial data as of December 31, 2001 and for the year then ended, has been derived from Alltel's unaudited financial statements which include, in management's opinion, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the results of operations and financial position of Spinco for the periods and dates presented. This information is only a summary and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of Spinco and the financial statements and notes thereto of Spinco included in this proxy statement/prospectus-information statement beginning on page F-1.

	<b>Three Months Ended</b>		<b>Year Ended December 31,</b>				
	<b>March 31,</b>						
	<b>2006</b>	<b>2005</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>(Dollars in millions, except per share data)</b>							
<b>Revenues and sales</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>					<b>(Unaudited)</b>
	\$ 703.0	\$ 712.6	\$ 2,923.5	\$ 2,933.5	\$ 3,003.3	\$ 2,835.7	\$ 2,607.8
Operating expenses	424.0	434.6	1,779.8	1,745.6	1,827.8	1,740.1	1,573.6
Depreciation and amortization expense	102.6	125.7	474.2	508.5	519.4	469.8	425.1
Restructuring and other charges	2.5		35.7	11.8	12.2	37.9	18.7
Total costs and expenses	529.1	560.3	2,289.7	2,265.9	2,359.4	2,247.8	2,017.4
<b>Operating income</b>	<b>173.9</b>	<b>152.3</b>	<b>633.8</b>	<b>667.6</b>	<b>643.9</b>	<b>587.9</b>	<b>590.4</b>
Other income (expense), net	1.2	(0.1)	11.6	13.7	5.8	2.0	(1.1)
Intercompany interest income (expense), net	14.5	(0.3)	23.3	(15.2)	(21.6)	(26.8)	(19.3)
Interest expense	(4.5)	(4.9)	(19.1)	(20.4)	(27.7)	(39.6)	(44.2)
Gain (loss) on disposal of assets and other					23.9		(2.9)

Income before income taxes	185.1	147.0	649.6	645.7	624.3	523.5	522.9
Income taxes	72.3	58.7	267.9	259.4	247.1	202.5	201.8

Income before cumulative effect of accounting change	112.8	88.3	381.7	386.3	377.2	321.0	321.1
Cumulative effect of accounting change, net of tax			(7.4)		15.6		16.9

<b>Net income</b>	\$ 112.8	\$ 88.3	\$ 374.3	\$ 386.3	\$ 392.8	\$ 321.0	\$ 338.0
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**Balance sheet data:**

Total assets	\$ 4,866.1	\$ 4,986.0	\$ 4,929.7	\$ 5,079.2	\$ 5,276.9	\$ 5,519.8	\$ 3,833.6
Total equity	\$ 3,369.5	\$ 3,544.1	\$ 3,489.2	\$ 3,706.8	\$ 3,925.6	\$ 4,039.0	\$ 2,362.7
Total long-term debt (including current maturities)	\$ 260.8	\$ 282.9	\$ 260.8	\$ 282.9	\$ 304.8	\$ 587.3	\$ 625.9

**Cash flows provided by (used in):**

Operating activities	\$ 286.4	\$ 321.6	\$ 953.9	\$ 962.2	\$ 1,135.0	\$ 822.4	N/A
Investing activities	\$ (63.6)	\$ (74.2)	\$ (352.7)	\$ (329.7)	\$ (356.9)	\$ (2,164.3)	N/A
Financing activities	\$ (224.8)	\$ (251.1)	\$ (602.4)	\$ (627.1)	\$ (784.2)	\$ 1,340.1	N/A

**Statistical Data (at year-end):**

Wireline access lines	2,862,545	2,983,250	2,885,673	3,009,388	3,095,635	3,167,275	2,612,325
Long-distance customers	1,750,630	1,793,069	1,750,762	1,770,852	1,680,181	1,542,210	1,265,710
Broadband (DSL) customers	441,475	283,126	397,696	243,325	153,028	70,182	26,816
Capital expenditures	\$ 62.2	\$ 73.3	\$ 352.9	\$ 333.3	\$ 383.2	\$ 405.0	N/A

**Table of Contents****Notes to Selected Financial Information:**

- A. During the three months ended March 31, 2006, Spinco incurred \$2.5 million of incremental costs, primarily consisting of consulting and legal fees, related to the pending spin-off from Alltel. These costs decreased net income \$1.5 million.
- B. During 2005, Spinco incurred \$4.4 million of severance and employee benefit costs related to a workforce reduction in its wireline operations. Spinco also incurred \$31.3 million of incremental costs, principally consisting of investment banker, audit and legal fees, related to the pending spin-off from Alltel. These transactions decreased net income \$34.1 million. During 2005, Spinco prospectively reduced depreciation rates for its ILEC operations in Florida, Georgia, North Carolina and South Carolina to reflect the results of studies of depreciable lives completed by Spinco in the second quarter of 2005. The depreciable lives were lengthened to reflect the estimated remaining useful lives of the wireline plant based on Spinco's expected future network utilization and capital expenditure levels required to provide service to its customers. The effects of this change during the year ended December 31, 2005 resulted in a decrease in depreciation expense of \$21.8 million and increase in net income of \$12.8 million. Effective December 31, 2005, Spinco adopted Financial Accounting Standards Board Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. The cumulative effect of this accounting change resulted in a one-time non-cash charge of \$7.4 million, net of income tax benefit of \$4.6 million.
- C. During 2004, Spinco reorganized its operations and support teams and also announced its plans to exit its Competitive Local Exchange Carrier operations in the Jacksonville, Florida market due to the continued unprofitability of these operations. In connection with these activities, Spinco recorded a restructuring charge of \$13.6 million consisting of \$11.6 million in severance and employee benefit costs related to a planned workforce reduction, \$1.3 million of employee relocation expenses and \$0.7 million of other exit costs. During 2004, Spinco also recorded a \$1.8 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease and contract termination costs. The reduction primarily reflected differences between estimated and actual costs paid in completing the previous planned lease and contract terminations. These transactions decreased net income \$7.3 million. Effective April 1, 2004, Spinco prospectively reduced depreciation rates for its ILEC operations in Nebraska, reflecting the results of a triennial study of depreciable lives completed by Spinco in the second quarter of 2004, as required by the Nebraska Public Service Commission. The effects of this change during the year ended December 31, 2004 resulted in a decrease in depreciation expense of \$19.1 million and increase in net income of \$11.4 million.
- D. During 2003, Spinco recorded a restructuring charge of \$7.0 million consisting of severance and employee benefit costs related to a planned workforce reduction, primarily resulting from the closing of certain call center locations. Spinco also recorded a \$0.4 million reduction in the liabilities associated with various restructuring activities initiated prior to 2003, consisting of lease termination costs. The reduction primarily reflected differences between estimated and actual costs paid in completing previously planned lease terminations. During 2003, Spinco also wrote off certain capitalized software development costs of \$5.6 million that had no alternative future use or functionality. These transactions decreased net income by \$7.4 million. In 2003, Spinco sold certain assets and related liabilities, including selected customer contracts and capitalized software development costs, associated with Spinco's telecommunications information services operations to Convergys Information Management Group, Inc. In connection with this sale, Spinco recorded a pretax gain of \$31.0 million. In addition, Spinco retired, prior to stated maturity dates, \$249.1 million of long-term debt, representing all of the long-term debt outstanding under the Rural Utilities Services, Rural Telephone Bank and Federal Financing Bank programs during 2003. In connection with the early retirement of the debt, Spinco incurred pretax termination fees of \$7.1 million. These transactions increased net income by \$10.7 million. Effective January 1, 2003, Spinco adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. The cumulative effect of this accounting change resulted in a one-time non-cash credit of \$15.6 million and net of income tax expense of \$10.3 million.
- E.

During 2002, Spinco announced its plans to exit its CLEC operations in seven states representing less than 20% of its CLEC access lines. Spinco also consolidated its call center and product distribution operations.

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In connection with these activities, Spinco recorded restructuring charges totaling \$10.9 million consisting of \$8.2 million in severance and employee benefit costs related to planned workforce reductions and \$2.7 million of costs associated with terminating certain CLEC transport agreements and lease termination fees incurred with the closing of certain call center and product distribution locations. In exiting the CLEC operations, Spinco also incurred \$2.2 million of costs to disconnect and remove switching and other transmission equipment from central office facilities and expenses to notify and migrate customers to other service providers. Spinco also wrote off certain capitalized software development costs totaling \$4.1 million that had no alternative future use or functionality. In connection with the purchase of local telephone properties in Kentucky, Spinco incurred \$17.0 million of computer system conversion costs and \$3.7 million of branding and signage costs. These transactions decreased net income \$23.2 million.

- F. During 2001, Spinco recorded pretax charges of \$18.7 million incurred in connection with the restructuring of its wireline and product distribution operations. During 2001, Spinco prepaid \$73.5 million of long-term debt prior to its stated maturity date and incurred pretax termination fees of \$2.9 million in connection with the early retirement of that debt. These charges decreased net income by \$12.9 million. Effective January 1, 2001, Spinco changed its method of accounting for a subsidiary's pension plan to conform to Alltel's primary pension plan. The cumulative effect of this accounting change resulted in a non-cash credit of \$16.9 million, net of income tax expense of \$11.2 million.

**Table of Contents****SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF VALOR**

Valor is a holding company and has no direct operations. Valor was formed for the sole purpose of reorganizing the company's corporate structure and consummating its initial public offering in 2005. Valor's principal assets are the direct and indirect equity interests of its subsidiaries. As a result, separate historical financial results for Valor for the periods prior to its formation have not been presented. Only the historical consolidated financial results of Valor Telecommunications, LLC have been presented for those periods.

The selected financial data presented below at March 31, 2006 and 2005 and for each of the three month periods then ended was derived from Valor's unaudited financial statements included in Valor's Quarterly Reports on Form 10-Q for the periods ended March 31, 2006 and 2005. The selected financial data presented below at December 31, 2005 and 2004 and for each of the three years in the period ended December 31, 2005 was derived from Valor's audited consolidated financial statements included in Valor's Annual Report on Form 10-K for the year ended December 31, 2005. The selected financial data presented below for the years ended December 31, 2002 and 2001 and at December 31, 2003, 2002 and 2001 was derived from Valor's audited consolidated financial statements for those periods. The information in the following table should be read together with Valor's audited consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, all included in Valor's Annual Report on Form 10-K for the year ended December 31, 2005.

	Three Months Ended		Year Ended December 31,				
	2006	2005	2005	2004	2003	2002(1)	2001
<b>(Dollars in millions, except per owner's unit/per share data)</b>							
<b>Statement of Operations data:</b>							
Operating revenues	\$ 125.6	\$ 125.9	\$ 505.9	\$ 507.3	\$ 497.3	\$ 479.9	\$ 424.9
Operating expenses	81.3	88.3	338.9	330.2	315.1	320.6	321.6
Operating income	44.3	37.6	167.0	177.1	182.3	159.3	103.3
Income (loss) from continuing operations	16.0	(12.6)	35.3	(27.8)	58.1	19.8	(44.9)
<b>Per owners unit/per common share data:</b>							
Basic and diluted income (loss) from continuing operations:							
Class A and B common interests		0.09	0.09	(0.09)	0.73	0.22	(0.58)
Class C interests		0.01	0.01	(0.46)	0.15	0.09	
Common Share basic(3)	0.23	(0.28)	0.42				
Common Share diluted(3)	0.23	(0.28)	0.41				
Basic and diluted net (loss) income:							
Class A and B common interests		0.09	0.09	(0.09)	0.73	0.17	(0.77)
Class C interests		0.01	0.01	(0.46)	0.15	0.09	
Common Share basic(3)	0.23	(0.28)	0.42				
Common Share diluted(3)	0.23	(0.28)	0.41				
Cash dividends declared per common share:	0.36	0.18	1.26				

**Cash flow data from continuing operations:**

Net cash provided by operating activities	\$ 41.9	\$ 40.5	\$ 191.1	\$ 143.7	\$ 166.1	\$ 150.4	\$ 100.3
Net cash provided by (used in) investing activities	\$ (10.2)	\$ 7.4	\$ (32.7)	\$ (34.9)	\$ (66.3)	\$ (216.8)	\$ (106.6)
Net cash (used in) provided by financing activities	\$ (26.0)	\$ (25.8)	\$ (111.2)	\$ (93.2)	\$ (99.5)	\$ 71.0	\$ 8.1

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	Three Months Ended March 31,			Year Ended December 31,			
	2006	2005	2005	2004	2003	2002(1)	2001
<b>(Dollars in millions, except per owner's unit/per share data)</b>							
	(Unaudited)		(Unaudited)				
<b>Other data:</b>							
Acquisitions	\$	\$	\$	\$ 1.5	\$	\$ 128.1	\$
Depreciation and amortization(2)	\$ 22.0	\$ 22.2	\$ 89.9	\$ 86.5	\$ 81.6	\$ 73.3	\$ 110.8
<b>Balance Sheet data:</b>							
Total assets	\$ 1,957.3	\$ 1,965.9	\$ 1,962.8	\$ 1,971.2	\$ 2,039.0	\$ 2,062.4	\$ 1,913.1
Long-term debt (including current maturities)	\$ 1,180.6	\$ 1,200.8	\$ 1,180.6	\$ 1,601.0	\$ 1,464.0	\$ 1,544.3	\$ 1,469.4
Notes payable	\$	\$	\$	\$ 1.9	\$ 6.7	\$ 1.2	\$ 10.2
Redeemable preferred interests	\$	\$	\$	\$ 236.1	\$ 370.2	\$ 370.2	\$ 370.2
Redeemable preferred interests of subsidiary	\$	\$	\$	\$ 15.8	\$ 24.5	\$ 21.2	\$ 20.6
<b>Statistical Data:</b>							
Wireline access lines	516,511	537,002	518,456	540,337	556,745	571,308	551,599
Long-distance customers	236,966	222,874	232,031	216,437	188,526	130,622	62,234
Broadband (DSL) customers	60,946	31,208	52,759	22,884	8,779	3,510	511
Capital expenditures	\$ 10.2	\$ 17.4	\$ 57.4	\$ 65.5	\$ 69.9	\$ 89.5	\$ 107.9

- (1) Valor acquired all of the outstanding common stock, preferred stock and common stock equivalents of Kerrville Communications Corporation on January 31, 2002 and such assets, liabilities and results of operations have been included from that date.
- (2) In accordance with Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002, Valor discontinued the amortization of goodwill. Amortization expense associated with goodwill was \$53.9 million for the year ended December 31, 2001.
- (3) For periods in 2005, earnings per common share represents the period following February 9, 2005, the closing date of our initial public offering.

**Table of Contents****SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA**

The summary below sets forth selected unaudited historical pro forma financial data for Valor after giving effect to the merger for the period indicated. The following table should be read together with the consolidated financial statements and accompanying notes of Spinco included in this proxy statement/ prospectus-information statement and of Valor included in the documents described under "Where You Can Find Additional Information" and the unaudited pro forma condensed combined financial statements and accompanying discussion and notes set forth under the heading "Unaudited Pro Forma Combined Condensed Financial Information" included herein. The pro forma amounts in the table below are presented for illustrative purposes only and do not indicate what the financial position or the results of operations of Valor would have been had the merger occurred as of the date or for the period presented. The pro forma amounts also do not indicate what the financial position or future results of operations of Valor will be. No adjustment has been included in the pro forma amounts for any anticipated cost savings or other synergies. See "Unaudited Pro Forma Combined Condensed Financial Information" on page 171.

	<b>For the Three Months Ended or as of March 31, 2006</b>	<b>For the Year Ended or as of December 31, 2005</b>
<b>(Dollars in millions, except per share data)</b>		
Revenue and sales	\$ 824.6	\$ 3,413.5
Depreciation and Amortization	\$ 131.9	\$ 593.3
Operating income	\$ 280.6	\$ 1,071.7
Income before income taxes	\$ 185.7	\$ 661.5
Income taxes	\$ 71.7	\$ 267.9
Income before cumulative effect of accounting change	\$ 114.0	\$ 393.6
Basic earnings per share	\$ 0.24	\$ 0.83
Diluted earnings per share	\$ 0.24	\$ 0.83
Weighted average common shares outstanding:		
Basic	474.60	474.20
Diluted	474.60	474.50
Dividends per common share	\$ 1.00	\$ 1.00
Total assets	\$ 7,750.8	\$ 7,907.3
Total stockholders' equity	\$ 532.6	\$ 628.0
Total long-term debt (including current maturities and short-term debt)	\$ 5,534.7	\$ 5,534.7
Book value per common share	\$ 1.12	\$ 1.32

**Table of Contents****COMPARATIVE HISTORICAL AND PRO FORMA PER SHARE DATA**

The summary below sets forth certain unaudited historical per share information for Valor and unaudited pro forma information of Valor as if Spinco and Valor had been combined for the period shown ( pro forma combined ). The unaudited pro forma combined per share data presented below for the year ended December 31, 2005 combines certain per share financial data of Spinco and Valor. The following table should be read together with the consolidated financial statements and accompanying notes of Spinco included elsewhere in this proxy statement/prospectus-information statement and of Valor included in the documents described under Where You Can Find Additional Information. The pro forma amounts in the table below are presented for illustrative purposes only and do not indicate what the financial position or the results of operations of Valor would have been had the merger occurred as of the date or for the period presented. The pro forma amounts also do not indicate what the financial position or future results of operations of Valor will be. No adjustment has been included in the pro forma amounts for any anticipated cost savings or other synergies as a result of the merger or for any potential inefficiencies or loss of synergies that may result from Spinco's separation from Alltel. Because Valor stockholders will own one share of Windstream for each share of Valor they owned prior to the merger, the Valor unaudited pro forma equivalent data will be the same as the corresponding unaudited pro forma combined data.

	<b>For the Three Months Ended or as of March 31, 2006</b>	<b>For the Year Ended or as of December 31, 2005</b>
<b>Valor Historical</b>		
Basic earnings per common share from continuing operations	\$ 0.23	\$ 0.42
Basic earnings per owner's unit, Class A and B common interests		\$ 0.09
Basic earnings per owner's unit, Class C common interests		\$ 0.01
Diluted earnings per common share from continuing operations	\$ 0.23	\$ 0.42
Diluted earnings per owner's unit, Class A and B common interests		\$ 0.09
Diluted earnings per owner's unit, Class C common interests		\$ 0.01
Book value per share	\$ 7.96	\$ 8.04
Cash dividends per share	\$ 0.36	\$ 1.26
<b>Windstream Pro Forma Combined</b>		
Basic earnings per common share from continuing operations	\$ 0.24	\$ 0.83
Diluted earnings per common share from continuing operations	\$ 0.24	\$ 0.83
Book value per share	\$ 1.12	\$ 1.32
Cash dividends per share	\$ 1.00	\$ 1.00
<b>Valor Pro Forma Equivalents</b>		
Basic earnings per common share from continuing operations	\$ 0.24	\$ 0.83
Diluted earnings per common share from continuing operations	\$ 0.24	\$ 0.83
Book value per share	\$ 1.12	\$ 1.32
Cash dividends per share	\$ 1.00	\$ 1.00

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**VALOR COMMUNICATIONS GROUP, INC.**  
**MARKET PRICE AND DIVIDEND INFORMATION**

Valor common stock currently trades on the New York Stock Exchange ( NYSE ) under the symbol VCG. On December 8, 2005, the last trading day before the announcement of the signing of the merger agreement, the last sale price of Valor common stock reported by the NYSE was \$12.24. On May 24, 2006, the last practicable trading day prior to the date of this proxy statement/ prospectus-information statement, the last sale price of Valor common stock reported by the NYSE was \$12.66. Valor completed its initial public offering on February 9, 2005 and registered 29,375,000 shares of common stock which began trading on the NYSE under the symbol VCG. Prior to February 9, 2005, Valor s common stock was not publicly traded. The following table sets forth the high and low closing sales prices of Valor common stock for the periods indicated. The quotations are as reported in published financial sources. For current price information, Valor stockholders are urged to consult publicly available sources.

	<b>Valor Communications Group, Inc. Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>Calendar Year Ended Dec. 31, 2005</b>		
First Quarter(1)	\$ 16.00	\$ 14.47
Second Quarter	\$ 14.67	\$ 12.84
Third Quarter	\$ 14.19	\$ 13.53
Fourth Quarter	\$ 13.62	\$ 11.40
<b>Calendar Year Ended Dec. 31, 2006</b>		
First Quarter	\$ 13.40	\$ 11.54
Second Quarter (through May 24, 2006)	\$ 13.47	\$ 12.63

(1) Represents the high and low closing prices for Valor common stock for the period of February 9, 2005 through March 31, 2005.

Market price data for Spinco has not been presented as Spinco common shares do not trade separately from Alltel Corporation common shares. Valor s dividend policy is to pay quarterly dividends at a rate of \$1.44 per share, per annum, to the extent such dividends are permitted by applicable law and by the terms of Valor s credit facility. Valor expects to pay a pro-rated third quarter dividend based upon its current policy of paying dividends on each share of its common stock at a rate of \$1.44 per share per annum. Valor will pay such dividend to Valor stockholders of record as of the close of business on the business day immediately preceding the closing date of the merger, and the dividend will be payable for the period between July 1, 2006 through the closing date of the merger. For example, if closing occurs on July 17, Valor will pay a pro-rata dividend for the 17 days of the third quarter at its quarterly dividend rate of \$0.36 per share, or \$.07 per share (17/92 x \$0.36). For information on Windstream s dividend policy following the merger, see The Transactions Dividend Policy of Windstream.

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**THE MERGER**

**Introduction**

Stockholders of Valor Communications Group, Inc. are being asked to adopt the Agreement and Plan of Merger, dated as of December 8, 2005 and amended as of May 18, 2006, by and among Alltel Corporation, Alltel Holding Corp. and Valor. Under the merger agreement, Alltel Holding Corp. (which we refer to as Spinco ) will merge with and into Valor, and Valor will survive as a stand-alone company and will hold and conduct the combined business operations of Valor and Spinco. Following completion of the merger, the separate existence of Spinco will cease. The merger will take place immediately after Alltel contributes the assets making up its wireline telecommunications business to Spinco and distributes the common stock of Spinco to a third-party exchange agent for the benefit of its stockholders. Immediately following the merger, Valor will change its name to Windstream Corporation , and its common stock will be quoted on the NYSE and will be traded under the ticker symbol WIN. For ease of reference, throughout this proxy statement/ prospectus-information statement we will refer to Windstream Corporation, the new company formed by the merger of Valor and Spinco as Windstream. When the merger is completed, Alltel stockholders will collectively own approximately 85%, and Valor s stockholders will collectively own approximately 15%, of the shares of common stock of Windstream on a diluted basis.

In the merger, each share of Spinco common stock will be converted into the right to receive shares of Valor common stock. Existing shares of Valor common stock will remain outstanding. Valor expects to issue up to approximately 403,000,000 shares of common stock to Alltel stockholders pursuant to the merger. However, since the number of shares to be issued will be calculated based on the number of shares of Valor common stock outstanding on a fully diluted basis immediately prior to the effective time of the merger, and our estimate is based on Valor s current shares outstanding, the actual number of shares issued may be less than or greater than 403,000,000. Before Valor may issue these shares, the Valor certificate of incorporation must be amended to increase the authorized shares of Valor common stock from 200,000,000 to 1,000,000,000. Accordingly, Valor stockholders are also being asked to approve an amendment to Valor s certificate of incorporation pursuant to the merger increasing the authorized number of shares of Valor common stock and to approve the issuance of Valor common stock to Alltel stockholders pursuant to the merger.

For a more complete discussion of the merger and the transactions to be consummated in connection therewith, see the section titled The Transactions on page 33 of this proxy statement/ prospectus-information statement.

**The Companies**

***Valor Communications Group, Inc.***

Valor is one of the largest providers of telecommunications services in rural communities in the southwestern United States and, based on its number of access lines, the seventh largest independent telephone company in the country. As of March 31, 2006, Valor operated 516,511 telephone access lines in primarily rural areas of Texas, Oklahoma, New Mexico and Arkansas. Valor believes that in many of its markets it is the only service provider that offers customers an integrated package of local and long distance voice, high-speed data and Internet access as well as a variety of enhanced services such as voicemail and caller identification. Valor generated revenues of \$125.6 million and net income of \$16.0 million in the three months ended March 31, 2006, and revenues of \$505.9 million and net income of \$35.3 million in the year ended December 31, 2005.

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

**Table of Contents*****Alltel Holding Corp.***

Alltel Holding Corp. (also referred to herein as Spinco) is currently a wholly-owned subsidiary of Alltel Corporation and was incorporated in its current form as a Delaware corporation on November 2, 2005 for the purpose of holding Alltel Corporation's wireline business to be transferred to it in connection with the spin-off. Alltel Corporation's wireline business is currently operated by certain of its subsidiaries, each of which will be transferred to Spinco prior to the closing of the spin-off and the merger. These subsidiaries provide wireline local, long-distance, network access and Internet services. These subsidiaries also sell and warehouse telecommunications products and publish telephone directories for affiliates and other independent telephone companies. This proxy statement/prospectus-information statement describes Spinco as if it held the subsidiaries that will be transferred to it prior to closing of the spin-off and the merger for all historical periods presented.

Spinco operates its communications businesses as a single operation capable of delivering to customers one-stop shopping for a full range of communications products and services. As of March 31, 2006, including customers of its wireline and long-distance services, Spinco served approximately 2.9 million communications customers in rural areas in 15 states. Spinco generated revenues and sales of \$703.0 million and net income of \$112.8 million in the three months ended March 31, 2006; and revenues and sales of \$2,923.5 million and net income of \$374.3 million in the year ended December 31, 2005.

