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PRESENTATION

Operator

Good morning. My name is Cynthia and I will be your conference operator today. At this time I would like to welcome everyone to the Windstream Corporation third quarter earnings release conference call. All line have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions)

I would like to turn today's call over to Rob Clancy, Senior Vice President and Treasurer. Please go ahead, sir.

Rob Clancy - *Windstream Corporation - SVP & Treasurer*

Thank you, Cynthia, and good morning, everyone. We appreciate you joining us this morning. Today's conference call was preceded by our third quarter 2009 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, 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, reconciliations for any non-GAAP financial measures. In August Windstream completed the sale of our external supply business. As a reminder, this business was expected to generate approximately $75 million in annual revenues and have virtually no affect on OIBDA in 2009. To assist investors, we have revised our pro forma results from current businesses to exclude the results from the external supply business. In addition our pro forma results from current businesses includes CT Communications while excluding our former publishing and wireless businesses for all periods. We will make references to these pro forma results from current businesses, including the year-over-year comparisons during our call.

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

Jeff Gardner - *Windstream Corporation - President & CEO*

Thank you, Rob, and good morning, everyone. First let me begin by highlighting a couple of changes we made to our senior leadership team in the quarter. Brent Whittington, formerly Chief Financial Officer was named Chief Operating Officer and now overseas all of the operating and customer facing functions of the business. Tony Thomas, formerly Controller, was named Chief Financial Officer. These changes enhance our efforts to transform this business by sharpening our focus and coordination on sales and service and provide a more efficient reporting structure. This morning I will make a few comments about our results for the quarter and provide an update on our strategic initiatives. Brent will then discuss our operating results and Tony will review our financial performance. Overall, I am very pleased with Windstream's performance during the third quarter.

We remain focused on improving our operating trends and continue to demonstrate that we can sustain our cash flows despite the top-line pressures we are experiencing. Operationally, our marketing efforts and promotions resonated very well, resulting in solid broadband customer growth and the lowest absolute access line since we formed the Company in 2006. Turning to the strategic front, we continue to pursue activities that improve our financial profile going forward. Last week, we announced the acquisition of NuVox, a leading regional CLEC provider operating in 16 states across the southeast and Midwest. NuVox is a well run Company that has been growing revenues and improving margins and they are a great geographical fit for Windstream, with operations in attractive tier two and tier three cities adjacent to many of our ILEC properties.

This transaction significantly advances our strategy to grow broadband and business revenues, which is important given the growth prospects in these areas. In fact, on a pro forma basis our broadband and business revenues will now account for more than half of our total revenues, which should position us well going forward. Importantly, this transaction is free cash flow accretive in year one, as we expect to realize roughly $30 million in annual operating and capital expense savings. We expect this transaction to close in the first half of 2010 and at this time plan to finance the cash portion of the deal with cash on hand and revolver borrowing. Finally, this transaction allows us to maintain flexibility and a solid balance sheet as the deal will be leverage neutral to slightly deleveraging. Also during the third quarter, we announced the acquisition of Lexcom Communication, which is a nice strategic fit being adjacent to our Windstream properties in North Carolina. We expect Lexcom to close by the end of the year.

And again, this deal is free cash flow accretive in year one, as we expect to realize roughly $5 million in annual operating and capital expenditure savings. Last week, the Pennsylvania PUC approved our transaction with D&E Communications and we expect this deal to close tomorrow. We recently took advantage of very good credit market and raised $400 million in a note offering to fund the cash needs for both the D&E and Lexcom deals. We also amended and extended our credit facility, which resulted in a significant portion of our bank debt maturities getting extended for two years, which provides us greater flexibility in the future. Going forward, we believe the -- this industry will benefit from further consolidation. As we consider strategic opportunities, we will stay focused on well run businesses, with quality networks that are well positioned competitively and allow us to leverage our operating model across a broader footprint to create value for our shareholders.

We will remain disciplined in evaluating potential opportunities and continue to pursue activities that are free cash flow accretive and that don't significantly change the risk profile of our business. Turning to our share repurchase program. We repurchased 1.1 million shares for $11 million in the third quarter and an additional 7.8 million shares for $78 million that settled in early October. Collectively, we repurchased 8.9 million shares at an average price of $9.95. At this point we have roughly $80 million remaining under the current $400 million share repurchase authorization. And our completion of this program will depend on a variety of factors, including other strategic opportunities, as well as our overall liquidity needs. With dividends and share repurchases, Windstream has returned $560 million to shareholders this year. From a regulatory perspective, regarding net neutrality, we support and follow the FCC's existing internet policy statement and believe that if new rules are developed, it is important that those rules apply equally to all content and service providers regardless of technology.

