0000047513

Form B NEW APPLICATION

ARIZONA CORPORATION COMMISSION

(Amended) Application and Petition for Certificate of Convenience and Necessity to Provide Intrastate Telecommunication Services as an Interexchange Reseller

Mail original plus 10 copies of completed application to:	For Docket Control Only: (Please Stamp Here)
Docket Control Center Arizona Corporation Commission 1200 West Washington Street Phoenix, Arizona 85007-2927	DOCKET NO. T-03887A-00-0386
If you have current applications pending in Arizona as an Interexchange reseller, AOS provider, or as the provider of other telecommunication services.	
Type of Service: Interexchange Reseller Docket No.: ______ Date: ______	Docket No.______
Type of Service:______ Docket No.: ______ Date: ______	Date Docketed______

A. Company and Telecommunications Service Information

(A-1) The name, address, and telephone number (including area code) of the applicant (company):

ALLTEL Communications, Inc.
One Allied Drive
Little Rock, AR 72202

(501) 905-8000/8460 Fax (501) 905-5489

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

Not Applicable

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AZ CORP COMMISSION
DOCUMENT CONTROL

(A-3) The names, address, telephone number, facsimile number and email address of the management contact:

Mr. Stephen B. Rowell – Senior Vice President, State Government Affairs
ALLTEL Communications, Inc.
One Allied Drive
Little Rock, AR 72202

Telephone: (501) 905-8460
Facsimile: (501) 905-5489
E-mail: Stephen.B.Rowell@ALLTEL.com

(A-4) The name, address, telephone number, facsimile number and email address of the Attorney, if any, representing the applicant:

Refer to A-3 above

(A-5) What type of legal entity is the applicant?

Sole proprietorship

Partnership: limited, general, Arizona, Foreign

Limited liability company

Corporation:____S, __X__C, _____non-profit, _____Arizona, __X__Foreign

Other, specify:

(A-6) Include Attachment A. Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

See Attachment A.

(A-7) 1. Is your company currently reselling telecommunication services in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona.

ALLTEL Communications, Inc. is not currently reselling telecommunication services in Arizona. However, ALLTEL Corporation, through its subsidiary 360° Long Distance, Inc. d/b/a ALLTEL, is certificated to provide competitive intrastate toll services in Arizona (Docket No. T-03285A-96-0569, Decision No. 62280).

2. If the answer to 1. is yes, identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data is available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.

Not Applicable.

3. If the answer to 1. Is no, when does your company plan to begin reselling service in Arizona?

During the second quarter of 2000.

(A-8) Include Attachment B. Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company. The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists.
Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.

Attached

(A-9) The geographic market to be served is:

Statewide_____X_____

Other. Describe and provide a map depicting the area.

(A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

Alabama, Arkansas, Florida, Georgia, Kentucky, Missouri, Mississippi, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, and Texas.

(A-11) Provide the name, address, and telephone number of the company's complaint contact person.

Customer contacts will be handled through the use of toll free numbers.

(A-12) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those services. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.

Not Applicable.

(A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If yes, provide copies of the State Regulatory Commission's decision revoking its authority.

No.

(A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal Regulatory Commission? If yes, in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of Commission orders that have resolved any of these complaints

No.

(A-15) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If yes, in which states has the applicant been involved in investigations and why is the applicant being investigated?

No.

(A-16) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If yes, list the states where judgment or conviction was entered and provide a copy of the court order.

No.

B. Technical Information

(B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

ACI is a switchless reseller which purchases telecommunications services from Frontier Communications of the West, Inc.

Include Attachment C. Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network).

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic).

(B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 101XXXX access, if your system becomes non-operational?

As a non-facilities-based reseller, ACI's ability to provide service is based solely on that of its underlying carrier.

C. Financial Information

(C-1) Include Attachment D, Attachment D **must** include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business.

See Attachment D.

(C-2) If your Company does not have financial statements for the two most recent years, please give the date your Company began operations.

Not Applicable

(C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet.

Not Applicable

(C-4) If your Company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements.

See Attachment D.

(C-5) If your Company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

Not Applicable

(C-6) Will your customers by required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services.

YES ____ (If yes, provide an explanation of how and when these customer advances prepayments or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

NO_X__ (**Note:** If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

I certify that the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona State Law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

Steve R Mowery
(Signature of Authorized Representative)

5-30-2000
(Date)

Steve R. Mowery
(Print Name of Authorized Representative)

Vice President – State Government Affairs
(Title)

SUBSCRIBED AND SWORN to before me this 30 day of May, 2000

SANDRA JEAN WOOD
NOTARY PUBLIC
PULASKI COUNTY, ARK.

Sandra Jean Wood
NOTARY PUBLIC

My Commission Expires:

SEP 0 1 2001

ATTACHMENT A

ALLTEL Communications, Inc. is a subsidiary ALLTEL Mobile Communications, Inc. which is a subsidiary of ALLTEL Corporation. ALLTEL Corporation, through its subsidiaries, own incumbent local exchange carriers operating in 14 states, interexchange carriers operating in 49 states, CLECs operating in 4 states and wireless operations in 23 states. ALLTEL Communications, Inc. has one director, Mr. Scott T. Ford. ALLTEL Mobile Communications, Inc. owns 100 percent of the shares of ACI.

President – Mr. Michael T. Flynn
Vice President – Mr. James F. Gadberry
Treasurer – Mr. Jeffery R. Gardner
Secretary – Mr. Francis X. Frantz

ATTACHMENT B

REGULATIONS AND SCHEDULE OF CHARGES APPLYING TO INTRASTATE LONG DISTANCE MESSAGE TELECOMMUNICATIONS SERVICE BETWEEN POINTS IN THE STATE OF ARIZONA.

Intrastate Long Distance Message Telecommunications Service
is furnished by means of wire, radio, satellite
or any other suitable technology or combination thereof.

Issued:
Effective Date:
Issued By:
Vice President - State Government Affairs
ALLTEL Communications, Inc.
One Allied Drive
Little Rock, Arkansas 72202

CHECK SHEET

The title sheet and sheets 1 through 37 inclusive of this tariff are effective as of the dates shown. Original and revised sheets, as named below, comprise all changes from the original tariff in effect on the date indicated.

SHEET	REVISION	SHEET	REVISION
Title	Original	31	Original
1	Original	32	Original
2	Original	33	Original
3	Original	34	Original
4	Original	35	Original
5	Original	36	Original
6	Original	37	Original
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30	Original		

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TARIFF FORMAT

A. **Sheet Numbering** - Sheet numbers appear in the left corner of the sheet. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 13 and 14 would be 13.1.

B. **Sheet Revision Numbers** - Sheet Revision Numbers also appear in the upper left corner of each sheet. These numbers are used to determine the most current sheet version on file with the Commission. Consult the Check Sheet for the sheet currently in effect.

C. **Paragraph Numbering Sequence** - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2
2.1
2.1.1
2.1.1.A
2.1.1.A.1
2.1.1.A.1.(a)
2.1.1.A.1.(a).I
2.1.1.A.1.(a).I.(i)
2.1.1.A.1.(a).I.(i).(1)

D. **Check Sheets** - When a tariff filing is made with the Commission, an updated Check Sheet accompanies the tariff filing. The Check Sheet lists the sheets contained in the tariff with a cross reference to the current revision number. When new sheets are added, the Check Sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk (*). There will be no other symbols used on this sheet if these are the only changes made to it (i.e., the format, etc., remains the same, just revised revision levels on some sheets). The Tariff user should refer to the latest Check Sheet to find if a particular sheet is the most current on file with the Commission.

EXPLANATION OF SYMBOLS

C - to signify a changed regulation.

D - to signify a discontinued rate or regulation.

I - to signify a rate increase.

M - to signify matter relocated without change.

N - to signify a new rate or regulation.

R - to signify a rate reduction.

S - to signify reissued matter.

T - to signify a change in text but no change in rate of regulation.

X - to signify a waiver of F.C.C.'s Rules.

Y - to signify reference to other published tariffs.

Z - to signify a correction.

1. Application of Tariff

This tariff contains the regulations and rates applicable to the provision of Intrastate Long Distance Message Telecommunications Service ("LDMTS") as defined herein, by ALLTEL Communications, Inc. (the "Company"), from its Points of Presence to other points in the State of Arizona. Service is furnished subject to the availability of facilities and subject to transmission, atmospheric, and like conditions.

2. Definitions

Certain terms used generally throughout this tariff are defined below:

Access Code - A sequence of numbers that, when dialed, connect the caller to the provider of services associated with that sequence.

Authorization Code - A numerical code, one or more of which may be assigned to a Customer, to enable the Company to identify the origin of the service used so that the Company may rate and bill the call. All Authorization Codes shall be the sole property of the Company and no Customer shall have any property or other right or interest in the use of any particular Authorization Code. Automatic Numbering Identification ("ANI") may be used as or in connection with the Authorization Code.

Billed Party - The person or entity responsible for payment for use of the Company's services. For a Direct Dialed Call, the person or entity responsible for payment is the Customer responsible for payment for local telephone service at the telephone used to originate the call. In the case of a credit card call, the person or entity responsible for payment is the person to whom it is issued and the holder of the credit card used. In the case of third party call, the person or entity responsible for payment is the person responsible for payment for local telephone service at the telephone number that agrees to accept charges for the call. In the case of a Room Charge Call, the entity responsible for payment is the Aggregator controlling the telephone used to originate the call. In the case of all Operator Assisted Calls not involving credit cards, third party calls or Room Charge Calls, the person or entity responsible for payment is the Customer responsible for payment for local telephone service at the telephone used to originate the call.

2. Definitions (Cont'd)

Central Office - A Local Exchange Carrier switching system where Local Exchange Carrier customer station loops are terminated for purposes of interconnection to each other and to trunks.

Channel - A path for electrical transmission between two or more points, the path having a band width designed to carry voice grade transmission.

Commission - The Arizona Corporation Commission.

Common Carrier - A company or entity providing telecommunications services to the public.

Credit Card Call - A Direct Dialed or Operator Assisted Call for which charges are billed not to the originating telephone number, but to a credit card, such as Visa or MasterCard, or to a LEC or interexchange carrier calling card.

Customer - The person, partnership, association, joint stock company, trust, corporation, governmental entity or other entity, that is responsible for payment of charges and for compliance with this tariff.

Customer - Provided Facilities - All communications facilities provided by the Customer and/or Authorized User other than those provided by the Company.

Direct Dialed Call - A telephone call which is automatically completed and billed to the telephone number from which the call originated without the automatic or live assistance of an operator. This includes calls forwarded by call forwarding equipment.

Exchange - A unit established by the Local Exchange Carrier for the administration of communications service in a specified area which usually embraces a city, town or village and its environments. It consists of one or more Central Offices together with the associated facilities used in furnishing communications service within that area.

FCC - Federal Communications Commission

2. Definitions (Cont'd)

Local Exchange Carrier (LEC) - A telephone company which provides local telephone service to Customers within a defined exchange.

Long Distance Message Telecommunications Service - The furnishing of direct dialed and operator assisted switched services to the Customer for the completion of long distance voice and dial-up low speed data transmissions over voice grade channels from the Company's Points of Presence to points as specified herein.

Other Common Carrier - A common carrier, other than the Company, providing domestic or international communications service to the public.

Personal Identification Numbers (PINS) - Code numbers used in connection with designated telephone numbers which allow calls to be categorized for various applications.

Points of Presence - The sites where the Company provides a network interface with facilities provided by Other Common Carriers, Local Exchange Carriers or Customers for access to the Company's network.

Premises - A building or buildings on contiguous property (except railroad rights-of-way, etc.) not separated by a public street or highway.

Services - Telecommunications services provided to a Customer or Authorized User by the Company.

Telecommunications - The transmission of voice communications or, subject to the transmission capabilities of the Service, the transmission of data, facsimile, signaling, metering or any other form of intelligence.

Travel Card - A billing mechanism which enables a subscriber or customer to access the services of the carrier while away from home or office.

3. General Regulations

3.1 Service Description

Intrastate Long Distance Message Telecommunications Service ("LDMTS") is offered to residential and business Customers of the Company to provide direct dialed calls placed between points in the State of Arizona. The Company provides switched long distance network services for voice grade and low speed dial-up data transmission services. The Company does not undertake to transmit messages but furnishes the use of its services to its Customers for communications. All services are provided subject to the terms and conditions set out in this tariff.

3.2 Interconnection with Other Common Carriers

The Company reserves the right to interconnect its services with those of any Other Common Carrier, Local Exchange Carrier, or alternate access provider of its election, and to utilize such services concurrently with its own services for the provision of services offered herein.

3.3 Availability of Services

3.3.1 Services are furnished subject to the availability of the Service components required. The Company will: (1) determine which of those components shall be used and (2) make modifications to those components at its option.

3.3.2 Services are available twenty-four hours per day, seven days per week.

3.4 Use of Services

3.4.1 The Company's Services may be used for any lawful purpose consistent with the transmission parameters of the telecommunications facilities utilized in the provision of the Services. All such usage shall be subject to the provisions of this tariff and the applicable rules, regulations and policies of the Public Service Commission. Customers and Authorized Users are prohibited from using, and by their acceptance or use of Service agree not to use, the Services furnished by the Company for any unlawful purpose or for any purpose prohibited under the provisions of any regulatory order.

3.4.2 The use of the Company's Services to make calls which might reasonably be expected to frighten, abuse, torment or harass another, or in such a way as to unreasonably interfere with use by others, is prohibited.

3.4.3 The use of the Company's Services without payment for Service, and all attempts to avoid payment for Service by, for example, fraudulent means or devices, schemes, false or invalid numbers or false calling or credit cards, are prohibited.

3. General Regulations (Cont'd)

3.5 Undertaking of the Company

3.5.1 The Company undertakes to provide Intrastate Long Distance Message Telecommunications Service in accordance with the terms and conditions set forth in this tariff.

3.5.2 With respect to Operator-Assisted Calls, the Company shall:

(a) Identify itself, audibly and distinctly, to the Authorized User at the beginning of each telephone call and a second time before the Authorized User incurs any charge for the call;

(b) Permit the Authorized User to terminate the telephone call at no charge before the call is connected;

(c) Disclose immediately to the Authorized User, upon request and at no charge to the Authorized User, a quote of its rates or charges for the call; the methods by which such rates or charges shall be collected; and the methods by which complaints concerning such rates charges or collection practices will be resolved.

3.6 Liability of the Company

3.6.1 Except as stated in this Section 3.6, the Company shall have no liability for damages of any kind arising out of or related to events, acts, rights or privileges contemplated in this tariff.

3.6.2 The liability of the Company, if any, for damages resulting in whole or in part from or arising in connection with the furnishing of Service under this tariff (including but not limited to mistakes, omissions, interruptions, delays, errors or other defects in transmission, or failures or defects in facilities furnished by the Company) or arising out of any failure to furnish Service, shall in no event exceed an amount of money equivalent to the proportionate charge to Customer for the period of service during which such mistakes, omissions, interruptions, delays or errors or defects in transmission occur and continue. However, any such mistakes, omissions, interruptions, delays, errors, or defects in transmission or service which are caused by or contributed to by the negligence or willful act or omission of Customer, or which arise from the use of Customer-provided facilities or equipment, shall not result in the imposition of any liability whatsoever upon the Company.

3. General Regulations (Cont'd)

3.6 Liability of the Company (Cont'd)

3.6.3 The Company is not liable for any act, omission or negligence of any Local Exchange Carrier or other provider whose facilities are used concurrently in furnishing any portion of the services received by Customer, or for the unavailability of or any delays in the furnishing of any services or facilities which are provided by any Local Exchange Carrier. Should the Company employ the service of any Other Common Carrier in furnishing the services provided to Customer, the Company's liability shall be limited according to the provisions of Section 3.6.2 above.

3.6.4. No agents or employees of connecting, concurring or other participating carriers or Company shall be deemed to be agents or employees of the Company without written authorization.

3.6.5 The Company shall not be liable for any damages, including usage charges, that the Customer may incur as a result of the unauthorized use of its communications equipment. The unauthorized use of the Customer's communications equipment includes, but is not limited to, the placement of calls from the Customer's premises and the placement of calls through Customer-controlled or Customer-provisioned equipment that are transmitted or carried over the Company's network services without the authorization of the Customer. The Customer shall be fully liable for all such charges.

3.6.6 The Company shall not be liable for any failure of performance hereunder due to causes beyond its control, including but not limited to fire, flood, or other catastrophes; Acts of God; atmospheric conditions or other phenomena of nature, such as radiation; any law, regulation, directive, order or request of the United States Government, or any other government including state and local governments having any jurisdiction over the Company or the services provided hereunder; national emergencies; civil disorder, insurrections, riots, wars, strikes, lockouts, work stoppages, or other labor problems or regulations established or actions taken by any court or government agency having jurisdiction over the Company.

3.6.7 The Company shall not be liable for any act or omission of any other entity furnishing to the Customer Facilities or equipment used with the service furnished hereunder; nor shall the Company be liable for any damages or losses due in whole or in part to the fault or negligence of the Customer or due in whole or in part to the failure of Customer-provided equipment or facilities.

3. General Regulations (Cont'd)

3.6 Liability of the Company (Cont'd)

3.6.8 The Company shall be indemnified and held harmless by the Customer and Authorized User from and against all loss, liability, damage, and expense, including reasonable attorney's fees, due to claims for libel, slander, or infringement of copyright or trademark in connection with any material transmitted by any person using the Company's Services and any other claim resulting from any act or omission of the Customer or Authorized User relating to the use of the Company's facilities.

3.6.9 Under no circumstances whatever shall the Company or its officers, directors, agents, or employees be liable for indirect, incidental, special or consequential damages.

3.7 Assignment

Customer shall not assign or transfer the use of the Company's Services except with the prior written consent of the Company in each and every instance. Consent to such assignment or transfer will not be unreasonably withheld.

3.8 Responsibilities of the Customer

3.8.1 The Customer is responsible for placing any necessary orders; for complying with tariff regulations; and for ensuring that Authorized Users comply with tariff regulations. The Customer is also responsible for the payment of charges for calls originated at the Customer's premises which are not collect, third party, or credit card calls.

3.8.2. The Customer is responsible for charges incurred for special construction and/or special facilities which the Customer requests and which are ordered by the Company on the Customer's behalf.

3.8.3. If required for the provision of the Company's Services, the Customer must provide equipment space, supporting structure, conduit, and electrical power without charge to the Company.

3.8.4. The Customer is responsible for arranging ingress to its premises or vehicles at times mutually agreeable to it and the Company when required for the Company's personnel to install, repair, maintain, program, inspect, or remove equipment associated with the provision of the Company's Services.

3. General Regulations (Cont'd)

3.8 Responsibilities of the Customer (Cont'd)

3.8.5. The Customer shall ensure that its terminal equipment and/or system is properly interfaced with the local exchange Company's facilities or Company's Services, that the signals emitted from the Customer are of the proper mode, bandwidth, power, and signal level for the intended use of the Customer.

3.8.6. If the Customer fails to maintain the equipment and/or the system properly, with resulting imminent harm to the Company personnel or the quality of Service to other Customers, the Company may, upon written notice, require the use of protective equipment at the Customer's expense. If this measure fails to produce satisfactory quality and safety, the Company may, upon written notification, terminate the Customer's Service.

3.8.7. The Customer must pay the Company for replacement or repair of damage caused by negligence or willful act or omission of the Customer, its Authorized Users, or others, or by improper use of equipment provided by the Customer, its Authorized Users, or others.

3.8.8 The Customer must pay for the loss through theft of any of the Company's LDMTS services or equipment installed at Customer's premises.

3.9 Responsibilities of the Authorized Users

3.9.1 The Authorized User is responsible for compliance with the applicable regulations set forth in this price list.

3.9.2 The Authorized User is responsible for identifying the station, party, or person with whom communications is desired and/or made at the called number.

3.9.3 The Authorized User is responsible for providing the Company with a valid method of billing for each call. The Company reserves the right to validate the credit worthiness of users through available credit card, called number, third party telephone number and room number verification procedures. Where a requested billing method cannot be validated, the user may be required to provide an acceptable alternate billing method or the Company may refuse to place the call.

3. General Regulations (Cont'd)

3.10 Responsibilities of the Aggregators

In addition to their responsibilities in their capacities as Customers, Aggregators must also adhere to the following requirements:

3.10.1. Aggregators must post on or near the telephone instrument, in plain view of Authorized Users:

A. the name, address, and toll-free telephone number of the provider of operator services; and

B. a written disclosure that the rates for all operator assisted calls are available on request, and that Authorized Users have a right to obtain access to the common carrier of their choice and may contact their preferred common carriers for information on accessing that carrier's service using that telephone; and

C. the name and address of the Consumer Service Division of the Arizona A.C.C. to which the Authorized User may direct complaints regarding Operator Services.

3.10.2 Aggregators must ensure that each of their telephones presubscribed to a provider of operator services allows the Authorized User to use "800" and "950" or other similar applicable access code numbers to obtain access to the provider of operator services desired by the Authorized User.

3.10.3 Aggregators must ensure that no charge by the Aggregator to the Authorized User for using "800" and "950" " or other similar applicable access code numbers is greater than the amount the Aggregator charges for calls placed using the presubscribed provider of operator services.

3.10.4 The Company shall withhold payment (on a location-by-location basis) of any compensation, including commissions, to Aggregators if the Company reasonably believes that the Aggregator (i) is blocking access by means of "950" and "800" " or other similar applicable access numbers to common carriers in violation of The Telephone Consumer Protection Act of 1990; or (ii) is blocking access to equal access codes in violation of rules established by the Arizona A.C.C.

3. General Regulations (Cont'd)

3.11 Cancellation or Interruption of Services

3.11.1 Pursuant to Arizona Administrative Code ("A.C.C.") Rule R14-2-509(C), Termination of Service with Notice, upon ten (10) days' written notice and without incurring liability, the Company may discontinue Services to a Customer or to a particular Customer location, or may withhold the provision of ordered or contracted Services under the following conditions provided that the Customer shall be allowed a reasonable time in which to comply with the rule before service is disconnected:

(a) For nonpayment of any sum due to Company for more than thirty days after issuance of the bill of the amount due provided that the telephone utility has made a reasonable attempt to effect collection and has given the Customer written notice that he has five days in which to make settlement on his account or have his service disconnected;

(b) For violation of any of the provisions of this tariff;

(c) For violation of any law, rule, regulation, or policy of any governing authority having jurisdiction over the Company's Services; or

(d) By reason of any order or decision of a court having competent jurisdiction, public service commission or federal regulatory body or other governing authority prohibiting the Company from furnishing its Services.

(e) For the Customer tampering with equipment furnished and owned by the Company.

(f) For failure of the Customer to permit the Company reasonable access to its equipment.

3.11.2 Pursuant to A.C.C. Rule R14-2-509(B), Termination of Service Without Notice, the Company may discontinue Services to a Customer or to a particular Customer location, or may withhold the provision of ordered or contracted Services under the following conditions:

(a) The existence of an obvious hazard to the safety or health of the consumer or the general population or the Company's personnel or facilities.

(b) The Company has evidence of tampering or evidence of fraud.

3. General Regulations (Cont'd)

3.11 Cancellation or Interruption of Services (Cont'd)

3.11.3 Service may be discontinued by the Company, without notice to the Customer, by blocking traffic to certain points, or by blocking calls using certain Customer Authorization Codes, when the Company deems it necessary to take action to prevent unlawful use of its Service. The Company may restore service as soon as it can be provided without undue risk.

3.11.4 If, for any reason, Service is interrupted, the Customer will be charged only for the Service that was actually used.

3.11.5 Service will be terminated only on Monday through Friday between the hours of 8:00AM and 4:00PM, unless provisions have been made to have someone available to accept payment and reconnect service.

3.11.6 Without incurring liability, the Company may interrupt the provision of Services at any time in order to perform tests and inspections to assure compliance with tariff regulations and the proper installation and operation of the Customer's and/or the Company's equipment and facilities, and may continue such interruption until any items of noncompliance or improper equipment operation so identified are rectified.

3.11.7 The Company will promptly honor a verbal or written Customer request for cancellation of service.

3.12 Calculation of Distance

All measured usage charges are based on the airline distance between rate centers associated with the originating and terminating points of the call.

3.13 Customer Service and Complaint Resolution

(a) The Company will provide a toll-free customer service telephone number for Customer use.

(b) The Company will handle all Customer complaints courteously and promptly. The Company will fully investigate and attempt to resolve Customer complaints in a timely manner and in full compliance with all Commission rules and regulations. In addition, the Company will notify all Customers making a complaint that the telephone utility is under the jurisdiction of the Commission and that the Customer may wish to contact the Commission about the complaint.

4. Payment and Credit Regulations

4.1 Billing and Collection of Charges

Charges are due when billed, and are billed and collected by the Company or its authorized agent, or the connecting Company from whose service point the messages were sent paid or at whose service point the messages were received collect. The Company will not bill for incomplete calls.

4.2 Payment for Service

The Customer is responsible for payment of all charges for Services, including charges for Services originated or charges accepted at the Customers' Service point.

4.2.1 Charges for third party calls which are charged to a domestic telephone number will be included on the Billed Party's local exchange telephone company bill pursuant to billing and collection agreements established by the Company or its intermediary with the applicable telephone company.

4.2.2 Charges for credit card calls will be included on the Billed Party's regular monthly statement from the card issuing company or will be included on the Billed Party's local exchange telephone company bill.

4.2.3 Any applicable federal, state and local use, excise, sales or privilege taxes or similar liabilities chargeable to or against the Company as a result of the provision of the Company's services hereunder to Customer shall be charged to and payable by Customer in addition to the rates indicated in this tariff.

