PARTICIPANTS

Corporate Participants

Robert G. Clancy – Senior Vice President and Treasurer, Windstream Communications Kerrville LP
Jeffery R. Gardner – President and Chief Executive Officer
Brent K. Whittington – Chief Operating Officer
Anthony W. Thomas – Chief Financial Officer

Other Participants

Michael I. Rollins – Analyst, Citigroup Global Markets (United States)
Simon Flannery – Analyst, Morgan Stanley & Co. LLC
Scott J. Goldman – Analyst, Goldman Sachs & Co.
Phil Cusick – Analyst, JPMorgan Securities LLC
Frank G. Louthan – Analyst, Raymond James & Associates
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Windstream Third Quarter Earnings Conference Call. [Operator Instructions] Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this call may be recorded.

I would now like to introduce your host for today's conference, Rob Clancy. Sir, you may begin.

Robert G. Clancy, Senior Vice President and Treasurer, Windstream Communications Kerrville LP

Thank you, Sam, and good morning, everyone. We appreciate you joining us today to discuss Windstream's third quarter results. Today's conference call was preceded by our third quarter 2011 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 will include certain forward-looking statements, particularly as they pertain to guidance and other outlooks on our business. Please review the Safe Harbor language found in our press release and in our SEC filings, which describe factors that could cause our actual results to differ materially from those projected by us in our forward-looking statements.

Today's discussion will also include certain non-GAAP financial measures. Again, we refer you to the IR section of our Web site, where we have posted our earnings release and supplemental materials, which contain information on reconciliations for any non-GAAP financial measure. To assist investors, we have provided pro forma results, which include all acquisitions we have completed to-date, for all periods shown. We will make references to these pro forma results from current businesses, including the year-over-year comparisons, during our call.

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Participating in our call this morning are: Jeff Gardner, President and Chief Executive Officer; Brent Whittington, Chief Operating Officer; and Tony Thomas, Chief Financial Officer. At the end of the call, we will take a few questions. With that, here is Jeff Gardner.

Jeffery R. Gardner, President and Chief Executive Officer

Good morning. Thank you, Rob, and good morning to everyone.

Today, I will make a few comments about our results and provide an update on our strategic initiatives. Brent, will then discuss our operating results and Tony, will review our financial performance.

First, I am very pleased with the top line improvements we have accomplished this year. Our goal over the past few years was to transform our business to achieve revenue and cash flow growth. Given our shifting revenue mix, success-based capital investments and expected deal synergies, we are on the verge of showing growth in both of these areas. Our activity level is high, and we have made progress on a number of fronts, including business sales momentum, datacenter expansion, fiber-to-the-tower builds and integration. Importantly, we are seeing the benefits of this transformation and have created the unique opportunity to provide our investors with a combination of both growth and yield.

In the quarter, our business and consumer service revenue trends were in line with our expectations. On the cost side, our expenses are running slightly higher than normal given all the activities in anticipation of the PAETEC integration, as well as increased activity around capital projects. I am very confident that we will achieve or exceed our targeted synergies, which will result in nice improvements in adjusted OIBDA trends next year.

Turning to our strategic initiatives. In early August, we announced a transaction to acquire PAETEC. This is a great strategic combination for us and advances our strategy to expand our business and broadband services, which drive top line growth. In fact, following the PAETEC deal, roughly 70% of our revenues will come from business and broadband. The combined company will have a nationwide network with a deep fiber footprint of 100,000 fiber-route miles, which will expand our capabilities in strategic growth areas and allow us to improve our cost structure by moving more traffic onto our own network.

In addition, this transaction offers attractive financial benefits, including approximately $110 million in annual operating and capital synergies and provides meaningful tax benefits. We have received Hart-Scott-Rodino approval, and the PAETEC shareholders voted to approve the deal last week.

At this point, we're awaiting approval from the Federal Communications Commission and several state Public Service Commissions and expect the transaction to close before the end of this year. Since this announcement, we've been encouraged with the opportunities we see ahead for our combined company, which reinforces our belief that PAETEC will create significant value for our shareholders and make Windstream a force in the enterprise space on a national level.

Turning to our other key initiatives for 2011, which include completing our integration activities, fee leveraging the balance sheet and investing capital for future growth. First, as I mentioned last quarter, we are largely complete with the integration activities for deals that closed in 2010. In fact, our efforts over the past couple of months have centered around planning for the upcoming PAETEC transaction. And I am pleased with where we are at in this process.

Second, we've improved our capital structure this year, to yield significant cash-interest savings going forward. And we are committed to reducing our leverage to our historical range of 3.2 times to 3.4 times adjusted OIBDA.

