MANAGEMENT DISCUSSION SECTION

Operator: Good morning, my name is Amanda , and I will be your conference operator today. At this time I would like to welcome everyone to the Fourth Quarter Earnings Conference Call. [Operator Instructions] After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you. Mr. Clancy, you may begin the conference.

Rob Clancy, Senior Vice President & Treasurer

Thank you, Amanda, and good morning, everyone. We appreciate you joining us this morning. Today's conference call was preceded by our fourth 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 and other outlooks on our business. Please review the Safe Harbor language found in our press release and in our SEC filings which describe factors that could cause our actual results to differ materially from those projected by us in our forward-looking statements. Today's discussion will also include certain non-GAAP financial measures. Again we refer you to the IR section of our website where we have posted our earnings release and supplemental materials which contain information and reconciliations for any non-GAAP financial measure.

To improve the year-over-year comparability, we have added adjusted OIBDA to our disclosures which excludes the effects of non-cash pension expense, non-cash compensation expense, restructuring and merger and integration charges.

During the fourth quarter, Windstream completed the acquisitions of D&E and Lexcom. To assist investors, we have revised our pro forma results from current businesses to include the results of both companies for all periods shown. These results also include CT Communications and exclude our former supply, publishing and wireless business for all periods.

We will make references to these pro forma results from current businesses, including the year-over-year comparisons during our call. Also, since we closed the NuVox transaction on February 8, we have provided an updated quarterly schedule with the NuVox results, including their fourth quarter results, and plan to revise our pro forma results to include NuVox when we report our first quarter 2010 results later this year.

Finally, as part of the integration of D&E and Lexcom, we updated and conformed our methodology for counting and reporting certain key customer metrics, including access lines and digital television customers. This process resulted in fewer D&E access lines, given that D&E previously reported certain lines on a voice grade equivalent basis. Also, we reclassified Windstream's cable customers to digital television customers, which were previously included as access lines. We have updated our pro forma historical results to reflect these changes.

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, President & Chief Executive Officer

Thank you, Rob, and good morning, everyone. This morning I will make a few comments about our performance and provide an update on our strategic initiatives. Brent will then discuss our operating results, and Tony will review our financial performance as well as our guidance for 2010.

First, I am very pleased with all we accomplished in 2009. We significantly improved the company's strategic and competitive positions through targeted acquisitions that will help us sustain revenue and cash flow over time. We improved key operating metrics, increased margins, achieved our OIBDA guidance and exceeded our free cash flow expectations despite a very tough economy.

Additionally, we reduced our credit market risk by raising capital needed to fund our announced acquisitions, and extending the vast majority of our bank debt maturities. Finally, we improved our dividend payout ratio to enhance the sustainability of our dividend, which is very important to overall shareholder returns.

Strategically, during 2009, we announced four acquisitions for $2.2 billion, which will result in a combined company with expected revenues of nearly $4 billion and OIBDA of roughly $2 billion. Specifically, we completed the acquisitions of D&E Communications and Lexcom during the fourth quarter. We announced the NuVox transaction in early November, and I am pleased to say that we closed that deal early last week.

NuVox is a very well-run company and a great strategic fit for us given their emphasis on the business segment, attractive markets and geographic proximity with our existing business.

Also during the fourth quarter, we announced the acquisition of Iowa Telecom, which will add complimentary rural markets to Windstream's existing footprint. We expect to realize roughly $35 million in annual operating and capital expense savings, and expect this transaction to close in the middle of 2010.

Importantly, we opportunistically raised $1.1 billion in the fourth quarter to complete all of our external financing needs. We will also plan to borrow against our revolver to complete the overall funding needs for the Iowa transaction.

All of these transactions highlight our strategy to invest in well-run businesses that do not change the risk profile of Windstream. And we expect all to be free cash flow accretive in year one.

Collectively, these deals significantly improve our overall financial position through enhanced scale, improvements in our dividend payout ratio, and a higher percentage of broadband and business revenues. On a pro forma basis, with Iowa, Windstream will operate in 23 states and over 50% of our revenue will come from broadband and business.

Operationally, our continued focus on execution is producing industry-leading results in many key metrics. We continue to deliver very nice broadband growth even with our already high penetration rates, and we have seen two consecutive quarters of improving year-over-year access line loss percentages.

Financially, we met our OIBDA goals and exceeded our free cash flow estimates despite incremental revenue pressure resulting from a challenging economic environment. During 2009, Windstream generated $823 million in free cash flow, an increase of almost $60 million year-over-year, largely due to expense management initiatives and lower cash taxes. Our dividend payout ratio was 53% for the year, which is the lowest we have experienced since we formed the company in 2006.

