PARTICIPANTS

Corporate Participants

Robert G. Clancy – Treasurer & Senior Vice President
Jeffery R. Gardner – President & Chief Executive Officer
Brent K. Whittington – Chief Operating Officer
Anthony W. Thomas – Chief Financial Officer

Other Participants

David W. Barden – Founder & Managing Director, Bank of America Merrill Lynch
Scott J. Goldman – Analyst, Goldman Sachs & Co.
Christopher C. King MBA – Director, Stifel, Nicolaus & Co., Inc.
Batya Levi – Associate Analyst, UBS Securities LLC
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Barry McCarver – Senior Research Analyst, Stephens, Inc.
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MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to your First Quarter 2011 Windstream Communications' 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, this conference call may be recorded.

I would now like to turn the conference over to Mr. Rob Clancy. Sir, you may begin.

Robert G. Clancy, Treasurer & Senior Vice President

Thank you, Sayeed, and good afternoon, everyone. Thank you for joining our call to discuss Windstream's first quarter results. Today's conference call was preceded by our first quarter 2011 earnings release, which has been distributed on the newswires, and it's 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. These terms will include OIBDA, which is operating income before depreciation and amortization, and adjusted OIBDA, which excludes non-cash pension expense, stock compensation expense, restructuring charges, and merger and integration expense. Additionally, adjusted free cash flow is defined as adjusted OIBDA minus cash interest, cash taxes and CapEx and is presented on an actual basis to reflect all acquisitions from the date on which we acquired the businesses. Again, we refer you to the IR section of our website where we've posted our earnings release and supplemental materials, which contain information and reconciliations for any non-GAAP financial measure.

To assist investors, we have provided pro forma results from current businesses, which include all acquisitions we have made to-date for our periods shown. And we will make references to these pro forma results from current businesses, including the year-over-year comparisons during our call.

Additionally, as a result of the Iowa billing conversion, we reclassified certain categories, and those minor adjustments have been updated in our historical pro forma results.

Participating in our call this afternoon are: Jeff Gardner, Windstream President and Chief Executive Officer; Brent Whittington, Windstream 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.

Jeffery R. Gardner, President & Chief Executive Officer

Thank you, Rob, and good afternoon, everyone. Today, I will make a few comments about our first quarter accomplishments and provide an update on our progress towards completing our key initiatives for 2011. Brent will then discuss our operating results, and Tony will review over financial performance.

First, I'm very pleased with our performance in the first quarter and our solid start to 2011. We delivered strong operating metrics on all fronts and importantly continued to show improvement in year-over-year revenue trends. For the quarter, business in broadband revenues comprised over 60% of our total revenues and collectively grew at 3.6% year-over-year, an improvement of 40 basis points over the comparable fourth quarter growth rate.

In total on a year-over-year basis, revenues declined 1.8%, and adjusted OIBDA declined 1%, both in line with our expectations. As we mentioned on our previous call, we expect the year-over-year financial performance to improve throughout 2011 as a result of the continued improvement within our business sales organization, the investments we are making this year to drive revenue growth, and the additional synergies we expect to realize from last year's transactions.

We are off to a great start on our key initiatives for 2011, which include completing our integration activities, investing capital for future growth, and deleveraging the balance sheet. During the quarter, we completed the Iowa billing system conversion and have fully integrated that business into Windstream. The Iowa operation is performing extremely well. Our team is now focusing on integrating Q-Comm and Hosted Solutions, which are progressing in line with our expectations.

This quarter, we made investments to improve our Internet speeds and capacity, expand our fiber-to-the-tower initiatives, and to grow our data center operations. In fact, we have had tremendous success at winning wireless backhaul contracts, and have seen very solid demand in data center services. And as a result, we are planning to make more investments in these areas than originally expected, given the attractive growth prospects and return on investment opportunities. We are confident that these success-based capital investments will further improve our financial performance going forward.

During the quarter, we made significant balance sheet improvements as well, leading to greater financial flexibility, a much better debt maturity profile, and the ability to meaningfully lower cash interest expense going forward. In fact, with our refinancing activities today, coupled with our refinancing and deleveraging plans later this year, we could see cash interest savings of more than $90 million in 2012 and beyond, as compared to the expected spend this year.

I am very pleased with our start to 2011. Our team is executing well on all fronts, and continuing to deliver industry-leading operating and financial performance. It is clear that Windstream is on a different strategic path as we have built the company focused on improving top line trends to sustain and grow cash flows over the long term. We have positioned our capital structure so that we can invest in significant success-based opportunities such as fiber-to-the-tower, data center services, and our broadband network, all of which have very attractive rates of return, and at the same time, manage our leverage to our historical range of 3.2 times to 3.4 times adjusted OIBDA.

