PARTICIPANTS

Corporate Participants

Robert G. Clancy – Treasurer & Senior Vice President
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)
Scott J. Goldman – Analyst, Goldman Sachs & Co.
Simon Flannery – Analyst, Morgan Stanley & Co. LLC
David W. Barden – Analyst, Bank of America Merrill Lynch
Phil Cusick – Analyst, JPMorgan Securities LLC
Donna A. Jaegers – Analyst, D. A. Davidson & Co.
Frank G. Louthan – Analyst, Raymond James & Associates

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen and welcome to the Windstream Communications Q4 2011 Earnings Conference Call. At this time all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

I'd now like to turn the conference over to your host, Mr. Rob Clancy. Please go ahead.

Robert G. Clancy, Treasurer & Senior Vice President

Thank you, Ally and good morning everyone. We appreciate you joining us today to discuss Windstream's fourth quarter and full year 2011 results. Today's conference call was preceded by our earnings release, which has been distributed on the news wires and is available from the Investor Relations section of our website. 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 website, where we have posted our earnings release and supplemental materials, which contain information and reconciliations for any non-GAAP financial measure.

To assist investors, we have provided supplemental pro forma financial results to include the PAETEC business for all periods shown. Given that Windstream and PAETEC had different operating metric disclosures, we are currently developing a unified approach and plan to enhance our disclosures later this year. At this time, we continue to provide the business operating metrics for legacy Windstream alone. And we have reclassified various Integrated Solutions units to voice and high-speed Internet.

Additionally, we have updated the pro forma schedules to reflect the impact of the voluntary change and accounting principle for recognizing actuarial gains and losses within the pension plan. We've elected to reflect the change in actuarial gains and losses and operating results in the year in which they occur and not to smooth the effects over a longer period of time in order to improve transparency by more quickly recognizing the effects of economic and interest rate trends on the plan.

The historical pro forma results have been adjusted to reflect these changes. We will make references to these pro forma results including the year-over-year comparisons during our call.

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

Thank you, Rob and good morning everyone. I'm going to make a few comments about our results and strategic activities. Brent will then discuss our operating results and Tony will review our financial performance and 2012 guidance.

2011 was an incredibly successful year for Windstream. Throughout the year, we integrated several key acquisitions made in 2010, which truly enhanced our business strategy and expanded our suite of business offerings.

In December, we added another key business to our portfolio with the acquisition of PAETEC, making Windstream a leader in providing communications and technology services nationwide. We also made many success-based capital investments that will enhance future growth. And we made significant improvements to our balance sheet and debt maturity profile.

Our pro forma financial results for the year reflect our progress in transforming this business. Our $6.2 billion revenue stream declined 0.03% on a year-over-year basis and we grew adjusted OIBDA by 1.2%, a remarkable accomplishment.

We have significantly improved the financial trajectory of Windstream, and reached a significant milestone of growing pro forma revenue and adjusted OIBDA during the fourth quarter, giving us great momentum heading into 2012.

Turing to our strategic initiatives; we completed the acquisition of PAETEC. And I would like to again welcome the entire PAETEC team to Windstream. Together we are a much stronger organization with more than $100,000 route miles of fiber, advanced enterprise class data centers, and an outstanding business sales team with a nationwide presence. All of which make Windstream a leader in the enterprise space, and I'm very excited about the opportunities ahead for our combined company.

On the regulatory front, late last year, the FCC issued its plan to modernize federal inter-carrier compensation and universal service policies. The plan was largely consistent with our expectations. We expect the financial impact to be manageable, and believe the steps we have taken to diversify our revenue streams and focus on growth opportunities will help us navigate through this transition.

As we look forward, we will be squarely focused on integrating the newly acquired PAETEC business and executing on our growth strategy. We have a tremendous opportunity to build on the momentum of 2011 and to leverage our expanded market presence and network to deliver advance communications and technology solutions nationwide. We also have exciting prospects to continue investing for growth including fiber-to-the-tower deployment, datacenter expansion and broadband stimulus projects, all of which offer attractive returns and improve Windstream's growth opportunities going forward.

Over the past six years, we have pursued a path that we believe positions Windstream to be successful over the long run and allows us to maximize total shareholder returns. Through very targeted acquisitions and solid executions in our legacy business, we have indeed positioned Windstream for growth. Our goal has been, and will continue to be, achieving industry leading shareholder return and our dividend has played a major role in our return.