Turning to our share repurchase plan, in total, Windstream repurchased 29 million shares for $322 million, yielding annual dividend savings of $29 million, and lowering the dividend payout ratio. With dividends and share repurchases, Windstream returned almost $560 million, or 68% of our free cash flow to our shareholders in 2009.

Our $400 million share repurchase plan that was approved by our board in early 2008 expired at the end of 2009, and given the funding needs for the Iowa transaction later this year, we have no plans to extend or initiate another share repurchase plan at this time.

Turning to the regulatory front, the FCC has scheduled to release its national broadband plan in March, and it is our expectation that this plan will act as the starting point for a number of new rule making proceedings, most likely including both universal service and inter-carrier compensation.

In fact, in early December, we filed a comprehensive plan with other midsized price cap companies that would result in a reasonable reform of both universal service and inter-carrier compensation while increasing the availability of high-speed Internet access in unserved rural communities.

It is our belief that our network offers the most reliable and best alternative for expanding high-speed Internet access to unserved rural communities given the significant investments we have made over time.

In January, the rules for the second round of the broadband stimulus plan were released. At this time, we continue to evaluate whether to participate in this program, and will make a final decision by the filing deadline in mid-March.

Looking forward, I am confident in our business and in the sustainability of our cash flows given the acquisitions and related synergy benefits, the shift in our revenue mix and the improvement in our residential operating metrics. As our revenue mix has shifted more towards business and broadband, we expect to see revenue trends improve going forward.

With the acquisitions announced during 2009, we expect to realize over $90 million in annualized synergies, which will help improve our dividend payout ratio. Operationally, our sales and marketing initiatives are resonating well and resulting in improving and industry-leading operating trends. We have realigned the organization to allocate more resources to the business channel, and we believe we are well positioned to capitalize on new opportunities as the economy improves.

In summary, I'd like to thank the Windstream team for all that they have accomplished in 2009. Our team has remained very focused on the core operations, generating solid overall performance even with the additional strategic initiatives.

Now let me turn the call over to Brent to discuss our operation results.

Brent Whittington, Chief Operating Officer

Thanks, Jeff, and good morning, everyone. On a pro forma basis, we added over 27,000 new broadband customers this quarter, bringing our total customer base to 1,132,000, an increase of 10% year-over-year. Our overall broadband penetration is now at 37% of total access lines, and residential broadband penetration is approximately 55% of primary residential lines.

During the quarter, we continued our price for life initiative, which bundled high-speed Internet, unlimited local and long distance voice and other features for a fixed price for the customer life. This pricing program, coupled with our overall service level improvements, are having a positive effect on both our broadband and access line trends.

In addition, we're focusing on selling add-on Internet services including security suite, identity protection and data backup to improve customer ARPU and increase the value of our broadband services to our customers. This quarter we added approximately 10,000 digital TV customers, bringing our total customer base to approximately 369,000 or 20% penetration of our primary residential customers. We continue to believe that video is a very important component of our bundle strategy, helping us to reduce churn.

Access lines declined by approximately 35,000 during the quarter, resulting in a decline in total access lines of 4.8% year-over-year. This year-over-year loss rate improved 40 basis points sequentially, and was the lowest percentage loss we have experienced in five quarters.

More specifically, residential access lines declined 4.6% year-over-year, an improvement of 85 basis points sequentially and a result of our price for life program, improved service levels, expanding distribution channels and a stable competitive environment.

Business lines declined 5.3% year-over-year, which is up 40 basis points sequentially driven by fewer growth additions, due again to the macroeconomic environment as well as the continued migration of customers to higher capacity circuits. In total, non-pay disconnects also declined year-over-year.

Within our business channel, we are continuing to see year-over-year declines in voice, long distance and product revenues as customers are managing expenses more aggressively and delaying purchasing decisions. However, growth in broadband, data, and special access is helping to mitigate this pressure.

As Jeff mentioned, we have reorganized our teams to increase our focus on the business channel and improve sales and service delivery. Specifically, we created a dedicated business marketing team to help support the sales channel to capitalize on the growth opportunities in our markets.

In addition, with the NuVox transaction, we've hired Jack Norris, the former COO at NuVox, to oversee our business service delivery and CLEC operations with responsibility for the business customer experience after the sale. Jack was a key part at NuVox's success over the past few years, orchestrating their service delivery to business customers, and we look forward to maintaining that continuity and leveraging best practices across our entire organization.

Additionally, we continue to invest in our network to provide next-generation data services and expand IP availability, as well as to expand our fiber network to increase special access opportunities. These investments, as well as the newly structured organization, will position us well competitively as the economy recovers and businesses begin to expand.

From an integration perspective, we have completed both a corporate and billing system conversion for D&E, and expect to achieve the full $25 million in operating and capital savings targeted in 2010. A great job by the entire team, especially when you consider this transaction just closed in early November.

