WINDSTREAM CORPORATION

Moderator: Rob Clancy
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8:00 am CT

Operator: Good morning, my name is (Darlene) and I will be your conference operator today. At this time, I would like to welcome everyone to the Third Quarter 2007 Windstream Communications Earnings conference call. All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad. If you would like to withdraw your question, press star then the number 2 on your telephone keypad.

Thank you. I will now turn the call over to Windstream's Senior Vice President and Treasurer, Rob Clancy. Sir you may begin your conference.

Rob Clancy: Thank you (Darlene) and good morning everyone. Thank you for joining us this morning.

Today's conference call was preceded by our third quarter 2007 earnings release, which has been distributed on the news wires and is available from the Investor Relations section of our Web site. Today's conference call should be considered together with our earnings release and related financial information.

Today's discussion includes statements about expected future events and future financial results that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events or results to differ materially from those expressed in such statements.

Other factors that could cause actual results of Windstream to differ materially -- many of which are beyond the control of Windstream -- include but are not limited to the items listed in the Safe Harbor Statement contained in our third quarter 2007 earnings press release.

Today's discussion will also include certain non-GAAP financial measures including the term OIBDA, which is defined as operating income before depreciation and amortization. Again, we refer you to the IR section of our Web site where we've posted our earnings release and supplemental materials, which contain information and reconciliations for any non-GAAP measures.

Before we get started, there are a few reporting items that I'd like to briefly cover as part of the CT Communications integration. We reviewed our access line and long distance customer counting methodology and concluded that a revised methodology would be more consistent across our base. This resulted in a reduction of approximately 25,000 reported access lines in our legacy business, which were predominantly related to certain special circuits that are now counted as a single access line. We also reduced the CT access lines by approximately 23,000 as CT had been reporting access lines on a (voice grade) equivalent basis.

In addition, we restated long distance units resulting in a reduction of approximately 34,000 units. Most importantly, these changes have no affect on revenues or expenses or access lines reported for the third quarter and have been reflected in our supplemental schedules for all prior periods.

Today we will discuss our GAAP results, which include our publishing business and the results of CT Communications for one month. In addition, we have provided pro forma results from current businesses, which include our results as if the VALOR and CT acquisitions had occurred on January 1, 2005. These pro forma results from current businesses exclude the results from our publishing business and one time transaction related fees.

We will make reference to these pro forma results from current businesses including the year over year comparisons during our call. And keep in mind that since CT represents approximately 5% of our overall business, the pro forma results are largely influenced by the legacy Windstream results.

Participating in our call this morning are Jeff Gardner, Windstream President and Chief Executive Officer, and Brent Whittington, Windstream Executive Vice President and Chief Financial Officer. At the end of the call we will take a few questions.

With that, here is Jeff Gardner.

Jeff Gardner: Thank you Rob and good morning everyone.

This morning I will start our discussion with an update on a couple of strategic initiatives and review our operational highlights. Brent will then discuss our third quarter financial results.

First on August 31, we completed the acquisition of CT Communications nearly doubling our presence in North Carolina by adding 132,000 access lines and 31,000 broadband customers. This transaction provides an opportunity to realize $30 million in annual cost saving synergies and approximately $10 million of capital expenditure reductions.

We are very pleased with the progress we have made integrating CT and continually expect to complete this integration including the billing conversion by the end of the first quarter of 2008.

Second with respect to the split off of our publishing business, we have recently received the Private Letter Ruling from the Internal Revenue Service and should be able to close this transaction by the end of the fourth quarter. This transaction allows us to repurchase approximately 19.6 million shares, retire approximately $210 million of debt, and receive roughly $40 million of cash, which must be used within the next 12 months to either repurchase stock or pay down debt.

From a regulatory perspective, Windstream recently petitioned the FCC to migrate the balance of our ILEC properties from rate of return regulation to price cap regulation at the federal level. The FCC's initial comment and reply periods have passed during which we received no opposition to our request. In fact, we had a number of carriers file in support of our plan including our two largest wholesale customers.

At this time, we are optimistic that the FCC will approve our petition in the first half of 2008. We run an efficient business in a competitive environment and believe that price cap regulation is the appropriate regulatory framework for our business.