That said; we are very committed to our dividend and with the set of assets that we have assembled and our improving financial performance, Windstream is well positioned to easily maintain our dividend and consider other shareholder friendly activities to enhance returns in the future.

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. 2011 was another very productive and pivotal year for Windstream, and I'm excited about our opportunity to build upon the positive momentum we have coming into 2012.

In the fourth quarter, business service revenues increased by 2.5% year-over-year, driven by growth in our strategic services, including special access, integrated solutions and advanced data services. The sales team is doing a fantastic job selling our enhanced suite of business products including data, voice, network and cloud services.

With our acquisitions, we have created a robust platform of services and continue to strengthen our competitive position in the enterprise space. The PAETEC acquisition expanded our footprint, which is now nationwide, allowing Windstream to better serve multi-location enterprise customers with advanced technology and communication needs.

In the consumer channel, we saw nice improvements in operating trends during the fourth quarter, driven by the successful cable switcher promotion. We added 8,000 high-speed Internet customers, growing our broadband customer base by 4% year-over-year. Consumer broadband revenues increased 7% year-over-year, as a result of the growth in customers combined with our success selling additional broadband services. Consumer voice lines declined 4% year-over-year, representing an improvement of 50 basis points.

As we exit 2011, our consumer broadband penetration is 67% of primary lines, which positions us well to continue our focus on accelerating ARPU growth by selling incremental broadband services and faster speeds.

With respect to the PAETEC integration, we have completed the migration of the corporate systems, including the accounting, payroll, and HR applications to the Windstream platform. We began operating as a combined sales team at the beginning of this year and are identifying the best practices within each organization to implement companywide to ensure a unified sales and marketing approach.

PAETEC had a very similar product set and sales culture to Windstream, which has helped in our integration activities. I'm very pleased with our efforts to-date and we expect to realize approximately $50 million of synergies in 2012 and are right on track to achieve $100 million of synergies by 2014.

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, we have had great success winning fiber-to-the-tower contracts from our wireless partners.

During 2011, we spend approximately $130 million on fiber-to-the-tower investments, which are success based and secure over the long-term contracts that provide attractive returns in excess of our cost of capital. We also invested roughly $40 million in data center expansion and continued making investments to improve broadband capacity, given the demand for video over our network. In total, we completed roughly $30 million of broadband stimulus projects, of which Windstream's investment was $8 million.

Looking forward in the business channel, we are leveraging our expanded network and service offerings to drive new multi-location [ph] channels (11:26). In addition, we are focused on improving the cross-selling opportunities related to our cloud and managed services offerings to target existing customers and drive incremental ARPU.

For the small business customers, we are focusing on aggressive bundling, up selling Windstream's services and improving retention. In the residential channel, we are rebranding our consumer high speed Internet bundle to differentiate our offering and focus on consumers changing video consumption patterns to over the top alternatives.

Specifically, we will provide an integrated Internet and entertainment bundle that'll leverage Internet services with a Roku box that aggregates various entertainment apps and enables customers to augment their pay TV experience with on-demand TV and movie options. As broadband penetration grows, we will focus on increasing the utility of our broadband connections to sell incremental services and applications and increase ARPU.

In summary, we have exciting plans for both the business and consumer channels and very attractive investment opportunities in 2012, and I'm confident that these initiatives will continue advancing our growth strategy.

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

Anthony W. Thomas, Chief Financial Officer

Thank you, Brent, and good morning, everyone. For the fourth quarter on a GAAP basis, Windstream achieved consolidated revenue of $1.21 billion, operating income of $100 million and a net loss of $0.06 per share. Our GAAP results include a pre-tax non-cash pension charge of $163 million, or $103 million after-tax, which we disclosed last month resulting from our pension accounting change.

In addition, our GAAP results include approximately $23 million in after-tax, merger and integration expense, and an after-tax loss of roughly $7 million related to the early extinguishment of debt. Excluding all of these items, our adjusted EPS would have been $0.19 for the fourth quarter.