Additionally, we will continue to explore strategic opportunities that further advance our strategy while at the same time, being mindful of leverage. We have positioned this company for long-term success, while delivering industry-leading shareholder returns since our spin-off nearly five years ago, and I'm very optimistic about the potential for us to continue creating value going forward.

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 afternoon, everyone. As Jeff mentioned, we delivered very strong operating results this quarter on all fronts. Specifically, we added roughly 29,000 new broadband customers, bringing our total Internet customers to 1.3 million, an increase of 6% year-over-year. Our overall broadband penetration is now at 44% of total voice lines. We ended the quarter with approximately 440,000 video customers, representing 6% growth year-over-year, and 23% penetration of our primary residential customers.

Total access lines declined by approximately 23,000 during the quarter, resulting in a decline in total access lines of 3.6% year-over-year, and our lowest absolute decline in units in our company's history.

In the business channel, high-speed Internet customers grew by 4% year-over-year. Advanced data and integrated solutions increased 2.5% year-over-year driven by growth in integrated VOIP and data services, Ethernet Internet access, and managed services. Special access circuits increased 7% year-over-year due to increased wireless backhaul demand. In total, business access lines declined 1.9% year-over-year. Importantly, business revenues grew 2.3% during the first quarter, an improvement of 50 basis points over the fourth quarter year-over-year growth rate and a result of strong sales in our strategic business products.

In the consumer channel, we added over 27,000 residential high-speed Internet customers, growing total customers by 6% year-over-year, largely the result of a new advertising campaign targeting cable switchers. Our consumer broadband penetration is now approximately 63% of primary residential lines.

Consumer broadband revenue increased 11% year-over-year, driven by growth in subscribers and in broadband features. This quarter, video customers increased by 7000 bringing our total video customer base to 440,000 or 23% penetration of primary consumer lines. Consumer access lines declined 4.5% year-over-year, which was flat sequentially. But importantly, consumer revenues were only down 3.5%, a result of the success we are seeing with our pricing strategy and increased sales of broadband services and related features. We have been focused on improving our distribution, namely within the multi-dwelling units and door-to-door channels. In this quarter, we closed on several larger MDU opportunities, and our door-to-door channel outperformed our expectations.

From an integration perspective, our team is well under way with the Q-Comm and Hosted Solutions integration efforts. The business integration is complete for both companies, and the system integrations are under way and should be complete by the end of the year. The integrations of all other acquisitions are complete, and these businesses are performing in line with our expectations. We continue to be excited about the capabilities and new product offerings the acquisitions bring to Windstream, which collectively position us very well to provide a complete suite of business services while improving the cost structure and positioning us for future growth.

I am very pleased with the progress we are making with our operational goals. We continue to enhance our business capabilities, and with business services representing approximately 50% of total revenues, the growth in this channel is a significant influence in terms of improving our top line trends. Additionally, our solid execution, pricing strategy, and expanded distribution are driving improving results in our consumer channel.

2011 is another pivotal year for Windstream, offering the opportunity to make success-based capital investments that will better position the business for future success. In the first quarter, we made investments in our fiber to the cell initiatives and are very encouraged with the number of contracts that we have won, which greatly exceeded our expectations. We also expanded our data center operations in Charlotte given the robust growth and success we've experienced in that market and we made investments in the new Little Rock data center, which should be operational later this year.

In addition, we made investments to increase our broadband capacity and speeds that will allow us to deliver 10 to 12 meg Internet speeds to over 40% of our footprint and 24 meg speeds in our most competitive markets.

Lastly, although very early, we have started work on several of the broadband stimulus projects, which will expand and enhance our broadband capabilities in unserved rural markets. These investments are all exciting opportunities, which should yield attractive returns and provide opportunities to grow in the near future. With that, let me turn over the call to Tony to discuss our financial results.

Anthony W. Thomas, Chief Financial Officer

Thank you, Brent, and good afternoon, everyone. For the first quarter on a GAAP basis, Windstream achieved consolidated revenue of $1.02 billion, operating income of $282 million, and $0.05 of diluted earnings per share. Our GAAP results include $64 million in after tax loss on extinguishment of debt and $6 million in after tax merger and integration costs, which lowered EPS by roughly $0.14. And thus, our adjusted EPS would have been $0.19.

Turning to our pro forma results for the first quarter, Windstream delivered total revenues of $1.02 billion, a decrease of 1.8% year-over-year. Specifically, business service revenue increased $11 million, or 2.3%, driven by growth in advanced data and integrated solutions, special access, and data center services, all of which outpace pressures from voice and long-distance.