Spinco is organized based on the products and services that it offers. Under this organizational structure, Spinco's operations consist of its Wireline, Other Operations and Product Distribution business segments. Spinco's Wireline segment consists of Spinco's incumbent local exchange carrier (ILEC), competitive local exchange carrier (CLEC) and Internet access operations. The Other Operations segment consists of Spinco's long-distance and network management services, directory publishing operations and telecommunications information services. The Product Distribution segment consists of Spinco's communications products operations. As of March 31, 2006, Spinco's wireline subsidiaries provide local telephone service to approximately 2.9 million customers primarily located in rural areas in 15 states. The wireline subsidiaries also offer facilities for private line, data transmission and other communications services. Wireline revenues, which consist of local service, network access and long-distance and miscellaneous revenues, comprised 79.8 percent and 78.2 percent of Spinco's total operating revenues from business segments in the first quarter of 2006 and the full year of 2005, respectively. Spinco provides long-distance service in all of the states in which Spinco provides local exchange service. In addition, Spinco offers long-distance service outside its ILEC service areas. As of March 31, 2006, Spinco provided long-distance service to approximately 1.75 million customers. Network management services are currently marketed to business customers in select areas. These services are ancillary service offerings and are not significant components of Spinco's communications operations. Revenues and sales from Spinco's other operations comprised 10.6 percent and 11.6 percent of Spinco's total operating revenues from business segments in the first quarter of 2006 and the full year of 2005, respectively. Spinco's product distribution operations sell communications and data products to affiliated and non-affiliated telecommunications companies and other related industries. Revenues and sales from Spinco's product distribution operations comprised 9.6 percent and 10.2 percent of Spinco's total operative revenues from business segments in the first quarter of 2006 and the full year of 2005, respectively.

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**RISK FACTORS**

*You should carefully consider the following risk factors, together with the other information contained in this proxy statement/prospectus-information statement and the annexes hereto and documents incorporated by reference herein. Any of these risks could materially and adversely affect the price of Windstream's common stock following completion of the merger.*

**Risks Relating to the Spin-Off and the Merger**

***The calculation of the merger consideration will not be adjusted in the event the value of the business or assets of Spinco decline before the merger is completed. As a result, at the time you vote on the merger you will not know what the value of Windstream common stock will be following completion of the merger.***

The calculation of the number of shares of Valor common stock to be issued pursuant to the merger will not be adjusted in the event the value of the Alltel wireline telecommunications business that is being contributed to Spinco declines. If the value of this business declines after Valor stockholders approve the merger proposals, the market price of the common stock of the combined company following completion of the merger will be less than Valor stockholders anticipated when they voted to approve the merger proposals. While Valor will not be required to consummate the merger upon the occurrence of any event or circumstances that has, or could reasonably be expected to have, a material adverse effect on Spinco, neither Alltel nor Valor will be permitted to terminate the merger agreement or resolicit the vote of Valor stockholders because of any changes in the value of the Spinco business or the market prices of their respective common stocks that do not rise to the level of a material adverse effect on Spinco (as defined in the merger agreement).

***Windstream may not realize the anticipated synergies, cost savings and growth opportunities from the merger.***

The success of the merger will depend, in part, on the ability of Spinco and Valor to realize the anticipated synergies, cost savings and growth opportunities from integrating the businesses of Valor with those of Spinco. Windstream's success in realizing these synergies, cost savings and growth opportunities, and the timing of this realization, depends on the successful integration of Spinco's and Valor's business and operations. Even if the companies are able to integrate their business operations successfully, there can be no assurance that this integration will result in the realization of the full benefits of synergies, cost savings and growth opportunities that Spinco and Valor currently expect from this integration or that these benefits will be achieved within the anticipated time frame. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, the benefits from the merger may be offset by costs incurred in integrating the companies and regulatory authorities may impose adverse conditions on the combined business in connection with granting approval for the merger.

***The integration of Spinco and Valor following the merger may present significant challenges to Windstream management which could cause management to fail to respond effectively to the increasing forms of competition facing Windstream's business and accelerate Windstream's rate of access line loss.***

There is a significant degree of difficulty and management distraction inherent in the process of integrating the Spinco and Valor businesses. These difficulties include:

the necessity of consolidating an organization with its corporate headquarters located in Irving, Texas with an organization with its corporate headquarters located in Little Rock, Arkansas;

the challenge of integrating the business cultures of Valor with the new management team principally comprised of former Alltel employees, which may prove to be incompatible; and

the need to retain key officers and personnel of Spinco and Valor.

The process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of Spinco and Valor's businesses. Following completion of the merger, Windstream's new senior management team, which will be put into place by virtue of the merger, may be required to devote

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considerable amounts of time to this integration process, which will decrease the time they will have to manage the business of Windstream, service existing customers, attract new customers and develop new products or strategies. One potential consequence of such distractions could be the failure of management to realize opportunities to respond to the increasing forms of competition that Windstream's business is facing, which could increase the rate of access line loss that Windstream's business has experienced in recent years. If Windstream's senior management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Windstream's business could suffer.

Spinco and Valor cannot assure you that they will successfully or cost-effectively integrate the Valor businesses and the existing businesses of Spinco. The failure to do so could have a material adverse effect on Windstream's business, financial condition and results of operations following completion of the merger.

***After the close of the transaction, sales of Windstream common stock may negatively affect its market price.***

The market price of Windstream common stock could decline as a result of sales of a large number of shares of Windstream common stock in the market after the completion of the merger or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for Windstream to obtain additional capital by selling equity securities in the future at a time and at a price that Windstream deems appropriate.

Immediately after the merger, Alltel stockholders will collectively hold, in the aggregate, approximately 85% of Windstream common stock on a fully diluted basis. Currently, Alltel stock is included in index funds tied to the Standard & Poor's 500 Index or other stock indices and institutional investors subject to various investing guidelines. Because Windstream may not be included in these indices at the time of the merger or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may be required to sell Windstream common stock that they receive in the spin-off. These sales may negatively affect Windstream's common stock price.

***Regulatory agencies may delay or impose conditions on approval of the spin-off and the merger, which may diminish the anticipated benefits of the merger.***

Completion of the spin-off and merger is conditioned upon the receipt of required government consents, approvals, orders and authorizations. While Valor and Spinco intend to pursue vigorously all required governmental approvals and do not know of any reason why they would not be able to obtain the necessary approvals in a timely manner, the requirement to receive these approvals before the spin-off and merger could delay the completion of the spin-off and merger, possibly for a significant period of time after Valor stockholders have approved the merger proposals at the annual meeting. In addition, these governmental agencies may attempt to condition their approval of the merger on the imposition of conditions that could have an adverse effect on Windstream's operating results or the value of Windstream's common stock after the spin-off and merger are completed. Any delay in the completion of the spin-off and merger could diminish anticipated benefits of the spin-off and merger or result in additional transaction costs, loss of revenue or other effects associated with uncertainty about the transaction. Any uncertainty over the ability of the companies to complete the spin-off and merger could make it more difficult for Spinco and Valor to retain key employees or to pursue business strategies. In addition, until the spin-off and merger are completed, the attention of Spinco and Valor management may be diverted from ongoing business concerns and regular business responsibilities to the extent management is focused on matters relating to the transaction, such as obtaining regulatory approvals.

***Some of the directors, officers and stockholders of Valor have interests that may be different from, or in addition to, the interests of Valor stockholders.***

In considering the Valor Board of Directors' determination to approve the merger agreement and to recommend that Valor stockholders vote to adopt the merger agreement and to take the other recommended actions, Valor stockholders should be aware of potential conflicts of interest of, and the benefits available to, certain Valor stockholders, directors and officers. These stockholders, directors and officers may have interests

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in the merger that may be different from, or in addition to, the interests of Valor stockholders as a result of, among other things:

arrangements regarding the appointment of directors and officers of Valor;

restrictions upon certain restricted shares under Valor stock plans issued prior to the date of the merger agreement, including those held by executive officers and directors, will lapse; and

modifications to employment and severance arrangements maintained for Valor executive officers that may result in increased benefits to such officers.

You should read *The Transactions* *Interests of Certain Persons in the Merger* on page 65 for a more complete description of the interests and benefits listed above.

***The merger agreement contains provisions that may discourage other companies from trying to acquire Valor.***

The merger agreement contains provisions that may discourage a third party from submitting a business combination proposal to Valor that might result in greater value to Valor stockholders than the merger. The merger agreement generally prohibits Valor from soliciting any acquisition proposal. In addition, if the merger agreement is terminated by Valor or Alltel in circumstances that obligate Valor to pay a termination fee and to reimburse transaction expenses to Alltel, Valor's financial condition may be adversely affected as a result of the payment of the termination fee and transaction expenses, which might deter third parties from proposing alternative business combination proposals.

***If the spin-off does not constitute a tax-free spin-off under section 355 of the Code or the merger does not constitute a tax-free reorganization under section 368(a) of the Code, either as a result of actions taken in connection with the spin-off or the merger or as a result of subsequent acquisitions of stock of Alltel or stock of Windstream, then Alltel, Windstream and/or Alltel stockholders may be responsible for payment of United States federal income taxes.***

The spin-off and merger are conditioned upon Alltel's receipt of a private letter ruling from the IRS (which Alltel received on April 7, 2006) to the effect that the spin-off, including (i) the contribution of the wireline business to Spinco, (ii) the receipt by Alltel of Spinco debt securities and the special dividend and (iii) the exchange by Alltel of Spinco debt securities for Alltel debt, will qualify as tax-free to Alltel, Spinco and the Alltel stockholders for United States federal income tax purposes under Sections 355 and 368 and related provisions of the Code. Although a private letter ruling from the IRS generally is binding on the IRS, if the factual representations or assumptions made in the letter ruling request are untrue or incomplete in any material respect, then Alltel and Windstream will not be able to rely on the ruling.

The spin-off and merger are also conditioned upon the receipt by Alltel of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Alltel, to the effect that the spin-off will be tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and other related provisions of the Code. The opinion will rely on the IRS letter ruling as to matters covered by the ruling. Lastly, the spin-off and the merger are conditioned on Alltel's receipt of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP and Valor's receipt of an opinion of Kirkland & Ellis LLP, counsel to Valor, each to the effect that the merger will be treated as a tax-free reorganization within the meaning of Section 368(a) of the Code. All of these opinions will be based on, among other things, current law and certain representations and assumptions as to factual matters made by Alltel, Spinco and Valor. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached by counsel in its opinion. The opinions will not be binding on the IRS or the courts, and the IRS or the courts may not agree with the opinions.

The spin-off would become taxable to Alltel pursuant to Section 355(e) of the Code if 50% or more of the shares of either Alltel common stock or Spinco common stock (including common stock of Windstream, as a successor to Spinco) were acquired, directly or indirectly, as part of a plan or series of related transactions that included the spin-off. Because the Alltel stockholders will own more than 50% of the Windstream



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common stock following the merger, the merger, standing alone, will not cause the spin-off to be taxable to Alltel under Section 355(e). However, if the IRS were to determine that other acquisitions of Alltel common stock or Windstream common stock, either before or after the spin-off and the merger, were part of a plan or series of related transactions that included the spin-off, such determination could result in the recognition of gain by Alltel under Section 355(e). In any such case, the gain recognized by Alltel likely would include the entire fair market value of the stock of Spinco, and thus would be very substantial. In connection with the request for the IRS private letter rulings and the opinion of Alltel's counsel, Alltel has represented that the spin-off is not part of any such plan or series of related transactions.

In certain circumstances, under the merger agreement, Windstream would be required to indemnify Alltel against tax-related losses to Alltel that arise as a result of a disqualifying action taken by Windstream or its subsidiaries after the distribution. See **Risk Factors** **Risks Relating to Windstream's Business After the Merger** **Windstream may be affected by significant restrictions after the merger** and **The Merger Agreement** **Tax Matters**. If Alltel should recognize gain on the spin-off for reasons not related to a disqualifying action by Windstream, Alltel would not be entitled to be indemnified under the merger agreement. Even if Section 355(e) were to cause the spin-off to be taxable to Alltel, the spin-off would remain tax-free to Alltel's stockholders.

See **Certain United States Federal Income Tax Consequences of the Spin-Off and the Merger** beginning on page 76.

***Failure to complete the merger could adversely impact the market price of Valor common stock as well as Valor's business and operating results.***

If the merger is not completed for any reason, the price of Valor common stock may decline to the extent that the market price of Valor common stock reflects positive market assumptions that the spin-off and the merger will be completed and the related benefits will be realized. Valor may also be subject to additional risks if the merger is not completed, including:

depending on the reasons for termination of the merger agreement, the requirement that Valor pay Alltel a termination fee of \$35 million;

substantial costs related to the merger, such as legal, accounting, filing, financial advisory and financial printing fees, must be paid regardless of whether the merger is completed; and

potential disruption to the businesses of Valor and distraction of its workforce and management team.

***Valor Stockholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

After the merger's completion, Valor stockholders will own a significantly smaller percentage of Windstream than they currently own of Valor. Following completion of the merger, Valor's stockholders will own approximately 15% of Windstream on a fully-diluted basis. Consequently, Valor stockholders, as a group, will be able to exercise less influence over the management and policies of Windstream than they currently exercise over the management and policies of Valor.

**Risks Relating to Windstream's Business After the Merger**

***Following completion of the merger, Windstream will face intense competition in its businesses from many sources that could reduce its market share or adversely affect its financial performance.***

Substantial and increasing competition exists in the wireline communications industry. Some of Windstream's incumbent local exchange carrier (ILEC) operations have experienced, and will continue to experience, competition in their local service areas. Sources of competition to Windstream's local service business will include, but are not limited to, wireless communications providers, resellers of local exchange services, interexchange carriers, satellite transmission service providers, cable television companies, competitive access service providers, including, without limitation, those utilizing Unbundled Network Elements-

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Platform or UNE-P, and voice-over-Internet-protocol, or VoIP, and providers using other emerging technologies.

Competition could adversely impact Windstream in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers reducing their usage of our services or shifting to less profitable services, (iii) our need to lower prices or increase marketing expenses to remain competitive and (iv) our inability to diversify by successfully offering new products or services.

***Competition from wireless carriers, such as Alltel, is likely to continue to cause access line losses for Windstream which could adversely affect Windstream's operating results and financial performance.***

Competition, mainly from wireless and broadband substitution, has caused in recent years a reduction in the number of Valor and Spinco's access lines and generally has caused pricing pressure in the industry. As wireless carriers, such as Alltel, continue to expand and improve their network coverage while lowering their prices, some customers choose to stop using traditional wireline phone service and instead rely solely on wireless service. We anticipate that this trend toward solely using wireless services will continue, particularly if wireless service rates continue to decline and the quality of wireless services improves. While Alltel's wireless services already compete with Windstream's communications services in many of Windstream's exchange areas, it is likely that competition from Alltel wireless will increase and be more directed at Windstream's communication services as a result of Alltel's increased wireless focus following the transactions. Like Alltel, many wireless carriers are substantially larger and will have greater financial resources and superior brand recognition than Windstream. In the future, it is expected that the number of access lines served by Windstream will continue to be adversely affected by wireless and broadband substitution and that industry-wide pricing pressure will continue. There can be no assurances that Windstream will be able to compete successfully with Alltel or other wireless carriers.

***Windstream may not be able to compete successfully with cable operators which are subject to less stringent industry regulations.***

Cable television companies deploying a cable modem service will represent Windstream's principal competitors for broadband Internet access. As of December 31, 2005 cable modem competition existed in exchanges representing 85 percent of Spinco's access lines and in exchanges representing 45 percent of Valor's access lines, representing 79 percent of the total combined access lines. Broadband offerings by cable television companies are mostly unregulated by state public service commissions who regulate Windstream and are not subject to tariffs, therefore providing such companies much greater pricing flexibility. In contrast, Windstream's broadband DSL offering is federally regulated and will be required to comply with federal tariffs.

Windstream will also face competition from cable television companies providing voice service offerings. Voice offerings of cable operators are offered mainly under Competitive Local Exchange Carrier certificates obtained in states where they offer services and therefore are subject to fewer service quality or service reporting requirements. In addition, the rates or prices of the voice service offerings of cable companies are not subject to regulation. In contrast, the voice service rates or prices of Windstream, in its capacity as an Incumbent Local Exchange Carrier, will be subject to regulation by various state public service commissions and, unlike cable operators, will also be subject to carrier of last resort obligations which will generally obligate Windstream to provide basic voice services to any person regardless of the profitability of such customer. There can be no assurances that Windstream will be able to compete successfully with cable companies in either the offering of broadband or voice services.

***Windstream may not be able to compete successfully against companies offering integrated communication services.***

Through mergers, joint ventures and various service expansion strategies, providers of competing communications services are increasingly able to provide integrated services in many of the markets Windstream will serve. If Windstream is unable to offer integrated service offerings, it may not be able to compete successfully against competitors that offer more integrated service packages.

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During the fourth quarter of 2005, Spinco began offering DISH Network satellite television service to Spinco's residential customers as part of a bundled service offering. Following the merger, Windstream is expected to continue the relationship with DISH Network and to offer additional bundled services such as DSL, Internet access, long distance and second lines with its basic voice service to create more appealing product offerings at more attractive prices to its customers. However, it may be difficult for Windstream to provide customers a single, clear invoice and integrated customer care for bundled services. There can be no assurance that Windstream will be able to successfully provide bundled service offerings to its customers or that Windstream will be able to compete successfully against competitors offering such services.

***Following completion of the merger, Windstream could be harmed by rapid changes in technology.***

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and wireless communications. Rapid technological developments in cellular telephone, personal communications services, digital microwave, satellite, broadband radio services, local multipoint distribution services, meshed wireless fidelity, or WiFi, and other wireless technologies could result in the development of products or services that compete with or displace those offered by traditional local exchange carriers (LECs). For example, Windstream may be unable to retain existing customers who decide to replace their wireline telephone service with wireless telephone service. In addition, the development and deployment of cable and broadband technology will result in additional local telephone line losses for Windstream if customers choose VoIP for their local telephone service. Additional access line loss will also likely occur as customers shift from dial-up data services, which are often on a second phone line, to high-speed data services. Furthermore, the proliferation of replacement technologies impacting its wireline business could require Windstream to make significant additional capital investment in order to compete with other service providers that may enjoy network advantages that will enable them to provide services more efficiently or at a lower cost. Alternatively, Windstream may not be able to obtain timely access to new technology on satisfactory terms or incorporate new technology into its systems in a cost effective manner, or at all. If Windstream cannot develop new services and products to keep pace with technological advances, or if such services and products are not widely embraced by its customers, Windstream's results of operations could be adversely impacted.

***Windstream will provide services to its customers over access lines, and if it loses access lines like Spinco and Valor historically have, its revenues, earnings and cash flow from operations could be adversely affected.***

Windstream's business will generate revenue by delivering voice and data services over access lines. Spinco and Valor have each experienced net access line loss over the past few years, and during the year ended December 31, 2005, the number of access lines they served collectively declined by 4 percent due to a number of factors, including increased competition and wireless and broadband substitution. Following the merger, Windstream is expected to continue to experience net access line loss in its markets for an unforeseen period of time. Windstream's inability to retain access lines could adversely affect its revenues, earnings and cash flow from operations.

***Windstream will be subject to various forms of regulation from the Federal Communications Commission and the regulatory commissions in the 16 states in which it will operate which limits Windstream's pricing flexibility for regulated voice and broadband DSL products, subjects Windstream to service quality, service reporting and other obligations, and exposes Windstream to the reduction of revenue from changes to the universal service fund or the intercarrier compensation system.***

As a provider of wireline communication services, Valor and Spinco will have been granted operating authority by each of the 16 states in which they conduct ILEC and CLEC operations. Following completion of the merger, Windstream will be subject to various forms of regulation from the regulatory commissions in each of these 16 states as well as from the FCC. State regulatory commissions have primary jurisdiction over local and intrastate services including to some extent, the rates that Windstream will charge customers, including, without limitation, other telecommunications companies, and service quality standards. The FCC has primary jurisdiction over interstate services including the rates that Windstream will charge other telecommunications companies that will use its network and other issues related to interstate service. These



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regulations will restrict Windstream's ability to adjust rates to reflect market conditions and will impact its ability to compete and respond to changing industry conditions.

Future revenues, costs, and capital investment in Windstream's wireline business could be adversely affected by material changes to these regulations, including, but not limited to, changes in inter-carrier compensation, state and federal Universal Service Fund (USF) support, UNE and UNE-P pricing and requirements, and VoIP regulation. Federal and state communications laws may be amended in the future, and other laws may affect Windstream's business. In addition, certain laws and regulations applicable to Windstream and its competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment, or the impact such developments or changes would have.

In addition, these regulations could create significant compliance costs for Windstream. Delays in obtaining certifications and regulatory approvals could cause it to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that Windstream is able to charge its customers. Windstream's business also may be impacted by legislation and regulation imposing new or greater obligations related to assisting law enforcement, bolstering homeland security, minimizing environmental impacts, or addressing other issues that impact Windstream's business. For example, existing provisions of the Communications Assistance for Law Enforcement Act require communications carriers to ensure that their equipment, facilities, and services are able to facilitate authorized electronic surveillance. Windstream's compliance costs will increase if future legislation, regulations or orders continue to increase its obligations.

***In 2005, Spinco and Valor received 5.8% and 22.8% of their respective revenues from state and federal Universal Service Funds, and any adverse regulatory developments with respect to these funds could adversely affect Windstream's profitability following completion of the merger.***

Spinco and Valor receive state and federal USF revenues to support the high cost of providing affordable telecommunications services in rural markets. Such support payments constituted 5.8% and 22.8% of Spinco and Valor's revenues, respectively, for the year ended December 31, 2005. A portion of such fees are based on relative cost structures, and we expect receipt of such fees to decline as we continue to reduce costs. Pending regulatory proceedings could, depending on the outcome, materially reduce our USF revenues.

Following completion of the merger, Windstream will be required to make contributions to state and federal USFs each year. Current state and federal regulations allow Windstream to recover these contributions by including a surcharge on its customers' bills. If state and/or federal regulations change, and Windstream becomes ineligible to receive support, such support is reduced, or Windstream becomes unable to recover the amounts it contributes to the state and federal USFs from its customers, its earnings and cash flow from operations would be directly and adversely affected.

***You may not receive the level of dividends provided for in the dividend policy Windstream's Board of Directors will adopt upon the closing of the merger or any dividends at all.***

The Board of Directors of Windstream will adopt a dividend policy, effective upon the closing of the merger, which reflects an intention to distribute a substantial portion of the cash generated by Windstream's business in excess of operating needs, interest and principal payments on Windstream's indebtedness, capital expenditures, taxes and future reserves, if any, as regular quarterly dividends to Windstream stockholders. See The Transactions Dividend Policy of Windstream. The Board of Directors of Windstream may, in its discretion, amend or repeal this dividend policy. Windstream's initial dividend policy is based upon Alltel and Valor's current assessment of Windstream's business and the environment in which it will operate, and that assessment could change based on competitive or technological developments (which could, for example, increase its need for capital expenditures) or new growth opportunities. In addition, future dividends with respect to shares of Windstream common stock, if any, will depend on, among other things, Windstream's cash flows, cash requirements, financial condition, contractual restrictions, provisions of applicable law and other factors that Windstream's Board of Directors may deem relevant. The Windstream Board of Directors may decrease the level of dividends provided for in the dividend policy or discontinue the payment of



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dividends entirely. Windstream's senior secured credit facility and notes are expected to contain significant restrictions on its ability to make dividend payments. We cannot assure you that Windstream will generate sufficient cash from continuing operations in the future, or have sufficient surplus or net profits, as the case may be, under Delaware law, to pay dividends on its common stock in accordance with the dividend policy adopted by the Windstream Board of Directors. The reduction or elimination of dividends may negatively affect the market price of Windstream's common stock.

***Windstream's substantial indebtedness could adversely affect its operations and financial condition.***

Although Windstream's leverage ratio of debt to operating income before depreciation and amortization will be substantially lower after the merger than Valor's current leverage ratio, Windstream will have substantial indebtedness following completion of the merger. As currently contemplated and as described in "Financing of Windstream" beginning on page 103, it is expected that Windstream will have approximately \$5.5 billion in consolidated debt after the closing of the transaction. This indebtedness could have important consequences to Windstream, such as:

limiting its operational flexibility due to the covenants contained in its debt agreements;

limiting its ability to invest operating cash flow in its business due to debt service requirements;

limiting its ability to compete with companies that are not as highly leveraged and that may be better positioned to withstand economic downturns;

increasing its vulnerability to economic downturns and changing market conditions; and

to the extent that Windstream's debt is subject to floating interest rates, increasing its vulnerability to fluctuations in market interest rates.

Windstream expects to generate sufficient funds to pay its expenses and to pay the principal and interest on its outstanding debt from its operations. Windstream's ability to meet its expenses and debt service obligations will depend on its future performance, which will be affected by financial, business, economic and other factors, including potential changes in customer preferences, the success of product and marketing innovation and pressure from competitors. If Windstream does not have enough money to meet its debt service obligations, it may be required to refinance all or part of its existing debt, sell assets or borrow more money. Windstream may not be able to, at any given time, refinance its debt, sell assets or borrow more money on terms acceptable to it.

