WINDSTREAM CORP
Form 10-Q
November 04, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2011

OR

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-32422

WINDSTREAM CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-0792300 (I.R.S. Employer Identification No.)
4001 Rodney Parham Road, Little Rock, Arkansas	72212
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 748-7000
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ý YES ¨ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ý YES ¨ NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). ¨ YES ý NO

Number of common shares outstanding as of October 31, 2011: 515,815,356

The Exhibit Index is located on page 55.

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*No reportable information under this item.

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WINDSTREAM CORPORATION
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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Millions, except per share amounts)	2011	2010	2011	2010
Revenues and sales:				
Service revenues	$994.7	$938.9	$2,993.7	$2,665.3
Product sales	28.6	26.9	83.1	65.7
Total revenues and sales	1,023.3	965.8	3,076.8	2,731.0
Costs and expenses:				
Cost of services (exclusive of depreciation and amortization included below)	372.8	350.7	1,116.3	977.8
Cost of products sold	24.5	22.7	68.6	56.9
Selling, general and administrative	135.1	130.6	409.2	369.9
Depreciation and amortization	204.0	179.9	606.4	503.0
Merger, integration and restructuring	20.4	11.7	34.6	52.2
Total costs and expenses	756.8	695.6	2,235.1	1,959.8
Operating income	266.5	270.2	841.7	771.2
Other expense, net	(1.5)	(3.0)	(2.1)	(4.2)
Loss on early extinguishment of debt	(20.5)	—	(124.4)	—
Interest expense	(134.2)	(132.3)	(417.1)	(378.9)
Income before income taxes	110.3	134.9	298.1	388.1
Income taxes	38.8	49.7	109.9	149.8
Net income	$71.5	$85.2	$188.2	$238.3
Basic and diluted earnings per share				
Net income	$.14	$.18	$.37	$.51

See the accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Millions)	September 30, 2011	December 31, 2010
Assets		
Current Assets:		
Cash and cash equivalents	$ 34.3	$ 42.3
Restricted cash	9.2	—
Accounts receivable (less allowance for doubtful accounts of $29.5 and $27.8, respectively)	386.2	373.9
Inventories	60.8	52.5
Deferred income taxes	92.6	44.8
Prepaid income taxes	126.6	62.9
Prepaid expenses and other	63.1	60.7
Assets held for sale	50.6	50.6
Total current assets	823.4	687.7
Goodwill	3,720.4	3,704.0
Other intangibles, net	1,872.1	2,038.5
Net property, plant and equipment	4,825.6	4,772.7
Other assets	177.6	150.8
Total Assets	$ 11,419.1	$ 11,353.7
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 44.8	$ 139.2
Current portion of interest rate swaps	32.3	35.4
Accounts payable	171.7	151.3
Advance payments and customer deposits	142.4	145.8
Accrued dividends	129.5	126.5
Accrued taxes	90.8	81.2
Accrued interest	141.7	173.9
Other current liabilities	122.4	132.2
Total current liabilities	875.6	985.5
Long-term debt	7,296.6	7,186.6
Deferred income taxes	2,003.6	1,767.6
Other liabilities	420.7	583.4
Total liabilities	10,596.5	10,523.1
Commitments and Contingencies (See Note 7)		
Shareholders' Equity:		
Common stock, $0.0001 par value, 1,000.0 shares authorized, 515.8 and 504.3 shares issued and outstanding, respectively	0.1	0.1
Additional paid-in capital	982.0	833.3
Accumulated other comprehensive loss	(178.1)	(216.9)
Retained earnings	18.6	214.1
Total shareholders' equity	822.6	830.6
Total Liabilities and Shareholders' Equity	$ 11,419.1	$ 11,353.7

See the accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
(Millions)	2011	2010
Cash Provided from Operations:		
Net income	$188.2	$238.3
Adjustments to reconcile net income to net cash provided from operations:		
Depreciation and amortization	606.4	503.0
Provision for doubtful accounts	32.3	34.0
Stock-based compensation expense	17.4	12.2
Pension expense	32.9	46.5
Deferred income taxes	171.9	59.8
Unamortized net discount on retired debt	18.3	—
Amortization of unrealized losses on de-designated interest rate swaps	37.3	0.5
Gain from postretirement plan termination	(14.7)	—
Other, net	12.9	10.0
Pension contribution	—	(41.0)
Changes in operating assets and liabilities, net:		
Accounts receivable	(49.0)	(28.1)
Prepaid income taxes	(54.3)	(34.4)
Prepaid expenses and other	(7.1)	(3.6)
Accounts payable	31.9	(34.9)
Accrued interest	(54.7)	(39.5)
Other current liabilities	(19.8)	21.1
Other liabilities	(3.6)	(26.0)
Other, net	(27.2)	(6.4)
Net cash provided from operations	919.1	711.5
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(509.2)	(272.7)
Broadband network expansion funded by stimulus grants	(9.2)	—
Acquisition of NuVox, net of cash acquired	—	(198.4)
Acquisition of Iowa Telecom, net of cash acquired	—	(253.6)
Changes in restricted cash	(9.2)	—
Grant funds received for broadband stimulus projects	0.5	—
Other, net	1.2	2.8
Net cash used in investing activities	(525.9)	(721.9)
Cash Flows from Financing Activities:		
Dividends paid on common shares	(380.7)	(343.8)
Repayment of debt	(3,150.8)	(1,335.2)
Proceeds of debt issuance	3,147.0	812.0
Debt issuance costs	(20.9)	(11.6)
Other, net	4.2	(18.7)
Net cash used in financing activities	(401.2)	(897.3)
Decrease in cash and cash equivalents	(8.0)	(907.7)
Cash and Cash Equivalents:		
Beginning of period	42.3	1,062.9
End of period	$34.3	$155.2
Supplemental Cash Flow Disclosures:		
Interest paid	$427.6	$420.6

Income taxes (refunded) paid, net	$(10.4)	$121.6

See the accompanying notes to the unaudited interim consolidated financial statements.