Turning to our pro forma results for the fourth quarter, Windstream achieved total revenues of $1.57 billion, up 0.7% year-over-year. Specifically, Business Service revenues increased $21 million, or 2.5%, while Consumer Service revenues declined by $9 million, or 2.5%. Our wholesale revenues declined $2 million or almost 1% and total product sales were up by $10 million or 17%.

Within the Business channel, data and integrated services grew by $25 million driven by continued growth in IP, Next Gen data, and data center services. Carrier services, which is largely special access, was up $10 million year-over-year, due to strong demand for wireless backhaul services. Business voice and long distance revenues declined by $15 million related to migrations from traditional voice services to integrated voice and data services.

In the Consumer channel, voice and long distance declined $16 million due to fewer voice lines and declining feature packages, which was offset partially by growth in broadband revenues of $7 million.

In the Wholesale channel, voice and data revenues, which represent resale services within the former PAETEC business, declined by roughly $4 million due to usage declines. This was offset partially by a slight increase in switched access, carrier settlements and higher end USF end-user surcharges.

Product sales increased by $10 million primarily related to increased business CPE and margin neutral contractor sales. Cash expenses increased $8 million year-over-year, 4.9%. Specifically cost of services increased by $13 million, due largely to higher Internet costs, bad debt expense and higher salaries.

Cost of products sold increased by $10 million, as a result of higher product sales and SG&A expenses decreased $15 million due to incremental deal synergies. For the quarter, adjusted OIBDA was $612 million, an increase of 0.4% year-over-year and our adjusted OIBDA margin was 39%.

Let me turn to our pro forma results for the full year, Windstream generated total revenues of $6.2 billion, a decrease of 0.3% year-over-year. Adjusted OIBDA was $2.4 billion, which represented 1.2% growth year-over-year resulting from the realization of deal synergies and solid cost management efforts throughout our entire organization.

Finally, for the year, capital expenditures totaled $892 million. On a GAAP basis, adjusted free cash flow was $784 million in 2011, a decrease of roughly 4% year-over-year, driven by higher capital expenditures and incremental interests related to PAETEC debt, which was partially offset by higher adjusted OIBDA and a net cash tax refund of $11 million.

In terms of heritage Windstream 2011 results, I'm very pleased with the significant improvements we achieved in our overall revenue trends. During the fourth quarter, heritage revenues declined by roughly $1 million year-over-year and thus we were very close to achieving our goal of growing the top-line as we exited the year. For the full year, we met the guidance ranges for revenue, OIBDA and adjusted OIBDA. Free cash flow was below the range provided due to the acceleration of our fiber-to-the-tower investments.

From a balance sheet perspective, 2011 was a very productive year. We refinanced over $2 billion in higher coupon debt and expanded our revolving line of credit allowing us to significantly lower cash interest expense in the future. We ended the year with net leverage of 3.7 times adjusted OIBDA. We remain committed to deleveraging back to our historic range of 3.2 to 3.4 times and planning to achieve this through debt reductions and adjusted OIBDA growth.

Since the first of the year we have refinanced $300 million of PAETEC 2015 note and recently launched an amendment to our credit facility that will extend a large portion of our term loan and maturity to 2016. And at the same time allow us to raise $280 million in additional term loan A proceeds that will be used to partially pay down our revolving line of credit creating future refinancing capacity.

In addition, we recently received FCC approval related to two spectrum sales and as a result expect $55 million of proceeds by the end of the first quarter, which will finance the $55 million in integration capital that we expect to spend in 2012.

Turning to 2012, let me now discuss our guidance for the year. We expect revenue to be within a range of $6.18 billion to $6.305 billion. We expect adjusted OIBDA to be within a range of $2.43 billion to $2.5 billion.

Given the timing of our expected synergies, and the late start to the inter carrier compensation recovery mechanism; it is our expectation that we will show continued improvement in adjusted OIBDA throughout the year. Or said differently, our year-over-year performance should improve as we move through the year.

We expect to spend between $950 million and $1.05 billion of capital expenditures, which exclude the integration capital of $55 million, as I mentioned previously. Our CapEx guidance range includes over $200 million in fiber-to-the-tower investment and roughly $45 million related to Windstream's portion of the broadband stimulus projects.

We expect a cash tax refund of around $90 million, which reflects the benefit of 50% accelerated depreciation for capital investments and other tax savings initiatives we implemented last year.