***Windstream will be subject to restrictive debt covenants, which may restrict its operational flexibility.***

After the merger, Windstream's credit facilities and senior unsecured notes will contain covenants that restrict its ability with respect to the incurrence of additional indebtedness, liens, capital expenditures, loans and investments and will limit its ability to take certain action with respect to dividends and payments in respect of capital stock, and will limit its ability to enter into mergers, consolidations, acquisitions, asset dispositions and will place restrictions on other matters generally restricted in senior secured loan agreements. After the merger, the new credit facilities will also require the company to maintain specified financial ratios and satisfy financial condition tests. Windstream's ability to meet those financial ratios and tests may be affected by events beyond its control, and we cannot assure you that it will meet those ratios and tests. A breach of any of these covenants, ratios, tests or restrictions could result in an event of default under the new credit facilities and the notes, in which case, the lenders and/or holders of the notes could elect to declare all amounts outstanding to be immediately due and payable and the lenders could terminate its commitments to extend additional loans. If the lenders under the new credit facilities and/or the holders of the notes accelerate the payment of the indebtedness, we cannot assure you that Windstream's assets would be sufficient to repay in full the indebtedness and any other indebtedness that would become due as a result of any acceleration.

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***Windstream will likely incur a significant one-time charge relating to the integration of the operations of Valor with Spinco that could materially and adversely affect the future results of operations of Windstream following the merger.***

We are developing a plan to integrate the operations of Valor with Spinco after the merger. We anticipate that Windstream will incur a one-time charge to earnings of approximately \$30 million to \$50 million in connection with the transactions contemplated by the spin-off and the merger. We will not be able to quantify the exact amount of this charge or the time at which it will be incurred until after the merger is completed. The amount of the charge may be significantly different than the current estimate, and the charge may have a material and adverse effect on the results of operations of Windstream in the period in which it is recorded.

***Immediately following the merger, Valor will change its name to Windstream Corporation and will launch a rebranding campaign that will require Windstream to incur substantial capital and other costs and may not receive a favorable reception from customers.***

Prior to the merger of Valor and Spinco, our products and services were marketed using the Valor and Alltel brand names and logos. Immediately following the merger, Valor will change its name to Windstream Corporation and will discontinue use of the Alltel and Valor names after a brief transitional period. Windstream will incur substantial capital and other costs associated with launching and marketing its new brand. Windstream also may not be able to achieve or maintain comparable name recognition or status under its new brand, which could adversely affect its ability to attract and retain customers, resulting in reduced revenues.

***Windstream may be affected by significant restrictions following the merger with respect to certain actions that could jeopardize the tax-free status of the spin-off or the merger.***

Even if the spin-off otherwise qualifies as a spin-off under Section 355 of the Internal Revenue Code, the distribution of Valor common stock to the exchange agent for the benefit of Alltel stockholders in connection with the spin-off and the merger may not qualify as tax-free to Alltel under Section 355(e) of the Internal Revenue Code if 50% or more of the stock of Alltel or Spinco (including Windstream as a successor to Spinco) is acquired as part of a plan or series of related transactions that includes the spin-off.

The merger agreement restricts Windstream from taking certain actions that could cause the spin-off to be taxable to Alltel under Section 355(e) or otherwise jeopardize the tax-free status of the spin-off or the merger (which the merger agreement refers to as disqualifying actions), including:

generally, for two years after the spin-off, taking, or permitting any of its subsidiaries to take, an action that might be a disqualifying action without receiving the prior consent of Alltel;

for two years after the spin-off, entering into any agreement, understanding or arrangement or engaging in any substantial negotiations with respect to any transaction involving the acquisition of Windstream stock or the issuance of shares of Windstream's stock, or options to acquire or other rights in respect of such stock, in excess of a permitted basket of 71,130,989 shares (as adjusted for stock splits, stock dividends, recapitalizations, reclassifications and similar transactions), unless, generally, the shares are issued to qualifying Windstream employees or retirement plans, each in accordance with safe harbors under regulations issued by the IRS;

for two years after the spin-off, repurchasing Windstream's shares, except to the extent consistent with guidance issued by the IRS;

for two years after the spin-off, permitting certain wholly-owned subsidiaries that were wholly-owned subsidiaries of Spinco at the time of the spin-off to cease the active conduct of the Spinco business to the extent so conducted by those subsidiaries immediately prior to the spin-off; and

for two years after the spin-off, voluntarily dissolving, liquidating, merging or consolidating with any other person, unless (i) Windstream is the survivor of the merger or consolidation or (ii) prior to undertaking such action, Windstream receives the prior consent of Alltel.



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Nevertheless, Windstream will be permitted to take any of the actions described above in the event that the IRS has granted a favorable ruling to Alltel or Valor as to the effect of such action on the tax-free status of the transactions described in this document. To the extent that the tax-free status of the transactions is lost because of a disqualifying action taken by Windstream or any of its subsidiaries after the distribution date (except to the extent that Alltel has delivered a previous determination to Windstream permitting such action), Windstream generally will be required to indemnify, defend and hold harmless Alltel and its subsidiaries (or any successor to any of them) from and against any and all resulting tax-related losses incurred by Alltel.

Because of these restrictions, Windstream may be limited in the amount of stock that it can issue to make acquisitions or raise additional capital in the two years subsequent to the spin-off and merger. Also, Windstream's indemnity obligation to Alltel might discourage, delay or prevent a change of control during this two-year period that stockholders of Windstream may consider favorable. See *The Merger Agreement* on page 79; *The Tax Sharing Agreement* on page 99 and *Certain United States Federal Income Tax Consequences of the Spin-Off and the Merger* beginning on page 76.

***Rapid and significant changes in technology could require Windstream to significantly increase capital investment or could result in reduced demand for its services.***

New communication technologies may impact Windstream's wireline business. For example, Windstream may be unable to retain existing customers who decide to replace their wireline telephone service with wireless telephone service. Furthermore, the development and deployment of cable and DSL broadband technology will likely result in additional local telephone line losses for Windstream as its customers shift from dial-up data services to high-speed data services. In addition, VoIP technology, which operates on broadband technology, now provides Windstream's competitors with a low-cost alternative to access the home and provide local telephone voice services to Windstream's wireline customers. The proliferation of replacement technologies impacting its wireline business could require Windstream to make significant additional capital investment or could result in reduced demand for its services, both of which could adversely impact its financial performance and results of operations.

***Disruption in Windstream's networks and infrastructure may cause it to lose customers and incur additional expenses.***

To be successful, Windstream will need to continue to provide its customers with reliable service over its networks. Some of the risks to Windstream's networks and infrastructure include: physical damage to access lines, breaches of security, capacity limitations, power surges or outages, software defects and disruptions beyond Windstream's control, such as natural disasters and acts of terrorism.

From time to time in the ordinary course of business, Windstream will experience short disruptions in its service due to factors such as cable damage, inclement weather and service failures of its third party service providers. We cannot assure you that Windstream will not experience more significant disruptions in the future. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause Windstream to lose customers and incur expenses, and thereby adversely affect Windstream's business, revenue and cash flow.

***Weak economic conditions may decrease demand for Windstream's services.***

Windstream will be sensitive to economic conditions and downturns in the economy. Downturns in the economies and vendor concentration in the markets Windstream serves could cause its existing customers to reduce their purchases of Windstream's basic and enhanced services and make it difficult for Windstream to obtain new customers.

**Table of Contents****THE TRANSACTIONS**

On December 9, 2005, Alltel and Valor announced that they entered into a transaction providing for the spin-off of Alltel's wireline telecommunications business and the merger of such business with and into Valor. In order to effect the spin-off and merger, Alltel, Spincor and Valor entered into a number of agreements, including a Distribution Agreement between Alltel and Spincor and an Agreement and Plan of Merger, as amended, among Alltel, Spincor and Valor. These agreements, which are described in greater detail in this proxy statement/prospectus-information statement, provide for (i) the separation of Alltel's wireline telecommunications business and certain related business operations, (ii) the contribution of such assets to Spincor, (iii) the distribution of all of the shares of capital stock of Spincor to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis, (iv) the merger of Spincor with and into Valor, with Valor continuing as the surviving corporation and (v) the conversion of Spincor shares into shares of Valor common stock.

**Transaction Timeline**

Below is a step-by-step list illustrating the sequence of material events relating to the spin-off of Spincor and merger of Spincor and Valor. Each of these events are discussed in more detail throughout this proxy statement/prospectus-information statement. Each of following events will occur in the following order on the closing date of the merger except for Step 1, which will occur prior to the closing date, and Steps 9 and 10, which will occur promptly following the closing of the merger.

Step 1 Alltel will engage in a series of restructuring transactions to effect the transfer to Spincor's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business and the transfer to Alltel of all assets not relating to such business.

Step 2 Alltel will contribute all of the capital stock of the Spincor subsidiaries to Spincor in exchange for (i) that number of shares of Spincor common stock to be distributed to a third party exchange agent for the benefit of Alltel shareholders in the spin-off, and (ii) the issuance of the exchange notes by Spincor to Alltel.

Step 3 Spincor will enter into a new senior secured credit facility providing commitments for borrowings in an amount up to \$4.2 billion.

Step 4 Spincor will pay a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spincor (which is estimated to equal approximately \$2.275 billion).

Step 5 Alltel will spin-off Spincor by distributing all of the shares of Spincor common stock to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis.

Step 6 Alltel exchanges the exchange notes received from Spincor for outstanding Alltel debt securities or otherwise transfers such exchange notes to Alltel's creditors representing approximately \$1.673 billion in debt reduction to Alltel.

Step 7 Spincor will merge with and into Valor and shares of Spincor common stock held by the exchange agent will be converted into that number of shares of Valor common stock that Alltel stockholders will be entitled to receive in the merger.

Step 8 The exchange agent will issue shares of Valor common stock to Alltel stockholders in accordance with the terms of the merger agreement.

Step 9 Valor will change its name to Windstream Corporation and its common stock will be quoted on the New York Stock Exchange under the symbol WIN .

Step 10 Windstream may issue up to an additional \$800 million in debt securities in a private placement pursuant to Rule 144A of the Securities Act of 1933, which will reduce dollar-for-dollar the commitments under its senior secured credit facility.

**The Spin-Off**

As part of the spin-off, Alltel will engage in a series of preliminary restructuring transactions to effect the transfer to Spincor's subsidiaries of all of the assets relating to Alltel's wireline telecommunications business and the transfer to Alltel of all assets not relating to such business. Following these preliminary restructuring

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transactions, and immediately prior to the effective time of the merger, Alltel will contribute all of the stock of the Spinco subsidiaries to Spinco (which we will refer to as the contribution ) in exchange for:

the issuance to Alltel of Spinco common stock to be distributed in the spin-off (which we will refer to as the distribution ),

the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which is estimated to equal approximately \$2.275 billion), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin-off, to repay outstanding indebtedness, or both, within one year following the spin-off, and

the distribution by Spinco to Alltel of certain Spinco debt securities (which we will refer to as the exchange notes ), which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors representing approximately \$1.673 billion in debt reduction to Alltel. Such exchange is not required by the terms of Alltel's outstanding debt securities.

As a result of the transactions, Alltel will receive approximately \$4.2 billion of combined cash proceeds and debt reduction through the special dividend, the distribution of the exchange notes and the assumption by Windstream on a consolidated basis of approximately \$267 million in existing Spinco debt securities. The \$4.2 billion amount of total cash proceeds and debt reduction realized by Alltel in the transaction was determined in the negotiations between Alltel and Valor regarding the overall valuation of the transaction. The approximate \$1.673 billion in debt reduction which Alltel will receive in connection with the exchange notes represents the difference between the total cash proceeds and debt reduction to Alltel (\$4.2 billion) and an amount equal to (x) the approximate amount of the special dividend (which is estimated to equal approximately \$2.275 billion) plus the approximate amount in existing Spinco debt securities to be assumed by Windstream (\$267 million) less (y) \$15 million in cash to be acquired by Spinco as part of the contribution.

Prior to the distribution, Spinco will consummate certain financing transactions pursuant to which it will incur approximately \$3.978 billion in indebtedness through (1) borrowings under a new senior secured credit agreement or the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended and (2) the distribution of the exchange notes to Alltel. All proceeds of the financing will be used to pay the consideration to be received by Alltel for the contribution (through payment of the special dividend and distribution of the exchange notes) and to pay related fees and expenses. For a more complete discussion of the financing of Windstream see Financing of Windstream beginning on page 103.

After the contribution and immediately prior to the merger, Alltel will spin-off Spinco by distributing all of the shares of Spinco common stock to a third-party exchange agent to be held for the benefit of Alltel stockholders on a pro rata basis. Such shares will be immediately converted into that number of shares of Valor common stock Alltel stockholders will be entitled to receive in the merger. As a result, Alltel stockholders will never hold shares of Spinco common stock.

### **The Merger**

In the merger, Spinco will merge with and into Valor in accordance with the terms of the merger agreement. Valor will survive the merger as a stand-alone company holding and conducting the combined business operations of Valor and Spinco. Immediately following the merger, Valor will change its name to Windstream Corporation and its common stock will be quoted on the New York Stock Exchange under the symbol WIN . For ease of reference, throughout this proxy statement/prospectus-information statement we will refer to Windstream Corporation, the new company formed by the merger of Valor and Spinco, as Windstream.

Alltel stockholders will be entitled to receive a number of shares of Valor common stock to be determined based on the calculation set forth below in the section titled Calculation of Merger Consideration. Holders of Alltel common stock will not be required to pay for the shares of Valor common stock they receive and will also retain all of their shares of Alltel common stock. Existing shares of Valor common stock will remain outstanding.

By virtue of the merger, Windstream will assume \$267.0 million in Alltel debt, of which \$81.0 million (plus related make-whole premiums) will be refinanced with borrowings from its new credit facilities and/or a

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portion of the net proceeds from the issuance of senior unsecured debt securities in an offering under Rule 144A. Windstream will also assume \$400.0 million in outstanding Valor notes, which will be equally and ratably secured with debt under the new credit facilities. Windstream will be required to offer to repurchase any of the outstanding Valor notes that may be tendered as a result of the merger, which constitutes a change of control under the indenture governing the Valor notes, and will borrow additional amounts under its new credit facilities to the extent necessary to fund the purchase of any Valor notes that are tendered. However, no Valor bonds are expected to be tendered as a result of the merger as their current trading price exceeds the put price. The trading price of the bonds was \$102.75 as of May 18, 2006 versus a put price of \$101. In addition, Windstream will refinance approximately \$781.0 million (plus related premiums) outstanding under Valor's existing credit facility with borrowings from its new credit facilities and/or a portion of the net proceeds from the issuance of senior unsecured debt securities in a Rule 144A offering. The amounts assumed by Windstream, together with the issuance of the debt securities, the borrowings under the new credit facilities and certain expenses related to the spin-off, merger and financing transactions, will result in Windstream having approximately \$5.5 billion in total debt immediately following completion of the merger.

**Calculation of Merger Consideration**

The merger agreement provides that Valor will issue in the aggregate to holders of Alltel common stock a number of Valor shares equal to (a) the number of shares of Valor common stock outstanding as of the effective time of the merger multiplied by (b) 5.667. For ease of reference, we will refer to the product of this equation as the aggregate merger consideration. Pursuant to the distribution agreement, Alltel and Spinco have elected to distribute one share of Spinco common stock to the exchange agent for the benefit of Alltel stockholders for each share of Alltel common stock outstanding on the record date for the spinoff, which Alltel will announce prior to the expected completion of the spin-off and the merger. Each share of Spinco common stock held by the exchange agent will be converted into the right to receive a number of Valor shares equal to the aggregate merger consideration, divided by the number of Alltel shares outstanding as of the record date for the spin-off. For ease of reference, we will refer to the product of this equation as the per share merger consideration.

Neither the aggregate merger consideration nor the per share merger consideration will be adjusted in the event of a decline in the value of the Alltel wireline telecommunications business that is being contributed to Spinco. If the value of this business declines after Valor stockholders approve the merger proposals, the market price of Windstream common stock following completion of the merger will be less than Valor stockholders anticipated when they voted to approve the merger proposals. In this event, there will also be no adjustment of the aggregate merger consideration, or the per share merger consideration.

It is presently estimated that Valor will issue in the aggregate approximately 403 million shares of common stock to Alltel stockholders pursuant to the merger, or approximately 1.04 shares of Valor common stock (subject to variation as a result of compensatory equity grants and other issuances) for each share of Alltel common stock outstanding as of the record date for the spin-off. Given that these amounts are calculated based on the number of shares of Alltel common stock outstanding as of the record date for the spin-off and Valor common stock outstanding at the effective time of the merger, the actual number of shares of Valor common stock to be issued will not be determined until the effective time, and there is no maximum or minimum number of shares that will be issued. We do not expect the number of shares of Valor common stock to change significantly as Valor currently has no plans to issue any shares of its common stock prior to the effective time of the merger other than pursuant to grants of equity incentive awards in the ordinary course of business. In any event, the calculation of the merger consideration set forth in the merger agreement is structured so that, regardless of the number of Valor shares and Spinco shares outstanding immediately prior to the effective time of the merger, when the merger is completed, Alltel stockholders will collectively own approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream on a fully diluted basis. Based on the closing price of Valor common stock on May 24, 2006 of \$12.66, as reported by the New York Stock Exchange, the approximate value Alltel stockholders will receive in the merger will equal \$13.17 per each share of Alltel common stock they own on the record date for the spin-off. However, any change in the market value of Valor common stock prior to the effective time of the merger would cause the estimated per share value Alltel stockholders will receive in the



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merger to also change. The following illustration sets forth the manner in which these estimated amounts were calculated:

For purposes of this calculation only it is assumed that the effective time of the merger occurred on April 28, 2006. On April 28, 2006 there were 389,107,443 shares of Alltel common stock outstanding and 71,096,887 fully-diluted shares of Valor common stock outstanding.

*Step 1: Calculate the aggregate merger consideration.* The merger agreement provides that Valor will issue to holders of Alltel common stock a number of Valor shares equal to the number of fully-diluted shares of Valor common stock outstanding as of the effective time of the merger multiplied by 5.667. As of April 28, 2006 there were 71,096,887 shares of Valor common stock outstanding. Therefore to determine the aggregate merger consideration we must multiply 71,096,887 by 5.667, which equals 402,906,058.63 shares.

*Step 2: Determine number of Spinco shares outstanding.* Pursuant to the distribution agreement Alltel and Spinco have determined that one share of Spinco common stock will be issued for each share of Alltel common stock outstanding on the record date for the spin-off. Assuming for purposes of this illustration only that 389,107,443 shares of Alltel common stock will be outstanding as of such date, there will be 389,107,443 shares of Spinco common stock outstanding as of the effective time of the merger.

*Step 3: Calculate the per share merger consideration.* The merger agreement provides that each share of Spinco common stock will be converted into the right to receive a number of Valor shares equal to the aggregate merger consideration, divided by the number of Spinco shares outstanding as the effective time of the merger. In this illustration the aggregate merger consideration equals 402,906,058.63 shares and the number of Spinco shares outstanding as of the effective time is 389,107,443. Hence, to determine the per share merger consideration we must divide 402,906,058.63 by 389,107,443, which equals approximately 1.04.

Based on the foregoing, it is currently estimated that Alltel stockholders will receive approximately 1.04 shares of Valor common stock in exchange for each Alltel share such stockholder owns on the record date for the spin-off and that Valor will be obligated to issue in the aggregate 402,906,058.63 shares of Valor common stock to Alltel stockholders. This issuance would result in Alltel stockholders collectively owning approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream on a fully diluted basis following completion of the merger.

The following table set forth the values used in the above calculation:

<b>Valor Common Stock Outstanding (fully-diluted)</b>	<b>Spinco Common Stock Outstanding</b>	<b>Aggregate Merger Consideration</b>	<b>Approximate per Share Merger Consideration</b>
71,096,887	389,107,443	402,906,058.63	1.04

The actual number of shares of Valor common stock outstanding as of the effective time of the merger will likely be different than the number of shares outstanding as of April 28, 2006 (as set forth in the above illustration) as a result of compensatory equity grants of Valor common stock, however Valor has no other plans to issue any shares of its common stock prior to the effective time of the merger. Any change in the number of shares outstanding will cause the aggregate merger consideration to be different from that set forth in the above illustration. In addition, the actual number of shares of Spinco common stock distributed to Alltel stockholders may be different than as set forth in the above illustration as a result of compensation equity grants and other issuances of Alltel common stock. Any change in the number of shares of Spinco common stock distributed will cause the per merger consideration to change. However, the calculation of the merger consideration is structured so that following completion of the merger Alltel

stockholders will collectively own approximately 85%, and Valor's stockholders will collectively own approximately 15%, of the shares of common stock of Windstream on a fully diluted basis notwithstanding such issuances.

We encourage you to carefully read the merger agreement and the distribution agreement which are attached as Annexes A-1, A-2 and B to this proxy statement/ prospectus-information statement and

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incorporated herein by reference, respectively, because they set forth the terms of the merger and the distribution of shares of Spincocommon stock to Alltel's common stockholders.

**Background of the Merger**

In pursuing strategies to enhance stockholder value, Valor regularly considered opportunities for strategic business combinations. Valor received and responded to requests for potential transaction proposals from third parties operating rural local exchange carriers and actively pursued possible business combination transactions with those third parties. In addition, from time to time, Valor's senior management engaged in informal discussions regarding possible business combination transactions with their counterparts at other telecommunications companies. Generally in these informal discussions, Valor and the other company would sign a non-disclosure agreement and then share financial information. However, after analysis of the financial information and other factors, and after discussions with the Valor Board of Directors, none of these informal discussions progressed beyond this initial analysis, and no formal negotiations on prices, terms and conditions occurred between Valor and the other parties.

Valor previously chose not to pursue other possible transactions for a variety of reasons such as: 1) the potential transaction was not viewed as accretive to Valor; 2) the potential transaction did not make operational sense for Valor because target company lacked sufficiently concentrated operations, or operated in regions distant from Valor's current operating territory; 3) concerns over the business fundamentals of the potential target company, including the level of competition it faced; and 4) failure to agree on prices, terms or conditions.

Valor's Board of Directors received regular updates from management concerning Valor's transaction opportunities, and the topic of potential strategic transactions was a recurring agenda item at most board meetings. At various times, and most recently in August 2005, senior management invited Valor's financial advisors (other than the financial advisors that rendered opinions to the Board of Directors of Valor in connection with the merger) to provide the Board of Directors with a comprehensive overview of the potential financial and stockholder benefits of various transactional opportunities between Valor and other rural local exchange carriers.

Alltel announced in January 2005 that it would undertake a thorough review of the strategic alternatives available to its wireline business. Since the inception of Valor's business operations in July 2000, Valor has had a relationship with Alltel, which provides Valor with outsourced operational support services, including billing and customer care systems. Following the Alltel announcement, and in the context of this long-standing business relationship, at various times members of Valor's Board of Directors and senior management contacted members of Alltel's senior management team to express interest in Alltel's strategic review process, and to inquire about potential opportunities for a business combination between Valor and Alltel's wireline business. Valor's financial advisors kept the company informed regarding the Alltel process and its potential implications to Valor.

As the Alltel review process progressed, Valor's financial advisors recommended that the timing was appropriate for Valor to initiate a preliminary meeting with representatives of Alltel to further discuss a possible transaction. In August 2005, Anthony J. de Nicola, Valor's Chairman of the Board, contacted Scott Ford, Alltel's President and Chief Executive Officer, to schedule a meeting between the companies. On September 13, 2005, Mr. de Nicola and John J. Mueller, Valor's Chief Executive Officer, met in Little Rock, Arkansas with Mr. Ford and Jeffrey H. Fox, Alltel's Group President - Shared Services. At that meeting, Mr. Mueller presented information prepared by Valor management on Valor's operations and the potential operational and financial benefits of a strategic transaction between Valor and Alltel. Mr. Ford stated that Alltel was considering initiating an active process to explore strategic options for repositioning its wireline assets and invited Valor to consider participating in such a process were it to occur. At a September 14, 2005 meeting of Valor's Board of Directors, Mr. Mueller advised the Board on the meeting between Alltel and Valor senior management, and described the process that Alltel planned to undertake and the potential for a strategic combination between Valor and the Alltel wireline business. The Board of Directors authorized Valor management to participate in a potential Alltel process.

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On September 22, 2005, Alltel announced its intention to begin a formal process to assess the market environment for a strategic repositioning of its wireline business. On that date, Valor and Alltel executed a non-disclosure agreement. Thereafter, on September 28, 2005, Valor received an information book, which provided detailed financial and operational information on Alltel's wireline business and other related operating units it proposed to separate. Under separate cover, Valor received correspondence from Alltel's financial advisors on September 30, 2005 inviting Valor to participate in a review of a potential merger with Alltel's wireline business units and related ancillary operations in conjunction with the separation of those operations from Alltel's wireless operations. The correspondence indicated that Alltel would consider merger proposals that met certain principal objectives, including ensuring tax-free treatment of the transaction, maximizing Alltel stockholder value, establishing an appropriate capital structure, implementing a sustainable dividend policy and consummating an acceptable transaction expeditiously with the least disruption to the wireline business and its employees, suppliers and customers. Alltel requested the submission of detailed proposals no later than October 17, 2005.