4.2.4 The Customer shall remit payment of all charges in the return envelope supplied with the bill or to any agency authorized by the Company to receive such payment.

4.2.5 If the bill is not paid within thirty (20) calendar days following the mailing of the bill, the account will be considered delinquent.

4. Payment and Credit Regulations (Cont'd)

4.2 Payment for Service (Cont'd)

4.2.6 A delinquent account may subject the Customer's Service to temporary disconnection. The Company is responsible for notifying the Customer at least ten (10) days before Service is disconnected.

4.2.7 Failure to receive a bill which has been sent will not exempt a Customer from prompt payment of any sum or sums due the Company.

4.2.8 In the event the Company must employ the services of attorneys for collection of charges due under this tariff or under any contract for special services, Customer shall be liable for all costs of collection, including reasonable attorney's fees.

4.3 Billing Entity Conditions

When billing functions on behalf of the Company are performed by local exchange telephone companies, credit card companies or others, the payment conditions and regulations of such companies apply, including any applicable interest and/or late payment charges. In the case of any disputed charges which cannot be resolved by the billing company, the Billed Party may contact the Company directly. If there is still a disagreement about the disputed amount after investigation and review by the Company or other service provider, the Billed Party may file an appropriate complaint with the Public Service Commission.

4. Payment and Credit Regulations (Cont'd)

4.4 Denial of Access to Service by the Company

The Company expressly retains the right to immediately deny access to its Services without incurring any liability for any of the following reasons:

(a) Nonpayment of any sum due for service provided hereunder, where Customer's charges remain unpaid more than ten (10) days following notice of nonpayment from the Company. Notice shall be deemed to be effective upon mailing of written notice, postage prepaid, to Customer's last known address;

(b) Customer's acts or omissions which constitute a violation of, or a failure to comply with, any regulation stated in this tariff governing the furnishing of service, but which violation or failure to comply does not constitute a material breach or does not pose any actual or threatened interference to the Company's operations or its furnishing of services. The Company agrees to give Customer ten (10) days notice of such violation or failure to comply prior to service; or

(c) The implementation of any order of a court of competent jurisdiction, or federal or state regulatory authority of competent jurisdiction, prohibiting the Company from furnishing such service; or

(d) Where Customer has failed or neglected to tender any additional or required security deposit within ten (10) days of demand by the Company.

4. Payment and Credit Regulations (Cont'd)

4.5 Customer's Liability in the Event of Denial of Access to Service by the Company

In the event Customer's service is disconnected by the Company for any of the reasons stated in Section 4.5, Customer shall be liable for all unpaid charges due and owing to the Company associated with the service. Customer's deposit and accrued interest shall be applied to all cancellation charges applicable to the service offering received by Customer.

4.6 Reinstitution of Service

If Customer seeks reinstitution of service following denial of service by the Company, Customer shall pay to the Company prior to the time service is reinstituted: (1) all accrued and unpaid charges, and (2) a deposit per section 4.3 in order to reinstitute service.

4.7 Right to Backbill for Improper Use of the Company's Services

Any person or entity which uses, appropriates or secures the use of services from the Company, whether directly or indirectly, in any unlawful manner or through the providing of any misleading or false information to the Company and which use, appropriation, or securing of services is inconsistent with the stated uses, intents, and purposes of this tariff or any restrictions, conditions, and limitations stated herein, shall be liable for an amount equal to the accrued and unpaid charges that would have been applicable to the use of the Company's services actually made by Customer.

4.8 Disconnection and Reconnection Fees

Whenever telephone service is denied or discontinued for violation of the Commission's rules and regulations, non-payment of bills, or fraudulent use of service, the Company may charge a fee not to exceed $25.00 to disconnect and/or reconnect service.

5. Rates for Service

5.1 Types of Offerings

5.1.1 Description of Services

The following Direct Dialed Intrastate Long Distance Message Telecommunications Services are available at the rates listed in 5.2:

(a) Direct-Dialed LDMTS is a presubscribed switched access service, offering users outbound "1 plus" interexchange long distance telecommunications services from points originating and terminating throughout the State of Arizona.

(b) Toll Free Service is a presubscribed switched access service, offering users inbound, toll free long distance telecommunications services from points originating and terminating within the State of Arizona. This service enables the caller to contact the Customer toll free, through the use of a special toll free number.

(c) Calling Card Service enables subscribers to place calls from locations other than their presubscribed call locations. Subscribers are billed on a monthly basis at the Company's tariffed rates.

(d) Directory Assistance

Directory Assistance is provided by ALLTEL Communications, Inc.'s underlying carrier to subscribers of record. The Customer may access Directory Assistance by dialing the area code plus 555-1212.

5. Rates for Service (Cont'd)

5.1.2 Determination of Duration

(1) For Direct Dialed, Operator Station, and Room Charge calls, chargeable time begins when the connection is established between the calling station and the desired telephone, attendant board, or private branch exchange console. For Person-to-Person calls, chargeable time begins when the designated party comes on the line, or when the caller agrees to speak with a substitute party.

(2) Chargeable time ends when the connection is terminated.

(3) Chargeable time does not include the time lost because of faults or defects in the service.

5.1.3 Determination of Time of Day

(1) Day, Evening, and Night/Weekend periods are determined by the local time of the location of the rate center of the calling service point. Refer to Paragraph 5.4 for rate period chart for further clarification.

(a) For pricing plans that have Evening rates, the Evening rate applies to the holidays listed below unless a lower rate period is in effect. For pricing plans that have Off Peak Rates, the Off Peak rate applies to the holidays listed below. Holiday rates do not apply to flat rated plans unless otherwise specified.

(2) The Evening rate applies to the holidays listed below unless a lower rate period is in effect.

- New Year's Day	January 1
- Independence Day	July 4
- Labor Day	
- Thanksgiving Day	
- Christmas Day	December 25

5. Rates for Service (Cont'd)

5.1.4 Calculation of Billable Time for Service

The charge for each call is equal to the Company's applicable rate for the Initial Period of the call, plus the Company's applicable rate for each Additional Period of the duration of the call.

5.1.5 Initial Period

The initial period for Direct-Dialed calls is one (1) minute, or fraction thereof. For Operator Station, Person-to-Person and Room Charge calls, the initial period is one (1) minute, or fraction thereof.

5.1.6 Additional Periods

Each additional period for Direct-Dialed calls is one (1) minute, or fraction thereof. For Operator Station, Person-to-Person and Room Charge calls, each additional period is one (1) minute, or fraction thereof.

5.2 Direct Dialed LDMTS Maximum Rates

5.2.1 Direct Dialed LDMTS Rates – Residential Option 1

The following flat rate is for residential users of outbound intrastate LDMTS. This rate is applicable at all times for calls made within the State of Arizona.

Rate per minute: $ .23

Calling card calls made within the Continential U.S. will be billed at $.53 per minute with no surcharge.

5.2.2 Direct Dialed LDMTS Rates – Residential Option 2

The following flat rate is for residential users of outbound intrastate LDMTS. This rate is applicable for all times for calls made within the State of Arizona where technically available.

Rate per Minute: $ .15 Monthly Fee: See F.C.C. Tariff No. 1

Calling card calls made within the Continential U.S. will be billed at $.38 per minute with no surcharge.

5. Rates for Service (Cont'd)

5.2 Direct Dialed LDMTS Maximum Rates (Cont'd)

5.2.3 Direct Dialed LDMTS Rates – Residential Option 3

The following flat rates are for residential users of outbound intrastate LDMTS. The rate is applicable for the respective times for calls made within the State of Arizona where technically available.

	Peak	Off-Peak
Rate per minute	$.30	$.15

The times associated with peak hours for this plan consist of 8:00 a.m. to 6:00 p.m. Monday through Friday. All other times are considered off-peak.

Calling card calls made within the Continental U.S. will be billed at $.38 minute with no surcharge.

5.2.4 Direct Dialed LDMTS Rates – Residential Option 4

Bundled Service Offering -

The following intrastate rates will apply to customers who purchase certain bundled service plans:

Rate per minute: $.23 Monthly Fee: $4.50

In certain instances, the monthly fee above will be waived.

Calling card calls made within the Continental U.S. will be billed at $.38 per minute with no surcharge.

5. Rates for Service (Cont'd)

5.2 Direct Dialed LDMTS Maximum Rates (Cont'd)

5.2.5 Direct Dialed LDMTS Rates – Residential Option 5

The following intrastate rate is designed for residential users who purchase certain bundled service plans. The plans could include such ALLTEL products as wireless, Internet, long-distance and paging. This rate is applicable at all times for calls made within the State of Arizona where technically available.

Monthly Fee: See F.C.C. Tariff No. 1 Rate per Minute: $.27

Calling card calls made within the Continental U.S. will be billed at $.38 per minute with no surcharge.

5.2.6 Direct Dialed LDMTS Rates – Residential Option 6

The following intrastate rate is designed for residential customers of outbound intrastate LDMTS. This rate is applicable for all times for calls made within the State of Arizona where technically available.

Monthly Fee: See F.C.C. Tariff No. 1 Rate per Minute: $.27

Calling card calls made within the Continental U.S. will be billed at $0.38 per minute with no surcharge.

5. Rates for Service (Cont'd)

5.3 Operator Assisted LDMTS Maximum Rates

5.3.1 Operator Station – Billed to Third Party, Collect, Sent Paid Non-Coin Calls.

Intrastate – InterLATA/IntraLATA

Rate	Day		Evening		Night/Wkd	
Mileage	Initial min	Addt'l min	Initial min	Addt'l min	Initial min	Addt'l min
0-10	0.45	0.26	0.32	0.20	0.27	0.17
11-22	0.60	0.33	0.42	0.24	0.35	0.20
23-55	0.68	0.41	0.47	0.29	0.38	0.24
56-124	0.78	0.50	0.53	0.35	0.44	0.29
125-292	0.80	0.54	0.53	0.38	0.44	0.32
293+	0.87	0.57	0.59	0.39	0.50	0.33

5.3.2 Person-to-Person - Billed to other than a consumer calling card or other than Sent Paid - Coin calls.

Intrastate – InterLATA/IntraLATA

Rate	Day		Evening		Night/Wkd	
Mileage	Initial min	Addt'l min	Initial min	Addt'l min	Initial min	Addt'l min
0-10	0.45	0.26	0.32	0.20	0.27	0.17
11-22	0.60	0.33	0.42	0.24	0.35	0.20
23-55	0.68	0.41	0.47	0.29	0.38	0.24
56-124	0.78	0.50	0.53	0.35	0.44	0.29
125-292	0.80	0.54	0.53	0.38	0.44	0.32
293+	0.87	0.57	0.59	0.39	0.50	0.33

5. Rates for Service (Cont'd)

5.3 Operator Assisted LDMTS Maximum Rates (Cont'd)

5.3.3. Operator Assisted Surcharges

Operator Dialed 0 - - For Operator Dialed 0- messages, the following rates apply.

The surcharge applies in addition to any applicable service charges.

	Operator Dialed Called Number	Customer Dialed Called Number
Rate per call	$1.73	$1.28

Application of Service and Surcharges:

Type of Call	Operator Service Charge	Operator Dialed Surcharge
Dial Station (Customer Dialed 1 +)	No	No
Customer Dialed Calling Card Station	Yes	No
Operator Station (Customer Dialed 0+) collect, billed to third number, sent paid coin	Yes	No
Operator Station (Operator Dialed 0 -) collect, billed to third number, sent paid coin and non-coin	Yes	Yes
Operator Dialed Calling Card Station (Operator Dialed 0 -) billed to a calling card	Yes	No
Operator Station (Operator Dialed 0 -)	Yes	No
Person-to-Person (Customer Dialed 0+) collect, billed to third number, calling card, sent paid coin and non-coin	Yes	No
Person-to-Person (operator dialed 0-) collect, billed to third number, sent paid coin and non-coin	Yes	Yes
Person-to-Person (operator dialed 0-) billed to a calling card	Yes	No
Directory Assistance * (customer dialed 1+)	No	No
Directory Assistance * (customer dialed 0+) billed to a calling card, sent paid, billed to third number	Yes	No
Directory Assistance * (customer dialed 0-) billed to third number, sent paid	Yes	Yes
Directory Assistance * (customer dialed 0-) billed to a calling card	Yes	No

*Directory Assistance Charge Applies

5. Rates for Service (Cont'd)

5.3 Operator Assisted LDMTS Maximum Rates (Cont'd)

5.3.4. Operator Assisted Service Charges

Classes of Service	Amount (Per Call)
Person-to-Person	$6.75
Operator Station	
-Collect	$3.45
-Billed to Third Party	$3.45
Customer Dialed	
Calling Card Station	
-Customer Dialed/Automated	$1.13
-Customer Dialed and Operator Assisted	$1.13
-Customer Dialed/Operator Must Assist	$1.13
Operator Dialed	
Calling Card Station	$2.63
Directory Assistance	$1.13

5.3.5 Calling Card Operator Assisted Rates – See Paragraph 6.1.

5. Rates for Service (Cont'd)

5.4 Rate Period Chart refer to Section 5.1.3 (a) for Time of Day Determination criteria.

	Mon	Tue	Wed	Thu	Fri	Sat	Sunday
8:00 am to 5:00 pm	DAY RATE PERIOD						
5:00 pm to 11:00 pm	EVENING RATE PERIOD						EVENING
11:00 pm to 8:00 am	NIGHT/WEEKEND RATE PERIOD						

5.5 Promotional Activities

ALLTEL Communications, Inc. may upon occasion offer various promotional/savings opportunities to Customers. These promotional offerings may apply to certain services and may be limited to certain dates, times, and locations. Such promotional offerings will be filed with the Commission and are subject to prior Commission approval.

6. Specialized Services, Rates and Regulations

6.1 Calling Card Services

The Company's Calling Card services allow an Authorized User to place long distance calls to or from geographical areas in the United States from an access line and receive the bill for long distance calls placed on an assigned calling card billing number. The entry to the calling card platform is a 1-800 proprietary access or 1-800-XXX-XXXX dialing format.

For specific calling card service charges and surcharges, see Section 5.3.4

For specific per minute usage rates, see Section 5.2.

There is a maximum calling card surcharge of $.53 per call for calls made from payphones.

6.2 Business One

ALLTEL Communication's Business One is a commercial offering for single or multi-location customers using switched or dedicated services on an inbound and/or outbound basis. Special calling card services are also available with this offering. Business One subscribers may utilize the service according to specific contract terms and conditions as described below for intrastate service.

6. Specialized Services, Rates and Regulations (Cont'd)

6.2 Business One (Cont'd)

6.2.1 Contract Terms and Rates

Customers may select a month-to month plan, a 12 month plan, a 24 month plan or a 36 month plan. A Business One Customer selecting a term must commit to a minimum monthly usage as depicted below This minimum usage threshold applies to every monthly billing period during the selected term, and must be paid regardless of the Customer's amount of usage during other billing periods. Customers selecting a term may change plans or terminate the service if Customer provides written notice within ninety (90) days of the initiation of service. The Customer shall be held responsible for the value of the contract beyond this ninety (90) day threshold. The following chart lists the contract term length and associated per minute rates. The per minute rates listed below are flat rates effective at all times of day. Discounts for volumes and longer periods of contract are available upon request.

6.2.1.A Maximum Switched Rates

Time Commitment Month-To-Month	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$0 - per month	$0.239	$0.239	$0.375	$0.00
$100 - per month	$0.233	$0.233	$0.375	$0.00
$500 - per month	$0.224	$0.224	$0.375	$0.00
$1,000 – per month	$0.218	$0.218	$0.375	$0.00
$2,500 – per month	$0.209	$0.209	$0.375	$0.00
Time Commitment 12 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.209	$0.209	$0.375	$0.00
$500 - per month	$0.209	$0.209	$0.375	$0.00
$1,000 – per month	$0.209	$0.209	$0.375	$0.00
$2,500 – per month	$0.209	$0.209	$0.375	$0.00
Time Commitment 24 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.194	$0.194	$0.30	$0.00
$500 - per month	$0.194	$0.194	$0.30	$0.00
$1,000 – per month	$0.194	$0.194	$0.30	$0.00
$2,500 – per month	$0.194	$0.194	$0.30	$0.00
Time Commitment 36 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.188	$0.188	$0.30	$0.00
$500 - per month	$0.188	$0.188	$0.30	$0.00
$1,000 – per month	$0.188	$0.188	$0.30	$0.00
$2,500 – per month	$0.188	$0.188	$0.30	$0.00

Billing Increments: All calls are billed in 6-second increments with 30-second minimum.

6. Specialized Services, Rates and Regulations (Cont'd)

6.2 Business One (Cont'd)

6.2.1.A Maximum Switched Rates (Cont'd)

1. Maximum Recurring Charges: Such charges will be billed on a monthly basis for the following additional services.

Toll Free Monthly Service Fee (per dedicated location)	$ 75.00
Non-validated Project Account Code	$ 3.75
Validated Account Code	$ 7.50
Per Toll free Number	$ 7.50
Magnetic Tape or Diskette Billing	$ 75.00
Management Reports	$ 7.50
Toll free Directory Assistance Listing	$ 22.50
Toll free Features per 800 type Number	
- by originating area code routing	$ 75.00
- Time of Day Routing	$ 75.00
- Percentage allocation routing	$ 75.00
Real-Time ANI (per dedicated trunk group)	$300.00
Dialed Number Identification Service	$ 75.00

2. Maximum Nonrecurring Charges: Such charges may be billed on a one-time basis for each occurrence of the following services.

Non-validated Project Account Code	$ 22.50
Validated Account Code	$ 75.00
Magnetic Tape or Diskette Billing	$ 75.00
Toll free Directory Assistance Listing	$ 22.50
Toll free Features per 800 type Number	
- by originating area code routing	$150.00
- area service screening (add or change)	$150.00
- Time of Day Routing	$150.00
- Percentage allocation routing	$150.00
Real-Time ANI (per dedicated trunk group)	$525.00
Dialed Number Identification Service	$150.00

6. Specialized Services Rates and Regulations (Cont'd)

6.2 Business One (Cont'd)

6.2.2 Business Bundled Plan

The following intrastate rate is designed for business customers who purchase certain bundled service plans. The plans could include such ALLTEL products as wireless, Internet, long-distance and paging. This rate is applicable at all times for calls made within the State of Arizona where technically available.

Maximum Monthly Fee:	See F.C.C. Tariff No. 1
Maximum Rate per Minute:	$.27

Calling card calls made within the Continental U.S. will be billed at a maximum per minute rate of $.30 with no surcharge.

6. Specialized Services, Rates and Regulations (Cont'd)

6.3 Prepaid Card Services

6.3.1 ALLTEL Prepaid Card

ALLTEL Prepaid Card Service provides an outbound voice grade communications service for calls charged to an ALLTEL Prepaid Card.

6.3.1.A Exclusions

The following types of calls may not be completed with the ALLTEL Prepaid Card Service:

Calls to 500 Numbers
Calls to 700 Numbers
Calls to 800 Numbers
Calls to 900 Numbers
Directory Assistance Calls
All Operator Service Calls
Busy-Line Verification and Interrupt Services

Unless stated otherwise herein, ALLTEL Prepaid Cards may not be included on any ALLTEL Calling Plans.

6.3.1.B Availability of Service

ALLTEL Prepaid Card Service is available twenty-four hours a day, seven days a week. The availability of such cards are subject to technical limitations and will be offered on a first come, first serve basis.

6. Specialized Services, Rates and Regulations (Cont'd)

6.3 Prepaid Card Services (Cont'd)

6.3.2 ALLTEL Prepaid Card Service Regulations

6.3.2.A The ALLTEL Prepaid Calling Card Service is accessed using the ALLTEL toll-free number printed on the card.

6.3.2.B A Customer's call will be interrupted with an announcement when the balance is about to be depleted.

6.3.2.C All calls must be charged against an ALLTEL Prepaid Card that has a sufficient available balance.

6.3.2.D Calls in progress will be terminated by the Company if the balance of the Prepaid Card is insufficient to continue the call.

6.3.2.E The Customer shall not indicate or suggest to any other party, including the Customer's own subscribers if any, that any business relationship exists between the Customer, its agents, distributors, or subscribers and ALLTEL, except that the customer may inform its subscribers that calls placed using the ALLTEL Prepaid Card account number will be carried over the ALLTEL network. The Customer is NOT granted any rights whatsoever in the trade names or logos of ALLTEL or any of its corporate affiliates and the Customer is granted no right to modify the physical appearance of the ALLTEL Prepaid Card. Customers who desire to produce their own version of the card used to charge ALLTEL Prepaid Card Service shall be provided only with the ALLTEL Prepaid Card Service account numbers.

6. Specialized Services, Rates and Regulations (Cont'd)

6.3 Prepaid Card Services (Cont'd)

6.3.3 Maximum Rates and Charges

6.3.3.A ALLTEL Prepaid Cards are available in various denominations of units as specified by the Company. This price is inclusive of all taxes. Prepaid Cards will be sold at prices rounded to the nearest cent.

Domestic Denominations	Price Per Unit
All Units	$.38

Cards will be decremented by one unit for each minute or fractional part of a minute for interstate and intrastate calls. These rates apply twenty-four hours per day, seven days per week.

6.3.3.B Credit Allowances

A credit allowance for the ALLTEL Prepaid Card Service is applicable to that portion of a call that is interrupted due to poor transmission, one-way transmission, or involuntary disconnection of the call. A Customer may also be granted credit for reaching a wrong number. To receive the proper credit, the Customer must notify the Company at the designated Customer Service Number printed on the ALLTEL Prepaid Card and furnish the called number, the trouble experienced, and the approximate time the call was placed.

6. Specialized Services, Rates and Regulations (Cont'd)

6.4 Home Toll-Free Service

The following flat rate and monthly fee is for residential users of inbound toll-free service.

This rate is applicable for all times for calls made within the state of Arizona where technically available.

Maximum Rate per minute: $ .38 Maximum Monthly fee: $ 3.75

6.4.1 Calls will be rated at one minute minimum and one minute increments.

Note: The monthly fee shall be waived if Customer chooses ALLTEL Communications, Inc. as its primary outbound toll carrier and the maximum rate per minute will be $.30.

PRICE LIST

Direct Dialed LDMTS Current Rates

Residential Option 1:

Rate per Minute: $.15

Calling card calls made within the Continental U.S. will be billed at $.35 per minute with no surcharge.

Residential Option 2:

Rate per Minute: $.10 Monthly Fee: See F.C.C. Tariff No. 1

Calling card calls made within the Continental U.S. will be billed at $.25 per minute with no surcharge.

Residential Option 3:

	Peak	Off-Peak
Rate per Minute:	$.20	$.10

Calling card calls made within the Continental U.S. will be billed at $.25 per minute with no surcharge.

Residential Option 4:

Rate per Minute: $.15 Monthly Fee: $3.00

Calling card calls made within the Continental U.S. will be billed at $.25 per minute with no surcharge.

Residential Option 5:

Monthly Fee: See F.C.C. Tariff No. 1 Rate per Minute: $.18

Calling card calls made within the Continental U.S. will be billed at $.25 per minute with no surcharge.

Residential Option 6:

Monthly Fee: See F.C.C. Tariff No. 1 Rate per Minute: $.18

Calling card calls made within the Continental U.S. will be billed at $.25 per minute with no surcharge.

PRICE LIST

Operator Assisted LDMTS Current Rates

Operator Station – Billed to Third Party, Collect, Sent Paid Non-Coin Calls.

Intrastate – InterLATA/IntraLATA

Rate	Day		Evening		Night/Wkd	
Mileage	Initial min	Addt'l min	Initial min	Addt'l min	Initial min	Addt'l min
0-10	0.30	0.17	0.21	0.13	0.18	0.11
11-22	0.40	0.22	0.28	0.16	0.23	0.13
23-55	0.45	0.27	0.31	0.19	0.25	0.16
56-124	0.52	0.33	0.35	0.23	0.29	0.19
125-292	0.53	0.36	0.35	0.25	0.29	0.21
293+	0.58	0.38	0.39	0.26	0.33	0.22

Person-to-Person - Billed to other than a consumer calling card or other than Sent Paid - Coin calls.

Intrastate – InterLATA/IntraLATA

Rate	Day		Evening		Night/Wkd	
Mileage	Initial min	Addt'l min	Initial min	Addt'l min	Initial min	Addt'l min
0-10	0.30	0.17	0.21	0.13	0.18	0.11
11-22	0.40	0.22	0.28	0.16	0.23	0.13
23-55	0.45	0.27	0.31	0.19	0.25	0.16
56-124	0.52	0.33	0.35	0.23	0.29	0.19
125-292	0.53	0.36	0.35	0.25	0.29	0.21
293+	0.58	0.38	0.39	0.26	0.33	0.22

PRICE LIST

Operator Assisted LDMTS Current Rates

Operator Assisted Surcharges:

	Operator Dialed Called Number	Customer Dialed Called Number
Rate per call	$1.15	$.85

Operator Assisted Service Charges:

Classes of Service	Amount (Per Call)
Person-to-Person	$4.50
Operator Station	
-Collect	$2.30
-Billed to Third Party	$2.30
Customer Dialed Calling Card Station	
-Customer Dialed/Automated	$.75
-Customer Dialed and Operator Assisted	$.75
-Customer Dialed/Operator Must Assist	$.75
Operator Dialed Calling Card Station	$1.75
Directory Assistance	$.75

PRICE LIST

Calling Card Services:

There is a $.35 calling card surcharge per call for calls made from payphones.

