FINAL TRANSCRIPT

Thomson StreetEvents℠

WIN - Q2 2007 Windstream Communications Earnings Conference Call

Event Date/Time: Aug. 08. 2007 / 8:30AM ET

CORPORATE PARTICIPANTS

Rob Clancy
Windstream Communications - SVP, Treasurer

Jeff Gardner
Windstream Communications - President, CEO

Keith Paglusch
Windstream Communications - COO

Brent Whittington
Windstream Communications - EVP, CFO

CONFERENCE CALL PARTICIPANTS

Gaurav Jaitly
UBS - Analyst

Jonathan Chaplin
JPMorgan - Analyst

Michael McCormack
Bear Stearns - Analyst

Patrick Rien
Lehman Brothers - Analyst

Frank Louthan
Raymond James - Analyst

Illan Sender
Jefferies - Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the 2007 second-quarter Windstream Communications earnings conference call. My name is [Jendy] and I will be your coordinator for today. At this time all participants are in a listen-only mode. We will be facilitating a question-and-answer session toward the end of today's conference. If at any time during the call you require assistance, please press star followed by 0 and a coordinator will be happy to assist you. As a reminder, this conference is being recorded for replay purposes.

I would now like to turn your call over to Mr. Rob Clancy. You may proceed, sir.

Rob Clancy - *Windstream Communications - SVP, Treasurer*

Thank you, Jendy. Good morning, everyone. Thank you for joining us this morning. Today's conference call was preceded by our second quarter 2007 earnings release which has been distributed on the news wires and is available on the IR section of our web site. Today's conference call should be considered together with our earnings release and related financial statements. Today's discussion includes statements about expected feature events and future financial results that are forward-looking statements within the meaning of the Private Securities and 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 second-quarter

2007 earnings press release. Additionally today's discussion will include certain non-GAAP financial measures including the term OBITDA which is defined as operating income before depreciation and amortization.

Again, we refer to you to the IR section of our web site where we've posted our earnings release and supplemental materials which contain information regarding these non-GAAP financial measures including the reconciliation of each such measure to the most directly comparable GAAP measure. To assist the investment community and provide meaningful year-over-year comparisons, we've also provided pro forma results from current businesses. These results include the Alltel wire line and VALOR results as if Windstream had existed since January 1st, 2005.

Incidentally, we have updated our historical pro forma results by adding back the severance expenses that were excluded in the past two quarters as this type of expense should not necessarily be viewed as nonrecurring. In addition, our pro forma results from current businesses exclude the results from our publishing business and fees associated with the upcoming split-off of that business.

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.

And with that here is Jeff Gardner.

Jeff Gardner - *Windstream Communications - President, CEO*

Thank you, Rob, and good morning, everyone. This morning, I will start our discussion with a few highlights from the second quarter and then provide updates on various strategic initiatives. Keith will review the operational highlights. And Brent will cover our financial results. Let me start with the quarterly results.

For the second quarter on a GAAP basis, Windstream generated consolidated revenue of $827 million. Operating income of $293 million and $0.24 of diluted earnings per share. An a pro forma basis, from current businesses, which exclude the results of our publishing business and $1.6 million of transaction expenses related to the upcoming split-off of that business, Windstream generated revenue of $783 million, an increase of 4% year-over-year and OBITDA of $403 million, an increase of 1% year-over-year. Our pro forma results from current businesses include a favorable $13.3 million cash settlement received during the quarter resolving disputes over a period of a few years with a large wholesale customer.

On the operational front, our broadband customer base increased 37% year-over-year as we added over 37,000 net broadband customers this quarter. This is down sequentially, which is a -- which is seasonal, to a large extent, but likely also due to our overall higher penetration rates. With that said, we are pleased with our performance thus far year to date, as we have added roughly the same level of broadband customers in the first half of 2007 as we did in the first half of 2006, despite higher overall penetration rates. We also added approximately 28,000 digital TV customers, bringing our total customer base to over 150,000. Access lines are down 4.5% year over year, as we lost approximately 35,000 access lines this quarter, which is an improvement year-over-year. We are encouraged that our operating and marketing efforts are having a positive effect on access line losses as competition competitive pressures continue in our market.