Let me turn to our pro forma operational results. This quarter access lines declined by approximately 46,000 or 4.7% year over year. In our ILEC business our absolute line loss was relatively flat year over year. This is quite an accomplishment given the fact that new cable voice services were introduced in certain markets, which led to higher disconnects, and we saw higher non-pay disconnects across our customer base early in the quarter.

The increase in absolute lines lost year over year is more related to changes in our CLEC business. Specifically in the third quarter of last year we added 2000 lines whereas this year we lost a few thousand lines most of which relate to contracts to provide wireline services on a wholesale basis to student dorm rooms at two universities.

All in all, we have been pleased with the results of our marketing initiatives throughout the year, which have allowed us to be more competitive, particularly for new growth additions.

This quarter we added over 48,000 new broadband customers bringing our total customer base to approximately 830,000 - an increase of 32% year over year and a penetration rate up 26% of total access lines. Broadband net additions increased 27% sequentially driven somewhat by seasonality but also by enhanced promotional offerings and increased marketing spend. We plan to continue our increased marketing spend and promotional activities into the fourth quarter given the strategic importance of continued growth in broadband going forward.

We are focused on increasing sales of faster broadband speeds and expect to have ADSL2+ technology operational in the early part of 2008 allowing us to essentially double the speeds currently offered and deploy a 10-12 megabit broadband service in certain markets.

This quarter we added over 27,000 digital TV customers bringing our total customer base to approximately 178,000. We also began offering this service in the former CT market and have been pleased with the initial response. We believe that having a video product will be an attractive addition to our bundled offering in those markets.

During the quarter we added over 3000 long distance customers driven by solid demand for our new flex bundles within our Windstream territory. The long distance customer additions were partially offset by losses from our out of territory customers.

Overall, we are very pleased with our results this quarter. Operationally we are more competitive in our markets with expanded distribution channels and new sales strategy and we are working hard to preempt new voice competition, which we still expect to occur at a moderate for the balance of the year. In addition, we are doing a nice job selling broadband and digital TV, which are extremely important service offerings that when bundled with our voice allow us to improve customer retention.

With that said, although we recognize that broadband growth rates are slowing, we continue to see further sales opportunities particularly with respect to increased speeds as well as developing new products to leverage our existing broadband infrastructure such as home networking, security software, and integrated video and broadband offering.

Financially we will continue to look for additional opportunities to drive incremental revenue and continue to improve our cost structure. Our network is well positioned competitively in terms of broadband speed and we will closely manage capital expenses while continuing to modernize the network.

As we have previously stated, we are aggressively managing this business to sustain cash flows over a long period of time.

Over the past 18 months, the RLEC industry has experienced significant consolidation and given the continued decline in access lines this is a business that demands scale. Accordingly, we continue to believe it is important to maintain the capacity to pursue strategic opportunities that are free cash flow accretive should they arise.

Now let me turn the call over to Brent to discuss the financial results.

Brent Whittington: Thank you Jeff and good morning everyone.

For the third quarter on a GAAP basis, Windstream generated consolidated revenues of $823 million, operating income of $289 million, and 25 cents of diluted earnings per share. Our GAAP results include $3.1 million in restructuring expenses related primarily to the CT acquisition.

As Rob mentioned, we have provided pro forma results in our supplemental financial schedules, which include the CT business for the entire quarter as well as prior periods. However, we recognize that some of you may have modeled our third quarter to include only one month of the CT business since we closed that transaction on August 31.

Thus excluding the publishing business, $2.8 million of transaction expenses, and including CT for just the month of September, Windstream generated $792 million in revenues and $411 million in OIBDA here in the third quarter.

For the remainder of this call, I'm going to focus on our pro forma results from current businesses, which exclude the publishing business, $2.8 million of transaction expenses, and reflects the closing of the CT transaction on January 1, 2005. Keep in mind that since CT represents approximately 5% of our overall business, the pro forma results are almost exclusively influenced by our legacy Windstream business.

On a pro forma basis Windstream generated consolidated revenues of $823 million, an increase of 2% year over year, an operating income of $280 million, an increase of 5% year over year, and consolidated OIBDA of $420 million, an increase of 3% year over year. Within our wireline segment, revenues were $799 million - an increase of approximately 3% year over year.