Business One

Currrent Switched Rates

Time Commitment Month-To-Month	1+ Outgoing Rate Per Min	1-8XX Incoming Rate Per Min	Calling Card Rate Per Min	Calling Card Surcharge
Usage				
$0 - per month	$0.159	$0.159	$0.25	$0.00
$100 - per month	$0.155	$0.155	$0.25	$0.00
$500 - per month	$0.149	$0.149	$0.25	$0.00
$1,000 – per month	$0.145	$0.145	$0.25	$0.00
$2,500 – per month	$0.139	$0.139	$0.25	$0.00
Time Commitment 12 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.139	$0.139	$0.25	$0.00
$500 - per month	$0.139	$0.139	$0.25	$0.00
$1,000 – per month	$0.139	$0.139	$0.25	$0.00
$2,500 – per month	$0.139	$0.139	$0.25	$0.00
Time Commitment 24 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.129	$0.129	$0.20	$0.00
$500 - per month	$0.129	$0.129	$0.20	$0.00
$1,000 – per month	$0.129	$0.129	$0.20	$0.00
$2,500 – per month	$0.129	$0.129	$0.20	$0.00
Time Commitment 36 Months	**1+ Outgoing Rate Per Min**	**1-8XX Incoming Rate Per Min**	**Calling Card Rate Per Min**	**Calling Card Surcharge**
Usage				
$100 - per month	$0.125	$0.125	$0.20	$0.00
$500 - per month	$0.125	$0.125	$0.20	$0.00
$1,000 – per month	$0.125	$0.125	$0.20	$0.00
$2,500 – per month	$0.125	$0.125	$0.20	$0.00

PRICE LIST

Business One

Current Switched Rates

Recurring Charges:

Toll Free Monthly Service Fee (per dedicated location)	$ 50.00
Non-validated Project Account Code	$ 2.50
Validated Account Code	$ 5.00
Per Toll free Number	$ 5.00
Magnetic Tape or Diskette Billing	$ 50.00
Management Reports	$ 5.00
Toll free Directory Assistance Listing	$ 15.00
Toll free Features per 800 type Number	
- by originating area code routing	$ 50.00
- Time of Day Routing	$ 50.00
- Percentage allocation routing	$ 50.00
Real-Time ANI (per dedicated trunk group)	$200.00
Dialed Number Identification Service	$ 50.00

Nonrecurring Charges:

Non-validated Project Account Code	$ 15.00
Validated Account Code	$ 50.00
Magnetic Tape or Diskette Billing	$ 50.00
Toll free Directory Assistance Listing	$ 15.00
Toll free Features per 800 type Number	
- by originating area code routing	$100.00
- area service screening (add or change)	$100.00
- Time of Day Routing	$100.00
- Percentage allocation routing	$100.00
Real-Time ANI (per dedicated trunk group)	$350.00
Dialed Number Identification Service	$100.00

Business Bundled Plan:

Monthly Fee: See F.C.C. Tariff No. 1 Rate per Minute: $.18

Calling card calls made within the Continental U.S. will be billed at $.20 per minute with no surcharge.

PRICE LIST

Prepaid Calling Card Service

Current Rates and Charges:

Domestic Denominations	Price Per Unit
All Units	$.25

Home Toll-Free Service

Rate per Minute: $.25 Monthly Fee: $2.50

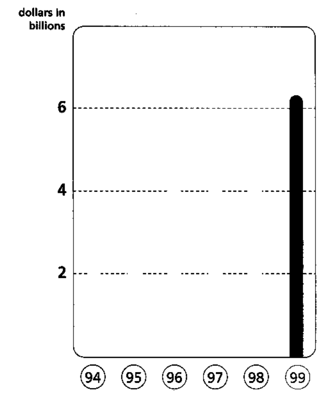
Note: The monthly fee shall be waived if Customer chooses ALLTEL Communications, Inc. as its primary outbound toll carrier and the rate per minute will be $.20.

ATTACHMENT D

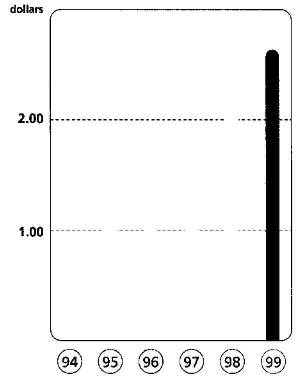
this

1999 ANNUAL REPORT

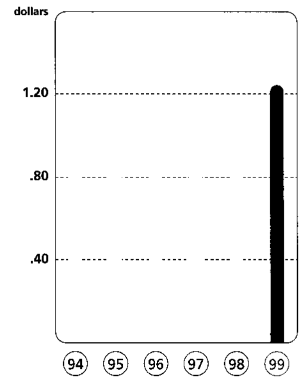
ALLTEL



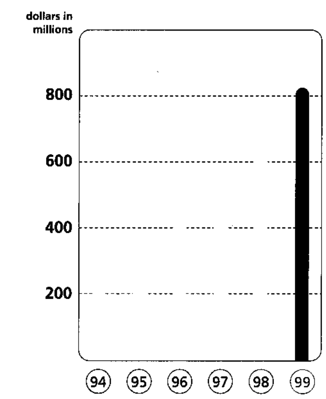
Revenues*



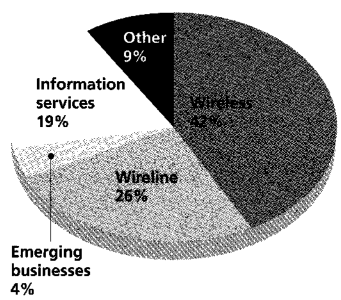
Basic Earnings Per Share*



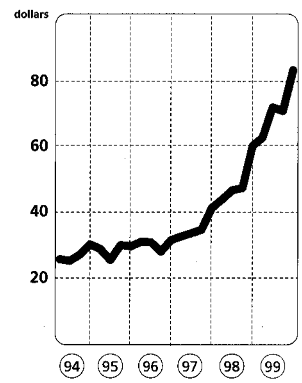
Dividends



Net Income*



Revenue Mix



Stock Price

**From current businesses. Current businesses excludes the sold wireline, healthcare, wire and cable operations, merger and integration expenses and other charges, provision to reduce carrying value of certain assets, and the gain on disposal of assets.*

this way
to the future

to the future

Many communications companies have promised their customers the fully integrated service packages envisioned by the Telecommunications Act of 1996. In 1999, as we completed our first full year of Competitive Local Exchange Carrier (CLEC) operations, ALLTEL became one of the very few in the industry to make the promise a reality. With our strong customer relationships, a critical mass in our customer base and our in-house systems expertise, this was the year when all the pieces fell into place and the world saw us for what we really are — one of the few companies in the industry that is truly geared for growth.

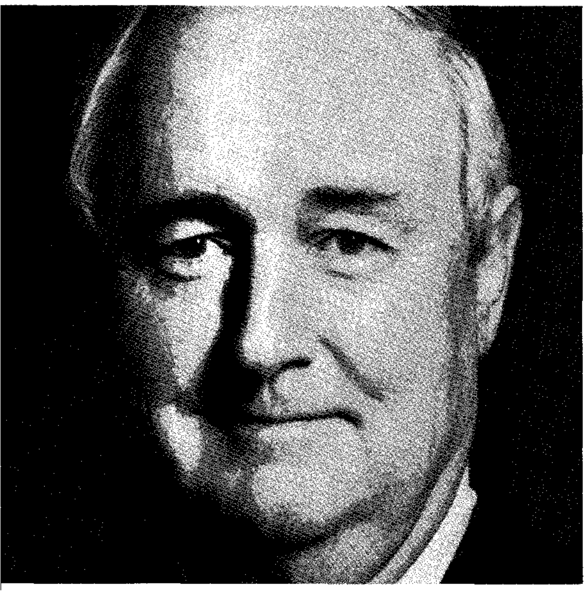
CONTENTS

FINANCIAL HIGHLIGHTS

For the years ended December 31, *(Dollars in thousands, except per share amounts)*	1999	1998	Increase (Decrease) Amount	%	1997
FROM CURRENT BUSINESSES:					
Revenues and sales:					
Wireless	$ 2,743,251	$ 2,339,756	$ 403,495	17	$ 1,986,807
Wireline	1,677,457	1,499,207	178,250	12	1,416,272
Emerging businesses	280,250	167,318	112,932	67	100,770
Total communications	4,700,958	4,006,281	694,677	17	3,503,849
Information services	1,245,503	1,161,768	83,735	7	974,151
Other operations	579,818	601,350	(21,532)	(4)	436,075
Less: intercompany eliminations	224,008	142,604	81,404	57	49,964
Total revenues and sales	$ 6,302,271	$ 5,626,795	$ 675,476	12	$ 4,864,111
Operating income (loss):					
Wireless	$ 886,478	$ 674,606	$ 211,872	31	$ 506,875
Wireline	619,064	530,573	88,491	17	506,159
Emerging businesses	(47,241)	(37,977)	(9,264)	(24)	(16,420)
Total communications	1,458,301	1,167,202	291,099	25	996,614
Information services	175,316	162,651	12,665	8	144,928
Other operations	21,561	25,926	(4,365)	(17)	20,466
Less: corporate expenses	39,551	22,852	16,699	73	17,359
Total operating income	$ 1,615,627	$ 1,332,927	$ 282,700	21	$ 1,144,649
Net income	$ 822,493	$ 660,054	$ 162,439	25	$ 541,902
Basic earnings per share	$2.63	$2.16	$.47	22	$1.76
Diluted earnings per share	$2.59	$2.14	$.45	21	$1.75
Earnings before interest, taxes, depreciation and amortization	$ 2,477,799	$ 2,107,476	$ 370,323	18	$ 1,843,422
AS REPORTED:					
Revenues and sales	$ 6,302,271	$ 5,626,795	$ 675,476	12	$ 4,906,958
Operating income	$ 1,525,107	$ 1,025,927	$ 499,180	49	$ 1,129,191
Net income	$ 783,634	$ 603,127	$ 180,507	30	$ 652,481
Basic earnings per share	$2.50	$1.97	$.53	27	$2.12
Diluted earnings per share	$2.47	$1.95	$.52	27	$2.10
Earnings before interest, taxes, depreciation and amortization	$ 2,387,279	$ 1,800,476	$ 586,803	33	$ 1,828,287
Weighted average common shares	312,841,000	305,344,000	7,497,000	2	307,884,000
Current annual dividend rate per common share	$1.28	$1.22	$.06	5	$1.16
AT YEAR END:					
Total assets	$ 10,774,203	$ 10,155,454	$ 618,749	6	$ 9,232,007
Wireless customers	5,018,614	4,452,049	566,565	13	3,824,094
Wireline customers	2,433,092	2,181,859	251,233	12	2,062,877
Long-distance customers	894,160	576,479	317,681	55	400,344
Employees	24,440	23,523	917	4	22,518
CAPITAL EXPENDITURES	$ 1,006,475	$ 998,004	$ 8,471	1	$ 899,723

Current businesses excludes the sold wire and cable operations, merger and integration expenses and other charges, provision to reduce carrying value of certain assets, and the gain on disposal of assets.

Emerging businesses includes long-distance, local competitive access, Internet access, network management and PCS operations.



Joe T. Ford

Chairman and Chief Executive Officer

a new chapter

1999 marked a new chapter in ALLTEL's history. In addition to achieving record results from current businesses and posting record high stock prices, we completed significant mergers with Aliant Communications and Liberty Cellular and established a firm foothold as a CLEC in Arkansas, Florida, Nebraska, North Carolina, Pennsylvania and Virginia. At the end of a five-year period that has seen a 26 percent compounded total annual return on shareholder investment, ALLTEL can boast 8.5 million communications customers in 25 states and more than a thousand information services customers in 55 countries worldwide. In both these businesses, we can count ourselves a more formidable competitor than ever in the markets we choose to serve.

A RECORD YEAR ALLTEL's 1999 revenues from current businesses and basic earnings per share were $6.3 billion and $2.63, respectively, up 12 percent and 22 percent from the prior year.

In our Communications business, revenue and operating cash flow grew 17 percent and 21 percent, respectively, to $4.7 billion and $2.2 billion.

In Information Services, we delivered record revenue of $1.2 billion and operating income of $175 million.

Thanks to the Company's continuing strong performance, ALLTEL stock reached a record year-end price of $82 $^{11}/_{16}$, a 38 percent increase over the 1998 year-end price. The Board approved the 39th consecutive dividend increase since the Company's founding, raising the indicated annual rate 5 percent to $1.28 per common share.

DYNAMIC GROWTH A significant part of ALLTEL's growth during the year was from our continuing acquisition activity. As well as marking the first full year of operations for the combined ALLTEL/360° Communications, 1999 saw the completion of major mergers with Georgia-based Standard Group, Nebraska-based Aliant Communications and Kansas-based Liberty Cellular. These and smaller acquisitions in Alabama and Colorado dynamically expanded the Company's geographic footprint, allowing us to accelerate our strategy of leveraging wireless customer relationships to introduce bundled communications services throughout our markets.

This strategic momentum continued early this year with the announcement on February 1, 2000, of the transfer of wireless interests between ALLTEL, Bell Atlantic and GTE in 13 states. In addition to increasing our wireless customer base by about 15 percent, this transaction will significantly enhance ALLTEL's geographic market clusters and will give us unprecedented low-cost access to a nationwide digital footprint covering 95 percent of the United States population.

New acquisitions, strong market share gains against incumbent competitors, and high penetration rates for bundled services: all these factors helped ALLTEL achieve significant growth in 1999 and establish momentum for the future. As we leave the 20th century and move forward into a new millennium, I am confident that ALLTEL can maintain this momentum and continue on its path as one of the fastest-growing companies in our industry.

Joe Ford

Joe T. Ford
Chairman and Chief Executive Officer
February 1, 2000

Scott T. Ford

President and Chief Operating Officer

geared for growth

Three years ago, our communications customers thought of us as either the local phone company or a wireless company. Two years ago, some thought of us as their long-distance or Internet company as well. Today, they think of us as simply their communications company.

NEW RULES, NEW GAME Why is this shift from a single service provider to a complete communications company so significant? First, the pre-1996 regulatory environment made the idea of an integrated communications company impossible. Today, the economics of the communications technology revolution make it not only possible, but almost mandatory. ALLTEL's business model combines the scale and presence of the nation's sixth largest telecommunications access provider and its established customer relationships with newly deployed digital technology capable of serving a customer's complete communications needs. In this light we are unique in this country.

To be successful as a multi-service provider, we must seamlessly support our customers with an integrated service delivery business model. ALLTEL has such a platform. In fact, we were the first in the industry to converge our wireless and wireline operations; among the first to deliver multiple service charges on a single bill; and a market leader in delivering fully integrated services to thousands of business and residential customers in the 26 CLEC cities we now serve.

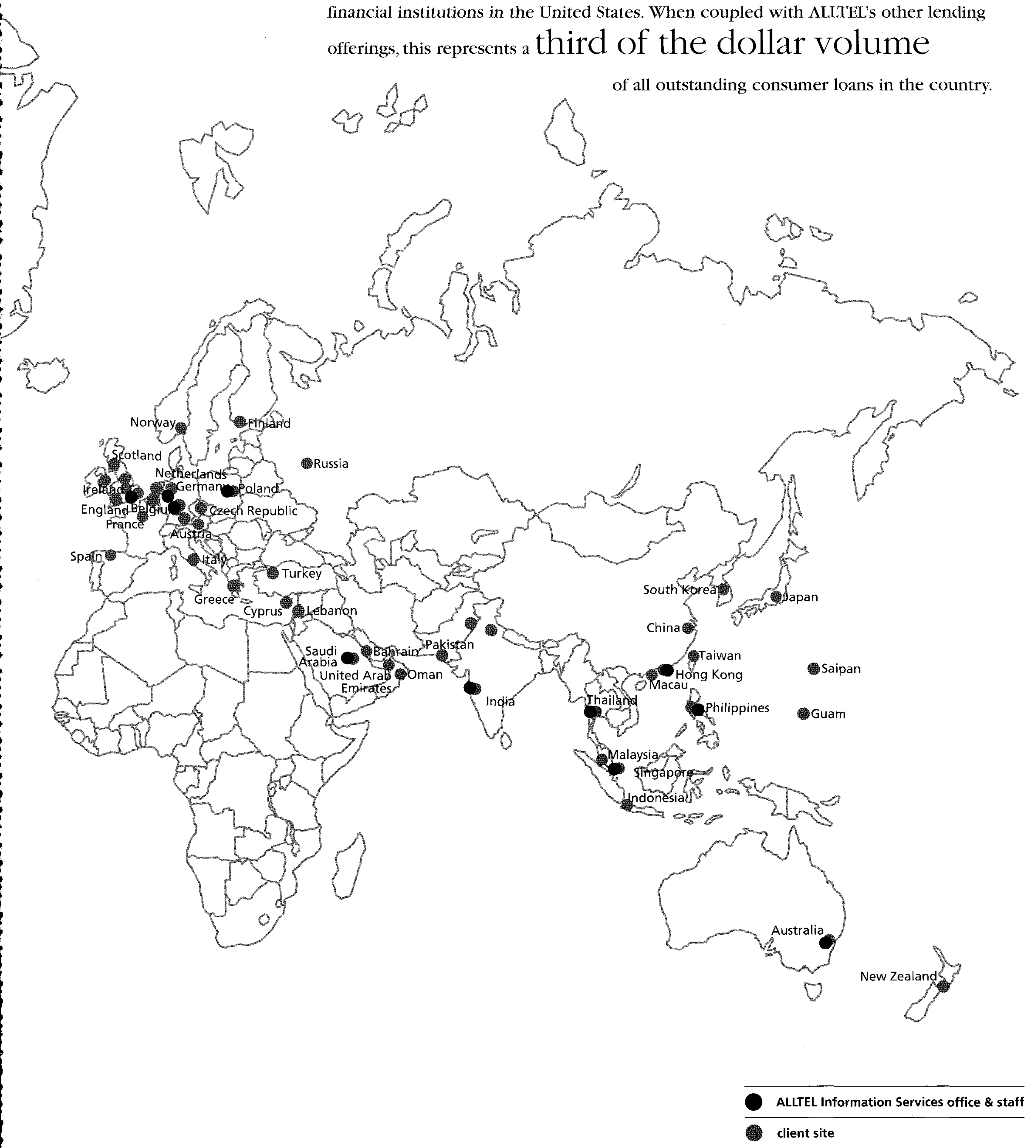
Most importantly, even with the best technologies, customers will not give you more business unless they know and trust you. Thanks to our strategic focus on geographic clusters, these relationships are ALLTEL's strongest suit, and they will continue to be our most powerful weapon for attacking new markets and maintaining our outstanding growth in the future.

AHEAD OF THE GAME By quickly positioning ourselves as a total communications provider, we have created a position of immense competitive strength. Already, our wireless properties cover 39 million controlled POPS (population served). Digital service, including wireless e-mail, is available to 70 percent of our customers. And, with the new ALLTEL/Bell Atlantic/GTE roaming agreement, our customers will have access to the largest standardized digital wireless network in America — placing ALLTEL in a strong position to benefit from the impending wireless data explosion.

THIS WAY TO THE FUTURE Technologically, operationally and organizationally, we are geared for growth. I believe that in today's communications environment, exceptional shareholder returns will accrue to those companies that leverage not just the scale of their size, but also the scope of their relationship with their customers. As our results in 1999 demonstrate, customers recognize and value the advantages of our simple, seamless approach, and they are rewarding us with the enthusiasm and loyalty shared by the individuals featured in this report.

broader horizons

ALLTEL software supports more than **50 percent** of outstanding residential mortgage loans serviced by financial institutions in the United States. When coupled with ALLTEL's other lending offerings, this represents a **third of the dollar volume** of all outstanding consumer loans in the country.



growing with customers

ALLTEL people are not just vendors — they are also neighbors, friends or even co-workers based at a customer's office. That's why no one knows their markets like ALLTEL — because no one is closer to their customers.

this way to the future

ALLTEL success through customer success

For both of ALLTEL's largest business units, a record-breaking 1999 showed once again that by combining an intimate knowledge of our chosen markets with continual advances in the reach, functionality and integration of our products and services, we can deliver outstanding value to customers, stockholders and employees alike.

ALLTEL COMMUNICATIONS For business and residential customers in ALLTEL's new CLEC service areas, our offer could hardly have been clearer. On the one hand, they could continue sourcing services from multiple suppliers, with multiple points of contact and multiple monthly bills. Or, on the other, they could source everything from a trusted local name, make meaningful cost savings and deal with their supplier via a single bill and a single point of local contact.

Judging by the response — from 20,000 access line organizations such as the State of Arkansas right down to individual consumers — it was an offer that customers were more than ready to embrace.

THE POWER TO SIMPLIFY The simplicity, convenience and value of service bundling were not limited to our CLEC customers. In early 1999, we were offering targeted, competitively priced packages in every one of our major markets, and, by year-end, more than 90 percent of those markets were ready to provide the combined services on a single bill. To date, 20 percent of the households we serve have purchased more than one ALLTEL service, and the trend is accelerating as we leverage our relationship with existing wireless customers and those acquired through recent mergers, including Aliant Communications and Liberty Cellular. Our wireless customers have also benefited from the significant growth in service coverage resulting from recent merger and acquisition activity. With our Southern Advantage service, for example, a flat monthly fee buys 300 minutes of toll-free and roaming-free minutes in a local calling area covering seven states. Add to this the advantages of new services such as Digital Advisor, an e-mail and numeric and text paging capability for digital wireless phones, and it is easy to see why ALLTEL's wireless penetration rate is among the highest in the industry.

ALL COMPETITION IS LOCAL True to ALLTEL's regionally focused approach, we continue to provide many of our markets with more service personnel than any other competitor; in many cases, more than all other competitors combined. Far from being "overhead," this level of visibility has proven to be our strongest card when it comes to expanding our customer relationships into new areas such as long-distance and Internet. Our CLEC successes confirm the ongoing strength of ALLTEL's relationship-based strategy, and as we offer our bundled services to new, carefully targeted markets, it is clearer than ever that 1999 was only the first taste of what we will achieve.

ALLTEL INFORMATION SERVICES Behind most ALLTEL success stories lies the expertise of our Information Services business, one of the largest and most experienced information technology groups in the industry. In addition to serving financial institutions and telecommunications providers around the world, ALLTEL Information Services was instrumental in helping the entire Company achieve Year 2000 compliance for all critical internal computer systems, infrastructure and software systems. ALLTEL's commitment to continuing quality service was maintained with no significant Y2K issues.

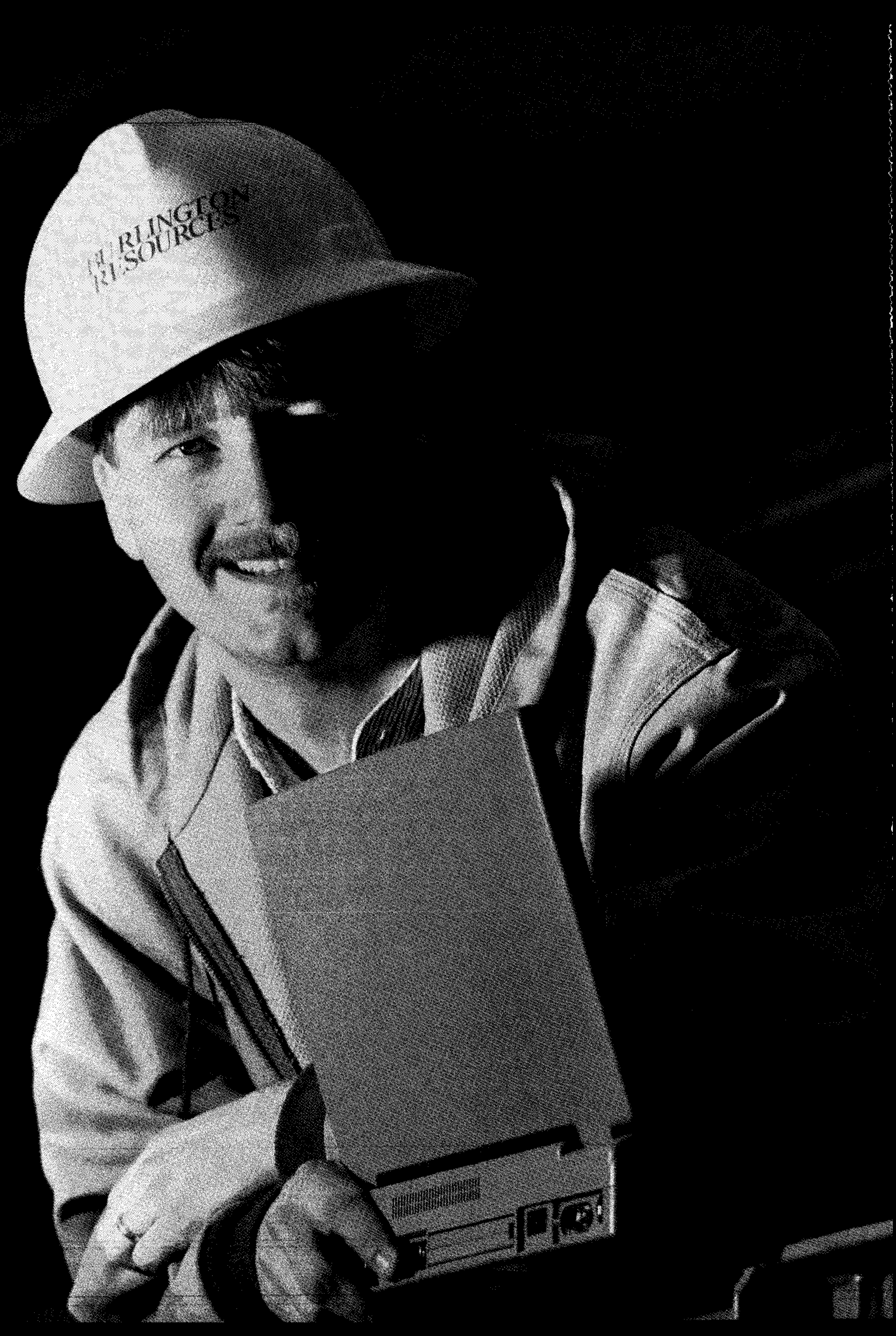
WORKING IN PARTNERSHIP In 1999, ALLTEL's Telecommunication Services division helped drive the Company's communications strategy by converting nearly one million ALLTEL accounts to its Virtuoso II customer care and billing system. Using this system, the Company streamlined business processes by moving toward a single wireless billing system, reduced duplicative investments in multiple platforms, and improved training and customer service effectiveness with a simpler, more powerful user interface. In addition to supporting ALLTEL's own operations, Telecommunication Services developed an electronic bill presentment, payment and on-line catalog solution for another wireless provider and managed worldwide data center outsourcing of mission critical systems for one of the world's largest consulting firms.