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(Millions, except per share amounts)	Common Stock and Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at December 31, 2010	$ 833.4	$ (216.9)	$214.1	$830.6
Net income	—	—	188.2	188.2
Other comprehensive income, net of tax: (see Note 10)				
Change in employee benefit plans	—	37.0	—	37.0
Amortization of unrealized losses on de-designated interest rate swaps	—	23.0	—	23.0
Changes in designated interest rate swaps	—	(21.2)	—	(21.2)
Comprehensive income	—	38.8	188.2	227.0
Stock-based compensation expense	17.4	—	—	17.4
Taxes withheld on vested restricted stock and other	(4.5)	—	—	(4.5)
Stock issued to pension plan (see Note 8)	135.8	—	—	135.8
Dividends of $0.75 per share declared to stockholders	—	—	(383.7)	(383.7)
Balance at September 30, 2011	$ 982.1	$ (178.1)	$18.6	$822.6

See the accompanying notes to the unaudited interim consolidated financial statements.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Overview and Basis of Presentation:

Description of Business

Windstream Corporation (“we”, “us”, or “our”) is a leading communications and technology solutions provider, delivering complex data, high-speed Internet, voice and transport services to customers in 29 states. Our business solutions include IP-based voice and data services, multiprotocol label switching networking, data center and managed services, hosting services and communications systems. We provide high-speed Internet, voice, and digital television services to residential customers. We deliver our services over an extensive local and long-haul fiber network, which we also use to provide wholesale services to other carriers. As of September 30, 2011, we served approximately 3.2 million access lines, 1.3 million high-speed Internet customers, and operated approximately 60,000 fiber route miles.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared based upon Securities and Exchange Commission (“SEC”) rules that permit reduced disclosure for interim periods. Certain information and footnote disclosures have been condensed or omitted in accordance with those rules and regulations. The accompanying consolidated balance sheet as of December 31, 2010 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States. In our opinion, these financial statements reflect all adjustments that are necessary for a fair presentation of results of operations and financial condition for the interim periods shown including normal recurring accruals and other items. The results for the interim periods are not necessarily indicative of results for the full year. For a more complete discussion of significant accounting policies and certain other information, this report should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 22, 2011.

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States, requires our management team to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements and accompanying notes are based upon our evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements and accompanying notes, and such differences could be material.

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These changes and reclassifications did not impact net or comprehensive income.

2. Summary of Significant Accounting Policies:

Significant Accounting Policies

Restricted Cash - Restricted cash consists of funds placed into a pledged deposit account for our share of committed spend on construction contracts currently under review by the Rural Utilities Service (“RUS”) for broadband stimulus grants. Changes in the balances of the pledged deposit accounts are reflected as cash inflows or outflows in the investing activities section of the statement of cash flows.

Broadband Stimulus Spend - Capital expenditures related to the broadband stimulus grants are recorded to construction in progress. A receivable totaling 75 percent of the gross spend, representing the expected reimbursement from the RUS, is recorded during the same period, offsetting the amounts recorded in construction in progress. The resulting balance sheet presentation reflects our 25 percent investment in these assets in property, plant and equipment. Once an asset is placed into service, depreciation is calculated and recorded based on our 25 percent investment in the equipment. Initial outflows to purchase stimulus-related assets are reflected in the investing activities section of the cash flows statement. Grant funds received from the RUS are shown as inflows in the investing activities section of the statement of cash flows.

Assets Held For Sale - During 2010, we reclassified $16.6 million of wireless assets acquired from D&E Communications, Inc. (“D&E”) and $34.0 million of wireless licenses acquired from Iowa Telecommunications

Services, Inc. ("Iowa Telecom") to assets held for sale. During the second quarter of 2011, we reclassified an additional $0.6 million in investments to assets held for sale, which were sold during the third quarter of 2011. On March 17, 2011, we entered into a definitive agreement to sell the Iowa Telecom assets for approximately $34.5 million, which will result in a gain of $0.5 million upon completion. The transaction is expected to close during the latter part of 2011 or early part of 2012, subject to certain conditions, including necessary regulatory approvals.

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2. Summary of Significant Accounting Policies, Continued:

Goodwill and Other Intangible Assets - Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. We have acquired identifiable intangible assets through acquisitions of various businesses. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets is recorded as goodwill. In accordance with authoritative guidance, goodwill is to be assigned to a company’s reporting units and tested for impairment at least annually using a consistent measurement date, which for us is January 1st of each year. Effective January 1, 2011, we determined that we have two reporting units to test for impairment: (1) the data center reporting unit representing the Hosted Solutions Acquisitions, LLC (“Hosted Solutions”) business acquired on December 1, 2010 and (2) the telecommunications reporting unit including our remaining operations. We assessed impairment of goodwill by evaluating the carrying value of our shareholders’ equity against the current fair market value of our outstanding equity, where the fair market value of our equity is equal to current market capitalization plus a control premium estimated to be 20.0 percent, less the fair value attributable to Hosted Solutions as discussed below. The fair market value of our equity, both including and excluding the control premium, exceeded its goodwill carrying value as of January 1, 2011, even after taking into consideration the data center reporting unit. Due to the close proximity of the Hosted Solutions business combination to our annual impairment assessment date, we determined that the fair value of goodwill for the data center reporting unit equaled its carrying value as of January 1, 2011 in that there were no changes in facts or circumstances between the acquisition date and January 1, 2011 which would indicate a change in value.

Recently Adopted Authoritative Guidance

Goodwill Impairment - Effective January 1, 2011, we adopted revised authoritative guidance when testing for goodwill impairment. The guidance modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. This guidance did not have a material impact on our consolidated financial statements.

Fair Value Measurement - Effective January 1, 2011, we adopted revised authoritative guidance related to fair value measurements. This guidance requires separate disclosure for purchase, sale, issuance and settlement activity in the reconciliation of Level 3 fair value measurements. This guidance did not have a material impact on our consolidated financial statements.

Revenue Arrangements with Multiple Element Deliverables - Effective January 1, 2011, we adopted revised authoritative guidance on accounting for revenue arrangements with multiple deliverables. The updated guidance addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how the arrangement consideration should be allocated among the separate units of accounting. This guidance did not have a material impact on our consolidated financial statements.

Recently Issued Authoritative Guidance

Fair Value Measurement - In May 2011, the Financial Accounting Standards Board ("FASB") issued authoritative guidance related to fair value measurements. This guidance expands existing disclosure requirements for fair value measurements and makes other amendments. Key additional disclosures include quantitative disclosures about unobservable inputs in Level 3 measures, qualitative information about sensitivity of Level 3 measures and valuation process, and classification within the fair value hierarchy for instruments where fair value is only disclosed in the footnotes but carrying amount is on some other basis. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect this guidance to have a material impact on our consolidated financial statements.

Comprehensive Income - In June 2011, the FASB issued authoritative guidance related to comprehensive income. This guidance requires all non-owner changes in shareholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, reclassification adjustments for items that are reclassified from other comprehensive income to net income must be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We will update our disclosures accordingly upon adoption.