Consumer revenue declined $13 million, or 3.5% year-over-year, driven by fewer voice customers offset partially by growth in priced-alike bundles, broadband features, and long distance packages. Wholesale service revenue declined $20 million, or 12% year-over-year, primarily the result of declining switched access revenues. Total product sales were up $4 million of 16%. Specifically by category, voice and long-distance revenues declined by $32 million year-over-year or 8%, driven by fewer voice lines and declining feature packages. Data and integrated solutions increased $22 million, or 7%, driven by growth in integrated VOIP and data offerings and advanced data services to business customers combined with solid growth in consumer Internet and broadband features.

Special access revenues increased $8 million, or 6% due to circuit growth from increased demand for wireless backhaul. Switched access declined $17 million year-over-year due to fewer minutes of use in the least cost routing initiatives implemented last year. U.S.F revenues were flat year-over-year. Product sales increased by $4 million related to better contractor and residential sales.

Let me turn to expenses, which exclude depreciation and amortization. This quarter, expenses were lower by $18 million, or 3% year-over-year. Excluding non-cash pension costs, expenses were lower by $13 million, or 2% year-over-year. Specifically, cost to services was down $8 million due primarily to lower interconnection expense related to the least cost routing initiative mentioned previously and lower pension benefits expense. Cost to products sold increased by $1 million year-over-year due to higher product sales. Within SG&A, expenses decreased $11 million, or 7% year-over-year due to incremental deal synergies, which were partially offset by an increase in advertising expense related to our new advertising campaign and an increase in commissions, driven by strong business in consumer sales.

Sequentially, total expenses decreased by approximately $8 million due primarily to lower restructuring charges. Cost of services decreased by $7 million driven by seasonal declines in overtime and a decrease in bad debt expense. Cost of products increased by $2 million due to higher product sales. SG&A increased by roughly $4 million due to a new advertising campaign costs and higher commissions from strong sales in the first quarter.

Going forward, we expect SG&A to decline sequentially throughout 2011 due to deal synergies and other cost management initiatives.

For the quarter, OIBDA was $497 million, which was flat year-over-year. Adjusted OIBDA was $512 million, a decrease of roughly 1% year-over-year. And our adjusted OIBDA margin improved 40 basis points year-over-year to 50.1%. On a GAAP basis, adjusted free cash flow was $169 million for the quarter, a decrease of roughly $39 million year-over-year due to higher capital spending and higher cash interest costs related to our refinancing activities, which include the early payment of accrued interest.

This quarter, we made significant improvements to the balance sheet. Specifically, we refinanced over $1.5 billion of debt and improved our debt maturity profile by moving over $1.2 billion to 2020 and beyond at very attractive long-term rates. We also increased our revolver capacity from $750 million to $1.25 billion and extended the maturity of these commitments to December 2015, which will provide additional borrowing capacity and flexibility, particularly, as it relates to future refinancings.

As a result of our refinancing efforts, we realized a $101 million loss on the extinguishment of debt, which is principally the tender premium costs. Importantly, we have better positioned the balance sheet maturity profile going forward. Furthermore, with the increased revolver capacity, we have an opportunity to refinance the remaining 2016 notes at a significantly lower interest rate. Following the August call date and as Jeff mentioned, we are in a position to realize cash interest savings of more than $90 million in 2012 and beyond, as compared to the expected spend in 2011.

During the quarter, we completed a $60 million stock contribution to our pension. This resulted in the issuance of 4.9 million shares, which were contributed directly to the pension plan, bringing the funded level to above 80%. This quarter we spent $160 million on capital expenditures. As Brent mentioned, we have won significantly more fiber to the cell business than we expected. In fact, we are likely going to more than double our expected fiber to the cell projects this year. In addition, we've experienced very nice growth in our data center operation and have accelerated expansion plans in several key markets. We are also investing in our Internet speeds and capacity to drive future growth.

Given the attractive returns and long term recurring revenues associated with these initiatives, we are eager to make these investments. As a result of the growth in these success-based capital projects, we are increasing our CapEx guidance for the year by $50 million to a range of $570 million to $630 million. At the same time, we are lowering our cash tax guidance by roughly $55 million to $1 million for 2011. The reduction in cash taxes is a result of the early debt extinguishment fees and higher CapEx spend, which will benefit from 100% bonus depreciation. Lastly, because of our refinancing activities, and the timing of interest payments, we are raising our cash interest slightly to $569 million for the year, which excludes the loss on debt extinguishment.

Collectively, we now expect adjusted free cash flow to be $845 million to $965 million, resulting in a dividend payout ratio of 53% to 60%, a slight increase from our previous view of 52% to 59%. The success-based capital that we are making today combined with our refinancing activity will improve our revenue and cash flow in 2012 and beyond. In fact, going forward, even with an expected increase in cash taxes, we have positioned the business to grow free cash flow to revenue adjusted OIBDA growth more than $90 million of cash interest savings and after 2012, lower levels of CapEx intensity.

