FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the fourth quarter 2006 Windstream Communications earnings conference call. My name is Annie, and I will be your coordinator for today. (OPERATOR INSTRUCTIONS). As a reminder, this conference is being recorded for replay purposes. I would now like to turn the presentation over to your host for today's call, Mr. Rob Clancy, Senior Vice President and Treasurer. Please proceed sir.

Rob Clancy - *Windstream Communications - SVP, Treasurer, IR*

Good morning everyone. My name is Rob Clancy, and I am the Senior Vice President and Treasurer and lead Investor Relations for Windstream. Thank you for joining us this morning. Note that a live webcast of this call is available on our website. To access the call go to our website at www.Windstream.com/investors. and click on the live webcast link.

Today's conference call was preceded by our fourth quarter 2006 earnings release, which has been distributed on the news wires and is available from the IR section of our website. Today's conference call should be considered together with our earnings release and related financial information.

Today's discussion include 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 fourth quarter 2006 earnings press release.

Additionally, today's discussion will 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 website where we posted our earnings release and supplemental materials, which contain information regarding these non-GAAP financial measures, including a reconciliation of each such measure to the most directly comparable GAAP measure.

Since the spinoff from Alltel and merger with VALOR occurred on July 17, 2006 our GAAP results reflect the Alltel wireline business for the entire year and the VALOR business starting July 17. To assist the investment community and provide meaningful year-over-year comparisons, we have also provided pro forma results as if Windstream had existed since January 1, 2005. And we will make references to these pro forma results from current businesses, including the year-over-year comparisons during our call.

In addition, our results from current businesses also exclude the onetime charges related to the spinoff and merger pending restructuring plans and the publishing transaction.

Participating in our call this morning are Jeff Gardner, Windstream President and Chief Executive Officer; Keith Paglusch, Windstream Chief Operating 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 - *Windstream Communications - President, CEO*

Good morning everyone. This morning I will start our discussion with a few highlights from the fourth quarter and the full year, and then provide updates on strategic initiatives. Keith will review the operational highlights, and Brent will provide an overview of our financial results.

Let me start with our quarterly results. For the fourth quarter on a GAAP basis Windstream generated consolidated revenue of $828 million, operating income of $286 million, and achieved $0.25 of diluted earnings per share.

Our GAAP results include approximately $27 million of pre-tax expenses related to the publishing transaction, restructuring charges, and the spinoff and merger with VALOR. Excluding these expenses, Windstream generated OIBDA from current businesses of $436 million.

Operationally, we added over 53,000 broadband customers, increasing our broadband customer base 46% year-over-year. During the quarter we lost approximately 45,000 access lines, a decline of 4.4% year-over-year. All in all, we were very happy with our results.

For the full year we were very pleased with what we accomplished operationally, financially and strategically. Operationally we completed the separation from Alltel and integration of VALOR to form Windstream, and are well-positioned to deliver the targeted $40 million in net synergies in 2007.

We also successfully launched the Windstream brand and implemented aggressive new marketing strategies to improve our competitiveness in our local market.

And finally we added a record 206,000 broadband customers, and expanded our broadband network to reach 80% of our ILEC access lines. Financially we delivered results for the second half of 2006 that exceeded the guidance we provided in September.

On a pro forma basis from current businesses we generated consolidated revenues for the year of $3.2 billion and OIBDA of $1.67 billion, both of which are essentially flat year-over-year.

From a balance sheet perspective, we ended the year with $387 million in cash. We have ample flexibility to pursue strategic opportunities should they arise. And as we have previously stated, we will be disciplined in favor of rural properties with the potential for cash flow accretion.

We will evaluates strategic opportunities along with other potential uses of our cash, including share repurchases and debt reduction, with a focus on activities that are free cash flow accretive, resulting in a lower dividend payout ratio.

During the fourth quarter we announced the transaction to split off our directory publishing business in a tax-free transaction valued at roughly $525 million at the time of signing. This translates to approximately $850 million on a taxable equivalent basis, or a 12.9 times 2006 OIBDA multiple for this business.