Our guidance also assumes net cash interest of $659 million, which includes a $29 million December 31, 2011 interest payment that was made in the calendar year 2012. Even with this extra interest payment and excluding integration capital I just mentioned, we expect to generate between $840 million to $950 million in adjusted free cash flow, or an expected dividend payout ratio of 62% to 70%.

Looking beyond 2012 from a free cash flow perspective, we are more confident than ever in our ability to continue achieving growth in adjusted OIBDA. This growth, along with significant reductions in capital spending and further declines in cash interest, will position us well to easily maintain our dividend, deleverage the balance sheet and consider additional returns of capital in the future, even with the expectation of cash taxes increasing.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Michael Rollins of Citi Investment Research. Please go ahead.

<Q – Michael Rollins – Citigroup Global Markets (United States)>: Hi, thanks for taking the question. Just wondering if you guys could just go through more of the capital spending budget for this year and compare it to last year, and if you could break it down in segments in terms of what you're doing for fiber-to-the-tower? What you're doing for data centers maybe then segment it by enterprise or consumer just some greater thoughts on how to think about the changes and then maybe how to think about going forward what might be specific to this year and to go away in 2013 or 2014? Thanks.

<A – Anthony Thomas – Windstream Corp.>: Good morning, Michael. It's Tony, I'll get it started here and Brent and Jeff can add in if they wish. But when you look at our capital guidance for 2012, the $950 million to the $1.05 billion, as I mentioned, we've included over $200 million of investments in fiber-to-the-tower and that compares with roughly a little over $100 million in 2011.

And as you look forward, we expect to see significant reductions in that fiber-to-the-tower investment. We've talked about this a lot, but this is kind of a land grab that's been going on for the last two years and we expect that fiber-to-the-tower investment to taper down materially in 2013 and almost be fully wrapped up by 2014.

In addition, the other big item we talked about was broadband stimulus, expecting to invest approximately $45 million in 2012. We invested approximately $8 million in 2011 and there might be a few remnants of spend in 2013 related to the stimulus projects, but it will be very immaterial.

And then beyond that for a data center investment, we invested the approximately $40 million in 2011 and we do expect to spend some dollars in 2012, probably not quite up to $40 million, as we look at other options to potentially obtain data center space. Not to mention the fact that PAETEC gave us a nice set of data center assets that we think we can leverage and be successful in the market, so we don't feel the need to put our capital to work necessarily in 2013 associated with data center space.

And we really don't give a lot of color between consumer and enterprise, but I would tell you that we continue to make significant investments in the consumer broadband business. Brent alluded to this in his remarks, as over-the-top video continues to play a more important part in our broadband service. We continue to invest to support that.

Last year, we rolled out a technology that enabled higher speeds in our markets of roughly $40 million dedicated to that effort. We sometimes refer to that technology as VDSL and we invested approximately $80 million in strengthening our broadband consumer network in 2011 and we expect to spend at least that much in 2012. And the VDSL monies, we do not necessarily expect to repeat in 2012, but really just the ongoing support and maintenance of our consumer broadband business. Does that help Michael?

<Q – Michael Rollins – Citigroup Global Markets (United States)>: Thanks. It's very helpful detail. Thank you very much.

Operator: Our next question comes from Scott Goldman of Goldman Sachs. Please go ahead.

<Q – Scott Goldman – Goldman Sachs & Co.>: Hey, guys. Good morning. I guess a couple of questions. One, on a high level, obviously you're having good success on the business services side, maybe you could just talk a little bit about where you're seeing the success there, who – what types of product services and even maybe the verticals or size of the customers that you're winning there? And who – are you out there competing with AT&T and Verizon on these now that you have more of a national footprint or is it more in the CLEC side?

And then I guess if I could just piggyback off of the last question, maybe look a little bit further out, because I think the detail you guys give for 2012 was really good. But as you think about the asset mix that you have in place now and the customers that you're going after. What do you think may be a reasonable long-term capital intensity of this business now?

<A – Brent Whittington – Windstream Corp.>: Scott, this is Brent. I'll take the first part of your question. In terms of the type of customers we're going for and what we're selling, I mean a lot of what we're selling is really kind of VoIP products, MPLS products allowing customers to really buy a data pipe that meets their needs and manage their voice and data traffic kind of growing momentum in the marketplace in terms of need for incremental bandwidth is helping.

