MANAGEMENT DISCUSSION SECTION

Operator: Good day, Ladies and gentlemen, and welcome to the Windstream Communications Fourth Quarter 2010 Earnings Conference Call. At this time, all participants are in a listen only mode. Later we will conduct a question-and-answer session and instructions will be given at that time. [Operator Instructions] As a reminder, today's conference call is being recorded.

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

Rob Clancy, Senior Vice President and Treasurer

Thank you, Ally, and good morning, everyone. Appreciate you joining us this morning. Today's conference call was preceded by our fourth quarter 2010 earnings release which has been distributed on the newswires 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. 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 and restructuring charges.

Additionally, adjusted free cash flow is defined as adjusted OIBDA excluding merger and integration expense, less cash interest, cash taxes and capital expenditures and cash pension contributions as presented on an actual basis to reflect all acquisitions from the date on which we acquired those 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 measures.

During the fourth quarter, Windstream completed the acquisitions of Q-Comm and Hosted Solutions. To assist investors we revised our pro forma results from current businesses to include the results of both companies for all periods shown. These results also include D&E, Lexcom, NuVox, and Iowa and exclude our former supply 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. While we provided updated pro forma historical results in January these were preliminary estimates and we subsequently received our initial valuation of the assets acquired and we've updated the pro forma, adjusted depreciation and amortization accordingly.

Participating in our call this morning are Jeff Gardner, Windstream President and CEO; 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 and with that, here is Jeff Gardner.

Jeff Gardner, President and Chief Executive Officer

Thank you, Rob, and good morning, everyone. Today, I will make a few comments about our accomplishments during the fourth quarter and full year and provide an update on our 2011 initiatives. Brent will then discuss the operating results and Tony will review our financial performance and 2011 guidance.

Windstream delivered another solid quarter, both operationally and financially in the fourth quarter and our team continues to execute very well on all fronts. In addition to solid performance, we closed the Q-Comm and Hosted Solutions transactions in the fourth quarter and we are very excited to have these businesses as part of the Windstream team.

Q-Comm provides a highly complementary and robust long haul fiber network, which more than doubles our existing fiber, providing both network efficiencies and very attractive growth opportunities, particularly with wireless backhaul services. Hosted Solutions adds five best-in-class data centers, offering managed services, cloud computing and co-location, which will further broaden our business portfolio. Both companies are a great strategic fit and bring a very experienced, talented team to the Windstream organization.

Looking back, 2010 was an incredible year for Windstream and I am very pleased with all that we accomplished. Our transformation is not complete, but we are well on our way. Strategically, we completed four targeted acquisitions, which added well running businesses to our portfolio and better positioned Windstream for the future.

With the acquisitions, we now operate in 29 states with an annual revenue and adjusted OIBDA of $4.1 billion and $2.1 billion, respectively. Collectively, these deals improve our strategic position by further shifting our revenue mix to business and broadband, expanding our business portfolio of services and generating over $90 million in synergies.

Prior to the transactions we completed in 2010, our revenue and OIBDA declines were in the mid to low single-digits. The acquisitions combined with our strategic focus and solid execution are transforming the underlying growth characteristics of our business as evidenced by our 2010 pro forma performance.

Operationally, our team did a fantastic job executing on our organic business plan while also completing several integrations, resulting in industry leading performance. We continue to make great strides in our business channel which is reflected in business service revenues growing year-over-year.

Additionally, our solid execution, innovative pricing plans, and expanded distribution are driving improved results in the consumer channel. Financially, we continue to improve our topline trend and did a great job managing overall expenses. We achieved our revenue, adjusted OIBDA, and free cash flow goals that we set forth earlier in 2010. During 2010, on a GAAP basis, we generated $818 million in adjusted free cash flow and our payout ratio was 57%.

Turning to the regulatory front, the FCC is moving forward with plans to modernize and streamline its intercarrier compensation and universal service policies. Windstream has long supported reform and is pleased that the Commission recognizes the importance of adopting forward-looking reforms with sensible transitions and reasonable opportunities to recover revenues.

Further, we're pleased by the FCC's intent to better target universal service funds so that existing networks continue to receive the necessary support while new broadband facilities can be deployed in areas that otherwise would be uneconomic to serve.