Collectively, broadband special access and long distance revenues grew at 14% year over year and continue to outpace the declines we've seen in voice and switched access revenues. In addition, this quarter we recognized an additional $7 million net in USF revenues related primarily to revised cost studies for the past two years. However, these additional recoveries were somewhat offset by a reduction in revenues regarding current disputes related to previously received state USF subsidies, but the $7 million I referred to before is the net amount of those two items.

Turning to cash expenses, cost of services increased slightly driven largely by higher bad debt expense related to the increase in non-pay disconnects, which was partially offset by savings from organizational improvements. The increase in cost of products sold was simply a result of increased equipment sale year over year.

Within SG&A, expenses increased almost 3% largely a result of increased marketing spend to drive broadband sales offset somewhat by additional synergies this quarter as compared to a year ago.

All in all, cash expenses increased 3% year over year, which was in line with our expectations. Our total cash expenses were down sequentially by $5 million due primarily to the one-time unfavorable items recorded in the second quarter that we discussed at that time.

Wireline OIBDA was $419 million for the third quarter - an increase of 3% year over year driven mainly by the revenue items I mentioned earlier. Within our pro forma wireline results for the quarter, CT communications contributed approximately $37 million of revenue and $13 million of OIBDA.

In our other operations, which include our product distribution business and the wireless business we acquired in the CT transaction, revenues were $102 million up approximately 11% year over year mostly attributable to higher internal sales within our product distribution business. OIBDA was $1.4 million.

This quarter capital expenditures totaled just over $100 million. We remain focused on improving our network capacity and increasing broadband speed and have plans to introduce broadband speeds of 10-12 megabits early next year. This upgrade will also result in our being able to offer up to 3-megabit speed to most of our addressable broadband footprint, which is approximately 83% of our total ILEC access lines.

As Jeff mentioned, we closed the CT transaction on August 31. We financed the $585 million transaction with a mix of cash on hand as well as $250 million in borrowings under our revolver. We ended the quarter with a cash balance of $68 million and a revolver balance of $210 million leaving approximately $290 million in additional revolver capacity.

At the end of the third quarter, our net leverage ratio was 3.3 times. Upon closing the publishing transaction, we expect to pay down roughly $210 million in debt and receive roughly $40 million in cash, which together will slightly reduce our net leverage to 3.2 times.

Earlier this year we discussed our OIBDA expectations and the specific year over year comparisons we would experience for the first and second half of 2007. For the first half of 2007, our year over year comparisons were somewhat challenged by the fact that we did not have a fully loaded corporate cost structure in early 2006 as we were in the ramp up stage of the separation process.

This certainly materialized in our performance for the first half of 2007 as OIBDA declined roughly 1% year over year. It was our expectation that the year over year comparisons would look more favorable for the back half of the year particularly the third quarter. In fact, OIBDA grew at 3% year over year largely driven by the additional revenues I discussed previously.

As we look to the fourth quarter, the year over year comparison will be affected somewhat by no longer having the comparative benefit of the long distance pricing changes we made a year ago. In addition, we expect to spend more marketing dollars than initially planned to continue driving broadband sales, which we believe is prudent given the importance of (owning) the broadband connections to the home.

With that we will now take a few of your questions. Operator please review the instructions and open the call to questions and thank you.

Operator: At this time, I would like to remind everyone in order to ask a question press star then the number 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

The first question comes from the line of (Jonathan Chaplin) with JP Morgan.

(Jonathan Chaplin): Good morning. A quick question on CAPEX if I may. So it sounds like there's a decent amount of spend this year for rolling out ADSL2+ in some of your markets. But it's - I'm wondering if CAPEX will come down as a result next year and I'm wondering if, you know, an incremental driver of lower CAPEX next year might be the slowdown in housing starts. That's something we've heard from a couple of your peers. Thanks.

Jeff Gardner: Hey (Jonathan), this is Jeff Gardner. With respect to CAPEX, I think that yes the ADSL2+ rollout has - is contemplated in our plan for 2007 and we're pleased with the progress that we've made. We think that even while spending (judiciously) on our network this year in terms of percentage of revenue, we've really made good strides in stabilizing our network and modernizing that network at the same time.