But I'll tell you what PAETEC also afforded us is a much broader kind of nationwide platform and one of the things we talked about really focusing on is multi-location customers that, yes we can compete with an AT&T and Verizon, but I'll tell you, our typical size is more in the $2,000 to $10,000 range is more on average with the type of deals we're doing from a monthly recurring revenue standpoint and that's not really a sweet spot where those folks can focus in terms of with the personalized service aspect, it's a hallmark of the way we're approaching the marketplace.

So that's really how we're focusing on the business side and I think we're having a lot of success. We just changed our business tagline kind of heading into 2012, as a result of the PAETEC acquisition, focused on smart solutions and personalized service. And we think those two things can really help us with a lot of success in the marketplace and we're seeing that really growing right now and that's showing up as you saw in our financial results.

<A – Jeffery Gardner – Windstream Corp.>: And I think another important point is one; we are very impressed with the sales team that we inherited from PAETEC that is complementary to a very aggressive sales team that we inherited from New Box and complementary to our own internal refocus. So our sales team is very well positioned for this personal service approach and as you think about our footprint, Scott, and the competitive opportunity, there's many markets that's ripe with opportunity where we have relatively low share.

So we're really bullish on what PAETEC and our other acquisitions have done when you think about Windstream now in a position to provide great data services, voice services that customers will always need with the network, with our fiber optic assets in the cloud with our Hosted Solutions assets. So we've never felt better about our ability to sell in those competitive markets.

And on capital intensity, again what we expect in 2013 and Tony can add some detail to this if he'd like. But in 2013, if you back out the decrease that Tony mentioned earlier as it relates to our fiber-to-the-tower initiative, which will be down significantly and the fact that we're going to be essentially done with our stimulus spending; we expect our capital intensity to kind of revert back to kind of our normalized intensity in this business. And so I don't think PAETEC changed that dramatically at all.

As we look at it, we've made great progress. Our network is much more robust today. We're anxious to win business. We will make success based capital investments, but we do fully expect that capital intensity to decline in 2013 significantly.

<A – Anthony Thomas – Windstream Corp.>: And the only thing I would add is when you look at 2013 and beyond, with these reductions in capital spending, the continued work we've been able to have on the balance sheet to lower our cash interest and we see opportunities to do that in 2013 and beyond. I think it just reinforces our belief in the long-term support of our dividend and ultimately it's going to enable us to continue to provide industry leading shareholder returns and also seek other opportunities to do more shareholder friendly activities.

<Q – Scott Goldman – Goldman Sachs & Co.>: Okay that's very helpful. Thanks, guys.

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

Operator: Our next question comes from Simon Flannery of Morgan Stanley. Please go ahead.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Thank you very much. Good morning. I saw you obviously recorded revenue growth for the quarter. For the year 2012, you're guiding to basically flat revenues at the midpoint plus 1%, minus 1%. I just wanted to get some sense of your expectations here, are you hoping or expecting that you can deliver revenue growth and is it that sort of conservative or do you think there's going to be sort of dips and various sort of – some noise in the various quarters obviously CPE was strong this quarter, so that may not recur in Q1 so you may be down sequentially and what sort of macro environment is underpinning that forecast, so any color around there'd be great. Thank you.

<A – Brent Whittington – Windstream Corp.>: Simon, good to hear from you. Thanks for the question. We did grow in the fourth quarter and I think importantly guidance aside, if you look at the change of our guidance year-over-year, its significantly better. Last year we guided on revenue from minus 3% to 0%. This year we're minus 1% to 1% reflecting the change in trajectory. I think importantly, that fundamentally we expect to grow every year from here on out not just temporary because of a transaction, but that our transformational strategy focusing on business – that businesses that are growing will allow us to grow into the future. With that, maybe Tony can provide some context around why we went with the guidance that we did as it relates to 2012.

<A – Anthony Thomas – Windstream Corp.>: Yes, Simon, this is Tony. I think when you look at our various components of our business revenues we now kind of break it down into four components externally; business, consumer, wholesale and other service revenues. Importantly, when you look at our business service revenue trends we're expecting to continue to see growth and planning for an acceleration of growth in business service revenues. And we think our consumer revenue performance declines of 2.5% are very, very solid especially when you consider we're leveraging a Dish relationship from a TV perspective. So we don't have a facilities-based TV product.