Windstream continues to be less reliant on Federal subsidies, with just 2.5% of our total revenues coming from Federal USF, while switched access is down to 7% of total revenues.

As a result of the broadband stimulus funding, Windstream will invest approximately $240 million over a couple of years in our broadband network, enabling us to expand broadband availability to roughly 93% of our customers, upgrade our network and enhance broadband speeds in underserved areas, which should result in attractive growth opportunities given the pent-up demand in these areas.

We have finalized the RUS agreements and began working on these projects as we entered 2011. We are very pleased that the RUS and Windstream share a common goal, to build this new broadband capacity in rural America as quickly as possible.

In 2011, we will focus on completing the integrations of Q-Comm and Hosted Solutions. We plan to invest capital for growth through very promising success-based initiatives such as wireless backhaul and data center expansion.

Also, with the stimulus awards I just mentioned, we will expand and enhance our broadband capabilities. These investments, along with our recent acquisitions, and improving legacy performance, will further improve the long-term financial characteristics of our business and create a path to realize revenue growth in the future.

No one would have predicted this, that we would have this opportunity back in 2006, but that has always been our goal and – both of our management team and our board.

Going forward, we will be mindful of strategic opportunities with a continued bias towards well run companies that advance our strategy to grow revenue and free cash flow.

Any strategic opportunities will also be assessed against our plan to reduce total leverage from current levels of 3.55 to our historic range of 3.2 to 3.4 times.

I'm very proud of the transformation Windstream has made and am confident in the strategic path we have pursued, one that is focused both on improving the revenue trajectory and optimizing the cost structure. This strategy has positioned Windstream to grow into the future, to improve the long-term sustainability of our cash flows, and most importantly, to create shareholder value.

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

Brent Whittington, Chief Operating Officer

Thanks, Jeff, and good morning, everyone. Operationally, I'm really proud of our teams' accomplishments in 2010. We've made great strides within our business channel, which now represents roughly half of Windstream's total revenues and importantly, these revenues are growing. The acquisitions we made in 2010 combined with our internal focus and initiatives, significantly enhanced our business capabilities.

From a residential perspective, we continue to see growth in broadband units and complementary broadband features. This combined with our innovative pricing strategy and expanded distribution is stabilizing the consumer channel, which is an important component of our strategy to improve our top-line trends.

Turning to our fourth quarter pro forma results, in total we added over 12,000 new broadband customers this quarter, bringing our total customer base to 1.3 million, an increase of 6% year-over-year. Our overall broadband penetration is now at 43% of total voice lines.

We ended the year with approximately 434,000 video customers, representing 8% growth over last year and 23% penetration of our primary residential customers. Total access lines declined by approximately 36,000 during the quarter resulting in a decline in total access lines of 3.6% year-over-year.

In the business channel, high speed internet customers grew by 4% year-over-year. Advanced data and integrated solutions increased 6% year-over-year driven by growth in integrated VoIP and data services, Ethernet/internet access and managed services. Special access circuits increased 5% year-over-year due to increased wireless backhaul demand. And we remain focused on providing outstanding service to the wireless carriers and positioning ourselves to capture share as needs expand.

In total, business access lines declined 1.9% year-over-year, an improvement of 70 basis points sequentially. We managed the business channel by focusing on revenue and profitability and importantly, business revenues grew 2% during the fourth quarter. We have made significant improvements in the business channel and with our recent acquisitions, investments in our network and increased organizational focus we are in a much stronger competitive position today.

In the consumer channel, residential high speed internet customers grew 7% year-over-year and penetration is now approximately 61% of primary residential lines. Despite a slowdown in subscriber growth due to our higher penetration, consumer broadband revenues grew 10% year-over-year due to the focus and related success we are having selling complementary broadband features such as a security suite, tech help and online backup.

This quarter, video customers were essentially flat, driven in part by very strong DISH gross adds during our third quarter related to the Price for Life promotion and of fewer migrations of existing DISH customers to the Windstream bundle given our higher video penetration.

Consumer access lines declined 4.5% year-over-year, an increase of 50 basis points sequentially. While losses in primary residential lines improved, less profitable products including Greenstreak and higher secondary line loss resulted in greater total consumer losses. Importantly, consumer revenues were only down 3%, a result of the success we are seeing with our pricing strategy and increased sales of broadband features.