In preparation for Valor's participation in the Alltel process, on September 15, 2005 Mr. de Nicola contacted Wachovia Securities to explore the possibility of Wachovia Securities serving as Valor's financial advisor in connection with Valor's evaluation of the Alltel opportunity. On September 28, 2005, Wachovia Securities met with Valor's senior management and several members of its Board to discuss a proposed framework for developing a proposal for Alltel's wireline business. Wachovia Securities presented issues for Valor to consider in developing its proposal that included financial analyses of comparable public companies, projections of operating statistics and valuations for a stand-alone Alltel wireline entity and preliminary valuation analyses for a combination of Alltel and Valor under various scenarios. On October 15, 2005, Valor and Wachovia Securities executed an engagement letter and non-disclosure agreement.

On October 10, 2005, the Valor Board of Directors held a special meeting, the purpose of which was for management to update the Board on the Alltel process and the potential participation of Valor in that process. At this meeting, the Board adopted a resolution authorizing Valor to evaluate the Alltel materials and to prepare and submit a proposal to Alltel. The Board also approved and ratified Valor's engagement of legal, financial, tax and accounting experts to aid in the evaluation of the Alltel opportunity and to assist Valor in the preparation of its proposal. Finally, the Board approved the creation of the Special Finance Committee, the purpose of which was to assist management with respect to the Alltel opportunity and to provide information on the Alltel process to the remainder of the Board. The members of the Special Finance Committee were Mr. de Nicola, and Board members Norman Alpert and Edward Heffernan.

On October 14, 2005, the Special Finance Committee met with members of Valor senior management and Wachovia Securities representatives to discuss the status of the preparation of Valor's response to Alltel. Wachovia Securities met with the Special Finance Committee to address the various financial issues raised by Valor's proposed response to Alltel, including issues of valuation of Valor and benefits to stockholders of Alltel and Valor. Valor's management also updated the Special Finance Committee on its analysis of potential synergies that might result from a merger of Valor and Alltel's wireline business.

On October 17, 2005, Valor submitted to Alltel a preliminary proposal containing the terms of a potential merger between Valor and Alltel's wireline business and its related ancillary operations. The Valor offer contained the following key terms:

stock for stock merger;

82/18 relative post-merger ownership percentage between Alltel and Valor shareholders;

\$5.3 billion in debt (3 times leverage);

Alltel to receive \$4.1 billion in cash and debt relief;

post-merger dividend of \$1 per share;

65% dividend payout; and

flexibility on governance and management arrangements.

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Alltel's information book contained certain terms that Alltel expected in the proposals, and the Valor offer reflected the fact that Alltel was soliciting competing bids from several entities.

Beginning on October 25 and continuing through October 26, 2005, representatives of Valor and Alltel and their respective financial advisors met in Little Rock, Arkansas. During these meetings, Valor and Alltel made management presentations, began preliminary due diligence relating to the other's businesses and explored the possible synergies of a potential merger of Valor and Alltel's wireline business. Thereafter, Valor and Alltel provided each other with access to documents for the purpose of continued due diligence.

On November 3, 2005 the Valor Board of Directors held a regularly scheduled meeting. During this meeting, Wachovia Securities provided the Board with an update on the Alltel process and updated the Board with respect to the terms and benefits of a potential merger.

On November 11, 2005, Alltel's financial advisors scheduled a meeting with Mr. de Nicola and Wachovia Securities' representatives, and provided them with a preliminary term sheet in response to Valor's October 17, 2005 submission. The Alltel term sheet outlined the material terms upon which Alltel would be willing to merge the Alltel wireline business with Valor including:

spin-off of the Alltel wireline business and its merger with Valor on a tax-free basis to Alltel, Valor and their respective shareholders;

Alltel to receive a cash dividend up to its tax basis in Spinco which was estimated at such time to equal approximately \$2.4 billion;

Alltel to exchange approximately \$1.5 billion of its parent-level debt for Spinco debt securities, and the merged company assumes \$0.3 billion of Spinco debt;

86/14 post-merger ownership percentage between Alltel and Valor shareholders;

post-merger dividend of \$1.00 per Alltel equivalent share;

Valor designates one Board seat;

Alltel designates the post-merger management team; and

Valor's largest shareholders (Welsh, Carson, Anderson & Stowe, Vestar Capital Partners and Citicorp Venture Capital) agree to an irrevocable voting agreement to support the transaction and agree to a six month lock-up agreement.

At various times following the November 11, 2005 meeting, Mr. Ford and Mr. de Nicola discussed the differences between each company's proposal. In these discussions, and in other communications between the parties' financial advisors during the period of November 11-14, 2005, certain fundamental economic terms were negotiated, including, among other terms, the percentage of ownership that Valor and Alltel stockholders would have in the surviving corporation following the merger, the dividend pay-out ratio, the appropriate debt capitalization of the company, the amount of the annual dividend, and the number of Windstream board of director positions that would be allocated to pre-merger Valor directors in Windstream.

On November 16, 2005, the Special Finance Committee of the Valor Board of Directors met with members of Valor's senior management and representatives of Wachovia Securities in order to review the current status of the potential Alltel transaction. Representatives of Wachovia Securities highlighted the differences between the terms proposed by Valor and those proposed by Alltel. Mr. de Nicola then updated the Committee on the status of the discussions on merger terms between him and Mr. Ford, as well as other discussions between the parties' financial advisors where they attempted to resolve differences between the parties' economic terms. The Committee discussed with Wachovia Securities the terms on which Valor and Alltel could potentially reach agreement, and discussed

whether those terms would be fair to Valor's stockholders. The Committee also considered, in light of current and expected future market conditions and risks, whether other potential transactional opportunities would produce superior benefits to Valor's stockholders. After substantial discussion, the Committee members recommended that management attempt to complete a merger agreement with Alltel. Wachovia Securities preliminarily advised the Committee that it

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believed, subject to further review and analysis, it would be able to render an opinion to Valor's Board of Directors that a merger on the discussed terms was fair from a financial point of view to Valor and its stockholders. The Committee also determined that it was a best practice of sound corporate governance for the Committee to recommend that the Board of Directors engage another advisor to provide the Board with a second fairness opinion.

Following the meeting of the Valor Special Finance Committee, Mr. de Nicola communicated Valor's merger terms to Mr. Ford. Valor accepted the terms proposed by Alltel on November 11, 2005, with the following exceptions:

85/15 post-merger ownership percentage between Alltel and Valor shareholders;

Post-merger dividend of \$1 per share;

Only Welsh, Carson, Anderson & Stowe and Vestar Capital Partners agree to a voting agreement to support the transaction, and Welsh Carson agrees to a three month lock-up, subject to an agreement for the orderly sale of their stock following expiration of the lock-up; and,

Spinco to pay the transaction fees of Alltel and Spinco, and Valor to assume responsibility for payment of its transaction fees.

Thereafter, Mr. Ford communicated to Mr. de Nicola Alltel's preliminary acceptance of Valor's proposed modifications to the merger terms presented on November 11, 2005, subject to completion of definitive agreements and final approval by Alltel's board of directors.

On November 18, 2005, the Valor Board of Directors held a special meeting to discuss the potential Alltel transaction. Wachovia Securities provided the Board with an overview of the proposed transaction, including the principal economic terms upon which Valor and Alltel had reached a preliminary agreement. Wachovia Securities made a presentation to the Board showing the estimated valuation and the potential stockholder value of the proposed merger. Kirkland & Ellis LLP, Valor's legal advisor, discussed the Board's obligations under Delaware law. Thereafter, the Board adopted a resolution authorizing management to take all necessary and appropriate steps required to complete a merger agreement with Alltel, including the completion of due diligence and the retention of any necessary advisors.

On November 18, 2005, Alltel's financial advisors provided Valor's management and financial advisors with the draft of a merger agreement and distribution agreement and on December 3, 2005, with a draft of a tax sharing agreement. From November 21 through December 8, 2005, management, legal and financial representatives for Valor and Alltel met numerous times, engaged in numerous conference calls and exchanged drafts to negotiate the merger agreement, various other ancillary agreements and other legal, tax and regulatory issues. In addition, Valor finalized its due diligence with respect to the Alltel wireline business, including submission of follow-up due diligence requests and meeting with members of the Alltel management team with respect to various legal, business and financial issues.

On November 29, 2005, members of the Valor and Alltel management teams met in Dallas, Texas. The purpose of the meeting was to allow various members of Alltel's management team to meet with their Valor counterparts to discuss specific issues related to discrete operational and administrative aspects of Valor's business. On November 30 through December 1, 2005, Valor and Alltel continued their discussions in Little Rock, Arkansas. Members of Valor's management team, and its legal, financial and accounting advisors, continued Valor's legal, business, tax and accounting due diligence. In addition, Alltel management provided Valor management and its legal and financial advisors with an overview of prospective, post-merger inter-company agreements between Alltel's wireline and wireless businesses, as well as discussing other potential operational details regarding a combined Valor-Alltel wireline entity.

On November 30 and December 2, 2005, the Special Finance Committee of the Valor Board met. During both meetings, counsel from Kirkland & Ellis LLP reviewed the status of the negotiations on the

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merger agreement and ancillary agreements, and addressed material open issues in those negotiations, including:

Certainty of closing;

Dividend and cash issues;

Termination fees;

Tax indemnification issues;

Spinco employee benefits issues; and,

Valor participation in decisions regarding the separation of the Alltel wireline business.

Also, members of Valor management and the company's various advisors updated the Committee on the status of Valor's business, legal, tax and accounting due diligence on Alltel.

Valor engaged Bear, Stearns & Co. Inc. on December 5, 2005 to provide an independent opinion on the fairness of the potential merger. Bear Stearns met with members of Alltel's management, and it conducted an independent review of financial information regarding Valor and the Alltel wireline business and the merger documentation.

On December 6, 2005, the Valor Board met again to review the possible merger with the Alltel wireline business. Members of Valor's senior management team, and its legal, tax, accounting and financial advisors, made preliminary presentations to the Board regarding the results of their business, legal, tax and accounting due diligence of the Alltel wireline business, valuation analyses, the strategic rationale for the potential merger and the terms and conditions of the merger, including a detailed review of significant open and resolved legal issues. Following the presentation of this information, the Board authorized Valor management to continue to pursue the proposed merger.

Valor and Alltel completed their negotiations of the merger agreement and ancillary documents on December 8, 2005.

The material open issues between the parties were ultimately resolved in the following fashion:

Certainty of closing:

Valor proposed that it have the right to change its recommendation accepting the merger without receiving a superior proposal. Alltel agreed subject to Valor's payment of a \$35 million break-up fee under certain circumstances;

Valor proposed that it have the right to terminate the merger agreement to accept a superior proposal. Alltel agreed subject to Valor's agreement to pay a \$35 million break-up fee;

Valor proposed a term that would extend the termination date on the merger agreement in order for the parties to obtain financing or required approvals. Valor later withdrew this proposal;

Dividend and cash issues:

Valor proposed that it pay its dividend, including a partial quarter dividend, if applicable, through closing, and Alltel agreed;

Valor proposed that Alltel pay its transaction fees and expenses. Alltel disagreed, and the parties agreed that Spinco would bear all transaction fees and expenses of both Alltel and Spinco, subject to a cap of \$115 million;

Termination fees:

After significant negotiation on the amount of and circumstances under which a break-up fee would be payable, Valor agreed to pay a \$35 million break-up fee if: 1) it terminates the merger agreement to accept a superior offer; 2) it changes its recommendation on this merger or recommends another acquisition proposal; or 3) if another party makes an acquisition proposal and either party terminates



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due to a failure of the shareholder vote or failure to complete the merger within one year, and Valor completes an acquisition or signs a definitive agreement within 12 months thereafter;

Alltel agreed to pay a \$35 million break-up fee if: 1) either party terminates the agreement because of failure to complete the merger within one year and the financing condition is not met; or 2) Valor terminates due to a breach by Alltel that results in the financing condition not being met;

Alltel agreed to pay a \$20 million break-up fee if: 1) either party terminates the agreement because of failure to complete the merger within one year and the tax ruling is not met; or 2) Valor terminates due to a breach by Alltel that results in the tax ruling not being obtained;

**Tax issues:**

Gross-up of indemnity payments for taxes due- Valor took the position that no gross-up should occur. The parties ultimately agreed to the gross-up for payments other than those related to universal service fund issues;

Indemnity for pre-closing universal service fund related payments- Valor proposed no indemnification. The parties ultimately agreed to require indemnity, but net of any tax refunds and benefits, and not subject to gross-up;

Indemnity for all other pre-closing income tax liabilities Valor proposed no indemnity and Alltel agreed;

Indemnity for pre-closing other tax liabilities- Valor proposed no indemnification for such payments. The parties ultimately agreed to require indemnification, but Valor will control the decision to contest such taxing decisions and will receive the benefit of any favorable ruling in such proceedings;

Stock issuance by surviving company in the first two years after closing- Valor proposed a basket with no requirement of Alltel to consent and no indemnity attached. The parties agreed to a 10% basket, without consent or indemnity attached;

**Spinco employee benefits issues:**

Valor proposed specific identification of all active and retired employees allocated to Spinco. Alltel agreed, subject to the ability of the Steering Committee to evaluate additions or changes, and to Valor consent;

In negotiations on pensions and benefits plans, Valor was able to confirm that the plans were fully funded and that Spinco's financial statements and projections incorporated the liabilities associated with the Spinco employees. Also, Valor confirmed the intention of Spinco to replicate existing Alltel plans, and Valor ensured the protection of its employees under such plans;

New Spinco equity grants will dilute Valor and Spinco shareholders in a proportionate manner;

Shares tendered to Valor by its employees to satisfy tax obligations on stock grants vesting on January 1, 2006 were excluded from the calculation of fully diluted shares for purposes of calculating the merger exchange ratio;

Valor's proposed retention and severance plan was accepted by Alltel without modifications; and, Valor participation in decisions regarding the separation of the Alltel wireline business:

Valor proposed that a Steering Committee be formed, and that the Steering Committee have access to and involvement in all material aspects of the separation of assets, subject to Valor consent if any decision individually or in the aggregate would have a material and adverse impact on Valor. Alltel accepted this proposal.

Later that day, the Valor Board of Directors met to review the final terms and conditions of the merger agreement and received final reports regarding the business, legal, tax and accounting due diligence from Valor's senior management team, and its legal, tax, accounting and financial advisors. The Board discussed

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other potential strategic alternatives that Valor had reviewed prior to exploring the Alltel opportunity and that might be available to Valor, including remaining as a separate independent entity and considered such potential alternatives and the proposed Alltel transaction. At the meeting, Wachovia Securities made a presentation to the Board regarding the estimated valuation and potential stockholder value of the proposed merger. At this meeting, the Board also received oral and written opinions of Wachovia Securities and Bear Stearns, that as of December 8, 2005, and based upon and subject to the factors, qualifications, judgments and assumptions set forth in the written opinions, the aggregate consideration to be issued by Valor in the merger was fair from a financial point of view to Valor and its stockholders. Following further discussion, the Valor Board unanimously determined that the merger was in the best interests of Valor and its stockholders, approved the merger and the merger agreement, the distribution agreement, the tax sharing agreement and related ancillary agreements, authorized the filing of all necessary regulatory applications and consents on behalf of Valor, authorized the preparation and filing of a Registration Statement on Form S-4, and directed Valor's management to take all other actions necessary to effectuate the completion of the merger. It also approved the issuance of shares of Valor's common stock in connection with the merger. In addition, Valor's Compensation Committee approved certain retention and severance benefits that are being provided to retain employees in connection with the merger.

The parties signed the merger agreement on December 8, 2005. Before the opening of trading on the New York Stock Exchange on December 9, 2005, the parties issued press releases announcing the execution of the merger agreement.

**Valor's Reasons for the Merger**

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

In reaching its recommendation, the Board considered the future prospects of Valor on a standalone basis, and whether the proposed merger would provide potentially greater benefit to Valor and its shareholders. It analyzed the current and historical financial condition and results of operations of Valor and other rural wireline telecommunications carriers, and specifically the fact that Valor, consistent with the rest of the wireline telecommunications industry, had experienced declining access lines and flat to declining total revenues, and that these trends did not appear likely to reverse in the future. The Board also considered the increased competitive activity experienced by Valor from cable television providers, wireless carriers and other competitive local exchange carriers, and the fact this competitive activity may increase in the future with the advent of new technologies and applications, such as Voice over Internet Protocol (VoIP). In analyzing the benefits of the proposed merger, the Board considered the prospects and strategic objectives of Valor, namely to: 1) increase penetration of our DSL, Long Distance and Bundles, leading to higher revenue per access line; 2) control expenses; 3) effectively deploy capital; and 4) pursue strategic transactions.

Given the Valor-specific and industry risks identified above, and trends in the industry in which Valor operates, the Board determined Valor would have a better opportunity to achieve its objectives through a transaction with Alltel given, among other factors: the increased scale and scope of the combined company, their complementary rural markets, their common billing and customer care platform and the better diversification of customers, revenues and earnings across a broader geographic area that would result from the merger. The Board believed that because of its size, the combined company would have greater viability in the investment community and that the size and financial metrics of the new company would open up opportunities with investment funds that today do not consider Valor on a standalone basis. Also, the Board



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considered where the combined company's stock would trade, and it was the opinion of the Board and its financial advisors that the combined company would trade at a much lower yield than Valor. Moreover, the merger positions the combined company as an industry consolidator.

The Board of Directors also considered the strategic options available to Valor, including other potential transactional opportunities, and the risks and uncertainties associated with such alternatives. The Board felt that it had considered numerous potential business combinations with companies comparable in size to or smaller than Valor, and that none of those potential combinations made financial sense for Valor. Moreover, it did not believe that there were actionable and available transactions that would produce similar or better results for Valor shareholders in the same timeframe as the proposed merger. Also, the Board discussed whether an auction of Valor would produce a better outcome for shareholders, and it was the consensus of the Board that an auction would not produce a better offer. The Board took comfort in the fact that it could terminate the merger agreement and pay a termination fee should Valor receive an offer that its board of directors determines in good faith is superior to Alltel's while the merger was pending.

In the course of their discussions, both Valor and Alltel recognized that there were substantial potential strategic and financial benefits of the proposed merger. The completed merger should provide Valor stockholders with a modest premium over current share price, and Valor's current stockholders may have an opportunity to improve their long-term returns by creating a leading rural-focused wireline company and one of the largest local telecommunications carriers in the United States.

The footprint of Alltel's rural markets and the states in which it operates are highly complementary to Valor's rural market footprint, and Alltel will bring high quality rural assets to the combined company. With over 3.4 million access lines in sixteen states as of December 31, 2005 Windstream will have significantly greater size and scale than what Valor enjoys today and, as illustrated in the following table, will be one of the largest local telecommunications carriers in the United States and the largest local telecommunications carrier primarily focused on rural markets:

Company	Total Switched Access Lines 12/31/05(1)	Percent of Total Access Lines(2)
AT&T	49,413,000	27.73%
Verizon	48,803,000	27.39%
BellSouth	20,037,000	12.07%
Qwest	14,739,000	7.95%
Embarq	7,350,000	4.13%
<b>Windstream (Pro Forma)</b>	<b>3,404,000</b>	<b>1.91%</b>
Citizens	2,219,000	1.25%
CenturyTel	2,214,000	1.24%
Commonwealth	461,000	0.26%
Alaska Com	271,000	0.15%
Iowa Telcom	259,000	0.15%
Fairpoint	245,000	0.14%
Consolidated	242,000	0.14%
<b>Total Industry(2)</b>	<b>178,179,552</b>	<b>84.49%</b>

Notes:

(1)

Source: Company Filings with the Securities and Exchange Commission for all amounts other than Windstream. All access line totals represent approximate amounts.

(2) FCC's Trend Report Table 1, End User Switched Access Lines Reported, June 2005

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With respect to rural markets, Windstream will be the largest carrier that satisfies the designation of a 2% carrier under federal law, which designation exempts rural carriers from certain interconnection requirements. As illustrated by the foregoing table, none of the local exchange carriers who are larger than Windstream satisfy this statutory designation of a rural carrier.

Since the inception of Valor's business operations in July 2000, Valor has had a relationship with Alltel, which provides Valor with outsourced operational support services, including a billing and customer care platform. The fact that the companies share a common billing and customer care platform may ease the business integration of Valor and Spinco, and may reduce the costs and risks associated with the integration.

Because of increased size and economies of scale, Windstream should have greater financial flexibility to develop and deploy products, expand the capacity of its network, respond to competitive pressures and implement future transactions. Windstream's increased size, economies of scale and total capabilities are also expected to enable it to improve the cost structure for its products and services, enhancing its ability to offer services and compete profitably. The post-merger company will have better diversification of customers, revenues and earnings across a broader geographic area. It also should have the ability to better leverage existing infrastructure, creating cost savings opportunities, financial flexibility and potential for further value creation.

The Board considered issues such as the amount of debt that the merged company would assume and the agreements between Spinco and Alltel. The pro forma capital structure of Windstream results in lower debt leverage and lower cost of capital, which should reduce the overall financial risk of the combined company. Also, the combined company will have a lower dividend payout ratio than Valor. With respect to the agreements between Alltel and Spinco, the Valor Board examined those arrangements in total, and determined that the overall financial impact of those arrangements was not disadvantageous to Spinco.

Valor believes that Windstream will benefit substantially from capital investment, cost and revenue synergies. Valor and Alltel estimate the annual value of these synergies at approximately \$40.0 million. Approximately \$30 million of these synergies are the result of reduced employee and related costs associated with eliminating duplicative functions and consolidating back-office functions, which will result in reduced combined sales and marketing costs and general and administrative costs. The remaining \$10 million of expected synergies will result from anticipated volume discounts and the benefits of increased purchasing capacity expected to result from Windstream's increased size and scale and a reduction in the costs associated with office space, real estate and facilities as duplicative facilities are consolidated.

The foregoing estimates were developed by the senior managements of Valor and Alltel during their due diligence reviews and were based primarily on anticipated employee reductions and the associated reduction in operating costs, including overhead and facilities costs. The expected terms for realizing potential sources of synergies and cost savings vary because of the variety of sources within each category, such that some are estimated to affect results of operations in the short term and others over the long term.

The actual synergistic benefits from the merger and costs of integration could be different from the foregoing estimates, and these differences could be material. Accordingly, there can be no assurance that any of the potential benefits described above or included in the factors considered by the Valor Board of Directors will be realized. See Risk Factors - Risks Relating to the Spin-Off and the Merger.

**Valor Board of Directors Recommendation to Valor Stockholders**

The Valor Communications Group, Inc. Board of Directors has unanimously approved the merger agreement and unanimously recommends that the Valor stockholders vote FOR the proposals to adopt the merger agreement, approve the increase of the authorized number of shares of Valor common stock pursuant to the merger, and to approve the issuance of Valor common stock pursuant to the merger, each of which is necessary to effect the merger, as well as FOR the adoption of the 2006 Equity Incentive Plan (which is conditioned on stockholder approval of the merger proposals).

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**Opinion of Valor's Financial Advisor Wachovia Securities**

Valor's Board of Directors retained Wachovia Securities on October 15, 2005 to act as its financial advisor and to provide a fairness opinion in connection with the transactions contemplated by the merger agreement. Valor's Board of Directors selected Wachovia Securities to act as its financial advisor based on Wachovia Securities' qualifications, expertise and reputation. At the meeting of Valor's Board of Directors on December 8, 2005, Wachovia Securities rendered its oral opinion, subsequently confirmed in writing on December 8, that as of December 8, 2005, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken in such opinion, the aggregate merger consideration to be paid by Valor pursuant to the merger agreement was fair, from a financial point of view, to Valor and its stockholders. Wachovia Securities presented to the Board its financial analyses performed in rendering its fairness opinion. This presentation did not materially differ from the preliminary presentations made to the Board.

The full text of the written opinion of Wachovia Securities which sets forth the assumptions made, matters considered and limitations on the opinion and on the review undertaken in connection with the opinion, is attached as Annex D-1. The opinion of Wachovia Securities is for the information and use of the Board of Directors of Valor in connection with its consideration of the merger and relates only to the fairness, from a financial point of view, of the aggregate merger consideration to Valor and its stockholders. This opinion does not and shall not constitute a recommendation to any holder of Valor common stock as to how such holder should vote in connection with the merger agreement or any other matter related thereto. You should carefully read the opinion in its entirety.

In arriving at its opinion, Wachovia Securities, among other things:

Reviewed the merger agreement, including the financial terms of the merger, and the agreements contemplated thereby;

Reviewed Annual Reports on Form 10-K of Alltel for the three fiscal years ended December 31, 2004; Annual Reports on Form 10-K of Valor for the fiscal year ended December 31, 2004; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Alltel and Valor; and certain business, financial, and other information regarding each of Alltel and Valor that was publicly available;

Reviewed certain business, financial, and other information regarding Valor and its prospects that was furnished to Wachovia Securities by, and discussed with, the management of Valor, including projections for Valor for the four years ended December 31, 2008, which are attached to this proxy statement/prospectus-information statement as Annex I-1;

Reviewed certain business, financial, and other information regarding Alltel and Spinco and their prospects that were furnished to Wachovia Securities by, and discussed with, the management of Alltel and Spinco, including projections for Alltel and Spinco for the three years ended December 31, 2007, which are attached to this proxy statement/prospectus as Annex I-2;

Reviewed the stock price and trading history of Valor common stock;

Compared the available business, financial, and other information regarding each of Valor and Spinco with similar information regarding certain publicly traded companies that Wachovia Securities deemed relevant;

Compared the proposed financial terms of the merger agreement with the financial terms of certain other business combinations and transactions that Wachovia Securities deemed relevant;

Developed discounted cash flow models for each of Valor and Spinco based upon estimates provided by the management of each of Valor and Spinco, as to each of Valor and Spinco respectively, and certain estimates discussed with the management of Valor;

Reviewed the potential pro forma impact of the merger on Valor's financial statements;

Considered other information such as financial, economic and market criteria that Wachovia Securities deemed relevant; and

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Participated in the discussions and negotiations among representatives of Valor and Alltel and their respective financial and legal advisors that resulted in the merger agreement.