With Lexcom, we have converted the corporate systems and plan to convert to our billing system in late 2010. For NuVox, which closed early last week, we have plans underway to convert corporate systems in the next few months. Given NuVox's robust and scalable billing platform, we plan to maintain their systems for our entire CLEC operations, and will migrate the legacy Windstream CLEC market before the end of the year.

And finally, regarding Iowa, we anticipate integrating corporate systems upon close and are targeting the fourth quarter for the billing system conversion. We have dedicated teams in place focusing on detailed integration plans, and with our experience and track record, I'm confident that we can successfully integrate these businesses according to our expectations.

Now, let me turn the call over to Tony to discuss our financial results.

Tony Thomas, Chief Financial Officer

Thank you, Brent, and good morning, everyone. For the fourth quarter, on a GAAP basis, Windstream achieved consolidated revenue of 754 million, operating income of 235 million, and $0.17 of diluted earnings per share. Our GAAP results include the following items which lowered EPS by roughly $0.08 and affect the year-over-year comparisons; 15 million in after-tax, non-cash pension expense; 12 million in after-tax merger and integration costs; five million in after-tax non-cash amortization expense of our franchise rights; and one million in after-tax restructuring charges.

As Rob mentioned, we have provided pro forma results in our supplemental financial schedules to improve the year-over-year comparability, which include D&E and Lexcom for the entire quarter as well as prior periods. However, we recognize that some analysts may have modeled our fourth quarter results to include the D&E and Lexcom contributions from their closing dates of November 10 and December 1, respectively, to the end of the quarter. On that basis, Windstream generated OIBDA of 395 million, excluding the restructuring and merger integration expenses I just mentioned.

Turning to our pro forma results, Windstream achieved revenues of 778 million, a decrease of 4% year-over-year. Specifically, voice revenues declined by 29 million year-over-year or 9%, driven by fewer access lines. Long distance revenue declined by one 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 5% due to continued growth in high-speed Internet customers, next generation data products and increased demand for special access services.

Switched access and USF revenues declined five million year-over-year or 3%, driven by a number of factors. Within switched access, revenues declined by five million year-over-year related to fewer access lines and decreased usage. Within USF, revenues were flat year-over-year, a result of lower state USF receipts, which were offset by a benefit from cost study true ups.

Miscellaneous revenues declined by three million year-over-year, of which roughly one million was related to the termination of network management services we provided to Alltel with the remainder resulting from lower fees and service charges. Total product sales were down four million year-over-year, driven by fewer business sales.

Sequentially, revenue increased by six million, largely due to the favorable cost study true ups I just mentioned, and to continued growth in data and special access which offset lower voice revenues.

Let me turn to expenses, which exclude depreciation and amortization. This quarter expenses were lower by 12 million year-over-year even with the incremental 24 million of non-cash pension expense and two million of restructuring expense related to the reduction in force we announced during the third quarter. Excluding the non-cash pension and restructuring costs, expenses declined 31 million or 8%, year-over-year, the result of aggressive cost management and the various initiatives we implemented throughout the year.

Cost of services was flat year-over-year, even with the incremental 19 million of non-cash pension expense, due largely to fewer headcounts, lower overtime costs and lower contract labor expenses.

Cost of products sold improved by eight million year-over-year due to fewer business product sales during the quarter. Within SG&A, expenses only increased by one million or 1% year-over-year with five million of incremental non-cash pension expense and increases in sales and marketing being largely offset by fewer head count and overall cost management.

Sequentially, total expenses decreased by approximately 17 million, largely due to lower head count and the $6 million of incremental restructuring charges we incurred in the third quarter. We also experienced seasonal decreases in contract labor and overtime. SG&A declined by two million due to lower direct marketing spend.

For the quarter, OIBDA was 404 million, a decrease of 4% year-over-year, largely the result of non-cash pension expense. Adjusted OIBDA, which excludes non-cash pension expense, non-cash compensation expense and restructuring expense, was 433 million, which was flat year-over-year and quite an accomplishment. Our adjusted OIBDA margin improved 200 basis points year-over-year to 56%. Operating income for the quarter was 260 million.

For the quarter, we spent 93 million in capital expenditures. From a balance sheet perspective, we ended the year with 1.1 billion in cash, which included the proceeds from the 700 million debt issuance we completed during the fourth quarter in anticipation of the cash needs to close the NuVox and Iowa transactions. We had almost 500 million of revolver capacity and our pro forma net leverage ratio was 3.1 times.

As of January 1, 2010, our pension plan assets were approximately 784 million, and based on preliminary estimates, we do not expect to make a cash contribution to our pension plan in 2010.