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2. Summary of Significant Accounting Policies, Continued:

Testing Goodwill for Impairment - In September 2011, the FASB issued authoritative guidance related to the testing of goodwill for impairment. This guidance allows an entity the option to first assess qualitative factors before calculating the fair value of a reporting unit. The entity may avoid applying the current two-step impairment test to a reporting unit if it determines, based on its assessment of qualitative factors, it is more likely than not that the fair value of the reporting unit is greater than its carrying amount. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We do not expect this guidance to have a material impact on our consolidated financial statements.

3. Acquisitions:

Pending Acquisition of PAETEC Holding Corp. - On July 31, 2011, we entered into an agreement to acquire all outstanding shares of PAETEC Holding Corp. ("PAETEC") in an all-stock transaction. Under terms of the merger agreement, PAETEC stockholders will receive 0.460 common shares for each PAETEC common share. We expect to issue approximately 73 million shares of common stock valued at approximately $891 million, based on our closing stock price on July 29, 2011. We also will assume or refinance PAETEC's net debt of approximately $1.4 billion outstanding at June 30, 2011. The PAETEC shareholders approved the transaction on October 27, 2011. This acquisition is expected to close by the end of 2011 pending regulatory approval.

PAETEC is a competitive local exchange carrier (“CLEC”) and provides telecommunications services primarily to business customers in 46 states and the District of Columbia. PAETEC operates seven data centers in the U.S. and owns approximately 36,700 route miles of fiber in portions of 39 states and the District of Columbia. The combined company will have a nationwide network with a deep fiber footprint to offer enhanced capabilities in strategic growth areas, including IP-based services, data centers, cloud computing and managed services.

Acquisition of Q-Comm - On December 2, 2010, we acquired the stock of Q-Comm Corporation (“Q-Comm”), a privately held regional fiber transport provider and CLEC. This acquisition significantly enhanced the scale of our fiber network, increased our business customer base and revenues, and provided opportunities for operating synergies in overlapping markets. Under the terms of the merger agreement, we paid $279.1 million in cash, net of cash acquired, and issued approximately 20.6 million shares of common stock valued at $271.6 million to acquire all of the issued and outstanding shares of Q-Comm common stock. We also repaid $266.2 million in outstanding indebtedness and related liabilities on existing swap agreements of Q-Comm. The transaction included Q-Comm’s wholly-owned subsidiaries Kentucky Data Link, Inc. (“KDL”), a fiber services provider in 23 states and the District of Columbia, and Norlight, Inc. (“Norlight”), a CLEC serving approximately 5,500 business customers.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

3. Acquisitions, Continued:

The following table summarizes the fair values of the assets acquired and liabilities assumed for Q-Comm. Adjustments to the preliminary purchase price allocation were based on updated information regarding the fair value of assets acquired and liabilities assumed as of the date of acquisition and were primarily associated with changes in current assets and liabilities, intangible assets and deferred taxes that existed as of the date of the acquisition.

(Millions)	Q-Comm Final Allocation
Fair value of assets acquired:	
Current assets	$35.4
Property, plant and equipment	293.5
Goodwill	358.0
Customer lists (a)	292.5
Trade names (b)	3.7
Other assets	19.6
Total assets acquired	1,002.7
Fair value of liabilities assumed:	
Current maturities of long-term debt	(255.1)
Other current liabilities	(55.0)
Deferred income taxes on acquired assets	(117.9)
Other liabilities	(24.0)
Total liabilities assumed	(452.0)
Common stock issued (inclusive of additional paid-in capital)	(271.6)
Cash paid, net of cash acquired	$279.1

(a) Customer lists are being amortized using the sum-of-years digit methodology over an estimated useful life 15 years.

(b) Trade names are being amortized on a straight-line basis over an estimated useful life of one year.

Acquisition of Hosted Solutions - On December 1, 2010, we acquired the assets and liabilities of Hosted Solutions in an all-cash transaction valued at $312.8 million, which included a $2.8 million net working capital adjustment, net of cash acquired. We financed the transaction through cash reserves and revolving credit capacity. Hosted Solutions, based in Raleigh, N.C., is a leading regional data center and managed hosting provider focused on enterprise-class Infrastructure as a Service (“IaaS”)solutions (managed hosting, managed services, colocation, cloud computing and bandwidth) for small and medium-sized business customers as well as large enterprises. With this acquisition, we added five state-of-the-art data centers in Raleigh, NC, Charlotte, NC, and Boston, MA, which serve more than 600 customers.

Acquisition of Iowa Telecom - On June 1, 2010, we completed our acquisition of Iowa Telecom, based in Newton, Iowa. This acquisition provides us with a sizable operating presence in the upper Midwest. As of June 1, 2010, Iowa Telecom provided service to approximately 208,000 incumbent local exchange carrier (“ILEC”) access lines, 39,000 CLEC access lines, 96,000 high-speed Internet customers and 25,000 digital television customers in Iowa and Minnesota. Pursuant to the merger agreement, each share of Iowa Telecom common stock was converted into the right to receive 0.804 shares of common stock and $7.90 in cash. We paid approximately $253.6 million in cash, net of cash acquired, and issued approximately 26.7 million shares of common stock valued at $280.8 million on the date of issuance. In addition, we repaid outstanding indebtedness, including related interest rate swap liabilities, of Iowa

Telecom of approximately $628.9 million.

Acquisition of NuVox - On February 8, 2010, we completed our acquisition of NuVox, Inc. (“NuVox”), a CLEC based in Greenville, South Carolina. Consistent with our focus on growing revenues from business customers, the completion of the NuVox acquisition added approximately 104,000 business customer locations in 16 contiguous Southwestern and Midwest states. NuVox’s services include voice over Internet protocol, local and long-distance voice, high-speed Internet access, email, voicemail, web hosting, secure electronic data storage and backup, Internet security and virtual private networks. Many of these

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

3. Acquisitions, Continued:

services are delivered over a secure, privately-managed IP network, using a multiprotocol label switch backbone and distributed IP voice switching architecture. In accordance with the NuVox merger agreement, we acquired all of the issued and outstanding shares of common stock of NuVox for $198.4 million in cash, net of cash acquired, and issued approximately 18.7 million shares of common stock valued at $185.0 million on the date of issuance. We also repaid outstanding indebtedness and related liabilities on existing swap agreements of NuVox approximating $281.0 million. Employee severance and transaction costs incurred in conjunction with these acquisitions have been recorded to merger and integration expense in the accompanying consolidated statements of income in accordance with the revised authoritative guidance for business combinations. The costs of the acquisitions were allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition dates, with amounts exceeding fair value recognized as goodwill. Goodwill associated with the acquired businesses is attributable to the workforce of acquired businesses and expected synergies. Approximately $173.7 million of goodwill associated with the acquisition of Hosted Solutions is expected to be deductible for tax purposes. The fair values of the assets acquired and liabilities assumed were determined using income, cost, and market approaches. Identified intangible assets, consisting primarily of customer lists, were valued primarily on the basis of the present value of future cash flows, which is an income approach. Significant assumptions utilized in the income approach were based on company specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used as appropriate for property, plant and equipment. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation. The fair value of the long-term debt and related interest rate swap agreements assumed were determined based on quoted prices for the repayment of these instruments. The purchase price allocations for Q-Comm, Hosted Solutions, Iowa Telecom and NuVox have been completed.