That said, we recognize that significant innovation and investment that we have all experienced under the FCC's existing principle and agree with those concerned that additional government intervention could disrupt future investment and innovation. We are encouraged by the approach the FCC is taking to formulate our nation's high speed internet access plan. We believe that the existing intercarrier compensation mechanisms and the universal service programs must be reformed as a part of this plan to achieve more widespread availability and adoption in sparsely populated rural areas. We are actively participating in the FCC's fact gathering process and have offered reasonable comprehensive solutions that would allow the FCC to achieve its goal. Finally, with regards to the broadband stimulus plan, we elected not to participate in the first round of funding due to the ambiguity and overly restrictive rules that were included in the application process.

We are working with the related agencies to improve the overall structure going forward and will decide whether to participate in the second round of funding at the appropriate time. Now, let me turn the call over to Brent to discuss our operational results.

Brent Whittington - *Windstream Corporation - EVP & COO*

Thank you, Jeff, and good morning everyone. This quarter we added approximately 26,000 new broadband customers, bringing our total customer base to 1.050 million, an increase of 9% year-over-year. Our overall broadband penetration is now at 36% of total access lines. And residential broadband penetration is approximately 53% of primary residential lines. During the quarter, we offered a price for life promotion, which bundled high speed internet, local voice, unlimited long distance and other features for a fixed price for the customer life. The value and stability of this promotion was well received by customers and resulted in both improved broadband and access line trends. In addition, we are continuing to roll out new services such as ESPN 360, which allows customers to watch certain sporting events on demand using their internet connection.

We also are focused on selling complimentary internet services to improve customer ARPU and increase the value of our broadband services to our customers. This quarter, we added 11,000 digital TV customers, bringing our total customer base to approximately 323,000 or 18% penetration of our primary residential customers. This service offering continues to be a very important component of our overall bundling strategy. Access lines declined by approximately 27,000 during the quarter, resulting in a decline in total access lines of 5.2% year-over-year. This year-over-year loss rate improved 30 basis points sequentially and, as Jeff mentioned, was the lowest absolute line loss since we formed the Company. While business line losses were in line with recent trends, we saw significant improvements in residential line losses, driven by our price for life promotion, as well as continued focus on our distribution and retention efforts.

In total, non-pay disconnects also declined year-over-year. Sequentially, access line losses improved by almost 14,000 units, driven by fewer residential voluntary disconnects tied to our promotional efforts and by fewer non-pay disconnects. We ended the quarter with 1.9 million long distance customers, representing 66% penetration of total access lines. While we experienced disconnect during the quarter, we continued to increase the penetration of long distance packages, which is now roughly 40% of our residential base versus 32% last year. Within our business channel, from a revenue perspective, we are continuing to see year-over-year declines in voice and long distance revenues, as well as product sales, due to customers managing expenses more aggressively and delaying purchasing decisions.

While we expect the economic environment to continue to affect business sales throughout the rest of this year, we do believe that demand will return as the economy improves. We continue to invest in our network to deliver next generation data services and expand IP availability and have recently reorganized our marketing and customer service departments to improve the focus on sales and service delivery to our business customers. All of our initiatives within the business channel are designed to better position us competitively and to capitalize on revenue opportunities in the future. We announced a reduction in force late in the quarter as part of our on going expense management initiatives. That said, we have been aggressive throughout the year to implement initiatives designed to improve efficiency across the organization, including installing GPS systems in our fleet and investing in new sales management systems.

We are confident in our ability to further improve our cost structure, while continuing to enhance service levels, which have improved consistently over the past year. From an integration perspective, we have been actively working on D&E for many months and the overall integration is proceeding as planned. We expect to have D&E fully integrated, including the billing system conversion, within the next few months, which will result in us realizing the expected synergies very quickly. Also, due to the relatively small size, we plan to complete much of the integration on Lexcom in the coming months, including the conversion of corporate systems. We will convert the Lexcom customers to our billing platform during 2010. With respect to NuVox, we plan to migrate to our corporate systems, but will likely maintain their billing platform for our combined CLEC operations, making the instigation process fairly straightforward.