From a regulatory perspective, as we have stated before, as it relates to USF, Windstream supports comprehensive forward-looking reform that targets explicit support to high-cost areas. In fact, we recently participated in a study submitted to the Federal State Joint Board and the Texas PUC concerning the unique challenges faced by carriers in high-cost regions. The study concluded that the current USF mechanisms do not adequately address the cost of carriers serving high-cost rural areas. We are hopeful that the Federal State Joint Board considers this very important study in their deliberation on the overall reform within the universal service system.

In addition, earlier this week, we filed a petition with the SEC to migrate the balance of our properties from rate of return regulation to price cap regulation at the Federal level. We believe the price cap form of regulation aligns very well with our desire to run this business efficiently and provide us the ability to deregulate the remainder of our broadband offerings.

Let me provide an update on a couple of strategic initiatives currently under way. First, with respect to the split off of our publishing business, we expect to receive the Private Letter Ruling from the Internal Revenue Service in the third quarter. As a result, we should be in a position to close this transaction within the next few months. As a reminder, this transaction allows us to repurchase approximately 19.6 million shares, retire approximately $200 million of debt, and receive roughly $50 million of cash, which must be used to either pay down debt or repurchase stock. Importantly, we have established the necessary restricted payment capacity under our indentures and credit facility agreement to close the share exchange in one step rather the two steps we initially planned.

During the second quarter, we signed a deal to acquire CT Communications which fits strategically with Windstream and advances our strategy of continuing growth through acquisitions that expand our free cash flow. With this transaction, Windstream adds attractive markets in North Carolina, which are adjacent to existing operations, providing the opportunity to generate approximately $30 million in annual cost synergies and realize additional capital expenditure reductions which we expect to exceed $10 million. In addition, to acquiring quality properties in a growing area, this transaction improves Windstream's overall position in the market by growing free cash flow and lowering the dividend payout ratio while maintaining Windstream's strong balance sheet. The transaction should be approximately 4% accretive to free cash flow in the first year, assuming achievement of the operating and capital expense synergies.

Brent will review our funding strategy, but importantly, we have adequate liquidity with our cash and revolver capacity to finance this transaction. At this time we are still awaiting final approval from the SEC. The CT shareholder vote is scheduled for August 23rd. And if the transaction is approved at that the time, we'd expect to close shortly thereafter provided we have received FCC approval. Our transaction teams are working on the integration and the employees of CT Communications have been extremely helpful and cooperative in this process. Our goal is to complete the integration by the end of the first quarter of 2008.

As always, I would like to thank the entire Windstream team for all their hard work. Our first year as a public company has been very successful. We have outperformed the industry in many key metrics, established a foundation for a great brand, and created a culture at Windstream that will serve us well going forward.

Now, let me turn the call over to Keith to discuss the operations.

Keith Paglusch - *Windstream Communications - COO*

Thank you, Jeff, and good morning, everyone. This quarter, we added over 37,000 new broadband customers, bringing our total broadband customer base to approximately 753,000, an increase of 37% year-over-year, and a penetration rate of 24% of total access lines. We are seeing increased demand for faster broadband speeds as 35% of our broadband gross adds subscribed to 3 megabit speeds and higher this quarter up from 27% in the first quarter. With the addition of approximately 28,000 digital TV customers our total digital TV customer base is now over 150,000, which represents 5% penetration of total lines, are almost 8% of primary residential access lines.

We have recently implemented several key initiatives with the Dish product, including a marketing campaign aimed at migrating existing Dish and Windstream customers currently receiving two bills to a Windstream bundle. We believe this bundle offers value to the customer, and provides an opportunity to sell additional products and services which should reduce overall churn.

This quarter, we lost approximately 35,000 access lines, a decline of 4.5% year-over-year. While the competitive landscape did not change significantly during the quarter, we do expect voice competition to increase somewhat in the second half of the year. Our focus has been, and will continue to be, implementing marketing plans in front of competitive voice launches and improving our gross additions by expanding our distribution channels and marketing more aggressively at the local level. Importantly, this represents the 10th consecutive quarter that our broadband net adds have more than offset our access line declines, which is a result of solid execution by the Windstream team.

