ALLTEL CORP
Form DEF 14A
March 03, 2003

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SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES

EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Section 240.14a-11c or Section 240.14a-12

ALLTEL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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

March 3, 2003

Dear Stockholder:

The 2003 Annual Meeting of Stockholders of ALLTEL Corporation will be held on Thursday, April 24, 2003, for the purposes set forth in the accompanying notice. The matters to be voted upon are explained in the proxy statement included with the notice.

Please complete and return your proxy as promptly as possible or vote on the Internet or by telephone in accordance with the instructions set forth on the proxy card. Thank you for your assistance.

Sincerely,

Scott T. Ford
President and Chief Executive Officer

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ALLTEL CORPORATION

Notice of Annual Meeting of Stockholders
April 24, 2003

To the Stockholders of

ALLTEL Corporation:

Notice Is Hereby Given That the 2003 Annual Meeting of Stockholders of ALLTEL Corporation (ALLTEL) will be held in the ALLTEL Arena, One ALLTEL Arena Way (Washington Street Box Office Entrance), North Little Rock, Arkansas 72114, on Thursday, April 24, 2003, at 11:00 a.m. (local time), for the following purposes:

1. To elect directors to the class whose term will expire in 2006.

2. To transact such other business as may properly come before the meeting or any adjournment thereof, including a stockholder proposal related to ALLTEL s employment opportunity policy.

Appendix A to this proxy statement contains audited financial statements and certain other financial information required by the rules and regulations of the Securities and Exchange Commission (SEC). In addition, a copy of the Annual Report for the calendar year 2002 accompanies this proxy statement.

Only holders of Common Stock of record at the close of business on February 24, 2003, are entitled to notice of and to vote at the meeting or at any adjournment thereof; holders of unexchanged shares of companies previously acquired by ALLTEL are entitled to notice of the meeting and will be entitled to vote if they have exchanged those shares for ALLTEL shares by April 24, 2003.

By Order of the Board of Directors,

FRANCIS X. FRANTZ,
Secretary

Little Rock, Arkansas
March 3, 2003

WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE FILL IN, SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE OR VOTE ON THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE PROXY CARD.

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ALLTEL Corporation
One Allied Drive
Little Rock, Arkansas 72202

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of ALLTEL Corporation (ALLTEL) to be used at its 2003 Annual Meeting of Stockholders to be held on Thursday, April 24, 2003, and at any adjournment or adjournments thereof. Shares represented by properly executed proxies will be voted at the meeting. If a choice is specified by a stockholder, the proxy will be voted in accordance with that choice. Any proxy may be revoked at any time if it has not already been exercised.

This Proxy Statement is being mailed to stockholders beginning on March 3, 2003.

The close of business on February 24, 2003, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting or any adjournment thereof. On the record date, there were outstanding and entitled to vote 311,085,338 shares of Common Stock; up to 129,817 additional shares of Common Stock would be entitled to vote in the event unexchanged shares of companies previously acquired by ALLTEL were exchanged for ALLTEL shares by April 24, 2003.

On all matters to be acted upon at the meeting, each share of Common Stock is entitled to one vote per share. Under Delaware law and ALLTEL s Restated Certificate of Incorporation, if a quorum is present at the meeting, the five nominees for election as directors for the term ending in 2006 who receive the greatest number of votes cast for the election of directors at the meeting by the shares present in person or by proxy and entitled to vote shall be elected directors for the term ending in 2006, and any other matters submitted to a vote of the stockholders, must be approved by the affirmative vote of the majority of shares present in person or by proxy and entitled to vote on the matter. In the election of directors, any action other than a vote for a nominee will have the practical effect of voting against the nominee. Abstention from voting will have the practical effect of voting against any of the other matters because the abstention results in one less vote for approval. Broker nonvotes on one or more matters will have no impact because they are not considered shares present for voting purposes.

ELECTION OF DIRECTORS

The ALLTEL Board of Directors presently consists of fourteen members divided into three classes, two of which consist of five members and one of which consists of four members. Messrs. Joe T. Ford, Dennis E. Foster, John P. McConnell and Fred W. Smith, and Ms. Josie C. Natori, currently members of the class whose term expires in 2003, are nominees for election at the 2003 Annual Meeting for the term ending in 2006. Following the election of directors at the 2003 Annual Meeting, the Board of Directors will consist of fourteen members divided into three classes, two of which will consist of five members (the class of 2005 and the class of 2006), and one of which will consist of four members (the class of 2004).

Unless otherwise directed, the persons named in the accompanying form of proxy will vote that proxy for the election of the five persons named below, with each to hold office for a term of three years until the 2006 Annual Meeting or until his or her successor is elected and qualified. In case any nominee is unable to serve (which is not anticipated), the persons named in the proxy may vote for another nominee of their choice. For each nominee and each director whose term expires in 2004 and 2005, there follows a brief listing of principal occupations for at least the past five years, other major affiliations, ALLTEL Board Committees, and age. The year in which each such person was initially elected as an ALLTEL director is also set forth below (which, in the case of each of Messrs. Joe T. Ford and Emon A. Mahony, is the year in which his directorship commenced with ALLTEL s predecessor company, Allied Telephone Company). Mr. Scott T. Ford is the son of Mr. Joe T. Ford.

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NOMINEES TERM ENDING 2006

[Joe T. Ford Photo]	**Joe T. Ford,** Chairman of the Board of ALLTEL; prior to July 1, 2002, Chairman and Chief Executive Officer of ALLTEL. Director of The Dial Corporation, Textron Inc., and EnPro Industries, Inc. Director of ALLTEL since 1960. Age 65.
[Foster Photo]	**Dennis E. Foster,** Retired; prior to June 30, 2000, Vice Chairman of the Board of ALLTEL; prior to July 1, 1998, President, Chief Executive Officer, and Director of 360° Communications Company. Director of Yellow Corp. and NiSource Inc. Director of ALLTEL since 1998. Member of Executive Committee. Age 62.
[McConnell Photo]	**John P. McConnell,** Chairman and Chief Executive Officer and Director of Worthington Industries, Inc., Columbus, Ohio (engaged in metal processing and manufacturing). Director of ALLTEL since 1994. Member of Compensation and Governance Committees. Age 49.
[Natori Photo]	**Josie C. Natori,** President and Chief Executive Officer of The Natori Company, New York, New York (upscale fashion house with offices in New York and Manila). Director of Manhattanville College, the Educational Foundation of Fashion Industries and The Philippine American Foundation. Trustee of Asia Society & Asian Cultural Council. Director of ALLTEL since 1995. Member of Governance Committee. Age 55.
[Smith Photo]	**Fred W. Smith,** Chairman of the Board of Trustees of the Donald W. Reynolds Foundation, Las Vegas, Nevada. Director of ALLTEL since 1999. Member of Audit Committee. Age 69.

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DIRECTORS   TERM ENDING 2004

[Scott T. Ford Photo]	**Scott T. Ford,** President and Chief Executive Officer of ALLTEL; prior to July 1, 2002, President and Chief Operating Officer of ALLTEL; prior to July 1, 1998, President of ALLTEL. Director of ALLTEL since 1996. Chairman of Executive Committee. Age 40.
[Gellerstedt Photo]	**Lawrence L. Gellerstedt, III,** President and Chief Operating Officer of The Integral Group, Atlanta, Georgia; prior to January 1, 2001, Chairman of the Board of Children s Healthcare of Atlanta; prior to May 8, 1998, Chairman, Chief Executive Officer, President, and Director of American Business Products, Inc., Atlanta, Georgia; prior to March 30, 1998, Chairman and Director of Beers Construction Company, Atlanta, Georgia. Director of SunTrust Bank, Atlanta, and Rock Tenn Company. Director of ALLTEL since 1994. Chairman of Compensation Committee and member of Governance Committee. Age 46.
[Mahony Photo]	**Emon A. Mahony, Jr.,** Chairman of the Board of Arkansas Oklahoma Gas Corporation, Fort Smith, Arkansas; Vice President, Secretary, and Director of Mahony Corporation; Partner in EAM LLC. Director of ALLTEL since 1980. Chairman of Pension Trust Investment Committee and member of Executive Committee. Age 61.
[Townsend Photo]	**Ronald Townsend,** Communications Consultant, Jacksonville, Florida. Director of Bank of America Corporation, Winn Dixie Stores, and Rayonier. Director of ALLTEL since 1992. Chairman of Governance Committee and member of Pension Trust Investment Committee. Age 61.