From an integration perspective, we completed the integrations of D&E, Lexcom, NuVox and Iowa Telecom and the businesses are performing in line with our expectations and tracking toward the free cash flow synergies targeted when we announced each deal. We closed the Q-Comm and Hosted Solutions transactions in December and are well underway on our integration plans and remain excited about the opportunities these businesses will bring to Windstream. Our team is focused on the integration of both companies which should be straightforward, given the nature of the businesses and limited conversion efforts.

Looking forward, our key operational focus will remain on improving the top-line trends. In the business channel, we will leverage our expanded service capabilities including IP services, managed services, data center co-location, and fiber transport across a broader footprint to increase sales opportunities and we'll continue to grow our alternative distribution channels.

In addition, we plan to invest for further growth in certain key areas such as success-based fiber initiatives, data center expansion, and business market expansion. From a residential perspective, we plan to maintain the Price for Life pricing strategy and have modestly increased pricing for certain plans such as Greenstreak and Secondary Lines, which will likely impact units, but importantly should be positive from a revenue perspective.

Additionally, with the help of the stimulus grants we are investing a significant amount to expand both the reach and the speeds of our broadband network which should provide incremental revenue opportunities given that we are likely going to be the only wire provider in the areas and will have the ability to reach tens of thousands of new customers.

In summary, I'd like to thank the Windstream team for all that we accomplished in 2010. I'm optimistic about our plans for 2011 and believe we're well-positioned for future success.

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

Tony Thomas, Chief Financial Officer

Thanks, Brent, and good morning, everyone. For the fourth quarter, on a GAAP basis, Windstream achieved consolidated revenue of $981 million, operating income of $259 million, and $0.15 of diluted earnings per share.

Our GAAP results include $16 million in after-tax merger and integration costs and $4 million in after-tax restructuring charges, which lowered EPS by roughly $0.04 and affect the year-over-year comparisons.

Turning to our pro forma results for the fourth quarter, Windstream delivered total revenues of $1.03 billion, a decrease of 2.2% year-over-year. Specifically, consumer service revenue declined $11 million or 3% year-over-year driven by fewer voice customers offset partially by growth in Price for Life bundles, broadband features and long distance packages.

Business service revenue increased $9 million or 2% year-over-year driven by growth in integrated solutions, special access, next-generation IP data and data center services, which outpaced pressures from voice and long distance revenues.

These improved revenue trends validate our strategy to position the business to focus on the growth areas of our industry. Wholesale service revenue declined $22 million or 12% year-over-year primarily the result of fewer access lines. Total product sales were flat year-over-year.

Specifically by category, voice and long distance revenues declined by $32 million year-over-year or 8%, driven by fewer voice lines and declining à la carte feature packages.

Data and integrated solutions increased $24 million or 8% driven by growth in integrated VoIP and data offerings and advanced data services to business customers combined with growth in consumer internet and broadband features. Special access revenues increased $4 million or 3% due to circuit growth resulting primarily from increased demand for wireless backhaul. Switched access and USF revenues declined $19 million year-over-year or 12%, largely a result of fewer minutes of use, a margin-neutral least-cost routing initiative and unfavorable year-over-year comparisons due to a positive non-recurring item recorded in the fourth quarter of 2009. Both miscellaneous revenues and product sales were flat year-over-year.

Sequentially, total service revenue was roughly flat due to growth in data and integrated solutions and special access, which offset lower voice and switched access revenues. Product sales decreased by $3 million sequentially to $24 million.

Let me turn to expenses, which exclude depreciation and amortization. This quarter, expenses were lower by $24 million or 4% year-over-year. Excluding the non-cash pension costs, expenses were lower by $16 million or 3% year-over-year. Specifically, cost of services was down $13 million due primarily to lower interconnection expense related to our least-cost routing initiatives and reduced pension and benefits expense.

Cost of products sold decreased by $2 million year-over-year due to fewer product sales. Within SG&A, expenses decreased $15 million or 10% year-over-year due to deal synergies and a lower advertising expense. Restructuring charges were up $5 million due to a voluntary workforce reduction during the fourth quarter of 2010, which we expect to result in annual pre-tax savings of roughly $10 million.