A GLOBAL LENDING STRATEGY Among ALLTEL's Financial Services clients, banks and other institutions slowed their upgrade and service enhancement programs to concentrate on millennium-related issues. Thanks to Information Services' flexible cost structure, the slow-down did not materially affect growth or profitability, nor did it prevent the Financial Services division from passing major milestones in its drive to become the world leader in automated lending solutions.

The acquisition of Corporate Solutions International allows ALLTEL to offer a world-class consumer loan origination product that will help us achieve our goal of delivering true end-to-end solutions covering all channels from branch sales to the Internet. With the purchase of Advanced Information Resources, we complemented our strong consumer lending offering with market-leading commercial lending software. And, with other acquisitions such as ACE Software Sciences, we confirmed our position as the United States' No. 1 provider of mortgage software solutions.

In a consolidating global financial marketplace, ALLTEL's strengths in systems conversion and integration are becoming more highly valued. We are playing an important support role in the merger of NationsBank and Bank of America — one of the largest in the industry's history. Overseas, we completed our largest international project to date, integrating and updating the retail and core account systems for Australia's Colonial State Bank.

LEVERAGING OUR EXPERTISE 1999 also saw ALLTEL continue its expansion into other areas of the Financial Services industry. With our acquisition of Southern Data Systems, we offer a fully integrated front- and back-office solution to the nation's 10,000 community banks. As we completed the first phase of the global project to build a common receivables system managing lease and loan assets with Ford Credit, we firmly established our credentials in the credit finance market outside the traditional banking arena.



Jason Offerman

Burlington Resources Case Study

taking the pressure

When your workplace is five counties wide and your job is to monitor thousands of high-pressure well heads and compressor sites, what you need above all else are reliable lines of communication and a support team that is always available.

According to Jason Offerman, information systems and technology analyst for Burlington Resources in Farmington, N. M., ALLTEL scores high on both counts. For 800 of the most remote sites across America's second largest on-shore natural gas reserve, ALLTEL provides wireless data technology that automatically relays supply pressures, fluid levels and other vital information to local field crews and the corporate office in Houston. The same technology allows Jason and his team to view any monitored site in real time from a remote laptop computer and send status reports from the middle of the desert to any computer on the Burlington network in just a few seconds.

With voice contact for field personnel also provided by ALLTEL wireless services, Burlington has a lot riding on one company's ability to deliver — but for Jason, it means just one less thing to worry about. "What sells it for me is the support ALLTEL provides," he says. "In addition to quality service, they have qualified people who know the business, they help keep us abreast of developing technologies, and they're always just a phone call away."

Jill Rhinehart

Clarion University Case Study

a meeting of minds

The logic was impeccable: in return for building Clarion University of Pennsylvania a new voice and data network, ALLTEL would earn the right to provide local and long-distance communications for the campus and associated sites. But it took creative thinking to turn theory into practice.

A flash of inspiration solved problem number one: ALLTEL was not the Incumbent Local Exchange Carrier. Although the Company provided wireless service in the area, its closest wireline property was in nearby Strattanville, Pa., one of many rural communities served by ALLTEL's 15,000 mile fiber optic network. The solution was to extend that network by another four miles, become a CLEC for the University and position ALLTEL to serve the entire town of Clarion.

After the inspiration, the perspiration: high-speed Ethernet connections for a thousand residence rooms, complete with third-party LAN Internet and a rooftop satellite installation for cable television services, all delivered in less than three months and all supported by an on-campus Technology Services Center and 24-hour help desk. For the University it has meant an explosion in Internet use, including Web-based course components. "Now I get to do my research at midnight," reports student Jill Rhinehart. "It's definitely nice to have!" For ALLTEL, it has meant not only a 10-year contract with a major new client but also a potential long-term revenue stream through bundled service delivery to the local community.

Anthony King Case Study

going mobile

If the residents of Mobile, Ala., want to know what is going on in town, they reach for Anthony King's arts and entertainment magazine, *The Urban Connection*. If Anthony King wants to know what is going on, he reaches for his ALLTEL mobile phone.

A former Army officer and chemical engineer, Anthony understands the importance of good lines of communication — and the more he juggles his many roles of businessman, chamber of commerce ambassador and local community leader, the more he realizes that signing up for ALLTEL's bundled service package was one of the best decisions he ever made. "I use my phone more than anyone," he says, "and having all the bills come in as one is wonderful. The less time I spend reviewing bills, the more time I have to go out and make money."

Having been in the communications business himself, Anthony was familiar with ALLTEL and knew the company would come in and do a good job. As a result, he was one of ALLTEL's very first customers in Mobile, signing up for long-distance, wireless, paging and Internet after a chance meeting with a salesperson, even before the new office was officially open for business. "I felt their aggressive approach would help with my bottom line," he says. "And, ALLTEL people are wonderful with customer service."

John Erbele

Smithgall Woods Case Study

call of the wild

"Technology should be *invisible until it's needed*," says John Erbele, general manager of Smithgall Woods Conservation Center, "and so should the company who provides it." And he should know, since he makes his living helping people escape the machines and machinations of the modern world.

High in the north Georgia mountains, 5,555 acres of virgin forest and unspoiled trout streams at Smithgall Woods provide the perfect antidote to the day-to-day pressures of the office. Thanks to ALLTEL's careful cable routing in hand-excavated trenches, you would never guess that every timber-built luxury cabin boasts a pair of data lines and a phone in every room. Or that digital Centrex service is available to anyone who needs to keep in touch. "ALLTEL demonstrated a sensitivity for the wilderness," says John. "That's something you don't expect from a high-tech company."

Because Smithgall Woods is owned by the State of Georgia, the ALLTEL relationship is a mix of a statewide contract for communications services and equipment and direct contact with the local team. To ensure that both the customer and ALLTEL get the best from every deal, account representatives and field technicians work closely together — and to John, it feels like one organization. "Even when ALLTEL was acquiring our previous supplier," he says, "I always knew who to call. It's nice to have people like that to deal with."


HARRIS BANK
telephone
automatically connect to
telephone banking.

Randall Teteak & Chuck Tonge

Harris Bank Case Study

one call is all

From branch transactions to Internet access, there are a dozen different ways of doing business with a bank — and mostly, customers like it that way. But multiple points of contact can make it difficult to build a real relationship between the individual and the institution.

Not at Harris Bank. With ALLTEL's help, this Chicago-based bank — the 38th largest in America — has done more than most to integrate its key contact points, or "channels," into a single, seamless operation. Customers can meet with a branch salesperson, talk with a call center agent or dial up an Internet connection, and the results of each transaction will be stored in a shared customer contact record. "That means consumers can get what they want in subsequent calls with no unnecessary questions, repetition or lengthy referrals to other parts of the business," explains Chuck Tonge, Harris executive vice president-community banking. "And it means that when the bank comes to sell new products or services, we can review our entire relationship with each customer and cost-effectively personalize our offer according to his or her individual financial needs."

Harris Bank Executive Vice President Randall Teteak agrees, "Integrated delivery allows our bank to have a single view of the customer — and while many institutions talk about a single view, with ALLTEL we have it."

strong performance

With strong contributions from our communications and information services operating units, ALLTEL's strategic accomplishments were reflected in 1999 by record-breaking financial results

1999 marked a year in which ALLTEL Corporation ("ALLTEL" or the "Company") achieved solid financial results while continuing to enter new telecommunications markets. Through strategic acquisitions, ALLTEL expanded its market presence and currently offers wireless and wireline local, long-distance, network access and Internet services to customers in 25 states. Operating results reflect strong market demand for the Company's communications services as highlighted by the strong performance of ALLTEL's wireless and wireline businesses.

Completion of Mergers

On September 30, 1999, ALLTEL completed mergers with Liberty Cellular, Inc. ("Liberty"), which operates under the name Kansas Cellular, and its affiliate KINI L.C. under definitive merger agreements entered into on June 22, 1999. Under terms of the merger agreements, the outstanding stock of Liberty and the outstanding ownership units of KINI L.C. were exchanged for approximately 7.0 million shares of ALLTEL's common stock. On July 2, 1999, the Company completed its merger with Aliant Communications Inc. ("Aliant") under a definitive merger agreement entered into on December 18, 1998. Under terms of the merger agreement, Aliant became a wholly-owned subsidiary of ALLTEL, and each outstanding share of Aliant common stock was converted into the right to receive .67 shares of ALLTEL common stock, 23.9 million common shares in the aggregate. Each of these mergers qualified as a tax-free reorganization and has been accounted for as a pooling-of-interests. Accordingly, all prior-period financial information included in this Annual Report has been restated to include the accounts and results of operations of Aliant, Liberty and KINI L.C. The consolidated financial statements presented include certain eliminations and reclassifications to conform the accounting and financial reporting policies of ALLTEL, Aliant, Liberty and KINI L.C.

In January 1999, the Company completed a merger with Standard Group, Inc. ("Standard"), a communications company serving customers in Georgia. To expand its information services business, the Company also completed mergers with Advanced Information Resources, Limited ("AIR") and Southern Data Systems ("Southern Data") in September 1999. In connection with these mergers, approximately 6.5 million shares of ALLTEL common stock were issued. All three mergers qualified as tax-free reorganizations and were accounted for as poolings-of-interests. Prior-period financial information has not been restated since the operations of the three acquired companies are not significant to ALLTEL's consolidated financial statements on either a separate or aggregate basis. The accompanying consolidated financial statements include the accounts and results of operations of Standard, AIR and Southern Data from the date of acquisition. (See Note 2 to the consolidated financial statements for additional information regarding the merger transactions.)

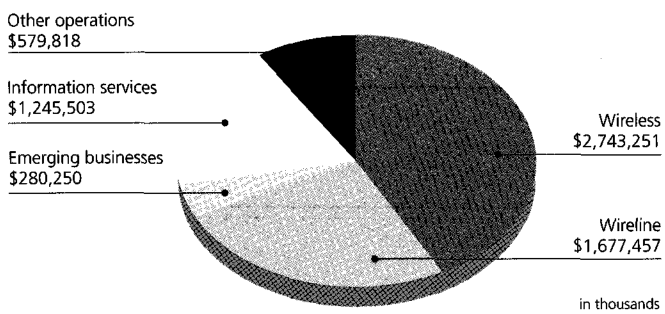
Consolidated Results of Operations

Revenues and sales increased $675.5 million or 12 percent in 1999, $719.8 million or 15 percent in 1998 and $343.6 million or 8 percent in 1997. Operating income increased $499.2 million or 49 percent in 1999, decreased $103.3 million or 9 percent in 1998 and increased $220.2 million or 24 percent in 1997. Growth in revenues and sales in 1998 and 1997 was affected by the May 1997 sale of the Company's wire and cable subsidiary, HWC Distribution Corp. ("HWC"), and the January 1997 sale of information services' healthcare operations. In addition to these dispositions, operating income growth for all three years was also affected by merger and integration expenses and other charges. Adjusted to exclude the results from operations for the asset dispositions and to exclude the impact of the merger and integration expenses and other charges, revenues and sales would have increased $762.7 million or 16 percent in 1998 and $572.4 million or 13 percent in 1997, and operating income would have increased $282.7 million or 21 percent in 1999, $188.3 million or 16 percent in 1998, and $125.7 million or 12 percent in 1997.

Net income increased $180.5 million or 30 percent in 1999, decreased $49.4 million or 8 percent in 1998 and increased $245.8 million or 60 percent in 1997. Basic and diluted earnings per share both increased 27 percent in 1999, decreased 7 percent in 1998 and increased 61 percent in 1997. Reported net income and earnings per share include the effects of the asset dispositions, merger and integration expenses and other charges, as well as several non-recurring and unusual items further discussed below. Excluding the impact in each year of the asset dispositions and the non-recurring and unusual items, net income would have increased $162.4 million or 25 percent in 1999, $118.2 million or 22 percent in 1998 and $67.4 million or 14 percent in 1997, and basic and diluted earnings per share would have increased 22 percent and 21 percent, respectively in 1999, increased 23 percent and 22 percent, respectively in 1998, and both would have increased 14 percent in 1997.

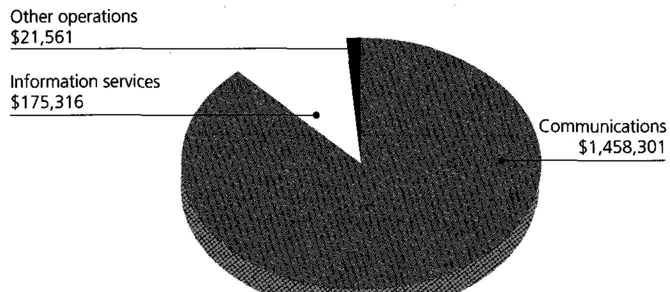
ALLTEL Performance from Operations

Total revenues and sales
$6,302,271*



in thousands
*net of intercompany eliminations

Total operating income
$1,615,627**



in thousands
**includes corporate expenses and merger and integration expenses and other charges

Operating income, net income and earnings per share adjusted for the asset dispositions and the non-extraordinary, non-recurring and unusual items are summarized in the following tables:

(Thousands, except per share amounts)	***1999***	1998	1997
Operating income, as reported	**$1,525,107**	$1,025,927	$1,129,191
Disposition of wire and cable operations	**—**	—	(1,416)
Non-recurring and unusual items:			
Merger and integration expenses and other charges	**90,520**	252,000	—
Provision to reduce carrying value of certain assets	**—**	55,000	16,874
Operating income, as adjusted	**$1,615,627**	$1,332,927	$1,144,649
Net income, as reported	**$ 783,634**	$ 603,127	$ 652,481
Disposition of wire and cable operations	**—**	—	(838)
Non-recurring and unusual items, net of tax:			
Merger and integration expenses and other charges	**66,044**	200,995	—
Provision to reduce carrying value of certain assets	**—**	33,605	11,744
Gain on disposal of assets	**(27,185)**	(179,770)	(121,485)
Termination fees on early retirement of long-term debt	**—**	2,097	—
Net income, as adjusted	**$ 822,493**	$ 660,054	$ 541,902

	Basic			*Diluted*		
	1999	1998	1997	***1999***	1998	1997
Earnings per share, as reported	**$2.50**	$1.97	$2.12	**$2.47**	$1.95	$2.10
Non-recurring and unusual items, net of tax:						
Merger and integration expenses and other charges	**.21**	.66	—	**.20**	.65	—
Provision to reduce carrying value of certain assets	**—**	.11	.04	**—**	.11	.04
Gain on disposal of assets	**(.08)**	(.59)	(.40)	**(.08)**	(.58)	(.39)
Termination fees on early retirement of long-term debt	**—**	.01	—	**—**	.01	—
Earnings per share, as adjusted	**$2.63**	$2.16	$1.76	**$2.59**	$2.14	$1.75

The operating income, net income and earnings per share impact of the asset dispositions and the non-recurring and unusual items have been presented as supplemental information only. The non-recurring and unusual items reflected in the above tables are discussed below in reference to the caption in the consolidated statements of income in which they are reported.

Merger and Integration Expenses and Other Charges

During the third quarter of 1999, the Company recorded a pretax charge of $90.5 million in connection with its mergers with Aliant, Liberty, AIR and Southern Data and with certain loss contingencies and other restructuring activities. The merger and integration expenses total $73.4 million and consist of professional and financial advisors' fees of $24.4 million, severance and employee-related expenses of $15.4 million and other integration costs of $33.6 million. The other integration costs include $12.5 million of lease termination costs, $10.2 million of costs associated with the early termination of certain service obligations and a $4.6 million write-down in the carrying value of certain in-process and other software development assets that have no future alternative use or functionality. The other integration costs also include branding and signage costs of $4.1 million and other expenses of $2.2 million incurred in the third quarter. The lease termination costs consist of a cancellation fee of $7.3 million to terminate the Company's contractual commitment to lease building space previously occupied by the former 360° Communications Company ("360°") operations acquired in 1998, a $4.1 million write-off of capitalized leasehold improvements and $1.1 million in other disposal costs. The contract termination fees include $5.2 million related to long-term contracts with an outside vendor for customer billing services to be provided to the Aliant and Liberty operations. As part of its integration plan, ALLTEL will convert both the Aliant and Liberty operations to its own internal billing system. Conversion of the Liberty operations was completed in November 1999, and conversion of the Aliant operations will be completed by June 2000. The Company also recorded an additional $5.0 million charge to reflect the actual cost of terminating its contract with Convergys Corporation ("Convergys") for customer billing services to be provided to the former 360° operations. In September 1999, ALLTEL and Convergys agreed to a final contract termination fee of $55.0 million, of which $50.0 million was recorded in 1998, as discussed below. Through December 31, 1999, the Company had paid $30.0 million of the termination fee with the remaining payments due in installments through 2001. In addition to the termination fee, the Company will continue to pay Convergys for processing customer accounts until all customers are switched to ALLTEL's billing system, which is expected to be completed in 2001. Payments for the continuing processing services will be expensed as incurred.

In connection with management's plan to reduce costs and improve operating efficiencies, the Company recorded a restructuring charge of $17.1 million consisting of $10.8 million in severance and employee benefit costs related to a planned workforce reduction and $6.3 million in lease termination costs related to the consolidation of certain operating locations. The lease termination costs represent the minimum estimated contractual commitments over the next one to four years for leased facilities that the Company has abandoned.

In 1998, the Company recorded transaction costs and one-time charges totaling $252.0 million on a pretax basis related to the closing of its merger with 360°. The merger and integration expenses included professional and financial advisors' fees of $31.5 million, severance and employee-related expenses of $48.7 million and integration costs of $171.8 million. The integration costs included several adjustments resulting from the redirection of a number of strategic initiatives based on the merger with 360° and ALLTEL's expanded wireless presence. These adjustments included a $60.0 million write-down in the carrying value of certain in-process software development assets, $50.0 million of costs associated with the early termination of certain service obligations, branding and signage costs of $20.7 million, an $18.0 million write-down in the carrying value of certain assets resulting from a revised Personal Communications Services ("PCS") deployment plan, and other integration costs of $23.1 million. The estimated cost of contract termination was related to a long-term contract with Convergys for billing services to be provided to the 360° operations. The $50.0 million of costs recorded represented the present value of the estimated profit to the vendor over the remaining term of the contract and was the Company's best estimate of the cost of terminating the contract prior to the expiration of its term. As previously noted, the Company and Convergys agreed upon a termination fee of $55.0 million. The $18.0 million write-down in the carrying value of certain PCS-related assets included approximately $15.0 million related to cell site acquisition and improvement costs and capitalized labor and engineering charges that were incurred during the initial construction phase of the PCS buildout in three markets. As a result of the merger with 360°, ALLTEL elected not to continue to complete construction of its PCS network in these three markets. The remaining $3.0 million of the PCS-related write-down represented cell site lease termination fees.

At December 31, 1999, the remaining unpaid liability related to the Company's merger and integration and restructuring activities was $66.5 million consisting of contract termination fees of $29.9 million, severance and employee-related expenses of $26.7 million, lease cancellation and termination costs of $5.8 million, and other integration costs of $4.1 million. Of the remaining contract termination fees, $24.9 million will be paid in 2000 and $5.0 million in 2001. Cash outlays for the remaining employee-related expenses, contract and lease termination fees and the other integration costs are expected to be completed by September 2000. Funding for the unpaid merger and integration and restructuring liability will be internally financed from operating cash flows. As a result of its integration and restructuring efforts, ALLTEL expects to realize savings through a reduction in operating expenses of approximately $128 million in 2000. Of the total savings expected to be realized, ALLTEL estimates 40 percent of the cost savings will result from a reduction in duplicative salaries and employee benefits, 20 percent from a reduction in variable network expenses, 20 percent from volume purchase discounts, 10 percent from a reduction in branding and advertising costs and 10 percent from a reduction in information technology expenses. (See Note 9 to the consolidated financial statements for additional information regarding the merger and integration expenses and other charges).

Provision to Reduce Carrying Value of Certain Assets
During the third quarter of 1998, the Company recorded a $55.0 million non-recurring operating expense related to its contract with GTE Corporation ("GTE"). This expense represents a reduction in the cumulative gross margin earned under the GTE contract. Due to its pending merger with Bell Atlantic Corporation ("Bell Atlantic"), GTE re-evaluated its billing and customer care requirements, modified its billing conversion plans and is purchasing certain processing services from ALLTEL for an interim period. During 1997, ALLTEL recorded a pretax write-down of $16.9 million to reflect the fair value less cost to sell its wire and cable subsidiary, HWC. (See Note 10 to the consolidated financial statements for additional information regarding these charges).

Gain on Disposal of Assets and Other
During the fourth quarter of 1999, ALLTEL recorded a pretax gain of $43.1 million from the sale of a portion of its investment in MCI WorldCom, Inc. ("MCI WorldCom") common stock. During 1998, the Company recorded pretax gains of $265.7 million from the sale of a portion of its investment in MCI WorldCom common stock. The Company also recorded a pretax gain of $30.5 million resulting from the sale of its ownership interest in an unconsolidated partnership. In addition, the Company incurred termination fees of $3.5 million related to the early retirement of long-term debt.

During 1997, ALLTEL recorded a pretax gain of $156.0 million from the sale of a portion of its investment in MCI WorldCom common stock. In addition, the Company recorded a pretax gain of $34.4 million primarily related to the sale of its investment in a software company, a pretax gain of $16.2 million from the sale of information services' healthcare operations, and a pretax gain of $3.0 million from the sale of its ownership interests in two unconsolidated partnerships. (See Note 11 to the consolidated financial statements for additional information regarding these non-recurring and unusual items.)

Results of Operations by Business Segment
Communications – Wireless Operations

(Dollars in millions)	***1999***	1998	1997
Revenues and sales	**$2,743.3**	$2,339.8	$1,986.8
Operating income	**$ 886.5**	$ 674.6	$ 506.9
Total customers	**5,018,614**	4,452,049	3,824,094
Market penetration rate	**12.8%**	11.4%	10.2%
Churn	**2.2%**	2.1%	2.0%

Wireless revenues and sales increased $403.5 million or 17 percent in 1999, $353.0 million or 18 percent in 1998 and $319.9 million or 19 percent in 1997. Operating income increased $211.9 million or 31 percent in 1999, $167.7 million or 33 percent in 1998 and $96.9 million or 24 percent in 1997. Customer growth continued, as the number of customers increased 13 percent over 1998, compared to annual growth rates in customers of 16 percent in 1998 and 19 percent in 1997. During 1999, ALLTEL purchased wireless properties in Alabama and Colorado and acquired a majority ownership interest in a wireless property in Illinois. In addition, the Company also increased its ownership interest in the Richmond, Va., market to 100 percent through the exchange of its minority interest investment in the Orlando, Fla., market. These transactions accounted for approximately 140,000 of the overall increase in wireless customers that occurred during 1999. Including the effects of the acquisitions, ALLTEL placed 1,893,000 gross units in service in 1999, compared to 1,695,000 units in 1998 and 1,450,000 units in 1997. While the rate of customer growth has declined, the overall market penetration rate (number of customers as a percentage of the total population in ALLTEL's service areas) has increased.

Wireless revenues and sales increased in all periods primarily due to the growth in ALLTEL's customer base. Increases in local airtime, roaming and long-distance revenues, reflecting higher volumes of network usage and the acquisition of new wireless properties and increased ownership interests in existing wireless properties, also contributed to the growth in revenues and sales in all periods. The acquisitions of wireless properties in Alabama and Colorado and the additional ownership interests acquired in Richmond, Va., and Illinois accounted for approximately $80.2 million of the increase in revenues and sales in 1999. As a result of the increased usage in the Company's network facilities, average monthly revenue per customer increased slightly in 1999 and 1998 to $48 and $47, respectively. Average monthly revenue per customer was $46 for 1997, a decline of 8 percent from 1996. The decline in average monthly revenue per customer in 1997 was primarily due to the migration of existing customers to lower rate plans, increased penetration into lower-usage market segments and a reduction in roaming revenue rates. During 1997, as a result of competition in its service areas, ALLTEL increased its offering of monthly service plans, which had lower base access rates and included more packaged airtime minutes. The Company expects average monthly revenue per customer will continue to be affected by the industry-wide trends of decreased roaming revenue rates and continued penetration into lower-usage market segments. In addition, the growth rate of new customers is expected to decline as the Company's wireless customer base grows. Accordingly, future revenue growth will be dependent upon ALLTEL's success in maintaining customer growth in existing markets, increasing customer usage of the Company's network and providing customers with enhanced products and services.