Let me turn to our pro forma results for the full year. We generated revenue of 3.1 billion, a decrease of 5% year-over-year. 2009 was a challenging year given the economic backdrop, but also the year-over-year comparisons. Specifically, our 2009 comparisons were affected by a number of items including the loss of revenues from Alltel, lower state USF receipts and the migration to price cap in the middle of 2008. The comparison to the prior year improved modestly by the fourth quarter as evidenced by lower revenue decline of 4% compared to our previous declines of 5% to 6%.

For the year, adjusted OIBDA totaled 1.7 billion, down 2%, which is the result of the revenue decline partially offset by very solid cost management efforts throughout our entire organization.

Finally, for the year we spent 318 million on capital expenditures. On a GAAP basis, free cash flow, defined as net cash from operations less CapEx, was 823 million, an increase of 8% year-over-year, and our dividend payout ratio was 53%.

As Rob mentioned, we have provided a schedule with the NuVox financial information. For the quarter, we are very encouraged by the fact that both revenue and adjusted OIBDA increased on a sequential basis, and we look to carry that momentum into 2010. For the full year, NuVox generated revenues of 565 million, an increase of 3% year-over-year, and adjusted OIBDA of 116 million, roughly flat year-over-year.

Last February, we provided the investment community with 2009 guidance on revenue, OIBDA, capital expenditures and free cash flow for the Windstream legacy business which included the product distribution business.

Our revenue for the year was lower than expected, even with adjusting for the sale of the external supply business due largely to the challenging economic environment which affected our business segment. However, through various expense management initiatives, we were able to offset the revenue pressures and meet the guidance range for OIBDA. Additionally, we exceeded our free cash flow estimates largely due to lower cash taxes.

For 2010, our pro forma annual guidance contemplates a full year of NuVox and does not include any contribution from Iowa Telecom given the uncertainty as to the exact closing date.

Before I give the precise guidance ranges, let me first provide some context. While we continue to expect declines in voice and switched access revenues, we belief that we will see some improvement due to higher bundle penetration and a maturing competitive environment.

Additionally, as we have increased our focus on broadband and business, we expect growth from business data products and residential broadband to mitigate some of the revenue pressure from access line declines.

Turning to expenses, we expect a decrease in non-cash pension expense from 92 million to 63 million annually, driven by improved pension returns during 2009. Overall, we expect a decline in cash expenses year-over-year related to expense management initiatives as well as the acquisition synergies.

With this in mind, on a pro forma basis to include NuVox, we expect 2010 revenue to be within a range of 3.54 billion to 3.685 billion, which is a decline of 4% to flat compared to our 2009 pro forma view including NuVox.

We expect adjusted OIBDA to be within a range of 1.77 billion to 1.845 billion, which is a decline of 3% to an increase of 1%. We expect OIBDA, which includes the non-cash pension and non-cash compensation expense, to be within the range of 1.693 billion to 1.768 billion, which is a decline of 1% to an increase of 4%.

We expect to spend 360 million to 390 million on capital expenditures. Our guidance assumes net cash interest of roughly 495 million, and cash taxes of 195 million to 225 million. Our cash taxes are roughly 90 million higher than in 2009, due primarily to the stimulus package savings in 2009, which we assume will not apply in 2010, and the acceleration of certain tax benefits in 2009.

With all of these variables, we expect to generate 690 million to 765 million in free cash flow, resulting in an expected dividend payout ratio of 59% to 65%. The higher dividend payout ratio in 2010 is due to the increased cash taxes that we expect to pay this year.

In summary, we are very pleased with our results from both the fourth quarter and full year 2009. We believe the business is well positioned as we move into 2010, and we are confident we will continue generating sustainable cash flows in the future.

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

QUESTION AND ANSWER SECTION

Operator: [Operator instructions] Your first question is from Simon Flannery with Morgan Stanley.

<Q – Simon Flannery>: Thanks, guys. Good morning. You've had a couple of weeks with the new acquisitions. I was wondering perhaps if you could just give us a sense of how things are going so far? Any positive surprises or other issues that you're aware of at this point? And then, a question for Tony on the balance sheet, clearly you've got a strong cash balance to pay for some of the acquisitions. What do you think in terms of leverage targets right now, once you're through all the deals? Are you at a leverage level where you're comfortable? Or do you want to take that down, use the surface cash flow for deleveraging at the back end of this year into 2011? Thanks.

<A – Jeff Gardner>: I mean, on the first part, the integration efforts are going very, very well. We're substantially done with D&E as Brent mentioned. We've made good progress at Lexcom in terms of converting them to our GL, and NuVox, we're just getting started there, but things are progressing very nicely. We've spent – our operating team spent a week with the NuVox team last week that went amazingly well. We're even more optimistic about the impact that business will have on our overall CLEC and ILEC business sales efforts. So we're very, very pleased.