Finally, we are making great progress with our success-based capital investment, including expanding our datacenter operations, and deploying fiber-to-the-tower to capitalize on the significant growth opportunities. As Brent will discuss shortly, our wireless partners are aggressively building their 4G wireless networks and accelerating their deployment plans, resulting in significantly more power projects than we initially planned. And as we have said before, these are absolutely investments that we are eager to make. It is important that we take advantage of this rare and time-sensitive opportunity to achieve highly attractive returns from growth in the wireless industry.

Turning to the regulatory front. Last week, the Federal Communications Commission adopted a plan to modernize its inter-carrier compensation and Universal Service policies. We have long supported the need for these reforms and have worked extensively within the industry to achieve a rational result. The detailed order has not been released yet, but based on what the FCC has announced so far, the inter-carrier compensation transitions outlined by the Commission, appear to provide a manageable path to the future bill-and-keep environment, with reasonable opportunities to recover a majority of the revenue losses resulting from the elimination of access charges over time. Additionally, IP traffic will be compensable and phantom traffic should be eliminated.

With regards to Universal Service funding, we have supported moving future funding to an efficient forward-looking model and repositioning USF to drive broadband expansion in high-cost areas. The FCC has also said, it will make additional funding available to us in the first year of their plan to further expand broadband service availability in high-cost rural areas that remain uneconomic to serve. While the plan outlined differs from the ABC plan that we submitted, along with others in our industry, we believe the result will be manageable, and importantly, are encouraged that this reform will provide meaningful certainty to our business model going forward. We will continue working with the FCC and the industry, as the Commission works to finalize the reforms of the Universal Service Fund.

Going forward, we will be mindful of strategic opportunities, particularly those that advance our strategy around top line growth. In the near term however, we will be very focused on completing the PAETEC integration, achieving our targeted synergies, and making more improvement in our core business, that lead to better top line and cash flow trends. Simply stated, over the next several months, we are squarely focused on execution and integration.

With that, let me turn the call over to Brent, who will discuss our operating results.

Brent K. Whittington, Chief Operating Officer

Thanks, Jeff, and good morning, everyone. Our third quarter operational results were in line with our expectations, and we continue to see nice growth in our Business channel, accompanied with very steady performance in our Consumer business.

In the Business channel, revenues increased by 2.3% year-over-year, driven by a variety of factors, including growth in our strategic services and improved focus on servicing our Business customers. Organizationally, we've made great strides and have added resources in sales and service delivery to improve our focus and execution in the Business channel. We are seeing very nice productivity gains in all of the sales channels that support our business customers. And we have been successful selling higher ARPU services.

In addition, we have developed a more robust product suite tailored around IP services, to strengthen our competitive position in the enterprise space. For example, we have seen great success selling MPLS services, Virtual LAN services and dedicated Internet access, and we are

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seeing nice growth in our datacenter services. We continue to see circuit growth from wireless backhaul demand, which has led to consistent growth in special access revenues.

In the Consumer channel, we added approximately 8,500 high-speed Internet customers, growing our total subscribers by 4.4% year-over-year, and increasing our penetration to 65% of primary residential lines. Consumer broadband revenue grew 7% year-over-year, driven by customer growth and sales of broadband features.

Video customers increased by 5,500 units, bringing our total video customer base to 449,000, an increase of 4% year-over-year. Consumer access lines declined 4.6% year-over-year, which was flat sequentially. Total access lines declined 3.9% year-over-year, which was up 30 basis points sequentially, but importantly, this increase relates entirely to one wholesale customer and will have very little financial impact.

Turning to our integration efforts. As a reminder, we have largely completed the activities related to our previous transactions. At this time, we are focused on preparing to close the PAETEC acquisition and our integration teams are in place and working through project plans alongside PAETEC, who has been very helpful throughout this process. Our team has a great deal of integration experience and I am confident that we will successfully integrate PAETEC and achieve the targeted synergies.

As we have learned in past deals, we have many opportunities to extract the best practices from each organization and leverage those across the entire platform. And PAETEC has done many things well, and we look forward to them being a part of the Windstream family.

As Jeff mentioned, we have made tremendous progress on our capital initiatives this year. Given the demand for wireless backhaul and Windstream's successful track record of delivering these services, our opportunities to make fiber-to-the-tower investments are abundant, and we believe that these are important investments for the future.

When we started this year, given the rural nature of many of our markets, we expected to deploy fiber to less than 50% of the towers within our ILEC footprint over the course of 2011 and 2012. Today however, given the growing bandwidth needs, being fueled by explosive data growth, wireless carriers have aggressively accelerated their fiber deployment plans and significantly increased the number of towers targeted for fiber. As a result, we now expect to roll out fiber to nearly 90% of the towers within our ILEC footprint by the end of 2012.