Pro forma financial results related to the acquisitions of Q-Comm, Hosted Solutions, Iowa Telecom and NuVox have not been included because we do not consider these acquisitions to be significant individually or in the aggregate.

4. Goodwill and Other Intangible Assets:

As of January 1, 2011, we completed our annual impairment review of goodwill in accordance with authoritative guidance and determined that no write-down in carrying value was required. As discussed in Note 2, effective January 1, 2011, we have determined that we have two reporting units to test for impairment. We assess goodwill impairment by evaluating the carrying value of shareholder's equity against the current fair market value of outstanding equity, which is determined to be equal to our current market capitalization plus a control premium of 20.0 percent. This premium is estimated through a review of recent market observable transactions involving telecommunication companies.

The following table summarizes the changes in the carrying amount of goodwill during the nine month period ended September 30, 2011:

(Millions)	
Balance at December 31, 2010	$3,704.0
Adjustment of Hosted Solutions (a)	3.9
Adjustment of Q-Comm (a)	12.5
Balance at September 30, 2011	$3,720.4

(a) Adjustments to the carrying value of Hosted Solutions and Q-Comm goodwill were attributable to adjustments in the fair values of assets acquired and liabilities assumed in these acquisitions, as previously discussed in Note 3.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

4. Goodwill and Other Intangible Assets, Continued:

Intangible assets subject to amortization were as follows:

(Millions)	September 30, 2011 Gross Cost	Accumulated Amortization	Net Carrying Value	December 31, 2010 Gross Cost	Accumulated Amortization	Net Carrying Value
Franchise rights	$1,285.1	$(104.0)	$1,181.1	$1,285.1	$(71.9)	$1,213.2
Customer lists (a)	1,084.0	(414.4)	669.6	1,097.5	(298.9)	798.6
Cable franchise rights	39.7	(24.5)	15.2	39.7	(23.5)	16.2
Other (a)	22.9	(16.7)	6.2	19.1	(8.6)	10.5
Balance	$2,431.7	$(559.6)	$1,872.1	$2,441.4	$(402.9)	$2,038.5

(a) Changes in the gross cost of intangible assets during the nine month period ended September 30, 2011 were associated with the acquisitions of Hosted Solutions and Q-Comm, as previously discussed in Note 3.

Amortization expense for intangible assets subject to amortization was $50.3 million and $156.7 million for the three and nine month periods ended September 30, 2011, respectively, as compared to $42.3 million and $108.2 million for the same periods in 2010. Amortization expense on intangible assets is expected to be $47.6 million for the fourth quarter of 2011. Estimated amortization for each of the fiscal years ending December 31, 2012, 2013, 2014 and 2015 is $180.8 million, $156.1 million, $136.2 million and $118.8 million, respectively.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

5. Debt and Derivative Instruments:

Long-term debt was as follows:

(Millions)	September 30, 2011	December 31, 2010
Issued by Windstream Corporation:		
Senior secured credit facility, Tranche A - variable rates, due July 17, 2011	$ —	$ 100.9
Senior secured credit facility, Tranche A2 - variable rates, due July 17, 2013	177.3	182.3
Senior secured credit facility, Tranche B - variable rates, due July 17, 2013	284.6	286.8
Senior secured credit facility, Tranche B2 - variable rates, due December 17, 2015	1,056.4	1,064.5
Senior secured credit facility, Revolving line of credit - variable rates, due December 17, 2015 (a)	955.0	150.0
Debentures and notes, without collateral:		
2013 Notes - 8.125%, due August 1, 2013	800.0	800.0
2016 Notes - 8.625%, due August 1, 2016 (b) (c)	201.5	1,746.0
2017 Notes - 7.875%, due November 1, 2017	1,100.0	1,100.0
2018 Notes - 8.125%, due September 1, 2018 (b)	400.0	400.0
2019 Notes - 7.000%, due March 15, 2019 (b)	500.0	500.0
2020 Notes - 7.750%, due October 15, 2020 (b) (d)	700.0	500.0
2021 Notes - 7.750%, due October 1, 2021 (b) (e)	450.0	—
2023 Notes - 7.500%, due April 1, 2023 (b) (f)	600.0	—
Issued by subsidiaries of the Company:		
Valor Telecommunications Enterprises LLC and Valor Telecommunications Finance Corp. - 7.75%, due February 15, 2015 (b) (g)	—	400.0
Windstream Holdings of the Midwest, Inc. - 6.75%, due April 1, 2028 (b) (h)	100.0	100.0
Cinergy Communications Company - 6.58%, due January 1, 2022	2.2	2.3
Debentures and notes, without collateral:		
Windstream Georgia Communications LLC - 6.50%, due November 15, 2013	30.0	30.0
Discount on long-term debt, net of premiums (i)	(15.6)	(37.0)
Total outstanding debt	7,341.4	7,325.8
Less current maturities	(44.8)	(139.2)
Total long-term debt	$ 7,296.6	$ 7,186.6

(a) During the first nine months of 2011, we borrowed $1,895.0 million under the revolving line of credit and later repaid $1,090.0 million. On March 18, 2011, we increased its capacity from $750.0 million to $1,250.0 million. Considering outstanding borrowings and letters of credit of $11.0 million, the amount available for borrowing was $284.0 million at September 30, 2011. The variable interest rate ranged from 1.52 percent to 4.50 percent and the weighted average rate was 2.50 percent during the nine months ended September 30, 2011. Effective April 27, 2011, all $1,250.0 million available under the revolving line of credit will expire December 17, 2015.

(b) We may call certain debentures and notes at various premiums on early redemption.

5. Debt and Derivative Instruments, Continued:

(c) On March 30, 2011, we accepted the tender of and subsequently retired $1,036.3 million of our outstanding 8.625 percent Senior Notes due 2016 (the “2016 Notes”), in relation to our tender offer announced on March 2, 2011, and amended on March 14, 2011. We paid total consideration of $1,065 per $1,000 aggregate principal amount of 2016 Notes, which included a $30 early tender payment. Additionally, following the expiration of the tender offer, we purchased an additional $125.0 million and $33.2 million of our 2016 Notes during the first and second quarter of 2011, respectively, in privately negotiated transactions. On September 19, 2011, we retired $350.0 million of our 2016 Notes, in relation to our call for redemption announced on August 19, 2011. We paid total consideration of $1,043 per $1,000 aggregate principal amount of 2016 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. The 2016 Notes were purchased using proceeds from debt offerings discussed below and borrowings on our revolving line of credit.