Average revenue per customer for the second quarter was $79.41, an increase of 9% year-over-year, primarily the result of our continued broadband and long-distance revenue growth, as well as the favorable revenue settlement. The long-distance price increases implemented in the fourth quarter of 2006 continue to have an effect on our out-of-territory customers as indicated by a net reduction of 7,000 long-distance customers in the second quarter. Within Windstream's service areas, however, we are seeing growth in long-distance customers driven by increased focus on selling bundled products.

We have been pleased with the progress that we are making in our business channel, which accounts for over 30% of our total access lines. This channel has been relatively stable in terms of access lines, although we occasionally experienced line losses resulting from product changes as businesses migrate to higher capacity lines including data services.

This quarter, we launched a small business bundle that simplifies pricing and promotes extended contracts which should position us well competitively. We will continue to manage this channel from a revenue and profitability perspective, and we will look to add new features and services that enhance our existing relationships.

As we look to the back half of 2007, we recognize that given our current broadband penetration rates, particularly with respect to primary residential households, our broadband growth rates will moderate. With that said, we will continue to explore marketing avenues to further penetrate our customer base particularly within our business channel as well as continue our efforts to sell faster speeds. In fact, we have already taken steps as we start the third quarter to enhance our broadband promotional offerings and increase our overall marketing spend. In addition, we have been working on improving the processes around provisioning and servicing broadband to improve the overall customer experience which we expect to yield improvements in customer retention in the future.

As we have stated before, broadband and digital TV are very important strategic offerings. Our teams remain energized regarding our market opportunities and remain focused on balancing the sales and service needs of these offerings for our customers. With that, I will turn the call over to Brent to review our financial results.

Brent Whittington - *Windstream Communications - EVP, CFO*

Thank you, Keith. And good morning, everyone. For the second quarter on a GAAP basis, Windstream generated consolidated revenue of $827 million. Operating income of $293 million and $0.24 of diluted earnings per share. As Jeff mentioned our GAAP results including our publishing business and $1.6 million in fees related to the upcoming split-off of that business. I'm planning to spend most of my time discussing our pro forma results from current businesses, which exclude these items.

We generated consolidated revenues of $783 million, an increase of 4% year-over-year, driven mostly by increases in wire line revenues, which I will cover momentarily, and a 1% increase related to lower inter-company service revenue eliminations. As we mentioned previously, certain network access revenues from Alltel before the spinoff were eliminated from the consolidated results, but are no longer eliminated because Alltel is an external customer. Keep in mind this is neutral to OBITDA as the expenses are no longer eliminated as well. Incidentally, this should be the last quarter when our year-over-year comparisons are affected by this change in eliminations.

For the quarter Windstream generated consolidated OBITDA of $403 million, an increase of 1% year-over-year. Within our wire line segment, revenues were $762 million, an increase of approximately 4% year-over-year. Roughly 2% of the increase is attributable to the $13.3 million favorable cash settlement recorded in our access revenues. In addition, we saw a 2% increase driven by continued growth in broadband, special access, and long-distance revenues, which collectively have been outpacing the declines we have seen in voice and switched access revenues. Wire line OBITDA was $402 million, an increase of 2% year-over-year, driven largely by the cash settlement I just mentioned.

On the expense side, cost of service is up 11% year-over-year driven by several factors. First, the success we are having in both our broadband and long-distance service offerings is also resulting in higher circuit expenses to support this growth. Second, business taxes increased this quarter as we determined that the price increases we made in our long-distance product in the fourth quarter of 2006 were assessable for USF purposes. Finally, we incurred additional expenses related to pole attachment rentals as several underlying utility providers completed reviews that resulted in us being charged higher fees resulting in retroactive pricing adjustments. Both the business taxes and the pole attachment cost drove sequential and year-over-year increases in cost of service, although only a portion of those expenses relate to the current quarter.

Within SG&A, expenses are down 9% year-over-year, largely a function of the synergies we have realized from the VALOR transaction. In our product distribution business, revenues were $86 million and OBITDA was $500,000. As we mentioned on our previous call, the vast majority of the revenue this business is internal. Our external business, although relatively small, allows us to leverage our spin and gain efficiencies in our procurement activities.