This transaction will enable Windstream to focus on our core communications and entertainment business, while retiring up to $250 million in debt, and repurchasing roughly 19.6 million shares of Windstream common stock valued at approximately $275 million at the time of signing. We expect the transaction to be substantially completed in the second quarter, although roughly 20% of the share exchange will occur in the fourth quarter.

Additionally, we recently took steps to improve the cost structure of our business by identifying opportunities to realign and consolidate certain functions within customer service, engineering, and IT in order to better and more efficiently serve our customers. As we look forward, we will continue aggressively managing both operating and capital expenses and identity efficiencies that will lead to consistently improved service levels for our customers.

When we put this Company together, it was our goal to create a company with the capability to sustain cash flows over a long period of time. To accomplish this it is important for us to market news services more aggressively to existing and potential customers, improve customer retention, proactively manage our cost structure, and be in a position to drive incremental cash flows through the merger and acquisition process.

Thus far we have executed well. And I believe our entire team has embraced the opportunity to be the leading communications and entertainment provider serving rural America.

In summary, I would like to thank the entire Windstream team for the tremendous efforts put forth to launch this business and deliver solid results for the fourth quarter and 2006. I believe we're off to a great start and are well-positioned with a singular focus to succeed going forward.

Thank you. Now let me turn the call over to Keith to discuss the operation.

Keith Paglusch - *Windstream Communications - COO*

Good morning everyone. Our team achieved solid operational results during the fourth quarter. Specifically we added over 53,000 broadband customers in the quarter, increasing our total broadband customer base to 656,000, or 21% of total ILEC access lines. From a network perspective we continued to expand our broadband network, and ended the year reaching our goal of 80% broadband addressability of our ILEC access lines. In addition, we continued investing in our network to drive faster broadband speeds, and now provide 3 megabit speed to 80% and 6 megabit to 22% of our broadband addressable lines.

2006 was a record year in terms of new broadband sites added. And I am particularly pleased to report that we significantly improved our broadband capabilities, both reach and speed, while aggressively managing our capital spend. Broadband is a primary focus for Windstream, and we continue to launch new offers and initiatives to drive sales.

During the fourth quarter we trialed our simple broadband offering, which combined broadband service and a metered voice line to reach the market segment that is using wireless as the primary voice service. Earlier this week, we launched this service called GreenStreak across our entire footprint to reach our targeted segment.

With respect to digital TV, we continue to experience sales improvement with the dish product each quarter. We are very pleased with the EchoStar relationship and recently announced a multiyear extension to the existing agreement to offer DISH Network satellite TV service. We feel that extending our relationship with EchoStar supports our strategy to bundle services as a communication and entertainment company.

Average revenue per customer for the fourth quarter was $79.72, an increase of 6% year-over-year, primarily the result of our continued broadband growth and revenue growth within our long-distance product related to increased sales of unlimited plan, as well as price increases that we made in the fourth quarter. As expected, these price increases also led to a reduction of 16,000 long-distance customers, many of whom reside outside the Windstream service area.

This quarter we lost approximately 45,000 access lines, a decline of 4.4% year-over-year, primarily due to fixed line competition and wireless substitution. We experienced a modest increase in cable Voice over IP competition in the quarter. At this time the incumbent cable providers are offering voice services to roughly 40% of our access lines. We continue to expect that percentage to increase over time.

The key for Windstream is to inoculate our customer base by selling broadband and digital TV in front of the anticipated increase in competition.

We implemented various sales and marketing initiatives to improve our overall competitiveness in our markets, including expanding our distribution channels, focusing on bundled products, and emphasizing the safety and reliability of land line phones. We have been encouraged by the early results of our new initiatives, and will continue to focus on them in 2007.

Before I turn the call over to Brent, I want to thank the entire Windstream team for an outstanding 2006. As Jeff mentioned, we had a record year for net broadband additions. And we continue to improve digital TV sales each and every quarter. Our teams are doing a great job transitioning from a culture of primarily service to one of sales and service by continuing to ask for the sale, which is extremely important given our competitive environment.