We are also having a high level of success, winning sites outside of our ILEC territory. Importantly, all of these investments are success-based and secured with five to 10-year contracts that drive attractive returns in excess of our cost of capital. Furthermore, although we have not yet realized much revenue from these investments, given the average 12-month investment cycle, on the few sites that we have turned on, we are encouraged by the demand for incremental capacity we are already seeing. As a reminder, we price these services on a per meg and thus, additional capacity drives incremental revenues at very attractive margins with little to no capital requirements.

Additionally, during the third quarter, we increased broadband speeds to residential and business customers and can now offer 12-meg service to over 40% of our footprint and 24-meg service in our most competitive markets. We expanded our Raleigh datacenter to increase the floor space by 10,000 square feet, to keep up with the rapidly growing customer base and demand for cloud-based services.

Finally, work is underway on several of our broadband stimulus projects. These investments all offer exciting opportunities to continue growing our strategic areas of focus and better position the business for future success.

With that, let me turn the call over to Tony, who's going to discuss our financial results.

Anthony W. Thomas, Chief Financial Officer

Thank you, Brent, and good morning, everyone. For the third quarter on a GAAP basis, Windstream achieved consolidated revenue of $1.023 billion, operating income of $267 million and $0.14 of diluted earnings per share. Our GAAP results include $13 million in after-tax merger and integration costs and $13 million tax-affected loss on early extinguishment of debt. Excluding these items, our adjusted EPS would have been $0.19.

Turning to our pro forma results for the third quarter. On a year-over-year basis, Windstream achieved total revenues of $1.023 billion, a decline of 1%. Specifically, Business service revenues increased $11 million, or 2%, while Consumer service revenues declined by $11 million, or 3%. Our Wholesale revenues declined $17 million, or 10%, due in part to challenging year-over-year comparisons. Total product sales were up $2 million.

Let me discuss the revenue trends by category. Data and integrated solutions increased $21 million, or 7% year-over-year, driven by growth in IP, next-gen data and datacenter services. Special access revenues increased $7 million, or 5%, due to circuit growth from increased demand for wireless backhaul. This quarter, our special access revenues reflect credits for incremental volume discounts, some of which is non-recurring. As we look forward, we expect special access growth rates to accelerate from this level, as we begin to realize revenues associated with our fiber-to-tower investments.

Voice and long distance revenues declined by $27 million, or 7% year-over-year, due to fewer voice lines and declining feature packages. Switched access and U.S.F revenues declined $14 million year-over-year or 9%, primarily related to fewer minutes of use and unfavorable cost study true-up this quarter and higher U.S.F state revenues recorded in the third quarter 2010.

Let me turn to expenses, which exclude depreciation and amortization. This quarter, expenses were lower by $11 million, or 2% year-over-year, and were down $7 million, excluding pension costs.

Specifically by category, on a year-over-year basis cost of services was down $8 million, due largely to lower benefit costs, lower bad debt expense and incremental synergies, offset somewhat by higher interconnect charges related to server growth, higher fuel expenses and storm-related costs. Cost of products sold increased by $2 million, due to slightly higher product sales. Within SG&A, expenses decreased $5 million, or 4% year-over-year, due largely to lower benefit costs and incremental deal synergies. Sequentially, total revenues declined $7 million, due largely to the Wholesale revenue declines I mentioned earlier. And our cash costs declined by $3 million.

For the quarter, OIBDA was $490 million, a decrease of 1% year-over-year and adjusted OIBDA was $508 million, a decline of 1% year-over-year as well. Our adjusted OIBDA margin improved 10 basis points year-over-year to 49.6%.

This quarter, we spent $178 million on capital expenditures, which was largely related to our growth initiatives, including fiber-to-the-tower projects, datacenter expansion and enhancing the capabilities of our broadband network. And given our success winning more fiber-to-the-tower contracts, combined with our wireless partner's desire to accelerate deployment to these projects, it is likely that we will modestly exceed the high-end of our guidance range in capital spend this year, although weather will be a significant factor in our fourth quarter capital spend.

From a balance sheet perspective, we refinanced $350 million of our 2016 notes with revolver proceeds, which will help lower our interest costs going forward. We also contributed 5.9 million

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shares to our pension plan to address the remaining small contribution required in October of this year, as well as our projected contributions required in 2012.