But importantly, the wholesale revenues will continue to be a drag on the top-line and more so this year because of inter-carrier compensation. While the net impact to OIBDA from inter-carrier compensation is not that material, but you do have reductions to revenues and reductions to expenses. And that's really what's weighing down our top-line revenue growth. And not to be lost in the other service revenue buckets that we now have out there that really represents the legacy PAETEC Cavalier Consumer CLEC business, very low margin business. We decided to no longer actively sell into that market and we expect to see that business drift off over a number of years and see revenue declines of roughly 20%, but importantly not a lot of impact to OIBDA.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Just a follow-up on the inter-carrier comp, is a lot of that going to come in the second half of the year?

<A – Anthony Thomas – Windstream Corp.>: Yeah, Simon, there is two – some of those will occur on January 1, but you're right, the majority of this occurs on July 1, when you start seeing the first step down as well as the introduction of the recovery mechanism.

<Q – Simon Flannery – Morgan Stanley & Co. LLC>: Any sort of early sense of those numbers?

<A – Anthony Thomas – Windstream Corp.>: I think as we indicated in our prepared remarks we're not expecting the OIBDA impact to be material, I think there's still some open issues in regards to USF. But I feel very good about how we're positioned for inter-carrier comp. We've done a good job frankly diversifying our revenue streams away from wholesale. We're much more dependent now on business services and the consumer business.

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

<A – Anthony Thomas – Windstream Corp.>: You're welcome.

Operator: Our next question comes from David Barden of Bank of America. Please go ahead.

<Q – David Barden – Bank of America Merrill Lynch>: Hey, guys. Thanks for taking the questions. So I guess if I could just follow-up on that one quickly. Tony, thanks for that color on inter-carrier comp. If you could kind of just maybe elaborate just a little bit more on what if any USF impact you'll see this year. Also, with respect to the pension accounting change that you are making this year, could you talk about what impact that's going to have in terms of thinking about apples-and-apples comparisons year-over-year, although I think you did make that change in the pro formas?

And then if I could just lastly, Jeff, just could you elaborate a little bit on kind of how – with the increasing transition and focus on more of the CLEC and business services entity you're thinking about management focus in the organization. How would you address concerns that may exist in the market that this was a well-run rural kind of consumer focused business and now it's really trying to make this large leap into business services and it's a big change for management? How do you kind of address those concerns? Thanks.

<A – Anthony Thomas – Windstream Corp.>: David, this is Tony, I'll take your first questions then turn it over to Jeff. In terms of inter-carrier comp I would probably size that as roughly 30 to 40 basis points of pressure on the top-line. Obviously not nearly that significant, as I alluded to on adjusted OIBDA because there's expense reductions. And in terms of USF, the big open item is there's a $300 million fund that the FCC has established that is meant to help deploy broadband in un-served parts of rural America. And right now, we're still waiting on the final rules to be developed.

And it's an important opportunity for us. We think Windstream is one of the carriers best positioned to deliver broadband services to rural America. We have not specifically included anything in our guidance with respect to receiving any of the $300 million. There's some important aspects to it, including how much money you can spend per household in that investment, and we continue to work with the FCC to insure we can capture as much of that money is possible, because we think we're in the best position to deliver those broadband services to rural America.

And then in terms of the pension accounting change, I think as you alluded, we try to be very transparent in our investor supplement that we've published so we actually have shown the pension expense separately for both cost of services and SG&A. So hopefully that'll provide the transparency if you need, but if not, please reach out to Rob and I, we could help you clarify that.

<A – Jeffery Gardner – Windstream Corp.>: Great. And then, just to add, on the U.S. staff, I think that when you look at what Windstream's done in terms of getting to our rural customers today, and how the FCC is thinking about this incremental $300 million, in our view, there is no better place to – no company better prepared to use that money wisely and get the most bank for the buck.

And so that's exactly what we were talking about with the FCC. There are many parties involved in that, but as Tony said, there's nothing incremental, but we're optimistic that the goal of this was to reach more rural customers; and we can help with that. So we're optimistic and up there working hard helping them to better understand our network and what we can do with that money.