Tony reported some very strong results for NuVox in 2009, which I think should give investors an idea what we like so much about that business. So I couldn't be happier with the progress that the ops team has made on the acquisitions, and at the same time what I'm most pleased about, Simon, is that they've remained incredibly focused on our core business during that time. And when you see numbers like 56% margins, flat OIBDA comparisons year-over-year for the fourth quarter and a 53% payout ratio, as well as 4.8% access line losses, I just couldn't be more pleased with where we're at.

<Q – Simon Flannery>: Great. And on the balance sheet?

<A – Tony Thomas>: Yes, Simon, this is Tony. On the balance sheet, we continue to have a view that the leverage profile we've maintained over the last 3.5 years is the right profile for the company. And as we evaluate acquisitions and do acquisitions ultimately, we look to maintain that leverage profile within that range. What we – what you experience though, that typically we were able to accomplish that after affecting for synergies. So there is a timing element where we will achieve the synergies a little bit later in the process which ultimately will enable us to get back to that historical leverage ratio. But overall we're in very good shape on the balance sheet, as Jeff alluded to, we will tap the revolver to fund the remaining portion of the Iowa cash proceeds and we're very pleased where we ended up 2009.

<Q – Simon Flannery>: Thank you.

Operator: Your next question is from Michael Rollins with Citi.

<Q – Michael Rollins>: Hi, good morning. Two questions, first of all, can you talk about what the tax benefits you're seeing from the stimulus, I guess from like '09 and '08 and what did that encapsulate in your expectations for 2010? And the second question is, it looked like from the pro forma numbers, I guess this would be ex NuVox, that revenue grew sequentially, pro forma 3Q to 4Q. Is that something that's seasonal in nature? Or is there some sort of turn in the pro forma operations that we should be more focused on? Thanks

<A – Jeff Gardner>: Okay. Michael, I think – Tony, would you tackle both those questions?

<A – Tony Thomas>: Yes, Michael, thanks for the question. On cash taxes, our 2009 results obviously received the benefit of the bonus depreciation, which was part of the stimulus package. Plus, we had another discreet tax initiative in 2009. The bonus depreciation is a pull forward depreciation from upcoming years, and that benefit was approximately 40 to 50 million in 2009, and that's what's really resulting in just simply a timing difference around cash taxes. Probably the important point to make as you look at our free cash flow is ultimately excluding cash taxes, we're expecting flat to growing free cash flow in 2010 as compared to 2009, with the taxes really simply being a timing difference between the years.

On revenue, Michael, obviously Brent discussed a piece of this, but as you look at our broadband data and special access results, obviously we saw very strong growth from 3Q to 4Q. And as we alluded to in the third quarter, we launched price for life late in that quarter. So we didn't receive the full benefits from those customers generating revenues until the fourth quarter. That, coupled with just a very strong broadband quarter, really enabled our broadband revenues to outperform, coupled with strength and special access. We continue to see good demand in special access.

And within another key revenue stream, switched access and USF, kind of looking forward, that is a revenue stream, Michael, that we do expect to continue to decline in line with access lines, and as I alluded to on the call, there was approximately $5 million of one-time benefit in the fourth quarter.

<Q – Michael Rollins>: Great. Thank you very much.

Operator: Your next question is from Frank Louthan with Raymond James.

<Q – Frank Louthan>: Great. Thank you. Going forward, how should we think about Windstream from a strategic standpoint? The NuVox acquisition clearly changes your profile a bit. You've been very vocal the whole time you've been a standalone company about doing acquisitions. What are your thoughts about doing more CLEC-type acquisitions? Or more ILEC? How should we think about that?

And then within the NuVox results, looking at the core versus non-core businesses, can you give us a little idea of what's in the non-core business? Should we continue to assume that that's going to be declining? Are you actively selling any of that business? And how does that fit with the kind of products that you're selling in your other CLEC operations? Thanks.

<A – Jeff Gardner>: Thanks, Frank. This is Jeff. First of all, on M&A, we continue to believe that consolidation makes sense in this industry. We obviously have a few things going on right now, and we're very focused on integrating Lexcom, NuVox, Iowa into our – into the main Windstream business today. As I mentioned earlier, D&E is complete.

And at the same time, we want to stay focused on delivering solid operational results. And as I mentioned earlier, we're very pleased with where we're at.

In terms of the future, I don't think our acquisition criteria has changed at all. We will stay focused on well-run businesses with quality networks that are well positioned. We will focus on businesses that are free cash flow accretive in the first year. We like rural properties. Remember that NuVox was in second and third tier cities, and all of our other acquisitions have been in rural properties. So I think that Windstream is really differentiating ourselves into a true rural pure-play company, which investors like, because it's very defensive and you see the kind of metrics that we're generating.