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

QUESTION AND ANSWER SECTION

Operator: Thank you, sir. [Operator Instructions] Our first question comes from David Barden from Bank of America.

<Q – David Barden – Bank of America Merrill Lynch>: Hey, guys. Thanks for taking the question. A couple, I guess, if I could. You know, it's been a while since we heard companies get so excited about spending money, especially companies that have really attracted an investor base that's concentrated on the dividend yield and values that income stream pretty highly. When you guys have done M&A transactions in the past, you've always kind of attached a synergy number to it, and we've been able to kind of get our arms around the rationale for what you've done in terms of these deals. But as the CapEx kind of ratchets up and you talk about the long term and maybe the CapEx will come down some day, there doesn't seem to be lot of quantification around what am I getting as an investor who likes dividends today for all this money that you're spending now because it looks like that money could become to mean in the form of a dividend instead, and I might like that better. Can you help walk me through why I should be as excited as you guys are about the CapEx going up?

And if I could just – the second question was – I think you talked about $90 million of interest savings in '12 coming from refinancing the debt, but how much more taxes are you going to pay in '12 versus '11 when the bonus depreciation steps back down? Thanks.

<A – Jeffery Gardner – President & Chief Executive Officer>: Great. I think that's a great question, David. And really, why I think investors should be excited is we've got some real investment opportunities, much of it centered around fiber to the cell site. That's going to be a phenomenon that will take place between 2011 and 2012 – so when investors get a slightly higher capital intensity, but long-term contracts with good returns that over the long run make them feel better about the cash flow, improve our ability to generate cash flow over the long term, and better position us for the dividend. We said in our remarks that we really have a capital structure that allows us to make these success-based capital investments. And in fact, the reason we did the KDL deal, the Hosted Solutions deal, was that we saw these success-based opportunities. We thought we are there – we had a good chance to be aggressive there and we won as Tony and Brent both mentioned. We've been very successful on the fiber-to-the-tower initiative. So, in our view, investors should be thrilled that we have this chance to further improve.

You're already looking at a company that's showing improving revenue trends sequentially. That's the plan for the balance of the year, and these will only accelerate that. And as far as capital intensity, we didn't kind of – we didn't mean to leave it unclear. What I think Tony said very specifically is that 2012 will be another year where there's a lot of fiber-to-the-tower business to be won. We want to win as much of that as we can, because we believe that offers great returns to our investors. After that, our capital intensity returns to the levels that our investors are used to. So, from my perspective, the reason we're so excited about it is because it makes Windstream a stronger company in the long run with better growth characteristics. Today, you're looking at a company that has one of the highest dividend yields on the S&P 500, but we are also driving some of the best year-over-year revenue comparisons in the industry. And, I think that should give investors comfort not concern.

<A – Anthony Thomas – Chief Financial Officer>: And, David, this is Tony. In regards to cash taxes, you're right that cash taxes will be going up in 2012, compared to 2011 principally due to the 100% bonus depreciation we have this year, which is also another reason that we're looking to place capital and spend capital in 2011. But, there are a lot of moving parts when it actually comes to cash taxes. And historically, when we've had 50% bonus appreciation, which is what we'll have in 2012, we've had a cash tax rate in the mid-20% range. But, there's a lot of moving parts in that analysis. But as I kind of wrapped it up, cash interest is going down. We're trying to grow and will grow our OIBDA and revenue in the future. All those things should give investors confidence in our payout ratio and have the dividend over a long period of time.

<Q – David Barden – Bank of America Merrill Lynch>: All right. Thanks, Tony. Thanks for that color, Jeff, too.

<A – Jeffery Gardner – President & Chief Executive Officer>: You're welcome, David.

Operator: Thank you. Our next question comes from Scott Goldman from Goldman Sachs.

<Q – Scott Goldman – Goldman Sachs & Co.>: Hey. Good afternoon, everybody. Also a couple of questions if I could. One, I guess, just staying on sort of the CapEx seam that we were just talking about. It looks as though you're obviously able to take advantage of some lower cash taxes this year and able to put that money towards increased capital spending. Is that a fair way to look at it that you may not have spent that money without the cash tax benefits that you're seeing as a result? And as you look at that, I mean, you guys have no shortage of projects out there, so fiber to the cell, broadband coverage, broadband speed, data center, just wondering how you prioritize those. As you look at the returns, where do you see the greatest return potential amongst those opportunities? And then, I have a follow-up after that.

<A – Anthony Thomas – Chief Financial Officer>: Yeah, Scott. This is Tony. In regards to the increase in CapEx, I would describe it probably as fortuitous that we're able to offset the CapEx with the $50 million increase in our CapEx guidance with cash taxes, because we looked at the fiber-to-tower business, as Jeff mentioned. And we're very comfortable with the returns that we're achieving in that investment. And when we looked at our original guidance in 2011, we contemplated a little less than $60 million of fiber-to-the-tower investment. And, our new guidance now contemplates over $100 million of fiber-to-the-tower business. We're going to be very aggressive in that business as long as we can get the returns that we've been able to achieve the past six months.