Operating income increased in all periods primarily due to the growth in revenues and sales. A reduction in customer service-related expenses and reduced losses realized on the sale of wireless equipment also contributed to the growth in operating income for 1999. The reduction in customer service-related expenses reflects cost savings realized from the merger with 360° and the elimination of certain duplicative salaries and other employee benefit costs. Partially offsetting the increase in operating income for 1999 attributable to revenue growth, lower customer service expenses and improved margins from equipment sales were increases in selling and marketing costs, including advertising and sales commissions, reflecting expanded competition in ALLTEL's service areas from other wireless service providers. Increased data processing charges and other network-related expenses consistent with the growth in customers and network traffic also affected operating income growth in 1999. In addition to revenue growth, operating income for 1998 and 1997 also reflects improved margins realized on the sale of wireless equipment, reductions in branding and other advertising costs and declines in losses sustained from fraud. The reduction in branding and other advertising costs in 1998 reflects savings realized as a result of the merger with 360°, as ALLTEL ceased promotion of the 360° brand name. Branding and other advertising costs declined in 1997 due to a decrease in promotional activities. Growth in operating income in 1998 and 1997 was also affected by increases in sales commissions, customer service-related expenses and general and administrative expenses consistent with the overall growth in revenues and sales. Losses sustained from fraud decreased in all periods primarily due to the Company's continuing efforts to control unauthorized usage of its customers' wireless telephone numbers that results in unbillable fraudulent roaming activity. Depreciation and amortization expense also increased in all periods primarily due to growth in wireless plant in service.

The cost to acquire a new wireless customer represents sales, marketing and advertising costs and the net equipment cost for each new customer added. The cost to acquire a new wireless customer was $309, $290 and $281 for 1999, 1998 and 1997, respectively. The increase in 1999 reflects increased advertising, commissions and other selling and marketing costs noted above. Increased equipment costs consistent with the migration of customers to higher-priced digital phones also contributed to the increase in 1999. The increase in cost to acquire a new customer for 1998 reflects increased commissions paid to national dealers, resulting from increased sales from external distribution channels, partially offset by reductions in branding and other advertising costs, as noted above. The cost to acquire a new customer decreased in 1997 primarily due to reduced branding and advertising costs, as well as the effect of distributing costs over a larger number of customers acquired when compared to the corresponding prior-year period. Although the Company intends to continue to utilize its large dealer network, ALLTEL has expanded its internal sales distribution channels to include its own retail stores and kiosks located in shopping malls and other retail outlets. Incremental sales costs at a Company retail store or kiosk are significantly lower than commissions paid to national dealers. Accordingly, ALLTEL intends to manage the costs of acquiring new customers by continuing to expand and enhance its internal distribution channels.

Communications – Wireline Operations

(Dollars in millions)	***1999***	1998	1997
Local service	**$ 770.2**	$ 681.0	$ 624.5
Network access and long-distance	**779.0**	698.6	678.3
Miscellaneous	**128.3**	119.6	113.5
Total revenues and sales	**$1,677.5**	$1,499.2	$1,416.3
Operating income	**$ 619.1**	$ 530.6	$ 506.2
Access lines in service	**2,433,092**	2,181,859	2,062,877

Wireline revenues and sales increased $178.3 million or 12 percent in 1999, $82.9 million or 6 percent in 1998 and $74.7 million or 6 percent in 1997. Operating income increased $88.5 million or 17 percent in 1999, $24.4 million or 5 percent in 1998 and $44.6 million or 10 percent in 1997. As previously noted, ALLTEL acquired Standard in January 1999. The acquisition of Standard accounted for $98.8 million and $42.0 million, respectively, of the overall increases in ALLTEL's wireline revenues and sales and operating income in 1999. Customer access lines, excluding access lines acquired from Standard, increased 6 percent in 1999, reflecting increased sales of residential and second access lines. Customer access lines also grew 6 percent in 1998 and 1997.

Local service revenues increased $89.2 million or 13 percent in 1999, $56.5 million or 9 percent in 1998 and $62.5 million or 11 percent in 1997. The increases in local service revenues in all periods reflect growth in both customer access lines and custom calling and other enhanced services revenues. The acquisition of Standard accounted for $33.4 million of the increase in local service revenues in 1999. Local service revenues for 1997 reflect the expansion of local calling areas in North Carolina and Georgia, which reclassified certain revenues from network access and long-distance revenues to local service revenues. Future access line growth is expected to result from population growth in the Company's service areas, from sales of second access lines and through strategic acquisitions.

Network access and long-distance revenues increased $80.4 million or 12 percent in 1999, $20.3 million or 3 percent in 1998 and $4.9 million or 1 percent in 1997. The acquisition of Standard accounted for $58.1 million of the overall increase in network access and long-distance revenues in 1999. Network access and long-distance revenues also increased in 1999 and 1998 as a result of higher volumes of network usage and growth in customer access lines, partially offset by a reduction in intrastate toll revenues. The increase in 1997 primarily reflects higher volumes of access usage, partially offset by the reclassification of certain revenues to local service revenues, as previously discussed, and a reduction in intrastate toll rates in Nebraska.

Total wireline operating expenses increased $89.8 million or 9 percent in 1999, $58.5 million or 6 percent in 1998 and $30.1 million or 3 percent in 1997. The acquisition of Standard accounted for $56.8 million of the overall increase in wireline operating expenses in 1999. Operating expenses for all periods also reflect increases in network-related expenses, depreciation and amortization, data processing charges and other general and administrative expenses. Network-related expenses, data processing charges and other general and administrative expenses increased primarily due to the growth in wireline customers, while depreciation and amortization expense increased primarily due to growth in wireline plant in service. Operating expenses for 1997 also include additional costs incurred by ALLTEL in consolidating its customer service operations.

Regulatory Matters – Wireline Operations

ALLTEL's wireline subsidiaries, except for the former Aliant operations, follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." If ALLTEL's wireline subsidiaries no longer qualified for the provisions of SFAS 71, the accounting impact to the Company would be an extraordinary non-cash charge to operations of an amount that could be material. Criteria that would give rise to the discontinuance of SFAS 71 include (1) increasing competition that restricts the wireline subsidiaries' ability to establish prices to recover specific costs and (2) significant change in the manner in which rates are set by regulators from cost-based regulation to another form of regulation. The Company periodically reviews these criteria to ensure the continuing application of SFAS 71 is appropriate. As a result of the passage of the Telecommunications Act of 1996 (the "96 Act") and state telecommunications reform legislation, ALLTEL's wireline subsidiaries could begin to experience increased competition in their local service areas. To date, competition has not had a significant adverse effect on the operations of ALLTEL's wireline subsidiaries.

In 1996, the FCC issued regulations implementing the local competition provisions of the 96 Act. These regulations established pricing rules for state regulatory commissions to follow with respect to entry by competing carriers into the local, intrastate markets of Incumbent Local Exchange Carriers ("ILECs") and addressed interconnection, unbundled network elements and resale rates. The FCC's authority to adopt such pricing rules, including permitting new entrants to "pick and choose" among the terms and conditions of approved interconnection agreements, was considered first by the U.S. Eighth Circuit Court of Appeals (the "Eighth Circuit Court") and then by the U.S. Supreme Court ("Supreme Court"). In January 1999, the Supreme Court ruled that the FCC had the jurisdiction to carry out certain local competition provisions of the 96 Act. As part of its ruling, the Supreme Court reinstated the FCC's "pick and choose" rule. The Supreme Court remanded a portion of the decision to the Eighth Circuit Court for it to rule on certain issues that it had not previously decided, such as whether the FCC's pricing rules were consistent with the 96 Act. Other issues were remanded to the FCC.

In response to the Supreme Court's decision, the FCC issued a decision on November 5, 1999, outlining how it would interpret the "necessary" and "impair" standards set forth in the 96 Act and which specific network elements it would require ILECs to unbundle as a result of its interpretation of those standards. The FCC reaffirmed that ILECs must provide unbundled access to six of the original seven network elements that it required to be unbundled. The six network elements consist of loops, including loops used to provide high-capacity and advanced telecommunications services; network interface devices; local circuit switching; dedicated and shared transport; signaling and call-related databases; and operations support systems. Access to ILEC operator and directory assistance services was the one network element that the FCC omitted. The FCC also imposed on ILECs the obligation to unbundle other network elements including access to sub-loops or portions of sub-loops, fiber optic loops and transport. The FCC declined to impose any obligations on ILECs to provide unbundled access to packet switching or to digital subscriber line access multiplexers. The FCC also began a rulemaking regarding the ability of carriers to use certain unbundled network elements as a substitute for the ILEC's special access services.

On October 21, 1999, the FCC adopted two orders involving universal service. In the first order, the FCC completed development of the cost model that will be used to estimate non-rural ILECs' forward-looking costs of providing telephone service. In the second order, the FCC adopted a methodology that uses the costs generated by the cost model to calculate the appropriate level of support for non-rural carriers serving rural areas. Under the new funding mechanism, high-cost support will be targeted to the highest cost wire center within the state, and support will be portable. That is, when a non-rural ILEC loses a customer to a competitor, the competitor may receive the universal service high-cost support for service provided to that customer. Under the new funding mechanism, seven states (Alabama, Kentucky, Maine, Mississippi, Vermont, West Virginia and Wyoming) will receive high-cost support of approximately $255 million. The new high-cost support mechanism should ensure that rates are reasonably comparable on average among states, while the states will continue to ensure that rates are reasonably comparable within their borders. The FCC reiterated that the high-cost support mechanism for rural carriers is not scheduled to be revised until January 1, 2001, at the earliest. The FCC also clarified its interpretation of the definition of a "rural telephone company" under the 96 Act to refer to the legal entity that provides local exchange services. By May 1, 2000, states are required to establish different rates for pricing interconnection and unbundled network elements in at least three defined geographic areas within the state to reflect geographic cost differences. Based upon ALLTEL's review of the FCC's current regulations concerning the universal service subsidy, it is unlikely that material changes in the universal service funding for ALLTEL's rural rate-of-return wireline subsidiaries will occur prior to 2001. In 2001, the universal service subsidy may change from being based on actual costs to being based on a proxy model for ALLTEL's rural rate-of-return wireline subsidiaries.

Periodically, the Company's wireline subsidiaries receive requests from wireless communications providers for renegotiation of existing transport and termination agreements. In these cases, the Company's wireline subsidiaries renegotiate the appropriate terms and conditions in compliance with the 96 Act. The Company's wireline subsidiaries have executed contracts for transport and termination services with Competitive Local Exchange Carriers ("CLECs").

During 1999, some of ALLTEL's wireline operations were subject to certain regulatory commission orders designed to reduce earnings levels. These orders did not materially affect the results of operations of the Company's wireline subsidiaries. Certain states in which the Company's wireline subsidiaries operate have adopted alternatives to rate-of-return regulation, either through legislative or regulatory commission actions. The Company has elected alternative regulation for certain of its wireline subsidiaries in Alabama, Arkansas, Florida, Georgia, Kentucky, North Carolina and Texas. The Company also has an alternative regulation application pending in Pennsylvania. The Company continues to evaluate alternative regulation for its other wireline subsidiaries.

The FCC instituted a rulemaking in June 1998 in which it proposed to amend the access charge rules for rate-of-return Local Exchange Carriers ("LECs") in a manner similar to that adopted earlier for price cap LECs. The FCC's proposal involves the modification of the transport rate structure, the reallocation of costs in the transport interconnection charge and amendments to reflect changes necessary to implement universal service. The issue of additional pricing flexibility for rate-of-return LECs is expected to be addressed in a subsequent phase of the proceeding. Once the access charge rules for rate-of-return LECs are finalized, ALLTEL will assess the impact, if any, the new rules will have on its wireline operations.

The Company's wireline subsidiaries have elected to remain under rate base rate-of-return regulation with respect to interstate services. For companies remaining under rate-of-return regulation, the FCC authorizes a rate-of-return that telephone companies may earn on interstate services they provide. In October 1998, the FCC began a proceeding to consider a represcription of the authorized rate-of-return for the interstate access services of approximately 1,300 ILECs, including ALLTEL's wireline subsidiaries. The currently prescribed rate-of-return is 11.25 percent. The purpose of the FCC's proceeding is to determine whether the prescribed rate-of-return corresponds to current market conditions and whether the rate should be changed. A decision by the FCC related to this matter may be issued later this year. However, ALLTEL and other ILECs have asked the FCC to address other important issues relating to universal service, interconnection and access reform before considering any represcription of the authorized rate-of-return. The Company's wireline subsidiaries currently receive compensation from long-distance companies for intrastate, intraLATA services through access charges or toll settlements that are subject to state regulatory commission approval.

Because resolution of the regulatory matters discussed above that are currently under FCC or judicial review is uncertain and regulations to implement other provisions of the 96 Act have yet to be issued, ALLTEL cannot predict at this time the specific effects, if any, that the 96 Act and its implementing regulations will have on its wireline operations.

Communications – Emerging Businesses Operations

(Millions)	***1999***	1998	1997
Revenues and sales	**$280.3**	$167.3	$100.8
Operating loss	**$ (47.2)**	$ (38.0)	$ (16.4)

Emerging businesses consist of the Company's long-distance, CLEC, Internet access, network management and PCS operations. Long-distance and Internet access services are currently marketed to residential and business customers in the majority of states in which ALLTEL provides communications services. In 1998, ALLTEL began offering CLEC and network management services to business customers in select markets. In 1999, ALLTEL expanded its CLEC product offering to include residential customers in certain markets in Arkansas, Florida, Nebraska, North Carolina, Pennsylvania and Virginia. The Company plans to expand its CLEC operations into additional markets in Alabama, Georgia, Missouri and South Carolina during 2000. PCS has been offered in Jacksonville, Fla., since March 1998 and in the Birmingham and Mobile, Ala., markets since February 1999.

Revenues and sales increased in 1999 due to growth in the long-distance, CLEC and Internet operations, primarily driven by growth in ALLTEL's customer base for these services. Long-distance, CLEC and Internet revenues increased in 1999 by $51.8 million, $18.2 million and $16.6 million, respectively. Revenues and sales from emerging businesses increased in 1998 and 1997 primarily due to growth in the long-distance operations. The start-up of the CLEC and PCS operations also contributed to the overall growth in revenues and sales from emerging businesses in 1998. The operating losses sustained by emerging businesses in each year reflect the start-up nature of these operations.

Information Services Operations

(Millions)	***1999***	1998	1997
Revenues and sales	**$1,245.5**	$1,161.8	$974.2
Operating income	**$ 175.3**	$ 162.7	$144.9

Information services revenues and sales increased $83.7 million or 7 percent in 1999, $187.6 million or 19 percent in 1998 and $14.1 million or 1 percent in 1997. Growth in revenues and sales for 1997 was impacted by the sale of healthcare operations completed in January 1997. Excluding the sold healthcare operations, information services revenues and sales would have increased $123.7 million or 15 percent in 1997. Operating income increased $12.7 million or 8 percent in 1999, $17.7 million or 12 percent in 1998 and $4.6 million or 3 percent in 1997.

Revenues and sales increased in 1999 primarily due to growth in the telecommunication outsourcing operations, reflecting volume growth in existing data processing contracts. Telecommunication revenues and sales increased in 1999 primarily as a result of additional billings to affiliates, reflecting the Company's recent acquisitions. Financial services, including the residential lending and international operations, produced modest revenue growth in 1999, as revenues earned from new and existing contracts were offset by reduced revenues from selected large customers and contract terminations. These reduced revenue streams primarily reflect the merger and consolidation activity in the domestic financial services industry. Revenues and sales increased in 1998 primarily due to growth in the financial services, international and telecommunication outsourcing operations. Excluding the impact of the sold healthcare operations, revenues and sales increased in 1997 primarily due to growth in the financial services and telecommunication businesses. The increases in revenues and sales for 1998 and 1997 reflect volume growth in existing data processing contracts, the addition of new outsourcing agreements and additional software maintenance and service revenues. Revenues and sales growth in both 1998 and 1997 was also affected by lost operations from contract terminations due to the merger and consolidation activity in the domestic financial services industry and reductions in revenues collected for early termination of facilities management contracts.

The increase in operating income in 1999 primarily reflects the growth in revenues and sales noted above, partially offset by lower margins realized by the international financial services business and by the loss of higher margin operations due to contract terminations. Operating income for 1999 also includes an unfavorable cumulative margin adjustment of $4.6 million related to one outsourcing agreement accounted for under the percentage-of-completion method. Operating income increased in 1998 primarily due to the growth in revenues and sales noted above, additional fees collected from the early termination of contracts and improved profit margins realized from the international financial services businesses, partially offset by lower margins realized by the telecommunication operations. Telecommunication operating margins decreased due to higher operating costs, including depreciation and amortization expense. Depreciation and amortization expense increased in 1998 primarily due to the acquisition of additional data processing equipment and an increase in amortization of internally developed software. Operating income for 1997 reflects the growth in revenues and sales noted above, as well as improved profit margins realized from the international financial services business, partially offset by the loss of operations due to the sale of the healthcare business. Growth in operating income for 1997 was adversely affected by start-up and product development costs associated with several new business initiatives designed to expand the Company's service offerings in existing markets. Growth in operating income for 1997 was affected by the loss of higher-margin operations due to contract terminations, reductions in fees collected on the early termination of facilities management contracts and an increase in operating costs corresponding with the growth in revenues and sales.

Other Operations

(Millions)	***1999***	1998	1997
Revenues and sales	**$579.8**	$601.3	$478.9
Operating income	**$ 21.6**	$ 25.9	$ 21.9

Other operations consist of the Company's product distribution and directory publishing operations. Revenues and sales decreased $21.5 million or 4 percent in 1999, increased $122.4 million or 26 percent in 1998 and decreased $111.0 million or 19 percent in 1997. Operating income decreased $4.3 million or 17 percent in 1999, increased $4.0 million or 18 percent in 1998 and decreased $12.1 million or 35 percent in 1997. Growth in revenues and sales and operating income for 1998 and 1997 was affected by the sale of the HWC operations completed in May 1997. Excluding the sold HWC operations, revenues and sales would have increased $165.3 million or 38 percent in 1998 and $3.2 million or 1 percent in 1997, and operating income would have increased $5.5 million or 27 percent in 1998 and would have decreased $5.8 million or 22 percent in 1997.

Report of Management

ALLTEL Corporation's management is responsible for the integrity and objectivity of all financial data included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The financial data includes amounts that are based on the best estimates and judgments of management. All financial information in this Annual Report is consistent with that in the consolidated financial statements.

The Company maintains an accounting system and related internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with generally accepted accounting principles. Arthur Andersen LLP, Independent Public Accountants, have audited these consolidated financial statements and have expressed herein their unqualified opinion.

The Company diligently attempts to select qualified managers, provides appropriate division of responsibility and assures that its policies and standards are understood throughout the organization. The Company's Ethics in the Workplace Program serves as a guide for all employees with respect to business conduct and conflicts of interest.

The Audit Committee of the Board of Directors, composed of directors who are not employees, meets periodically with management, the independent accountants and the internal auditors to review matters relating to the Company's annual financial statements, internal audit program, internal accounting controls and non-audit services provided by the independent accountants. As a matter of policy, the internal auditors and the independent accountants periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

Scott T. Ford,
President and Chief Operating Officer

Jeffery R. Gardner,
Senior Vice President–Chief Financial Officer

Report of Independent Public Accountants

TO THE SHAREHOLDERS OF ALLTEL CORPORATION:

We have audited the accompanying consolidated balance sheets of ALLTEL Corporation (a Delaware corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALLTEL Corporation and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Little Rock, Arkansas,
February 1, 2000

For the years ended December 31, (Thousands, except per share amounts)	1999	1998	1997	1996	1995	1994
REVENUES AND SALES:						
Service revenues	$ 5,680,149	$ 5,051,269	$4,382,319	$3,898,430	$3,505,657	$3,044,684
Product sales	622,122	575,526	524,639	664,914	670,534	682,342
Total revenues and sales	6,302,271	5,626,795	4,906,958	4,563,344	4,176,191	3,727,026
COSTS AND EXPENSES:						
Operating expenses	4,686,644	4,293,868	3,760,893	3,534,052	3,284,277	2,944,967
Merger and integration expenses and other charges	90,520	252,000	—	—	—	—
Provision to reduce carrying value of certain assets	—	55,000	16,874	120,280	—	—
Total costs and expenses	4,777,164	4,600,868	3,777,767	3,654,332	3,284,277	2,944,967
OPERATING INCOME	1,525,107	1,025,927	1,129,191	909,012	891,914	782,059
Non-operating income, net	42,349	64,657	22,506	13,116	15,912	(4,033)
Interest expense	(280,175)	(278,375)	(274,917)	(250,841)	(287,492)	(246,160)
Gain on disposal of assets, write-down of assets and other	43,071	292,672	209,651	(2,278)	4,907	(54,157)
Income before income taxes	1,330,352	1,104,881	1,086,431	669,009	625,241	477,709
Income taxes	547,218	501,754	433,950	262,283	254,281	191,307
Net income	783,134	603,127	652,481	406,726	370,960	286,402
Preferred dividends	889	1,248	1,233	1,296	1,383	1,457
Net income applicable to common shares	$ 782,245	$ 601,879	$ 651,248	$ 405,430	$ 369,577	$ 284,945
EARNINGS PER SHARE:						
Basic	$2.50	$1.97	$2.12	$1.32	$1.21	$.94
Diluted	$2.47	$1.95	$2.10	$1.31	$1.20	$.93
Dividends per common share	$1.235	$1.175	$1.115	$1.055	$.98	$.90
Weighted average common shares:						
Basic	312,841	305,344	307,884	308,160	305,253	302,854
Diluted	316,814	308,363	309,861	309,989	307,206	305,326
Total assets	$10,774,203	$10,155,454	$9,232,007	$8,799,641	$7,672,798	$6,960,099
Total shareholders' equity	$ 4,205,727	$ 3,632,032	$3,051,995	$2,865,217	$2,218,735	$1,841,533
Total redeemable preferred stock and long-term debt	$ 3,751,904	$ 3,683,631	$3,859,840	$3,639,281	$3,485,874	$3,339,393

Notes: A. Net income for 1999 includes a pretax gain of $43.1 million from the sale of MCI WorldCom common stock. The gain increased net income by $27.2 million or $.08 per share. Net income also includes a pretax charge of $90.5 million in connection with the closing of the Company's mergers with Aliant Communications Inc.; Liberty Cellular, Inc. and its affiliate KINI L.C.; Advanced Information Resources, Limited; and Southern Data Systems and with certain loss contingencies and other restructuring activities. These charges decreased net income $66.0 million or $.21 per share. (See Notes 9 and 11.)

B. Net income for 1998 includes pretax gains of $296.2 million from the sale of certain investments, principally consisting of MCI WorldCom common stock. These gains increased net income by $179.8 million or $.59 per share. Net income also includes $252.0 million of merger and integration expenses related to the closing of the merger with 360° Communications Company. These merger and integration expenses decreased net income $201.0 million or $.66 per share. Net income also includes a pretax charge of $55.0 million resulting from changes in a customer care and billing contract with a major customer and termination fees of $3.5 million incurred due to the early retirement of long-term debt. These charges decreased net income $35.7 million or $.12 per share. (See Notes 9, 10 and 11.)

C. Net income for 1997 includes pretax gains of $209.6 million from the sale of certain investments, principally consisting of MCI WorldCom common stock and from the sale of the Company's healthcare operations. These gains increased net income by $121.5 million or $.40 per share. Net income also includes a pretax write-down of $16.9 million to reflect the fair value less cost to sell the Company's wire and cable operations. This write-down decreased net income $11.7 million or $.04 per share. (See Notes 10 and 11.)

D. Net income for 1996 includes pretax write-downs of $120.3 million to adjust the carrying value of certain software and other assets. The write-downs decreased net income $72.7 million or $.23 per share.

E. Net income for 1995 includes pretax gains of $49.8 million from the sale of certain wireline properties, partially offset by termination fees of $14.0 million incurred due to the early retirement of long-term debt and by an additional pretax write-down of $5.0 million in the carrying value of the Company's check processing operations. In addition, the Company incurred a pretax charge of $25.9 million related to the discontinuance of regulatory accounting by a subsidiary. These transactions increased net income $3.3 million or $.01 per share.

F. Net income for 1994 includes a pretax write-down of $54.2 million to reflect the estimated net realizable value of the Company's community banking and check processing operations. The write-down decreased net income by $32.2 million or $.11 per share.

Consolidated Statements of Income

For the years ended December 31, (Thousands, except per share amounts)	1999	1998	1997
REVENUES AND SALES:			
Service revenues	$5,780,149	$5,051,269	$4,382,319
Product sales	522,122	575,526	524,639
Total revenues and sales	6,302,271	5,626,795	4,906,958
COSTS AND EXPENSES:			
Operations	3,425,575	2,957,960	2,560,078
Cost of products sold	595,798	561,359	501,719
Depreciation and amortization	662,163	774,549	699,096
Merger and integration expenses and other charges	93,628	252,000	—
Provision to reduce carrying value of certain assets	—	55,000	16,874
Total costs and expenses	4,777,164	4,600,868	3,777,767
OPERATING INCOME	1,525,107	1,025,927	1,129,191
Equity earnings in unconsolidated partnerships	105,025	114,859	92,087
Minority interest in consolidated partnerships	(116,547)	(104,485)	(87,966)
Other income, net	54,471	54,283	18,385
Interest expense	(286,175)	(278,375)	(274,917)
Gain on disposal of assets and other	48,971	292,672	209,651
Income before income taxes	1,330,852	1,104,881	1,086,431
Income taxes	547,218	501,754	433,950
Net income	783,634	603,127	652,481
Preferred dividends	889	1,248	1,233
Net income applicable to common shares	$ 782,745	$ 601,879	$ 651,248
EARNINGS PER SHARE:			
Basic	$2.50	$1.97	$2.12
Diluted	$2.47	$1.95	$2.10

The accompanying notes are an integral part of these consolidated financial statements.