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DIRECTORS TERM ENDING 2005

[John R. Belk Photo]	**John R. Belk**, President of Finance, Systems & Operations of Belk, Inc., Charlotte, North Carolina (a department store retailer); prior to May 4, 1998, President and Chief Operating Officer of Belk Stores Services, Inc. Director of Ruddick Corporation and Bank of America. Director of ALLTEL since 1996. Member of Compensation and Audit Committees. Age 44.
[Goodman Photo]	**Charles H. Goodman**, Vice Chairman of Henry Crown and Company (a diversified investment company). Director of General Dynamics Corporation. Director of ALLTEL since 1998. Member of Audit, Pension Trust Investment, and Executive Committees. Age 69.
[Penske Photo]	**Gregory W. Penske,** President and Director of Penske Automotive Group Inc., El Monte, California; Director of Penske Corporation, Detroit, Michigan; Director of International Speedway Corp., Daytona Beach, Florida. Director of ALLTEL since 2000. Member of Compensation Committee. Age 40.
[Reed Photo]	**Frank E. Reed,** Retired; prior to July 1, 1998, non-management Chairman of the Board of Directors of 360° Communications Company; former President and Chief Executive Officer of Philadelphia National Bank. Director of Harleysville Group, Inc. Director of ALLTEL since 1998. Chairman of Audit Committee and member of Pension Trust Investment Committee. Age 67.
[Stephens Photo]	**Warren A. Stephens,** Chairman of the Board, President and Chief Executive Officer of Stephens Inc. Director of Dillards Inc. Director of ALLTEL since 2002. Member of Executive Committee. Age 46.

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BOARD AND BOARD COMMITTEE MATTERS

The Sarbanes-Oxley Act of 2002 and the related rules of the Securities and Exchange Commission (SEC) and proposed amendments to the New York Stock Exchange Rules have significantly changed the corporate governance requirements applicable to ALLTEL. These changes primarily affect the requirements related to corporate governance principles applicable to boards of directors, codes of ethics, and charters for committees of boards of directors.

ALLTEL s Board has had corporate governance principles since 1995, and ALLTEL has had a code of ethics and related compliance programs applicable to all officers, directors, and employees for a number of years. In addition, the Audit Committee of the Board has had a written charter since 2000. Nonetheless, the significant changes effected by the foregoing legislation and rules have necessitated amendments to ALLTEL s existing corporate governance principles and Audit Committee charter and the adoption of written charters for the Compensation Committee and the Governance Committee. Accordingly, at its regular meeting on January 23, 2003, the Board adopted Amended and Restated Corporate Governance Board Guidelines (the Amended Guidelines), an amended Audit Committee Charter, and original charters for the Compensation Committee and the Governance Committee. Copies of the Amended Guidelines and the Audit Committee Charter, the Compensation Committee Charter, and the Governance Committee Charter are attached to this proxy statement as Appendices B, C, D, and E, respectively. In connection with the adoption of the Amended Guidelines, the Board also adopted a resolution specifying that executive sessions of the non-management directors of ALLTEL would occur at the end of each regular meeting of the Board in January, April, July, September, and October of each year and that the non-management director presiding at those sessions would rotate (in order) among the Chairmen of the Audit Committee, the Compensation Committee, the Governance Committee, and the Pension Trust Investment Committee.

During 2002, there were seven meetings of ALLTEL s Board of Directors. All of the directors attended 75% or more of the meetings of the Board and Board Committees on which they served. The standing Committees of the Board are the Executive Committee, Audit Committee, Compensation and Equity Incentive Committee, Governance Committee, and Pension Trust Investment Committee. The Amended Guidelines and related Audit Committee Charter, Compensation Committee Charter, and Governance Committee Charter specify the functions of those Committees. The Audit Committee held six meetings during 2002, and the Compensation Committee and Governance Committee each held four meetings during 2002.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

Set forth below is certain information, as of February 24, 2003, with respect to any person known to ALLTEL to be the beneficial owner of more than 5% of any class of ALLTEL s voting securities, all of which are shares of Common Stock:

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Capital Research and Management Company 333 South Hope Street Los Angeles, CA 90071	19,824,400 shares (sole voting and investment power)	6.4%

Set forth below is certain information, as of February 24, 2003, as to shares of each class of ALLTEL equity securities beneficially owned by each of the directors, each of the executive officers identified in the Summary Compensation Table on page 12, and by all directors and executive officers of ALLTEL as a group. Except as otherwise indicated by footnote, all shares reported below are shares of Common Stock, and the nature of the beneficial ownership is sole voting and investment power:

	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class (if 1% or more)
Directors	John R. Belk	48,921(a)	
	Dennis E. Foster	348,668(a)	
	Lawrence L. Gellerstedt, III	58,795(a)	
	Charles H. Goodman	7,957,402(a)(b)	2.56
	Emon A. Mahony, Jr.	97,131(a)(c)	
	John P. McConnell	50,766(a)	
	Josie C. Natori	48,140(a)	
	Gregory W. Penske	25,939(a)	
	Frank E. Reed	55,172(a)	
	Fred W. Smith	70,305(a)	
	Warren A. Stephens	14,250,277(a)(d)	4.58
	Ronald Townsend	26,172(a)	
Named Executive Officers	Joe T. Ford	1,711,936(e)	
	Scott T. Ford	802,112(e)	
	Kevin L. Beebe	468,787(e)	
	Jeffrey H. Fox	563,494(e)	
	Francis X. Frantz	415,173(e)	
	Michael T. Flynn	356,139(e)	
All Directors and Executive Officers as a Group		27,673,421(f)	8.90

(a) Includes shares that the indicated persons have the right to acquire (through the exercise of options) on or within 60 days after February 24, 2003, as follows: John R. Belk (45,000); Dennis E. Foster (308,545); Lawrence L. Gellerstedt, III (48,225); Charles H. Goodman (35,000); Emon A. Mahony, Jr. (46,000); John P. McConnell (47,000); Josie C. Natori (46,538); Gregory W. Penske (23,000); Frank E. Reed (41,660); Fred W. Smith (29,500); Warren A. Stephens (16,500); and Ronald Townsend (25,000).

(b) The nature of the beneficial ownership is shared voting and investment power with respect to all of the shares. Mr. Goodman disclaims beneficial ownership of all these shares, except 1,741 shares owned by him, 37,750 shares owned by a trust of which he is the trustee and principal beneficiary, and his pro rata share of 1,571,201 shares owned directly or indirectly by partnerships in which he is a partner.

(c) Includes 2,595 shares held by Mr. Mahony s spouse, with respect to which Mr. Mahony has shared investment power and no voting power.

(d) Mr. Stephens disclaims beneficial ownership of 14,114,937 of these shares, except to the extent of his pecuniary interest in them.

(e) Includes shares that the indicated persons have the right to acquire (through the exercise of options) on or within 60 days after February 24, 2003, as follows: Joe T. Ford (985,000); Scott T. Ford (750,000); Kevin L. Beebe (460,377); Jeffrey H. Fox (553,300); Francis X. Frantz (351,000); and Michael T. Flynn (339,676).

(f) Includes a total of 4,466,075 shares that members of the group have the right to acquire (through the exercise of options) on or within 60 days after February 24, 2003.

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COMPARATIVE STOCKHOLDER RETURN

Set forth below is a line graph showing a five-year comparison of cumulative total stockholder return on Common Stock; the Standard & Poor s 500 Stock Index; and an index of a group of peer issuers consisting of the following companies: American Management Systems, Incorporated, AT&T Corp., BellSouth Corporation, CenturyTel, Inc., Broadwing Communications Inc., Electronic Data Systems Corp., SBC Communications Inc., Sprint FON Group, Verizon Communications Inc., and Qwest Communications International Inc., respectively. The returns of the group of peer issuers have been weighted according to their respective stock market capitalizations as of the last trading day of 2002.

Comparison of Five-Year Cumulative Total Return*

[LINE GRAPH]

	ALLTEL	S&P 500	Peer Group
Dec-97	$100.00	$100.00	$100.00
Dec-98	148.62	128.34	143.76
Dec-99	208.39	155.15	156.07
Dec-00	160.60	141.14	129.45
Dec-01	162.21	124.42	117.14
Dec-02	137.62	97.08	86.47

* Assumes that $100 was invested on the last trading day of 1997 and that all dividends were reinvested.

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COMPENSATION COMMITTEE REPORT

ON EXECUTIVE COMPENSATION

This report provides information concerning determinations by the Compensation Committee (the Committee) of ALLTEL s Board of Directors for compensation reported for 2002 with respect to ALLTEL s Chief Executive Officer and other executive officers, including the officers named in the Summary Compensation Table on page 12. The Committee is comprised entirely of independent, non-employee directors, none of whom has any interlocking relationships as defined for proxy statement disclosure purposes.