(d) On January 24, 2011, we completed the private placement of an additional $200.0 million in aggregate principal amount of 7.750 percent senior unsecured notes due October 15, 2020 at 103.000 percent to yield 7.233 percent (the “Additional 2020 Notes”). Proceeds from the private placement were used to retire the 7.750 Senior Notes due February 15, 2015 (the “Valor Notes”).

(e) On March 28, 2011, we completed the private placement of $450.0 million in aggregate principal amount of 7.750 percent senior unsecured notes due October 1, 2021, at an issue price of 99.116 percent to yield 7.875 percent (the “2021 Notes”). Proceeds from the private placement were used to purchase for cash a portion of our outstanding 2016 Notes, including any accrued and unpaid interest on the tendered 2016 Notes, together with related fees and expenses.

(f) On March 16, 2011, we completed the private placement of $600.0 million in aggregate principal amount of 7.500 percent senior unsecured notes due April 1, 2023, at par to yield 7.500 percent (the “2023 Notes”). Proceeds from the private placement were used to purchase for cash a portion of our outstanding 2016 Notes, including any accrued and unpaid interest on the tendered 2016 Notes, together with related fees and expenses.

(g) On February 23, 2011, we retired the Valor Notes using the Additional 2020 Notes, together with $220.0 million of borrowing of our revolving line of credit. The Valor Notes, including all accrued and unpaid interest on the Valor Notes and related fees and expenses, totaled approximately $426.0 million. The carrying value as of December 31, 2010 was $406.5 million.

(h) Debt held by Windstream Holdings of the Midwest, Inc., a subsidiary, is secured solely by the assets of the subsidiary.

(i) The change in discount on long-term debt, net of premiums is primarily due to the debt issuance premium written off of the Valor Notes, the pro rata share of the debt issuance discount written off of the 2016 Notes, the premium received on issuance of the Additional 2020 Notes and the discount paid on the issuance of the 2021 Notes.

The terms of the credit facility and indentures include customary covenants that, among other things, require us to maintain certain financial ratios and restrict our ability to incur additional indebtedness. These financial ratios include a maximum leverage ratio of 4.5 to 1.0 and a minimum interest coverage ratio of 2.75 to 1.0. In addition, the covenants include restrictions on dividend and certain other types of payments. We were in compliance with these covenants as of September 30, 2011.

In addition, certain debt agreements contain various covenants and restrictions specific to the subsidiary that is the legal counterparty to the agreement. Under our long-term debt agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days, a change in control (including a person or group obtaining 50.0 percent or more of our outstanding voting stock), with or without (as applicable under our debt agreements) a subsequent downgrade in the credit rating of the debt, or breach of certain other conditions set forth in the borrowing agreements. We were in compliance with these covenants as of September 30, 2011.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

5. Debt and Derivative Instruments, Continued:

Maturities for debt outstanding as of September 30, 2011 for each of the twelve month periods ended September 30, 2012, 2013, 2014, 2015 and 2016 are \$44.8 million, \$1,259.8 million, \$20.9 million, \$10.9 million and \$2,169.9 million, respectively.

During the first quarter of 2011, we purchased \$1,161.3 million of our 2016 Notes and all \$400.0 million of our Valor Notes. During the second and third quarters of 2011, we purchased an additional \$33.2 million and \$350.0 million, respectively, of our 2016 Notes. We financed these transactions with proceeds from the issuance of the 2020 Notes, the 2021 Notes, the 2023 Notes, and borrowings from our revolving line of credit. These transactions allowed us to extend our existing debt maturities and lower our interest rates. The retirements were accounted for under the extinguishment method, and as a result we recognized a loss on extinguishment of debt of \$20.5 million and \$124.4 million during the three and nine month periods, respectively.

The loss on extinguishment of debt is shown as follows for the three and nine month periods ended September 30, 2011:

(Millions)	Three Months Ended	Nine Months Ended
2016 Notes:		
Premium on early redemption	\$15.2	\$92.7
Unamortized discount on original issuance	5.1	23.7
Third-party fees for early redemption	—	2.7
Unamortized debt issuance costs on original issuance	0.2	1.1
Loss on early extinguishment for 2016 Notes	20.5	120.2
Valor Notes:		
Premium on early redemption	—	10.3
Third-party fees for early redemption	—	0.4
Unamortized premium on original issuance	—	(6.5)
Loss on early extinguishment for Valor Notes	—	4.2
Total loss on early extinguishment of debt	\$20.5	\$124.4

Interest expense was as follows for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2011	2010	2011	2010
Interest expense related to long-term debt	\$120.4	\$119.2	\$372.4	\$338.0
Impacts of interest rate swaps	16.2	13.6	49.5	42.0
Other interest expense	—	0.1	0.2	0.3
Less capitalized interest expense	(2.4)	(0.6)	(5.0)	(1.4)
Total interest expense	\$134.2	\$132.3	\$417.1	\$378.9

In 2006, we entered into four pay fixed, receive variable interest rate swap agreements to offset the interest rate risk inherent in the variable rate senior secured credit facilities. These swap agreements were designated as a cash flow hedge, with a maturity on July 17, 2013.

On October 19, 2009, we completed an amendment and restatement of our credit facility which, among other things, extended the maturity date associated with a portion of Tranche B. Subsequently, we renegotiated the four interest rate swap agreements on December 3, 2010, in a strategy commonly referred to as a “blend and extend”. The modified swaps will amortize quarterly to a notional value of \$900.0 million in 2013, where they will remain until maturity on October 17, 2015 (\$1,037.5 million as of September 30, 2011). As a result of the renegotiated agreements, our weighted average fixed rate was lowered to 4.553 percent effective January 17, 2011. The variable rate received resets on the seventeenth day of each quarter to the three-month LIBOR (London-Interbank Offered Rate). The counterparty for each of the swap agreements is a bank with a current credit rating at or above A+.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

5. Debt and Derivative Instruments, Continued:

Our interest rate swap agreements are designated as cash flow hedges of the interest rate risk created by the variable interest rate paid on Tranche B of the senior secured credit facilities, which has varying maturity dates from July 17, 2013 to December 17, 2015 as a result of an amendment to the credit facility. The variable interest rate paid on Tranche B is based on the three-month LIBOR, and it also resets on the seventeenth day of each quarter.