December 31,
(Thousands)

ASSETS	*1999*	*1998*
CURRENT ASSETS:		
Cash and short-term investments	$ 17,595	$ 89,065
Accounts receivable (less allowance for doubtful accounts of $35,017 and $30,207, respectively)	922,159	843,129
Materials and supplies	15,130	20,067
Inventories	148,292	98,443
Prepaid expenses and other	64,003	51,857
Total current assets	1,167,179	1,102,561
Investments	1,594,029	1,675,792
Goodwill and other intangibles	1,997,315	1,824,225
PROPERTY, PLANT AND EQUIPMENT:		
Wireline	5,194,546	4,629,308
Wireless	3,545,778	2,935,172
Information services	775,532	678,244
Other	241,297	182,066
Under construction	533,854	652,726
Total property, plant and equipment	10,291,007	9,077,516
Less accumulated depreciation	4,556,462	3,814,390
Net property, plant and equipment	5,734,545	5,263,126
Other assets	281,135	289,750
TOTAL ASSETS	$10,774,203	$10,155,454

The accompanying notes are an integral part of these consolidated balance sheets.

LIABILITIES AND SHAREHOLDERS' EQUITY	[illegible]	*1998*
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ [illegible]	$ 81,012
Accounts and notes payable	[illegible]	564,399
Advance payments and customer deposits	[illegible]	143,573
Accrued taxes	[illegible]	91,535
Accrued dividends	[illegible]	90,804
Other current liabilities	[illegible]	330,518
Total current liabilities	[illegible]	1,301,841
Long-term debt	[illegible]	3,678,626
Deferred income taxes	[illegible]	1,001,143
Other liabilities	[illegible]	536,807
Preferred stock, redeemable	[illegible]	5,005
SHAREHOLDERS' EQUITY:		
Preferred stock	[illegible]	9,121
Common stock	[illegible]	306,015
Additional capital	[illegible]	919,021
Unrealized holding gain on investments	[illegible]	548,723
Retained earnings	[illegible]	1,849,152
Total shareholders' equity	[illegible]	3,632,032
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	[illegible]	$10,155,454

For the years ended December 31, (Thousands)	1999	1998	1997
CASH PROVIDED FROM OPERATIONS:			
Net income	$ 783,634	$ 603,127	$ 652,481
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	862,172	774,549	699,096
Merger and integration expenses and other charges, provision to reduce carrying value of certain assets, gain on disposal of assets and other	38,859	56,927	(109,741)
Other, net	60,455	21,428	56,423
Increase in deferred income taxes	78,426	81,079	42,773
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(111,950)	(150,078)	(147,206)
Inventories and materials and supplies	(41,557)	(2,295)	4,976
Accounts payable	(113,514)	892	26,036
Other current liabilities	(130,683)	3,018	47,732
Other, net	74,187	17,201	(1,811)
Net cash provided from operations	1,500,029	1,405,848	1,270,759
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(1,006,475)	(998,004)	(899,723)
Additions to capitalized software development costs	(45,092)	(90,136)	(74,225)
Additions to other intangible assets	—	—	(146,526)
Additions to investments	(26,088)	(34,625)	(134,037)
Purchase of property, net of cash acquired	(99,946)	(81,102)	(113,213)
Proceeds from the sale of investments	45,021	326,066	195,903
Proceeds from the return on investments	87,854	58,324	50,336
Proceeds from the sale of assets	-	-	202,300
Other, net	(16,643)	(45,115)	(86,687)
Net cash used in investing activities	(1,061,369)	(864,592)	(1,005,872)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends on preferred and common stock	(378,176)	(272,091)	(236,004)
Reductions in long-term debt	(344,527)	(413,969)	(73,280)
Purchase of common stock	-	(15,113)	(218,617)
Preferred stock redemptions and purchases	(11,915)	(5,044)	(873)
Contributions from minority investors	—	10,000	—
Distributions to minority investors	(113,294)	(102,788)	(45,063)
Long-term debt issued	298,174	244,164	295,611
Common stock issued	39,606	47,225	13,832
Net cash used in financing activities	(510,130)	(507,616)	(264,394)
Increase (decrease) in cash and short-term investments	(71,470)	33,640	493
CASH AND SHORT-TERM INVESTMENTS:			
Beginning of the year	89,065	55,425	54,932
End of the year	$ 17,595	$ 89,065	$ 55,425
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Interest paid, net of amounts capitalized	$ 243,357	$ 239,351	$ 248,834
Income taxes paid	$ 456,547	$ 339,703	$ 312,085

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(Thousands)	Preferred Stock	Common Stock	Additional Capital	Unrealized Holding Gain on Investments	Retained Earnings	Total
Balance at December 31, 1996	$9,198	$309,846	$1,058,494	$351,867	$1,135,812	$2,865,217
Net income	—	—	—	—	652,481	652,481
Other comprehensive loss, net of tax:						
Unrealized holding gains on investments, net of reclassification adjustments (See Note 13)	—	—	—	(51,196)	—	(51,196)
Comprehensive income	—	—	—	(51,196)	652,481	601,285
Acquisition of subsidiaries	—	872	26,348	—	—	27,220
Employee plans, net	—	722	13,110	—	—	13,832
Conversion of preferred stock and debentures	(43)	67	266	—	—	290
Repurchase of stock	—	(6,851)	(211,766)	—	—	(218,617)
Other, net	—	—	1,707	—	—	1,707
Dividends:						
Common	—	—	—	—	(237,706)	(237,706)
Preferred	—	—	—	—	(1,233)	(1,233)
Balance at December 31, 1997	$9,155	$304,656	$888,159	$300,671	$1,549,354	$3,051,995
Net income	—	—	—	—	603,127	603,127
Other comprehensive income, net of tax:						
Unrealized holding gains on investments, net of reclassification adjustments (See Note 13)	—	—	—	248,052	—	248,052
Comprehensive income	—	—	—	248,052	603,127	851,179
Employee plans, net	—	1,741	45,484	—	—	47,225
Conversion of preferred stock and debentures	(34)	23	86	—	—	75
Repurchase of stock	—	(405)	(14,708)	—	—	(15,113)
Dividends:						
Common	—	—	—	—	(302,081)	(302,081)
Preferred	—	—	—	—	(1,248)	(1,248)
Balance at December 31, 1998	$9,121	$306,015	$919,021	$548,723	$1,849,152	$3,632,032
Net income	—	—	—	—	783,634	783,634
Other comprehensive income, net of tax:						
Unrealized holding gains on investments, net of reclassification adjustments (See Note 13)	—	—	—	45,407	—	45,407
Comprehensive income	—	—	—	45,407	783,634	829,041
Acquisition of subsidiaries	—	6,515	16,297	—	80,496	103,308
Employee plans, net	—	1,694	37,914	—	—	39,608
Conversion of preferred stock and debentures	(39)	34	124	—	—	119
Redemption of preferred stock	(8,520)	—	—	—	—	(8,520)
Dividends:						
Common	—	—	—	—	(388,962)	(388,962)
Preferred	—	—	—	—	(889)	(889)
Balance at December 31, 1999	$ 562	$314,258	$ 973,356	$594,130	$2,323,431	$4,205,737

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies:

Description of Business — ALLTEL Corporation ("ALLTEL" or the "Company") is a customer-focused information technology company that provides wireline and wireless communications and information services. The Company owns subsidiaries that provide wireless and wireline local, long-distance, network access and Internet services, and information processing management services and advanced application software. (See Note 16 for information regarding ALLTEL's business segments.)

Basis of Presentation — ALLTEL prepares its consolidated financial statements in accordance with generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements.

The consolidated financial statements include the accounts of ALLTEL, its subsidiary companies and majority-owned partnerships. Investments in 20% to 50% owned entities and all unconsolidated partnerships are accounted for using the equity method. Investments in less than 20% owned entities and in which the Company does not exercise significant influence over operating and financial policies are accounted for under the cost method. All intercompany transactions, except those with certain affiliates described below, have been eliminated in the consolidated financial statements. Certain prior-year amounts have been reclassified to conform with the 1999 financial statement presentation.

Service revenues consist of wireless access and network usage revenues, local service, network access, Internet access, long-distance and miscellaneous wireline operating revenues, information services' data processing and software maintenance revenues. Product sales primarily consist of the product distribution and directory publishing operations and information services' software licensing revenues and equipment sales.

Transactions with Certain Affiliates — ALLTEL Communications Products, Inc. sells equipment and materials to wireline subsidiaries of the Company ($180.3 million in 1999, $185.7 million in 1998 and $115.8 million in 1997), as well as to other affiliated and non-affiliated communications companies and related industries. The cost of equipment and materials sold to the wireline subsidiaries is included, principally, in wireline plant in the consolidated financial statements. ALLTEL Information Services Inc. provides the data processing services for the Company's wireline operations ($105.9 million in 1999, $118.9 million in 1998 and $103.9 million in 1997), in addition to other affiliated and non-affiliated companies. Directory publishing services are provided to the wireline subsidiaries by ALLTEL Publishing Corporation ("Publishing"). Wireline revenues and sales include directory royalties received from Publishing ($35.4 million in 1999, $34.5 million in 1998 and $33.5 million in 1997). These intercompany transactions have not been eliminated because the directory royalties received from Publishing and the prices charged by the communications products and information services subsidiaries are included in the wireline subsidiaries (excluding the former Aliant Communications Inc. ("Aliant") operations) rate base and/or are recovered through the regulatory process.

Regulatory Accounting — The Company's wireline subsidiaries, except for the former Aliant operations, follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards ("SFAS") No. 71, "Accounting for the Effects of Certain Types of Regulation." This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. Accordingly, SFAS 71 requires the Company's wireline subsidiaries to depreciate wireline plant over useful lives as approved by regulators, which could be longer than the useful lives that would otherwise be determined by management. SFAS 71 also requires deferral of certain costs and obligations based upon approvals received from regulators to permit recovery of such amounts in future years. The Company's wireline subsidiaries periodically review the applicability of SFAS 71 based on the developments in their current regulatory and competitive environments.

Cash and Short-term Investments — Cash and short-term investments consist of highly liquid investments with original maturities of three months or less.

Inventories — Inventories are stated at the lower of cost or market value. Cost is determined primarily using either an average original cost or first-in, first-out method of valuation.

Investments — Investments in equity securities are recorded at fair value in accordance with SFAS No. 115 (See Note 3.) Investments in unconsolidated partnerships are accounted for using the equity method (See Note 4.) All other investments are accounted for using the cost method. Investments were as follows at December 31:

	(Thousands)	
	1999	*1998*
Equity securities	$1,006,193	$ 967,787
Investments in unconsolidated partnerships	490,773	634,176
Other cost investments	37,063	73,829
	$1,534,029	$1,675,792

Investments in unconsolidated partnerships include the excess of the purchase price paid over the underlying net book value of wireless partnerships of $220.3 million and $299.9 million as of December 31, 1999 and 1998, respectively. Amortization expense for the years ended December 31, 1999, 1998 and 1997 was $7.0 million, $7.2 million and $6.5 million, respectively, and is included in equity earnings from unconsolidated partnerships in the accompanying consolidated statements of income.

Goodwill and Other Intangibles — Goodwill represents the excess of cost over the fair value of net assets acquired and is amortized on a straight-line basis for periods up to 40 years. The Company has acquired identifiable intangible assets through its acquisitions of interests in various wireless systems and acquisitions of wireline properties. The cost of acquired entities is allocated to identifiable assets at the date of the acquisition, and the excess of the total purchase price over the amounts assigned to identifiable assets is recorded as goodwill. Intangible assets related to the acquisition of entities in which the Company does not have a controlling interest are included in investments in unconsolidated partnerships. At December 31, 1999 and 1998, goodwill, net of amortization, was $1,739.2 million and $1,577.3 million, respectively. Amortization expense amounted to $57.1 million in 1999, $48.9 million in 1998 and $47.8 million in 1997.

Other intangibles primarily consist of the cost of Personal Communications Services ("PCS") licenses including capitalized interest, franchise rights, cellular licenses, customer lists and trained workforce. The PCS licenses are amortized upon commencement of operations. Of the total cost capitalized related to PCS licenses, $34.4 million and $17.5 million was subject to amortization at December 31, 1999 and 1998, respectively. Amortization of all intangible assets is computed on a straight-line basis over the periods specified below. Amortization expense for other intangibles amounted to $7.8 million in 1999, $8.4 million in 1998 and $6.9 million in 1997. Other intangibles were as follows at December 31:

		(Thousands)	
	Amortization Period	*1999*	*1998*
PCS licenses	40 years	$171,135	$163,073
Franchise rights	25 years	78,501	66,455
Cellular licenses	40 years	22,227	20,967
Customer lists	5-13 years	7,000	6,732
Trained workforce	14 years	5,800	5,800
Other	25-40 years	3,615	143
		288,278	263,170
Accumulated amortization		(31,188)	(16,244)
Total other intangibles		$258,090	$246,926

The carrying value of goodwill and other intangibles is periodically evaluated by the Company for the existence of impairment on the basis of whether the intangible assets are fully recoverable from projected undiscounted net cash flows of the related business unit. If not fully recoverable from projected undiscounted cash flows, an impairment loss would be recognized for the difference between the carrying value of the intangible asset and its estimated fair value based on discounted net future cash flows.

Property, Plant and Equipment — Property, plant and equipment are stated at original cost. Depreciation is computed using the straight-line method for financial reporting purposes. Depreciation expense amounted to $754.1 million in 1999, $680.7 million in 1998 and $619.3 million in 1997. The composite depreciation rates by class of property as a percent of average depreciable plant and equipment were:

	1999	*1998*	*1997*
Wireline	7.3%	6.7%	6.4%
Wireless	10.2%	10.4%	10.4%
Information services	16.8%	17.4%	17.0%
Other	4.2%	5.5%	6.2%

The Company capitalizes interest during periods of construction. Capitalized interest during construction amounted to $29.8 million in 1999, $23.5 million in 1998 and $14.3 million in 1997 and is included in other income, net in the accompanying consolidated statements of income.

Revenue Recognition — Communications revenues are recognized when billed as determined by contractual arrangements with customers and are primarily derived from usage of the Company's networks and facilities or under revenue-sharing arrangements with other telecommunications carriers. (Management's Discussion and Analysis should be read regarding a prospective change in revenue recognition for certain communications revenues.) Information services revenues consist of data processing revenue recognized as services are performed, software licensing revenue recognized when delivery of the software occurs, and software maintenance revenue recognized ratably over the maintenance period. Certain long-term contracts are accounted for using the percentage-of-completion method. Under this method, revenue and profit are recognized throughout the term of the contract, based upon estimates of the total costs to be incurred and revenues to be generated throughout the term of the contract. Changes in estimates for revenues, costs and profits are recognized in the period in which they are determinable. Due to the uncertainty of these estimates, it is reasonably possible that these estimates could change in the near term, and the change could be material to the accompanying consolidated financial statements. For all other operations, revenue is recognized when products are delivered or services are rendered to customers.

Included in accounts receivable and other assets are unbilled receivables primarily related to the information services segment totaling $105.6 million and $91.6 million at December 31, 1999 and 1998, respectively. Included in these unbilled receivables are amounts totaling $54.9 million and $55.0 million at December 31, 1999 and 1998, respectively, which represent costs and estimated earnings in excess of billings related to long-term contracts accounted for under the percentage-of-completion method.

Computer Software Development Costs — For the Company's information services operations, research and development expenditures related to internally developed computer software are charged to expense as incurred. The development costs of software to be marketed are charged to expense until technological feasibility is established. After that time, the remaining software development costs are capitalized and recorded in other assets in the accompanying consolidated balance sheets. Software development costs incurred in the application development stage of internal use software are capitalized and recorded in plant in the accompanying consolidated balance sheets. As of December 31, 1999 and 1998, total capitalized software development costs, net of amortization, were $295.8 million and $282.9 million, respectively. Amortization of the capitalized amounts is computed on a product-by-product basis using the straight-line method over the remaining estimated economic life of the product, generally three to six years for software to be marketed. Internal use software is amortized over various periods not exceeding ten years. Amortization expense amounted to $43.2 million in 1999, $36.5 million in 1998 and $25.1 million in 1997.

The carrying value of capitalized software development costs to be marketed is periodically evaluated by the Company. If the net realizable value of the capitalized software development costs is less than its carrying value, an impairment loss is recognized for the difference. The determination of net realizable value requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues generated by the software, the estimated economic life of the software and changes in software and hardware technologies. Accordingly, it is reasonably possible that estimates of anticipated future revenues generated by the software, the remaining economic life of the software, or both, could be reduced in the near term, materially impacting the carrying value of capitalized software development costs.

Earnings Per Share — Basic earnings per share of common stock was determined by dividing net income applicable to common shares by the weighted average number of common shares outstanding during each year. Diluted earnings per share reflects the potential dilution that could occur assuming conversion or exercise of all outstanding preferred stocks and issued and unexercised stock options. No options were excluded from the computation of diluted earnings per share at December 31, 1998, while options to purchase approximately 155,000 and 2,447,000 shares of common stock at December 31, 1999 and 1997, respectively, were excluded from the computation of diluted earnings per share because the effect of including them was anti-dilutive.

A reconciliation of the net income and numbers of shares used in computing basic and diluted earnings per share was as follows:

(Thousands, except per share amounts)	*1999*	*1998*	*1997*
Basic earnings per share:			
Net income applicable to common shares	$782,745	$601,879	$651,248
Weighted average common shares outstanding for the year	312,841	305,344	307,884
Basic earnings per share of common stock	$2.50	$1.97	$2.12
Diluted earnings per share:			
Net income applicable to common shares	$782,745	$601,879	$651,248
Adjustments for convertible securities:			
Preferred stocks	173	174	206
Net income applicable to common shares, assuming conversion of above securities	$782,918	$602,053	$651,454
Weighted average common shares outstanding for the year	312,841	305,344	307,884
Increase in shares which would result from:			
Exercise of stock options	3,529	2,551	1,454
Conversion of convertible preferred stocks	444	468	523
Weighted average common shares, assuming conversion of the above securities	316,814	308,363	309,861
Diluted earnings per share of common stock	$2.47	$1.95	$2.10

2. Mergers:

On September 30, 1999, the Company completed mergers with Liberty Cellular, Inc. ("Liberty") and its affiliate KINI L.C. under definitive merger agreements entered into on June 22, 1999. Under terms of the merger agreements, the outstanding stock of Liberty, which operates under the name Kansas Cellular, and the outstanding ownership units of KINI L.C. were exchanged for approximately 7.0 million shares of ALLTEL's common stock. On July 2, 1999, the Company completed its merger with Aliant under a definitive merger agreement entered into on December 18, 1998. Under the terms of the merger agreement, Aliant became a wholly-owned subsidiary of ALLTEL, and each outstanding share of Aliant common stock was converted into the right to receive .67 shares of ALLTEL common stock, 23.9 million common shares in the aggregate. The mergers qualified as tax-free reorganizations and have been accounted for as poolings-of-interests.

The accompanying consolidated financial statements have been restated to include the accounts and results of operations of Aliant, Liberty and KINI L.C. for all periods prior to the mergers. The combined operating results of ALLTEL, Aliant, Liberty and KINI L.C. include certain eliminations and reclassification adjustments to conform the accounting and financial reporting policies of the companies.

Separate and combined results of operations for certain periods prior to the mergers are as follows:

	(Unaudited) Six Months Ended June 30,	For the Years Ended December 31,	
(Thousands)	*1999*	*1998*	*1997*
Revenues and sales:			
ALLTEL, as reported	$2,837,950	$5,194,008	$4,545,140
Aliant	182,892	338,007	286,328
Liberty and KINI L.C.	59,526	110,178	92,134
Eliminations and reclassifications	(3,255)	(15,398)	(16,644)
Combined	$3,077,113	$5,626,795	$4,906,958
Net Income:			
ALLTEL, as reported	$ 356,830	$ 525,475	$ 589,381
Aliant	32,955	58,059	53,039
Liberty and KINI L.C.	9,966	19,593	10,061
Combined	$ 399,751	$ 603,127	$ 652,481

In January 1999, the Company completed a merger with Standard Group, Inc. ("Standard"). In September 1999, the Company also completed mergers with Advanced Information Resources, Limited ("AIR") and Southern Data Systems ("Southern Data"). In connection with the mergers, approximately 6.5 million shares of ALLTEL common stock were issued. All three mergers qualified as tax-free reorganizations and were accounted for as poolings-of-interests. Prior-period financial information has not been restated, since the operations of the three acquired companies are not significant to ALLTEL's consolidated financial statements on either a separate or aggregate basis. The accompanying consolidated financial statements include the accounts and results of operations of Standard, AIR and Southern Data from the date of acquisition.

On July 1, 1998, the Company completed its merger with 360° Communications Company ("360°") under a definitive merger agreement entered into on March 16, 1998. Under the terms of the merger agreement, 360° became a wholly-owned subsidiary of the Company. In connection with the merger, each outstanding share of 360° common stock was converted into the right to receive .74 shares of the Company's common stock, 92.1 million common shares in the aggregate. The merger qualified as a tax-free reorganization and was accounted for as a pooling-of-interests.

In connection with the mergers discussed above, the Company recorded merger and integration expenses and other charges in 1999 and 1998. (See Note 9.)

3. Financial Instruments and Investment Securities:

The carrying amount of cash and short-term investments approximates fair value due to the short maturity of the instruments. The fair value of investments was $1,594.0 million in 1999 and $1,675.8 million in 1998 based on quoted market prices and the carrying value of investments for which there were no quoted market prices. The fair value of the Company's long-term debt, after deducting current maturities, was estimated to be $3,536.1 million in 1999 and $3,912.8 million in 1998 compared to a carrying value of $3,750.4 million in 1999 and $3,678.6 million in 1998. The fair value estimates were based on the overall weighted rates and maturities of the Company's long-term debt compared to rates and terms currently available in the long-term financing markets. The fair value of the Company's redeemable preferred stock was estimated to be $24.2 million in 1999 and $22.3 million in 1998 compared to a carrying amount of $1.5 million in 1999 and $5.0 million in 1998. The fair value estimates were based on the conversion of the Series D convertible redeemable preferred stock to common stock of the Company and the carrying value of the Series A redeemable preferred stock for which there is no quoted market price. During 1999, the Company redeemed all of the outstanding shares of the Series A redeemable preferred stock. The fair value of all other financial instruments was estimated by management to approximate the carrying value.

Equity securities owned by the Company have been classified as available-for-sale and are reported at fair value, with unrealized gains and losses reported, net of tax, as a separate component of shareholders' equity. The Company had unrealized gains, net of tax, on investments in equity securities of $594.1 million, $548.7 million and $300.7 million at December 31, 1999, 1998 and 1997, respectively, principally derived from ALLTEL's investment in MCI WorldCom, Inc. ("MCI WorldCom") common stock. The unrealized gains, including the related tax impact, are non-cash items and accordingly have been excluded from the accompanying consolidated statements of cash flows. During 1999, 1998 and 1997, the Company sold a portion of its investment in MCI WorldCom common stock. (See Note 11.)

4. Investments in Unconsolidated Partnerships:

At December 31, 1999, the Company has investments in 51 wireless partnerships in which it holds a minority ownership interest. The interest owned in each unconsolidated partnership ranges from approximately 1% to 49%. Unaudited, condensed, combined financial information for investments in unconsolidated partnerships was as follows for the years ended December 31:

	(Thousands)		
	1999	*1998*	*1997*
Revenues and sales	$3,568,972	$3,120,715	$2,811,724
Operations	2,030,982	1,664,365	1,673,913
Cost of products sold	209,741	152,128	83,674
Depreciation and amortization	374,948	358,850	303,225
Total operating expenses	2,615,671	2,175,343	2,060,812
Operating income	953,301	945,372	750,912
Non-operating income (expense)	(9,666)	(18,414)	1,202
Income before cumulative effects of changes in accounting principles	943,635	926,958	752,114
Cumulative effects of changes in accounting principles, net	—	—	(19,278)
Net income	$ 943,635	$ 926,958	$ 732,836

	December 31,	
	1999	*1998*
Assets:		
Current assets	$ 834,466	$ 634,073
Non-current assets	2,308,365	2,432,535
Total assets	$3,142,831	$3,066,608
Liabilities and equity:		
Current liabilities	$ 264,497	$ 49,602
Long-term liabilities	16,681	19,166
Equity	2,861,653	2,997,840
Total liabilities and equity	$3,142,831	$3,066,608

5. Debt

Long-term debt, after deducting current maturities, was as follows at December 31:

	(Thousands)	
	1999	*1998*
Debentures and notes, without collateral, Weighted rate 7.2% in 1999 and 7.3% in 1998 Weighted maturity 11 years in 1999 and 10 years in 1998	$2,977,931	$2,698,683
Revolving credit agreement, Weighted rate 6.1% in 1999 and 5.7% in 1998 Weighted maturity 5 years in 1999 and 1998	341,050	578,520
Rural Telephone Bank and Federal Financing Bank notes, Weighted rate 7.4% in 1999 and 7.7% in 1998 Weighted maturity 15 years in 1999 and 16 years in 1998	293,840	252,240
First mortgage bonds and collateralized notes, Weighted rate 6.0% in 1999 and 6.3% in 1998 Weighted maturity 7 years in 1999 and 1998	65,554	85,835
Rural Utilities Service notes, Weighted rate 4.8% in 1999 and 4.6% in 1998 Weighted maturity 15 years in 1999 and 16 years in 1998	53,828	57,498
Industrial revenue bonds, Weighted rate 5.2% in 1999 and 5.4% in 1998 Weighted maturity 8 years in 1999 and 9 years in 1998	5,200	5,850
Total long-term debt	$3,730,413	$3,678,626
Weighted rate	7.1%	7.0%
Weighted maturity	11 years	10 years

The Company has a $1 billion revolving credit agreement, which has a termination date of October 1, 2004, with provision for annual extensions. It is the Company's intention to continue to renew this agreement. The revolving credit agreement provides for a variety of pricing options.