Given our experience and track record, I'm confident that our teams can successfully integrate these businesses, particularly given the timing in which all these activities will be staged. Now we turn the call over to Tony to discuss our financial results.

Tony Thomas - *Windstream Corporation - CFO*

Thank you, Brent, and good morning, everyone. For the third quarter, on a GAAP basis, Windstream achieved consolidated revenue of $734 million, operating income of $225 million, and $0.18 of diluted earnings per share. Our GAAP results include the following items, which lowered EPS by roughly $0.06 and affect the year-over-year comparisons -- $15 million in aftertax non-cash pension expense; $5 million in aftertax restructuring charges related to the reduction in force that Brent mentioned; $5 million in aftertax non-cash amortization expense of our franchise rights; and a $1 million in aftertax merger and integration costs. Let me turn to our pro forma results from current businesses. For the quarter Windstream achieved revenues of $726 million, a decrease of 6% year-over-year. Specifically, voice revenues declined by $21 million year-over-year or 7%, driven by fewer access lines.

Long distance revenue declined by $3 million year-over-year, as growth in long distance packages was offset by declines in usage based revenue streams. Data and special access revenues increased $11 million or 6%, due to continued growth in high speed internet customers and next generation data products. Switched access in USF revenues declined $17 million year-over-year or 12%, driven by a number of factors. Within switched access revenues declined by $11 million year-over-year related to fewer access lines and decreased usage. Within USF revenues declined $6 million dollars year-over-year, a result of lower state USF receipts and a $2 million benefit from cost study true-ups received the last year. Miscellaneous revenues declined by $6 million year-over-year, of which roughly $2 million was related to the termination of certain network management services we provided to Alltel, with the remainder resulting from lower fees and service charges.

Total product sales was down $9 million year-over-year, driven by fewer business sales, which appear to be economically driven as businesses postpone buying decisions. Sequentially, revenue declined $9 million, primarily due to the continued reduction of voice and long distance revenues related to fewer access lines and minutes of use. From an overall revenue perspective, we have been focused on bundling products and services to both our residential and business customer base to help sustain the recurring service revenue streams. Importantly, the year-over-year revenue declines in residential and business service revenues are less than 3%. The vast majority of the revenue pressure we are experiencing is coming from the wholesale segment due to reductions in switched access and USF. We are successfully diversifying our revenue base and increasing our focus on broadband and business revenues, which offer growth opportunities going forward.

In fact, on a pro forma basis for D&E, Lexcom and NuVox, broadband and business revenues will comprise 52% of the total revenues, while residential and wholesale will make up 30% and 18% respectively. Let me turn to expenses, which exclude depreciation and amortization. This quarter expenses were lower by $7 million year-over-year, even with the incremental $23 million of non-cash pension expense and a $7.5 million of restructuring expense related to the reduction in force we announced at the end of the quarter. Excluding the non-cash pension restructuring costs, expenses declined $36 million or 10% year-over-year, which is a testament to our ability to control costs. Cost of services decreased by $3 million year-over-year, due primarily to expense management initiatives, which were mostly offset by an incremental [$19] million of non-cash pension expense and $4 million increase in bad debt expense.

Cost of products sold declined $12 million year-over-year, due primarily to fewer business product sales during the quarter. Within SG&A expenses increased by $2 million or 2% year-over-year, the result of $4 million in incremental non-cash pension expense, which was partially offset by expense management initiatives. Sequentially, total expenses, excluding depreciation and amortization, increased approximately $9 million, primarily driven by the $7.5 million restructuring charges. Cost of services was higher by $3 million, due to seasonal increases in contract labor and overtime. SG&A declined by $2 million due to the overall expense management initiatives. For the quarter, OIBDA was $360 million, a decrease of 10% to year-over-year. Excluding the non-cash pension expenses and restructuring expense, OIBDA was $391 million, a decline of 2.5% year-over-year and our OIBDA margin was nearly 53.8% versus 51.9% last year. Operating income for the quarter was $227 million.