At the time of the modifications, the original interest rate swaps had a negative fair value and were presented as current and long-term liabilities on the balance sheet. These negative fair values and a certain amount of accrued interest associated with the original cash flow hedges were incorporated into the fair values of the new modified cash flow hedges. The related accumulated other comprehensive loss of the original swaps was frozen at the time of modification and is being amortized into interest expense through July 17, 2013, the maturity date of the original cash flow hedges. The accumulated loss had an unamortized balance of $70.3 million as of September 30, 2011. The balance is amortized using the swaplet method, which is based on the principle that the balance in accumulated other comprehensive loss will be equivalent to the sum of the values of the cash flows of each swaplet at the time it was frozen. A swaplet is each calculation period of the interest rate swaps.

We recognize all derivative instruments at fair value in the accompanying consolidated balance sheets as either assets or liabilities, depending on the rights or obligations under the related contracts. The fair value of the designated portion of the swaps decreased $14.1 million and $21.2 million, net of tax, during the three and nine month periods ended September 30, 2011, respectively. This is included as a component of other comprehensive income and will be reclassified into earnings as the hedged transaction affects earnings. Set forth below is information related to our interest rate swap agreements:

(Millions, except for percentages)	September 30, 2011		December 31, 2010	
Designated portion, measured at fair value				
Other current liabilities	$32.3		$35.4	
Other non-current liabilities	$95.9		$75.9	
Accumulated other comprehensive (loss) income	$(28.8	)	$5.6	
De-designated portion, unamortized value				
Accumulated other comprehensive loss	$(70.3	)	$(107.6	)
Weighted average fixed rate paid	4.62	%	5.60	%
Variable rate received	0.25	%	0.29	%

Authoritative guidance permits designating existing derivatives with non-zero fair values in a new cash flow hedge, but perfect effectiveness may not be assumed. Rather, the hedge relationship must be established as “highly effective” as the non-zero fair value element to the new hedge relationship introduces a source of ineffectiveness. The non-zero fair value element of the new hedge relationship represents an off-market or financing element, and as such we assess the effectiveness of our cash flow hedges each quarter using the Perfect Hypothetical Interest Rate Swap Method. This method measures hedge ineffectiveness based on a comparison of the change in fair value of the actual interest rate swap and the change in fair value of a hypothetical interest rate swap with terms that identically match the critical terms of the hedged debt and an original balance of zero. We perform and document this assessment each quarter and recognized a $1.5 million and $5.0 million charge to earnings, reflected in other expense, related to ineffectiveness of our cash flow hedges for the three and nine month periods ended September 30, 2011, respectively, primarily due to declines in the LIBOR rate.

Net amounts due related to our designated swaps are recorded when payable. A portion of the net amount due representing the rate we would receive on the hypothetical interest rate swap discussed above is recognized in interest expense. The remainder represents the repayment of the embedded financing element and reduces the current portion of our swap liability.

Interest payments on our swaps are based on the LIBOR rate. We do not expect any changes in the effectiveness of our swaps due to counterparty risk or further prepayment of hedged items, but any such changes could result in an increase in the ineffective portion of the swaps. An increase in the value of the ineffective portion of our swaps, either through dedesignation of existing swaps or through decreases in the LIBOR rate, could have an adverse impact on our earnings.

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6. Fair Value Measurements:

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or transfer a liability in an orderly transaction between market participants. Authoritative guidance defines the following three tier hierarchy for assessing the inputs used in fair value measurements:

Level 1 – Quoted prices in active markets for identical assets or liabilities

Level 2 – Observable inputs other than quoted prices in active markets for identical assets or liabilities

Level 3 – Unobservable inputs

Assets and liabilities are classified into the hierarchy in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Our non-financial assets and liabilities include goodwill, intangible assets and asset retirement obligations that are measured at fair value on a non-recurring basis. No event occurred during the nine months ended September 30, 2011 requiring these non-financial assets or liabilities to be recognized at fair value.

Our financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, long-term debt and interest rate swaps. We estimate the carrying amount of cash, restricted cash, accounts receivable and accounts payable to approximate fair value due to the relatively short period of time to maturity for those instruments. Cash equivalents, long-term debt and interest rate swaps are measured at fair value on a recurring basis.

The fair values of our cash equivalents and interest rate swaps were determined using the following inputs:

(Millions)	September 30, 2011	December 31, 2010
Level 1 measurements:		
Cash equivalents (a)	$0.1	$0.1
Level 2 measurements:		
Interest rate swaps (b) (see Note 5)	$(128.2)	$(111.3)

(a) Included in cash and cash equivalents on the unaudited consolidated balance sheets as of September 30, 2011 and December 31, 2010.

(b) Included in current portion of interest rate swaps and other liabilities on the unaudited consolidated balance sheets as of September 30, 2011 and December 31, 2010.

Our cash equivalents are highly liquid, actively traded money market funds with next day access.

We value our interest rate swaps based on the present value of expected future cash flows using LIBOR swap rates, with consideration given to non-performance risk specific to us. The LIBOR rates are observable at commonly quoted intervals for the full term of the swaps. As of September 30, 2011 and December 31, 2010, our interest rate swaps liability was decreased by $6.9 million and $4.6 million, respectively, due to non-performance risk. Non-performance risk is assessed based on the current trading discount of our Tranche B senior secured credit facility as our swap agreements are secured by the same collateral. In addition, we routinely monitor and update our evaluation of counterparty risk, and based on such evaluation we have determined that the swap agreements continue to meet the requirements of an effective cash flow hedge. The counterparty to each of the four swap agreements is a bank with a current credit rating at or above A+.

The fair value and carrying value of our long-term debt, including current maturities, was as follows:

(Millions)	September 30, 2011	December 31, 2010
Fair value	$7,349.2	$7,649.1
Carrying value	$7,341.4	$7,325.8

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

6. Fair Value Measurements, Continued:

The fair value of the corporate bonds was calculated based on quoted market prices of the specific issuances in an active market when available. When an active market is not available for certain bonds and bank notes, the fair market value is determined based on bid prices and broker quotes. In calculating the fair market value of the revolving line of credit, Windstream Holdings of the Midwest, Inc. and Windstream Georgia Communications, LLC bonds, an appropriate market price for the same or similar instruments in an active market is used considering credit quality, nonperformance risk and maturity of the instrument.

