

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application for)	
Approval of the Transfer of Control of)	
Alltel Missouri, Inc. and the Transfer of)	<u>Case No. TM-2006-0272</u>
Alltel Communications, Inc. Interexchange)	
Service Customer Base.)	

**FIRST SUPPLEMENT TO
APPLICATION FOR APPROVAL OF TRANSFER OF CONTROL
OF ALLTEL MISSOURI, INC. AND
TRANSFER OF ALLTEL COMMUNICATIONS, INC.
INTEREXCHANGE SERVICE CUSTOMER BASE**

Alltel Missouri, Inc., Alltel Communications, Inc., Alltel Holding Corp., Alltel Holding Corporate Services, Inc. and Valor Communications Group, Inc. (“Valor”) (hereafter referred to collectively as “Applicants”), pursuant to Sections 392.290 and 392.300, RSMo. 2000 and any other applicable statutes and/or rules, respectfully submit this First Supplement to their Application requesting approval of the Missouri Public Service Commission (“Commission”) for the transfer of control of Alltel Missouri, Inc. and the transfer of the resale interexchange service customer base of Alltel Communications, Inc. (the incumbent local exchange and interexchange service businesses, collectively “the Wireline Business”) from Alltel Corporation to the entity resulting from the merger of Alltel Holding Corp. and Valor, and Alltel Holding Corporate Services, Inc., respectively. The Application that initiated this matter was filed on December 22, 2005.

This First Supplement is submitted in compliance with Sections 392.290 and 392.300, RSMo. 2000, and seeks the findings and orders associated with the approval of the transactions herein described. Specifically, the Applicants seek approval of the

Guarantees and Liens hereinafter described, which are part and parcel of the transactions described in the Application herein. In support of this First Supplement, the Applicants state as follows:

1. This First Supplement is filed under the provisions of Sections 392.290 and 392.300, RSMo. 2000.

2. As described in Paragraph 29 of the Application, the Merged Wireline Business' capital structure will include a mix of debt and equity that balances financial risk with business risk while maintaining an appropriate cost of capital, thereby maximizing the value of the Merged Wireline Business. A Schedule of Proposed Debt summarizing the proposed indebtedness of the Merged Wireline Business is set forth on **Exhibit 9** supplied herewith.

3. Two of the world's largest banks, JP Morgan and Merrill Lynch (the "Lenders"), have delivered a commitment (the "Commitment Letter") to provide senior secured credit facility borrowings of the Merged Wireline Business in an amount up to \$4.2 billion (referred to in the Commitment Letter and hereafter as, the "Facilities"). A copy of the Commitment Letter is supplied herewith as **Exhibit 10**. The transactions will also require the Merged Wireline Business to issue senior unsecured notes in an amount no less than \$1.54 billion (which notes are referred to in the Commitment Letter and hereafter as the "Notes"). To the extent that the Notes exceed \$1.54 billion, the borrowings available under the Facilities will be reduced by a corresponding amount. The terms of the Notes will be determined based on market conditions in a private placement or public offering to be conducted prior to the closing of the transactions.

4. The debt to equity ratio of the parent company will provide sufficient leverage to produce specific benefits for the Merged Wireline Business and the resulting debt leverage will be among the lowest in the RLEC industry. The planned capital structure and dividend policy are reasonable relative to the company's size, service areas, industry position, operating income, and cash flow.

5. As part of the Commitment Letter, and as specified in the Exhibits to the Commitment Letter, the Lenders have required that all affiliates of the Merged Wireline Business, including Alltel Missouri, Inc., give their Guarantees of the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here (the "Facility Guarantees").¹ Additionally, and as further specified in the Exhibits to the Commitment Letter, the Facility Guarantees are to be secured by perfected first-priority liens on the assets of the respective guarantors, including Alltel Missouri, Inc., as described in the Commitment Letter (the "Liens"). The terms and conditions of the Facilities, Secured Cash Management Agreements and Secured Hedge Agreements associated with the senior secured debt financing of the transactions at issue here are also identified in the Commitment Letter.

¹ As noted in the original Application, Alltel Holding Corporate Services, Inc., which will acquire the resale interexchange service customer base of Alltel Communications, Inc., contemporaneously filed an application with the Commission for a certificate of service authority to provide interexchange telecommunications services, pursuant to 4 CSR 240-3.510. (Assigned MoPSC Case No. XA-2006-0271). Alltel Holding Corporate Services, Inc. ("AHCSI"), a Delaware corporation, will operate in Missouri and one or more other states and, in accordance with Section 392.290.2, is not required to obtain authorization from the Commission for the activities set forth in this First Supplement to Application. In addition, AHCSI is seeking classification as a competitive company and, consistent with the treatment of other competitive telecommunications companies, is seeking waivers of certain statutes and rules, including those addressed herein.