This quarter, capital expenditures totaled $98 million. We continue to manage capital expenditures aggressively while delivering on all of our planned capital objectives. And as we mentioned last quarter, we are upgrading our network to enable us to introduce broadband speeds of 10 to 12 megabits, and we expect to complete this effort late this year or early next year. This upgrade will also result in us being able to offer 3 megabit speeds to our entire broadband footprint. We view these faster speeds as an opportunity to potentially increase broadband ARPU, as well as remain competitive in the marketplace.

From a cash flow perspective, we are aggressively managing this business to generate sustainable cash flows. For the first half of 2007, we generated free cash flow, defined as net cash provided from operations less net cash used in investing activities of $337 million, which has resulted in a dividend payout ratio of approximately 71%, right in line with our expectations. We ended the quarter with a cash balance of $484 million, and, given our very strong cash position, plan to finance the $585 million CT Communications transaction with cash on hand and additional borrowings that will likely come from our existing revolving credit line which has roughly $500 million of capacity.

In summary, we are pleased with our results for the first half of 2007. As we mentioned earlier this year, we thought the first half of the year would present challenging year-over-year comparisons, and generally speaking, that has been the case. As we look to the back half of the year, the year-over-year comparisons are not as challenged. And while we will continue to aggressively manage our cost structure, we will likely invest more marketing dollars to grow our broadband customer base.

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

QUESTIONS AND ANSWERS

Operator

Thank you. (OPERATOR INSTRUCTIONS) Your first question will come from the line of Gaurav Jaitly of UBS.

Gaurav Jaitly - *UBS - Analyst*

Great. Thanks. Good morning guys, it's Gaurav Jaitly. Just a couple of questions. First on the access line trends. You saw year-over-year improvement. I wonder if you can give us more detail on that? What is the status of cable [work] competition in your footprint? And how much of the decline was related to residential versus business lines year-over-year? Secondly, on the margins, it would be great if you could quantify the impact of the two items you mentioned in the business taxes and the pole attachment costs that were related to prior period years that would likely go away? As we look at margins going forward, you have talked about increasing marketing spending on broadband. So should we expect margins to continue to decline from where they are right now? That would be great, thanks.

Jeff Gardner - *Windstream Communications - President, CEO*

I will take the first part of that on the access lines and ask Brent to address the questions on the expenses -- on the income statement. First of all, we didn't see material changes in the competitive mix in the quarter. So roughly 40 to 45% of our markets have VOIP competition today. What we -- what we did see, as you asked, we are working really hard to sell into our residential base, trying to push some new distribution in that space and providing great service to our existing customers so that we retain those. We believe those incremental marketing efforts, even though we are in markets that are a little more urban than some of the other carriers in this space, we have been able to achieve these results and we are very, very pleased that our actual access line losses were down year-over-year.

When you look at residential and business, pretty much the same story there. We have lower -- lower line losses in those markets where we don't have VOIP competition. from 60% of our markets today. And on the -- on the business side, that has been pretty flat. And I think that's a real strength in this business model, in that 30% of our businesses keep that -- 30% of our lines relate to business today, and we are seeing some real strength there, and as you heard Keith mentioned, his team rolled out a small business bundle this quarter. We think there's more opportunities to focus on that business sector, not only to accelerate the growth, but also to sell additional products and services into that base.

Gaurav Jaitly - *UBS - Analyst*

So just to clarify, so your business lines were flat year-over-year and residential was, obviously, then down year-over-year? Where do you expect cable VOIP to be at the end of the year?

Jeff Gardner - *Windstream Communications - President, CEO*

I think the guidance that we provided was that, we thought that cable VOIP competition would grow in our markets at about the same rates that it did in 2006, which was an increase of about 10 to 15% over the course of that year, and so that's what we were expecting. I think what you have to keep in mind is, we are not idly sitting by waiting for that competition. Not only are we getting better at defending when new entrants come into the marketplace, but our bundle penetration is much higher. Not only do we have some of the best broadband penetration rates in the industry, but I think when you look at how successful we have been in selling digital television into our customer base, that makes a huge difference as well. So we are much better prepared to face that competition.

Gaurav Jaitly - *UBS - Analyst*

Great, thanks. And on the margins?