7. Commitments and Contingencies:

On June 22, 2009, a putative class action lawsuit was filed in Kentucky federal district court against certain of our subsidiaries on behalf of current and former customers in Kentucky. The complaint alleged that we overcharged customers because we collected a gross receipts surcharge ("GRS") in violation of state and federal statutes and tariffs and common law. The federal court referred the state tariff issues to the Kentucky Public Service Commission. The federal court recently ruled that the GRS was a rate that should have been in the Company's federal tariffs prior to its collection from customers and issued an order regarding class certification that, according to the court, was not final. We plan to continue to vigorously defend the court and administrative proceedings. Based on a comprehensive analysis of the activity occurring during the three month period ended September 30, 2011, we accrued an amount that is not material representing the amount of loss that is currently estimable and probable related to this matter. Ultimate resolution, the timing of which is currently unknown, could result in a loss in a range of $0 to $8 million in excess of the amount accrued.

We are party to various legal proceedings. Although the ultimate resolution of these various proceedings cannot be determined at this time, our management does not believe that such proceedings, individually or in the aggregate, will have a material adverse effect on our future consolidated results of income, cash flows or financial condition.

In addition, our management is currently not aware of any environmental matters that, individually or in the aggregate, would have a material effect on our consolidated financial condition or results of operations.

8. Employee Benefit Plans and Postretirement Benefits Other Than Pensions:

We maintain a non-contributory qualified defined benefit pension plan. Future benefit accruals are limited to eligible bargaining employees according to their respective bargaining agreement. Benefit accruals for non-bargaining employees ceased at December 31, 2010. We also maintain supplemental executive retirement plans that provide unfunded, non-qualified supplemental retirement benefits to a select group of current and former management employees. Additionally, we provide and partially fund postretirement healthcare and life insurance benefits for eligible retirees.

The components of pension expense (including provision for executive retirement agreements) were as follows for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2011	2010	2011	2010
Benefits earned during the period	$2.3	$3.9	$7.0	$11.8
Interest cost on benefit obligation	15.2	15.2	45.5	45.5
Amortization of net actuarial loss	11.2	11.4	33.7	34.3
Amortization of prior service credit	—	—	(0.1)	(0.1)
Expected return on plan assets	(17.7)	(15.0)	(53.2)	(45.0)
Net periodic benefit expense	$11.0	$15.5	$32.9	$46.5

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

8. Employee Benefit Plans and Postretirement Benefits Other Than Pensions, Continued:

The components of postretirement expense were as follows for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2011	2010	2011	2010
Benefits earned during the period	$0.1	$—	$0.2	$0.1
Interest cost on benefit obligation	0.6	1.2	2.9	3.8
Amortization of net actuarial loss	0.3	0.2	0.8	0.5
Amortization of prior service credit	(3.0)	(2.0)	(7.5)	(6.2)
Gain from postretirement plan termination	(14.7)	—	(14.7)	—
Net periodic benefit income	$(16.7)	$(0.6)	$(18.3)	$(1.8)

During the third quarter of 2011, we communicated the elimination of retiree basic life insurance benefits for certain participants of our plans effective January 1, 2012. For accounting purposes, this change eliminated all retiree basic life insurance benefits provided within one of the accounting plans and triggered a negative plan amendment and a curtailment eliminating retiree basic life insurance benefit obligations for all participants of the accounting plan. As a result, our postretirement benefit obligation was reduced by $13.8 million and the recognition of associated prior service credits of $4.9 million and actuarial losses of $4.0 million was accelerated. In total, we recorded a $14.7 million gain during the third quarter, of which $11.2 million was recorded in cost of services and $3.5 million in selling, general and administrative expenses.

Due to the changes discussed previously, the total accumulated benefit obligation decreased by $13.8 million to $45.8 million. In remeasuring the postretirement obligations to reflect these changes, updated assumptions as of August 1, 2011 were used. Specifically, the discount rate was decreased from 5.20 percent to 4.86 percent. The discount rate is selected based on a hypothetical yield curve that incorporates high-quality corporate bonds with various maturities adjusted to reflect expected post retirement benefit payments.

During the second quarter of 2011, we amended certain of our postretirement medical plans to reduce the subsidies offered for medical and prescription drug insurance premiums. The change will be made in two waves. Effective January 1, 2012, the available subsidy will be reduced to one-half of the current subsidies. Effective January 1, 2013, the subsidy will be further reduced to either $80 per month for participants who are not eligible for Medicare, or $17 per month for Medicare eligible participants. These amendments were accounted for as plan amendments which reduced our benefit obligation as of June 1, 2011 by $38.3 million, with a corresponding decrease in accumulated other comprehensive loss, net of tax. As a result, the revised benefit obligation was $59.7 million as of June 1, 2011. The reduction in the obligation is being amortized to postretirement benefits expense over the average remaining service life of active employees beginning June 1, 2011. In remeasuring the postretirement obligations to reflect these amendments, updated assumptions as of June 1, 2011 were used. Specifically, the discount rate was decreased from 5.25 percent to 5.20 percent.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

8. Employee Benefit Plans and Postretirement Benefits Other Than Pensions, Continued:

As of August 1, 2011, the latest remeasurement date, estimated future benefit payments are expected to be as follows:

(Millions)	
Expected benefit payments:	
2011	$7.8
2012	$5.0
2013	$3.4
2014	$3.4
2015	$3.4
2016-2020	$14.2

We contributed $4.7 million to the postretirement plans during the nine months ended September 30, 2011, and expect to contribute an additional $3.1 million for postretirement benefits during the fourth quarter of 2011, excluding amounts that will be funded by participant contributions to the plans. On February 28, 2011, we contributed 4.9 million shares of our common stock to the Windstream Pension Plan. At the time of this contribution, these shares had an appraised value, as determined by a third-party valuation firm, of approximately $60.6 million. The pension trust subsequently sold all 4.9 million shares prior to June 30, 2011 for approximately $61.1 million. On September 21, 2011, we contributed 5.9 million shares of our common stock to the Windstream Pension Plan to meet our remaining 2011 and expected 2012 obligation. At the time of the contribution, these shares had an appraised value, as determined by an unaffiliated third party valuation firm, of approximately $75.2 million. The pension trust subsequently sold all 5.9 million shares for approximately $72.4 million. We do not expect any additional contributions to the Windstream Pension Plan for the remainder of 2011.

9. Merger, Integration and Restructuring Charges:

Merger and integration costs are triggered by strategic transactions and include charges for accounting, legal, financing and broker fees, employee transition costs, rebranding, system conversion and other costs related to those transactions. Because they are triggered by strategic transactions, merger and integration charges are unpredictable by nature. They are considered indirect or general in nature and are expensed when incurred in accordance with authoritative guidance on business combinations.