In connection with its review, Wachovia Securities assumed and relied upon the accuracy and completeness of the foregoing financial and other information and did not and does not assume any responsibility for, nor did it conduct, any independent verification of such information. Wachovia Securities relied upon the assurances of the management of Valor and Alltel that they were not aware of any facts or circumstances that would make such information about Valor or Alltel inaccurate or misleading.

Wachovia Securities has been provided with prospective financial information, including post-merger synergies, for Valor and Spinco by each of their managements, respectively. Wachovia Securities was also provided with prospective financial information of Spinco by Alltel, including cost allocations by Alltel to Spinco. The projected financial information provided by Valor and the projected financial information provided by Alltel to Wachovia Securities is attached to this proxy statement/prospectus information statement as Annex I-1 and Annex I-2, respectively. Wachovia Securities discussed such prospective financial information, as well as the assumptions upon which they are based, with the management of each of Valor, Alltel and Spinco. Wachovia Securities assumed that the forecasts, estimates, judgments, and all assumptions expressed by the management of each of Valor, Alltel and Spinco in such projections have been reasonably formulated and that they were the best available forecasts, estimates, judgments, allocations and assumptions of each of the respective managements of Valor, Alltel and Spinco regarding such projections. Wachovia Securities also assumed that the cost allocations by Alltel to Spinco provided to Wachovia Securities by Alltel reflect the true standalone costs that Spinco will experience following the merger. Wachovia Securities discussed certain estimates for Valor and for Spinco, and the reasonableness of the assumptions upon which they are based, with the management of Valor. The Board of Directors of Valor did not place any limitations on Wachovia Securities in conducting its analysis of the merger in connection with rendering its fairness opinion. The Board of Directors of Valor did not ask Wachovia Securities to, nor did Wachovia Securities, explore or conduct a review of strategic alternatives for Valor. Wachovia Securities has not conducted any physical inspection or assessment of the facilities or assets of Valor, Alltel or Spinco. In addition, Wachovia Securities has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance sheet assets and liabilities) of Valor, Alltel or Spinco or any of their respective subsidiaries and has not been furnished with any such evaluations or appraisals.

In rendering its opinion, Wachovia Securities assumed that the merger will be consummated on the terms described in the merger agreement and the agreements contemplated thereby without waiver of any material terms or conditions, and that each party to the merger agreement and the agreements contemplated thereby will perform all of the covenants and agreements required to be performed by it thereunder without any consents or waivers of the other parties thereto. Wachovia Securities also assumed that in the course of obtaining any necessary legal, regulatory or third party consents and/or approvals, no restrictions will be imposed or delay will be suffered that will have a material adverse effect on Valor, or on the merger or on other actions contemplated by the merger agreement in any way meaningful to Wachovia Securities' analysis. Wachovia Securities further assumed that the merger agreement and the agreements contemplated thereby will not differ in any material respect from the drafts furnished to and reviewed by Wachovia Securities. In addition, Wachovia Securities has assumed that the merger and the distribution to Spinco will be tax-free, for United States federal income tax purposes.

The summary set forth below does not purport to be a complete description of the analyses performed by Wachovia Securities, but describes, in summary form, the material elements of the presentation that Wachovia Securities made to Valor's Board of Directors on December 8, 2005, in connection with Wachovia Securities' fairness opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its opinion, Wachovia Securities considered the results of all of its analyses as a whole and did not attribute any particular weight to any analysis or factor considered by it. The analyses described below must be considered as a whole, and considering portions of these analyses, without considering all of them, would create an incomplete view of the process underlying Wachovia Securities' analyses and opinion. Wachovia Securities reached a single conclusion as to fairness based on its experience and professional judgment and its analysis as a whole. This



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fairness conclusion was communicated to the Valor Board of Directors. Wachovia Securities does not, as part of its process, isolate various analyses and reach separate conclusions with respect to their relative significance and relevance.

Wachovia Securities chose to perform the financial analyses that it performed in connection with the transaction based on its experience and professional judgment. These analyses were performed solely as a part of Wachovia Securities' analysis of the fairness, from a financial point of view, to Valor and its stockholders, as of the date of the opinion, of the aggregate merger consideration paid by Valor pursuant to the terms of the merger agreement and were conducted in connection with the delivery by Wachovia Securities of its fairness opinion to the Valor Board of Directors.

**Valuation of Valor on a Stand-Alone Basis**

In conducting its analysis, Wachovia Securities used five methodologies to determine the valuation of Valor as a stand-alone entity. The five methodologies used to determine the value of Valor on a stand-alone basis included: historic stock trading analysis; comparable companies analysis; selected transactions analysis; premiums paid analysis and discounted cash flow and were developed and applied collectively. Consequently, each individual methodology was not given a specific weight, nor can it be viewed individually. Wachovia Securities used these analyses to determine the impact of various operating metrics on the implied equity value of Valor on a stand-alone basis. Each of these analyses yielded a range of implied equity values, and therefore, such implied equity value ranges developed from these analyses must be viewed collectively and not individually.

*Historical Stock Trading Analysis.* Wachovia Securities reviewed publicly available historical trading prices for shares of Valor common stock for the period beginning on the date of Valor's initial public offering (February 9, 2005) and ending on December 6, 2005. The purpose of this analysis was to understand the market valuation of Valor since its initial public offering. The trading range of shares of Valor common stock in this period was \$11.28 - \$16.17.

*Comparable Companies Analysis.* Wachovia Securities compared financial, operating and stock market data of Valor to the following publicly traded companies that participate predominantly, or in part, in the regional telecommunications industry: CenturyTel, Cincinnati Bell, Commonwealth Telephone, Iowa Telecommunications, Citizens Communications, Fairpoint Communications, and Consolidated Communications. The multiples and ratios of each of the selected publicly traded companies were based upon the most recent publicly available information. Specifically, Wachovia Securities focused on three multiples, including enterprise value (defined as a company's market capitalization plus debt, less cash) to the estimated earnings before interest, taxes, depreciation and amortization (EBITDA); equity value (defined as a company's market capitalization) to the estimated free cash flow (defined as net income plus depreciation and amortization, plus non-cash charges, minus capital expenditures), and enterprise value per access line. After eliminating the high and low data points across each of the three trading multiples for the group of comparable companies, Wachovia Securities applied the reference multiple range to Valor's operating metrics of 2005(E) EBITDA, free cash flow and access lines to determine Valor's implied equity value per share.

The following table presents the most relevant analyses of the selected publicly traded companies:

	Low	High	Median	Mean	Reference Multiple Range	Implied Valor Equity Value per Share
Enterprise Value to 2005(E) EBITDA (earnings before interest, taxes, depreciation and amortization)	5.5x	8.3x	6.9x	6.9x	6.1x - 7.8x	\$7.64 - \$14.29
	6.3x	9.5x	8.0x	8.0x	7.0 - 9.3x	\$12.75 - \$16.97

Equity Value to 2005(E)

Free Cash Flow

Enterprise Value per

Access Line	\$3,158.4	\$4,509.1	\$3,675.0	\$3,678.8	\$3,175 - 4,153	\$7.32 - \$14.46
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With regard to the comparable companies analysis summarized above, Wachovia Securities selected comparable publicly traded companies on the basis of various factors, including the size of the public company and the similarity of the lines of business. No public company used as a comparison, however, is identical to

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Valor. Accordingly, these analyses are not purely mathematical, but also involve complex considerations and judgments concerning the differences in financial and operating characteristics of the comparable companies and other factors. These factors could affect the public trading value of the comparable companies to which Valor is being compared.

*Selected Transactions Analysis.* Using publicly available information and analysis prepared by Wachovia Securities, Wachovia Securities examined selected transactions involving companies with similar types of operations as Valor announced from December 1999 to November 2004. The selected transactions were:

<b>Target</b>	<b>Acquiror</b>
NTELOS	Quadrangle/CVC
Verizon Communications Hawaii	The Carlyle Group
TXU Communications	Consolidated Communications
Illinois Consolidated Telephone Co.	Homebase Acquisition Corp.
Conestoga Enterprises	D&E Communications
Verizon KY	ALLTEL
Verizon AL, MO	CenturyTel
Kerrville Communications	VALOR Telecom
Global Crossing ILEC	Citizens Communications
GTE Corp. (Illinois)	Citizens Communications

In performing this analysis, Wachovia Securities determined the multiples of enterprise value (defined as equity value plus net debt) to the last twelve months ( LTM ) of EBITDA and enterprise value per access line for each of the selected transactions. From this data, Wachovia Securities developed a reference multiple range, which it applied to each of Valor's LTM EBITDA and access lines to calculate an implied equity value per share. The following table presents the most relevant analyses of these transactions:

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Reference Multiple Range</b>	<b>Implied Equity Value per Share</b>
Enterprise Value to LTM (last twelve months) EBITDA	6.0x	9.4x	7.4x	6.5x - 7.5x	\$9.15 - \$13.01
Enterprise Value per Access Line	\$2,334	\$4,370	\$3,137	\$3,250 - \$4,000	\$7.86 - \$13.34

Because the market conditions, rationale and circumstances surrounding each of the transactions analyzed were specific to each transaction and because of the inherent differences between Valor's businesses, operations and prospects and those of the comparable acquired companies, Wachovia Securities believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis. Accordingly, Wachovia Securities also made qualitative judgments concerning differences between the characteristics of these transactions (including market conditions, rationale and circumstances surrounding each of the transactions, and the timing, type and size of each of the transactions) and the merger that could affect Valor's acquisition value.

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*Premiums Paid Analysis.* Based on publicly available information, Wachovia Securities analyzed the premiums paid in selected comparable transactions involving publicly traded companies as of thirty (30) days prior to the announcement date of each transaction. The selected comparable transactions are as follows:

<b>Target</b>	<b>Acquiror</b>
First National Bankshares FL	Fifth Third Bancorp
Varco International Inc.	National-Oilwell Inc.
Artesyn Technologies Inc.	Bel Fuse Inc.
Cornerstone Realty Income Trust	Colonial Properties Trust
Veritas Software Corp.	Symantec Corp.
Public Svc Enterprise Group Inc.	Exelon Corp.
Gillette Co.	Procter & Gamble Co.
AT&T Co.	SBC Communications Inc.
Great Lakes Chemical Corp.	Crompton Corp.
Ask Jeeves Inc.	IAC/ InterActive Corp.
Mykrolis Corp.	Entegris Inc.
Macromedia Inc.	Adobe Systems Inc.
SpectraSite Inc.	American Tower Corp.
Cinergy Corp.	Duke Energy Corp.
Shurgard Storage Centers Inc.	Public Storage Inc.
WFS Financial Inc.	Wachovia Corporation
Westcorp	Wachovia Corporation
Medicis Pharmaceutical Corp.	Mentor Corp.

Wachovia Securities examined change of control, stock-for-stock transactions with equity values greater than \$500 million to determine a range of premiums paid in previous transactions of similar size and structure and used this analysis to determine an implied equity value per share of Valor.

The following table presents the results of this analysis:

	<b>Low</b>	<b>High</b>	<b>Median</b>	<b>Mean</b>	<b>Reference Multiple Range</b>	<b>Implied Valor Equity Value per Share</b>
30-Day Premium	(3.4)%	35.8%	16.8%	17.3%	(3.4)% - 35.8%	\$12.07 - \$16.97

No company utilized in the premiums paid analysis is identical to Valor, nor is any transaction identical to the merger. Therefore, a purely quantitative premiums paid analysis would not be dispositive in the context of the merger, and an appropriate use of such analysis involves qualitative judgments concerning the differences between the characteristics of these transactions and the merger that would affect the value of the selected companies and Valor.

*Discounted Cash Flow Analysis of Valor.* Wachovia Securities performed a discounted cash flow analysis for Valor on a stand-alone basis based on financial estimates for 2006-2010 provided by the management of Valor and estimates discussed with the management of Valor. Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010. Wachovia Securities selected this terminal value multiple range based on (i) Wachovia Securities' review of trading data for comparable public companies, (ii) the implied perpetual growth rates of free cash flow derived from such multiples and the corresponding range of implied perpetual growth rates of free cash flow that Wachovia Securities deemed to be reasonable, and (iii) Wachovia Securities' overall professional experience valuing wireline businesses. Wachovia Securities used discount rates ranging from 7.5% to

8.5% after performing a weighted average cost of capital calculation that included reviewing the median risk factor for comparable public companies and was based on a debt-to-total capitalization ratio of 45%. The implied Valor equity value per share ranged from \$9.62 \$13.15.

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Additionally, Wachovia Securities performed a discounted cash flow analysis for Valor on a stand-alone basis based on modified financial estimates for 2006-2010 provided by and discussed with the management of Valor. The modified estimates assumed that Valor's access line loss increased to 4% annually in 2006-2010. Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010 and discount rates ranging from 7.5% to 8.5%. The implied Valor equity value per share ranged from \$8.01 to \$11.25.

**Implied Percentage Ownership Analysis**

Based in part on the valuation of Valor as a stand-alone entity, Wachovia Securities then performed financial analyses to determine the ranges of implied percentage ownership by holders of Valor common stock in the combined company. Wachovia Securities then compared these ranges of implied percentage ownership to the actual post-merger ownership of 15.0% of the combined company by current holders of Valor common stock pursuant to the merger agreement. Specifically, Wachovia Securities took the reference multiple range for each of enterprise value to estimated 2005 access lines; enterprise value to 2005 estimated EBITDA; and equity value to estimated free cash flow, all determined as part of the comparable company analysis described above, and applied those ranges to each of Valor's and Spinco's respective operating metrics to calculate an implied equity value for both Valor and Spinco. Wachovia Securities then calculated Valor's implied equity ownership based on its relative percentage share of equity value to total (Valor plus Spinco) equity value.

*Implied Percentage Ownership Analysis based on Comparable Public Companies.* Wachovia Securities analyzed the implied equity value of Valor and Spinco using the same comparable companies as in the Valor stand-alone analysis of comparable publicly traded companies.

				<b>Valor Implied Percentage Ownership of Combined Company</b>	
	<b>Reference Multiple Range</b>	<b>Valor Implied Equity Value</b>	<b>Spinco Implied Equity Value 2005(E)</b>	<b>Low End of Ranges</b>	<b>High End of Ranges</b>
Enterprise Value per 2005(E) Access Lines	\$3,175 - \$4,153	\$520 - \$1,029	\$5,024 - \$7,841	9.4%	11.6%
Enterprise Value to 2005(E) EBITDA	6.1x - 7.8x	\$544 - \$1,017	\$4,487 - \$6,922	10.8%	12.8%
Equity Value to 2005(E) Free Cash Flow	7.0x - 9.3x	\$907 - \$1,207	\$3,558 - \$4,734	20.3%	20.3%

*Contribution Analysis.* Wachovia Securities reviewed Valor and Spinco's respective financial contribution to the combined company with respect to the relative contributions to access lines, EBITDA and free cash flow on an estimated basis for 2005 and on a projected basis for 2006 based on information provided by the managements of Valor, Alltel and Spinco. The results of this analysis indicated the following implied equity contribution by holders of Valor common stock to the combined company:

	<b>Implied Valor %</b>
Access Lines 2005(E)-2006(P)	15.3% - 15.5%
EBITDA 2005(E)-2006(P)	16.3% - 16.3%
Free Cash Flow 2005(E)-2006(P)	20.3% - 21.2%

*Debt-Adjusted Contribution Analysis.* Wachovia Securities also reviewed Valor and Spinco's respective financial contribution to the combined company with respect to the relative contributions to access lines and EBITDA on a debt-adjusted basis for 2006 based on information provided by the managements of Valor, Alltel and Spinco and based on a range of values of the combined company reflected by dividend yields of 7%-8%. In this analysis, the enterprise value of the combined company (as implied by a particular dividend yield) was allocated to each of Valor and Alltel based on their relative contributions to access lines and EBITDA and then adjusted by the debt contributed by each company to arrive at an implied equity contribution. The results of this analysis indicated an implied equity contribution by holders of Valor common stock to the combined company of 9.9%-11.0% based on access lines and 11.7%-12.4% based on EBITDA.

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*Discounted Cash Flow Analysis of Valor and Spinco.* Wachovia Securities performed a discounted cash flow analysis for each of Valor and Spinco on a stand-alone basis based on financial estimates for 2006-2010 provided by the managements of each of Valor and Spinco and estimates discussed with the management of Valor.

With respect to Spinco on a stand-alone basis, Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010 and discount rates ranging from 6.75% to 7.75%. The implied Spinco equity values ranged from \$3,923 million to \$5,183 million.

With respect to Valor on a stand-alone basis, Wachovia Securities assumed terminal value multiples ranging from 6.0x to 7.0x EBITDA in calendar year 2010 and discount rates ranging from 7.5% to 8.5%. The implied Valor equity values ranged from \$684 million to \$935 million. Wachovia Securities selected this terminal value multiple range based on (i) Wachovia Securities' review of trading data for comparable public companies, (ii) the implied perpetual growth rates of free cash flow derived from such multiples and the corresponding range of implied perpetual growth rates of free cash flow that Wachovia Securities deemed to be reasonable, and (iii) Wachovia Securities' overall professional experience valuing wireline businesses. Wachovia Securities calculated the discount ranges applied to the respective cash flows of Spinco and Valor based on a weighed average cost of capital calculation that included reviewing the median risk factor for comparable public companies and was based on a debt-to-total capitalization ratio of 45%.

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

	<b>Low End of Range</b>	<b>High End of Range</b>
Valor	Implied	Ownership
% of Combined Company	14.8%	15.3%

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

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

	<b>Low End of Range</b>	<b>High End of Range</b>
Valor Implied Ownership % of Combined Company	12.7%	13.4%

**Pro Forma Merger Analysis**

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



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

**Share Price Accretion/ Dilution**

	<b>Windstream Reference Multiple Range</b>	<b>2005(PF)</b>	<b>2006(P)</b>	<b>2007(P)</b>	<b>2008(P)</b>
EBITDA Multiple	6.5x - 7.5x	23.4% - 35.4%	18.5% - 28.8%	20.2% - 30.7%	20.2% - 30.4%
Dividend Yield	7.0% - 8.0%	8.5% - 14.1%	8.5% - 14.1%	8.5% - 14.1%	8.5% - 14.1%
Free Cash Flow Multiple	6.5x - 9.5x	(21.1)%	(26.6)%	(22.5)%	(23.9)%

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

*Implied Post-Merger Price Per Share Analysis.* Wachovia Securities performed an analysis to estimate a range of implied post-merger price per share of Valor common stock based on a range of dividend yields. In conducting its analysis, Wachovia Securities compared certain metrics of the combined company with similar metrics of Commonwealth Telephone, Citizens Communications and CenturyTel. Although none of the selected companies is directly comparable to Valor, Spinco or the combined company, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Valor, Spinco and the combined company. Based on this analysis, Wachovia Securities then estimated the implied post-merger price per share of the combined company with respect to a range of dividend yields of 7%-8% resulting in an implied range of share prices of \$12.50-\$14.29.

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

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

respect to the prices at which Valor common stock will trade following the announcement of the merger or the prices at which Valor common stock will trade following the consummation of the merger.

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Wachovia Securities is a trade name of Wachovia Capital Markets, LLC, an investment banking subsidiary and affiliate of Wachovia Corporation. Wachovia Securities has been engaged to render certain financial advisory services to the Board of Directors of Valor in connection with the merger, and will receive a fee for such services, \$750,000 of which was payable upon delivery of the fairness opinion, and \$5,250,000 of which is payable upon consummation of the merger. In addition, Valor has agreed to reimburse Wachovia Securities' reasonable out-of-pocket expenses and indemnify it against certain liabilities that may arise out of its engagement, including liability under the federal securities laws. Wachovia Securities and its affiliates provide a full range of financial advisory, securities and lending services in the ordinary course of business for which it receives customary fees. In connection with unrelated matters, Wachovia Securities and its affiliates (including Wachovia Corporation and its affiliates) in the past have provided financing services to Valor, certain of its affiliates and Alltel and may provide similar or other such services to, and maintain relationships with, Valor, certain of its affiliates and Alltel in the future. Wachovia Securities served as a co-Lead Arranger, Joint Book-Running Manager and Syndication Agent in Valor's \$1.67 billion refinancing in November 2004, as a Senior co-Manager for Valor's \$441 million initial public offering in February 2005 and as a co-Manager on Valor's \$400 million senior unsecured notes offering in February 2005. Wachovia Securities and its affiliates maintain banking, finance and investment relationships with certain affiliates of Valor, including Welsh, Carson, Anderson & Stowe, in certain of whose funds an affiliate of Wachovia Securities invests, and Vestar Capital Partners and certain of their respective portfolio companies. For investment banking, financing and other financial advisory services rendered to Valor over the past two years, Wachovia Securities received compensation of \$5.5 million, which amount includes \$750,000 related to the issuance of the fairness opinion discussed herein. In addition, Wachovia Securities and its affiliates received \$643,000 in interest income from Valor indebtedness over the past two years. Wachovia Securities or one of its affiliates is currently a senior unsecured lender to Alltel. For investment banking and other financial advisory services rendered to Alltel over the past two years, Wachovia Securities received compensation of \$6.4 million. Additionally, in the ordinary course of its business, Wachovia Securities currently, and in the future may, trade in the debt and equity securities (or related derivative securities) of Valor and Alltel for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities. Wachovia Securities maintains research coverage of the equity securities of Valor and the equity and debt securities of Alltel.

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

**Opinion of Valor's Financial Advisor - Bear Stearns**

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

The full text of the Bear Stearns opinion is attached hereto as Annex D-2. The description of the Bear Stearns opinion set forth herein is qualified in its entirety by reference to the full text of the Bear Stearns opinion. Valor's stockholders are urged to read the Bear Stearns opinion in its entirety for a description of the assumptions made, procedures followed, matters considered and qualifications and limitations on the review undertaken by Bear Stearns. The Valor Board of Directors did not impose any limitations on the review undertaken by Bear Stearns. The Bear Stearns opinion is subject to the assumptions and conditions contained therein and is necessarily based on economic, market and other conditions and the information made available to Bear Stearns as of the date of its opinion. Bear Stearns assumes no responsibility for updating or revising its



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opinion based on circumstances or events occurring after the date of the Bear Stearns opinion. The Bear Stearns opinion is intended for the benefit and use of the Board of Directors of Valor and does not constitute a recommendation to the Board of Directors of Valor or any holders of Valor common stock as to how to vote or take any other action in connection with the merger. The Bear Stearns opinion did not address Valor's underlying business decision to pursue the merger, the relative merits of the merger as compared to any alternative business strategies that might have existed for Valor or the effects of any other transaction in which Valor might engage.

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

reviewed the merger agreement and the distribution agreement;

reviewed the voting agreement, dated as of December 8, 2005, among Alltel, Spinco and the stockholders of Valor named therein;

reviewed Valor's Annual Reports on Form 10-K for the year ended December 31, 2004, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005 and its Current Reports on Form 8-K filed since January 1, 2005;

reviewed Spinco's Draft Audited Financial Statements for the years ended December 31, 2002, 2003 and 2004, its unaudited interim consolidated balance sheet as of September 30, 2005, and the related unaudited interim consolidated income statement and statement of cash flows for the nine months ended September 30, 2005;

reviewed Alltel's Annual Reports on Form 10-K for the years ended December 31, 2002, 2003 and 2004, its Quarterly Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005 and its Current Reports on Form 8-K filed since January 1, 2005;

reviewed certain operating and financial information relating to Valor and Spinco's businesses and prospects (as prepared and furnished to Bear Stearns by Valor and Alltel's senior managements, respectively), including projections for Valor for the six years ended December 31, 2010 as prepared by Valor's senior management, which are attached to this proxy statement/prospectus-information statement as Annex I-1, and projections for Spinco for the three years ended December 31, 2007 as prepared by Alltel's management, which are attached to this proxy statement/prospectus-information statement as Annex I-2, as well as certain publicly available research analyst projections for Alltel/ Spinco for the years ended December 31, 2008, 2009 and 2010 (which research analyst projections were reviewed by and discussed with the senior management of Valor);

reviewed certain estimates of cost savings and other synergies estimates expected to result from the merger, as prepared and provided to Bear Stearns by Valor's senior management and discussed with Alltel's senior management, including persons who will become members of Windstream's senior management;

met with certain members of Valor and Alltel's senior management, including persons who will become members of Windstream's senior management, to discuss Valor and Spinco's respective businesses, operations, historical and projected financial results and future prospects;

reviewed the historical prices, trading multiples and trading volume of the common shares of Valor;

reviewed publicly available financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to Valor and Spinco, as appropriate;

reviewed the terms of recent mergers and acquisitions involving companies which Bear Stearns deemed generally comparable to Valor;

performed discounted cash flow analyses based on the projections for Valor and Spinco and the synergy estimates for the combined company, including certain tax attributes available to Valor and Spinco;

reviewed the pro forma financial results, financial condition and capitalization of the combined company giving effect to the merger; and

conducted such other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

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

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

***Summary of Financial Analyses***

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

The financial analyses summarized below include (i) comparable company public market trading valuation comparisons, (ii) precedent merger and acquisition transactions valuation comparisons, (iii) discounted cash flow analyses, and (iv) transaction combination analyses. These types of analyses are some of the methodologies traditionally used when rendering a fairness opinion in transactions of this type. In particular, Bear Stearns determined to use these types of analyses in order to attempt to analyze the aggregate consideration being issued by Valor in the merger and to compare the estimated equity value of Valor on a stand alone basis, assuming no merger, with the estimated equity value of Valor's ownership in the pro forma combined company, assuming completion of the merger. A variety of analyses were employed in order to analyze the potential transaction using a number of valuation techniques and to avoid any one particular analysis presenting an incomplete or misleading view of the potential transaction.