Sequentially, total expenses decreased by approximately $10 million due to seasonal declines in overtime, a decrease in advertising spend, incremental acquisition synergies and lower product expenses resulting from lower sequential sales.

For the quarter, OIBDA was $496 million, which was flat year-over-year. Adjusted OIBDA was $523 million, a decrease of less than 1% year-over-year, and our adjusted OIBDA margin improved 83 basis points year-over-year to 50.8%. Operating income was $288 million, up 4% year-over-year.

Let me turn to our pro forma results for the full year. Windstream generated revenue of $4.1 billion, a decrease of 2.2% year-over-year. This is a significant improvement from our heritage 2009 results where we saw declines of roughly 5% and reflects the success of our strategy to expand our focus on growth areas of the business while stabilizing the consumer channel.

Adjusted OIBDA totaled $2.1 billion, which was flat year-over-year as a result of the improving revenue trends, the realization of roughly $55 million in deal synergies and solid cost management efforts throughout our entire organization. Finally, for the year, capital expenditures totaled $490 million.

On a GAAP basis, adjusted free cash flow was $818 million for the year, a decrease of less than 1% year-over-year, even with a $41 million cash contribution to our pension plan, and our dividend payout ratio for the year was 57%.

I am very pleased to report that we met the guidance ranges for revenue, OIBDA, adjusted OIBDA, and free cash flow and we are slightly above the CapEx range based on success based fiber investments we made in the fourth quarter.

From a balance sheet perspective during the fourth quarter, we increased the revolver capacity from $500 million to $750 million to provide additional borrowing capacity and flexibility. Furthermore, we extended all remaining revolver commitments such that all $750 million now matures in 2013.

In early December, we funded the Hosted Solutions and Q-Comm transactions with cash on hand, revolver borrowings, and proceeds from a $500 million note offering we completed in October. We ended the year with $42 million in cash and an outstanding revolver balance of $150 million. Our pro forma leverage was 3.55 times.

2010 was a pivotal year for Windstream and the strategic path we are following has positioned the business to improve revenue trends and sustain cash flows well into the future. With the recent transactions, the overall leverage has increased slightly and we plan to deleverage the business back to our historical levels of 3.2 to 3.4 times.

As of January 1st, our pension plan assets were approximately $870 million and we expect to make a $60 million contribution to our pension plan in February in the form of company stock to manage net leverage.

In January, we completed a $200 million note offering with the proceeds being used to retire the $400 million of VALOR notes that mature in 2015. We also plan to use revolver borrowings to complete the redemption of the VALOR notes.

Let me turn to our views for 2011, which continue to show improvement in both the top line and adjusted OIBDA trends compared to prior year. First, we continue to expect declines in voice and switched access revenues, but expect some improvement due to higher bundle penetration and mature competitive environment. These revenue declines should be mostly offset by continued growth in advanced data and integrated solutions and special access revenues.

Turning to expenses, we expect a decrease in non-cash pension expense from $62 million to $41 million and we expect total costs to decline year-over-year due to additional deal synergies and continued aggressive cost management.

Like in 2010, we expect to show improved year-over-year performance in the back half of the year once we've completed our integration efforts, realized additional synergies and received some of the expected benefits from our success based capital investments.

Based on those assumptions, we expect 2011 revenue to be within a range of $4.015 billion to $4.14 billion, which is a decline of 3% to flat compared to our 2010 pro forma results. We expect adjusted OIBDA to be within a range of $2.045 billion to $2.105 billion, which is a decline of 1% to an increase of 2%. We expect OIBDA which includes the non-cash pension and non-cash compensation expense to be within a range of $1.985 billion to $2.045 billion, which is flat to an increase of 4%.

We expect to spend between $520 million to $580 million on capital expenditures. This range includes roughly $40 million in Windstream matching funds for stimulus projects that we expect to complete in 2011 and excludes capital expenditures funded by the RUS grants.