You asked a great question, David, about one that I get asked often, it's about how is this well run rural ILEC going to perform as an enterprise carrier? And this has not been a gradual transition. In 2005, when we weren't even named Windstream at the time we were named Spinco, we were already contemplating a five year strategy to focus more on the enterprise space.

So very tactically over the last five years we've put people in place on the sales side. We hired what I think is one of the most aggressive sales executives in the industry over three years ago to run our sales organization. You may recall that two years ago we bought New Box. So we bought competitive ILEC businesses before, we are in that business today. We've totally refocused our marketing and it really goes across the whole organization on this enterprise focus.

So I feel very well prepared. The last three months the senior team here has been going around to the various markets talking to our sales teams. I'll tell you we've got a very professional sales force and a very unique selling proposition and when you look at the products and services that we have and the work that our engineers have done to really transform our network into a real enterprise capable network, there's really nothing that the biggest carriers in the country can offer that we can't today.

So because of our experience – the fact that we've retained a lot of management team. If you look back from NuVox several of their key executives are playing very prominent roles.

The leader of the Hosted Solutions business continues to run our datacenter strategy. We kept eight senior executives from PAETEC. So with every acquisition, we've supplemented that in with improving our talent. And on the side, we've been improving our talent internally to prepare for this focus. So we've made many changes and I feel very well prepared to meet the challenge of growing in the enterprise space.

<Q – David Barden – Bank of America Merrill Lynch>: All right, great. Thanks, Jeff.

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

Operator: Our next question comes from Phil Cusick of JPMorgan. Please go ahead.

<Q – Phil Cusick – JPMorgan Securities LLC>: Hey guys, maybe a clarification on a question. First, to follow-up on Scott's question – not to be obtuse but what would you consider now to be your sort of normalized capital intensity? It's been a long time since we were at a sort of normal level.

And then to follow-up on your comments a minute ago, how do you think about M&A at this point? With PAETEC do you have what you need or are there other focus areas that you might be thinking about, and how long do you feel like you need to wait before you do something else given the size of PAETEC? Thanks.

<A – Jeffery Gardner – Windstream Corp.>: Good, I'll let Tony take part one on capital intensity, and I really think you look back in my mind, you look back to 2010 to kind of more of a normal year, Tony why don't you give your view on that, and I'll answer the acquisition question.

<A – Anthony Thomas – Windstream Corp.>: Yeah, Scott, I think we look back at 2010 as probably a benchmark year from a capital intensity perspective and we expect it to be roughly 12% to 13%. But I would also tell you that we were also mindful of using our capital to generate revenues. I think most importantly to our investors is we want to make sure if we invest capital, we're getting returns well in excess of our cost of capital. And I think that's been demonstrated with our fiber-to-the-tower investments, that we are willing to put our capital to work to generate these returns and we think they're unique.

Now, we don't see anything right now in 2013 that changes this from our view, that we think the benchmark capital of 12% to 13% is appropriate. But if we identified opportunities, I think you would expect that if we increase the capital intensity, you should also expect us to increase the revenue adjusted OBIDA accordingly. But right now, our view is we believe the 12% to 13% benchmark is about right.

<A – Jeffery Gardner – Windstream Corp.>: So, the second part of your question was related to M&A and where we feel. PAETEC was a very important acquisition for us, as it really it dropped us into a position to sell multi-locations. Brent talked about this in his remarks. We really feel like, we're more of a national player today and we can go in and get to customers that previously we couldn't.

And we really have assembled a set of assets, when you think about the cloud computing business and the fiber optic businesses that we have acquired. We do have a set of assets today that we believe we can grow. PAETEC deal positions, when to grow in the business space and was an absolute great strategic fit was our largest acquisition.

And in the near-term, we are going to be very focused. In near-term; I'm saying 9 months to 12 months on closing and integrating PAETEC. In the future, we'll continue to be mindful of strategic opportunities that advance our capabilities in strategic growth areas. The game here has always been about, the strategy has always been about positioning our business more for growth.

We will set those within the framework for our plan because this is also very important to us as well to reduce our total leverage from current levels to our historical range of 3.2 to 3.4.