For the quarter we spent $67 million in capital expenditures and generated $170 million -- $175 million in free cash flow, which benefited from the acceleration of certain tax benefits. Year-to-date we have generated $535 million of free cash flow equating to $1.23 in free cash flow per share, an increase of 7% year-over-year. As Jeff mentioned, during the quarter we opportunistically took advantage of very good credit markets to raise $400 million, which will fund the D&E and Lexcom deals, allowing us to preserve our cash revolver borrowings, which we now expect to use for the NuVox transaction. In addition, we amended and extended our credit facility, enabling us to extend a substantial portion of our bank debt maturities by two years. This further strengthens our financial position and flexibility going forward by better spreading our debt maturities.

Before giving affect to the recent debt proceeds, we ended the quarter with $290 million in cash and almost $500 million in revolver capacity and our net leverage ratio was 3.2 times. In summary, we are pleased with our results from the third quarter, our team is doing an outstanding job delivering on operational goals, while managing expenses and making improvements to our cost structure, which is resulting in solid cash flows. In addition, we were able to execute on various strategic initiatives this quarter that further improves the financial position of Windstream. With that we will now take a few of your questions. Cynthia, please review the instructions and open the call to questions, thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Simon Flannery with Morgan Stanley.

Simon Flannery - *Morgan Stanley - Analyst*

Thanks very much. Good morning. Jeff, I wonder if you could give us more color on the NuVox acquisition. A little bit of a departure from you going on the CLEC route. Obviously you have talked about diversifying your revenue stream here, but perhaps you can tell us a little bit more about the Company and how this sort of came to pass and going forward is there an ability now, you've done a lot of deals in a short period of time, to do more deals or are we going to take a pause here. Actually be looking for deals more in the CLEC or RLEC. Thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

Thank you, Simon, and good morning. Simon, with respect to NuVox, there are many things that attract us to that -- to that transaction, mostly the business revenue that Tony referenced in his remarks. As we look at this business evolving, broadband and business revenue show better long-term characteristics of growth and, I think, are the right place to be. We really haven't changed our acquisition strategy, as we've always looked for well run companies. The management team at NuVox has delivered improving revenue and OIBDA even in this environment. The geographic fit is very unique with respect to NuVox and Windstream. They were in many of the same states that we are in today.

They focus on tier two and tier three cities. So as you contemplate our model, which is much based on the fact that we are in rural areas that are less competitive, these too are markets where we think we can be successful for a long period of time. And importantly, the other thing that made this transaction unique was its financial characteristics. We were able to drive free cash flow accretion in year one. That's been fundamentally important and something that we put at the very top of our list as we look at transactions. In addition, we were able to do this transaction the way that maintained our balance sheet and strategic flexibility from a capital structure perspective, as it was slightly deleveraging. So all of those things, I think, made -- made it a quite unique transaction for us. We have been looking at CLECs for sometime and it was difficult for a number of months to find an accretive deal that fit our operating and financial model.

NuVox was absolutely the right deal for us to execute. In terms of have we changed our focus going forward on acquisition I would say no. We are going to continue to focus on deals that are free cash flow accretive that we think fit the strategic model that we ba -- built here at Windstream, which buying well run businesses, focus mostly in rural second and third tier markets. So I don't think that has -- that has changed going forward. And then with respect to our ability to do deals in the future. I think Brent walked through some very important points related to the acquisitions. We feel very comfortable with our ability to integrate these acquisitions. D&E is closing tomorrow. We've been very hard at work on the integration plan there. In the next few months that -- that business will be fully integrated. Lexcom is a very small transaction. We never take those for granted, but with respect to integrating it we don't see any particularly challenging issues there. That should be very routine for us.

And then finally, I think importantly on the NuVox side, because another thing that attracted us to this transaction is that they have very good back office systems for the CLEC business. We are already in the CLEC business today and it's very likely that we will continue to use their billing system and much of their back office function as it relates to CLEC. So that just takes a lot of pressure off any integration there. So we don't feel at all that we need to sit back. And with respect to tragic opportunities, sometimes you've got to react when the opportunity is there. So we will remain open and disciplined with respect to the future.

Simon Flannery - *Morgan Stanley - Analyst*

Great, thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

You're welcome. Cynthia, is there another question?

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Operator

Your next question comes from the line of Michael Rollins with Citigroup.