And then finally, as it relates to CLECs or ILECs, we're also trying to do a couple of things. In addition to this rural focus, we're also trying to look for opportunities to improve our broadband and business focus across the industry. So we'll continue to do that.

I think if you remember the call that we had after the NuVox deal, we talked about what a unique asset it is. We're real anxious to get that deal integrated, and then are open to transactions in the future that will help improve our focus in both those important areas that – and remember, we believe that business and broadband are really the areas in this space that are going to grow over the next five years. So that will continue to be a focus of ours.

<A – Brent Whittington>: And Frank, on your other question, on core and non-core, one of the things we loved about NuVox is how far ahead they were than most telecom companies in selling next generation data and IP-type services, and that's really what defines most of that core. They've actively been selling that to both their base and to new customers, so there is migration going on.

And so, yes, you'd expect to continue to see the non-core decline. But they're offsetting that in a big way with the new customers they're bringing in and doing the right thing. In a competitive environment, you've got to be talking to your customers about those next generation products or again, your competitors will be doing that. So you'll see that transition continue.

We do sell those type products in our markets, but again, they were much far ahead of us in terms of the percentage of sales that they were really closing in that product set. So it's something we really liked about that business and hope to again leverage across our footprint as we move into next year.

<Q – Frank Louthan>: How are you going to be reporting that going forward? Is NuVox going to be broken out so we can kind of see those trends? Because clearly the non-core business is what you want to focus on, but if you look at an aggregate line item, the non-core makes the results look a little less attractive. Are you going to be able to break that out for us for a year or so?

<A – Tony Thomas>: Frank, this is Tony. As Rob alluded to, in the first quarter, we're going to go through the process of updating our financial supplement. I think, as Brent alluded to, the non-core revenue streams at this point have gotten fairly small. But we'll clearly evaluate the overall presentation to make sure that it's clear to investors.

<Q – Frank Louthan>: Great. Thank you.

Operator: Your next question is from Chris King with Stifel Nicolaus.

<Q – Christopher King>: Good morning. Two quick questions, I guess one of them a quick housekeeping issue. Just was wondering if you guys had the current fully diluted share count that we could use going forward, after all of the moving parts have largely been completed here, I guess?

And then, secondly, just was curious about special access. Obviously you alluded to the strength there. From a regulatory standpoint, there's been a lot of rumblings, particularly from the wireless carriers about their desire to push those revenue streams down for ILECs across the board. Just wanted to get your current take on that particular issue. Thanks.

<A – Jeff Gardner>: Okay. Tony, do you want to take the share count issue?

<A – Tony Thomas>: Yeah, Chris, with NuVox, we're roughly in a range of 455 million. And obviously that'll go up once we complete the Iowa transaction.

<A – Brent Whittington>: On special access, Chris, yeah, we've seen nice growth and a lot of that's coming from demand. There is a lot of discussion about the wireless carriers pushing rates down specifically, and it's hard to tell where that's going to go, but ultimately, as we talk to carriers, the demand and the growth opportunity is still so strong, even though there's likely to be some rate pressure, the volume's going to offset that. And we still believe long-term in the growth prospects in special access.

We're committed to spending incremental dollars next year to really actively begin connecting more wireless towers with fiber. And that's an area we're aggressively chasing to drive incremental revenues and are excited about the prospects.

<A – Jeff Gardner>: And just not to get specific on that, but our special access rates around the country – I would view them as pretty darn competitive in terms of where we're at relative to rates of other carriers, et cetera.

<Q – Christopher King>: Thank you. Is that – would you say that most of your special access strength and growth is coming from wireless carriers currently?

<A – Brent Whittington>: Absolutely.

<Q – Christopher King>: Thank you.

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

Operator: Your next question is from Barry McCarver with Stephens.

<Q – Barry McCarver>: Hey, good morning, guys, and thanks for taking my question. I guess first off, on the dividend payout ratio, you talked about what it was this quarter. As we move through 2010, I know there's going to be a little noise because of the closing the acquisitions.

But could you talk about where you think that ratio may go on a quarter-to-quarter basis before we end up full year? And I know I think it was Tony or Brent that made a comment about free cash flow levels, but I'm wondering if that pair ratio may ease up a little bit when we close a few of these deals.

<A – Jeff Gardner>: Yeah, Tony, go ahead. You addressed that earlier. Why don't you just...

<A – Tony Thomas>: Yeah, Barry, this is Tony. As we mentioned on – in our prepared remarks, we – 2009, we had a – expect a dividend payout ratio of 53%. In the 2010 guidance, which at this time includes NuVox but excludes Iowa, just to be absolutely clear, we're expecting 59% to 65%, and as you alluded to, there will be some variability in that during the course of the year. But I think 2009 is a good gauge to look at in terms of how those numbers are going to shape up.