With that, I will turn the call over to Brent to review our fourth quarter financial results.

Brent Whittington - *Windstream Communications - CFO*

Good morning everyone. In the fourth quarter Windstream achieved $0.25 of diluted earnings per share on a GAAP basis. Our GAAP results include approximately $27 million of onetime pretax expenses consisting of $11 million of expenses associated with the announced split off of the directory publishing business, most of which are payable upon close of the transaction, $11 million of severance expense related to pending restructuring plans which will be paid during 2007, and $5 million of expenses associated with the spinoff and merger.

Let me turn to the results from current businesses which exclude the expense items I just mentioned. We generated consolidated revenues of $828 million, an increase of 3% year-over-year. This was driven by an increase in our wireline revenues, which I will cover momentarily, and an increase in sales within our supply business, which are generally very low margin revenues.

In addition, since Alltel was an internal customer in 2005, certain network access revenues that were billed to Alltel were eliminated from the consolidated results. Now that Alltel is an external customer, these revenues are no longer eliminated and account for roughly $10 million of the overall revenue increase. However, this is OIBDA neutral because the associated expenses are also no longer eliminated.

For the quarter we generated consolidated OIBDA of $436 million, a 1$ decline year-over-year. Within our wireline segment revenues were $781 million, an increase of 1.5% year-over-year. This increase has been driven by substantial growth in broadband revenues, long-distance revenue growth resulting from the recent price increases, and increased sales of unlimited plans, higher revenues associated with digital TV activations, and a new revenue stream related to network management services provided to Alltel. Collectively these items more than offset the declines we continue to see in local service revenues and network access revenues.

On a sequential basis the increase in network access revenues is primarily related to cost recovery of the merger-related expenses we have incurred. This quarter wireline OIBDA was $429 million, a decline of less than 1% year-over-year. This was driven primarily by higher cost of service, which was up year-over-year primarily due to increased customer usage driven by unlimited long-distance bundles, increased circuit expenses related to the broadband growth we have seen, and new expenses associated with the network management services provided to Alltel that I just mentioned.

Within SG&A expenses were down year-over-year as we started to realize some of the synergies related to the VALOR merger, which was partially offset by higher advertising expenses.

In our publishing and supply businesses, which we have reported together in our supplemental financial information as our other segment, revenues were $148 million, a 13% increase year-over-year. This revenue increase was driven by an increase in affiliate sales related to our broadband deployment during the fourth quarter.

This quarter capital expenditures totaled $130 million, and we ended the quarter with a cash balance of $387 million. In terms of our capital structure our year-end net debt to OIBDA was 3.1 times, or approximately 3 times, after giving effect to the upcoming publishing transaction.

On our September 7 investor call we provided the investment community with guidance covering revenue, OIBDA and capital expenditures for the second half of 2006, and are pleased to report that we exceeded the guidance in all categories. For the second half 2006 our pro forma consolidated revenues of $1.6 billion, an increase of 1% which exceeded the guidance range of a 0 to 2% decline. We generated OIBDA of $842 million, representing a decline of less than 2%, and better than the guidance range of 2 to 4% decline.

And capital expenditures during the second half of 2006 totaled $220 million versus guidance of $235 million. A significantly better result given that we're able to accomplish all of our network modernization objectives. Really a great job by all.

Looking at the full year on a pro forma basis, we generated consolidated revenues of $3.2 billion and OIBDA of $1.668 billion, both essentially flat year-over-year. And in addition, we spent $400 million on capital expenditures, or $380 million on a normalized basis when you exclude the transition capital we incurred of roughly $20 million.

As Jeff mentioned, we recently announced plans to split off our publishing business. Based on 2006 results this transaction would lower revenue and OIBDA by $153 million and $66 million, respectively. And would be essentially neutral to cash flow because of lower taxes, interest and dividends resulting from the deal.