Michael Rollins - *Citigroup - Analyst*

Hi, good morning. Was wondering if you could talk a little bit more about the regulatory side. What is your sense of timing in terms of where you could see some possible reform for intercarrier comp and USF and if you could give a little more details of how you are looking at what you think would be sort of an idea outcome from that process. Thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

Well, Michael, I think that what is going on now with respect to the national inter -- national internet policy and shaping broadband policy for the entire country is a unique opportunity for us in telecom. And what we have been working very hard with, with others in our space, working across the industry, is to provide a road map to deal with both intercarrier comp reform and a USF mechanism more focused on the administrations goal of moving broadband to rural America. And so we are hopeful that we can get some traction around that process over the next couple of months. We have been working very hard on that. And I think that's very positive not only for all the players in our space, as it gives clarity to the intercarrier comp rules and really USF looks more like a program to incent broadband buildout than it does today. I think those are very good goals and constructs from which to push this forward. So we are trying to do this in the near-term, working very hard with our peers in the industry and I think that will be very positive, not only for the RLECs, but for all the people in the telecom space.

Michael Rollins - *Citigroup - Analyst*

And if I could just follow-up. You mentioned in your prepared comments that, I believe it is, business revenue is now over 50% pro forma of the total revenue. Can you give us your outlook for how you see the economy working out in your regions in terms of pace to recovery and maybe sort of the amplitude of -- of change in performance for your operations as the economy does recover. Thanks.

Tony Thomas - *Windstream Corporation - CFO*

Hi, Michael, it's Tony. In the remarks we said, just to clarify, it's broadband and business now comprise 50% of our revenues. The legacy Windstream overall has roughly over $1 billion of revenues tied to small and medium businesses and enterprises. And as we look into the -- the crystal ball in terms of the outlook, obviously the economy will recover in terms of the macroeconomic environment and the puts and take there. What we are really focused on here at Windstream is getting prepared for that turnaround.

Brent eluded to that we restructure our marketing and service delivery organizations so that we will be very well positioned to -- to capture those benefits when the economy does start to recover. Ultimately, as we look, and I made references to this in our prepared remarks, our business service revenues are down less than 3% year-over-year. So we have felt the pressure, but in the overall economy probably not the same pressures that have been felt by the larger telecom players. We think we are well positioned today and we will be better positioned going forward, especially with NuVox has an asset within the Windstream family.

Michael Rollins - *Citigroup - Analyst*

Great, thanks very much.

Operator

Your next question comes from the line of Michael Nelson with Soleil Securities.

Michael Nelson - *Soleil Securities - Analyst*

Hi, thanks a lot for taking the questions and congrats on a solid question. I have a question regarding the nice improvement in access line decline. I'm wondering if you -- if you think the strongest headwinds are behind you and if you saw or did anything differently. Like was -- was it better bundlingly, any changes to the cable competition. I guess, what was the impact of the price for life promotion and any changes to the housing markets or business development in your markets. Thanks.

Brent Whittington - *Windstream Corporation - EVP & COO*

Michael, this is -- this is, Brent. So in terms of changes from competition, no, we didn't really see any major real changes there in terms of promotion by our competitors or new entrance. We saw maybe 50,000 incremental access lines and experienced some competition this quarter. The biggest thing that we did differently is, frankly, our marketing department came up with a concept that really resonated with customers, drove a much stronger gross ads sequentially and prior year -- versus prior year, really around this price for life campaign, trying to capture on a concept that really resonated with customers, because the cable competition has a history of increasing rates in a big, big way every single year.

That promotion, coupled with a no contract approach, is something the customers find very appealing and that's worked very well. That's really the single biggest thing we've done differently. Secondly, just the efforts we've made over the last couple of years around distribution across our business are really beginning to payoff. And we continue to see big improvements in our door-to-door distribution specifically. Excellent results in our retail stores and some other segments as well. So feel great about what we've accomplished there.

Michael Nelson - *Soleil Securities - Analyst*

So the price for life really had a pos-- a positive impact on both access lines and broadband growth during the quarter, I take it.

Brent Whittington - *Windstream Corporation - EVP & COO*

Absolutely. Absolutely. And that price for life is really bundling an access line with the broadband product. So it is complimentary to both of those.

Michael Nelson - *Soleil Securities - Analyst*

And I take it that's something that you've promoted across your entire distribution network, the local agent network, the retail stores (multiple speakers).

Brent Whittington - *Windstream Corporation - EVP & COO*

You got it, every single channel.

Michael Nelson - *Soleil Securities - Analyst*

Great, thanks a lot.