We're not going to discuss 2008 guidance explicitly, but I think I've said a number of times that kind of our view of this business is that we've got a very good handle on CAPEX, we're largely success based in terms of our investment strategy, and we feel good about going forward that we're going to be managing CAPEX flat to down in the coming years. And we will provide more guidance on that obviously when we give our 2008 guidance.

(Jonathan Chaplin): Thanks, Jeff. I'm wondering if I could ask a quick follow up just on your M&A comments. So when we looked at the landscape earlier in the year it seemed like some of the smaller public RLECs that would make attractive -

could potentially make attractive targets were trading at a decent premium to where you guys were trading that made M&A difficult.

But over the course of the last quarter or so, there has been an adjustment in valuations and a lot of those RLECs are now trading at a decent discount to where you guys are trading on a free cash flow basis. Does that pave the way for - you know does that make it a lot easier for consolidation to take place on, you know, with larger scale deals than some of the ones we've seen over the course of the last few months do you think?

Jeff Gardner: Well, I think fundamentally there is a lot going on. Obviously we've got the credit markets, et cetera, which always have to be considered as well. But our kind of premise on M&A remains the same; that consolidation in this space makes a lot of sense when you're working really hard to manage your business to kind of a flat to slightly increasing OIBDA. When you can do a deal that generates such significant synergies that provide a great deal of value to our stakeholders.

With respect to - when the markets get difficult, I think that one thing that has been good is that we're beginning to see some differentiation based on results with I think the larger scale, better cost structure companies that are doing a better job growing revenues, stabilizing OIBDA, and ultimately producing cash flow begin to get recognized. And I think in the long run that will be good for M&A.

(Jonathan Chaplin): Great, thanks Jeff.

Jeff Gardner: You are welcome.

Operator: Your next question comes from the line of (David Genazzo) with Merrill Lynch.

(David Genazzo): Good morning.

((Crosstalk))

(David Genazzo): You had mentioned the proposal to convert to the price cap regulation. How do you think - you know assuming that gets approved, how will that affect you from a competitive positioning standpoint and also financially?

Jeff Gardner: I think competitively what it does it really aligns our regulatory framework with our business model and that is we are a company that is very focused on increasing our efficiency taking cost (out of the) business.

We feel like we are very competitive today with regard to our wholesale services and while we don't believe there is going to be immediate impact from this, I think (David) over the long run that's going to put Windstream in a better position related to our ability to maintain prices on the wholesale side of the business. And so I think with all things considered -- and there is a lot of moving parts when you look at that -- that absolutely makes the most sense.

We have for a long time had a view that this business is going to get more and more deregulated over time and so we've managed our business that way and this is just another step toward that end.

(David Genazzo): Thank you.

Jeff Gardner: You are welcome.

Operator: Your next question comes from the line of (Rob Javely) with UBS.

(Rob Javely): Great, thank you. Good morning. Just a quick question on margins. From your comments, you sounded like, you know, you're going to increase broadband spending and you expect margins to be down. I was wondering how that is offset by synergies from CT and how you're tracking versus your target of $30 million in (unintelligible) synergies? I would assume a lot of those synergies were probably realized day one of the (unintelligible).

And then secondly if you could just tell us what your - where are (cable wide) availabilities in your footprint right now. Thank you.

Brent Whittington: (Rob) I'll take the first part of your question. With regard to the CT transaction, that transaction and the integration is going very well to date. However as Jeff kind of alluded to in some of his comments, we do have a billing conversion that is scheduled in the first quarter of 2008 and until that is really completed, you know, we're not going to see a significant amount of those synergies recognized until that time.

We did talk about in the fourth quarter the spend increase relative to marketing. And we saw a little bit of that this quarter as well really in an effort to continue to grow broadband penetration. That's had about a $2-$3 million impact on a quarterly basis in our cost structure. That was really what I was referring to there but CT overall is going very well and not a lot of synergies really at this time.

(Rob Javely): And then on the (cable wide) availability.

Jeff Gardner: We're at about - we started the year at about 45% and I think that we're around 50% now and so that's been increasing as we expected. What we're really pleased about is, you know, with every new entrant we're getting better and better about defending our position. And so we're really focused on that obviously and have been pretty pleased with respect to as I talked about in my comments the fact that we did have in this quarter in particular an increase of voiceover IP competition but we were able to maintain kind of flat access line loss trends in our ILEC business year over year. And so that's a reflection of doing a better job managing those new competitive pressures.