Brent Whittington - *Windstream Communications - EVP, CFO*

On the margin front, I will take that question. Really you got to try to think back what we were faced the first half of this year. I spent a lot of time trying to explain that in 2006, our costs at that the time weren't reflective of a full year of operations. We hadn't ramped up the infrastructure. We needed to run this business on a stand-alone basis. That was creating some challenging comparisons. We spent a lot of time talking about the first half of this year, we saw that show up in our first quarter and second-quarter results.

I talked in my prepared remarks about some specific expense items that created pressure sequentially and in the quarter. I talked about the broadband and LD revenue growth that we've seen that is driving some incrementally higher costs, but also it's [implied] in some of the business taxes line that I mentioned. There are about $4 million in sequential growth in that line item that also showed up in revenues as well because we can pass those costs on to our customers. So that is a little bit about what is going on. As a reminder too, the first half of the year we have been working on the reorganization in our IT and call center areas of our business that we knew was going to drive incrementally higher costs in the first part of the year as well. As we complete those efforts, we do expect to see some of the benefits from that in the back half of the year specifically, probably in the fourth quarter.

To your point on margins, we will probably see some benefit as a result of that. But related to marketing, as our penetration rates continue to grow, we have really got to aggressively kind of think about how we further penetrate this market. That's making us consider some incremental marketing investments that could have an impact on margins, very small. We are not talking about material amounts of money here, but perhaps, I think, the right thing to do for the business to continue to grow that important area for us.

Gaurav Jaitly - *UBS - Analyst*

So the business taxes again, that's a recurring item then? The $4 million in revenue and cost, you said?

Brent Whittington - *Windstream Communications - EVP, CFO*

A portion of that is recurring. As I mentioned, 4 of that was probably out a quarter. That is the part I mentioned that was out of quarter.

Gaurav Jaitly - *UBS - Analyst*

Great, thanks.

Brent Whittington - *Windstream Communications - EVP, CFO*

You are welcome.

Jeff Gardner - *Windstream Communications - President, CEO*

You are welcome.

Operator

Your next question comes from the line of Jonathan Chaplin of JPMorgan.

Jonathan Chaplin - *JPMorgan - Analyst*

Thanks. I wonder if you can give us an idea of what the impact will be from transitioning from rate of return to price cap in terms of revenues and OBITDA? And, it sounds like, from your comments, that you are seeing a slowdown in demand for broadband in absolute terms in your markets. I am wondering if you can give us an idea of what your consumer broadband penetration is of -- of primary lines or of households? Thank you very much.

Jeff Gardner - *Windstream Communications - President, CEO*

Great. Thanks, Jonathan. The first question was on the OBITDA impact of going to rate of returns -- or going to price caps from rate of returns. There is no specific impact from doing that right away. Rather, what we are doing there is better aligning the regulatory structure that we operate in with how we run the business. For years, we have been managing our business at -- in a competitive model, understanding that as time went on it would be more and more competitive and more and more market based. I don't think you will see any specific impact from that in 2007, but over the long run, we think we are better positioned from a price cap philosophy where we can benefit more from the expense reductions that we generate and the efficiencies that we realize given our position as the largest [rural left] in the country.

On the broadband side, yes, you are getting to the point of what is our penetration. We talked about 24% penetration of our total customer base. Obviously that's higher when you look at residential. I don't know if we have given out that number, somewhere in the mid-30s. But what I want to point you to is, even with that sequential downturn that we saw, that gross adds are up year-over-year, when you look at our total broadbands and that [Dish Cos] are also slightly up year-over-year. So, we are working real hard on it. I think that, we all know that it is going to take some more effort to continue to improve our broadband. Brent talked about a little bit about why additional investment on the advertising side to drive some of that gain, and I think that -- that we should see some improvements on that. And that's really the story there.

Jonathan Chaplin - *JPMorgan - Analyst*

And the -- the higher Dish Cos that you're seeing. Is it actually churn the percentage going up? Or just a factor of you having a base that's 30% to 40% bigger than a year ago?

Jeff Gardner - *Windstream Communications - President, CEO*

I think both of those issues are affecting that.

Jonathan Chaplin - *JPMorgan - Analyst*

Okay. Thanks very much.

Jeff Gardner - *Windstream Communications - President, CEO*

You are welcome.