Brent Whittington - *Windstream Corporation - EVP & COO*

You're welcome.

Operator

Your next question comes from the line of David Barden with Banc of America.

David Barden - *Banc of America - Analyst*

Hi, guys, thanks a lot. Couple if I could. Just following up on the last question. Do you guys feel that -- that this is kind of a trajectory changer for the business. It's something you are going to continue. If you could talk about how that promotion kind of maybe impacted the margin performance this quarter, say, relative to last quarter. And then the second question would be you guys have been kind of seen in the press to be potentially involved in the FairPoint bankruptcy, either by buying debt or getting involved in some way else, wondering if you could comment on that. And then if I could a last one, which would be, Jeff, I think you talked about being cognizant of the risk profile of Windstream. When you talk about risk, what to you mean by that? Do you mean being in urban markets or do you mean being exposed to 12% line loss, what does that mean exactly, thanks.

Brent Whittington - *Windstream Corporation - EVP & COO*

So, David, this is Brent. I will take the first one in terms of that promotion and that trajectory change. Way too early to call that a change. Certainly we like the trends that we saw in the quarter. Promotions sometimes are short lived and you have to continue to keep those fresh in the marketplace and so we will continue to make changes as necessary. But, I mean, it's still very competitive. We had -- had good results this quarter and we will try to build on that, but too early to call that a long-term trajectory change for sure. But we like the momentum that we've got. And then kind of another point that Tony mentioned, as the economy begins to improve on the business side, we continue to see a little more pressure on access lines than we have historically. Again, mainly due just to -- to fewer business startups and then access lines being trimmed by customers as they are looking to reduce costs. So as economic recovery picks up there, we think some of our results on the business access line side should follow as well.

Jeff Gardner - *Windstream Corporation - President & CEO*

As -- as it relates to our question on FairPoint, we -- our policy is long standing not to make comments on any specific acquisitions, so I will not do that. However I will just restate our acquisition policy and -- and that this -- this really ties, David, to your next question for me and that is, that we have consistently been focused on well run assets and in markets where we think we can make a difference and drive [change]. And that gets to the risk profile. So when we look at the risk profile it does mean -- it does relate to urban markets and we've tried to do deals in markets where we think we can be successful, where our model works. Our model works best in tier two and tier three cities.

That's what we have been focused on as we've done our acquisitions, that's very consistent with NuVox. And the other thing as it relates to integration risk, I'd say, in terms of our risk profile, so everything that we are doing to date, I think, we can do, maintain capital structure, improve our dividend payout ratio, which is very important to our investors, and do that in a way that doesn't represent huge integration risks. Nothing in front of us today is particularly concerning. We've done deals like this for a long period of time and so from a risk profile perspective, I think our access -- acquisition path is one that our investors are very comfortable with. We have been very consistent both in the kinds of acquisitions that we pursued and the integration approach that we have taken.

David Barden - *Banc of America - Analyst*

Okay, guys, I appreciate that, thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

Thanks, David.

Operator

Your next question comes from the line of Mike McCormack with JPMorgan.

Mike McCormack - *JPMorgan - Analyst*

Hi, guys, thanks. You guys made a couple of comments about the product sales and decision making within business customers, can you just give us a sense for whether or not the business decision making is getting fast or slower, it's getting worse or better. And then secondly, on line loss, can you identify any specific geographies that might be better or worse than others. Thanks.

Brent Whittington - *Windstream Corporation - EVP & COO*

Mike, this is Brent. I'll take that. In terms of businesses, we are not going to comment on four quarter just yet. But I'd tell you that really overall in third quarter we continue to see trends similar to what we've seen through the first two quarters of this year. So year-to-date things have been fairly flat on the business side. Probably too early to call a recover, yet, in Q4, but we will keep our eye out in terms of what 2010 looks like, but we are optimistic there. In terms of the line loss, your second question, could you just repeat that just to make sure I heard that component of it.

Mike McCormack - *JPMorgan - Analyst*

Yes, just trying to get a sense for whether or not there are specific geographies that are doing better than others in the line loss.

Brent Whittington - *Windstream Corporation - EVP & COO*

No. I mean, I'd -- some of our kind of larger markets have historically continued to be the areas where we've seen the most pressure, but I tell you overall much of our business is facing competition. The real differences in dynamics are between residential and business. We didn't see any major change in competition geographically, say than in some of our Pennsylvania markets where Comcast launched this quarter and we saw some uptick slightly just because of that. No other major changes, Mike.