The Committee reviewed compensation information from a group of 17 telecommunications and information services companies that compete in ALLTEL s principal lines of business and utilized regression analysis on that information to mitigate the impact of company size on compensation levels for the comparison group. This comparison group of 17 companies is not identical to the group of peer issuers identified in the Comparison of Five-Year Cumulative Total Return graph on page 7.

Base Salaries

The Committee reviews the base salaries of ALLTEL s executive officers annually and positions each officer s base salary in relation to the mean of the comparison group having considered each officer s performance during the prior year (without assigning a precise weighting to the foregoing components). In 2002, ALLTEL s relative competitiveness with the comparison group increased marginally from 2001 with the mean base salary for the officer group approximately 2% above the corresponding mean base salaries of the comparison group. The Committee did not increase the base salaries of any of ALLTEL s executive officers for 2002, nor did the Committee increase Mr. Scott T. Ford s salary when he succeeded Mr. Joe T. Ford as Chief Executive Officer on July 1, 2002.

Annual Incentives

ALLTEL s Performance Incentive Compensation Plan (the Incentive Plan) provides ALLTEL s executive officers with the opportunity to receive annual cash incentive payments (calculated as a percentage of each executive officer s base salary). The Incentive Plan is based exclusively on the achievement of an earnings per share objective from current businesses established by the Committee at the beginning of the year. The Committee establishes the criteria at three levels, minimum , mid-point , and target . For 2002, the mid-point primary earnings per share objective from current businesses was $3.15. The Committee positions each officer s mid-point total direct compensation (base salary plus Incentive Plan payment), so that each officer s total direct compensation is at the 60th percentile of total direct compensation of corresponding officers of the comparison group. As reflected in the Summary Compensation Table, Mr. Scott T. Ford received a $2,154,750 payment under the Incentive Plan for 2002, which reflects ALLTEL s achievement of the financial performance criteria between the mid-point and target levels.

Long Term Incentives

ALLTEL s long term incentives for executive officers include payments under the Long-Term Performance Incentive Compensation Plan (the Long-Term Incentive Plan) and stock option grants. The Long-Term Incentive Plan provides ALLTEL s executive officers with the opportunity to receive cash incentive payments based on a three-year measurement period (calculated as a percentage of each executive officer s average annual salary during that three-year period). The Long-Term Incentive Plan is based exclusively on the achievement of the minimum , mid-point , or target earnings per share objective from current businesses during that three-year period. The mid-point earnings per share objective from current businesses (averaged over a three year period) for the three-year period of 2000-2002 was $2.97. The Committee believes the design of the Long-Term Incentive Plan focuses ALLTEL s executive officers on ALLTEL s long-term financial success.

The Committee positions each officer s mid-point bonus opportunity under the Long-Term Incentive Plan so that each officer s net total compensation (base salary, Incentive Plan and Long-Term Incentive Plan payments and stock option grant) is at the 60th percentile of the net total compensation of the corresponding officers of the

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comparison group. As reflected in the Summary Compensation Table, Mr. Scott T. Ford received a $655,200 payment under the Long-Term Incentive Plan with respect to the three-year measurement period of 2000-2002, which reflects ALLTEL s achievement of the financial performance criteria between the minimum and mid-point levels.

ALLTEL s stock option plans allow ALLTEL s executive officers to receive options to purchase shares of Common Stock at the market price on the date of grant. The Committee believes that stock option grants encourage and reward effective management, assist in the retention of valued executive officers, and align shareholder and management interests. The Committee determined the respective number of options granted to each officer during 2002 by considering the competitiveness of each officer s net total compensation in relation to the 60th percentile of the net total compensation of corresponding officers of the comparison group and the Committee s subjective judgment of the value of that officer s contribution to ALLTEL (without assigning a precise weighting to the components comprising that contribution). As reflected in the Summary Compensation Table, Mr. Scott T. Ford received 300,000 options in 2002.

Deductibility Limits

Section 162(m) of the Internal Revenue Code generally does not allow a deduction for annual compensation in excess of $1,000,000 paid to ALLTEL s Chief Executive Officer or to any other ALLTEL officer or executive whose individual compensation during the year would be required to be disclosed in ALLTEL s annual proxy statement by reason of being among ALLTEL s four highest compensated officers for the year (other than the Chief Executive Officer). This limitation on deductibility does not apply to certain compensation, including compensation that is payable solely on account of the attainment of one or more performance goals. The Committee s policy is generally to preserve the federal income tax deductibility of compensation and to qualify eligible compensation for the performance-based exception in order for compensation not to be subject to the limitation on deductibility imposed by Section 162(m) of the Internal Revenue Code; the Committee may, however, approve compensation that may not be deductible if the Committee determines that the compensation is in the best interests of ALLTEL.

The Compensation Committee

Lawrence L. Gellerstedt, III, Chairman
John R. Belk
John P. McConnell
Gregory W. Penske

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AUDIT COMMITTEE REPORT

This report provides information concerning the Audit Committee of the Board of Directors. The Audit Committee s Amended and Restated Charter is attached to this proxy statement as Appendix C. The Audit Committee is comprised entirely of independent directors, as defined and required by currently applicable New York Stock Exchange (NYSE) listing standards.

In connection with its function to oversee and monitor ALLTEL s financial reporting process, the Audit Committee has reviewed and discussed with ALLTEL s management the audited financial statements for the year ended December 31, 2002; discussed with PricewaterhouseCoopers LLP, ALLTEL s independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (as amended by Statement on Auditing Standards No. 90); and received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 and has discussed with PricewaterhouseCoopers LLP its independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements for the year ended December 31, 2002, be included in Appendix A and in ALLTEL s 2002 Annual Report on Form 10-K for filing with the SEC.

The Audit Committee

Frank E. Reed, Chairman
John R. Belk
Charles H. Goodman
Fred W. Smith

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MANAGEMENT COMPENSATION

Compensation of Directors

Non-management directors of ALLTEL receive $50,000 as an annual base fee and $1,500 for each Committee and Board meeting attended. Each non-management director of ALLTEL who chairs a Board Committee receives an additional annual fee of $5,000. Directors may elect to defer all or a part of their cash compensation under ALLTEL s deferred compensation plan for directors.

Under the 1999 Nonemployee Directors Stock Compensation Plan, a portion of each nonemployee director s annual base fee is paid in restricted shares of Common Stock that are subject to forfeiture if the nonemployee director ceases to be a director prior to the first day of the following year for any reason other than death, disability, or retirement. The number of restricted shares of Common Stock issued to each nonemployee director is determined by dividing the market price of a share of Common Stock on the first business day of the year into the portion of the annual retainer that is to be paid in restricted shares. In 2002, 50% of the annual retainer was paid by the issuance of 400 restricted shares. The Board of Directors may change the portion of the annual base fee payable in restricted shares of Common Stock, at least six months prior to the beginning of any year, and any nonemployee director may elect, at least six months prior to the beginning of any year, to receive restricted shares of Common Stock for a higher portion of the annual base fee than the portion fixed by the Board. Unless terminated earlier by the Board of Directors, the plan will continue until the 500,000 shares of Common Stock available under the plan have been issued and vested.

Under the 1994 Stock Option Plan for Nonemployee Directors, as amended (the Directors Plan), each nonemployee director automatically receives the initial grant of an option to purchase 10,000 shares of Common Stock on the date he or she first becomes a nonemployee director, at an exercise price equal to the closing market price of the Common Stock on that date. The Director Plan also provides for the automatic grant, following the conclusion of each annual meeting of stockholders, of an option to purchase 6,500 shares of Common Stock to each nonemployee director (other than a director who was elected at an annual meeting). The option price of options granted under the Directors Plan is the fair market value of the Common Stock on the date the option is granted and is payable in cash, already-owned Common Stock, or a combination of both. The options vest and become exercisable on the day immediately preceding the next annual meeting of stockholders following the date of grant or, if earlier, on the death or disability of the holder or the occurrence of a change of control . If a person ceases to be a nonemployee director, all vested options held by the person continue to be exercisable for a period of six months or the earlier expiration of the ten-year term of the option. Any options that have not vested by the time the person ceases to be a nonemployee director may not thereafter be exercised. The Director Plan will continue until the 1,000,000 shares of Common Stock available under the plan are issued, unless the plan is earlier terminated by the Board of Directors.