And obviously, given the uncertainty of the timing of Iowa, once we have greater certainty around that, then we'll provide some greater insight into how – what the expected payout ratio will do with the inclusion of Iowa. But we'll do that at a later point.

<A – Jeff Gardner>: And I think the important thing is if you step back and you look at what's going on with Windstream, we made tremendous progress in 2009 on transforming this business. I know our OIBDA looks pretty flat when you look on the outside, which is kind of the objective, but we have changed so much within our company and so from our ability to sustain dividends, our core business continues to get stronger and more focused on business and broadband.

So we've been – we have never been more optimistic, Barry, in terms of our ability to manage through this transformation and emerge on the other side with a very strong business focused on broadband and business revenue that's going to have very different growth characteristics in the years to come.

<Q – Barry McCarver>: Okay. And so I guess I gather then, historically, the payout has always been 65% or lower. At the end of the day, once the acquisitions are closed and integrated and become accretive, is that still going to be the case?

<A – Tony Thomas>: That's correct, Barry.

<Q – Barry McCarver>: Okay. And then the second question I had was really on margins, both gross and EBITDA. If I try to pull out the one time charges in the quarter, it looked like you had really strong margins in 4Q. I know you've talked about getting the acquisitions that you closed are already pretty long, but is this a sustainable level? And for margins, kind of where they were 4Q, without the charges, was there anything unusual in the quarter? How should we think about 2010?

<A – Tony Thomas>: Yeah, Barry, this is Tony, I'll speak to just probably the most important element, as I alluded to, in evaluating that, was just the switch to access – a one time item of 5 million.

<Q – Barry McCarver>: Yeah.

<A – Tony Thomas>: Beyond that, the business has performed very well in the fourth quarter, and really there's nothing that will frankly weaken that momentum. If there's anything, that momentum will only be accelerated once we integrate – get the full benefits of the integration of D&E as well as NuVox. And we're just very pleased with the momentum of the business.

And as Jeff alluded to, we're managing this transformation of our top line, and as you look at that very specifically, residential revenues, some refer to that as mass markets, were down roughly 2.5% year-over-year. Our business service revenues were down approximately 2%, year-over-year. And our wholesale revenue streams were down 13%, and that's where we'd experienced the pressure, but we're also de-risking the business by making that a smaller part of our overall revenue picture.

In total, Barry, we have really exited 2009 in a very good spot, and we remain very committed to maintaining industry-leading margins.

<Q – Barry McCarver>: Very good. Thanks, guys.

<A – Tony Thomas>: Thank you.

Operator: Your next question is from David Barden with Banc of America/Merrill Lynch.

<Q – David Barden>: Hey, guys. Thanks for taking the questions. Jeff, thanks for your comments on kind of your expectations for the national broadband plan. I guess I'd like to zero in on that.

First, I'm sure – obviously you've made a submission. I'd love to kind of hear what you think, after digesting everyone's submissions, you actually think is going to happen in this national broadband plans and the kind of rules that they're going to try to get passed. I guess the fear is that an initiative to push out more broadband will skew to the bells more than it does to the RLECs at the margin, and that addressing inter-carrier comp in the past has never turned out to be a good news event for the RLECs, although nothing's ever actually happened to this point in time.

So as a result of what you actually think is going to happen, could you kind of speak to, is this going to be a good news or bad news events for cash flows for a company like Windstream? Thanks.

<A – Jeff Gardner>: Well, David, I think obviously that is a very important issue, and I think that net-net, we're in a good position. We believe it's reasonably likely that the FCC will address comprehensive universal service and inter-carrier comp reform within the context of the national broadband plan that will be released later this quarter.

Importantly, we believe the FCC's broadband team has been very thorough in its analysis. We've spent a lot of time, specifically Windstream and the midsized carriers, with that team. And we believe that they reasonably understand the complex issues confronting providers. They also understand that the midsized carriers and Windstream specifically have done a very good job reaching unserved customers today.

And so we expect the reform recommendations to really strike a fair balance between the various components compared to previous reform ideas and proposals, and we believe that these recommendations will be implemented over time, probably with some additional rule making, as I mentioned earlier, but nothing to begin through 2011.

So as I look at our business and just our recent conversations with the FCC, I think that the changes are going to be ones that will be measured and they'll be implemented over time. For a carrier like Windstream that is not as focused at all on federal USF, and already doing a very good job reaching our customers with broadband, I don't think the changes will put additional pressure on our business.

<Q – David Barden>: And that includes you think the – a reduction in inter-carrier compensation? Obviously something not as radical as what maybe Chairman Martin was proposing in the past, but something closer to that would still be a negative? Do you think that – is that kind of likely? And if so, how do you offset that?