Mike McCormack - *JPMorgan - Analyst*

And when you are looking out over the next several quarters, what do you anticipate as far as cable footprint increases go.

THOMSON REUTERS

Brent Whittington - *Windstream Corporation - EVP & COO*

Continue to be modest, really. Again, I mentioned around 50,000 incremental kind of customers that face competition this quarter, we don't see a material change in that over the coming quarters.

Mike McCormack - *JPMorgan - Analyst*

Great, thanks guys.

Brent Whittington - *Windstream Corporation - EVP & COO*

You're welcome.

Operator

Your next question comes from the line of Batya Levi with UBS.

Batya Levi - *UBS - Analyst*

Thanks a lot. Had a couple questions on NuVox transaction. Can you provide some color on how revenue growth has been trending for them in the last couple of quarters and who do they mainly compete with, have they been taking share. And looks like on the margin side they do have somewhat lower margins than their peers. How do you think about it when it's integrated within your core business. And finally I was -- wanted to ask if you could give us a sense for the OpEx mix of the $30 million synergy target and how long it -- how long do you think it will take you to realize that. Thank you.

Jeff Gardner - *Windstream Corporation - President & CEO*

Okay. With respect to NuVox, they have done very well. Over the last couple of years driving up their revenue each year, they've been a very aggressive competitor. They're -- they're combeting -- competing for these 11 to 500 line accounts very aggressively and so they've been -- they are competing against the incumbent, obviously, but the other CLECs in some of these markets and they've been doing very, very well. What really impressed us about that management team is they have a unique culture of sales management that's aggressive and one that we think offers some benefits to our own sales organization as well.

In terms of margins, they've steadily improved their margins. Yes. the margins are lower than they are in the incumbent telephone business, but these guys have been -- they were -- been very focused, just like we are, on cash flow generation. And so that was very attractive to us. This -- this history of disciplined -- being disciplined on the sales process and watching expenses has really allowed them to improve their margins each and every year over the last few years. With respect to how they compare to their peers, I think that's too specific to get in to. They are a very well run business today.

Brent Whittington - *Windstream Corporation - EVP & COO*

The synergies, Batya, on that component, out of the $30 million, roughly half of that is in corporate and kind of back office personnel. The incremental synergies we expect in -- in that component we'll get fairly quickly. The incremental amounts really tie more to some network synergies, LD cost, revenue synergies and some things of that nature we expect to see overtime as we get that asset integrated into the business.

Batya Levi - *UBS - Analyst*

Would the CapEx components be small.

Brent Whittington - *Windstream Corporation - EVP & COO*

CapEx in that business will not be a huge amount, Batya, 10% to 15% max of that total number.

Tony Thomas - *Windstream Corporation - CFO*

The vast majority will be OpEx savings.

Batya Levi - *UBS - Analyst*

And finally, I don't know if you want to talk this, but where do you think your dividend payout will be pro forma for that transaction.

Jeff Gardner - *Windstream Corporation - President & CEO*

Well, we haven't provided consistent guidance, but for -- there is a consistent theme with D&E, Lexcom and NuVox. And when we say they are all cash flow accretive, it -- it goes on to say that our dividend payout ratio is improving as we do these deals.

Batya Levi - *UBS - Analyst*

Okay, thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

Which is great news for our investors.

Operator

Your next question comes from the line of Donna Jaegers with DA Davidson.

Donna Jaegers - *DA Davidson - Analyst*

Hi, guys, good quarter. Just a follow-up on NuVox. It -- you make it sound like management is going to stay on there. So I just wanted to understand, you recently hired a guy that was heading up PayTech's southeast region, what's his role going to be in the organization and just confirm that you expect management to stay on at NuVox.

Brent Whittington - *Windstream Corporation - EVP & COO*

Donna, this is Brent. We have yet to make the call on exactly who all at NuVox will remain. So, a little early to call that. But, I mean, long-term, certainly John Leech, the gentleman you referenced that we hired recently, we expect to lead our overall business sales organization, but the exact management structure we expect to have long-term is yet to be determined. But there will be some key players at NuVox today that will certainly be there long-term, but we have got to work on the integration effort as we develop kind of that path going forward.