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Compensation of Named Executive Officers

The following table shows the compensation, for each of the last three years, of ALLTEL s Chief Executive Officer and of ALLTEL s other four most highly compensated executive officers who were serving as executive officers on December 31, 2002, and one additional executive officer who retired as an executive officer during 2002:

SUMMARY COMPENSATION TABLE

			Annual Compensation			Long-Term Compensation		
						Awards	Payouts	
Name	Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compen-sation ($)	Securities Underlying Options (#)	Long-Term Incentive Plan Payouts ($)	All Other Compen-sation ($)
Joe T. Ford	Chairman	2002	500,000(a)	1,316,250	71,967(b)	450,000	714,097	117,888(c)
	Chairman and CEO	2001	1,000,000	1,250,000		320,000	1,158,750	189,255
	Chairman and CEO	2000	825,000	1,237,500		625,000	778,750	118,520
Scott T. Ford	President and CEO	2002	850,000	2,154,750	72,910(b)	300,000	655,200	106,043(d)
	President and COO	2001	850,000	1,020,000	79,540	250,000	752,500	94,146
	President and COO	2000	700,000	945,000		575,000	525,000	79,580
Kevin L. Beebe	Group President Communications	2002	550,000	1,018,875		150,000	339,733	59,680(d)
	Group President Communications	2001	550,000	467,500		110,000	412,500	61,104
	Group President Communications	2000	500,000	1,562,500		425,000	325,000	105,158
Jeffrey H. Fox	Group President Information Services	2002	550,000	1,018,875		150,000	339,733	73,402(d)
	Group President Information Services	2001	550,000	467,500		110,000	412,500	78,441
	Group President Information Services	2000	500,000	562,500		425,000	371,250	78,909
Francis X. Frantz	Exec. Vice President and Secretary	2002	450,000	789,750		150,000	256,317	56,076(d)
	Exec. Vice President and Secretary	2001	450,000	360,000		110,000	330,000	55,899
	Exec. Vice President and Secretary	2000	400,000	420,000		325,000	267,500	49,749
Michael T. Flynn	Group President Chief Information Officer	2002	425,000	745,875		75,000	227,500	43,855(d)
	Group President Communications	2001	425,000	340,000		110,000	331,375	43,861
	Group President Communications	2000	400,000	390,000		150,000	282,500	40,889

(a) Mr. Ford retired as Chief Executive Officer on July 1, 2002. The amount of Mr. Ford s salary shown for 2002 includes only amounts payable through June 30, 2002.

(b) Includes compensation to Messrs. Joe T. Ford and Scott T. Ford related to personal usage of corporate aircraft in the respective amounts of $70,049 and $65,871.

(c) Includes the following amounts: employer contributions to the ALLTEL Profit Sharing Plan and ALLTEL Thrift Plan in the amount of $8,000; and allocated benefits under the ALLTEL Benefit Restoration Plan in the amount of $109,888.

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(d) Includes the following amounts for Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn: allocated benefits under the ALLTEL Benefit Restoration Plan in the respective amounts of $96,900, $49,200, $59,778, $37,600, and $35,855; aggregate employer contributions under the ALLTEL Profit Sharing Plan and ALLTEL Thrift Plan in the respective amounts of $8,000, $8,000, $6,000, $8,000, and $8,000; above-market earnings on deferred compensation in the respective amounts of $1,143, $2,480, $7,624, $-0-, and $-0- (payment of which is deferred until the deferred compensation is paid); and dollar amount of premiums paid under supplemental split dollar life insurance policies in the amount of $10,476 for Mr. Frantz.

OPTION GRANTS IN 2002

The following table shows information concerning stock option grants during 2002 to ALLTEL s executive officers named in the Summary Compensation Table on page 12:

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term			
					5%		10%	
Name	Number of Securities Underlying Options Granted (#)(a)	% of Total Options Granted to Employees in 2002	Exercise or Base Price ($/Sh)	Expiration Date	Stock Price ($)	Dollar Gains ($)	Stock Price ($)	Dollar Gains ($)
Joe T. Ford	450,000	14.71	56.07	1/23/12	91.33	15,867,955	145.43	40,212,513
Scott T. Ford	300,000	9.81	56.07	1/23/12	91.33	10,578,637	145.43	26,808,342
Kevin L. Beebe	150,000	4.90	56.07	1/23/12	91.33	5,289,318	145.43	13,404,171
Jeffery H. Fox	150,000	4.90	56.07	1/23/12	91.33	5,289,318	145.43	13,404,171
Francis X. Frantz	150,000	4.90	56.07	1/23/12	91.33	5,289,318	145.43	13,404,171
Michael T. Flynn	75,000	2.45	56.07	1/23/12	91.33	2,644,659	145.43	6,702,085
Dollar Gains of All ALLTEL Stockholders(b)						$10,972,310,817		$27,807,308,412

(a) These options become exercisable in five equal installments beginning on the first anniversary of the date of grant or sooner in the event ALLTEL experiences a change in control .

(b) Total dollar gains are based on the indicated assumed annual rates of appreciation in the option exercise price, calculated on the 311,182,950 shares of Common Stock outstanding as of December 31, 2002.

OPTION EXERCISES IN 2002 AND 2002 YEAR-END OPTION VALUES

The following table shows information concerning stock option exercises during 2002 by ALLTEL s executive officers named in the Summary Compensation Table on page 12:

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at 2002 Year-End Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at 2002 Year-End Exercisable/Unexercisable ($)
Joe T. Ford	140,000	5,384,400	781,500/1,443,500	10,743,750/1,856,250
Scott T. Ford	-0-	-0-	595,000/1,165,000	7,558,750/1,650,000
Kevin L. Beebe	2,124	86,022	346,917/ 733,000	2,848,715/ -0-
Jeffery H. Fox	-0-	-0-	466,300/ 760,500	6,112,025/1,443,750
Francis X. Frantz	-0-	-0-	276,000/ 599,000	3,432,500/ 825,000

Michael T. Flynn	-0-	-0-	284,676/ 359,000	3,897,473/ 825,000

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LONG-TERM INCENTIVE PLAN AWARDS IN 2002

The following table shows information concerning the awards made during 2002 under the ALLTEL Long-Term Incentive Plan with respect to the three-year measurement period 2002 through 2004 to ALLTEL s Chief Executive Officer and to ALLTEL s four other most highly-compensated executive officers named in the Summary Compensation Table on page 12 :

		Estimated Future Payouts*		
Name	**Performance Period Until Payout**	**Minimum ($)**	**Mid-Point ($)**	**Target ($)**
Scott T. Ford	3 years	552,500	1,105,000	1,657,500
Kevin L. Beebe	3 years	220,000	440,000	660,000
Jeffery H. Fox	3 years	220,000	440,000	660,000
Francis X. Frantz	3 years	180,000	360,000	540,000
Michael T. Flynn	3 years	170,000	340,000	510,000

* Awards will be paid upon completion of the 2004 year on the basis of ALLTEL s performance during the three year period 2002-2004 as determined by ALLTEL s attainment of prescribed corporate and unit performance targets. The Compensation Committee of the Board of Directors specified those corporate and unit performance targets and the award levels for the indicated executive officers (which are stated as a percentage of each executive officer s average base salary during the 2002-2004 period). The estimated future payouts shown above assume that each executive officer s average base salary during the 2002-2004 period would be the same as his base salary during 2002. Mr. Joe T. Ford will not receive an award under the Long-Term Incentive Plan with respect to the three-year measurement period 2002 through 2004.

OTHER COMPENSATION ARRANGEMENTS

Agreements with Mr. Joe T. Ford

Mr. Joe T. Ford, ALLTEL s Chairman, was employed as ALLTEL s Chief Executive Officer until July 1, 2002, whereupon he retired as Chief Executive Officer and thereafter continued to serve as Chairman of ALLTEL s Board of Directors. Mr. Ford s services as Chief Executive Officer and as Chairman are governed by written agreements between ALLTEL and Mr. Ford that are summarized below.

For his services as Chief Executive Officer during 2002 prior to his retirement, Mr. Ford received, in addition to his base salary, a bonus under the Incentive Plan for 2002 equal to the actual Incentive Plan payment that would have occurred had his employment as Chief Executive Officer continued through December 31, 2002, pro rated to reflect the portion of the year during which Mr. Ford served as Chief Executive Officer, and a bonus under the Long-Term Incentive Plan for 2002 equal to the actual Long-Term Incentive Plan payment that would have been payable had his employment as Chief Executive Officer continued through December 31, 2002, pro rated to reflect the portion of the Long-Term Incentive Plan measurement period ending in 2002 during which Mr. Ford served as Chief Executive Officer.