<A – Brent Whittington – Chief Operating Officer>: Well, in terms of priorities, I mean, – this is Brent, Scott. If you think about the fiber-to-the-tower business, we kind of talked about that that really that demand and that rush to win that business is right now and next year. As a result, that's a huge priority for us this year. But certainly, the initiatives we've got to roll out higher speeds across our footprint and we've got a tremendous broadband penetration. As you saw in our results in the quarter, great momentum still in the marketplace growing our broadband customer base. And so having a very competitive offering that's priced reasonably in the marketplace to keep that momentum strong, that's also really our number one priority in our consumer channel. So, a lot going on, but we think we've got the right balance and are committing the right capital to those important investments.

<Q – Scott Goldman – Goldman Sachs & Co.>: I guess just – if I could just follow up to that. I mean, so you raise CapEx guidance by $50 million, but at the same time, revenue guidance and EBITDA guidance are unchanged. I realize there's obviously time – a lag from when the time the money is spent to when you may start seeing revenue, but I mean, does this imply that it's mostly back half or late in the year loaded on that front?

<A – Brent Whittington – Chief Operating Officer>: Exactly, Scott. And those construction projects are generally 9 to 12 months, so those are long-term builds to win that business. And in some – not all that money is – that we talked about in terms of committed capital is business we've won yet. We still expect some of that success to continue, so that's setting us up nicely for future years.

<Q – Scott Goldman – Goldman Sachs & Co.>: Hey, great. Thanks, guys. I appreciate it.

Operator: Thank you. Our next question comes from Chris King from Stifel Nicolaus.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Hi. Good afternoon, guys. I think we got most of the CapEx questions covered that I had. But, just wanted to follow up on your comment about kind of improving metrics throughout the year, and obviously, your EBITDA guidance is guiding to a slightly higher margin than you guys reported in the first quarter. Just was wondering if that would be a gradual kind of ramp throughout the year or do you see a step function in EBITDA margins in the second half of year?

And then secondly, just wanted to ask whether you guys had any significant damage that we should we thinking about with respect to the storms that tore through the South a couple of weeks ago?

<A – Jeffery Gardner – President & Chief Executive Officer>: I'll take that second part of your question first and I'll ask Tony to talk about your first question. related to the storm, we did – our markets were hit pretty significantly, but fortunately not a lot of significant damage to our network. We had some customers that were out, mostly related to power outages. There was some awful devastation in our markets, but remarkably we came out of it pretty good. So, I don't see that being a significant drag on the financials going forward.

<A – Anthony Thomas – Chief Financial Officer>: And, Chris, this is Tony. Let me begin the conversation around our expectations really in terms of the ramp in the back half. I'll start on the expenses, and then I'll hand off to Brent to talk about the revenues. On the expense side, as we mentioned on our call in February, we are expecting that the synergies continue to ramp throughout the year. And as a reminder with the KDL acquisition, more of our synergies are network synergies meaning we're actually turning down leased circuits and putting them on the KDL network. And that process is ongoing throughout the remainder of 2011, and that'll happen pretty much radically, but there's also some billing system conversion work that takes place in the back half of the year that we also benefit from.

<A – Brent Whittington – Chief Operating Officer>: Yeah, and kind of building off my comments earlier on the revenue, you really – as you kind of look through the rest of the year, we had as we stated great success in business sales. And as we get those things installed, we expect continued improvement in our data and integrated solutions line, coupled with, as we start turning up more of these towers that we're winning in the back part of the year, you'll see improvements in special access as well. It's a combination of those things along with what I'm really excited about: continued improvement in the distribution we've got in our business channel. That's also going to drive improving results. That's why we talk about for us, what it's all about was just continuing to improve our revenue trajectory in that important channel for us, and we're hoping to do that each and every quarter.

<A – Jeffery Gardner – President & Chief Executive Officer>: So, Chris, taking all of that, we were right on our internal plans for the first quarter and with what the guys talked about on the revenue and expense trends. We expect each quarter to get a little bit better and with the fourth quarter being our strongest quarter of the year. And that's the way we saw it developing from the beginning, and it still looks that way to us.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Thanks. I appreciate that color.

<A – Jeffery Gardner – President & Chief Executive Officer>: You're welcome.

Operator: Thank you. And our next question comes from Batya Levi from UBS.