The indentures and agreements, as amended, provide, among other things, for various restrictions on the payment of dividends by the Company. Retained earnings unrestricted as to the payment of dividends by the Company amounted to $2,067.5 million at December 31, 1999. Certain properties have been pledged as collateral on $431.4 million of obligations.

Interest expense on long-term debt amounted to $278.9 million in 1999, $277.6 million in 1998 and $273.7 million in 1997. At December 31, 1999 and 1998, accrued interest on long-term debt was $60.3 million and $54.4 million, respectively. Maturities and sinking fund requirements for the four years after 2000 for long-term debt outstanding, excluding the revolving credit agreement, as of December 31, 1999, were $61.9 million, $61.8 million, $504.3 million and $652.4 million for the years 2001 through 2004, respectively.

6. Common Stock

There are 1 billion shares of $1 par value common stock authorized of which 314,257,977 and 306,014,857 shares were outstanding at December 31, 1999 and 1998, respectively. At December 31, 1999, the Company had 24,070,312 common shares reserved for issuance in connection with stock options (23,274,216 shares) and convertible preferred stock (796,096 shares).

The Company has stock-based compensation plans. Under these plans, the Company may grant fixed and performance-based incentive and non-qualified stock options to officers and other key employees. The maximum number of shares of the Company's common stock that may be issued to officers and other key employees under all stock option plans in effect at December 31, 1999 is 26,615,611 shares. Fixed options granted under the stock option plans generally become exercisable in one to five years from the date of grant. Certain fixed options granted in 1997 become exercisable in equal increments over a six-year period beginning three years from the date of grant. Performance-based options were granted in 1997, and such options become exercisable one year from the date in which certain performance goals related to operating income growth and return on invested capital are achieved for the four most recent consecutive calendar quarters. Four separate levels of performance goal targets have been established, each specifying different minimum growth and return rates. Depending upon which of the four performance goal target levels is attained, 25%, 50%, 75% or 100% of the option award will vest and become exercisable.

Under the 1994 Stock Option Plan for Non-employee Directors (the "Directors' Plan"), the Company grants fixed, non-qualified stock options to directors for up to 1,000,000 shares of common stock. Under the Directors' Plan, directors receive a one-time grant to purchase 10,000 shares of common stock. Directors are also granted each year, on the date of the annual meeting of stockholders, an option to purchase a specified number of shares of common stock (currently 5,500 shares). Options granted under the Directors' Plan become exercisable the day immediately preceding the date of the first annual meeting of stockholders following the date of grant.

For all plans, the exercise price of the option equals the market value of the Company's common stock on the date of grant. For fixed stock options, the maximum term for each option granted is 10 years. Any performance-based option that remains unvested as of January 29, 2003, will expire.

The fair value of each stock option granted was estimated using the Black-Scholes option-pricing model and the following weighted average assumptions:

	1999	*1998*	*1997*
Expected life	5.1 years	5.2 years	5.6 years
Expected volatility	22.0%	24.0%	21.6%
Dividend yield	1.3%	1.9%	2.9%
Risk-free interest rate	4.8%	5.4%	6.2%

The following is a summary of stock options outstanding, granted, exercised, forfeited and expired under the Company's stock-based compensation plans:

	Shares			Weighted Average Price Per Share		
	1999	*1998*	*1997*	*1999*	*1998*	*1997*
Outstanding at beginning of period	10,226,979	9,744,398	6,657,438	$32.53	$28.65	$24.70
Granted	3,429,000	2,889,320	4,442,720	65.16	40.50	32.73
Exercised	(1,027,493)	(1,829,843)	(953,313)	27.35	24.00	20.19
Forfeited	(1,814,269)	(566,343)	(357,413)	48.62	33.90	28.64
Expired	—	(10,553)	(45,034)	—	38.99	25.79
Outstanding at end of period	10,814,217	10,226,979	9,744,398	$42.71	$32.53	$28.65
Exercisable at end of period	3,186,683	3,643,826	3,822,526	$29.47	$26.24	$23.56
Non-vested at end of period:						
Fixed	7,465,159	6,326,653	5,635,372			
Performance-based	162,375	256,500	286,500			
Weighted average fair value of stock options granted during the year	$15.25	$10.49	$7.66			

The following is a summary of stock options outstanding as of December 31, 1999:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Number of Options	Weighted Average Exercise Price Per Share
$11.41 - $20.00	591,552	1.8 years	$18.83	591,552	$18.83
$20.23 - $29.48	1,379,567	4.7 years	27.75	1,233,896	27.85
$30.00 - $33.88	2,106,250	7.0 years	31.89	929,587	31.78
$34.50 - $41.81	1,915,855	7.8 years	34.75	69,855	38.86
$43.06 - $57.06	1,877,493	8.3 years	45.25	356,293	44.23
$64.56 - $73.31	2,943,500	9.2 years	65.82	5,500	70.75
	10,814,217	7.4 years	$42.71	3,186,683	$29.47

The Company applies the provisions of Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, the Company does not record compensation expense for any of the fixed stock options granted. For performance-based options, compensation expense is recognized over the expected vesting period of the options and is adjusted for changes in the number of options expected to vest and the market value of the Company's common stock. Compensation expense (credit) for the performance-based options amounted to $(0.5) million in 1999, $2.8 million in 1998 and $0.5 million in 1997. Had compensation expense for options granted been determined on the basis of the fair value of the awards at the date of grant, consistent with the methodology prescribed by SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts for the years ended December 31:

(Thousands, except per share amounts)	*1999*	*1998*	*1997*
Net income:			
As reported	$783,634	$603,127	$652,481
Pro forma	$770,453	$594,164	$646,703
Basic earnings per share:			
As reported	$2.50	$1.97	$2.12
Pro forma	$2.46	$1.94	$2.10
Diluted earnings per share:			
As reported	$2.47	$1.95	$2.10
Pro forma	$2.43	$1.92	$2.08

The pro forma amounts presented above may not be representative of the future effects on reported net income and earnings per share since the pro forma compensation expense is allocated over the periods in which options become exercisable, and new option awards may be granted each year.

7. Employee Benefit Plans and Postretirement Benefits Other Than Pensions

The Company has trusteed, non-contributory defined benefit pension plans, which provide retirement benefits for eligible employees of the Company. Assets of the plans include common stock of the Company amounting to $61.3 million and $43.8 million at December 31, 1999 and 1998, respectively. Pension credit, including provision for executive compensation agreements, totaled $(2.8) million in 1999, $(9.2) million in 1998 and $(6.4) million in 1997.

The Company provides postretirement healthcare and life insurance benefits for eligible employees. Employees share in the cost of these benefits. The Company funds the accrued costs of these plans as benefits are paid. Postretirement expense totaled $11.4 million in 1999, $10.0 million in 1998 and $8.8 million in 1997.

The components of the pension and postretirement expense (credit) were as follows for the years ended December 31:

	(Thousands)					
	Pension Benefits			*Postretirement Benefits*		
	1999	*1998*	*1997*	*1999*	*1998*	*1997*
Benefits earned during the year	$21,250	$14,523	$14,173	$ 1,002	$ 485	$ 940
Interest cost on benefit obligation	40,536	38,935	36,130	8,426	7,844	6,886
Amortization of transition (asset) obligation	(2,616)	(2,616)	(2,616)	976	976	976
Amortization of prior service (credit) cost	(334)	(538)	(538)	169	169	153
Recognized net actuarial (gain) loss	(3,723)	(3,572)	(3,943)	842	482	(170)
Expected return on plan assets	(56,255)	(55,976)	(49,562)	—	—	—
Net periodic (credit) expense	$(2,842)	$ (9,244)	$ (6,356)	$11,415	$9,956	$8,785

The following table presents a summary of plan assets, projected benefit obligation and funded status of the plans at December 31:

	(Thousands)			
	Pension Benefits		*Postretirement Benefits*	
	1999	*1998*	*1999*	*1998*
Fair value of plan assets at beginning of year	$744,418	$688,011	$ —	$ —
Employer contributions	—	—	8,064	8,464
Participant contributions	—	—	2,186	2,354
Actual return on plan assets	120,839	88,398	—	—
Benefits paid	(33,352)	(31,991)	(10,250)	(10,818)
Fair value of plan assets at end of year	831,905	744,418	—	—
Projected benefit obligation at beginning of year	595,472	526,482	116,840	108,958
Benefits earned	21,250	14,523	1,002	485
Interest cost on projected benefit obligation	40,536	38,935	8,426	7,844
Participant contributions	—	—	2,186	2,354
Plan amendments	(1,978)	2,488	—	—
Actuarial (gain) loss	(65,534)	45,035	(1,405)	8,017
Benefits paid	(33,352)	(31,991)	(10,250)	(10,818)
Projected benefit obligation at end of year	556,394	595,472	116,799	116,840
Plan assets in excess of (less than) projected benefit obligation	275,511	148,946	(116,799)	(116,840)
Unrecognized actuarial (gain) loss	(237,512)	(116,560)	26,974	23,736
Unrecognized prior service cost	4,071	6,314	2,136	2,305
Unrecognized net transition (asset) obligation	(8,658)	(11,275)	12,687	13,662
Prepaid (accrued) benefit cost	$ 33,712	$ 27,425	$(75,002)	$(77,137)

Actuarial assumptions used to calculate the projected benefit obligations were as follows for the years ended December 31:

	Pension Benefits		*Postretirement Benefits*	
	1999	*1998*	*1999*	*1998*
Discount rate	7.8%	6.9%	7.8%	7.5%
Expected return on plan assets	8.5%	8.5%	—	—
Rate of compensation increase	5.2%	5.2%	—	—
Healthcare cost trend rate	—	—	7.0%	9.1%

The healthcare cost trend rate is expected to decrease on a graduated basis to an ultimate rate of 6 percent in the year 2000. A one percent change in the assumed healthcare cost trend rate for each future year would affect the postretirement benefit cost by approximately $0.6 million for the year ended December 31, 1999. A one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit obligation as of December 31, 1999, by approximately $7.8 million, while a one percent decrease in the rate would reduce the postretirement benefit obligation as of December 31, 1999, by approximately $6.7 million.

The Company has a non-contributory defined contribution plan in the form of profit-sharing arrangements for eligible employees, except bargaining unit employees. The amount of profit-sharing contributions to the plan is determined annually by the Company's Board of Directors. Profit-sharing expense amounted to $34.1 million in 1999, $19.4 million in 1998 and $22.8 million in 1997.

The Company also sponsors employee savings plans under section 401(k) of the Internal Revenue Code. The plans cover substantially all full-time employees, except bargaining unit employees. Employees may elect to contribute to the plans a portion of their eligible pretax compensation up to certain limits as specified by the plans. The Company also makes annual contributions to the plans. Expense recorded by the Company related to these plans amounted to $15.9 million in 1999, $11.4 million in 1998 and $15.3 million in 1997.

8. Lease Commitments:

Minimum rental commitments for all non-cancelable operating leases, consisting principally of leases for office space, office equipment, real estate and tower space, were as follows as of December 31, 1999:

Year	(Thousands)
2000	$ 58,919
2001	46,695
2002	35,214
2003	25,915
2004	19,826
Thereafter	91,642
Total	$278,211

Rental expense totaled $71.4 million in 1999, $71.3 million in 1998 and $60.6 million in 1997.

9. Merger and Integration Expenses and Other Charges:

During the third quarter of 1999, the Company recorded a pretax charge in connection with its mergers with Aliant, Liberty and its affiliate KINI L.C., AIR and Southern Data and with certain loss contingencies and other restructuring activities. The following is a summary of the significant components included in this charge:

	(Thousands)
Merger and integration costs	$73,410
Restructuring charge	17,110
Total pretax charge	$90,520

The merger and integration expenses include professional and financial advisors' fees of $24.4 million, severance and employee-related expenses of $15.4 million and other integration costs of $33.6 million. The Company's merger and integration plan, as approved by ALLTEL's Board of Directors, provides for a reduction of 200 employees of Aliant and Liberty, primarily in the corporate support functions, to be substantially completed by the third quarter of 2000. As of December 31, 1999, the Company had paid $7.2 million in severance and employee-related expenses and 34 of the total 200 employee reductions had been completed. The other integration costs include $12.5 million of lease termination costs, $10.2 million of costs associated with the early termination of certain service obligations, and a $4.6 million write-down in the carrying value of certain in-process and other software development assets that have no future alternative use or functionality. Also included are other integration costs incurred in the third quarter consisting of branding and signage costs of $4.1 million and other expenses of $2.2 million.

The lease termination costs include a cancellation fee of $7.3 million representing the negotiated settlement to terminate the Company's contractual commitment to lease building space previously occupied by the former 360° operations. The lease termination costs also include a $4.1 million write-off of capitalized leasehold improvements and $1.1 million in other disposal costs.

The contract termination fees include $5.2 million related to long-term contracts with an outside vendor for customer billing services to be provided to the Aliant and Liberty operations. As part of its integration plan, the Company will convert both the Aliant and Liberty operations to its own internal billing system. Conversion of the Liberty operations was completed in November 1999, and conversion of the Aliant operations will be completed by June 2000. The $5.2 million amount represents the termination fee specified in the contracts and will be paid by June 2000. The Company also recorded an additional $5.0 million charge to reflect the actual cost of terminating its contract with Convergys Corporation ("Convergys") for customer billing services to be provided to the former 360° operations. On September 14, 1999, the Company and Convergys agreed to a final contract termination fee of $55.0 million, of which $50.0 million of termination costs were recorded in the third quarter of 1998, as discussed below. The two companies had been in litigation since late last year over ALLTEL's claimed right to seek early termination of its multi-year contract with Convergys so that ALLTEL could transition all the customers processed by Convergys to its own billing system. In addition to the termination fee, the Company will continue to pay Convergys for processing customer accounts until all customers are switched to ALLTEL's billing system, which is expected to be completed in 2001. Payments for the continuing processing services will be expensed as incurred.

In connection with management's plan to reduce costs and improve operating efficiencies, the Company recorded a restructuring charge consisting of $10.8 million in severance and employee benefit costs related to a planned workforce reduction and $6.3 million in lease termination costs related to the consolidation of certain operating locations. The restructuring plan, which will result in the elimination of approximately 308 employees in the Company's wireline operations support functions, will be completed by September 2000. As of December 31, 1999, the Company had paid $1.0 million in severance and employee-related expenses and 34 of the total 308 employee reductions had been completed. The lease termination costs represent the minimum contractual commitments over the next one to four years for leased facilities the Company has abandoned.

During the third quarter of 1998, the Company recorded transaction costs and one-time charges totaling $252.0 million on a pretax basis related to the closing of its merger with 360°. The merger and integration expenses included professional and financial advisors' fees of $31.5 million, severance and employee-related expenses of $48.7 million and integration costs of $171.8 million. The Company's merger and integration plan, as approved by ALLTEL's Board of Directors, provided for a reduction of 521 employees, primarily in the corporate support functions. As of December 31, 1999, the Company had paid $40.0 million in severance and employee-related expenses and substantially all of the 521 employee reductions had been completed. The integration costs included several adjustments resulting from the redirection of a number of strategic initiatives based on the merger with 360° and ALLTEL's expanded wireless presence. These adjustments included a $60.0 million write-down in the carrying value of certain in-process software development assets, $50.0 million of costs associated with the early termination of certain service obligations, branding and signage costs of $20.7 million, an $18.0 million write-down in the carrying value of certain assets resulting from a revised PCS deployment plan and other integration costs of $23.1 million.

The estimated cost of contract termination was related to a long-term contract continuing through 2006 with Convergys for customer billing services to be provided to the 360° operations. The $50.0 million of costs recorded represented the present value of the estimated profit to the vendor over the remaining term of the contract and was the Company's best estimate of the cost of terminating the billing services contract prior to the expiration of its term. As previously noted, in September 1999, the Company and Convergys agreed upon a termination fee of $55.0 million. The $18.0 million write-down in the carrying value of certain PCS-related assets includes approximately $15.0 million related to cell site acquisition and improvement costs and capitalized labor and engineering charges that were incurred during the initial construction phase of the PCS buildout in three markets. As a result of the merger with 360°, the Company elected not to continue to complete construction of its PCS network in these three markets. The remaining $3.0 million of the PCS-related write-down represents cell site lease termination fees.

The major action steps of the 360° merger and integration plan included: (1) the immediate stoppage of further development of a customer billing system, which had no alternative use or functionality, (2) the immediate negotiation with a vendor of an early termination of a customer billing contract, and (3) the immediate abandonment of the PCS buildout in three markets.

The following is a summary of activity related to the liabilities associated with the Company's merger and integration expenses and other charges at December 31:

	(Thousands)	
	1999	*1998*
Balance, beginning of year	$ 91,281	$ —
Merger and integration expenses and other charges	90,520	252,000
Non-cash write-down of assets	(9,766)	(74,800)
Cash outlays	(105,562)	(85,919)
Balance, end of year	$ 66,473	$ 91,281

At December 31, 1999, the remaining unpaid liability related to the Company's merger and integration and restructuring activities consists of contract termination fees of $29.9 million, severance and employee-related expenses of $26.7 million, lease cancellation and termination costs of $5.8 million and other integration costs of $4.1 million.

The merger and integration expenses and other charges decreased net income for the periods ended December 31, 1999 and 1998, $66.0 million and $201.0 million, respectively.

10. Provision to Reduce Carrying Value of Certain Assets:

During the third quarter of 1998, the Company recorded a non-recurring operating expense associated with a contingency reserve on an unbilled receivable of $55.0 million related to its contract with GTE Corporation ("GTE"). Due to its pending merger with Bell Atlantic Corporation, GTE has re-evaluated its billing and customer care requirements, modified its billing conversion plans and is purchasing certain processing services from ALLTEL for an interim period. This charge decreased net income by $33.6 million.

In 1997, the Company recorded a pretax write-down of $16.9 million to reflect the fair value less cost to sell its product distribution segment's wire and cable subsidiary, HWC Distribution Corp. ("HWC"). The sale of HWC was completed in May 1997. This write-down resulted in a decrease in net income of $11.7 million for the year ended December 31, 1997.

11. Gain on Disposal of Assets and Other:

During the fourth quarter of 1999, the Company recorded a pretax gain of $43.1 million from the sale of a portion of its investment in MCI WorldCom common stock. Proceeds from this sale amounted to $45.0 million. This transaction increased net income $27.2 million.

During the third quarter of 1998, the Company recorded a pretax gain of $80.9 million from the sale of a portion of its investment in MCI WorldCom common stock. Proceeds from this sale amounted to $87.6 million. This transaction increased net income $49.2 million. During the second quarter of 1998, the Company recorded a pretax gain of $148.2 million from the sale of a portion of its investment in MCI WorldCom common stock. Proceeds from this sale amounted to $162.6 million. The Company also incurred termination fees of $3.5 million related to the early retirement of long-term debt. These transactions increased net income $88.1 million. During the first quarter of 1998, the Company recorded a pretax gain of $36.6 million primarily from the sale of a portion of its investment in MCI WorldCom common stock. Proceeds from the sale of stock amounted to $40.7 million. In addition, the Company recorded a pretax gain of $30.5 million from the sale of its ownership interest in a cellular partnership serving the Omaha, Neb., market. The gains from these first quarter transactions resulted in an increase of $40.4 million in net income.

In 1997, the Company recorded a pretax gain of $34.4 million primarily related to the sale of its investment in a software company. The Company also recorded a pretax gain of $156.0 million from the sale of a portion of its investment in MCI WorldCom common stock. Proceeds from the sale of this stock amounted to $185.9 million. In addition, the Company recorded a pretax gain of $16.2 million from the sale of information services' healthcare operations, and the Company recorded a pretax gain of $3.0 million from the divestiture of its ownership interests in two unconsolidated partnerships. The net income impact from these transactions resulted in an increase of $121.5 million in net income for the year ended December 31, 1997.

12. Income Taxes:

Income tax expense was as follows:

	(Thousands)		
	1999	*1998*	*1997*
Federal	$474,522	$438,336	$376,407
State and other	72,696	63,418	57,543
	$547,218	$501,754	$433,950

The federal income tax expense consists of the following:

	(Thousands)		
	1999	*1998*	*1997*
Currently payable	$428,859	$409,794	$275,398
Deferred	48,794	32,827	106,652
Investment tax credit amortized	(3,131)	(4,285)	(5,643)
	$474,522	$438,336	$376,407

Deferred income tax expense results principally from temporary differences between depreciation expense for income tax purposes and depreciation expense recorded in the financial statements. Deferred tax balances are adjusted to reflect tax rates, based on currently enacted tax laws, that will be in effect in the years in which the temporary differences are expected to reverse. For the Company's regulated operations, the adjustment in deferred tax balances for the change in tax rates is reflected as regulatory assets or liabilities. These regulatory assets and liabilities are amortized over the lives of the related depreciable asset or liability concurrent with recovery in rates.

Differences between the federal income tax statutory rates and effective income tax rates, which include both federal and state income taxes, were as follows:

	1999	*1998*	*1997*
Statutory income tax rates	35.0%	35.0%	35.0%
Increase (decrease):			
Investment tax credit	(0.2)	(0.4)	(0.5)
State income taxes, net of federal benefit	3.5	3.7	3.5
Amortization of intangibles	1.2	1.3	1.3
Merger and integration expenses and other charges	0.7	4.0	—
Other items	0.8	1.8	0.7
Effective income tax rates	41.0%	45.4%	40.0%

The significant components of the Company's net deferred income tax liability were as follows at December 31:

	(Thousands)	
	1999	*1998*
Property, plant and equipment	$ 534,743	$ 547,893
Capitalized computer software	118,360	110,547
Unrealized holding gain on investments	338,983	333,963
Operating loss carryforwards	(15,141)	(20,922)
Other, net	67,547	14,315
	1,045,217	985,796
Valuation allowance	11,704	15,347
Total	$1,056,921	$1,001,143

At December 31, 1999 and 1998, total deferred tax assets were $270.9 million and $228.7 million, respectively, and total deferred tax liabilities were $1,327.8 million and $1,229.8 million, respectively.

As of December 31, 1999 and 1998, the Company had available tax benefits associated with federal and state operating loss carryforwards of $15.1 million and $20.9 million, respectively, which expire annually in varying amounts to 2012. The valuation allowance primarily represents tax benefits of certain state operating loss carryforwards and other deferred tax assets, which may expire unutilized.

13. Other Comprehensive Income:

For the Company, other comprehensive income consists of unrealized holding gains on its investments in equity securities, principally consisting of its investment in MCI WorldCom common stock. The components of other comprehensive income were as follows for the years ended December 31:

	(Thousands)		
	1999	1998	1997
Unrealized holding gains arising in the period	$83,543	$674,461	$ 69,449
Income tax expense	10,951	264,964	32,540
	72,592	409,497	36,909
Less: reclassification adjustments for gains included in net income for the period	(43,071)	(265,644)	(155,993)
Income tax expense	15,886	104,199	67,888
	(27,185)	(161,445)	(88,105)
Other comprehensive income (loss) before tax	40,472	408,817	(86,544)
Income tax (benefit) expense	(4,935)	160,765	(35,348)
Other comprehensive income (loss)	$45,407	$248,052	$(51,196)

14. Litigation — Claims and Assessments:

On July 12, 1996, the Georgia Public Service Commission ("Georgia PSC") issued an order requiring that ALLTEL's wireline subsidiaries which operate within its jurisdiction reduce their annual network access charges by $24 million, prospectively, effective July 1, 1996. The Georgia PSC's action was in response to the Company's election to move from a rate-of-return method of pricing to an incentive rate structure, as provided by a 1995 Georgia telecommunications law. The Company appealed the Georgia PSC order. On November 6, 1996, the Superior Court of Fulton County, Georgia, (the "Superior Court") rendered its decision and reversed the Georgia PSC order, finding, among other matters, that the Georgia PSC had exceeded its authority by conducting a rate proceeding after the Company's election of alternative regulation.

The Superior Court did not rule on a number of other assertions made by the Company as grounds for reversal of the Georgia PSC order. The Georgia PSC appealed the Superior Court's decision, and on July 3, 1997, the Georgia Court of Appeals reversed the Superior Court's decision. On August 5, 1997, the Company filed a petition for writ of certiorari with the Georgia Supreme Court requesting that the Georgia Court of Appeals' decision be reversed. On October 5, 1998, the Georgia Supreme Court, in a 4-3 decision, upheld the Georgia Court of Appeals' ruling that the Georgia PSC had the authority to conduct the rate proceeding. The case was returned to the Superior Court for it to rule on the issues it had not previously decided. On April 6, 1999, the Superior Court found that with respect to the July 1996 order, the Georgia PSC did not provide ALLTEL with sufficient notice of the charges against the Company, did not provide ALLTEL a fair opportunity to present its case and respond to the charges, and failed to satisfy its burden of proving that ALLTEL's rates were unjust and unreasonable. Further, the Superior Court found that the July 1996 order was an unlawful attempt to retroactively reduce ALLTEL's rates and certain statutory revenue recoveries. For each of these independent reasons, the Superior Court vacated and reversed the July 1996 order and remanded the case with instructions to dismiss the case. The Georgia PSC appealed the Superior Court's April 1999 decision.