Since retiring as Chief Executive Officer, Mr. Ford is receiving a monthly retirement benefit of $208,333.33. This retirement benefit will continue for his lifetime and will be paid in lieu of payments under ALLTEL s defined benefit pension plan described below. If Mr. Ford is survived by his spouse, she will be entitled to receive for her lifetime 50% of the monthly retirement benefit payable to Mr. Ford. The Compensation Committee of ALLTEL s Board of Directors may, with Mr. Ford s consent, accelerate the payment of Mr. Ford s retirement benefit in an actuarially equivalent single-sum payment. Mr. Ford and his spouse will be entitled to receive lifetime post-retirement medical coverage on a non-contributory basis, together with reimbursement for any taxes imposed on Mr. Ford or his spouse with respect to those medical coverages or benefits.

Mr. Ford will continue to serve as Chairman of ALLTEL s Board of Directors until the earliest of his retirement from the Board of Directors under ALLTEL s Board of Directors retirement policy, his resignation as

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Chairman of the Board of Directors, his failure to be reelected to the Board of Directors at ALLTEL s 2003 Annual Meeting of Stockholders, or the termination by the Board of Directors of Mr. Ford s status as Chairman of the Board following ALLTEL s 2003 Annual Meeting of Stockholders. For his services as Chairman of the Board, Mr. Ford is being paid cash compensation of $20,833.33 per month, and, for purposes of determining the vesting of his stock options outstanding at the time of his retirement as Chief Executive Officer, Mr. Ford will be treated as if his employment with ALLTEL had continued during the period he continues to serve as Chairman of the Board. During his tenure as Chairman of the Board, Mr. Ford will receive reimbursement for country club membership on the same basis as in effect at the time of his retirement as Chief Executive Officer. Mr. Ford also will receive the following perquisites on the same basis as provided to senior executives of ALLTEL from time to time: physical exam reimbursement, tax/estate planning reimbursement, and corporate plane usage. The foregoing compensation to Mr. Ford for his services as Chairman of the Board will be in lieu of any director fees, director meeting fees, director options, director stock grants, or other amounts otherwise payable to a member of the Board of Directors.

Mr. Ford is eligible for reimbursement of any excise tax under Section 4999 of the Internal Revenue code (and for any excise, income, or employment tax resulting from that reimbursement, successively, so as to offset the Internal Revenue Code Section 4999 excise tax) imposed on any payments to Mr. Ford from ALLTEL.

Supplemental Retirement Benefit Agreement with Mr. Michael T. Flynn

ALLTEL is a party to an agreement with Mr. Flynn that provides for the following: Upon termination of employment for any reason other than death, Mr. Flynn is entitled to receive monthly retirement benefits in the form of a life annuity with a minimum of 120 monthly payments (although certain optional forms of payment are available). Benefit payments commence at the later of employment termination or attainment of age 55. If the benefit commences on or after attainment of age 60, the monthly payment is $7,344.67. If the benefit commences prior to age 60, the payments are reduced by ..5% for each month by which the commencement date precedes Mr. Flynn s 60th birthday. Certain benefits are payable to his surviving spouse if Mr. Flynn dies before payments commence. Benefits are reduced by certain benefits paid under other nonqualified benefit plans. If Mr. Flynn becomes employed by a competitor of ALLTEL within three years following his termination of employment, benefits are not payable after he becomes employed by the competitor.

ALLTEL is required to provide Mr. Flynn with a non-qualified defined contribution arrangement under which he received a one-time employer contribution credit in 1995 of $13,953 to a supplemental benefit account. The supplemental benefit account is credited with earnings and losses in the same manner as an account under the ALLTEL Corporation Profit-Sharing Plan. The supplemental benefit account is payable following his termination of employment.

If Mr. Flynn terminates employment prior to the time he is eligible for an unreduced early retirement benefit under the ALLTEL Pension Plan, he will receive a non-qualified subsidized early retirement benefit from ALLTEL determined as if he had an additional twenty-four years of vesting service. If Mr. Flynn dies before benefit payments commence, a benefit is payable to his surviving spouse.

Change in Control Agreements

ALLTEL is a party to agreements with each of Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn which provide that if, following a change in control , the executive s employment terminates within twelve months (unless the termination is as a result of death, by ALLTEL as a result of the executive s disability or for cause , or by the executive without good reason) or if, after remaining employed for twelve months, the executive s employment terminates during the following three-month period (unless the termination is a result of death or is by ALLTEL as a result of the executive s disability) (each of the foregoing events being referred to as a Payment Trigger), ALLTEL is required to pay the executive an amount equal to three times the sum of his base salary as in effect immediately prior to the change in control or Payment Trigger and the maximum amounts he could have received under the Incentive Plans for the period commencing coincident with or most recently prior to the period in which the change in control or Payment Trigger occurs, but reduced by any other cash severance

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paid to him. ALLTEL also is required to make an additional payment to the executive in the amount of any excise tax under Section 4999 of the Internal Revenue Code as a result of any payments or distributions by ALLTEL plus the amount of all additional income tax payable by him as a result of such additional payments. Payments under the agreements are covered by ALLTEL s grantor trust described below.

Defined Benefit Pension Plan

ALLTEL maintains a trusteed, noncontributory, defined benefit pension plan covering salaried and non-salaried employees under which benefits are not determined primarily by final compensation (or average final compensation). Under this pension plan, Messrs. Scott T. Ford, Beebe, Frantz, and Flynn would have each period of post-January 1, 1988, service credited at 1% of compensation, plus .4% of that part of his compensation that exceeds the Social Security Taxable Wage Base for such year. Service prior to 1988, if any, would be credited on the basis of a percentage of his highest consecutive five-year average annual base salary, equal to 1% for each year of service prior to 1982 and thereafter increasing by .05% each year until 1988, but only prospectively, i.e., with respect to service earned in such succeeding year; in addition, each of Messrs. Scott T. Ford, Beebe, Frantz and Flynn would receive an additional credit of .25% for each pre-1988 year of service after age 55, subject to a maximum of 10 years such credit, and would have added to his annual pension benefits an amount equal to .4% of the amount by which his pre-1988 career average annual base salary (three highest years) exceeds his Social Security covered compensation, multiplied by his years of pre-1988 credited service. Various benefit payment options are available on an actuarially equivalent basis, including joint and survivor benefits. Compensation included in the pension base includes cash awards under the Incentive Plans.

Assuming annual increases in compensation in future years of 5% per year, continuation in the position he held during 2002, and retirement at age 65, the estimated annual benefit under the pension plan for each of Messrs. Scott T. Ford, Beebe, Frantz, and Flynn is $1,900,732, $851,158, $472,154, and $302,283 respectively. (Messrs. Joe T. Ford and Fox, the only other executives included in the Summary Compensation Table on page 12, currently are not participants in and are not entitled to benefits under the pension plan.) Amounts shown are straight life annuity amounts and include amounts payable under the defined benefit portion of the ALLTEL Benefit Restoration Plan.

Benefit Restoration Plan

Federal laws place certain limitations on pensions that may be paid under federal income tax qualified plans. The ALLTEL Benefit Restoration Plan provides for the payment to certain employees outside tax-qualified plans of any amounts not payable under the tax-qualified plans by reason of limitations specified in the Internal Revenue Code. Currently, under the ALLTEL Benefit Restoration Plan, Messrs. Joe T. Ford, Scott T. Ford, Beebe, Fox, Frantz, and Flynn are eligible for accruals with respect to benefits not payable under ALLTEL s defined contribution plans, and Messrs. Scott T. Ford, Beebe, Frantz, and Flynn are eligible for accruals with respect to benefits not payable under ALLTEL s defined benefit pension plan. Amounts accrued, if any, under the defined contribution portion of these plans in 2002 for each of these executives are included in the Summary Compensation Table on page 12.

Supplemental Executive Retirement Plan

ALLTEL maintains a non-qualified supplemental executive retirement plan (the SERP) in which certain employees designated by the Board of Directors, including Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn, participate. The SERP provides with respect to Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn that, upon normal retirement at age 65 (or, if earlier, following a Payment Trigger that occurs after the participant s early retirement date), the executive will receive an annual benefit under the SERP, payable as a single life annuity, equal to 60% of (A) if a Payment Trigger has not occurred, the greater of (i) his base salary and payments to him under specified incentive compensation plans paid during the calendar year preceding his retirement, or (ii) his average annual base salary and payments to him under specified incentive compensation plans paid during the three calendar years preceding his retirement; or (B) if a Payment Trigger has occurred, the greater of (i) the amount determined under (A) above (as if a Payment Trigger had not occurred), or (ii) the sum of (a) his annual

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base salary in effect immediately prior to the change in control (as defined in the change in control agreements described above), the Payment Trigger, or his retirement date, whichever is greatest, plus (b) the maximum amounts payable to him under specified incentive compensation plans for the period coincident with or most recently prior to the change in control, the Payment Trigger, or his retirement date, whichever is greatest. The amount of the normal retirement benefit under the SERP is not determined based on years of service.