Donna Jaegers - *DA Davidson - Analyst*

Okay, thanks, Brent.

Brent Whittington - *Windstream Corporation - EVP & COO*

You're welcome, thank you, Donna.

Operator

Your next question comes from the line of David Sharret with Barclays Capital.

David Sharret - *Barclays Capital - Analyst*

Good morning. Just wanted to just ask, with some of the acquisitions you have done recently, obviously, you haven't really moved the needle on leverage yet, but just as you move forward, just wanted to just affirm your view and target around leverage and then also just ask pro forma for this deal, you've -- the NuVox deal you talked about using cash and also some dipping into the revolver as well, kind of your thoughts on minimum liquidity as you -- as you talked before about wanting to have -- preserving your flexibility. Thanks.

Tony Thomas - *Windstream Corporation - CFO*

David, this is tony. I will -- I will speak to the leverage. In terms of leverage, we are-- we are comfortable around the range where we are at. We kind of -- we remain committed to that as we looked at these deals we are doing these deals. As Jeff alluded to, there is a theme. These -- the theme has been ultimately these deals have been slightly deleveraging to leverage neutral. Ultimately, we are comfortable with the -- the range of leverage we have today and as we look towards future acquisitions, we are mindful of our -- of our credit ratings and ultimately our need to keep leverage kind of in the same range it is, at 3.2 times. And ultimately, we have plenty of room underneath the revolver and plenty of cash available even after NuVox. So in terms of additional capacity, we are in good shape there as well, David.

David Sharret - *Barclays Capital - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Jason Frazier with Raymond James.

Jason Frazier - *Raymond James - Analyst*

Hi, good morning. Just going back to NuVox for a second. Is there any way you can talk a little bit more about the revenue trajectory and the revenue, just components. Any leftover revenue from residential or single line business. And secondly, just talking about that data special access, this is the first time we have seen a sequential decline in a couple of quarters now. I just wonder if you could talk about what is driving that. Thanks.

Jeff Gardner - *Windstream Corporation - President & CEO*

Okay, I will take the first part. And again, on the top-line NuVox has been steadily improving their top-line revenue. They've done a nice job there, even in a difficult environment.

Tony Thomas - *Windstream Corporation - CFO*

In terms of the data and special access trends. We had $1 million of kind of a nonrecurring item in the second quarter and the promotion that Brent eluded to, price for life, really did not get initiated until mid August. So the economic and financial benefits from those access lines and broadband customers aren't really going to materialize until the fourth quarter. And then I expect you will see our traditional trajectory on data and special access.

Jeff Gardner - *Windstream Corporation - President & CEO*

And then as it relates to NuVox, I failed to mention that they have no, virtually no residential exposure. It's a -- it's a business enterprise model, 100% focused there.

Jason Frazier - *Raymond James - Analyst*

Terrific, thank you very much.

Jeff Gardner - *Windstream Corporation - President & CEO*

You're welcome.

Rob Clancy - *Windstream Corporation - SVP & Treasurer*

Cynthia, we have time for one more question.

Operator

Your final question today comes from the line of Dave Coleman with RBC Capital Markets.

Dave Coleman - *RBC Capital Markets - Analyst*

Great, thanks a lot. Just going back to the price for life offer. Brent, I believe you mentioned that it came out mid-quarter, can you talk about what the trend for broadband and access lines were before and after that promotion.

Brent Whittington - *Windstream Corporation - EVP & COO*

Dave, Brent here, and -- but it came out really in probably mid-August, but it wasn't supported from a mass market's advertising standpoint until the September kind of timeframe and our trends certainly accelerated in a big way after that. Part of that though was the promotion related and then the other part was the seasonal kind of uptick we generally expect around the back to school timeframe, which was, again, part of the logic around the timing of that launch. So nice uptick for sure that helped with the sequential increase and year-over-year increase we saw in gross adds on the residential side.

Dave Coleman - *RBC Capital Markets - Analyst*

Great, thanks a lot.

Brent Whittington - *Windstream Corporation - EVP & COO*

You're welcome.

Rob Clancy - *Windstream Corporation - SVP & Treasurer*

We would like to thank you folks for joining us morning. We appreciate your interest and support. Mary Michaels and I will be available for additional questions throughout the day.

Operator

Ladies and gentlemen, this concludes today's conference, you may now disconnect

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