Our CapEx guidance also includes investments of success based fiber and data center initiatives. Our guidance assumes net cash interest of $552 million and cash taxes of $50 million to $60 million, which reflects the benefit of 100% of accelerated depreciation for capital investments. With all of these variables, we expect to generate $863 million to $973 million in free cash flow resulting in an expected dividend payout ratio of 52% to 59%.

In summary, we are very pleased with our results from both the fourth quarter and the full year 2010 and are looking forward to the opportunities 2011 will bring.

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

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Simon Flannery of Morgan Stanley. Please go ahead.

<Q>: Hi, this is Daniel in for Simon. Is it possible for you guys to give us a normalized payout ratio if you were to exclude the benefit of the bonus depreciation for 2011?

<A – Tony Thomas>: Yeah, Daniel, this is Tony. I think the way we think about that that we've guided the cash taxes in 2011 of $50 million to $60 million. We probably expect to be roughly $100 million higher in terms of cash taxes.

<Q>: Okay. Thank you.

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

<Q – David Barden>: Hey, guys. Thanks for taking the questions. Congrats on the year. Just with respect, I guess, Tony, to the guidance in 2011, could you talk a little bit about the tilt? I guess the expectation would be as we heard from CenturyLink, as payroll tax increases there's USF declines in the beginning of the year. It sounds like there's some integration stuff in the first half, and then an acceleration in margins and revenues in the back half of the year. Given that you're looking for kind of potentially as much as flattish revenue growth for the full year, net of all these forces, so do we – are we kind of expecting then we're exiting 2011 with growth in revenues and EBITDA, which would be kind of rare for a business like this? Maybe it would be helpful to get some color on how this year's going to shake out. Thanks.

<A – Tony Thomas>: Yeah, David, this is Tony. I think you've framed up the 2011 results very well. That's exactly how we are thinking about it. We do see a ramp throughout 2011. We've talked about the synergies coming in throughout the year as well as the success based capital investments and with these fiber investments, the investment time horizon is a little longer. It's typically 6 to 12 months, so as we look throughout 2011, we are definitely pushing towards exiting 2011 with growth on the top line and at adjusted OIBDA.

<Q – David Barden>: Great. And then just with respect to the CapEx, I mean, I think that for people who were not looking at the KDL and Norlight deals and forgot about the broadband stimulus stuff, I think the CapEx step up is a bit of a surprise for people. So could you kind of just kind of break that CapEx number down again?

And then apologies for the third question but just for the sake of argument, if you guys are pushing your payout ratio on a non-normalized basis to 52%, are we getting closer to a time when we're thinking about distributing the capital either in share buyback or dividend form at some point? Thanks.

<A – Tony Thomas>: Yeah, David, starting on the capital, as you pointed out, our 2010 pro forma capital expenditures which include Q-Comm, which is KDL and the Norlight businesses as well as Hosted was $490 million, so that's really our baseline capital for 2010. And we've guided to $520 million to $580 million in 2011. But you really need to think about that excluding the broadband stimulus funding which we expect to be $40 million in 2011. So if you think about this guidance range excluding broadband stimulus, you're $480 million to $540 million, so you can really see how prior year capital really still even sits within that range. And ultimately the success based capital investments we're looking at have long-term contracts associated with them as well as very positive returns. That's what we're looking when we make these capital investments on the fiber side as well as in the data center space.

And in terms of capital distribution to shareholders, obviously we continue to provide the dollar dividend in 2010, expect to do that in 2011 again, which is obviously a significant return of capital to our shareholders, and we show that to be $509 million in 2011. In 2011, as I indicated, we're going to be focused on bringing leverage back to our historical levels, that's 3.2 to 3.4 times. I think because of that, any increase to the dividend or a share repurchase program is unlikely in 2011, but as we always do, we'll reassess at the beginning of next year.

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

<A – Jeff Gardner>: And if I could – I just want to add a little bit to that. I think when you look at the traditional business model and think about CapEx and in the wireline model, if you're looking at business that's shrinking every year and seeing CapEx pressure, that's something that you worry about. It's very different here.

We've got plenty of organic opportunities to invest in success based capital investments that will really drive revenue growth in this business, so we're excited. Those are a great opportunity for us and I think will bode well for the long-term growth characteristics of this business.

<Q – David Barden>: And I apologize, Jeff, since you mentioned that, just jumping in one more.