Each of Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn also is entitled to an early retirement benefit under the SERP if he retires before becoming entitled to the normal retirement benefit but after attaining the age of 60 with 15 or more years of service or age 55 with 20 or more years of service or after a Payment Trigger occurs (regardless of his years of service). The early retirement benefit is calculated the same as the normal retirement benefit, except that the percentage used in the calculation is 45% (increased ratably for the number of years of his service after the early retirement date, up to a maximum of 60%) rather than 60%.

If Messrs. Scott T. Ford, Beebe, Fox, Frantz, or Flynn dies after benefits commence, his surviving spouse will receive 50% of the amount that he was receiving prior to his death. If he dies while employed, his surviving spouse will receive 50% of the amount that he would have received if he had retired on the day before death. Following retirement, each of Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn (and his spouse and dependents) also is entitled to receive post-retirement medical benefits under the SERP together with reimbursement for any additional taxes incurred as a result of the benefits being taxed less favorably than they would have been if received by other retired employees. Payments to Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn under the SERP are covered by ALLTEL s grantor trust described below.

The retirement benefits payable under the SERP are reduced by certain benefits paid under other qualified and nonqualified benefit plans. The benefits under the SERP are not subject to offset for Social Security. The Compensation Committee of ALLTEL s Board of Directors may accelerate the payment of benefits under the SERP on an actuarially equivalent basis. Assuming annual increases in compensation in future years of 5% per year, retirement at age 65, and based on estimates of the benefits that reduce the retirement benefits payable under the SERP, the estimated normal retirement benefit under the SERP payable for each of Messrs. Scott T. Ford, Beebe, Fox, Frantz, and Flynn is $1,727,245, $823,156, $1,785,872, $565,203, and $441,732, respectively.

Grantor Trust

ALLTEL maintains a grantor trust under Section 671 of the Internal Revenue Code (the Trust) to provide certain participants in designated compensation and supplemental retirement plans and arrangements with greater assurance that the benefits and payments to which those participants are entitled under those plans and arrangements will be paid. Contributions by ALLTEL to the Trust are discretionary. Prior to a change of control of ALLTEL (as defined in the trust agreement for the Trust), benefits may not be paid from the Trust.

Following a change of control of ALLTEL, benefits and payments may be paid from the Trust to the extent those benefits and payments are not paid by ALLTEL or its successor. The assets of the Trust are subject to the claims of the creditors of ALLTEL in the event ALLTEL becomes insolvent (as defined in the trust agreement for the Trust).

STOCKHOLDER PROPOSAL

Stockholders who intend to present proposals at the 2004 Annual Meeting, and who wish to have those proposals included in ALLTEL s Proxy Statement for the 2004 Annual Meeting, must be certain that those proposals are received by the Corporate Secretary at One Allied Drive, Little Rock, Arkansas 72202, prior to November 4, 2003. Such proposals must meet the requirements set forth in the rules and regulations of the SEC in order to be eligible for inclusion in the Proxy Statement for ALLTEL s 2004 Annual Meeting.

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ALLTEL has been notified that the following proposal will be presented for consideration at the 2003 Annual Meeting:

ALLTEL SEXUAL ORIENTATION NONDISCRIMINATION POLICY

WHEREAS: ALLTEL does not explicitly prohibit discrimination based on sexual orientation in its written employment policy,

Our industry competitors AT&T, BellSouth, Nextel, QWest, SBC, Sprint, Verizon and WorldCom do explicitly prohibit this form of discrimination in their written policies;

More than half of the Fortune 500 companies have adopted written nondiscrimination policies prohibiting harassment and discrimination on the basis of sexual orientation, as have more than 75% of Fortune 100 companies;

A 2000 study by Hewitt Associates, a compensation and management consulting firm, found that 64 percent of large employers prohibited discrimination on the basis of sexual orientation;

The hundreds of corporations with nondiscrimination policies that reference sexual orientation have a competitive advantage in recruiting and retaining employees from the widest talent pool;

According to a recent survey by Harris Interactive and Witeck-Combs, 41% of gay and lesbian workers in the United States report facing some form of hostility or harassment on the job; almost one out of every 10 gay or lesbian adults also stated that they had been fired or dismissed unfairly from a previous job, or pressured to quit a job because of their sexual orientation.

Atlanta, San Francisco, Seattle and Los Angeles have adopted legislation restricting business with companies that do not guarantee equal treatment for lesbian and gay employees, and similar legislation is pending in other jurisdictions;

Our company has operations in, and makes sales to, institutions in states and cities that prohibit discrimination on the basis of sexual orientation;

National public opinion polls consistently find more than three-quarters of the American people support equal rights in the workplace for gay men, lesbians and bisexuals; for example, in a Gallup poll conducted in June 2001, 85% of respondents favored equal opportunity in employment for gays and lesbians.

RESOLVED: The Shareholders request that ALLTEL amend its written equal employment opportunity policy to explicitly prohibit discrimination based on sexual orientation and to substantially implement that policy.

STATEMENT: Employment discrimination on the basis of sexual orientation diminishes employee morale and productivity. Because state and local laws are inconsistent with respect to employment discrimination, our company would benefit by a consistent, corporate-wide policy to enhance efforts to prevent discrimination, resolve complaints internally, and ensure a respectful and supportive atmosphere for all employees. ALLTEL will enhance its competitive edge by joining the growing ranks of companies guaranteeing equal opportunity for all employees.

Promptly upon receipt of an oral or written request, ALLTEL will provide shareholders with the name and address of each proponent and the number of shares of stock held by each proponent. Other than certain formatting change, the foregoing is the verbatim submission of the proponents. All statements therein are the sole responsibility of the proponents, and neither the management of ALLTEL nor the Board of Directors have verified their accuracy.

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Board of Directors Statement in Opposition to the Proposal

ALLTEL complies with all applicable federal, state and local laws concerning fair employment practices. ALLTEL lists in its written policies as forms of discrimination or harassment only those that are specifically prohibited by federal law. To try to name all possible examples would result in a long list that would only divert attention from the basic need for a fully compliant and non-discriminatory workplace.

The Board of Directors believes that ALLTEL s current policies and practices achieve the objectives of this proposal and that it is unnecessary and undesirable to make the suggested changes.

For the reasons set forth above, the Board of Directors urges ALLTEL s stockholders to reject this proposal. THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE ADOPTION OF THE FOREGOING STOCKHOLDER PROPOSAL. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED AGAINST THE PROPOSAL UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

CERTAIN TRANSACTIONS

ALLTEL engaged Stephens Inc., an affiliate of Stephens Group, Inc., to render investment banking and investment management services to ALLTEL and its subsidiaries during 2002, for which ALLTEL paid Stephens Inc. fees totaling $3,127,310 during the period January 1, 2002, through December 31, 2002. Stephens Group, Inc. beneficially owned, on February 24, 2003, 14,414,937 shares of Common Stock. Warren A. Stephens, an executive officer of Stephens Inc., is a director of ALLTEL.

ALLTEL believes that the transactions set forth above were conducted on terms that are no less favorable to ALLTEL than could have been obtained from unaffiliated third parties.

SECTION 16(a) BENEFICIAL OWNERSHIP

REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires ALLTEL s directors and executive officers, and persons who own more than ten percent of ALLTEL s Common Stock, to file with the SEC and the NYSE initial reports of ownership and reports of changes in ownership of that Common Stock. To ALLTEL s knowledge, based solely upon a review of copies of reports provided by those individuals to ALLTEL and written representations of those individuals that no other reports were required with respect to the year ended December 31, 2002, ALLTEL believes that all of the foregoing filing requirements applicable to its directors, executive officers, and greater-than-ten percent beneficial owners have been met, except that Sharilyn S. Gasaway, who became Controller of ALLTEL on July 25, 2002, did not file her initial Form 3 Report until August 21, 2002 (during which period she made no transactions in ALLTEL securities) and John R. Belk, a director, acquired a total of 147.469 shares of Common Stock during the period from October 1998 through October 2002, under a dividend reinvestment arrangement in his brokerage account that Mr. Belk did not report until he filed his Form 5 Report on February 13, 2003.