In preparing its comparable company public market trading valuation comparisons and precedent merger and acquisition transactions valuation comparisons, Bear Stearns attempted to determine implied equity values (the value of a company attributable to its stockholders based on the company's public market trading level or acquisition price, as applicable) and/or enterprise values (calculated as a company's equity value plus its debt less its cash) as a multiple of selected financial and operating metrics for a company.

In preparing its discounted cash flow analyses, Bear Stearns used the projected cash flows for Valor and Spinco plus the respective terminal values (values for each of the companies at the end of the projection period, calculated as

multiples of 2010 projected EBITDA (defined as earnings before interest, income  
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taxes, depreciation and amortization)), and discounted these cash flows to a present value using a range of rates that corresponds to the respective company's estimated cost of capital during that period. Cash flows for the projection period beginning January 1, 2006 and ending December 31, 2010 were calculated as EBITDA less changes in working capital, capital expenditures and cash taxes.

In preparing its transaction combination analyses, Bear Stearns attempted to compare the projected financial performance of Valor on a stand alone basis, assuming no merger, with the projected financial performance of the pro forma combined company, assuming completion of the merger.

***Spinco Valuation***

Bear Stearns analyzed the value of Spinco using the implied trading multiples of selected public companies and a discounted cash flow analysis. For purposes of Bear Stearns' review, Bear Stearns utilized, among other things, projections of the future financial performance of Spinco through 2010. The Spinco projections for 2005, 2006 and 2007, which are attached to this proxy statement/prospectus information statement as Annex I-2, were prepared by the management of Alltel and the Spinco projections for 2008, 2009 and 2010 were based on publicly available research analyst projections and were reviewed by the management of Valor.

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

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

The wireline communications companies were:

Alaska Communications Systems Group, Inc.;

Citizens Communications Company ( Citizens );

Consolidated Communications Holdings, Inc.;

FairPoint Communications, Inc.;

Iowa Telecommunications Services, Inc.;

Valor Communications Group, Inc.;

CenturyTel, Inc. ( CenturyTel ); and

Commonwealth Telephone Enterprises, Inc.



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

**Selected Comparable Public Companies Trading Multiples**

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

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

**Spinco Valuation Parameters Reference Range**

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

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

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

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

communications companies. The cash flows were then discounted to present value using a weighted average cost of capital, or WACC, of 7.00% to 8.00% (determined by observing the betas (a measure of the trading volatility of a particular company's stock relative to the broader market) of Valor and other publicly traded wireline companies and based on debt-to-total capitalization ratios between

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40.0% and 50.0%). The resulting implied equity values based on the discounting of these cash flows and the terminal value were \$4,641 million to \$5,911 million, which implied per share equity values of \$11.51 to \$14.66 for Spinco.

*Spinco Valuation Reference Range.* The average of the above analyses indicated a range of per share equity values of \$11.79 to \$14.18 for Spinco. Bear Stearns determined the appropriate equity value per share reference range for Spinco to be \$12.00 to \$14.00 based on (i) the range of per share values for Spinco using the selected comparable public companies analyses and discounted cash flow analysis and (ii) Bear Stearns' overall experience in valuing wireline companies.

**Valor Valuation**

Since Spinco will contribute a vast majority of the financial performance of the pro forma combined company, Bear Stearns analyzed the value of Valor by assuming the Spinco equity value per share reference range was given as consideration to the common stockholders of Valor. Bear Stearns also analyzed the value of Valor using implied multiples from selected precedent merger and acquisition transactions and a discounted cash flow analysis. For purposes of Bear Stearns' review, Bear Stearns utilized, among other things, projections of the future financial performance of Valor through 2008, as prepared by the management of Valor, which are attached to this proxy statement/prospectus information statement as Annex I-1.

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

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

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

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

The precedent transactions in the Most Comparable Transactions group were:

The Carlyle Group/ Verizon Hawaii Inc. May 2, 2005;

Consolidated Communications Holdings, Inc./ TXU Corp. April 14, 2004;

Alltel Corporation/ Verizon Communications Inc. (Kentucky) August 1, 2002;  
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Homebase Acquisition Texas Corp./ Illinois Consolidated Telephone Co. December 31, 2002; and  
 CenturyTel, Inc./ Verizon Communications Inc. (Alabama and Missouri) July 1, 2002 and August 31, 2002.  
 Bear Stearns calculated the following multiples for the recent wireline transactions used in its analysis:

**Recent Wireline Transaction Multiples**  
**Transaction Value as Multiple of:**

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

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

*Discounted Cash Flow Analysis.* Bear Stearns performed an analysis of the present value of the cash flows available to equity holders that Valor could generate over fiscal years 2006 through 2010. For Valor's business, Bear Stearns applied terminal value multiples ranging from 6.00x to 7.00x to Valor's projected 2010 EBITDA, as provided by the management of Valor. Bear Stearns chose these terminal value multiples based on (i) the implied perpetual growth rates of free cash flow derived from such multiples and the corresponding range of implied perpetual growth rates of free cash flow that Bear Stearns determined to be reasonable, (ii) Bear Stearns' review of trading data for comparable public companies and (iii) Bear Stearns' overall experience in valuing wireline companies. The cash flows were then discounted to present value using a WACC of 7.25% to 8.25% (determined by observing the betas of Valor and other publicly traded wireline companies and based on debt-to-total capitalization ratios between 52.5% and 62.5%). Valor's various tax attributes were valued separately in this analysis. The resulting implied equity values based on the discounting of these cash flows and the terminal value ranged from approximately \$806 million to \$1,067 million, which implied equity per share values of \$11.33 to \$15.01 for Valor. This compared favorably to the Spinco equity value per share reference range that Bear Stearns assumed was given as consideration to the common stockholders of Valor.

**Transaction Combination Analysis**

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

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

**Access Lines**

	<b>2005E</b>
Valor	15.3%
Spinco	84.7%

**EBITDA**

	<b>2005E</b>	<b>2006E</b>	<b>2007E</b>
Valor	16.3%	16.3%	16.5%
Spinco	83.7%	83.7%	83.5%

**Normalized LFCF Contribution**

	<b>2005E</b>	<b>2006E</b>	<b>2007E</b>
Valor	17.2%	16.7%	16.0%
Spinco	82.8%	83.3%	84.0%

**Actual LFCF Contribution**

	<b>2005E</b>	<b>2006E</b>	<b>2007E</b>
Valor	18.7%	20.0%	19.7%
Spinco	81.3%	80.0%	80.3%

The percentages of access lines and EBITDA set forth in the tables above that are projected to be contributed to the pro forma combined company by Valor were compared to the 17.8% interest that Valor's common stockholders will have in the combined company's enterprise value (assuming that the combined company's per share stock is valued at the mid-point of the Bear Stearns reference range for Spinco's equity value per share, or \$13.00 per share). Further, the percentage of Normalized LFCF and Actual LFCF, set forth in the above table, that is projected to be contributed to the pro forma combined company by Valor was then compared to the 15.0% interest that Valor's common stockholders will have in the combined company. While the results of this analysis were considered by Bear Stearns, they were not necessarily determinative in assessing that the aggregate consideration to be issued by Valor in the merger was fair, from a financial point of view, to Valor and the stockholders of Valor.

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

*Discounted Cash Flow Accretion/(Dilution) Analysis.* Bear Stearns prepared a discounted cash flow valuation accretion/(dilution) analysis by comparing the stand-alone discounted cash flow equity values of Valor and Spinco to the implied value of each company's respective ownership in the pro forma combined company. For the purpose of

preparing the pro forma combined company discounted cash flow accretion/(dilution) analysis, both with and without the impact of potential operating synergies, Bear Stearns assumed the terminal EBITDA multiple range used in the Spinco stand-alone discounted cash flow analysis and a WACC range of 6.75% to 7.75% (determined by observing the betas of Valor and other publicly traded wireline companies and based on debt-to-total capitalization ratios between 45.0% and 55.0%). The table below summarizes the results of Bear Stearns discounted cash flow accretion/(dilution) analysis.

**Table of Contents****Discounted Cash Flow Equity Value Accretion/(Dilution) Analysis**

	<b>No Synergies</b>	<b>With Potential Synergies</b>
Valor	0.9% - 3.3%	7.8% - 11.6%
Spinco	2.4% - 2.7%	9.8% - 10.7%

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

With potential synergies, the pro forma combined company is expected to have higher net income per share for 2005 through 2007 and without potential synergies the pro forma combined company is expected to have higher net income per share for 2005 and 2006 and lower net income per share for 2007 than Valor is expected to have on a stand-alone basis. Bear Stearns observed that without potential synergies the pro forma combined company is expected to have a lower EBITDA cumulative average growth rate from 2005 to 2007 than Valor is expected to have on a stand-alone basis and that with potential synergies the pro forma combined company is expected to have a higher EBITDA cumulative average growth rate from 2005 to 2007 than Valor is expected to have on a stand-alone basis. Bear Stearns also noted that both with and without potential synergies the pro forma combined company is expected to have a lower Actual LFCF cumulative average growth rate and lower Actual LFCF per share from 2005 to 2007 than Valor is expected to have on a stand-alone basis. While the results of this analysis were considered by Bear Stearns, they were not necessarily determinative in assessing that the aggregate consideration to be issued by Valor in the merger was fair, from a financial point of view, to Valor and the stockholders of Valor.

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

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

None of the public companies used in the comparable company analysis described above are identical to Valor or Spinco, and none of the precedent transactions used in the precedent transactions analysis described above are

identical to the merger. Accordingly, an analysis of publicly traded comparable companies and comparable precedent transactions is not mathematical; rather it involves complex considerations and

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

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

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

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

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

**Alltel's Reasons for the Spin-Off and the Merger**

Alltel announced in January 2005 that it would undertake a thorough review of the strategic alternatives related to its wireline business. Alltel decided to explore these strategic alternatives because of its belief that the separation of the wireless and wireline segments would better position each to take advantage of emerging strategic, operational and financial opportunities, thereby enhancing stockholder value. During the ensuing months, Alltel reviewed various capital structures and strategic alternatives that could be value enhancing to its stockholders. Based on Alltel management's review and findings, the Alltel board of directors determined that a formal process, utilizing the expertise of Alltel's financial advisors, to assess the market environment for strategic repositioning options related to its wireline business was appropriate. In September 2005, Alltel announced its intention to begin such a process. That process, which included the execution of non-disclosure agreements and the sharing of information books for use in preparing preliminary proposals, resulted in several parties expressing significant interest in Alltel's wireline business. Alltel then evaluated financing considera-

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tions for potential combinations, performed due diligence, and received management presentations from potential partners addressing issues such as ensuring tax-free treatment of the transaction, maximizing Alltel stockholder value, establishing an appropriate capital structure and implementing a sustainable dividend policy.

In reaching its decision to approve the spin-off and merger with Valor, the Alltel Board of Directors consulted with its financial and legal advisors and considered a wide variety of factors, including the following:

the creation of skilled management teams at both Alltel and Windstream having proven track records of delivering financial results, a great breadth of experience in the communications industry, and a deep commitment to providing quality communications services to customers;

the expectation that Alltel will receive cash proceeds and debt reduction totaling approximately \$4.2 billion resulting from the spin-off, which will result in Alltel having net debt of approximately \$1.2 billion and being levered at about 0.5 times net debt to operating income before depreciation and amortization;

the potential value, as determined by evaluating pre and post transaction discounted cash flows, EBITDA (or earnings before interest, taxes, depreciation and amortization), yield, and other measures of the pre and post transaction wireline businesses, created for Alltel stockholders who, in the aggregate, will collectively hold 85% of the outstanding shares of Windstream immediately following the merger and the expectation of strong investor demand for both a pure-play wireless company and a pure-play rural wireline company;

Alltel's and Valor's wireline businesses have complementary geographic footprints with favorable rural characteristics, and their integration will benefit from Alltel's existing billing system outsourcing relationship with Valor, providing the potential to create a market leader in the rural wireline telecommunications industry;

the potential positive financial impact resulting from such a combination (including, without limitation, the expected achievement of \$40 million in net annual synergies from the combination) which would benefit Alltel stockholders through the spin-off and merger;

the tax-efficient structure for Alltel and Alltel's stockholders of the proposed spin-off and immediate merger of Spinco with and into Valor; and

the expectation that Windstream will pay an annual dividend of \$1 per share of common stock, which equals \$1.04 per equivalent Alltel share.

The Alltel Board of Directors also considered certain countervailing factors in its deliberations concerning the spin-off and merger, including the possibility that the anticipated benefits expected to result from the merger would fail to materialize and the potential impact that would have on Alltel stockholders receiving Windstream common shares in the transaction.

The foregoing discussion of the information and factors discussed by the Alltel Board of Directors is not meant to be exhaustive but is believed to include all material factors considered by it. The Alltel Board of Directors did not quantify or attach any particular weight to the various factors that it considered in reaching its determination that the terms of the spin-off and merger are fair to, and in the best interests of, Alltel and Alltel stockholders. Rather, the Alltel Board of Directors viewed its position as being based on the totality of the information presented to and considered by it. The Alltel Board of Directors, after considering the information available to it, also considered relevant Delaware law, the opinions of experts, and its fiduciary duties to Alltel's stockholders. As a result of the consideration of the foregoing and other relevant considerations, the Alltel Board of Directors unanimously determined that the spin-off and merger, including the terms of the merger agreement, distribution agreement and the other agreements relating to the merger, are fair to, and in the best interests of, Alltel and Alltel stockholders.

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### **Board of Directors and Management of Windstream After the Merger**

The merger agreement provides that the Board of Directors of Spinco at the effective time of the merger will become the Board of Directors of Windstream, and will consist of nine individuals: Francis X. Frantz, who most recently served as the Executive Vice President External Affairs, General Counsel and Secretary of Alltel, Jeffery R. Gardner, who most recently served as Executive Vice President Chief Financial Officer of Alltel, six other persons named by Alltel and one person named by Valor. Additionally, the merger agreement provides that, as of the completion of the merger, Mr. Frantz will serve as Chairman of the Board of Windstream. Valor has designated Anthony J. de Nicola as its designee to the Windstream board. Five of Alltel's designees to the Windstream board are identified under the heading Management of Windstream Following the Merger Alltel Corporation Designees to the Board of Directors on page 152 of this proxy statement/prospectus-information statement. The final Alltel designee will be named prior to completion of the spin-off and merger.

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

### **Interests of Certain Persons in the Merger**

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

Anthony J. de Nicola, Valor's current Chairman of the Board of Directors, is expected to be appointed to the board of Windstream;

John J. Mueller, Valor's current chief executive officer, has entered into a consulting agreement with Windstream which is described below under the heading Consulting Agreement with Mr. Mueller;

W. Grant Raney and Cynthia B. Nash, current executive officers of Valor, have accepted offers of employment with Windstream (to be effective only upon the closing of the transactions) which are described below under the heading Employment Arrangements with Mr. Raney and Ms. Nash;

a portion of certain executive officers' cash awards and shares of restricted stock that were scheduled to vest January 1, 2007, shall vest upon the consummation of the merger, as set forth below;

the severance benefits payable to Messrs. Mueller, Raney and Ojile and Ms. Nash for termination of employment by Valor without Cause or by the executive officer for Good Reason, as each such term is defined in their employment agreements with Valor, were increased from 18 months of base salary to 24 months. Also, the bonus payment prescribed in the executive officers' employment agreements were increased to two times annual target bonus;



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the acceleration of vesting of restricted stock grants scheduled to vest in 2008 and beyond for Messrs. Mueller, Ojile and Vaughn, Valor executive officers who will not remain employed by Windstream; and

prior to the completion of the merger, Valor Securityholders Agreement with certain of its stockholders will be amended so that persons affiliated with Welsh, Carson, Anderson & Stowe, or WCAS and Vestar Capital Partners, who collectively own approximately 41% of Valor's outstanding common stock, will receive the following benefits:

Windstream will file and use reasonable best efforts to have declared effective an evergreen Shelf Registration Statement permitting sales of securities of Windstream by WCAS and Vestar as soon as practicable after consummation of the merger;

if requested by the holders of at least 50% of the outstanding securities initially held by WCAS, Vestar and their respective affiliates, Windstream will conduct one underwritten offering, including management participation in road shows and similar customary obligations;

WCAS and Vestar will have customary piggyback registration rights in connection with any registration by Windstream of sales of its equity securities (other than on Forms S-4 or S-8), whether for Windstream's own account or for the benefit of one or more stockholders exercising demand registration rights; and

Windstream will pay customary fees and expenses of registrations.

The following table sets forth the payments to be made to certain executive officers of Valor and the restricted stock grants held by certain executive officers and directors of Valor that will be subject to accelerated vesting upon completion of the merger.

Name of Executive Officer or Director	Amount of Cash	Number of Shares Restricted Stock	Severance	Windstream
	Award to be Accelerated	Subject to Accelerated Vesting	Benefits	Annual Base Salary
John J. Mueller(1)	\$ 400,000	331,002	\$ 2,000,000	
Jerry E. Vaughn	\$ 0	338,937	\$ 1,587,500(2)	
W. Grant Raney	\$ 200,000	73,556	\$ 0	\$ 257,000(3)
William M. Ojile, Jr.(1)	\$ 100,000	125,045	\$ 750,000	
Cynthia B. Nash	\$ 60,000	40,456	\$ 0	\$ 220,000(4)
Anthony J. de Nicola		6,470		
Sanjay Swani		6,470		
Norman W. Alpert		6,470		
Kenneth R. Cole		6,470		
Federico F. Peña		6,470		
Edward J. Heffernan		6,470		
Stephen B. Brodeur		6,470		
Michael E. Donovan		6,470		
M. Ann Padilla		6,470		
Edward L. Lujan		6,470		

- (1) Severance benefits represent twenty-four months of base salary and two times each executive's target bonus amount.
- (2) Amount includes a tax gross-up benefit payable to Mr. Vaughn to compensate him for excise taxes estimated to be \$775,000 imposed upon him pursuant to Section 280G of the Internal Revenue Code of 1986, as amended.
- (3) Mr. Raney will also receive a retention bonus in the amount of \$250,000 if employed by Windstream at the effective time of the merger and an additional \$250,000 if employed by Windstream on the six month anniversary of the effective time of the merger. In addition, Mr. Raney will be eligible to receive annual incentive bonuses up to 50% of his base salary based on the achievement of specified goals established by Windstream.

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- (4) Ms. Nash will also receive a retention bonus in the amount of \$150,000 if employed by Windstream at the effective time of the merger and an additional \$150,000 if employed by Windstream on the six month anniversary of the effective time of the merger. In addition, Ms. Nash will be eligible to receive annual incentive bonuses up to 40% of her base salary based on the achievement of specified goals established by Windstream.

*Consulting Agreement with Mr. Mueller.* In connection with the merger, John J. Mueller entered into a consulting agreement with Spinco to be effective only upon closing of the transactions. Under the terms of the consulting agreement, Mr. Mueller agrees to furnish advice and counsel regarding business issues and strategies to the Chairman and to the President and CEO of Windstream. The term of the agreement will be for one year commencing on the effective date of the merger. For his services, Mr. Mueller will be paid an annual consulting fee of \$500,000 plus \$1,500 per month for ongoing expenses incurred in the performance of the consulting services. The termination of Mr. Mueller's employment and the change of control resulting from the merger will also trigger the payment of severance benefits and accelerate vesting of Mr. Mueller's existing unvested equity awards under his Restricted Stock Grant Agreement dated as of February 14, 2005. Those payments will be in addition to payments made by Windstream for services provided under the agreement.

*Employment offers to Mr. Raney and Ms. Nash.* In connection with the merger, Grant Raney has accepted an employment offer with Spinco. Under the offer, Mr. Raney agrees to serve as Area President of Wireline Services for Windstream. The term of Mr. Raney's employment will commence on the effective date of the merger. For his services, Mr. Raney will be paid an annual salary of approximately \$257,000 plus he will be eligible to receive an annual bonus targeted at 50% of his annual salary. Mr. Raney will also receive a \$250,000 retention bonus to be paid within 30 days after the effective time of the merger and an additional retention bonus of \$250,000 to be paid six months after the effective time of the merger if he remains continuously employed with Windstream. Windstream will also furnish Mr. Raney with an automobile and pay all related expenses for gasoline, insurance, maintenance and repairs. In addition, Windstream will pay the initiation fee (estimated not to exceed \$35,000), the annual dues, assessments and other membership charges (estimated not to exceed \$500 per month) for membership in a country club selected by Mr. Raney.

Cindy Nash also has accepted an employment offer with Spinco in connection with the merger. Under her offer, Ms. Nash agreed to serve as Senior Vice President of Customer Service for Windstream. The term of Ms. Nash's employment will commence on the effective date of the merger. For her services, Ms. Nash will be paid an annual salary of approximately \$220,000 plus she will be eligible to receive an annual bonus targeted at 40% of her annual salary. Ms. Nash will also receive a \$150,000 retention bonus to be paid within 30 days after the effective time of the merger and an additional retention bonus of \$150,000 to be paid six months after the effective time of the merger if she remains continuously employed with Windstream. In addition, Windstream will pay the initiation fee (estimated not to exceed \$35,000), annual dues, assessments and other membership charges (estimated not to exceed \$500 per month) for membership in a country club selected by Ms. Nash and will reimburse expenses related to Ms. Nash's MBA program (estimated at approximately \$20,000).

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

**Table of Contents****Regulatory Approvals*****Telecommunications Regulatory Approvals***

The transactions contemplated by the merger agreement will require the approval of the public service or public utilities commissions of the following states in their capacities as regulators of CLEC and ILEC operations of Alltel and Valor: Florida, Georgia, Kentucky, Mississippi, Missouri, New York, Ohio, Pennsylvania, South Carolina and Texas. On April 12, 2006, Alltel obtained an amendment to the commitment letter for the senior secured credit facilities to remove certain guaranties and liens, and such amendment eliminated the need for approval of the transaction by certain state regulatory agencies. Although the scope of matters that must be approved varies by state, the foregoing approvals are generally required for (i) the change of control of Alltel's CLEC and ILEC subsidiaries, which will be deemed to occur in connection with the contribution and distribution transactions described elsewhere in this proxy statement/ prospectus-information statement, and (ii) the guarantee of indebtedness or the grant of security interests by Spinco and Valor's CLEC and ILEC subsidiaries in connection with the financing of Valor following completion of the merger. The parties must also obtain state commission approval of the transfer to Spinco of the long distance customers and certificates of authority of Alltel, or the issuance to Spinco of new certificates of authority, in all states except Alaska.

Valor and Spinco completed the filing of all of the applicable applications that were required to be filed prior to completion of the merger for the authority and approval with respect to the ILEC operations in January 2006. The public service or public utilities commission in each of the states of Florida, Georgia, Kentucky, Missouri, Mississippi and South Carolina has granted its approval. The parties expect that the remaining applicable state commissions will make a determination on these applications no later than the second quarter of 2006. Following the filing of such applications in certain states, other parties such as consumer groups, labor unions representing employees of Alltel or Valor, competitors and consumer advocates have filed protest applications raising concerns or objecting to the transactions. After the filing of the applications and any protests, state law or administrative rule allows regulators in certain states discretion on whether to conduct hearings on the matters. The parties are conducting discovery, preparing and filing testimony and briefs to further support the applications, and attending hearings on the matters. Following the conclusion of the applicable state procedures, each state commission will make a determination on the application for its state. These state approvals generally require the parties to demonstrate that the transactions are for a proper purpose and are consistent with the public interest, convenience and necessity, and that Spinco or its applicable subsidiary will have the financial, technical and managerial abilities to provide reasonable service to the public in such state. Following completion of the merger Windstream will be required to file an application seeking approval of the transactions from the Texas Public Utilities Commission. It is anticipated that Windstream will file this application promptly upon completion of the merger.

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

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

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



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

### ***United States Antitrust Laws***

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

### **Accounting Treatment**

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

The relative voting interests in the combined entity after the combination. In this case shareholders of Alltel, the sole shareholder of Spinco, will receive approximately 85% of the equity ownership and associated voting rights in the combined entity.

The composition of the governing body of the combined entity. In this case the merger agreement provides that the composition of the Board of Directors of the surviving company will be largely determined by Alltel and/or Spinco.

The composition of the senior management of the combined entity. In this case the merger agreement provides that the senior management of the combined entity was to be exclusively determined by Alltel and/or Spinco.

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

### **Federal Securities Law Consequences; Resale Restrictions**

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

However, under the terms of the merger agreement, Windstream is obligated to file and will use reasonable best efforts to have declared effective an evergreen shelf registration statement permitting sales of securities of Windstream by WCAS and Vestar as soon as practicable after consummation of the merger (provided that WCAS will not be able to sell shares of Windstream prior to the expiration of the lock-up referred to above in the

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section titled "Amendment of Company Securityholders Agreement") which will remain effective until each of WCAS and Vestar can sell all of its Valor securities under Securities Act Rule 144 without volume limitations.