Looking to 2012, we are very pleased with how we have positioned our company. We have made great strides expanding our focus on the growth drivers in our business, which combined with our success-based capital investments, should result in further improvements in our revenue trends. Additionally, with the synergies from the PAETEC transaction, we expect accelerated growth in adjusted OIBDA.

This year, our capital spend has been higher than normal, due largely to our fiber-to-tower investments, which will total between $100 million and $125 million. Given the significant increase in the number of tower projects we now expect to complete, we will likely spend $75 million to $125 million more on fiber investments next year, as compared to 2011. We also plan to spend $50 million in capital next year related to the stimulus projects that we were awarded. Recall that Windstream's total out-of-pocket capital related to these projects will total $60 million. We expect our capital investments to return to more normalized levels in 2013 and beyond, given that the fiber-to-the-tower and stimulus investments should be substantially complete.

Importantly, our cash flows will benefit from the significant reductions to Windstream's legacy cash interest of roughly $80 million in 2012 and beyond. Additionally, we expect to receive a slight refund in cash taxes in 2012, due to the 50% bonus depreciation rules and other tax-dating initiatives. Thus, we are in a great position to finance these success-based investment opportunities.

As is customary for us, we will provide specific guidance details in February 2012, and we expect our guidance to include PAETEC, given the deal should close by year-end.

In summary, while we have several moving parts, the steps we are taking to continue transforming this business will drive higher revenue and adjusted OIBDA and provide security toward the most attractive dividend yields in the S&P 500.

With that, we'll now take a few of your questions. Sam, please review the instructions and open the call to questions? Thank you.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Michael Rollins [Citigroup] Your line is opened.

<Q – Michael Rollins – Citigroup Global Markets (United States)>: Hi. Good morning. Thanks for taking the questions. Just a couple of things. First, can you quantify – it sounds like you had some one-time hits to revenue? You mentioned that I think in the access discussion and I think in one other part of the discussion on credits.

And then, the second thing is, are you basically implying with the CapEx commentary, that if you take the incremental stimulus and you take the amount incrementally on fiber-to-the-cell that CapEx, just from a base-case perspective, could be up between like $115 million to $165 million next year? Or are there other offsets to the CapEx that would bring that down? Thanks.

<A – Tony Thomas – Windstream Corp.>: Hey, Michael. It's Tony. I'll start with your first question in regards to the one-time items. You're correct. We do have a couple of one-time items in the revenue line this quarter specifically, in the Wholesale revenue streams in U.S.F. We had $2 million to $3 million of unfavorable cost study true-ups and other adjustments. And in special access, as I talked about that, which goes through Business services, we had an unfavorable adjustment of roughly $2 million this quarter, which is non-recurring.

So, and when you think about that, that was really a customer, ultimately you landed in a higher tier or received a higher discount. So, from baseline, we're still seeing that great demand that Brent spoke to on the special access side. And it just resulted in a one-time hiccup here in the third quarter.

Turning to capital. We are, as we look at our capital for 2012, Mike, we think this is a unique opportunity for us to make the success-based capital investments that we spoke to on fiber-to-the-tower. Combined with the stimulus spends, we were going to make in 2012, we do believe capital will go up in 2012, similar to how I think you were surmising, which I talked about as an increase of fiber-to-the-tower of roughly $75 million to $125 million. And the increase in stimulus of $60 million. But importantly, as you look forward, we expect that CapEx to decline in 2013 as the success-based capital investments are largely complete. And importantly, we make these investments because they change the trajectory of our business. They continue to drive revenue higher and also, adjusted OIBDA higher.

And importantly in 2012, the other commentary I gave was in regards to cash interest and cash taxes. It's very fortuitous for us that we're making these capital investments in a time when our cash taxes will in fact, be very low in 2012. Where in fact, we'll be in a refund position. And we've been very busy on the balance sheet this year, and we expect to achieve $80 million in cash interest savings year-over-year.

So we look at these investments and, coupled with the other offsets in cash interest and cash taxes, we're very comfortable with how the company is positioned in 2012. And we expect in 2013 for CapEx to come back down to a more normalized level.

<Q – Michael Rollins – Citigroup Global Markets (United States)>: And just if I could do one other follow-up. If you take the high end of the range for this year, which you said you'll be at or slightly above, I think of 630. Can you give us some basic breakdowns of what fiber-to-the-cell is within that? I think you mentioned the stimulus would be about $10 million in there. And maybe just a couple of the other components, so as we try to conceptualize a more normalized spend in 2013, we have the component pieces to try to figure out that.