Operator

Your next question comes from the line of Michael McCormack of Bear Stearns.

Michael McCormack - *Bear Stearns - Analyst*

Hey, guys. Thanks. Can you give us a sense for -- sounds like you had a bit of a change in the Dish bundle offering there. Is there any cost associated with that? I assume the relationship hasn't changed, just something you are doing to combine the billing, but is there any cost there? And, secondly, with respect to ARPU, obviously very good trends there. But, if you're getting maybe more aggressive on the DSL side, are we going to expect to see some price pressure on the ARPU? Thanks.

Brent Whittington - *Windstream Communications - EVP, CFO*

I will take that question, Michael. Really during the quarter there wasn't a change in our Dish bundle. We talked about some aggressive promotions that we were rolling out in the marketplace, but really that centered around a $5 off on our broadband product at the various kind of tiered speeds. That was the key change we made in our promotions really to drive some broadband sales and that carries on right now.

To your ARPU point. We do expect that to have a slight impact on ARPU, however, that's really kind of a teaser promotion for us to get sales calls, interest in the door, and then our sales teams to really capitalize that and move those customers up the broadband tier. Keith talked about the fact that we saw 35% of our customers this quarter, which sequentially was higher than the first quarter, subscribe to broadband speeds at the 3 megabit price point. If we can keep that trend up, and really even begin to improve on that that won't have significant impact on our broadband ARPU.

Michael McCormack - *Bear Stearns - Analyst*

Okay, thanks.

Brent Whittington - *Windstream Communications - EVP, CFO*

You are welcome.

Operator

Your next question comes from the line of Patrick Rien of Lehman Brothers.

Patrick Rien - *Lehman Brothers - Analyst*

Good morning, guys. Thank you for taking the question. Just quickly on CT Communications. First of all I was wondering if you had any sense of when you are expecting to hear back from the FCC? And then, also, assuming you close in, say September, would you expect to see some -- some synergies in the fourth quarter of this year? Or is that something taking in the first half of next year? Thank you.

Jeff Gardner - *Windstream Communications - President, CEO*

Okay. In terms of the timing, I think in the script we talked about the fact that we are still waiting for the approval from the FCC. The shareholder vote is on August 23. So assuming we go get approved at the shareholder vote, we think it will happen shortly thereafter. I don't want to get into the business of predicting exactly when the FCC will approve it, but we don't see anything that would stand in the way of that. So we are confident it will be shortly after we get the shareholder vote approval on August 23.

Brent Whittington - *Windstream Communications - EVP, CFO*

On the synergy front on CT, we are working hard on that integration effort right now. Jeff kind of alluded to in his comments, the fact that we hope to complete the bulk of our efforts in the first quarter 2008. We will be working on things, obviously, in the third and the fourth quarter that might result in small synergy savings, but we don't expect to see the real full run rate of that until the second quarter of next year. Probably see some significant amounts begin to be realized in the first quarter of '08 as well, but nothing material in the fourth quarter

Jeff Gardner - *Windstream Communications - President, CEO*

If I can add just one thing about CT. It has been a very good transition. Keith Paglusch is leading that for us on the operations side. The folks at CT has been incredibly cooperative. And as we discovered through our -- through our due diligence, that has confirmed in working with these folks afterwards, that's a really strong business there and we are looking forward to bringing it out into the Windstream family.

Patrick Rien - *Lehman Brothers - Analyst*

All right, thanks a lot, guys.

Jeff Gardner - *Windstream Communications - President, CEO*

Sure.

Operator

Your next question comes from the line of Frank Louthan of Raymond James.

Jeff Gardner - *Windstream Communications - President, CEO*

Hi, Frank.

Frank Louthan - *Raymond James - Analyst*

Good morning, thank you. Just looking at the CT acquisition, how quickly do you think you can get some of the synergies there? And then give us a little bit of idea about the -- how -- a little bit more broadly about your M&A strategy? Obviously it is a pretty broad -- broad mix here. You can either go after much larger acquisitions or much smaller ones and give us an idea where that fits? What do you plan to do with some of their -- their video initiatives such as the fiber to the home. Is that something you are interested in? Do you think that has some advantages? Maybe you can look at some areas in the network, or is that something that you are not interested in pursuing? Thanks.