At December 31, 1999, the maximum possible liability to the Company related to this case is $84.0 million, plus interest at 7 percent accruing from July 1, 1996. Since the Company believes that it will prevail in this case, the Company has not implemented any revenue reductions or established any reserves for refund related to this matter at this time.

The Company is party to various other legal proceedings arising from the ordinary course of business. Although the ultimate resolution of these various proceedings cannot be determined at this time, management of the Company does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on the future results of operations or financial condition of the Company.

15. Subsequent Event — Exchange of Wireless Assets:

On January 31, 2000, ALLTEL, Bell Atlantic, GTE and Vodafone Airtouch signed agreements to exchange wireless properties in 13 states. Upon the closing of the transactions, Bell Atlantic and GTE will transfer to ALLTEL interests in 27 wireless markets in Alabama, Arizona, Florida, Ohio, New Mexico, Texas and South Carolina, representing about 14 million POPs and more than 1.5 million wireless customers. ALLTEL will transfer to Bell Atlantic or GTE interests in 42 wireless markets in Illinois, Indiana, Iowa, Nevada, New York and Pennsylvania, representing approximately 6.3 million POPs and more than 700,000 customers. ALLTEL will also transfer certain of its minority investments in unconsolidated wireless properties, representing approximately 2.6 million POPs. In addition to the transfer of wireless assets, ALLTEL will also pay approximately $600 million in cash. The transactions are valued at approximately $2.9 billion. ALLTEL will account for the acquisition as a purchase. Upon completion of the transactions, ALLTEL expects to recognize goodwill of approximately $1.0 billion and a pretax gain of $1.2 billion in its consolidated financial statements. Following the completion of the transactions, ALLTEL will have a total of 46 million cellular POPs and almost 5.8 million wireless customers. The companies expect to complete the transactions by mid-2000.

16. Business Segments:

ALLTEL disaggregates its business operations based upon differences in products and services. The Company's communications operations consist of its wireless, wireline and emerging businesses segments. Wireless communications and paging services are provided in 25 states in five major markets: Northern, Southeast, Mid-Atlantic, Central and Southwest. The Company's wireline subsidiaries provide primary local service and network access in 15 states. Emerging businesses include the Company's long-distance, local competitive access, Internet access, network management and PCS operations. Long-distance and Internet access services are marketed in 25 states. The Company is currently providing local competitive access, PCS and network management services in select areas within its geographically focused communications markets. Information services provides information processing, outsourcing services and application software primarily to financial and telecommunications customers. The principal markets for information services' products and services are commercial banks, financial institutions and telecommunications companies in the United States and major international markets. Other operations consist of the Company's product distribution and directory publishing operations. Corporate operations represent general corporate expenses, headquarters facilities and equipment, investments, goodwill and other non-recurring and unusual items not allocated to the segments.

The accounting policies used in measuring segment assets and operating results are the same as those described in Note 1. The non-recurring and unusual items discussed in Notes 9, 10 and 11 are not allocated to the segments and are included in corporate operations. The Company evaluates performance of the segments based on segment operating income, excluding non-recurring and unusual items. The Company accounts for intersegment sales at current market prices or in accordance with regulatory requirements.

Information about the Company's business segments was as follows for the year ended December 31, 1999:

(Thousands)	Communications: Wireless	Wireline	Emerging Businesses	Total	Information Services	Other Operations	Total Segments	Corporate Operations	Intercompany Eliminations	Consolidated Total
Revenues and sales from unaffiliated customers:										
Domestic	$2,743,251	$1,621,427	$269,825	$4,634,503	$822,049	$368,782	$5,825,334	$ —	$ —	$ 5,825,334
International	—	—	—	—	155,300	—	155,300	—	—	155,300
	2,743,251	1,621,427	269,825	4,634,503	977,349	368,782	5,980,634	—	—	5,980,634
Intersegment revenues and sales	—	56,030	10,425	66,455	268,154	211,036	545,645	—	(224,008)A	321,637
Total revenues and sales	2,743,251	1,677,457	280,250	4,700,958	1,245,503	579,818	6,526,279	—	(224,008)	6,302,271
Operating expenses	1,505,471	734,658	300,093	2,540,222	926,069	557,043	4,023,339	25,141	(224,008)A	3,824,472
Depreciation and amortization	351,302	323,735	27,398	702,435	144,118	1,209	847,762	14,410	—	862,172
Merger and integration expenses and other charges	—	—	—	—	—	—	—	90,520	—	90,520
Total costs and expenses	1,856,773	1,058,393	327,491	3,242,657	1,070,187	558,252	4,871,101	130,071	(224,008)	4,777,164
Operating income (loss)	886,478	619,064	(47,241)	1,458,301	175,316	21,561	1,655,178	(130,071)		1,525,107
Equity earnings in unconsolidated partnerships	105,025	—	—	105,025	—	—	105,025	—	—	105,025
Minority interest in consolidated partnerships	(116,647)	—	—	(116,647)	—	—	(116,647)	—	—	(116,647)
Other income, net	18,344	6,210	7,172	31,726	17,157	546	49,429	5,042	—	54,471
Total non-operating income, net	6,722	6,210	7,172	20,104	17,157	546	37,807	5,042	—	42,849
Interest expense	(174,782)	(67,138)	(25,067)	(266,987)	(9,664)	(1,412)	(278,063)	(2,112)	—	(280,175)
Gain on disposal of assets and other	—	—	—	—	—	—	—	43,071	—	43,071
Income (loss) before income taxes	718,418	558,136	(65,136)	1,211,418	182,809	20,695	1,414,922	(84,070)	—	1,330,852
Income tax expense (benefit)	303,997	204,717	(25,009)	483,705	75,184	8,014	566,903	(19,685)	—	547,218
Net income (loss)	$ 414,421	$ 353,419	$(40,127)	$ 727,713	$107,625	$ 12,681	$ 848,019	$ (64,385)	$ —	$ 783,634
Assets	$4,790,179	$3,171,533	$436,829	$8,398,538	$883,613	$259,370	$9,541,521	$1,351,664B	$(118,882)C	$10,774,303
Investments in unconsolidated partnerships	$ 490,773	$ —	$ —	$ 490,773	$ —	$ —	$ 490,773	$ —	$ —	$ 490,773
Capital expenditures	$ 350,668	$ 352,866	$118,322	$ 821,856	$ 94,665	$ 979	$ 917,500	$ 88,975	$ —	$ 1,006,475

Notes: A. Elimination of intersegment revenues and sales. See "Transactions with Certain Affiliates" in Note 1 for a discussion of intersegment revenues and sales not eliminated in preparing the consolidated financial statements.

B. Corporate assets consist of headquarters fixed assets ($216,767), investments ($1,019,580), goodwill ($102,068) and other assets ($13,249) not allocated to the segments.

C. Elimination of intersegment receivables.

17 Quarterly Financial Information — (Unaudited):

(Thousands, except per share amounts)	1999					1998				
	Total	*4th*	*3rd*	*2nd*	*1st*	*Total*	*4th*	*3rd*	*2nd*	*1st*
Revenues and sales	$6,302,271	$1,596,763	$1,628,395	$1,593,360	$1,483,753	$5,626,795	$1,487,028	$1,446,379	$1,414,093	$1,279,295
Operating income	$1,525,187	$ 390,429	$ 338,587	$ 422,769	$ 373,402	$1,025,927	$ 335,603	$ 51,495	$ 337,655	$ 301,174
Net income (loss)	$ 783,632	$ 233,472	$ 150,347	$ 213,269	$ 186,544	$ 603,127	$ 174,082	$ (7,405)	$ 252,110	$ 184,340
Preferred dividends	887	215	213	227	232	1,248	228	239	485	296
Net income (loss) applicable to common shares	$ 782,745	$ 233,257	$ 150,134	$ 213,042	$ 186,312	$ 601,879	$ 173,854	$ (7,644)	$ 251,625	$ 184,044
Earnings (loss) per share:										
Basic	$2.50	$.74	$.48	$.68	$.60	$1.97	$.57	$(.03)	$.82	$.60
Diluted	$2.47	$.72	$.47	$.67	$.59	$1.95	$.56	$(.02)	$.82	$.60

Notes: A. During the fourth quarter of 1999, the Company recorded a pretax gain of $43.1 million from the sale of a portion of its investment in MCI WorldCom common stock. This transaction increased net income $27.2 million or $.08 per share. (See Note 11.)

B. Third quarter 1999 operating income includes a pretax charge of $90.5 million in connection with the closing of the Company's mergers with Aliant, Liberty, KINI L.C., AIR and Southern Data and with certain loss contingencies and other restructuring activities. These charges decreased net income $66.0 million or $.21 per share. (See Note 9.)

C. Third quarter 1998 operating income includes transaction costs and one-time charges totaling $252.0 million related to the closing of the merger with 360°. These transaction and one-time charges decreased net income $201.0 million or $.66 per share. The Company also recorded a pretax charge of $55.0 million resulting from changes in a customer care and billing contract with a major customer. This charge decreased net income $33.6 million or $.11 per share. In addition, the Company recorded a pretax gain of $80.9 million from the sale of a portion of its investment in MCI WorldCom common stock. This gain increased net income by $49.2 million or $.16 per share. (See Notes 9, 10 and 11.)

D. Second quarter 1998 net income includes a pretax gain of $148.2 million from the sale of a portion of the Company's investment in MCI WorldCom common stock. The Company also incurred termination fees of $3.5 million related to the early retirement of long-term debt. These transactions increased net income $88.1 million or $.29 per share. (See Note 11.)

E. First quarter 1998 net income includes a pretax gain of $36.6 million primarily from the sale of a portion of the Company's investment in MCI WorldCom common stock. In addition, the Company recorded a pretax gain of $30.5 million from the sale of its ownership interest in one unconsolidated partnership. These gains increased net income by $40.4 million or $.13 per share. (See Note 11.)

F. In the opinion of management, all adjustments necessary for a fair presentation of results for each period have been included.

Directors

John R. Belk[3,4]
President of Finance, Systems and Operations,
Belk, Inc., Charlotte, North Carolina

Joe T. Ford[1]
Chairman and Chief Executive Officer
of the Company

Scott T. Ford
President and Chief Operating Officer
of the Company

Dennis E. Foster
Vice Chairman of the Company

Lawrence L. Gellerstedt III[2,4]
Chairman of the Board,
Children's Healthcare of Atlanta,
Atlanta, Georgia

Charles H. Goodman[3,5]
Vice President, Henry Crown and Company,
Chicago, Illinois

W.W. Johnson[1,4]
Chairman of the Executive Committee,
Bank of America Corporation,
Charlotte, North Carolina

Emon A. Mahony Jr.[1,5]
Chairman of the Board,
Arkansas Oklahoma Gas Corporation,
Fort Smith, Arkansas

John P. McConnell[2,4]
Chairman and Chief Executive Officer,
Worthington Industries, Inc., Columbus, Ohio

Josie C. Natori[2]
Chief Executive Officer, The Natori Company,
New York, New York

Frank E. Reed[3,5]
Former Non-Management Chairman of the Board,
360° Communications Company,
Chicago, Illinois

Fred W. Smith[3]
Chairman of the Board of Trustees,
Donald W. Reynolds Foundation,
Las Vegas, Nevada

Ronald Townsend[2,5]
Communications Consultant, Jacksonville, Florida

William H. Zimmer[1,3]
Former Vice Chairman and Director,
Cincinnati Financial Corporation, Cincinnati, Ohio

[1] Executive Committee
[2] Nominating Committee
[3] Audit Committee
[4] Compensation Committee
[5] Pension Trust Investment Committee

Officers

Joe T. Ford
Chairman and Chief Executive Officer

Dennis E. Foster
Vice Chairman

Scott T. Ford
President and Chief Operating Officer

Kevin L. Beebe
Group President–Communications

Michael T. Flynn
Group President–Communications

Jeffrey H. Fox
Group President–Information Services

Francis X. Frantz
Executive Vice President–External Affairs,
General Counsel and Secretary

Jeffery R. Gardner
Senior Vice President–Chief Financial Officer

John S. Haley
Senior Vice President–Chief Technology Officer

Keith A. Kostuch
Senior Vice President–Strategic Planning

Frank A. O'Mara
Vice President–Human Resources

David A. Gatewood
Controller

John M. Mueller
Treasurer

Corporate Headquarters

ALLTEL Corporation
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Annual Meeting

The Annual Meeting of ALLTEL Corporation stockholders will be held at 11 a.m. (CDT) on Thursday, April 20, 2000, at Arkansas' Excelsior Hotel, Ballroom Level, Three Statehouse Plaza, Little Rock, Arkansas.

Investor Relations

Information requests from investors, security analysts and other members of the investment community should be addressed to:
Investor Relations Department
ALLTEL Corporation
One Allied Drive
Little Rock, Arkansas 72202
toll-free 877.4.INFO.AT (877.446.3628) fax 501.905.5444

Toll-free Investor Information Line

Call 877.4.INFO.AT (877.446.3628) for an automatic connection to ALLTEL's investor relations and shareholder services departments, recent news releases, stock quotes and answers to frequently asked questions.

Transfer Agent, Registrar and Dividend Disbursing Agent

General questions about accounts, stock certificates or dividends should be directed to:
First Union National Bank
Customer Service
1525 West W.T. Harris Blvd. 3C3
Charlotte, North Carolina 28288-1153
(toll-free) 888.243.5445

Common Stock Price and Dividend Information

Ticker Symbol AT
Newspaper Listing ALLTEL

Market Price

Year	Qtr.	High	Low	Close	Dividend Declared
1999	4th	91 13/16	69 13/16	82 11/16	$.320
	3rd	75	65 5/8	70 3/8	.305
	2nd	74 9/16	62 3/8	71 1/2	.305
	1st	67 1/2	56 5/16	62 3/8	.305
1998	4th	61 3/8	44	59 13/16	$.305
	3rd	48	38 1/4	47 1/8	.290
	2nd	46 1/2	39 7/16	46 1/2	.290
	1st	48 13/16	39 9/16	43 11/16	.290

The common stock is listed and traded on the New York and Pacific stock exchanges. The above table reflects the range of high, low and closing prices as reported by Dow Jones & Company, Inc.

Annual Report and Form 10-K Requests

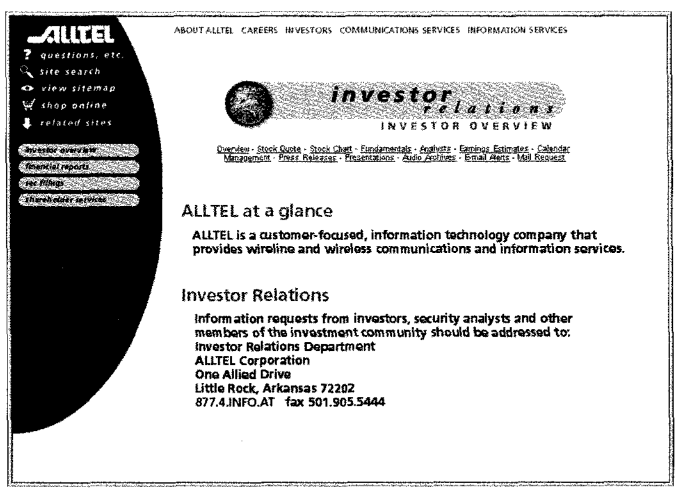
The 1999 Annual Report is available electronically from the Company's Web site at www.alltel.com. The report and the Form 10-K Annual Report filed with the Securities and Exchange Commission are available without charge to stockholders upon request to:
Shareholder Services Department
ALLTEL Corporation
50 Executive Parkway
Hudson, Ohio 44236
330.650.7250 fax 330.650.7118

Dividend Reinvestment and Stock Purchase Plan

ALLTEL offers a Dividend Reinvestment and Stock Purchase Plan for registered common stockholders. In addition to reinvesting dividends, the plan allows participants to invest cash toward the purchase of ALLTEL common stock. Additional information about dividend reinvestment may be obtained from the Agent, First Union National Bank.

Electronic Dividend Deposit

ALLTEL offers Electronic Dividend Deposit to registered common stockholders. Electronic deposit allows dividend payments to be automatically deposited into a checking or savings account and eliminates the inconvenience of delayed or lost dividend checks. More information about Electronic Dividend Deposit may be obtained from the Agent, First Union National Bank.



For the latest news about ALLTEL, visit our Web site at www.alltel.com.

Investor relations information, including stock quotes, charts of ALLTEL's stock trading activity, financial reports and SEC filings, recent news releases and company presentations, is available on our Web site at www.alltel.com.

ALLTEL Corporation
One Allied Drive
Little Rock, AR 72202

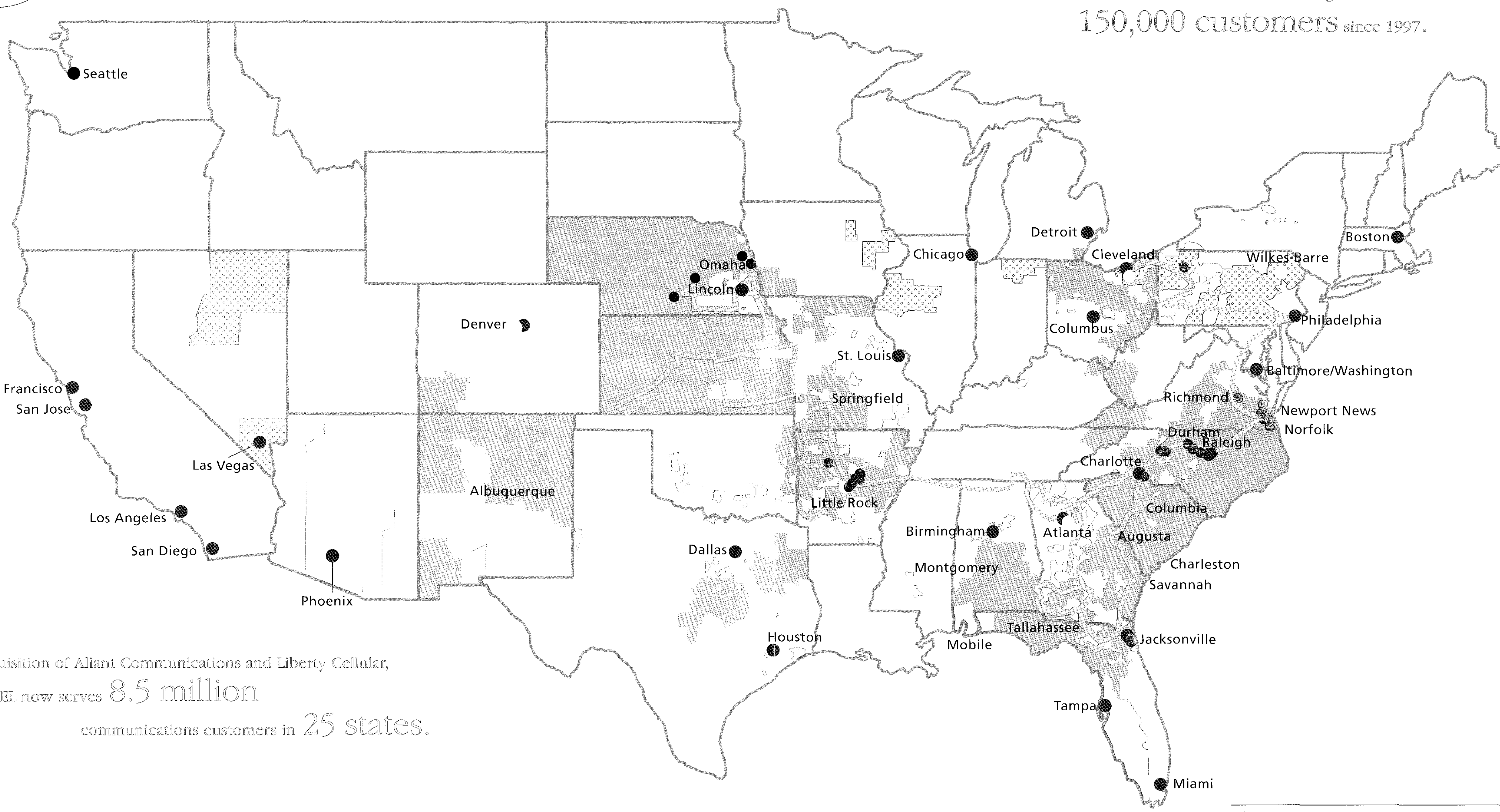
501.905.8000
www.alltel.com

this way
to the future

Our wireless penetration in the markets we serve is
nearly 13 percent — among the highest in the industry.

Since 1996, our long-distance customer base
has grown from zero to 900,000.

Our Internet business has grown to
150,000 customers since 1997.



wireless	fiber network
wireline	CLEC
wireless to ALLTEL	ALLTEL Communications Products
wireless from ALLTEL	ALLTEL Information Services - Telecom

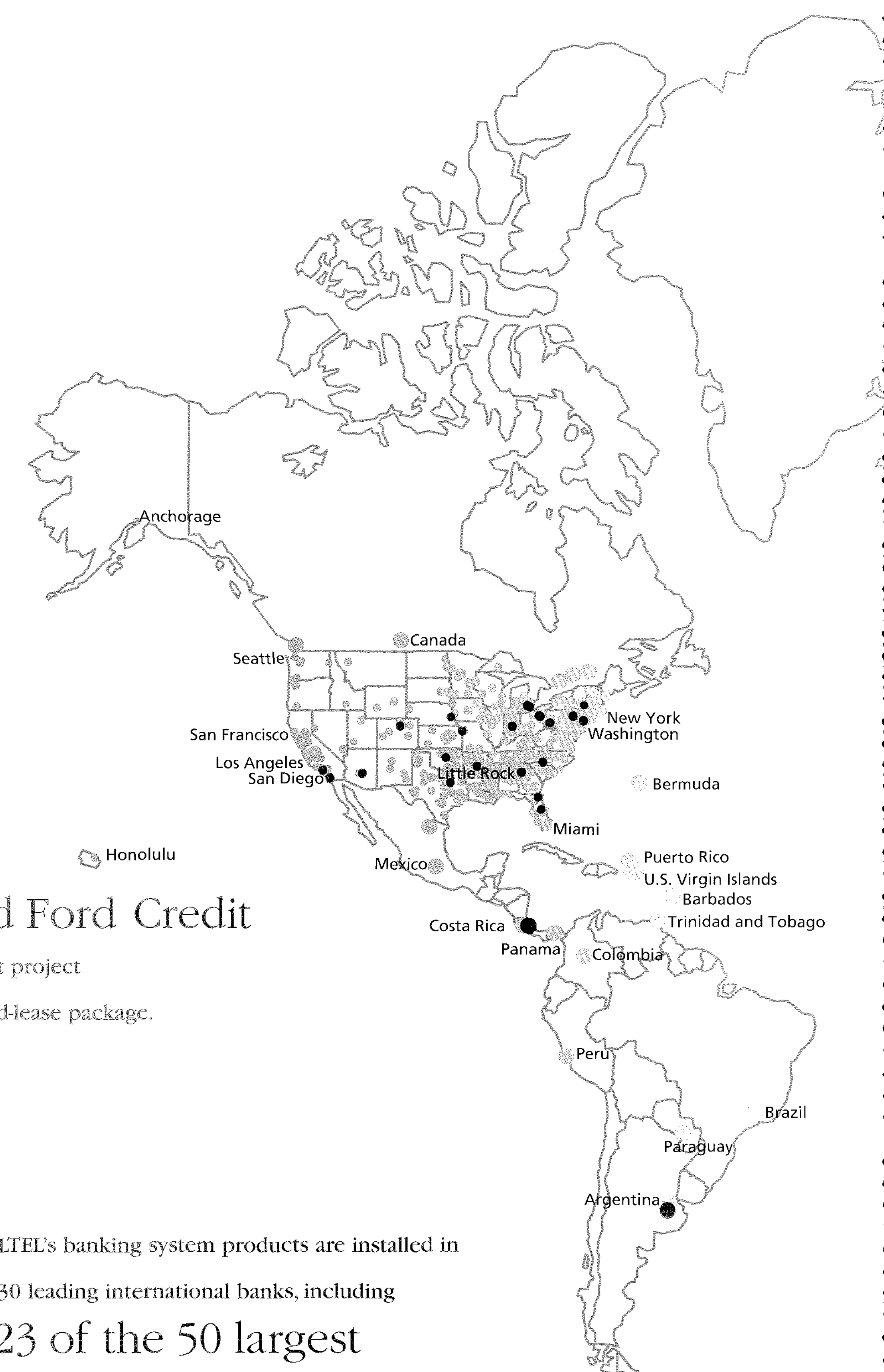
With the acquisition of Aliant Communications and Liberty Cellular,
ALLTEL now serves 8.5 million
communications customers in 25 states.

Through expansion and acquisition in 1999, ALLTEL's fiber optic network
grew from 8,500 miles to 15,000 miles,
providing better service at lower costs from Nebraska to Florida.

DOMESTIC ← → INTERNATIONAL

After another year of strategic acquisition and growth, ALLTEL now serves 8.5 million communications customers in 25 states and provides information services to the telecommunications and financial services industries in 55 countries around the world.

For an overview of our domestic communications coverage, please open the flap. For an overview of our international presence, please turn to the next page.



In 1999, ALLTEL and Ford Credit

completed the first stage of a joint project to create a model loan-and-lease package.

ALLTEL's banking system products are installed in more than 30 leading international banks, including

23 of the 50 largest

institutions in the world.