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<A – Tony Thomas – Windstream Corp.>: Michael, as I mentioned in my prepared remarks, we expect to spend in 2011, $100 million to $125 million in fiber-to-the-tower investment. And stimulus this year will roughly be $10 million, with the majority of the incremental spend coming next year, that I alluded to.

And then, we also have been expanding our broadband network capabilities, and that comes in the terms of a technology that we call BDSL, that enables higher speed. And that was roughly $40 million in 2011.

<Q – Michael Rollins – Citigroup Global Markets (United States)>: Thanks very much.

Operator: Thank you. Our next question or comment comes from Simon Flannery of Morgan Stanley. Your line is opened.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Thank you very much. Good morning. Staying on the revenue and the one-timers. I think you said last quarter, that you expected revenues to have some headwinds this quarter, but to return to revenue growth year-over-year in Q4. And I just wanted to make sure that that was what you were still implying? And then, could you just give us some more color on high-speed adds and access lines? And just some of the trends that you're seeing there? And what the outlook is? Thank you.

<A – Jeffery Gardner – Windstream Corp.>: Sure. Simon, good morning. I'll take the first part. This is Jeff. Yes, you're exactly right. We're expecting to see year-over-year, a slight year-over-year increase in the fourth quarter. Obviously, that would require a lot of execution on our part, but we're very confident in our ability to deliver that. And importantly, as the last question we talked about 2012 and going forward, we expect 2012 to be an inflection for Windstream going forward, where really the expectation is year in and year out, we grow both revenue and cash flow.

For the second part on high-speed net adds, I'll ask Brent to discuss that.

<A – Brent Whittington – Windstream Corp.>: Yes. Simon, we saw an uptick in net adds this quarter, but a lot of that was just because of the seasonal lift in gross sales. And as I mentioned even on last quarter's call, we did change our promotion heading into this quarter, and that worked well for us here in Q2. The competition and landscape remains fierce, and it's competitive, and that hadn't changed, but I think we're doing well overall, continuing to focus on our double-play bundles, with both unlimited voice and broadband product. And that's worked for us thus far. Increasingly, turning our attention to positioning our company as really, the way I'd say that, capitalizing on video and the movement of customers to more frequently use our broadband connection to obtain video, and that's a big part of our promotion heading into fourth quarter.

But as you think about our broadband business, as I mentioned, two key things to think about. One, we've got 65% penetration. And two, a dominant market share because of our success over these years. And we don't just gauge our success in broadband in terms of our net customer growth. It's really about that, coupled with the revenue growth, which as you saw from us, is still 7% year-over-year, and that's how we're trying to achieve that.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Can you give us some sense of your ability to upsell people to the 12-meg type product? And I understand it's a great number in terms of penetration of primary lines, but there's a lot of people who just don't want to take a primary line any more. And they may not want double play, they might want double play with video, or just a high-speed connection.

<A – Brent Whittington – Windstream Corp.>: That's right. And Simon, as I mentioned, that's why we've actually turned our focus to leveraging that video. That's what they're using the broadband for, is the video. And the focus is around what you can do with that video in a

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broadband connection, at a price point that's valued by the customer in terms of an entertainment package. And that's really how we're continuing to increase our penetration.

In terms of high-speed, we have for a while made high-speed sales a big part of our sales effort. However, customers still don't want to pay. We see often incrementally, for higher-speed services. We try to position Windstream as all the speed you need, which is really trying to help make sure customers understand our parity with cable, as it pertains to speed, because of some of the perceptions around traditionally DSL services, they've used against us, and that's working for us. But again, customers really just, we find, don't want to spend a lot more for incremental speeds. We see that as revenue upside in the future, but not seeing a great deal of demand there right now.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Thank you.

<A – Brent Whittington – Windstream Corp.>: You're welcome.

Operator: Thank you. Our next question or comment comes from Scott Goldman of Goldman Sachs. Your line is opened.

<Q – Scott Goldman – Goldman Sachs & Co.>: Hey. Good morning. Thanks. I guess a couple of questions. Just maybe look at some of the business metrics, special access circuits, you called out some of the impacts on the revenue, but the actual net adds on the circuit seemed to have slowed. And just wondering if there's anything we should be looking at there?

Same on the advanced data and integration, we heard one of your peers talking about pressure in the low-speed private line. Wondering if that's what contributed to the sequential decline there? And then, just wondering on the regulatory front, just wanted Jeff, maybe you could – should we surmise from your comments that we shouldn't see much in the way of a cash flow impact in 2012, 2013, coming out of the reform with the FCC?

<A – Jeffery Gardner – Windstream Corp.>: Yeah. I'll let Brent take the first part. Then, I'll take the regulatory question.