(Rob Javely): Great, thank you and I if I could just follow with one more question on the broadband. As you think about your broadband opportunity -- you said 26% of total access lines -- can you tell us what percentage of households where your broadband penetration is and, you know, where do you think broadband penetration is in your markets overall? That would be very helpful.

Jeff Gardner: Okay, thanks. Yeah, well I think if you just do the math on that and take out our business customers, you're looking at somewhere around 40%. So we have very high penetration rates and yeah it's the broadband rates are - the growth rates are going to slow down. We still have a belief that broadband is really the key strategically to our future and so we still are going to aggressively attack that market and really grow our customer base albeit at a slower rate.

We also have good opportunities for up selling and again really the broadband connection into the customer's home is really the beginning of a platform for us. And so new products and features that you'll see us rollout over the next 12 months or so like home networking and broadband satellite products that enable us to really take advantage of both of those great products will allow us to further leverage that broadband relationship that we have with our customers.

And so I think we're just entering a different stage; a bit slower growth, much more of a focus on up selling, and really taking advantage of some complementary products that make use of that investment.

(Rob Javely): Thank you that's very helpful.

Operator: Your next question comes from the line of (Michael Nelson) with Stanford Group.

(Michael Nelson): You know first question, do you see anything going on on the broader regulatory environment? Maybe, you know, any prospects for Phantom Traffic reform?

And then the second question is on wireless it looks like you acquired about 50,000 more wireless customers. Is there any change to your wireless strategy overall? Thanks.

Jeff Gardner: On the regulatory front we don't see significant change. We continue to hope that there can be some comprehensive USF reform. There is an industry group that's working on the Phantom Traffic initiative. I don't see anything happening in the real near term there. So nothing that should really drive the results in the short run but obviously that's always an important component of our business.

The wireless access lines that you saw that we added related to the CT acquisition, they were in the wireless business. They were in a partnership with AT&T that was a part of the transaction there. There has been no change in our strategy - that was a just a part of that transaction. And so we will continue to run that business going forward and have no plans to deploy wireless further in our network.

(Michael Nelson): So are there any incremental costs associated with running that wireless going forward?

Jeff Gardner: Well, they are in the run rate for CT Communications so when we talk about the synergies and kind of that deal in its entirety they are included in those. This management team -- all of us -- have been very active in the wireless and the wireline space so incrementally this is a very small business that we're able to manage day to day.

And of course over the long run depending on where we think our focus should be strategically, we have optionality with respect to what to do with that business ultimately.

(Michael Nelson): Great, thanks a lot. Good luck.

Operator: Your next question comes from the line of (David Barton) with Bank of America.

(David Barton): Hey guys, good morning. Maybe just two questions. One if you guys could just maybe elaborate a little bit more on the billing system conversion coming up in 1Q '08. You know it kind of I think sets peoples' teeth on edge always when we have to go through one of these processes. And if you could kind of talk a little bit about how to manage what you're going from and to and kind of, you know, what the completion timetable for that would be. That would be appreciated.

And then I guess - you know I guess it's incumbent to ask, you know, in the current climate we've been hearing this from all the carriers, but if you could kind of maybe expound a little bit on the economic environment in your territory and whether you feel like it has made an impact yet. Bad debt seems to have been going up in some areas. Limited business affect to this point in time mostly on - the housing market seems to be the issue here.

But if you could kind of just talk a little bit about that environment and how you think it's going to trend for you guys in your footprint that would be great, thanks.

Brent Whittington: All right, thanks (David). This is Brent and I'll take both of those questions.

On the billing conversion, I mean a couple of things. I mean one if you look at not only our history with VALOR but also before many of the folks in our company came from Alltel we've got a history of acquisitions, we've handled integrations a number of times very successfully. So we've done a significant number of billing conversations so we feel like we'll be very successful here.

We are going from CT's kind of existing platform -- and they are largely on one platform -- to our own internal kind of billing application that all of our customers run on today. If you look at their customer count versus ours, it's not a huge number so it's something that we'll be successful at we believe. But you're right, billing conversions are always complicated and we're always on edge as well until we reach the finish line but we feel like we will be successful there.

(David Barton): And what is the timetable for that (sorry)?