<A – Jeff Gardner>: I think it's likely that we move towards a uniform rate, and we do that over time. Tony announced today that when you look at those revenue streams, they're down double-digits year-over-year today. So we're actually going through this kind of transformation on the regulatory side. So I think that will be done over time, in a way that will allow us to continue to produce the kind of cash flow consistency that investors have come to expect.

<Q – David Barden>: And do you think the FCC values that ability to do that, to deliver those constant returns? Or do you think that they're prepared to maybe sacrifice a little bit of your stability to achieve some larger ambition?

<A – Jeff Gardner>: I think they've got to balance a lot of different things, but they definitely understand how important the midsized carriers are.

<Q – David Barden>: All right. Thanks a lot, Jeff.

<A – Jeff Gardner>: You're welcome.

Operator: Your next question is from Jason Armstrong with Goldman Sachs.

<Q – Jason Armstrong>: Hey, thanks. Good morning. Couple of questions, first on M&A, Jeff, you said you're differentiating yourselves in terms of a rural focus through your deals. If we look historically, you've had a bit more interest in urban assets, and there still obviously are a couple out there. Are we to assume from your comments that any sort of urban deals or more urban-centric deals are off the table here?

And then second question, on buybacks, just getting back to an earlier question, is the position for the funding of the Iowa deal, I think you mentioned that there's a timing element to get back to target leverage, part of that obviously inclusive of the synergy realization. Just wondering if you can sort of put a timeframe to us to get back to buybacks post the Iowa deal? Thanks.

<A – Jeff Gardner>: Okay. As it relates to our focus on rural versus urban, I think our preference has always been rural. As a company, we're at 19 access lines per square mile. When you look at potential acquisitions, you never had the benefit of having completely homogeneous assets, so it's kind of a combination in value matters. We definitely prefer the rural properties, and I think in terms of our unique positioning, we are in the right kind of markets. I mean we are a pure-play rural player. We haven't stepped into those urban markets in a big way, and I think that's contributing a lot to our access line losses.

And then importantly, as we focus going forward in addition to that rural focus, you heard me talk earlier that business is also very important. We think that over the next five years, the business market will continue to grow at a nice rate, and that's a great opportunity for us as you think about high-speed data and what revenue growth those products can bring.

From a buyback perspective, we're going to close on Iowa in the middle of 2010, as I've said. And then we'll kind of at that time, we'll fund that, as Rob said, partially through our revolver and the cash that we have on hand from our fourth quarter deals. So we're going to be in good shape there.

And then after we close Iowa, we'll kind of reconsider that, whether – what makes sense in terms of what we do with excess cash flow at that time. When we talk about our taking time to get back to our leverage levels, absolutely the biggest thing there is just the realization of the synergies. So soon as we realize the synergies from the deals, we'll be back in that 3.2 range.

<Q – Jason Armstrong>: Okay. That's helpful. And just, Jeff, going back to the answer on the first question, as you look at the business market, your confidence level in stability and your positioning there, is that – can you sort of segment the business market and tell us where that confidence level lies? It would seem from your deals that that's sort of second and third tier cities, small to midsized business, but just want to clarify that.

<A – Jeff Gardner>: Well, I think that we're confident that – obviously we've gone through a period where the economy has been tough. We talked about the NuVox results, that they showed growth even in 2009 despite that. So we've got a lot of things going on there. In addition to our acquisition of NuVox, we're doing a lot internally to change our focus. So we really have confidence across the customer base but mostly in those core kind of IP products that we're making a big move into in 2010.

<Q – Jason Armstrong>: Okay. Thanks, guys.

<A – Rob Clancy>: Amanda, we have time for one more question.

Operator: Your final question is from Donna Jaegers with DA Davidson.

<Q – Donna Jaegers>: Squeezing in under the wire. Thanks, guys. Just a few more questions on NuVox, can – you talked about them really being focused on next gen and IP. Can you give us any sort of metrics around what percentage of their revenues are from next gen and IP? And what percentage of their revenues are usage based?

<A – Brent Whittington>: Yeah, Donna, so most of their revenues are actually recurring IP-type services. In that core component, those kind of revenue streams are really the driver there, and that's 82% of their total revenue. So again, very well ahead of most companies in terms of their business mix that's in the strategic kind of focused area for most of us in that space on the business segment.

<Q – Donna Jaegers>: Great. Thanks a lot.

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

Rob Clancy, Senior Vice President & Treasurer

We'd like to thank you all for joining us this morning. We appreciate your interest and support, Mary Michaels and I will be available for additional questions throughout the day.

Operator: Thank you for participating in today's conference call. This concludes today's call. You may now disconnect.