<A – Jeff Gardner>: This is four, right?

<Q – David Barden>: Yeah, I'm sorry. But if you think that you're going to be exiting this year with a revenue growth trajectory and an EBITDA growth trajectory, I mean is there a reason to believe from an investor standpoint that this is not going to be a dividend growth company as it evolves in the next couple years?

<A – Jeff Gardner>: Well David, I think that's getting a little bit ahead of ourselves and so – we're squarely focused on '11. I definitely hear what you're saying. As Tony said, our focus right now is on de-leveraging and executing on this business plan and that will be something that we think about going forward, but certainly not – I don't think in the 2011 timeframe.

<Q – David Barden>: Great, I appreciate it. Thanks, guys.

<A – Jeff Gardner>: No problem.

Operator: Our next question comes from Michael Rollins of Citi Investment. Please go ahead.

<Q – Michael Rollins>: Hi, thanks for taking my questions. Just a couple of things. One clarification, on the tax side, where are your NOLs and how should we think about the use of those NOLs over the next few years, especially as maybe some of these bonus depreciation periods unwind themselves?

Second question, more at a high level, as you look at the range of revenue guidance that you've provided, what's the trigger to be at the low end versus the high end of your range? Is it the economy? Is it execution on the sales force productivity? Introducing new products? Can you give us a sense, and a priority stack of how revenue could sway within that range that you provided? Thanks.

<A – Tony Thomas>: Hi, Michael, this is Tony. Let me start with cash taxes, and the NOLs are lowering cash taxes in 2011. As a reminder we have roughly $130 million of net present value of NOLs from the Iowa transaction and we expect to basically take those over a four year period. So that is roughly, call it $25 million of benefit in 2011 and that will run for the next five years.

<A – Brent Whittington>: On the range, maybe, Michael, I mean, really there's a couple things going on there. I mean, we're certainly counting on some slight economic improvement, but at the end of the day that's nothing we can control. We're focused on what we can control and that's success on the sales front. I mean, I'd say in terms of execution in our business channel that's one of the single bigger drivers in terms of the range we're looking at. We feel pretty good about the way the competitive landscape is on the consumer side and our visibility into what's going to happen in that channel, but I think the success in the execution is one of the bigger variables in Tony's guidance.

<Q – Michael Rollins>: And just sort of a strategic question on your broadband footprint. If you had to go out over the next five years and anticipate cable competition over that period, wireless competition, what are the capabilities that you need to provide your customers to feel like you'll be in a strong competitive position to either retain or grow your share? What kind of speeds across what percent of homes do you think is the right target to be focused on?

<A – Jeff Gardner>: Well, without getting very specific on that, I mean we have talked about our plans to roll out VDSL, which will give us the capability to get above the 12 Mbps that we offer today, somewhere in the 20 to 24 Mbps range over the next couple of years in our most dense markets. But we still view wireless broadband as more of a complementary product and so as their speeds get better, Michael, I think our challenge and the way that our engineers are looking at this business and the way we're making investments is we've got to get better every year as well, and so continue to keep that gap on the wireless side. With the cable side, we're very competitive in most of our markets today. I think that we're doing very well in terms of share and it's really the same story. We've got to improve our network every year to improve our competitive position in those markets.

<A – Brent Whittington>: Well, and with all of the investments we've been making in our network, I mean, at the end of this year we're going to be able to offer 6 meg to almost 70% of our customer base, and 10 to 12 meg product to over 40%. So I think our goal is continuing to make high speed broadband services available to a larger part of our footprint and we're doing that just naturally in the business as we upgrade our plant, software, existing transport needs in the business, et cetera.

<Q – Michael Rollins>: Thanks very much.

<A – Jeff Gardner>: You're welcome.

Operator: Our next question comes from Michael Nelson of Mizuho Securities. Please go ahead.

<Q – Michael Nelson>: Thanks for taking the question. A couple of questions regarding your two most recent acquisitions. I'm wondering in the Hosted Solutions acquisition, where are you in terms of integrating their platform and service offerings into your existing data centers? And with the secular shift we're starting to see towards cloud computing and managed services, how meaningful can those assets be to your business?