Jeff Gardner - *Windstream Communications - President, CEO*

Brent, why don't you take the synergies and I will take the M&A question.

Brent Whittington - *Windstream Communications - EVP, CFO*

Yes. On the synergies, Frank, we really don't expect any material synergies to be recognized in the fourth quarter. We do hope to complete that integration plan in the first quarter of next year. We'd expect to see some recognition of the amounts we mentioned before in the first quarter of next year, but not full run rate until the second quarter of 2008.

Jeff Gardner - *Windstream Communications - President, CEO*

The second part of your question was on M&A and how do we see that, and again, we really like our position as the largest (inaudible) space. There has been a lot of volatility in the markets, so, obviously, valuations have come down in this space. At the same time, we have got to really contemplate whether some of these changes in the credit market are temporary or permanent. That is going to really effect how these businesses are valued and how we can judge whether these transactions are accretive. But set that aside. We think kind of the short-term market phenomena are going to be there and we will have to manage through that. We have done that many times and have a lot of experience doing that. But over the long run, what we believe is there are still going to be great opportunities for us to grow this business through acquisition and drive synergies that will really improve the business and put us in a position to really create shareholder value in the long run, and that's still an important part of our strategy, and CT was a good example of that, and I think there is more of that to come.

One of the things that comes with a difficult market, and I think is some differentiation. What I mean by that, Frank, is that in the -- the market has been so good for the -- for the last even 12 to 18 months that there was very little differentiation between the companies, and I think with the -- with this market conditions that are out there today, it is going to really give investors a chance to really look at the fundamentals of these companies, and I think that bodes well for us because of cost structure scale, et cetera. I am going to ask Keith to address the video question as it relates to CT Communications.

Keith Paglusch - *Windstream Communications - COO*

Frank, the investment that CT made on the video front was really a video trial to select customers during the first quarter of '07. They have approximately 11,000 homes that can deliver speeds up to 15 megabit. We like that. We think that will bode well for us in the future as we go in and do things on that network as it relates to faster speeds, as we've mentioned earlier. It is our intention right after the close that we will begin offering our Dish product to CT customers, very similar as we do today to our customers. We think there is a lot of upside to that and that will benefit us greatly, and we'll continue to utilize the investment that they have made in their network on the video front and this broadband front to kind of better our position from a broadband perspective.

Frank Louthan - *Raymond James - Analyst*

Okay, great, that's helpful. Just quickly, you mentioned the change for the pole attachment rates. Can you give us an idea of the magnitude of that change? And then you said it was retroactive. How far back retroactive is that? Does that go back and what sort of -- what sort of caused that to be that retroactive? Was there an arbitration proceeding or something that went had gone on?

Brent Whittington - *Windstream Communications - EVP, CFO*

Frank, I can answer that. The pole attachment issue is probably about $2 million. Not huge, but we bring it up simply to help explain some of the sequential increase we saw. Unfortunately, when you're dealing with pole attachment, in many cases those can go back a number of years. The largest driver of that for us went back about five years. There are no hearings, things like that that might actually benefit us, I think. That's just one of the areas where some utility companies have a little bit of a regulatory advantage over us and it's a cost issue we deal with in our business routinely. So that's -- that is the explanation, I believe.

Frank Louthan - *Raymond James - Analyst*

Great, it is very helpful, thanks.

Brent Whittington - *Windstream Communications - EVP, CFO*

Thank you.

Jeff Gardner - *Windstream Communications - President, CEO*

Jendy, we have time for one more question

Operator

Okay that will come from [Illan] [Sender] of Jefferies.

Illan Sender - *Jefferies - Analyst*

Hi, thanks, good morning. With regard to the CT deal, can I conclude that you have received all of the state PUC approvals necessary?

Jeff Gardner - *Windstream Communications - President, CEO*

Yes.

Illan Sender - *Jefferies - Analyst*

Okay, great, thank you.

Jeff Gardner - *Windstream Communications - President, CEO*

Thank you for joining us this morning. We appreciate your interest and support. Mary Michael's and I will be available for additional questions throughout the day.

Operator

Thank you for your participation in today's conference. This concludes our presentation and you may now disconnect. Have a great day.