As many of you probably know, Windstream is hosting an analyst day in New York on Wednesday, February 21. At that event we plan to provide annual guidance for 2007 and updated quarterly pro forma results for 2005 and 2006, which will exclude the publishing business. We believe these updated pro forma results will assist the investment community in the year-over-year comparisons throughout 2007.

In summary, we're very pleased with our results for the fourth quarter and 2006. The Windstream team has done an exceptional job integrating VALOR, implementing new operational initiatives, improving our cost structure and making strategic pricing decisions which, combined with our singular focus, positions Windstream to succeed going forward.

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 very much.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS). Michael Rollins, Citigroup.

Michael Rollins - *Citigroup - Analyst*

Just a question on the synergies. As you look at your performance in the fourth quarter of '06 how much do you think the synergy helped you there? And as you have had a chance now to be free for, I guess, almost -- actually a little more than 6 months now, have you been able to identify other cost-cutting opportunities in the structure? Thanks..

Brent Whittington - *Windstream Communications - CFO*

This is Brent. I will take that question. With regard to the synergies, really during -- probably in the last half of the quarter we started to see more or less the full recognition of those synergies. So for the fourth quarter I would say we started to see most of the quarterly runrate of those synergies, which is again on a net basis is about $40 million annually. So it did certainly begin to show up in our financial results.

With regard to other cost-saving initiatives, I mentioned that we did incur roughly $11 million in severance-related expenses associated with a reorganization during the fourth quarter that took place here. We do believe that that was an effort in some of our engineering, customer service, and IT organizations that really is going to yield some cost savings, primarily during the 2008 year. As we begin to execute the actions necessary during 2007 to implement that plan it is really going to be about cost neutral during the '07 year, but really setting us up for success during the 2008 timeframe.

Operator

[Tom Sykes], Lehman Brothers.

Tom Sykes - *Lehman Brothers - Analyst*

Thanks for taking the question. I think you're going to get roughly $250 million in cash from the directories transaction. And I think you have said you're going to use it to retire debt. I think it is -- is a widely held view that you're at a manageable debt level. Are there restrictions in what you can use the cash for? Could it be used for repurchasing shares or other uses?

And then quickly do you think -- can you just talk about the M&A environment in general? Is your size an impediment to RBOC divestitures, given that at least it looks like they have a preference for doing reverse Morris trust transactions where they end up having to own greater than 50% of the combined company, and you're pretty good sized already. Just talk about that and in general the M&A environment. Thanks.

Jeff Gardner - *Windstream Communications - President, CEO*

Sure. The publishing transaction, which we believe was a very good strategic move for Windstream for all the reasons that we cited, allows us to really focus on our core business. It allowed us to remove some overhang related to a large private equity stake and was tax-free.

Relating to that tax-free status, we're going to have roughly, as you said, $200 million plus that will be required to retire debt, and also pay downs -- also retire some shares outstanding from the stake that Welsh, Carson holds. So, yes, a little bit of deleveraging from the deal.

With respect to our balance sheet, we are in great shape with respect to the credit rating that we set out to get. We knew that we would deleverage over time. We took that was important to us to maintain the flexibility that we want, so that when an M&A opportunity does present itself that we would be in a position to move on that. And I think we are in great shape in that respect. Things are going just as planned.

From an M&A perspective there have been some transactions. There has been a couple of transactions in addition to the reverse Morris trust that you talked about. And our view on that has not changed in that we think we are in good shape with respect to these deals. We have the ability to drive significant synergies because of our relative size. Again, we're really focused on looking at rural properties that will improve our cash flow and lower our dividend payout ratio. We think there's going to be opportunities for Windstream over the next couple of years. And we also believe that it is going to be very important for us to continue to be very disciplined in that process.

It is hard to overcome a transaction where you have paid too much. And in this space where we're focused on cash flow, we're going to follow our criteria in a very disciplined way. But we do believe there's going to be opportunities for us.

Operator

David Janazzo, Merrill Lynch.