And then in terms of the Q-Comm, you've more than doubled your existing fiber footprint and with the significant increase we're seeing in wireless data usage, what type of opportunity do you see from those assets and how many towers do you plan to reach with the incremental capital you're deploying towards fiber to the cell projects? Thanks.

<A – Brent Whittington>: Michael, this is Brent. I'll take Hosted first. Number one, Hosted was much larger in the data center services side than we were. So what we were asking that team to do as we integrate that business, and their former CLO is a direct report of mine, is to take over ownership of the assets we already had in place. And really our biggest area of focus, and we're working on that in terms of integration in Q1, is trying to determine where across the Windstream footprint should our sales team that exists today, which is pretty significant, focus on selling those products and services.

You mentioned in terms of cloud. I mean Hosted had a cloud platform they are continuing to invest in. We think that's got future growth opportunity, specifically as it pertains to our business customer base and the small business side. Whereas Hosted might not have been able to execute that on their own, we feel pretty good about the relationships we've got with our small business customers and really rolling out some cloud service offerings to that base later in 2011, but it's not a big component in terms of revenue expectations in 2011. It's something we'll be working to build and be focused on in 2012 certainly.

In terms of Q-Comm, they've seen nice growth in 2010 versus 2009, had a lot of success on winning some tower businesses in the range of around 500 or so at the outset. We're not going to continue to provide just guidance on tower units specifically, but focus on the revenue growth we're seeing in special access. We saw nice growth 2010 versus 2009. Tony talked about that. We saw 3% growth on our own last year, and much of that came from just our organic footprint. Where I think Q-Comm can really help us is they had a great strategy in finding opportunities to win wireless backhaul business outside of footprint and aggressively building to deploy infrastructure in those markets and win share. And we're focused on continuing that effort and like to see those growth rates continue at that clip.

<Q – Michael Nelson>: Great. Thank you.

<A – Jeff Gardner>: You're welcome.

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

<Q – Scott Goldman>: Hi, good morning, guys. Couple questions. First, on the guidance. If you take the midpoint of your adjusted EBITDA and revenue, it looks like it's implying about a 100 basis point step-up in margins. So maybe, Tony, if you could kind of talk a little bit about the drivers of that, I know there's some comments in the prepared remarks, but how much of that is really incremental synergies coming on predominantly from the Q-Comm versus opportunities to continue to drive costs out of the business and where those costs may be coming out?

And then I hate to keep beating a dead horse on the tax side but if I take the $100 million you guys talked about coming from bonus depreciation, about $25 million from the NOLs, still looking, after adjusting for that at being kind of in the mid to high 20% payout or cash tax rate which seems lower to me than what the effective tax rate would be. So maybe you can talk about any other puts and takes that would affect the cash taxes in 2011?

<A – Tony Thomas>: Certainly, Scott. I'll start with the margin discussion. You're right. Synergies are playing a critical role for us in 2011, like they did in 2010. In 2010, we had $55 million in synergies and we expect an incremental $45 million in synergies in 2011. And as we alluded to in our prepared remarks, we also had a voluntary workforce restructuring in the fourth quarter. And this is principally a focus on those employees who service residential customers where we're seeing declines in work activities consistent with declines in access lines and that provides another $10 million in cost savings in 2011. And above and beyond that, there's a lot of puts and takes as we're constantly focused on cost containment within Windstream.

<A – Jeff Gardner>: So Scott, this is Jeff. Virtually every department at Windstream, and this is just something that we do every year, virtually every department has a major cost improvement initiative and that's just kind of part of our normal business here. And so in addition to the big projects, I mean, we saved a ton of money this year with least-cost routing and improving our interconnection expense. But we've got a number of smaller projects in each group that are going to make a difference. And when you look at the second consecutive year at reducing overall expenses, so that means covering wage increases, et cetera, I think the team has, it's just part of our culture here to find ways to reduce expense each and every year.

<A – Tony Thomas>: And Scott, lastly, this is Tony again, back to cash taxes, you're right. Definitely there are some other puts and takes, most notably we have legacy NOLs, net operating losses, we have some VALOR net operating losses that run for probably another good 10 years. And after that the way I kind of think about it, cash taxes do go up over the next three or four years because with all the bonus depreciation, we've taken a lot of those benefits in 2010, 2011. And now next year in 2012, as a reminder, we have 50% bonus depreciation. But going forward we do see cash taxes rise, but importantly, our payout ratio in our plan in the outer years remains very reasonable. We're looking at a payout ratio that still stays below 70%, kind of on this five-year horizon about how we think and manage the business.