<Q – Batya Levi – UBS Securities LLC>: I do have a follow-up question on the revenue guidance. I understand the timing difference between the CapEx spend and revenue pull, but given the starting point of just 1.8% decline in the first quarter and strong commentary for the sales funnel, I'd like to hear why you would still want to keep the low end of your guidance range in there for a 3% decline. Did you think that we will see some lumpiness in the revenues or – why isn't this an opportunity to tighten that range? And also, second question on – if you could maybe give a sense on what you're seeing from cable competition in the SME sector? Thanks.

<A – Anthony Thomas – Chief Financial Officer>: Hi, Batya. This is Tony. I'll take the first question, and then Brent can give us an update on the competitive environment. And just to kind of amplify Brent's remarks, these projects that we're doing in terms of fiber-to-the-tower take 9 to 12 months. So, I mean, there is a substantial amount of work you have to do in terms of getting the right-of-way, make ready for pole attachments, and the reality is it just takes time for those investments to ultimately enter billing.

Now, importantly, we've had experience delivering. That's why these wireless partners are choosing Windstream is we've been able to deliver for them consistently last year and this year and that's why we've doubled the number of sales we expect. But the reality is most of that revenue benefit will manifest itself in 2012 from the incremental $50 million of CapEx that's really going to the fiber-to-tower business in our revised guidance.

<A – Brent Whittington – Chief Operating Officer>: And on your other point, Batya, on SMB in the cable space, they've been an aggressive competitor and continue to be so. We saw that last year. We started this year trying to react to that by having what I'd call more feet on the street targeting small businesses. We had a lot of success last year in our business sales channel, but much of that moved upmarket to larger ARPU customers, and frankly, we weren't as focused on those smaller customers as we needed to be.

And, we've made some incremental investments in people to improve our distribution there and really better target that segment and off to a good start on that. In the first quarter, I shared the business access lines in the quarter. And so, we're pleased with that, and that's generally what you'll see there, as well as the voice revenues, so really excited about that, but definitely still a competitive space for us.

<A – Jeffery Gardner – President & Chief Executive Officer>: And definitely, just to be clear on the – of course, with the CapEx guidance, and the duration of these jobs, I just want to be clear. We do expect better revenue comparisons. It is going to be in 2012, because we're concerned just like all of you would be is that just maintenance capital that's increasing, but definitely there's revenue with this. We like the returns and we'll see it in 2012.

<Q – Batya Levi – UBS Securities LLC>: Just one follow-up on that. You are starting with 1.8% of revenue decline, and you expect that to improve sequentially throughout 2011, correct?

<A – Jeffery Gardner – President & Chief Executive Officer>: Yes. I guess we just didn't get that granular on updating our revenue guidance, but we do expect it to improve from there, absolutely.

<Q – Batya Levi – UBS Securities LLC>: Okay. Thanks.

<A – Jeffery Gardner – President & Chief Executive Officer>: You're welcome.

Operator: Thank you. Our next question comes from Frank Louthan from Raymond James.

<Q>: Hi, guys. This is Alex calling in for Frank. I've got two questions for you. The first is I'm looking if you can provide any color on the trends for the NuVox properties? And then second, wondering what your net exposure is to the access and USF revenue? So you provided the revenue. You said it was flat, but I'm looking less the access cost. I think you usually provided that number. Thank you.

<A – Brent Whittington – Chief Operating Officer>: On the trends on the NuVox properties, without getting into a lot of details, what I can tell you there, Alex, we've seen consistent improvement in sales productivity out of that team, very pleased with that sales organization who remains a big part of our leadership here at Windstream. And overall, the revenues this year versus last are much better. So, we're happy with what's going on within the NuVox organization. That's been a great thing for us culturally across our business channel entirely.

<A – Anthony Thomas – Chief Financial Officer>: In regards to the access and USF trends, really no change. Those were down roughly 12% year-over-year. And we continue to see pressure on our switched access revenues from lower megs of use.

<A – Brent Whittington – Chief Operating Officer>: In 2010, our terminating intrastate switched access, which is the most at-risk revenue item, was $124 million. And, we're expecting that to decline at a rate of roughly 15%. And as we've been talking about reform at the FCC, you know that we're really talking about a phase down of those rates to a lower rate over a period of time. So, it's also – it's a transition, Alex, as you know, that we've managed now for the last five years, and we're confident that we can manage it into the future.

<Q>: All right. Thank you.

<A – Anthony Thomas – Chief Financial Officer>: You're welcome.

Operator: Thank you. Our next question comes from Daniel Gaviria from Morgan Stanley.

<Q – Daniel Gaviria – Morgan Stanley & Co., Inc.>: Hi. How are you? Thanks for taking the question. I just wanted to see if you can give us a little bit more color on the campaign targeting cable switchers. Did that extend into 2Q? Is it over? And then, just a broader idea of how the housing market is trending or is performing in your footprint? Thank you very much.