**No Appraisal Rights**

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

**Name Change; Listing**

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

**Dividend Policy of Windstream**

The merger agreement provides that the initial dividend policy of Windstream (which may be changed at any time by Windstream's Board of Directors) will provide for the payment, subject to applicable law, of regular quarterly dividends on each issued and outstanding share of common stock of \$0.25 per share. In determining the initial dividend level, Windstream's management reviewed and analyzed, among other things:

operating and financial results of both Valor and Spinco in recent years, including in particular the fact that pro forma combined operating income before depreciation and amortization (pro forma OIBDA), excluding the royalty expense that Spinco has historically paid to Alltel which will cease upon the consummation of this transaction, was \$1,633.7 million in 2005;

the anticipated capital expenditure requirements of Windstream;

Windstream's expected other cash needs, primarily related to working capital requirements; and

the terms of Windstream's expected indebtedness.

However, Windstream stockholders may not receive any dividends following completion of the merger as a result of the following factors:

while the merger agreement contemplates the payment of a \$0.25 per share quarterly dividend, this policy could be modified or revoked by Windstream's Board of Directors at any time in its sole discretion;

the amount of dividends distributed will be subject to covenant restrictions under Windstream's new senior secured credit facility which will restrict its ability to take certain action with respect to dividends and payments in respect of capital stock, with the exception of dividends up to the sum of excess free cash flow and net cash equity issuance proceeds so long as the pro forma leverage ratio does not exceed 4.50 to 1.0. Subject to the assumptions, considerations and limitations set forth in the following discussion under the heading "Minimum Operating Income Before Depreciation and Amortization (OIBDA)", Windstream's pro forma leverage ratio during the year following the closing of the merger is estimated to be no greater than 3.70 to 1.0.

the amount of dividends distributed will be subject to restrictions under Delaware law pursuant to which the Windstream Board of Directors will be permitted to declare dividends only to the extent of a surplus (which is defined as total assets at fair market value minus total liabilities, minus statutory capital) or, if there is no surplus, out of Windstream's net profits for the then current and/or immediately preceding fiscal year;

Windstream's stockholders have no contractual or other legal right to receive dividends; and

Windstream may not have enough cash to pay dividends due to changes in Windstream's cash from operations, working capital requirements and/or anticipated cash needs.

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

***Minimum Operating Income Before Depreciation and Amortization (OIBDA)***

Windstream's management has prepared the financial information set forth below to present the estimated cash available to pay dividends based on estimated minimum OIBDA. OIBDA is a non-GAAP financial measure that is computed as operating income plus depreciation and amortization. Windstream believes that OIBDA assists investors in understanding Windstream's ability to generate sufficient positive cash flows to fund its ongoing cash operating requirements including capital expenditures, payment of dividends and debt service obligations. OIBDA should not be considered in isolation or as a substitute for cash flow from operations prepared in accordance with GAAP.

The accompanying estimated financial information was not prepared with a view toward complying with the Public Company Accounting Oversight Board guidelines with respect to prospective financial information, but, in the view of Windstream's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, Windstream's expected course of action and expected future financial performance. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this proxy statement/prospectus-information statement are cautioned not to place undue reliance on the estimated financial information.

The prospective financial information included in this proxy statement/prospectus-information statement has been prepared by, and is the responsibility of, Windstream's management. Neither PricewaterhouseCoopers LLP, Deloitte & Touche LLP, nor any other independent registered public accounting firm has either examined or compiled the accompanying prospective financial information and, accordingly, does not express an opinion or any other form of assurance on such information or its achievability, and assume no responsibility for the estimated financial information with respect thereto. The PricewaterhouseCoopers LLP and Deloitte & Touche LLP reports included in this document relate to the historical financial information of Spinco and Valor, respectively. They do not extend to the prospective financial information and should not be read to do so.

The assumptions and estimates underlying the estimated financial information below are inherently uncertain and, though considered reasonable by Windstream's management as of the date of its preparation, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties, including those described under Risk Factors. Accordingly, there can be no assurance that the estimated financial information is indicative of future performance or that the actual results will not differ materially from the estimated financial information presented below.

Windstream believes that, in order to fund dividends on its common stock during the 12 months following the effective time of the merger at the level described above solely from cash generated by its business, its OIBDA for such 12 months following the merger would need to be at least \$1,492.5 million. As described under Assumptions and Considerations below, Windstream's management believes that its OIBDA for the year following the closing of this offering will be at least \$1,492.5 million and has determined that its assumptions as to capital expenditures, cash interest expense, income taxes, working capital and availability of funds under its revolving credit facility are reasonable. Windstream has also determined that if its OIBDA for such period is at or above this level, it would be permitted to pay dividends at the level described above under the leverage ratio covenant that will be contained in the senior secured credit facilities. Windstream expects that the exchange notes and any other notes to be issued in conjunction with the closing of the merger will contain restrictions on its ability to pay dividends that are no more restrictive than those contained in the senior secured credit facilities.

The following table sets forth Windstream's calculation illustrating that \$1,492.5 million of OIBDA would be sufficient to fund dividends at the above level for the 12 months following the closing of the merger and to permit it to pay dividends at the anticipated level under all relevant covenants and restrictions that will be contained in the senior secured credit facilities and any other agreement that governs any other indebtedness incurred by Windstream. OIBDA excludes certain income and expenses that are settled in cash.



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In the judgment of Windstream's management, the effect of these items is not material. The minimum OIBDA presented in this discussion is calculated as the sum of estimated capital expenditures, estimated cash interest expense and principal repayments on outstanding indebtedness, estimated cash income taxes, and estimated cash dividends on Windstream common stock. These amounts are based on pro forma results for the year ended December 31, 2005, which Windstream's management believes reasonably approximate the cash requirements of Windstream for the 12 months following the closing of the merger. Income and expense items settled in cash but excluded from OIBDA were \$8.2 million in income in 2005.

	<b>Amount</b>
	<b>(Dollars in millions)</b>
<b>Estimated Minimum OIBDA Required to Pay Dividends on Common Stock</b>	
Estimated cash required to pay dividends on outstanding common stock(1)	\$ 474.0
Add:	
Estimated capital expenditures(2)	400.0
Estimated cash interest expense(3)	385.6
Estimated cash income taxes(4)	222.9
Estimated principal repayments on outstanding indebtedness(5)	10.0
Minimum OIBDA	\$ 1,492.5
Estimated total leverage ratio derived from the above minimum OIBDA(6)	3.7x
Estimated interest coverage ratio derived from the above minimum OIBDA(7)	3.9x

- (1) The table below sets forth the assumed number of outstanding shares of common stock upon the closing of the merger and the estimated per share and aggregate dividend amounts payable on such shares during the year following the closing of this offering:

Estimated Shares Outstanding(i)	474,002,946
Per Share Dividend	\$ 1.00
Aggregate Dividend	\$ 474,002,946

- (i) comprised of the outstanding shares of Valor common stock as of May 1, 2006 plus the shares expected to be issued in conjunction with the merger. (see Calculation of Merger Consideration page 35)
- (2) The majority of Windstream's capital expenditures will relate to its telecommunications network. Historical capital expenditures of Valor, Spinco and on a combined basis for the year ended December 31, 2005 were \$57.4 million, \$356.9 million and \$414.3 million respectively.
- (3) Reflects Windstream's anticipated cash interest expense under its revolving credit facility, senior secured term loan facilities and the senior notes. See Note (x) in Unaudited Pro Forma Combined Condensed Financial Information on page 182 for further discussion of interest expense anticipated to be incurred by Windstream, the interest rate assumptions included in such calculation and the sensitivity of such calculations to fluctuations of interest rates.
- (4)

Determined by calculating pro forma income tax expense on a combined basis for 2005 in the amount of \$267.9 million, less \$45.0 million representing current year impact of tax deductible amortization of intangible assets and the use of net operating loss carryforwards held by Valor. The foregoing calculation is not based on an estimation of the anticipated taxable income for 2006, which is subject to many factors beyond the control of Windstream's management or its determination at this time. Actual payments of income taxes may be materially different from the amounts presented.

- (5) Reflects anticipated principal repayments due during 2006 on Windstream's outstanding indebtedness. See Note (x) in Unaudited Pro Forma Combined Condensed Financial Information on page 182 for further discussion of anticipated future repayments of long-term debt obligations.

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- (6) The estimated total leverage ratio is calculated as total pro forma debt of \$5,534.7 million (see Note (f) in Unaudited Pro Forma Combined Condensed Financial Information on page 176), divided by minimum OIBDA.
- (7) The estimated interest coverage ratio is calculated as minimum OIBDA divided by estimated cash interest expense.

The following table reconciles Net Cash Provided from Operations, a GAAP measure, to pro forma OIBDA, a non-GAAP measure. The following table also illustrates, for the fiscal year ended December 31, 2005, the amount of cash that would have been available for distribution to Windstream's common stockholders based on the pro forma combined financial results of Valor and Spinco. It is assumed that the merger occurred at the beginning of the period presented, subject to the accompanying assumptions described in the table.

	<b>Year Ended December 31, 2005</b>			
	<b>Spinco</b>	<b>Valor(1)</b>	<b>Pro Forma Adjustment(2)</b>	<b>Pro Forma Combined</b>
<b>Pro Forma Cash Available to Pay Dividends (GAAP)(Dollars in Millions)</b>				
Net cash provided from operations	\$ 953.9	\$ 191.1	\$ 268.8	\$ 1,413.8
Other income, net	(11.6)	1.9		(9.7)
Intercompany interest income	(23.3)			(23.3)
Interest expense	19.1	79.5		98.6
Income tax expense	267.9	14.3		282.2
Deferred income taxes	(4.9)	(14.2)		(19.1)
Provision for doubtful accounts	(29.2)	(6.1)		(35.3)
Non cash asset impairments		(1.7)		(1.7)
Non cash stock compensation		(12.7)		(12.7)
Changes in working capital	(66.3)	(3.0)		(69.3)
Other, net	2.4	7.8		10.2
<b>Pro Forma OIBDA (Non-GAAP)</b>	<b>\$ 1,108.0</b>	<b>\$ 256.9</b>	<b>\$ 268.8</b>	<b>\$ 1,633.7</b>
Less:				
Capital Expenditures(3)	356.9	57.4		414.3
Estimated cash interest expense(4)	17.9	83.3	284.4	385.6
Cash income taxes(5)	222.9			222.9
<b>Cash Available to Pay Dividends</b>	<b>\$ 510.3</b>	<b>\$ 116.2</b>	<b>\$ (15.6)</b>	<b>\$ 610.9</b>

- (1) Valor has historically calculated Cash Available to Pay Dividends as Adjusted EBITDA minus capital expenditures, cash interest, cash income taxes and any other charges excluded from adjusted EBITDA that have been or will be settled in cash. Windstream does not currently anticipate utilizing adjusted EBITDA as a non-GAAP measure and as such, the presentation of Valor's historical Cash Available to Pay Dividends has been modified to conform to the presentation expected to be presented by Windstream, which substitutes operating income before depreciation and amortization (OIBDA) in the place of adjusted EBITDA. The most significant difference between these two measures for Valor is that adjusted EBITDA excludes the impact of non-cash stock compensation (\$12.7 million in 2005) and other non-cash items defined in Valor's existing credit facility while OIBDA does not.

- (2) Reflects the elimination of the royalty expense that Spinco has historically paid to Alltel, which will cease upon the consummation of the spin-off and the merger.
- (3) Consists of capital expenditures of both Spinco and Valor for the year ended December 31, 2005.
- (4) Reflects Windstream's anticipated cash interest expense under its revolving credit facility, senior secured term loan facilities and senior notes. See Note (x) in Unaudited Pro Forma Combined Condensed Financial Information on page 182 for further discussion of interest expense anticipated to be incurred

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by Windstream, the interest rate assumptions included in such calculation and the sensitivity of such calculations to fluctuations of interest rates.

- (5) Calculated as pro forma income tax expense of \$267.9 million, less \$45.0 million representing the use of net operating loss carryforwards held by Valor. The foregoing calculation is not based on an estimation of the anticipated taxable income for 2006, which is subject to many factors beyond the control of Windstream's management or its determination at this time. Actual payments of income taxes may be materially different.

**Assumptions and Considerations**

Based on a review and analysis conducted by Windstream's management, it believes that the minimum OIBDA for the 12 month period following the closing of the merger will be at least \$1,492.5 million, and Windstream's management has determined that the assumptions in the above tables as to capital expenditures, cash interest expense, income taxes, working capital and availability of funds under the revolving credit facility are reasonable. Windstream considered numerous factors in establishing its belief concerning the minimum OIBDA required to support the dividend policy and its belief that minimum OIBDA for the first 12 months following the merger will be at least \$1,492.5 million, including the following factors:

For fiscal year 2005, pro forma combined OIBDA including both Valor and Spinco, excluding the royalty expense that Spinco has historically paid to Alltel which will cease upon the consummation of this transaction, was \$1,633.7 million.

For fiscal year 2005, the combined capital expenditures of Valor and Spinco were \$414.3 million. Windstream's management expects capital expenditures for the twelve month period following the close of the merger to be approximately \$400.0 million.

Absent the significant increase in Valor's working capital that resulted from the change in its capital structure in 2005, neither Valor nor Spinco has experienced significant adverse changes in working capital requirements in the last 2 years.

Windstream's management has analyzed the impact of its intention to pay dividends at the level described above on its operations and performance in prior years and has determined that the revolving credit facility would have had sufficient capacity to finance any fluctuations in working capital and other cash needs, including the payment of dividends at the levels described above. Windstream currently does not intend to borrow under its revolving credit facility to pay dividends.

Windstream has also assumed:

That the general business climate, including such factors as consumer demand for services, the level of competition experienced and the regulatory environment, will remain consistent with previous periods; and

The absence of extraordinary business events, such as new industry-altering technological developments or adverse regulatory developments, that may adversely affect Windstream's business, results of operations or anticipated capital expenditures.

If OIBDA for the first 12 months following the closing of the merger were to fall below the \$1,492.5 million level (or Windstream's assumptions as to capital expenditures, cash taxes or cash interest expense are too low, or if Windstream's assumptions as to the sufficiency of its new revolving credit facility to finance its expected working capital needs prove incorrect, or if other assumptions stated above were to prove incorrect), Windstream would either reduce or eliminate dividends. Windstream cannot assure you that its OIBDA will in fact equal or exceed the minimum level set forth above, and its belief that it will equal or exceed such level is subject to all of the risks, considerations and factors identified in other sections of this proxy statement/ prospectus-information statement, including those identified in the section entitled Risk Factors. Furthermore, even if OIBDA for the first 12 months following the closing of the merger were to equal or exceed the \$1,492.5 million level, the Windstream board of directors retains the absolute discretion to reduce or eliminate the amount of the initial dividend policy if it determines such action is appropriate in light of its assessment of Windstream's business and the environment in which it will

operate.

As noted above, Windstream has estimated its initial dividend level and the minimum OIBDA required to pay dividends at that level only for the first 12 months following the closing of the merger. Moreover,

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Windstream cannot assure you that it will pay dividends during or following such period at the level estimated above, or at all. Dividend payments are within the absolute discretion of the board of directors and will be dependent upon many factors and future developments that could differ materially from the current expectations. Over time, Windstream's capital and other cash needs will invariably be subject to uncertainties, which could affect the level of any dividends paid in the future.

In accordance with its dividend policy, Windstream intends to distribute, as dividends to its stockholders, a substantial portion of the cash generated by its business in excess of operating needs, interest and principal payments on indebtedness and capital expenditures. If Windstream continues paying dividends at the level currently anticipated under the dividend policy, it is expected that it would need additional financing to fund significant acquisitions. Such additional financing could include, among other transactions, the issuance of additional shares of common stock. However, Windstream intends to retain sufficient cash after the distribution of dividends to permit the pursuit of growth opportunities that do not require material capital investments. Management currently has no specific plans to increase capital spending to expand Windstream's business materially. However, management will evaluate potential growth opportunities as they arise and, if the board of directors determines that it is in Windstream's best interest to use cash that would otherwise be available for distribution as dividends to pursue an acquisition opportunity, to increase capital spending materially or for some other purpose, the board would be free to depart from or change the dividend policy at any time.

The intended policy to distribute rather than retain a significant portion of the cash generated by the business as regular quarterly dividends is based upon the assessment of Windstream's management of its financial performance, its cash needs and its investment opportunities. If these factors were to change based on, for example, regulatory, competitive or technological developments (which could increase the need for capital expenditures) or new investment opportunities, Windstream would need to reassess that policy.

***Restrictions on Payment of Dividends******Delaware Law***

Under Delaware law, Windstream's board of directors may declare and pay dividends either out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation's assets can be measured in a number of ways and may not necessarily equal their book value. The board of directors may base this determination on its financial statements, a fair valuation of assets or another reasonable method. Subject to certain limitations, the value of Windstream's capital may be adjusted from time to time by the board of directors. Although Windstream intends to pay dividends at the anticipated levels during the 12 months following the merger in compliance with Delaware law, the board of directors will periodically seek to assure itself that the statutory requirements will be met before actually declaring dividends. In future years, the board may seek opinions from outside valuation firms to the effect that its net profits or surplus is sufficient to allow payment of dividends, and such opinions may not be forthcoming. If Windstream sought and was not able to obtain such an opinion, it likely would not be able to pay dividends.

***Senior Secured Credit Facilities***

Under the senior secured credit facilities, Windstream will be limited in its ability to take certain action with respect to dividends, with an exception for dividends up to the sum of excess free cash flow so long as the pro forma leverage ratio does not exceed 4.50 to 1.0. Excess free cash flow is expected to be defined as the sum of quarterly dividends per Windstream's dividend policy; cash on hand up to the amount of consolidated earnings before depreciation and amortization, interest and taxes, adjusted for non-recurring transaction and other charges (not to exceed \$10 million in any four consecutive fiscal quarters beginning after December 31, 2006), less cash interest and taxes paid, debt repayments and capital expenditures for the period; and net proceeds from the issuance of equity securities, less certain identified uses of those funds.

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

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

an individual who is a citizen or a resident of the United States;

a corporation, or other entity taxable as a corporation for United States federal income tax purposes, created or organized under the laws of the United States or any state thereof or the District of Columbia;

an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more United States persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was treated as a domestic trust under the law in effect before 1997, a valid election is in place under applicable Treasury regulations.

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

insurance companies,

dealers or traders in securities or currencies,

tax-exempt organizations,

financial institutions,

mutual funds,

partnerships or other entities classified as partnerships for United States federal income tax purpose and investors in such entities,

holders who hold their shares as a hedge or as part of a hedging, straddle, conversion, synthetic security, integrated investment or other risk-reduction transaction,

holders who are subject to the alternative minimum tax, or

holders who acquired their shares upon the exercise of employee stock options or otherwise as compensation.

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

**VALOR AND ALLTEL STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE UNITED STATES FEDERAL, STATE AND LOCAL AND NON-UNITED STATES TAX CONSEQUENCES OF THE SPIN-OFF AND THE MERGER TO THEM IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.**



**Table of Contents*****The Spin-Off***

The spin-off is conditioned upon Alltel's receipt of a private letter ruling from the IRS (which Alltel received on April 7, 2006) to the effect that the spin-off, including (i) the contribution of the wireline business to Spinco, (ii) the receipt by Alltel of Spinco debt securities and the special dividend, (iii) the exchange of Spinco debt securities for Alltel debt, and (iv) the distribution of Spinco stock to the Exchange Agent on behalf of Alltel stockholders, will qualify as tax-free to Alltel, Spinco and the Alltel stockholders for United States federal income tax purposes under Sections 355, 368 and related provisions of the Code. The spin-off is also conditioned upon the receipt by Alltel of an opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Alltel, to the effect that the spin-off will be tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code. The opinion will rely on the IRS letter ruling as to matters covered by the ruling. The opinion will be based on, among other things, certain assumptions and representations as to factual matters made by Alltel, Spinco and Valor, which, if incorrect or inaccurate in any material respect, would jeopardize the conclusions reached by counsel in its opinion. The opinion will not be binding on the IRS or the courts, and the IRS or the courts may not agree with the opinion.

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

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

The spin-off would become taxable to Alltel pursuant to Section 355(e) of the Code if 50% or more of the shares of either Alltel common stock or Spinco common stock (including common stock of Windstream, as a successor to Spinco) were acquired, directly or indirectly, as part of a plan or series of related transactions that included the spin-off. Because the Alltel stockholders will own more than 50% of the Windstream common stock following the merger, the merger, standing alone, will not cause the spin-off to be taxable to Alltel under Section 355(e). However, if the IRS were to determine that other acquisitions of Alltel common stock or Valor common stock, either before or after the spin-off and the merger, were part of a plan or series of related transactions that included the spin-off, such determination could result in the recognition of gain by Alltel under Section 355(e). In any such case, the gain recognized by Alltel likely would include the entire fair market value of the stock of Spinco, and thus would be very substantial. In connection with the request for the IRS private letter rulings and the opinion of Alltel's counsel, Alltel has represented that the spin-off is not part of any such plan or series of related transactions. In certain circumstances, under the merger agreement, Windstream would be required to indemnify Alltel against tax-related losses to Alltel that arise as a result of disqualifying actions taken by Windstream or its subsidiaries after the distribution and the merger. See *The Merger Agreement-Tax Matters* beginning on page 90. If Alltel should recognize gain on the spin-off for reasons not related to a disqualifying action by Windstream, Alltel would not be entitled to be indemnified under the merger agreement. Even if Section 355(e) were to cause the spin-off to be taxable to Alltel, the spin-off would remain tax-free to Alltel's stockholders.

United States Treasury regulations require each Alltel stockholder that receives stock in a spin-off to attach to the stockholder's United States federal income tax return for the year in which the spin-off occurs a

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detailed statement setting forth certain information relating to the tax-free nature of the spin-off. Shortly after the spin-off, Alltel will provide stockholders who will receive Windstream common stock in the spin-off with the information necessary to comply with that requirement.

***The Merger***

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

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

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

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

Non-corporate holders of Alltel common stock may be subject to information reporting and backup withholding tax on any cash payments received in lieu of a fractional share interest in Valor common stock. Any such holder will not be subject to backup withholding tax, however, if such holder furnishes a correct taxpayer identification number and certifies that such holder is not subject to backup withholding tax, on the

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substitute Form W-9 or successor form included in the letter of transmittal to be delivered to the holder following the completion of the merger or is otherwise exempt from backup withholding tax. Any amounts withheld under the backup withholding tax rules will be allowed as a refund or credit against a holder's United States federal income tax liability, provided that the holder furnishes the required information to the Internal Revenue Service.

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

**THE MERGER AGREEMENT**

The following is a summary of selected material provisions of the merger agreement, as amended by the first amendment to the merger agreement. This summary is qualified in its entirety by reference to the merger agreement and the first amendment thereto, which are incorporated by reference in their entirety and attached to this proxy statement/prospectus-information statement as Annex A-1 and Annex A-2, respectively. We urge you to read these documents in their entirety. The merger agreement and the first amendment thereto have been included to provide you with information regarding their terms and have been publicly filed with the Securities and Exchange Commission. These documents are not intended to provide any other factual information about Alltel, Spinco, Valor or the combined company following completion of the merger. Such information can be found elsewhere in this proxy statement/prospectus-information statement.

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

**Amendment No. 1 to the Merger Agreement**

On May 18, 2006, Alltel, Spinco and Valor entered into the first amendment to the merger agreement to change the form of amended and restated certificate of incorporation that would serve as the charter for the surviving corporation. The form had originally contemplated a classified board being implemented and the authorized common stock of the surviving corporation being increased to 2,000,000,000 shares. The first amendment deleted the provision regarding the classified board of directors and lowered the increase in authorized shares of common stock from 2,000,000,000 to 1,000,000,000.

**The Merger**

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

**Effective Time**

The merger will become effective at the time of filing of a certificate of merger with the Secretary of State of the State of Delaware or at such later time as Alltel, Spinco and Valor may agree. The closing date of

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the merger will be a date to be specified by the parties which will be not later than two business days after the satisfaction or waiver of the conditions precedent to the merger.

**Merger Consideration**

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

**Distribution of Per Share Merger Consideration**

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

**Treatment of Fractional Shares**

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

**Officers and Directors of Windstream**

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

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

**Stockholders Meeting**

Under the terms of the merger agreement, Valor agreed to call a special meeting of its stockholders for the purpose of voting upon the adoption of the merger agreement, the increase of the authorized number of shares of Valor's common stock pursuant to the merger, and the issuance of shares pursuant to the merger and any related matters. Valor will satisfy this merger agreement requirement by asking its stockholders to vote on these matters at its annual stockholder meeting that will take place on Tuesday, June 27, 2006. Valor also agreed to deliver this proxy statement/prospectus-information statement to its stockholders in accordance with applicable law and its organizational documents.

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In addition, subject to certain exceptions as described herein (see The Merger Agreement – No Solicitation on page 84) the Board of Directors of Valor is obligated to recommend that Valor's stockholders adopt the merger agreement and include such recommendation in this proxy statement/prospectus-information statement.

### **Related Transactions**

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

### **Financing**

The merger agreement provides that Alltel and Spinco (and if requested, Valor) will use their respective reasonable best efforts to arrange financing as described in the merger agreement. See Financing of Windstream beginning on page 103.