<A – Jeff Gardner>: And one of the things that's incredibly fortuitous for us is the fact that, look 2011, is a very big investment year for us with the opportunities that we mentioned earlier and the fact that we get this 100% write-off in kind of our heaviest CapEx year is just very helpful to the model. As you think about kind of moving and transforming this business, it just gives us more of an opportunity to thread that needle and build a stronger company for the future.

<Q – Scott Goldman>: Great. If I could just sneak one more in on the CapEx front, if I sort of adjust for the stimulus $40 million in 2011 off of the midpoint of your revenue guidance, implies a capital intensity probably about 12.5%, which obviously higher than legacy, most likely because of Q-Comm and Hosted Solutions. But as you're integrating these assets in there and the others that you've acquired, is that sort of kind of the long-term capital intensity you think this business should be at?

<A – Jeff Gardner>: Scott, I think that's probably close to the near-term capital intensity simply due to the fiber to the tower investments that need to be made over the next, call it two to two-and-a-half years. But after that I would expect the capital intensity to ramp back down, not – maybe not back to historical [inaudible] levels, but definitely down from the levels you see in 2011.

<A – Brent Whittington>: And again, some of those CapEx investments for next year that we targeted, that includes data center footprint expansion. Those are exciting revenue opportunities where we're making bets and we know there's market demand to drive increased revenue in the future. And so to the extent that market matures some of that can slow down in the future and you can drive revenues through filling out those existing data centers where you made those investments, but we're definitely contemplating just increased square footage in the future.

<Q – Scott Goldman>: I appreciate the color, guys, thanks.

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

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

<Q – Frank Louthan>: Great. Thank you. Looking at the way you've expanded your exposure to business services in – where do you expect that to be at the end of 2011? Now if you look at business and wholesale, it's the majority of your revenue. How much farther do you think you can push that? And looking at your success with the penetration of video, what's your expectation for what kind of penetration you think you can get that to as far as your residential customer base over time? Thanks.

<A – Brent Whittington>: Frank, this is Brent. In terms of expansion of business services, with what we've done on the strategic front as well as execution organically, our business channel is darn near half of our total revenues at this point. So I mean we definitely can see that continuing to grow I'd say just under 200 basis points or so as we look into next year. Secondly – which is important for us, because as we kind of mentioned that channel overall grew last year. We still feel great about our consumer side and certainly if you look at our results versus the industry, I think we look pretty darn good there. So we're focused on the top line, again, a lot of that on the consumer side centered around our execution on broadband customer base, specifically. So that's really where we see that shaping up.

As you look at video, there's no question. We've done, I think, over the past a phenomenal job selling DISH into our base. It's been a key area of focus for us in terms of a core product for us for years. That shows up in our results, but the reality is we've got a much higher penetration of DISH customers today in our market as a result of that success, so we expect to see fewer net adds on a year-over-year basis simply because of our penetration, not because of a change in focus. We've just got a tremendous amount. Today it's right at 23% of primary residential lines. We can see that growing, maybe 25%, 26%, somewhere in that range but nothing that I'd call significant over the time.

<A – Tony Thomas>: And Frank, this is Tony. If I could just emphasize the point that Brent made. Our approach to stabilizing revenues is twofold. We recognize the growth in demand for our business services and consumer broadband, but the second prong is stabilizing the consumer channel. And we look at our 2010 results and compare the first half of the year where we saw declines in consumer revenues 4% to 5% compared to the back half of the year where we've seen declines at 3%. The combination of the shift to business and broadband coupled with the improvement in the consumer channel is what's really changing the trajectory of our topline. And as you well know at the end of the day, you've got to have topline revenues to sustain the cash flow model.

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

Rob Clancy, Senior Vice President and Treasurer

Well, we would like to thank you folks 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: Ladies and gentlemen, that does conclude today's conference. You may all disconnect and have a wonderful day.