ANNUAL REPORT

The 2002 Annual Report accompanies this Proxy Statement. ALLTEL will provide, without charge upon written request, to any person receiving a copy of this Proxy Statement, a copy of ALLTEL s 2002 Form 10-K report, including the financial statements and the financial statement schedules thereto. Those requests should be addressed to Vice President-Investor Relations, ALLTEL Corporate Services, Inc., One Allied Drive, Little Rock, Arkansas 72202.

Only one copy of this proxy statement, and the accompanying Annual Report, is being delivered to stockholders who share an address, unless ALLTEL has received contrary instructions from one or more of the stockholders. ALLTEL will promptly deliver a separate copy of this proxy statement and the accompanying Annual Report to any stockholder at a shared address to which a single copy of those documents has been

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delivered upon the written or oral request from that stockholder to ALLTEL at the foregoing address or by calling (501) 905-8991. Any stockholder sharing a single copy of the proxy statement and Annual Report who wishes to receive a separate mailing of ALLTEL s proxy statement and Annual Report in the future and stockholders sharing an address and receiving multiple copies of ALLTEL s proxy statement and Annual Report who wish to share a single copy of those documents in the future should also notify ALLTEL at the foregoing address.

AUDIT AND NON-AUDIT FEES

PricewaterhouseCoopers LLP (PwC) has been selected as ALLTEL s independent auditors for 2003. Representatives of PwC are expected to be present at the 2003 Annual Meeting. Such representatives will have an opportunity to make a statement if they desire to do so, and to respond to appropriate questions.

Audit Fees

The aggregate fees incurred for professional services rendered for the audit of ALLTEL s annual financial statements for the fiscal year ended December 31, 2002, and the review of the financial statements included in ALLTEL s Forms 10-Q for the fiscal year ended December 31, 2002, were $2,218,010. These audit fees include services rendered for the audits of certain subsidiaries and wireless partnerships. During 2002, PwC was also engaged to perform an audit of ALLTEL s annual consolidated financial statements and certain subsidiaries for the fiscal year ended December 31, 2001. In connection with these services, ALLTEL incurred aggregate fees of $2,080,457.

Audit-Related Fees

The aggregate fees incurred during 2002 for assurance and related services by PwC that were reasonably related to the performance of the audit or review of ALLTEL s financial statements and are not reported above under the caption Audit Fees for the fiscal years ended December 31, 2002 and 2001, were $156,285 and $137,100, respectively, which amounts were incurred for the following categories of services:

	2002	2001
Employee benefit plan audits	$125,000	$137,100
Services rendered in connection with registered security issuances	31,285	
Totals	$156,285	$137,100

Tax Fees

The aggregate fees incurred during 2002 by ALLTEL for tax compliance, tax consulting and tax planning services by PwC for the fiscal years ended December 31, 2002 and 2001, were $90,200 and $44,847, respectively. These tax-related services include review of tax returns, tax payment planning services and tax advice related to acquisitions.

All Other Fees

The aggregate fees incurred during 2002 for services rendered to ALLTEL by PwC, other than those services covered in the sections captioned Audit Fees , Audit-Related Fees , and Tax Fees , related to the fiscal year ended December 31, 2001, were $506,793 for expatriate tax and administration services. These services include the preparation of year-end balance sheets, compensation summaries and tax liability calculations by taxing authority for employees of ALLTEL who reside and work in foreign countries.

In making its determination regarding the independence of PwC, the Audit Committee considered whether the provision of the services covered in the sections herein regarding Audit-Related Fees , Tax Fees and All Other Fees was compatible with maintaining such independence. The Audit Committee maintains the policy that no non-audit services may be requested of PwC without the Audit Committee s approval.

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STATEMENT REGARDING CHANGE IN INDEPENDENT AUDITORS

On May 7, 2002, the Audit Committee of the Board of Directors of ALLTEL authorized (1) the engagement of PwC as the independent auditors for ALLTEL for the calendar year 2002 and (2) the dismissal of ALLTEL s existing independent auditors, Arthur Andersen LLP (Andersen).

During the two fiscal years ended December 31, 2001, and the subsequent interim period through May 7, 2002, the date of the dismissal of Andersen (i) there were no disagreements with Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Andersen, would have caused Andersen to make reference in connection with its report to the subject matter of the disagreement and (ii) Andersen has not advised ALLTEL of any reportable events as defined in paragraphs (A) through (D) of Regulation S-K Item 304(a)(1)(v).

The accountant s report of Andersen on the consolidated financial statements of ALLTEL and its subsidiaries as of and for the years ended December 31, 2001 and 2000 did not contain any adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

During the two fiscal years ended December 31, 2001, and the subsequent interim period through May 7, 2002, PwC was not consulted by ALLTEL, or by anyone on ALLTEL s behalf, regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the financial statements of ALLTEL.

OTHER MATTERS

The management and the Board of Directors of ALLTEL do not know of any other matters that may come before the meeting. If any other matters properly come before the meeting, however, it is the intention of the persons named in the accompanying form of proxy to vote the proxy in accordance with their judgment on those matters. Under ALLTEL s Bylaws, nominations for director may be made only by the Board, or by an ALLTEL stockholder entitled to vote who has delivered notice to ALLTEL not fewer than 90 days nor more than 120 days prior to the first year anniversary of the immediately preceding year s annual meeting. The Bylaws also provide that no business may be brought before an annual meeting except as specified in the notice of the meeting or as otherwise brought before the meeting by or at the direction of the Board or by an ALLTEL stockholder entitled to vote who has delivered notice to ALLTEL (containing certain information specified in the Bylaws) within the time limits described above for delivering notice of a nomination for the election of a director. These requirements apply to any matter that an ALLTEL stockholder wishes to raise at an annual meeting other than in accordance with the procedures in SEC Rule 14a-8. A copy of the full text of the Bylaw provisions discussed above may be obtained by writing to the Corporate Secretary of ALLTEL, One Allied Drive, Little Rock, Arkansas 72202.

ALLTEL will bear the cost of solicitation of proxies. In addition to the use of the mail, proxies may be solicited by officers, directors, and employees of ALLTEL, personally or by telephone or electronic means. In the event the management of ALLTEL deems it advisable, ALLTEL may engage the services of an independent proxy solicitation firm to aid in the solicitation of proxies. The fees paid by ALLTEL, in the event of such an engagement, likely would not exceed $20,000. ALLTEL will pay persons holding stock in their names or those of their nominees for their expenses in sending soliciting material to their principals in accordance with regulations of the SEC and the NYSE.

The material referred to in this proxy statement under the captions Comparative Stockholder Return, Compensation Committee Report on Executive Compensation and Audit Committee Report shall not be deemed soliciting material or otherwise deemed filed and shall not be deemed to be incorporated by any general statement of incorporation by reference in any filings made under the Securities Act of 1933 or the Securities Exchange Act of 1934.

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IT IS IMPORTANT THAT ALLTEL S SHARES BE VOTED PROMPTLY. THEREFORE, STOCKHOLDERS ARE URGED TO FILL IN, DATE, SIGN, AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE, OR VOTE ON THE INTERNET OR BY TELEPHONE IN ACCORDANCE WITH THE INSTRUCTIONS SET FORTH ON THE PROXY CARD.

Dated: March 3, 2003

By Order of the Board of Directors,
FRANCIS X. FRANTZ,
Secretary

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APPENDIX A

ALLTEL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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ALLTEL CORPORATION

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During 2002, ALLTEL Corporation (ALLTEL or the Company) achieved solid financial results despite the effects of a sluggish economy, increased competition in its wireless business and a slight decline in wireline access lines. The Company continued to expand its core communications business in 2002, as evidenced by ALLTEL s purchase of wireline access lines in Kentucky from Verizon Communications Inc. (Verizon) and the purchase of substantially all of the wireless assets of CenturyTel, Inc. (CenturyTel). The acquired operations have been successfully integrated into ALLTEL s existing communications business. During 2002, the Company also continued its focus on controlling costs by restructuring its Competitive Local Exchange Carrier (CLEC), call center and retail store operations.

On January 28, 2003, ALLTEL signed a definitive agreement to sell the financial services division of its information services subsidiary, ALLTEL Information Services, to Fidelity National Financial Inc. (Fidelity National), for $1.05 billion payable as $775.0 million in cash and $275.0 million in Fidelity National common stock. As part of this transaction, Fidelity National will acquire ALLTEL s mortgage servicing, retail and wholesale banking and commercial lending operations, as well as the community/regional bank division. Approximately 5,500 employees of the Company will transition to Fidelity National as part of the transaction, which is expected to close by the end of the first quarter of 2003. The telecom division of ALLTEL Information Services will be retained by the Company and will not be part of the transaction. The telecommunications operations retained by ALLTEL represented approximately 12 percent of both the total revenues and sales and total segment income reported by the information services segment in 2002.