David Janazzo - *Merrill Lynch - Analyst*

The last time you had mentioned that you were not going to pursue the wireless MVNO strategy. Do you have any -- are you going to revisit that thought process, or can we consider that to be off the table for the time being?

Jeff Gardner - *Windstream Communications - President, CEO*

No, since it has just been three months since we made the decision, I think you guys would worry about us if we changed our minds on that that quickly. We haven't. What I'm really pleased about is the focus that it has allowed us to have. We still -- for all the reasons that we cited -- we did believe the MVNO was a great opportunity, either from a cash flow perspective or from allowing us to better retain our customers.

When you look at our results on broadband this quarter with 53,000 broadband adds, really growing our penetration in that key part of our business quickly, as well as seeing tremendous results with digital television, both of which we think will allow us to hang onto our customers longer and drive better average revenue per customer. That is really where our focus is, so we're real solid on that decision, and moving forward focusing on our three core products.

Operator

Rayna Smith, Morgan Stanley.

Rayna Smith - *Morgan Stanley - Analyst*

I was hoping you could talk in a little more detail about the broadband adds. It this a runrate that we should see going forward? You also mentioned that you are now up to 22% of your customer -- your adjustable customer base having access to this 6 meg product. Are you seeing a lot of demand for the 6 meg product at this point, or is that something that is increasing over time? And can you talk maybe about some of the promotions to get people to upgrade to the higher tier broadband products?

Keith Paglusch - *Windstream Communications - COO*

This is Keith, and I will be glad to take that question. You know, broadband for us is absolutely a strategic product. And as we go forward, yes, you can expect that we will continue to be very aggressive on that front.

We are pleased we're using a lot of new marketing initiatives to improve our competitiveness in the marketplace. We are clearly expanding our distribution channels through some alternate distribution as an opportunity for that.

Second, we're taking the opportunity to strengthen what happens in our retail stores. I'm very proud of our technicians in the field who are really asking for the sale, so we think that is important.

As we go forward, as it relates to your question on speed, we are seeing more and more people obviously in terms of attempting to download music and video needing the higher speed. So we're comfortable and covenant that we will continue to see an uptick in people moving from 1.5 to 3, and 3 to 6. And then in that same line we're continuing to take a look at what kind of speeds do we want to get to over a period of time. Part of our capital allocation will be towards increasing speed in the marketplace so that we are competitive with the cable providers.

I would say the very last thing is we introduced GreenStreak, which I mentioned, and that is really kind of our answer to those people that do use primarily wireless, but need broadband and need the speed from their home. And we are excited about that as an offering which also includes with it the metered line service.

Jeff Gardner - *Windstream Communications - President, CEO*

This is Jeff again. As Keith said, plenty of opportunity there in broadband. The focus on speed is not new to us, but it is something that we are really trying to improve on. So with respect to the promotions in that regard most of it has been about really helping build the sales skills of our customer service team and our frontline technicians in terms of them understanding how we can promote those products, convincing customers that they will benefit from this additional speed, and driving additional penetration that way.

Rayna Smith - *Morgan Stanley - Analyst*

How do those speeds compare to what cable is offering in your region? Are you guys sort of head-to-head or are you leading a little bit?

Unidentified Company Representative

I would say that we're very competitive. We mystery shop our markets all the time. And we're very competitive, especially as we move from the 3 to the 6 megabit, and as we're looking at higher speed potentials for later this year.

Operator

Chris King, Stifel Nicolaus.

Chris King - *Stifel Nicolaus - Analyst*

One quick housekeeping question for you. It looks like you guys had some nice sequential strength in your wireline revenue, specifically the long-distance and network access lines. And it certainly looks a little bit seasonally stronger than we saw in the fourth quarter of last year. I was just wondering if there was anything onetime in that or any adjustments we should look at going forward into 2007?

Secondly, just wanted your quick thoughts. I know you guys have announced plans to buy back 20 million shares or so. I just was wondering if you could walk through your thought process in terms of weighing share repurchases versus possibilities of dividend increases in the future? Thanks very much.