Brent Whittington: The timetable for that is the first quarter of 2008, which is pretty quick shortly after the acquisition closes.

(David Barton): The beginning (unintelligible).

Brent Whittington: Yeah, by the end of the quarter for sure.

In terms of the economic environment we're seeing in our market, we mentioned the fact that we saw a few higher disconnects early in the quarter from some non-pays. We looked at that data and really determined that it wasn't anything specific in a certain credit class or in a certain geographic area in our market, but it was more pervasive.

But I'll tell you we only saw that early in the quarter and overall we still feel like the economic conditions in the markets where we operate are strong. We feel like that was a one-time spike for many reasons that we've speculated about, but we've got that under control. We still feel very good about the job we're doing on collection efforts and don't expect to see a significant increase as a result.

Jeff Gardner: And I think the other thing that gave us confidence there is that although we did redouble our efforts with regard to broadband, we were very pleased that we saw that 32% sequential - or 27% sequential improvement in broadband (net adds) in what people were referring to as a difficult environment.

We are in some good areas of the country. I think that our business is somewhat defensive and I think that all played out in the third quarter for Windstream.

(David Barton): And if I could just ask one quick follow up just in terms of the - like maybe the small to medium business versus consumer. Kind of no divergence in trends there that might indicate some kind of initial weakness in the footprint?

Jeff Gardner: No, I talked about that kind of one off situation with regard to colleges, which is just simply the fact that more and more of these colleges students are going - bringing their wireless phones to their dorms, which is not a significant trend.

I think what is important to understand about our business is that as our residential base continues to erode at 4 plus percent that more and more of our business is focused on that small and medium business customer base that has been very stable and then as we look forward represents good growth opportunities for us.

(David Barton): Great, thanks much guys.

Operator: Your next question comes from the line of (Tom Hertz) with Lehman Brothers.

(Tom Hertz): Thanks for taking the question. You mentioned that you've got to use the cash that you get out of the directory sale for either buybacks or debt reduction within 12 months. Can you talk about, you know, how you're looking at that analysis and then, you know, just a general discussion of options for cash flow above and beyond what you're paying in the dividend.

And then just one point of clarification if you would. Jeff you mentioned that, you know, one of the things that you're looking to do with the increased broadband capacity is integrating broadband with video. Is that just with the set-top box and DBS or are you beginning in the ADSL2+ markets to maybe test IPTV on your network? Thanks.

Jeff Gardner: Okay, I'm going to let Brent take the first part with respect to our strategy on the 40 million related to the publishing transaction and then I'll take the second part.

Brent Whittington: So first on the cash we've got to close the publishing transaction to get the cash and as we mentioned we expect that to happen shortly in the fourth quarter. You know whenever that occurs at that time we will take a look at the options available to us.

You know certainly as we've mentioned before we're going to be focused on things that are free cash flow accretive. I think right now and post-close of that transaction our leverage will be right at about 3.2 times and we're happy with leverage right at that range. But those are the decisions we'll have to make at the appropriate time.

Jeff Gardner: So (Tom) the second part is, you know, clearly we're still focused on a satellite offering across our markets. We think that satellite is the right product competitively with a big advantage in terms of HD channels versus cable today.

And with respect to IPTV, that's not in even our immediate term plans with respect to the network. We've got a very viable triple play today. When we reported our numbers -- the 27,000 adds in the quarter -- if you compare that I'm very pleased with what we are selling with respect to our relationship with EchoStar and really look forward to kind of building on that.

(Tom Hertz): Okay, great. Just a quick follow up so you are comfortable with leverage essentially where it's at. You know you are producing a fair amount of free cash flow above and beyond the dividend, so is it fair to say that, you know, share buybacks is one of the things you're looking at with respect to the excess (cash)?

Jeff Gardner: I think absolutely. Just to follow up on (unintelligible) question especially when you look at where our stock price is today and the dividend yield that would make a lot of sense. But as Brent said, we've got to close that deal first to have that optionality.

(Tom Hertz): Great, thank you very much.

Operator: Your next question comes from the line of (Chris Larson).

(Chris Larson): I'll take that question just a little bit further and maybe you can give us a sense for how high you think net leverage could comfortably be. And then secondly on USF if you could talk about '08 thoughts on payments there.