Acquisitions

On August 1, 2002, ALLTEL completed its purchase of local telephone properties serving approximately 589,000 wireline customers in Kentucky from Verizon for $1.93 billion in cash. The acquired wireline properties overlapped ALLTEL s existing wireless service in northeastern Kentucky and increased the Company s total access lines by approximately 23 percent to nearly 3.2 million wireline customers. Upon signing of the purchase agreement in October 2001, ALLTEL paid Verizon a deposit equal to 10 percent of the total purchase price, or $190.7 million, with the balance of the cash payment (net of accrued interest on the deposit) due at the time the transaction was completed.

On August 1, 2002, ALLTEL also completed its purchase of substantially all of the wireless properties owned by CenturyTel for approximately $1.59 billion in cash. Through the completion of the transaction, ALLTEL added properties representing approximately 8.3 million potential customers (POPs), acquired approximately 762,000 customers, increasing its wireless customer base to more than 7.5 million customers, and expanded its wireless footprint into new markets across Arkansas, Louisiana, Michigan, Mississippi, Texas and Wisconsin. Also included in the transaction were minority partnership interests in cellular operations representing approximately 1.8 million proportionate POPs, and Personal Communications Services (PCS) licenses covering 1.3 million POPs in Wisconsin and Iowa.

The accounts and results of operations of the acquired wireline and wireless properties are included in the accompanying consolidated financial statements from the date of acquisition. (See Note 3 to the consolidated financial statements for additional information regarding these acquisitions.)

To fund the cost of the acquisitions discussed above, during the second quarter of 2002, ALLTEL sold 27.7 million equity units and received net proceeds of $1.34 billion. The equity units had a stated amount of $50 per unit and included a purchase contract pursuant to which the holder agreed to purchase shares of ALLTEL common stock on May 17, 2005. ALLTEL will make quarterly contract adjustment payments to the holder at the rate of 1.50 percent of the stated amount per year. The number of shares to be purchased will be determined at the time the purchase contracts are settled based on the then current price of ALLTEL s common stock and will range between 0.8280 and 1.0101 shares of ALLTEL common stock per equity unit. The equity units also included $50 principal amount of senior notes, which bear interest at 6.25 percent and mature on May 17, 2007. In June 2002, the Company also issued $1.5 billion of unsecured long-term debt consisting of $800.0 million of

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7.0 percent senior notes due July 1, 2012 and $700.0 million of 7.875 percent senior notes due July 1, 2032. Net proceeds from this debt issuance were $1.47 billion, after deducting the underwriting discount and other offering expenses. (See Note 5 to the consolidated financial statements for additional information regarding these securities offerings.)

In addition to the net proceeds from the issuance of the equity units and debt securities of $2.81 billion, ALLTEL funded the remaining $521.4 million of the $3.33 billion cost of the wireline and wireless acquisitions ($3.52 billion total cost less $193.5 million deposit, including accrued interest, paid to Verizon upon the signing of the definitive purchase agreement in October 2001 as noted above) with cash on hand of $78.9 million and additional borrowings of $442.5 million under ALLTEL s commercial paper program. As a result of prefunding the wireline and wireless acquisitions through the issuance of the equity units and long-term debt, ALLTEL incurred additional interest expense in 2002 of $35.0 million and, conversely, earned interest income of $8.2 million from investing the cash proceeds from these securities offerings. Accordingly, ALLTEL s results for the year ended December 31, 2002 were adversely affected by additional net interest cost (interest expense less interest income) of $26.8 million.

On October 3, 2000, ALLTEL purchased wireless properties in Louisiana from SBC Communications, Inc. (SBC). ALLTEL paid SBC $387.6 million in cash and acquired approximately 150,000 wireless customers and 300,000 paging customers. During 2000, ALLTEL, Bell Atlantic Corporation (Bell Atlantic) and GTE Corporation (GTE) exchanged wireless properties in 13 states. On April 3, 2000, ALLTEL completed the exchange of wireless properties with Bell Atlantic in five states, acquiring operations in Arizona, New Mexico and Texas and divesting operations in Nevada and Iowa. In addition to the exchange of wireless assets, ALLTEL paid Bell Atlantic $624.3 million in cash to complete this transaction. On June 30, 2000, ALLTEL completed the remaining wireless property exchanges with Bell Atlantic and GTE, acquiring operations in Florida, Ohio, South Carolina and Alabama, while divesting operations in Illinois, Indiana, New York and Pennsylvania. ALLTEL also transferred to Bell Atlantic or GTE certain minority investments in unconsolidated wireless properties, representing approximately 2.6 million POPs. In connection with the transfer of the remaining wireless assets, ALLTEL received $216.9 million in cash and prepaid vendor credits of $199.6 million and assumed long-term debt of $425.0 million. Through the completion of the above transactions, ALLTEL acquired interests in 27 wireless markets, representing about 14.6 million POPs and approximately 1.5 million wireless customers, while divesting interests in 42 wireless markets, representing 6.9 million POPs and approximately 778,000 customers. ALLTEL accounted for these exchange transactions as purchases, and accordingly, the accompanying consolidated financial statements include the accounts and results of operations of the acquired wireless properties from the applicable dates of acquisition.

Accounting and Financial Reporting Changes

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142 Goodwill and Other Intangible Assets . This standard changed the accounting for goodwill and other indefinite-lived intangible assets from an amortization method to an impairment-only approach. As of January 1, 2002, ALLTEL ceased amortization of goodwill recorded in conjunction with past business combinations. In addition, the Company conducted a review of its other identifiable intangible assets and determined that its cellular and PCS licenses met the indefinite life criteria outlined in SFAS No. 142, because the Company expects both the renewal by the granting authorities and the cash flows generated from these intangible assets to continue indefinitely. Accordingly, ALLTEL also ceased amortization of the wireless licenses as of January 1, 2002. In accordance with the requirements of SFAS No. 142, ALLTEL also completed its initial impairment review of goodwill and indefinite-lived intangible assets and determined that no write-down in the carrying value of these assets was required.

As of January 1, 2002, ALLTEL changed its business segment reporting presentation by reclassifying the operating units of its emerging communications businesses to better align its financial reporting with the Company s business segment mix and to provide clear comparisons to other communications companies within ALLTEL s peer group. In accordance with SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information , ALLTEL restated all previously reported segment information to conform to the new

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financial reporting presentation. Under the new presentation, ALLTEL s wireless segment consists of its cellular, PCS and paging operations. The CLEC and Internet access operations have been combined with ALLTEL s incumbent local exchange carrier (ILEC) operations and reported as the wireline segment. The information services segment no longer includes services provided to ALLTEL affiliates. These affiliate services have been reported in the corresponding communications segments, and accordingly, information services operating results only reflect the Company s financial services business and non-affiliated telecommunications operations. All other segments, which include long-distance and network management services, communications products and directory publishing, have been reported together under a segment classification titled Communications Support Services . These reclassifications did not affect consolidated operating income, net income or earnings per share reported by ALLTEL prior to January 1, 2002. To enhance comparability of the consolidated financial information presented, the Company also reclassified its intersegment revenues and expenses. As a result, consolidated revenues and sales for prior periods were reduced for the portion of the information services revenues previously billed to the wireline operations that were not eliminated pursuant to SFAS No. 71 Accounting for the Effects of Certain Types of Regulation .

Also as of January 1, 2002, the Company changed to a gross basis the reporting presentation for reimbursements of out-of-pocket expenses received from customers under terms of its information services agreements in accordance with Emerging Issues Task Force (EITF) Issue 01-14 Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred . Prior to January 1, 2002, the Company netted these reimbursements against expenses incurred to provide data processing and consulting services and included the net amount in cost of services. Revenue and expense information prior to January 1, 2002 has been reclassified to conform to the new reporting presentation. This change did not affect operating income or net income reported by the Company prior to January 1, 2002. (See Notes 1 and 2 to the consolidated financial statements for additional information regarding these changes in accounting and financial reporting.)

Consolidated Results of Operations

(Millions, except per share amounts)	2002	2001	2000
Revenues and sales:			
Service revenues	$7,257.3	$6,736.8	$6,325.6
Product sales	726.1	768.8	834.4
Total revenues and sales	7,983.4	7,505.6	7,160.0
Costs and expenses:			
Cost of services	2,471.5	2,269.1	2,269.5
Cost of products sold	891.4	907.9	840.1
Selling, general, administrative and other	1,511.2	1,404.0	1,369.1
Depreciation and amortization	1,178.6	1,167.7	988.4
Integration expens			