Brent Whittington - *Windstream Communications - CFO*

I will start with the revenue questions. With regard to the sequential strength in those categories that you mentioned, specifically LD, we continue to see really strong growth and our unlimited long-distance plan that had an impact there. But additionally we mentioned in our discussion before we did have some price increases that took place during the fourth quarter. So with regard to that line item there are no onetime items coming through during the quarter. So a number -- we are proud of that growth during the quarter.

With respect to the network access, I alluded to before that we did have some network recovery -- wholesale recovery revenues associated with some of the merger expenses we have incurred this year. I would say the majority of that sequential increase is associated with that, which is somewhat onetime in nature. However, if you look at that revenue stream on a year-over-year basis you sometimes do have true ups, etc., relative some of those wholesale revenue streams that occur throughout a period of time, certainly within the course of a year. So that is my comment on that.

With regard to share repurchase -- or excuse me, any dividend increase, we certainly have not had any intention at this point to depart from our $1 per share dividend on an annual basis. And I don't think the transaction we entered into this past year any plans at this point have caused us to reconsider that.

Keith Paglusch - *Windstream Communications - COO*

I think we're very comfortable with the 70 to 75% payout ratio that we have today. I think it is very attractive to investors. With respect to uses of cash, as we mentioned earlier, there are three things that you focus on. As Brand said, we're comfortable with the dividend. Acquisitions, share repurchase and debt reduction based on the cash accretion that we can drive. We will reevaluate that over time.

Chris King - *Stifel Nicolaus - Analyst*

Just to follow-up on the revenue line items then we're now looking at a long-distance ARPU per LD sub of a little over $11 in the fourth quarter. So you consider that to be a reasonable runrate on a quarterly basis going forward throughout 2007 at this point?

Brent Whittington - *Windstream Communications - CFO*

I do.

Operator

David Barden, Banc of America Securities.

David Barden - *Banc of America Securities - Analyst*

Just two questions. One was just in terms of making sure I have got the one-timers that were kind of in the income statement roughly right for the cash flow side, it looks like the $5 million or so for the expense of the Alltel wireline business spend was with cash in the fourth quarter. It sounds like the $11 million for directories will come in the second quarter. And the other kind of $10 million, $11 million for headcount reductions will kind of be coming across the quarters roughly evenly over the course of '07. I wanted to make sure I got the picture correct.

Just secondly, maybe Jeff with respect to some of the comments on the objective of decision-making in terms of debt reduction and share repurchases being focused on -- dividend payout reductions, some of your peers have made it -- made affirmative statements that in situations that involve mergers their objective was to maintain precisely exactly the payout ratio that they had today, rather than ratchet that payout ratio down, as maybe occurred during the VALOR Alltel wireline merger.

Could you kind of maybe flesh that commentary out about payout ratios a little bit more? Is it your intention to maintain absolutely a payout ratio between 70 and 75 under any circumstances, or is your objective to get down below that and take synergies in house for the benefit of debt reduction? Thanks a lot.

Brent Whittington - *Windstream Communications - CFO*

On the cash flow outlays that you mentioned, I think you were spot on in terms of the timing that would take place associated with those. Yes, the $11 million in severance would occur throughout probably the first half of '07. The expenses associated with the directory publishing transaction, upon close of that which respect to happen during the second quarter. Those are the biggest components so I think you're correct there.

Jeff Gardner - *Windstream Communications - President, CEO*

With respect to your second question on M&A any impact on the capital structure, when we talk about 70 to 75%, we're comfortable at that level today. When we came up with this capital structure initially, $1 per share, we put a lot of thought into that in terms of that being the right level of dividend to attract investors -- really allow us to continue to grow the business.

As we look at acquisitions, I think it is just the math generally with respect to these transactions. Most of these will allow us to modestly -- some of the smaller deals out there would allow us to modestly improve our dividend payout ratio. Which I think says to investors that these cash flows are sustainable for an even longer period of time, which is generally positive.