So, what that means in terms of acquisition criteria; when we look at transactions, we look for things advanced strategy to improve revenue trends, they're free cash flow accretive, they generate meaningful synergies, located in attractive markets with a favorable competitive position, great network assets. And importantly, maintain leverage in the same range or better. So this filter obviously reduces the number of deals that would be available to us and as I said, that's very important to us. And we do feel like we do have to set of assets that we can grow going forward.

So to summarize, as we think about the next 9 to 12 months, we're going to be very focused on integration of PAETEC which we've made great process to-date on and are very focused on getting a lot of that heavy lifting done in the next 12 months, and I would say during that timeframe additional transactions are unlikely.

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

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

Operator: Our next question comes from Donna Jaegers of D.A. Davidson. Please go ahead.

<Q – Donna Jaegers – D. A. Davidson & Co.>: Hey, guys. Thanks for taking the question. On PAETEC, I was just curious, it seemed like Cavalier might have been playing some games with inter-carrier access charges. Is that going to be a hit to you guys in the – over the next two years as far as their loss of inter-carrier compensation?

<A – Anthony Thomas – Windstream Corp.>: Hi, Donna. This is Tony. No, I think we're very comfortable that we're in compliance with the new order that was just issued throughout our entire set of markets including the former Cavalier markets, and our guidance contemplates the normal step downs. But I think we feel very good about how we're positioned in inter-carrier comp as we alluded to earlier and we don't see anything of particular concern in the former Cavalier markets.

<Q – Donna Jaegers – D. A. Davidson & Co.>: And on inter-state side, just to drill down a little closer, on inter-state access, can you give us I know you guys typically for Windstream give us the numbers in the back of your K, is it still $0.02 to $0.03 a minute where you're at usually?

<A – Anthony Thomas – Windstream Corp.>: Yes and of course that'll be stepping down here over the next 18 months.

<Q – Donna Jaegers – D. A. Davidson & Co.>: Great. Okay, thanks.

<A – Jeffery Gardner – Windstream Corp.>: Ally, we have time for one more question.

Operator: Our final question comes from Frank Louthan of Raymond James. Please go ahead.

<Q – Frank Louthan – Raymond James & Associates>: Yes just quickly, can you give us an idea of any plans you have to increase your fiber or reach within the NuVox and the PAETEC properties? Thanks.

<A – Brent Whittington – Windstream Corp.>: Yeah, Frank, this is Brent. And I'll tell you, when you kind of look overall and we talked about the size and scope of our networks with 100,000 fiber-route miles, I mean we're positioned pretty well to begin and what I'd say drive better returns with those assets in place a lot of our footprint extensions save some of these fiber-to-the-sales cite steps we've been talking about all year which are a reminder there. A subset of those are out of market kind of footprint extensions, that's really where our focus resides in 2010. Outside that where we'll extend network is on success based initiatives where our business team has a great opportunity to go into a large account and provide our own network.

Generally we kind of call those spurs off of an existing fiber infrastructure in close proximity. And Tony kind of referenced the need to continue looking for success based opportunities that's the kind of stuff our business team is working to find in the marketplace and that's really where I see the bulk of our footprint extensions occurring beyond fiber-to-the-tower in both 2012 and in continued focus on that honestly in 2013 and beyond. We think that's the core competency of ours and something we can really use to continue to fuel growth in the future.

<Q – Frank Louthan – Raymond James & Associates>: And what kind of IRR hurdles do you have for those kind of extensions?

<A – Brent Whittington – Windstream Corp.>: Everyone's kind of on their own I'd say a minimum of 8% typically and depending on the risk up to 20% but of course you get ranges even above that depending on the customer and the types of opportunities.

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

<A – Brent Whittington – Windstream Corp.>: Thank you.

Jeffery R. Gardner, President and Chief Executive Officer

Great, thanks for all the questions. In closing, I believe our targeted acquisitions combined with the solid execution of our growth strategy has really transformed Windstream into a leading provider of telecommunications and technology services nationwide. And importantly, with the ability to grow revenue and free cash flow and at the same time maintain a very attractive dividend, I believe that combination of growth with our strong dividend will make Windstream uniquely attractive to investors.

With that, I want to thank you again for your interest in Windstream. Our investor relations team of Bob Clancy and Mary Michaels will be available for your – to take calls from you today if you have any further questions. But thank you all.

Operator: Ladies and gentlemen this does conclude today's conference. You may all disconnect and have a wonderful day.