And I just - a clarification I'm pretty sure that the (direct) (unintelligible) has absolutely no impact on any of your subsidies and I just want to make sure that that's true.

Jeff Gardner: That is true. With respect to net leverage, we're not going to give you a precise number (Chris), but you know just the way we think about it is that, you know, 3.2 isn't a religion with us but we do very much value our access to the capital markets and pay very close attention to our leverage ratios.

And so should we see an opportunity to meaningfully create shareholder value that would involve leveraging up for a short period of time -- and then subsequent to leveraging we've done that a couple of times as Windstream and many times previously in our careers in terms of managing the acquisition environment -- that's something that we'd be real comfortable with. We'd work really closely with the credit agencies and make sure that we're absolutely comfortable from a leverage perspective. But that's what we're comfortable saying.

The second part of the question was '08...

Brent Whittington: USF.

Jeff Gardner: ...USF. So this year I think what happened we saw a slight decline in federal USF because our expenses went down. And so we fully expect to continue to manage this business as if it were competitive because it is and so we'll see similar pressure in 2008 as a result but not significant.

(Chris Larson): Okay, thank you.

Jeff Gardner: You are welcome.

Operator: Your next question comes from the line of (Jason Armstrong) with Goldman Sachs.

(Jason Armstrong): Thanks. Good morning, just a couple of follow-ups first on the network side. You know you said IPTV is not in the plans yet, you know, 10-12 Megs across certain parts of your footprint. I'm just wondering, you know, can you help us think through is this just building way ahead of basic demand for sort of data transmission services or what are the other things we should be thinking about that would require that type of (speed) across parts of the network any time soon?

And then I guess a related question on video. You know you've seen peers moving to Homezone type products of (dish). You recently announced a deal with TiVO for video on demand content for DSL. Can you help us frame the thought process here sort of one versus the other?

Jeff Gardner: Sure. Yes, first of all competitively, 10-12 will be available not across our entire base but to our most densely populated markets, which will equate to somewhere between 25%-30% of our marketplace.
And really our view on that is that, you know, again broadband is kind of the strategic core to our relationship with our customer. This allows us to be very competitive with any offering out there in the marketplace. It allows our customers to continue to take advantage of what we see as a macro trend with respect to increasing usage of their network and increasing demands for faster speeds as customers are using more video, et cetera.

So we think that's a level that's going to allow us to be very competitive over the near to medium term with respect to broadband on the Homezone versus TiVO. So I think it's very - both kind of different strategies, but I think both quite opportunistic.

Homezone is a way to kind of leverage both our broadband product and the EchoStar products. And we'll be deploying a similar type product that will integrate these important core products for us that will really give us a platform not only to provide more of a Windstream branded video experience but also a platform to begin selling and monetizing that broadband connection more into the customer's home with things like movies initially.

But over the longer run, you know, there is going to be a lot of focus in terms of how you can further develop that opportunity. When you look at - so the great thing with respect to satellite in our marketplace is that we are very rural and satellite penetration is very high.

The other part of this segment that we want to attack are the cable customers. And the fact of the matter is I think the numbers are something like 35%-40% of cable customers across the country are analog. Analog cable customers have no access to a DVR. A TiVO partnership bundled with our broadband is a great way for us to go directly after that customer base. So it's actually getting to more of the (switcher) market as opposed to the satellite market that we've been successful in already.

(Jason Armstrong): Jeff if I can just follow up on that. So you talked about monetizing the broadband (pipe). It clearly makes sense if you are provisioning more and more content across your DSL (pipe). Can you help us at least think about a framework for what the economics would look like for you - what revenue share agreements would look like et cetera?

Jeff Gardner: I wish I could. I mean I think that that really is going to be key to 2008 and beyond and it's just too early for us to give a lot of detail there, but obviously that's going to be where a lot of our marketing focus is going to be in the next 12 months.

(Jason Armstrong): Okay, thanks.

Jeff Gardner: Thank you.

Operator: There are no further questions at this time. Do you have any closing remarks?

Jeff Gardner: (Darlene) I'd just like to thank everyone for joining us this morning. We certainly appreciate your interest and support. (Mary Michaels) will be available for additional questions throughout the day. Thanks again.

Operator: This concludes today's conference call, you may now disconnect.

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