But a lot of that will depend on the transaction, whether it be a big one or a large one. What is going on in our core business. So it is hard to be absolute about how we will think about that going perspectively. But the point I wanted to make is we feel comfortable about sustaining our dividend for a long period of time. We think there are opportunities that will allow us to improve the cash flow ratio through M&A over time.

David Barden - *Banc of America Securities - Analyst*

When you save improve, I just want to make sure I'm clear. When you say improve you mean increasing the payout ratio or decreasing the payout ratio?

Jeff Gardner - *Windstream Communications - President, CEO*

Decreasing it.

David Barden - *Banc of America Securities - Analyst*

Decreasing it. Thanks much.

Operator

Mike McCormack, Bear Stearns.

Scott Goldman - *Bear Stearns - Analyst*

It is Scott Goldman for Mike McCormack. I am wondering if you guys can just give me a sense of the breakdown of the nice increase we saw in ARPU this quarter? You talked about the price increases across the base on the LD side -- DSL, video. Which of those -- how would you handicap those as far as being the biggest drivers? And would you say that the price increases have -- we still have some more room to run up the ARPU a bit as those price increases work their way through, or is that increase largely behind us? As well as giving some expectations for that ARPU going into 2007? Thanks.

Brent Whittington - *Windstream Communications - CFO*

With regard to ARPU, I think that price increases that we actually put in place was an opportunity. There aren't that many that remain for us. We're always looking at that, and we're available. But I would say that the bulk of the impact from that price increase is built into the ARPU runrate we saw during the quarter.

Looking forward, we continue to see really strong growth this past year around our broadband product, as well as digital TV. Broadband specifically has continued to have an increasing impact on our ARPU, and certainly has helped with both our sequential and year-over-year growth in ARPU. I think those two items specifically are where we really have seen some strong growth in ARPU, and expect that somewhat primarily on the broadband side to continue in the future.

Operator

Jason Armstrong, Goldman Sachs.

Jason Armstrong - *Goldman Sachs - Analyst*

Just a couple of follow-up questions. First, sorry to hit the M&A topic again. I just want to hit it from a different angle. Jeff, you mentioned obviously flexibility for a wide range of deals. And I'm just wondering, given the successful experience so far with VALOR in terms of the integration process and the synergies, is this the sweet spot in terms of size, or dose success here allow you to target something larger next time?

The second question for Keith on the competitive activity. You mentioned the modest increase in cable VoIP exposure. The incumbent cables I think going to 40% of the footprint and this expanding over time. Can you talk about the level of the competitive activity of the cables historically when that percentage was 20% versus where it is now? In other words, are you seeing sort of the incremental competition come in at a more competitive rate, more compelling price offers, etc.? Thanks.

Jeff Gardner - *Windstream Communications - President, CEO*

The VALOR transaction, I think with respect to the merger was a very opportunistic transaction for us in that these were very rural markets, great contiguous [fed]. It drove significant synergies. I think the synergies, clearly as you look at them in proportion to the revenue and the cash expenses of that company, it gives you some idea of the power of our cost structure and what we can do when we acquire these companies to bring them into line with our runrate.

So absolutely that was a great deal. I think that Windstream, given our relative size and the experience that our team has with M&A, is certainly capable of doing a bigger deal. I think what matters most is not the relative -- not just the relative size of the deal, but also the characteristics underneath that in terms of are these properties rural? Do they really fit with the kind of markets that we will be successful in? Where we can drive strong broadband penetration. Where cable competition is more fragmented. Where we can drive better cash flows. So absolutely this team is cable of doing bigger transactions with the caveat that we would always follow that disciplined approach that I have outlined a couple times.

Keith Paglusch - *Windstream Communications - COO*

I think on the competitive front, we are seeing kind of a modest increase time over time, nothing that would be startling. As an example, from about the August to September timeframe we saw about 166 access line competition in Texarkana, Matthews, Lexington, Kentucky, Sanford, North Carolina. So again, nothing that I would say as drastic.