6. While the terms of the Notes will be determined by market conditions at the time of the offering of the Notes, it is expected that all affiliates of the Merged Wireline Business, including Alltel Missouri, Inc., will also be required to give their Guarantees of all obligations under the Notes (the “Note Guarantees”). However, the Notes will be unsecured and will not to be secured by Liens.

7. The Applicants do not yet have final loan or transaction documents for either the Facilities or Notes and may not receive such documents prior to Commission approval of this Application. The Applicants will forward the final documents to the Commission upon receipt.

8. Valor currently has \$400 million in Senior Notes that will be assumed by the Merged Wireline Business to the extent the holders of such notes do not require the surviving corporation to repurchase the notes pursuant to certain rights that will be triggered by the transactions. To the extent that the Valor Senior Notes remain outstanding, the amount of the borrowings available under the \$4.2 billion Facility will be correspondingly reduced by the dollar amount of such outstanding notes, and all affiliates of the Merged Wireline Business, including Alltel Missouri, Inc., will be required to give their Guarantees of all obligations under the Valor Senior Notes (the “Valor Note Guarantees;” the Facility Guarantees, Note Guarantees, and the Valor Note Guarantees are referred to collectively as the “Guarantees”) and the Liens may apply equally and ratably to secure the obligations under the Valor Senior Notes. To the extent the Valor Senior Notes are tendered by their holders pursuant to the rights triggered by the transactions, borrowings will be made under the Facilities in the amounts required to repurchase such tendered Valor Senior Notes.

9. The Guarantees will be contingent liabilities of Alltel Missouri, Inc. In all respects, the Facilities and the Notes will be serviced by the consolidated cash flows of the holding company for the Merged Wireline Business resulting from the transaction described in the Applications. Necessarily, Alltel Missouri, Inc. is not in any manner making retail or wholesale rate adjustments as a result of the Guarantees and the Liens. The Guarantees and the Liens will provide specific benefits to the Merged Wireline Business by significantly reducing the debt servicing costs of the senior secured facility and the Notes. The interest savings resulting from the Guarantees and the Liens are estimated to be approximately \$37.5 million annually.

10. The sources and uses of funds for the debt financing herein addressed are described in the Commitment Letter and are summarized on Exhibit 9 to this Supplemental Application. At the closing of the transactions, it is expected that the Guarantees will involve an aggregate of up to \$5.74 billion in obligations as set forth in the Schedule of Proposed Debt. None of those funds and none of their associated obligations are directly payable by Alltel Missouri, Inc. However, as fully described in the Application and the Commitment Letter, the Guarantees and the Liens are required for the recapitalization of the Merged Wireline Business of which Alltel Missouri, Inc. will be a part.

11. As described in the Application, approval of this Application will allow Alltel Missouri, Inc. to meet its present and prospective obligations to provide requisite telecommunications service; the terms and conditions of the Guarantees and Liens are reasonable, fair and in-line with or better than the prevailing terms of similar obligations; and the effect of the proposed transaction on Alltel Missouri, Inc. revenue requirements

will be immaterial. Accordingly, Commission approval of the above-described Guarantees and Liens is reasonable and not detrimental to the public interest.

12. The financial statements filed with the Application as Exhibit 8 support this Supplemental Application. Additional financial statements will be filed as soon as they are available.

WHEREFORE, Applicants request that the Commission grant consent and authority to enter into the Guarantees and grant the Liens as described in this First Supplement to Application; and approve the transactions described in the original Application and any other necessary and proper relief.

Respectfully submitted this 23rd day January, 2006.



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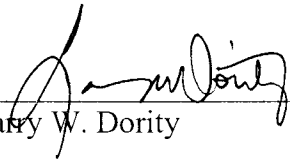
CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was hand-delivered or mailed, United States Mail, postage prepaid, this 23rd day of January, 2006, to:

Lewis R. Mills, Public Counsel
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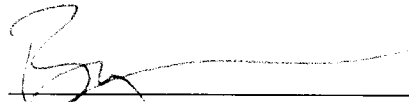


Larry W. Dority

VERIFICATION

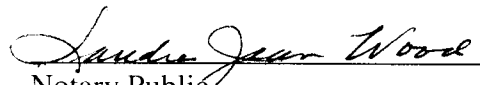
STATE OF ARKANSAS)
) SS
COUNTY OF PULASKI)

I, Brent Whittington, of lawful age, being first duly sworn upon my oath, state that I am Vice President - Finance of Alltel Missouri, Inc. and further state that I am authorized to submit this Verification on behalf of the Applicants; and that the facts set forth in the foregoing First Supplement to Application are true to the best of my knowledge, information and belief.



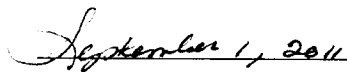
Brent Whittington

Subscribed and sworn to before me this 20th day of January, 2006.



Notary Public

My Commission expires:

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