<A – Brent Whittington – Windstream Corp.>: Yeah, Scott. In terms of business net adds on maybe the special access circuits that you were mentioning ,we did see a slowdown in what I'd call traditional TDM circuit adds during the quarter, not surprisingly. Given so much of our effort is focused on rolling out Ethernet and fiber services to those carriers, they've added a great deal of capacity on the TDM side earlier this year just in preparation for what was coming. And that slowed because we are nearing the point in Q4 and certainly, heading into 2012 where we'll begin to turn on a significant number of those towers.

In terms of advanced data and integration, just overall customer count there is really more a function of the clients in older and mature services. We continue to see very nice momentum in terms of our data and integrated product sales. And you see that showing up in the revenue line item there as well. So, the customer counts more function from some older services.

<A – Jeffery Gardner – Windstream Corp.>: Great. And, Scott, on the regulatory question. I think you've got it exactly right. While we didn't get everything, we're pretty pleased overall with what is coming out of the FCC, in that mostly what we've been focused on as we've worked on this over the last several years is, that we have a manageable transition with adequate opportunity to recover costs as we go through that. And that we have an opportunity to really focus the Universal Service Fund on these non-economic rural areas. And I think both have, both, all of these things have been accomplished with this order.

Having said that, we've not seen the detailed order at this point. Once we've had a chance, we can provide additional clarity, but based on the initial summary, I think you're exactly right. We believe

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that this result will be manageable and importantly, provide Windstream and others in the industry with greater stability and certainty for the future, which is what we were hoping for.

<Q – Scott Goldman – Goldman Sachs & Co.>: Great. Thanks, guys.

<A – Jeffery Gardner – Windstream Corp.>: You're welcome.

Operator: Thank you. Our next question or comment comes from Phil Cusick of JPMorgan. Your line is open.

<Q – Phil Cusick – JPMorgan Securities LLC>: Hey, guys. Thanks. Let's go back to the fiber-to-the-cell a little bit. Has there been less competition than you expected? Have you been a little more aggressive in pricing? Or are carriers just looking to contract more sites this year?

<A – Brent Whittington – Windstream Corp.>: Phil, I'll tell you, it had been more competitive than we expected. We have definitely not lowered prices. Our return expectations have stayed steady. It's really a function of a couple of things. Number one, an effort by us to really lock up our franchising territory. We had great relationships in terms of service with those carriers for a number of years and the last thing we wanted as part of this effort, was to see a lot more competition in our ILEC franchise. We've worked to lock up that base and have done so with what I'd say market prices, that have been – stayed stable this year.

Secondly, the carriers have been as we indicated, much more aggressive about rolling out fiber-to-the-tower this year, even in rural areas. And that's a function of the competition in the wireless space, and we're seeing that show up as I talked to earlier actually, a lot of circuit growth early in the year. And they need more capacity. And we're working to deliver that right now.

The second element of that really for us has been in areas outside of our footprint, trying to win business in markets that also offer CLEC expansion opportunities. Yet the business case pays for itself alone with just the fiber-to-the-tower. And secondly, because of the KDL transaction, we picked up fiber all over the place, that to the extent we can leverage fiber and towers close to that fiber, we wanted to win that business as well. And it's literally just been a function of more success than we've counted on that's yielded those results.

But as Tony indicated in his numbers, what a perfect time to spend the capital, because of the reasons he shared. And we know that in terms of the revenue growth we've seen year-to-date on special access, has been 7% year-over-year if you look year-to-date through the third quarter. And we want to see that continue in the future.

<Q – Phil Cusick – JPMorgan Securities LLC>: So can you help me – within the ILEC footprint, give me an idea of what percentage of these fiber lines being added are replacing what right now is a copper-driven service that you provide?

<A – Brent Whittington – Windstream Corp.>: Well, if you look, overall, out of the towers we're going to serve, it's going effectively – you'll have copper and fiber going into those towers. But the carriers aren't going to be able to disconnect just all the copper that they had before. They've got handsets they're going to continue to use, those older copper services for a long period of time. We don't see a mass migration in the short term because of capacity reasons we shared from those TDM services. There will be a gradual turndown of that. But at the same time, the way we priced these contracts, they're on a per-meg basis. And as you begin to turn that down, the revenue accelerates helping offset that, because you're charging for that on a bandwidth usage basis. So, it's a very different model than historically, which was more tied towards just circuits.

<Q – Phil Cusick – JPMorgan Securities LLC>: Okay. I'm just trying to think about, and forgive me if I'm misunderstanding here, but I'm trying to think about the potential lost revenue. Because it sounds like as you turn up these fiber sites, it sounds like there's a lot of potential revenue growth. What I'm trying to think about is, is that really just offsetting lost copper growth, and so the incrementals not that much, but retaining the contract is – absolutely makes sense?