Our perspective is we will continue to bundle products and services in a very competitive arena. We're finding that when we compare our pricing that we're extremely competitive, and we feel good about that.

Second is we are seeing -- our markets are fragmented from cable competitors. It is not like we have the same competition all over the country. And so as result, we are not seeing them in some cases be quite as organized. In other cases they might be a little bit more organized. We're being very aggressive on what I will call the marketing front. And we are taking a specific market by market approach where we see competition either in it or competition coming to it. We're being aggressive out front in terms of the offers that we give customers. And we still believe that the bundling of our video product with our landline product in broadband is what is helping.

I would say the last thing is that we have been in these markets quite a while. And so one of the best things we have going for us is our reputation and our employees' reputation in those markets, and how they participate in the kind of activities that are going on in the marketplace.

Operator

Michael Nelson, Stanford Group.

Michael Nelson - *Stanford Group - Analyst*

Can you talk about your experience selling your naked DSL products, simple broadband, and the underlying economics? And is that a service that should significantly impact DSL adds going forward.

Separately, just if you could comment on the regulatory front end, and if anything is happening with the Missoula plant, and if there is potential for a separate reform regarding phantom traffic? Thanks a lot.

Jeff Gardner - *Windstream Communications - President, CEO*

This is Jeff Gardner. With respect to GreenStreak. What we're most worried about, and the reason we trialed that product, was the effect on our embedded revenue base. What we found is that it had very little effect. We saw some interest. I think it is too early to say as to whether that will have a significant impact on our runrate. What it will allow us to do is to address a part of the market that was difficult for us to reach before. And as Keith mentioned earlier, it is important to note that are GreenStreak product does have an access line -- a voice access line associated with it. It is very limited use. And we will offer this in a manner that we can manage its impact on revenue going forward.

With respect to Missoula, as you know -- as you probably know, we're in support of that plan. We think it is comprehensive. It allows us to gain more certainty as to the -- as to the runrate with respect to our air carrier revenues over the next several years. That is being considered now. A number of carriers supported that. We would think that process will be going on until at least late into 2007, maybe early 2008.

So it is too really to tell. I'm very pleased with how our group participated in that process. I think we have a good understanding of the Missoula plan, and in general believe that it will be fairly runrate neutral for Windstream.

Rob Clancy - *Windstream Communications - SVP, Treasurer, IR*

We have time for one more question.

Operator

Frank Louthan, Raymond James.

Jason Frazier - *Raymond James - Analyst*

This Jason Frazier in for Frank. I have two quick questions. Do you guys think looking at a [Home Zone] like product similar to AT&T with the broadband interactivity? And would you be able to get those type of settop boxes? And secondly, would you guys be looking at maybe a possible free disk promotion similar to Citizens or AT&T?

Jeff Gardner - *Windstream Communications - President, CEO*

With regard to Home Zone we are working on products that will integrate our broadband and our dish offering. It is too early to give any details on that, but I think that can be an important tool for us to further improve our bundle. With respect to a free dish offering, no. We have been successful selling our broadband with the standard offers that allow us to continue to realize nice revenue streams from both our dish and our broadband product, so we will stick with those.

Jason Frazier - *Raymond James - Analyst*

Great. Thank you.

Keith Paglusch - *Windstream Communications - COO*

I would say one of the best benefits of our relationship with EchoStar and this new agreement is really around two fronts. One is around the day-to-day operations and the ability to sell it. But it is really a very strategic relationship with them. And it gives as the ability to work together on developing products and services that bundle again potentially our broadband offering with our digital TV offering. That was very important to us as we went into this relationship.

Jason Frazier - *Raymond James - Analyst*

Great. Thank you.

Rob Clancy - *Windstream Communications - SVP, Treasurer, IR*

We would like to thank you all for joining us this morning. And we appreciate your interest and support. Let me remind you that Windstream will be hosting an analyst day in New York on February 21, and that event will be webcast. And [Mary Michaels] and I will be available today for questions. Thank you much.

Operator

Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. And have a great day.