<A – Brent Whittington – Chief Operating Officer>: On the housing market, tough to say. We hadn't seen any major changes in fourth quarter, I would tell you. So, it still seems like things have steadied out, but no major change there.

In terms of the campaign, it was an exciting campaign. It did wonders for us. We did mix it up in the second quarter, and have changed that, but the message of the campaign was effectively quitters do win, which is pretty cool. And for the number of services that you quit from cable, we'll give you a discount off your bill and a number of months free basically. And that really resonated in the marketplace for us. And when we saw that in all of our sales channels, very excited about that. But in the effort just to keep things fresh, we made some changes in Q2 that we're equally as excited about.

<Q – Daniel Gaviria – Morgan Stanley & Co., Inc.>: Okay. Thank you.

Operator: Thank you. Our next question comes from Barry McCarver from Stephens.

<Q – Barry McCarver – Stephens, Inc.>: Hey. Good afternoon, guys. Just a couple of quick questions. First, I guess on – back on the revenue a little bit, can you talk about – you mentioned broadband stimulus grants kind of got underway, and they're building there. Can you talk specifically about some of the pieces that got under way and kind of what the timeframe to revenue on those are?

And then secondly, we saw that in April, Hosted Solutions opened up a third data center. I'd love to hear a little bit more about sort of your thoughts on the revenue growth prospects in that business. How much of those sales are cross sales to some of your existing customers? And if not, what are the new customers coming in looking like? Thanks.

<A – Brent Whittington – Chief Operating Officer>: Barry, this is Brent. On the broadband stimulus, we're very early in that. Much of what we're doing right now is working with the government to get approval for the contractors as we ready to put basically shovel in the ground. So, that's kind of where that stands. Not a lot of spend on that in the quarter, but we're ramping up on that. Our goal is to drop some revenue in 2011, but frankly, much of that is pushing into next year at this point, but still feel excited about where that's headed. It's just taking a little longer, which isn't that surprising.

In terms of Hosted Solutions, you know, really I talked a little bit of about this last time, but what we're trying to do is leverage not only their existing data centers and max them out from a capacity – from a sales standpoint, make modest improvements in terms of their footprint of data centers on an annual basis. And we're doing that.

We talked about that in terms of Little Rock, expansion of Charlotte as well, both of which we believe have good exciting growth prospects associated with that, coupled with, what I would say, continuing to monetize real estate across the Windstream footprint in terms of colocation revenues. The combination of all those things, we believe, are going to allow us to see revenue growth rates in the 20% range. You know, frankly, we think we're achieving that by the fourth quarter. It's still a smaller part of our overall revenue picture. But in terms of balancing what it takes to get top line stability back to where we want it, a big key part.

<Q – Barry McCarver – Stephens, Inc.>: And just in terms of the customer breakout for those Hosted Solution data centers, is that – a lot of that coming or potential cross sales from your existing enterprise base, or is it completely new customers?

<A – Brent Whittington – Chief Operating Officer>: I would tell you that we've only touched the surface on the prospecting cross-selling across the Windstream footprint. You know, that's momentum I expect to really pick up as our broader sales force becomes more comfortable and knowledgeable about that product set, and we've got better infrastructure to really support that. It's starting at the local level in the markets where we've got sales teams, where they have a data center asset. But our goal as part of that integration really in the second quarter is to take that to another level.

<Q – Barry McCarver – Stephens, Inc.>: And do you have any idea of what kind of – just in square footage what kind of capacity you would expect to open up maybe in the next couple of years, and then what the utilization would be?

<A – Brent Whittington – Chief Operating Officer>: You know, so that's getting pretty specific, but if we're doing one to two to three data centers a year, I mean, on average, that's 10,000 to 30,000 square feet that we're opening up as incremental space to monetize, coupled with, of course, continuing to sell though this max capacity in existing asset. So, it's a combination of both of those that we are counting on to drive revenue growth.

<Q – Barry McCarver – Stephens, Inc.>: Okay. That's real good. Thanks a lot, guys.

<A – Brent Whittington – Chief Operating Officer>: You're welcome.

Operator: Thank you. Our next question comes from Shing Yin from Citadel Securities.

<Q – Shing Yin – Citadel Securities>: Hi. Thanks for taking the question. So, you talked about your excitement over some of these fiber-to-the-cell-site opportunities and given the rate of mobile broadband growth, I think we can all understand why that might be an interesting opportunity right now. I wonder if you could help us understand what the economics of that business look like. So, for example, if you're – for an extra $50 million in CapEx, how do we think about what's the long-term revenue opportunity that that CapEx could yield? And then also, what do the margins of this business look like?