### **Corporate Offices**

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

### **Representations and Warranties**

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

due organization, good standing and qualification;

capital structure;

authority to enter into the merger agreement (and the other agreements executed in connection therewith) and no conflicts with or violations of governance documents or laws;

documents filed with the SEC and financial statements;

absence of certain changes or events;

no material investigations or litigation;

compliance with applicable laws and possession of required licenses and regulatory approvals;

accuracy of information supplied for use in this proxy statement/ prospectus-information statement;

compliance with environmental laws;

tax matters;

employee benefit plan matters;

labor matters;

intellectual property matters;

communications regulatory matters;

material contracts;

title to real properties;

opinion of company financial advisors;

payment of fees to finders or brokers in connection with the merger;

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approval by the Board of Directors; and

affiliate transactions.

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

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

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

**Conduct of Business Pending Closing**

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

declaring or paying dividends in respect of its capital stock; provided, Valor may, and intends to, continue paying quarterly dividends at an annual rate of \$1.44 per share in accordance with its existing dividend policy until the transaction closes;

splitting, combining or reclassifying its capital stock or issuing securities in respect of, in lieu of or in substitution for its capital stock;

repurchasing, redeeming or otherwise acquiring its capital stock;

issuing, delivering, or selling any shares of its capital stock or any securities convertible into or exercisable for, or any right to acquire, capital stock;

making acquisitions of a substantial equity interest or material assets of another entity or selling, leasing, disposing of or otherwise encumber assets, other than inventory in the ordinary course of business consistent with past practice;

incurring debt, other than under existing agreements or in the ordinary course of business which is not material;

incurring any capital expenditures other than in the ordinary course of business consistent with past practice;

changing its accounting methods other than in accordance with accounting principles generally accepted in the United States;

making or rescinding any material tax elections or settling or compromising any material income tax liabilities, amending any material tax returns and changing any method of reporting income or deductions;

paying, discharging or satisfying any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than in the ordinary course of business consistent with past practice; and

taking or agreeing or committing to take any action that would result in any of such party's representations and warranties set forth in the merger agreement or the other transaction agreements being or becoming untrue or in

any of the conditions set forth in merger agreement not being satisfied at the effective time of the merger.

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

amending its organizational documents in any manner that would prevent or materially impair or delay the consummation of the transactions contemplated by the merger agreement;

compensation and benefit matters with respect to directors, officers and employees;

establishing, adopting, entering into, terminating or amending any collective bargaining agreement;

complete or partial liquidation or dissolution of Valor or any of its subsidiaries;

entering into or amending agreements or arrangements with related parties; and

modifying, amending, terminating, renewing or failing to use reasonable best efforts to renew any material contract or waiving, releasing or assigning any material rights or claims except in the ordinary course of business consistent with past practice.

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

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

**Proxy Materials**

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

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

**Reasonable Best Efforts**

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

the obtaining of all necessary actions or non-actions, waivers, consents, and approvals;

the making of all necessary registrations and filings pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

the filing of all applications necessary to obtain state public service, or public utility commissions, and FCC consent to the transfer of control of certain licenses held by Spinco;

the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental authority; and

the defending of any lawsuits or other legal proceedings.

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

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### **Employee Matters**

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

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

### **No Solicitation**

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

knowingly solicit, initiate or encourage any inquiry or proposal that constitutes or could reasonably be expected to lead to an acquisition proposal;

provide any non-public information or data to any person relating to or in connection with an acquisition proposal, engage in any discussions or negotiations concerning an acquisition proposal, or otherwise knowingly facilitate any effort or attempt to make or implement an acquisition proposal;

approve, recommend, agree to or accept, or propose publicly to approve, recommend, agree to or accept, any acquisition proposal; or

approve, recommend, agree to or accept, or propose to approve, recommend, agree to or accept, or execute or enter into, any letter of intent, agreement in principle, merger agreement, acquisition agreement, option agreement or other similar agreement related to any acquisition proposal.

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

The merger agreement provides that the term "acquisition proposal" means any proposal regarding: any merger, consolidation, share exchange, business combination, recapitalization or other similar transaction or series of related transactions involving Valor or any of its significant subsidiaries;

any direct or indirect purchase or sale, lease, exchange, transfer or other disposition of the consolidated assets (including stock of Valor's subsidiaries) of Valor and its subsidiaries, taken as a whole, constituting 15% or more of the total consolidated assets of Valor and its subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of Valor and its subsidiaries, taken as a whole, in any one transaction or in a series of transactions;

any direct or indirect purchase or sale of or tender offer, exchange offer or any similar transaction or series of related transactions engaged in by any person involving 15% or more of the outstanding shares of Valor common stock; or

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

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

Valor stockholders have not yet adopted and approved the merger agreement;

the Valor board, after consulting with its legal advisors, determines in good faith, that failure to take such action would be a breach of its fiduciary duties to stockholders under applicable laws;

before approving or recommending a proposal or terminating the merger agreement, the Valor board has provided Alltel with at least three business days' notice of such action;

before providing any information or data to any person in connection with an acquisition proposal by that person, Valor's Board of Directors receives from that person an executed confidentiality agreement with terms substantially the same as those contained in the confidentiality agreement between Alltel and Valor; and

before providing any non-public information or data to any person or entering into discussions with any person, Valor's Board of Directors promptly notifies Alltel of any such inquiry, proposal or offer received from, any information requested by, or any discussions or negotiations sought to be initiated or continued with, that person and identifies the material terms and conditions of the acquisition proposal and the identity of the person making such acquisition proposal.

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

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

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

### **Insurance and Indemnification**

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



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### **Amendment of Company Securityholders Agreement**

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

WCAS will agree not to sell, transfer or otherwise dispose of Valor shares for a period of 90 days after consummation of the merger;

Windstream will file and use reasonable best efforts to have declared effective an evergreen shelf registration statement permitting sales of securities of Windstream by WCAS and Vestar as soon as practicable after consummation of the merger (provided that WCAS will not be able to sell shares of Windstream prior to the expiration of the lock-up referred to above) which will remain effective until each of WCAS and Vestar can sell all of its Windstream securities under Securities Act Rule 144 without volume limitations;

if requested by the holders of at least 50% of the outstanding registrable securities (initially held by WCAS, Vestar and their respective affiliates), Valor will conduct one underwritten offering, including management participation in road shows and similar customary obligations (underwriters to be selected by Valor); and

WCAS and Vestar will have customary piggyback registration rights in connection with any registration by Valor of sales of its equity securities (other than on Forms S-4 or S-8), whether for Valor's own account or for the benefit of one or more stockholders exercising demand registration rights.

### **Dividend Policy of Windstream**

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

### **Conditions to the Completion of the Merger**

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

the completion of the spin-off transaction in accordance with the terms of the merger agreement and the distribution agreement;

the termination or expiration of the applicable waiting period under the Hart-Scott-Rodino Act and receipt of certain other approvals as set forth in the merger agreement;

receipt of the requisite consents of regulators in the telecommunications industry;

the effectiveness of the registration statement of which this proxy statement/ prospectus-information statement is a part (which the SEC declared effective on May 26, 2006);

the approval for listing on the New York Stock Exchange of the Valor common stock to be issued pursuant to the spin-off and the merger;

the approval of the holders of a majority in voting power of all outstanding shares of Valor common stock at the annual meeting, in accordance with applicable law and the rules, and regulations of the New York Stock Exchange;

the completion of the financing of the transaction;

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receipt by Alltel and Spinco (and, to the extent applicable, Valor) of the requisite IRS rulings regarding the spin-off and the merger;

receipt by Alltel of a legal opinion from Alltel's counsel to the effect that the spin-off will qualify as tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code, which opinion will rely on the IRS rulings as to matters covered by the rulings;

receipt by each of Alltel and Spinco, on the one hand, and Valor, on the other hand, of a legal opinion stating that the merger will constitute a reorganization under Section 368(a) of the Code;

receipt by the boards of directors of Alltel, Spinco and Valor of customary solvency and surplus opinions of a nationally recognized investment banking or appraisal firm in form and substance reasonably satisfactory to such boards and, to the extent relating to Spinco, reasonably satisfactory to Valor; and

the absence of any statute, rule, regulation, order or injunction having the effect of restraining, enjoining or prohibiting the contribution transaction, the distribution transaction or the merger or imposing any restrictions or requirements thereon or on Alltel, Spinco or Valor that would reasonably be expected to have a material adverse effect on Alltel or Windstream following the merger.

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

performance by Valor, in all material respects, of all its obligations and compliance by Valor, in all material respects, with all covenants required by the merger agreement, as certified in writing by a senior officer of Valor;

the accuracy of Valor's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Valor and its subsidiaries, as certified in writing by a senior officer of Valor;

the absence of any event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a material adverse effect on Valor, except as previously disclosed; and

delivery of evidence, in form and substance reasonably satisfactory to Alltel and Spinco, demonstrating that Valor's securityholders agreement has been amended in accordance with the merger agreement.

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

performance by Alltel and Spinco, in all material respects, of all their respective obligations and compliance by Alltel and Spinco, in all material respects, with all covenants required by the merger agreement, as certified in writing by a senior officer of each of Alltel and Spinco;

the accuracy of Alltel and Spinco's representations and warranties set forth in the merger agreement (subject to certain exceptions), without any qualification as to materiality or material adverse effect set forth therein, except where the failure of such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Alltel and Spinco and their subsidiaries, as certified in writing by a senior officer of each of Alltel and Spinco;

execution by Spinco and Alltel of the Tax Sharing Agreement, the Employee Benefits Agreement, the Shared Contracts Agreement, the Shared Assets Agreement, the Distribution Agreement and the Transition Services Agreement;

the absence of any event, occurrence, development or state of circumstances or facts that has had, individually or in the aggregate, a material adverse effect on each of Alltel and Spinco, except as previously disclosed; and

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

### **Termination**

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

the merger is not consummated by December 8, 2006 through no fault of the party seeking to terminate the merger agreement;

there are final, non-appealable legal restraints preventing the merger and the party seeking to terminate the merger agreement has used all reasonable best efforts to remove such legal restraints; or

the requisite Valor stockholder approval shall have failed to be obtained at the stockholders' meeting, except that Valor will not be permitted to terminate the merger agreement because of the failure to obtain the stockholder approval if such failure was caused by (i) Valor's actions or inactions that constitute a material breach of the merger agreement or (ii) a material breach of the voting agreement by any party thereto other than Spinco.

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

Valor has breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of a condition to Valor's obligation to effect the merger, and such breach cannot be cured by December 8, 2006;

the Board of Directors of Valor withdraws or modifies its approval or recommendation of the merger or the merger agreement or approves or recommends (or approves to recommend) to the Valor stockholders an acquisition proposal; or

Valor fails to call and hold stockholders' meeting within sixty (60) days after the effectiveness of the registration statement to which this proxy statement/prospectus-information statement is a part.

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

either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of a condition to the Alltel or Spinco's obligations to effect the merger, and such breach cannot be cured by December 8, 2006; or

the Valor Board of Directors determines in good faith that an acquisition proposal constitutes a superior proposal and (i) Valor notifies Alltel of the acquisition proposal in accordance with the merger agreement, (ii) simultaneously with terminating the merger agreement Valor enters into a definitive agreement to effect the superior proposal, and (iii) Valor pays to Alltel the termination fee described below.

### **Termination Fee Payable in Certain Circumstances**

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

Valor terminates the merger agreement because its Board of Directors determines in good faith that an acquisition proposal constitutes a superior proposal;

Alltel and Spinco terminate the merger agreement because the Board of Directors of Valor withdraws or modifies its approval or recommendation of the merger or recommends an acquisition proposal to the Valor stockholders; or

any person makes an acquisition proposal and thereafter the merger agreement is terminated (i) by Valor, Alltel or Spinco because either the merger is not consummated by December 8, 2006 or if the requisite Valor stockholder approval shall have failed to be obtained, or (ii) by Alltel or Spinco

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

Valor is acquired by any merger, business combination or other similar transaction;

Valor disposes of 15% or more of the total consolidated assets of Valor and its subsidiaries, taken as a whole, or accounting for 15% or more of the total consolidated revenues of Valor and its subsidiaries, taken as a whole;

any person or entity acquires 15% or more of the outstanding shares of Valor common stock;

any other substantially similar transaction that would reasonably be expected to prevent or materially impair or delay the consummation of merger is consummated; or

Valor enters into a definitive agreement with respect to the foregoing.

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

Alltel and Spinco or Valor terminates the merger agreement because the merger is not consummated by December 8, 2006 and at the time of such termination, all of the conditions to the transactions in the merger agreement have been satisfied other than such conditions which by their terms are intended to be satisfied contemporaneously with the closing or such condition regarding the completion of the financing of the transaction; or

Valor terminates the merger agreement because either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of the conditions to the Alltel or Spinco's obligations regarding the completion of the financing of the transaction, and such breach cannot be cured by December 8, 2006.

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

Alltel and Spinco or Valor terminates the merger agreement because the merger is not consummated by December 8, 2006 and at the time of such termination, all of the conditions to the transactions in the merger agreement have been satisfied other than such conditions which by their terms are intended to be satisfied contemporaneously with the closing or such conditions regarding:

the receipt by Alltel and Spinco (and, to the extent applicable, Valor) of the requisite Internal Revenue Service rulings relating to the spin-off and the merger and the receipt by Alltel of a legal opinion from its counsel to the effect that the spin-off will be tax-free to Alltel, Spinco and the stockholders of Alltel under Section 355 and related provisions of the Code; or

the receipt by each of Alltel and Spinco, on the one hand, and Valor, on the other hand, of a legal opinion stating that the merger will constitute a reorganization under section 368(a) of the Internal Revenue Code; or

Valor terminates the merger agreement because either Alltel or Spinco breached or failed to perform in any material respect a representation, warranty, covenant or agreement contained in the merger agreement, resulting in a failure of the two conditions to the Alltel or Spinco's obligations listed immediately above, and such breach cannot be cured by December 8, 2006.

**Indemnification**

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



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

### **Amendments**

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

### **Expenses**

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

### **Tax Matters**

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

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

generally, not taking, or permitting any of its subsidiaries to take, any disqualifying action, provided that a disqualifying action would not include (i) an action taken pursuant to the terms of the transaction agreements, (ii) an action that would not have caused the tax-free status of the transactions to be lost, but for an action taken by Alltel or (iii) an action taken by Spinco prior to the distribution or taken solely to mitigate the adverse effects on the tax-free status of the transactions of an action taken by Spinco prior to the distribution;

generally, for two years after the distribution, not taking, or permitting any of its subsidiaries to take, an action that might be a disqualifying action, without receiving the prior determination of Alltel that the action would not jeopardize the tax-free status of the transactions;

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for two years after the distribution, not entering into any agreement, understanding or arrangement or engaging in any substantial negotiations with respect to any transaction involving the acquisition of Windstream stock or the issuance of shares of Windstream stock, or options to acquire or other rights in respect of such stock, in excess of a permitted basket of 71,130,989 shares (as adjusted for stock splits, stock dividends, recapitalizations, reclassifications and similar transactions), unless, generally, the shares are issued to qualifying Windstream employees or retirement plans, each in accordance with safe harbors under regulations issued by the IRS;

for two years after the distribution, not repurchasing Windstream shares, except to the extent consistent with guidance issued by the IRS;

for two years after the distribution, causing certain wholly-owned subsidiaries that were wholly-owned subsidiaries of Spinco at the time of the distribution to continue the active conduct of the Spinco business to the extent so conducted by those subsidiaries immediately prior to the distribution;

for two years after the distribution, not voluntarily dissolving, liquidating, merging or consolidating with any other person, unless (i) Windstream is the survivor of the merger or consolidation or (ii) prior to undertaking such action, Alltel has delivered a written determination to Windstream that such action would not jeopardize the tax-free status of the transactions.

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

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

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

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

Alltel had delivered to Windstream a written determination that a potential disqualifying action would not jeopardize the tax-free status of the transactions (except to the extent that a disqualifying action resulted from the inaccuracy, incorrectness or incompleteness of any representation provided by Windstream to Alltel in respect of that determination);

the tax-related loss arose in respect of any action or transaction that was permitted to be taken without the consent of Alltel pursuant to the limitations described in the third preceding paragraph (except to the extent that, in the case of an action permitted pursuant to an IRS ruling, a disqualifying action resulted from the inaccuracy, incorrectness or incompleteness of any representation provided by Windstream to the IRS in connection with such ruling);

the tax-related loss arose in respect of any item of income, gain, deduction or loss that resulted from Alltel's preliminary internal restructuring or that was attributable, under certain provisions of the Code, to a predecessor of Alltel or Spinco; or



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

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

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

**THE DISTRIBUTION AGREEMENT**

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

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

**General**

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

**Preliminary Transactions**

Pursuant to the distribution agreement, Alltel will engage in a series of preliminary restructuring transactions to effect (i) the transfer to Spinco's subsidiaries of all of the assets relating to Alltel's wireline

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

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

the issuance to Alltel of Spinco common stock to be distributed to the exchange agent for the benefit of Alltel's stockholders pro rata in the spin-off,

the payment of a special dividend to Alltel in an amount not to exceed Alltel's tax basis in Spinco (which is estimated to equal approximately \$2.275 billion), which Alltel will use to repurchase stock pursuant to a special stock buyback program authorized by the Alltel Board of Directors in connection with the spin-off, to repay outstanding indebtedness, or both, within one year following the spin-off, and

the distribution by Spinco to Alltel of certain Spinco debt securities, which Alltel intends to exchange for outstanding Alltel debt securities or otherwise transfer to Alltel's creditors representing approximately \$1.673 billion in debt reduction to Alltel.

### **Coordination of Asset Separation Transactions**

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

### **Spinco Financing**

The distribution agreement provides that, prior to the distribution, Spinco will consummate certain financing transactions pursuant to which Spinco will borrow approximately \$3.978 billion through (1) a new senior secured credit agreements or the issuance of senior unsecured debt securities in an offering under Rule 144A, promulgated under the Securities Act of 1933, as amended, and (2) the distribution of the exchange notes to Alltel. All proceeds of the financing will be used to pay the consideration to be received by Alltel for the contribution (through payment of the special dividend and distribution of the exchange notes) and to pay related fees and expenses.

Alltel has received a commitment letter from J.P. Morgan Securities Inc., JPMorgan Chase Bank, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Capital Corporation to provide Spinco with up to \$4.2 billion in senior secured credit facilities comprised of term loan facilities in an aggregate amount of up to \$3.7 billion and a revolving credit facility of up to \$500.0 million. For a more complete discussion of the financing of Windstream, see "Financing of Windstream" herein at page 103.

### **Net Debt Adjustment**

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

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sum of which we will refer to as Spinco's target indebtedness). If the net indebtedness of Spinco following the merger exceeds the Spinco's target indebtedness, Alltel is obligated to pay to Valor an amount equal to such excess. If the net indebtedness of Spinco following the merger is less than the Spinco's target indebtedness, Valor will pay to Alltel an amount equal to such deficit. The amount, if any, of the debt adjustment will be determined within 90 days of the closing date.

As a result of the transactions, Alltel will receive approximately \$4.2 billion in cash proceeds and debt reduction through the special dividend, the distribution of the exchange notes and the assumption by Windstream on a consolidated basis of approximately \$267 million in existing Spinco debt securities.

### **Covenants**

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

immediately prior to the spin-off, all material contracts, licenses, agreements, commitments and other arrangements, formal and informal, between Alltel and its subsidiaries, on the one hand, and Spinco and its subsidiaries, on the other hand, will be terminated (except as contemplated by the other agreements executed in connection with the transactions);

immediately prior to the spin-off, all intercompany cash management loan balances between Alltel and its subsidiaries, on one hand, and Spinco and its subsidiaries, on the other hand, will be canceled;

no longer using any material showing, or otherwise representing to any third party, any affiliation or connection between Alltel and Spinco after the spin-off, other than in filings, reports and other documents required by applicable law or regulations of securities exchanges to be filed or made publicly available; and

entering into the Employee Benefits Agreement, the Merger Agreement, the Tax Sharing Agreement, the Shared Assets Agreement, the Shared Contracts Agreement, and the Transition Services Agreement (see *Additional Agreements Related To The Spin-Off And The Merger* on page 97).

### **Conditions to the Completion of the Spin-Off**

The distribution agreement provides that the distribution of Spinco common stock will occur only if each condition to obligations of Alltel and Spinco to consummate the merger shall have been fulfilled or waived by Alltel (except for the consummation of the contribution transaction and the spin-off) (see *The Merger Agreement Conditions to the Completion of the Merger* on page 86).

### **Subsequent Transfers**

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

### **Mutual Release; Indemnification**

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

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

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the ability of a party to enforce its rights under the merger agreement or any other transaction agreements or any contracts contemplated thereby; or

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

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

to pay or satisfy:

any liability of Alltel or any of its subsidiaries (including Spinco and its subsidiaries) primarily relating to or arising from the business of Spinco, including the liabilities set forth on the audited balance sheet of Spinco prepared in accordance with the distribution agreement or arising after the date thereof;

any liability of Spinco under the transaction agreements executed in connection with the merger;

any liability to be transferred to Spinco or a Spinco subsidiary in connection with a benefit and compensation plan, in accordance with the employee benefits agreement; or

any liability or obligation arising in connection with or related to the assets transferred to Spinco by Alltel in accordance with the distribution agreement; or

to perform any of its obligations under the distribution agreement.

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

to pay or satisfy any liability of Alltel or any of its subsidiaries, including the liabilities of Alltel under the transaction agreements executed in connection with the merger, in each case, other than the liabilities of Spinco thereunder; or

to transfer to Spinco all of the assets transferred or to be transferred to Spinco pursuant to the distribution agreement, or

to perform any of its obligations under the distribution agreement.

The indemnification provisions set forth in the distribution agreement do not apply to any indemnification or other claims relating to taxes. Instead, these indemnification obligations are covered in the tax sharing agreement. See

Additional Agreements Related To The Spin-Off And The Merger The Tax Sharing Agreement beginning on page 99.

**Insurance**

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

**Non-Solicitation of Employees**

Under the terms of the distribution agreement, Alltel and Spinco each agree not to solicit, recruit or hire any employee of the other for a period of twelve months following the date of the spin-off or until three

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months after the employee's employment with the respective company terminates, whichever occurs first. These restrictions do not apply to general recruiting efforts carried out through a public or general solicitation.

### **Expenses**

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

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

### **Termination**

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

### **THE VOTING AGREEMENT**

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

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

Each of the stockholders party to the voting agreement are obligated by the voting agreement to vote their shares in favor of the approval and adoption of the merger agreement and the merger. Unless Alltel and Spinco consent in writing to the contrary, these stockholders also are required by the voting agreement to vote against proposals of any third party relating to the merger of Valor or acquisition of 20% or more of the assets of Valor and its subsidiaries, taken as a whole, or 20% or more of the common stock of Valor. These stockholders also may not in any manner participate in a solicitation (as that term is used in the rules of the SEC) of proxies or similar rights to vote, or seek to advise or influence any person with respect to voting intended to facilitate any such alternative merger or acquisition or to cause Valor stockholders not to vote to approve and adopt the merger agreement. Further, these stockholders may not, directly or indirectly, enter into, solicit, or otherwise conduct any discussions or negotiations with, or respond to or provide any information to, anyone other than Alltel and Spinco relating to an acquisition proposal as defined in the merger agreement (see "The Merger Agreement - No Solicitation" on page 84). In addition, these stockholders may not enter into any other agreements the effect of which is inconsistent with the requirements listed in this paragraph.

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

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

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

**ADDITIONAL AGREEMENTS RELATED TO THE SPIN-OFF AND THE MERGER**

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

**Employee Benefits Agreement**

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

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

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

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

Under the terms of the employee benefits agreement, Spinco has agreed to establish the plans listed below for Spinco Employees and Spinco Individuals. In connection with the establishment of these plans,

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Alltel has agreed, except as stated below, to transfer the assets and liabilities attributable to Spinco Employees and Spinco Individuals from the applicable Alltel plan to the comparable Spinco plan.

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

Plans substantially similar to the Alltel 401(k) and profit sharing plans. Any participant loan notes held by the Alltel 401(k) will be transferred in-kind.

A plan substantially identical to the provisions of the Alltel comprehensive group insurance plan. The Spinco plan will recognize and maintain the current status for elections and deductible plan maximums made with respect to Spinco Employees and Spinco Individuals under the Alltel plan. No assets of the trust related to the Alltel comprehensive group insurance plan shall be transferred to Spinco or any trust established by Spinco. The Spinco plan will recognize and maintain all coverage and contribution elections made under the Alltel plan and will recognize and give credit for all deductibles and co-payments paid by, and all benefits paid to, Spinco Employees and Spinco Individuals under the Alltel plan.

Plans established for Spinco Employees that are substantially similar to the Alltel long term disability plan, group accident plan, and Special Insurance Plan for Former Allied Telephone Profit Sharing. The Alltel long term disability plan, group accident plan, and Special Insurance Plan for Former Allied Telephone Profit Sharing will remain liable for obligations incurred with respect to Spinco Employees and Spinco Individuals prior to establishment of the new Spinco plans.

A plan established for Spinco Individuals that is substantially similar to the provisions of Alltel's Income Advantage Plan (POP). The Spinco plan will maintain coverage and contribution elections made under the Alltel Income Advantage Plan and recognize account balances as if participation in the Spinco plan had been since the beginning of the calendar year.

Educational assistance and adoption assistance plans for Spinco Employees that are substantially similar to t