<A – Brent Whittington – Windstream Corp.>: It's a combination of both. There's no question, there will be loss over time, however, the way I think about it really, Phil, is trying to continue to lock in a growth rate like we've seen this year. When you look at the aggregate of all that activity, that's kind of what we're expecting. So, we do expect the net increase in bandwidth to offset the declines you'll see from TDM.

But importantly, locking up a franchise that's historically been incredibly profitable to us has been important as well, and you can understand why we'd want to spend the capital to maintain that relationship.

<Q – Phil Cusick – JPMorgan Securities LLC>: I see. So, maintain this growth rate, but not an acceleration?

<A – Brent Whittington – Windstream Corp.>: Exactly.

<Q – Phil Cusick – JPMorgan Securities LLC>: Great. Thank you.

<A – Brent Whittington – Windstream Corp.>: Acceleration perhaps will be tied to the bandwidth increases over time.

<A – Jeffery Gardner – Windstream Corp.>: And so as Tony in his comments, Phil, this is Jeff, indicated our growth in special access has been around 5% to 7%, and as we see these fiber-to-the-tower built out, we expect it to accelerate from there.

The other point I'd like to make is that, through a combination of the strategic acquisitions we've made that included fiber, in many cases, and this buildout of these fiber tower, our network is getting more and more facility space. We have more and more opportunities, as Brent said, on the CLEC side and on the cost-saving side. So, that's not inconsequential. So, going forward, we feel very good about the relative quality of our network and the opportunity that will afford us for even better revenue growth and further expense savings down the road.

<Q – Phil Cusick – JPMorgan Securities LLC>: If I can ask one more. What's the relative proportion of out-of-region versus in-region, do you think? Because the out-of-region is pure revenue upside, right? How do those weight within the business opportunity?

<A – Brent Whittington – Windstream Corp.>: Yeah. It's about 40% of our efforts are directed toward out-of-the-region, Phil.

<Q – Phil Cusick – JPMorgan Securities LLC>: Okay. Thanks, guys.

<A – Brent Whittington – Windstream Corp.>: You're welcome.

<A – Jeffery Gardner – Windstream Corp.>: And that's a little bit different. Remember, we've purchased KDL in 2010, and that's really allowed us to be much more successful out-of-region.

<Q – Phil Cusick – JPMorgan Securities LLC>: Thank you.

<A – Jeffery Gardner – Windstream Corp.>: Thanks.

Operator: Thank you. Our next question or comment comes from Frank Louthan of Raymond James. Your line is opened.

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<Q – Frank Louthan – Raymond James & Associates>: Great. A little bit more strategic. Looking at again, back to your penetration on high-speed Internet. Over the long term, you've got very high penetration, obviously, that growth's going to – is slowing a little bit. To what point do you expect to see some of the – what do you do now to protect the access line losses going forward, with the market share you've got on broadband? Do you see an inflection point there over the next couple of years as well?

<A – Brent Whittington – Windstream Corp.>: Frank, it's hard to say exactly when we'll see an inflection point. We don't see a major change in access line trend rates. Again, back to penetration, we do see today with disconnects, a higher proportion of disconnects from access lines that also carry broadband. Not surprisingly, just simply because of our penetration. But our goal is to continue to grow share, recognizing it's a more mature market and as indicated, we see our opportunity to really do that different than in the past, which was focused on that double play bundle. It's really speaking to who our customers are today, which are video consumers in the cable company. And we think we can stake out a position that's a bit unique in helping customers leverage our broadband connection to trim their cable bill, by utilizing all the over-the-top technology that's available today and driving the increased usage of our broadband product we see in our business. That's really how we see growing that franchise.

And then importantly, the way we just think about the business. What a customer's paying us today, whether that's for voice and for broadband. We understand their perception of value is all around that broadband product, and everything we do in our sales channel just trying to wrap around that product, value-added services that further cement that customer with the goals over time to improve churn as well, helping protect a large base.

<A – Jeffery Gardner – Windstream Corp.>: And Frank, this is Jeff. I think that's exactly right. Even as we thought about broadband two or three years ago, I think an important part of our marketing team's focus has always been obviously, the first part of this is to get the broadband connection into the home. And then, it's to really leverage that, to monetize that broadband into the home by selling more and more services. And so as Brent said, even with that high penetration, I'm still pleased with our top line growth, 7% in the broadband area. And it really is a result of not only – it's not just the broadband customer gain, it's selling these other features into our customer base.