<A – Anthony Thomas – Chief Financial Officer>: This is Tony. I'll take that. On the fiber-to-the-tower kind of beginning with the margins, the margins are very high on the business. They're 90%-plus margins. The fiber-to-the-tower business is all about the deployment of the initial capital. And without getting too specific on the returns, they're well in excess of our cost of capital. And that's simply for that business. What we try to do is simply optimize that fiber deployment.

Like I said, we don't deploy fiber in a straight line. We move it around the network to ensure that we get the maximum number of businesses, and the number of broadband network elements fiber-connected. So, none of those elements are even contemplated in our fiber-to-the-tower pricing, but it's something we work aggressively to accomplish as we deploy fiber throughout our network.

And we expect that long term that we'll see that type of substantial revenue growth, much of which, as you indicate, will be dictated by smartphone adoption as users continue to push bandwidth across cell towers, and they drop from the cell tower on to a wired fiber network.

<Q – Shing Yin – Citadel Securities>: So is the revenue opportunity kind of dependent on usage, so the more traffic there is riding over the fiber link, the more revenue you will get?

<A – Anthony Thomas – Chief Financial Officer>: That's correct.

<Q – Shing Yin – Citadel Securities>: I see. And then can you just clarify, you characterize these investments as success-based. Does that imply that even though it takes you 9 to 10 months to actually roll it out, you actually have a contract in place even before you break ground and start spending on the CapEx?

<A – Anthony Thomas – Chief Financial Officer>: Yes. We do have a contract before we start spending money. So, we sign a contract, and then immediately begin to work on the deployment of the fiber-to-the-tower technology. It just takes just an extended timeframe, 9 to 12 months outside of our normal ILEC footprint.

<Q – Shing Yin – Citadel Securities>: Got it. Thank you.

<A – Jeffery Gardner – President & Chief Executive Officer>: Sayeed, we have time for one more question.

Operator: Thank you, sir. Our final question for today comes from Michael Rollins from Citi Investment.

<Q – Michael Rollins – Citigroup Global Markets (United States)>: Hi, good afternoon. Thanks for taking the questions. I don't mean to go over some of the same ground that you guys have covered in the Q&A, but I think the question that investors really want to understand is if you just take – I know you don't want to be specific maybe for fiber to the cell projects or statistically for a data center, but if you could take a look at some of this growth CapEx that you're putting to work in the business, is there a way that you could just describe, you know, 12 months from now what that revenue might look like as a percent of a dollar of CapEx spent? And maybe 24 months, what that revenue might look like. So, as you throttle back and forth where the capital falls in the business, investors can get a better sense of maybe how to model the revenue change forward and back, depending on your inclination to invest. Thanks.

<A – Anthony Thomas – Chief Financial Officer>: Hey, Michael, this is Tony. I will take a shot at that question. I will tell you that how you ended it is very relevant. I want to make sure we begin there, which is that this CapEx is – around fiber-to-the-tower is a LAN graph, and we've made this point repeatedly, but it's worth reminding investors. It's two, three years, and it's over. So, we'll invest more CapEx in fiber-to-the-tower in 2012, and then it'll start to significantly ramp down in 2013 and probably be entirely extinguished by 2014. And as we think about it, you're looking at a revenue stream. You've seen it in our special access results. You saw it again this quarter – mid-single-digit growth. And we're going to continue to invest in our business in an effort to continue to see growth hopefully in excess of that. And that's where we're putting our money to work.

<A – Jeffery Gardner – President & Chief Executive Officer>: Right. And so, as you look, Michael – the other part of your question, I mean, it's a little bit awkward because we're talking about 2011 investments that are going to pay off in 2012. And we haven't guided on 2012. But I think what you can expect, the way I think about it is: one, we are absolutely convinced that we're going to earn rates of return ahead of our cost of capital with these investments. And, we're also confident that versus our base case, we're going to improve our revenue trends in 2012 and beyond. And as Tony said, beyond 2012, we expect the capital intensity rates to continue more at historic levels. And so, that's the way I would think about it as an investor.

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

Jeffery R. Gardner, President & Chief Executive Officer

You're welcome. So, thank you all for joining us today. We appreciate the continued interest. I'm very pleased that at Windstream we continue to perform at a very high level in our core business. We've spent a lot of time on this call talking about success-based opportunities, I think, to validate some of our recent acquisitions and also, validate our strategy of focusing more on broadband and business. We're so pleased with the substantial restructuring of our debt. We talked about the resulting approximately $90 million in savings on an annual basis. And the capital structure that we have in this company is really allowing us to invest in these major opportunities: fiber-to-the-tower and data centers. We're going to manage our leverage down this year as well and we – at the end of the day, we improved the long run financial performance of this company in terms of top line and bottom line. And so, thank you all for taking the time to visit with us today and we'll be out talking to you soon.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes our program for today. You may all disconnect. Have a wonderful day.