<Q – Frank Louthan – Raymond James & Associates>: Okay. Great. That's helpful. And then, looking at the business sales and some of the more CLEC businesses, you're clearly putting more fiber in the network for a variety of reasons. Do you see that with some of the PAETEC customers? Or some of the NuVox customers that are maybe on resale special access circuits? Would – do you expect to be running fiber in some of your CLEC markets? Or how do you see meeting the increased demand for bandwidth that we see from even smaller business customers going forward?

<A – Brent Whittington – Windstream Corp.>: Frank, I'd tell you that we've had modest expansion in our fiber in some of our CLEC territories. And generally, we're doing that in support of success-based wins in the marketplace. We're not actively deploying fiber rings in metro areas. We have, as a result of the KDL transaction Jeff mentioned, picked up some fiber assets in a lot of our CLEC markets. And we're continuing to build the customers and get to those shared in support of success-based deals. Continuing to leverage third parties with metro resale products for high bandwidth needs in that market where that's appropriate.

<Q – Frank Louthan – Raymond James & Associates>: Okay. Great. Thank you.

<A – Brent Whittington – Windstream Corp.>: You're welcome.

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<A – Robert Clancy – Windstream Communications Kerrville LP>: Sam, we have time for one more question.

Operator: Certainly. Our next question or comment comes from Tim Horan of Oppenheimer. Your line is opened.

<Q – Timothy Horan – Oppenheimer Securities>: Thanks a lot. Sorry, two broad questions if you don't mind, but one on the tower front. I guess what Phil was kind of hinting at, do you think you're maintaining your market share on the towers? And it sounds like that's a real focus and you are, but just wanted to maybe hear who else is really competing against you there? And what kind of success they're having?

And then maybe, what do you expect the growth rate to be on the usage on the fiber networks? Or what are you seeing now in some of the areas that are a little bit more mature with fiber? And then, a broader question on the changes here with USF and funding. Do you have the ability to go raise local rates? They seem to be still quite low, I don't think they've been raised for a long period of time at the – do you have to go through some of the state PUCs? But can you do that without having rate cases? And is that part of the plan at all? Thanks.

<A – Brent Whittington – Windstream Corp.>: Yeah, Mark (sic) [Tim]. This is Brent. I'll take the first one. In terms of towers, absolutely, we've been focused on maintaining our share. And as I mentioned before, also growing in some strategic markets outside of our footprint. And to-date, with the agreements we've won from a sales front with our wireless partners, we've locked up, we believe, 90% of our market share, which was definitely a strategic goal as we entered into the year.

And in terms of our growth rate, I mentioned those are priced on a usage basis with a base monthly amount. But really the way I'd think about that, Tim, is our goal was to continue to see the year-over-year growth rate we've seen through September of this year, which is right at 7%, looking into the future. And that's going to be because of turning up sites, coupled with incremental broadband usage on those sites. So, it's two-fold there.

<A – Tony Thomas – Windstream Corp.>: And, Tim, this is Tony. On your USF question. Our ability to pass along price increases, really the FCC has provided a mechanism, it's our understanding, in the order that will allow us to pass along price increases up to $0.50 per month to our customers over a five-year period. That, coupled with the make-whole fund that's going to be available to us, is why I think Jeff alluded to the fact that we expect this to be a very manageable transition. Because we have both those mechanisms available to us, to help offset the pressure that we'll see from the loss of our switched access revenues, as we move to bill-and-keep over the next six years.

But overall, in terms of having more flexibility at the local level, we still need to review the detailed order, it hasn't been released yet. But really, our vehicle for price increases will be through the FCC.

<Q – Timothy Horan – Oppenheimer Securities>: Thanks so much.

Jeffery R. Gardner, President and Chief Executive Officer

Thank you. And thank you all, for the great questions this morning, it was a good discussion. We appreciate it.

In closing, Windstream is at a very exciting time in our transformation. And as I have said before, I'm more confident about our business today, than at any point in our five-year history. Over the past few years, we have worked extremely hard to reposition our business, to capitalize on the

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significant growth opportunities within our industry, namely, business and broadband services, datacenter and managed services, and the significant growth in the wireless traffic requiring more capacity.

Our capital structure affords us the flexibility to continue returning a significant portion of our cash flows to our shareholders and invest adequately in our business to capitalize on these opportunities, which will further improve our financial performance going forward. I'm very proud that we have made this transformation, while continuing to deliver industry-leading operating and financial metrics and importantly, shareholder returns.

With that, thank you, again for your interest in Windstream.

Operator: Thank you, ladies and gentlemen. Thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.

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