Restructuring charges consist primarily of severance and employee benefit costs. These costs are triggered by continued evaluation of our operating structure and identification of opportunities for operational efficiency and effectiveness.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

9. Merger, Integration and Restructuring Charges, Continued

The following is a summary of the merger, integration and restructuring charges recorded during the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2011	2010	2011	2010
Merger and integration costs (a)				
Transaction costs associated with acquisitions (b)	$17.8	$4.1	$21.1	$25.3
Employee related transition costs (c)	1.0	3.5	7.9	19.5
Computer system and conversion costs	0.9	1.6	4.3	3.2
Signage and other rebranding costs	0.2	2.3	0.6	3.5
Total merger and integration costs	19.9	11.5	33.9	51.5
Restructuring charges	0.5	0.2	0.7	0.7
Total merger, integration and restructuring charges	$20.4	$11.7	$34.6	$52.2

(a) During the three and nine month periods ended September 30, 2011, we incurred costs associated with the acquisitions of NuVox, Iowa Telecom, Q-Comm and Hosted Solutions, as well as the pending acquisition of PAETEC. During the three and nine month periods ended September 30, 2010, we incurred costs associated with the acquisitions of D&E, Lexcom, Inc. ("Lexcom"), NuVox, Iowa Telecom and the acquisition of Q-Comm.

(b) Transaction costs associated with acquisitions include accounting, broker and legal fees, as well as certain financing and other miscellaneous costs.

(c) Employee related transition costs consist primarily of acquisition-related severance and compensation charges.

The following is a summary of the activity related to the liabilities associated with our merger, integration and restructuring charges for the nine month period ended September 30, 2011:

(Millions)	
Balance, beginning of period	$10.5
Merger, integration and restructuring charges	34.6
Cash outlays during the period	(41.7)
Balance, end of period	$3.4

As of September 30, 2011, we had unpaid merger, integration and restructuring liabilities totaling $3.4 million, which consisted of $1.0 million of accrued severance costs primarily associated with the integration of Iowa Telecom, Q-Comm and Hosted Solutions. This liability is included in other current liabilities in the accompanying unaudited interim consolidated balance sheet. The severance and related employee costs will be paid during 2011 as positions are eliminated. Each of these payments will be funded through operating cash flows.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

10. Comprehensive Income (Loss):

Comprehensive income was as follows for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions)	2011	2010	2011	2010
Net income	$71.5	$85.2	$188.2	$238.3
Other comprehensive income:				
Defined benefit pension plans:				
Change in net actuarial loss for employee benefit plans	(0.7)	—	(5.4)	(2.0)
Amounts included in net periodic benefit cost:				
Amortization of net actuarial loss	11.2	11.4	33.7	34.3
Amortization of prior service credits	—	—	(0.1)	(0.1)
Income tax expense	(4.3)	(4.4)	(10.8)	(12.4)
Change in pension plan	6.2	7.0	17.4	19.8
Postretirement plan:				
Change in net actuarial (loss) gain for employee benefit plans	(0.7)	—	0.1	(6.7)
Gain from plan amendment	—	—	38.3	—
Amounts included in net periodic benefit cost:				
Amortization of prior service credits	(3.0)	(2.0)	(7.5)	(6.2)
Amortization of net actuarial loss	0.3	0.2	0.8	0.5
Income tax benefit (expense)	1.8	0.7	(12.1)	(0.1)
Change in postretirement plan	(1.6)	(1.1)	19.6	(12.5)
Change in employee benefit plans	4.6	5.9	37.0	7.3
Interest rate swaps:				
Changes in designated interest rate swaps	(22.9)	(3.4)	(34.4)	(12.8)
Amortization of unrealized losses on de-designated interest rate swaps	12.3	0.5	37.3	0.5
Income tax benefit (expense)	4.1	1.1	(1.1)	4.7
Unrealized holding (losses) gains on interest rate swaps	(6.5)	(1.8)	1.8	(7.6)
Comprehensive income	$69.6	$89.3	$227.0	$238.0

Accumulated other comprehensive loss, net of tax, was as follows:

(Millions)	September 30, 2011	December 31, 2010
Pension and postretirement plans	$ (116.9)	$ (153.9)
Unrealized holding losses on interest rate swaps:		
Designated Portion	(17.7)	3.5
De-designated Portion	(43.5)	(66.5)
Accumulated other comprehensive loss	$ (178.1)	$ (216.9)

11. Earnings per Share:

We compute basic earnings per share by dividing net income applicable to common shares by the weighted average number of common shares outstanding during each period. Our non-vested restricted shares that contain a non-forfeitable right to receive dividends on a one-to-one per share ratio to common shares are considered participating securities, and the impact is included in the computation of basic earnings per share pursuant to the two-class method. The two-class method of computing earnings per share is an earnings allocation formula that determines earnings attributable to common shares and participating securities according to dividends declared (whether paid or unpaid) and participation rights in undistributed earnings. Earnings per common share was computed by dividing the sum of distributed and undistributed earnings allocated to common shareholders

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

11. Earnings per Share, Continued:

by the weighted average number of common shares outstanding for the period. In applying the two-class method, undistributed earnings are allocated to both common shares and participating non-vested restricted shares based on the pro rata weighted average shares outstanding during the period.

Beginning in the first quarter of 2011, we began issuing performance-based restricted stock units as part of our stock-based compensation plan. These newly issued restricted stock units and previously issued performance-based restricted shares issued contain a forfeitable right to receive dividends. Because dividends attributable to these shares are forfeited if the vesting provisions are not met, they are considered non-participating restricted shares and are not dilutive under the two class method until the performance conditions have been satisfied. As of September 30, 2011, the performance conditions have not been satisfied for these shares.

Following is a reconciliation of net income and number of shares used in computing both basic and diluted earnings per share for the three and nine month periods ended September 30:

	Three Months Ended		Nine Months Ended	
(Millions, except per share amounts)	2011	2010	2011	2010
Basic and diluted earnings per share:				
Numerator:				
Net income	$71.5	$85.2	$188.2	$238.3
Net income allocable to participating non-vested restricted shares	(0.8)	(0.8)	(2.5)	(2.2)
Adjusted net income attributable to common shares	$70.7	$84.4	$185.7	$236.1
Denominator:				
Basic shares outstanding				
Weighted average basic shares outstanding	510.5	483.5	509.0	465.1
Weighted average participating non-vested restricted shares	(3.6)	(3.8)	(3.7)	(2.9)
Weighted average shares outstanding for basic earnings per share	506.9	479.7	505.3	462.2
Basic and diluted earnings per share	$.14	$.18	$.37	$.51

The calculation of basic earnings per share excludes income attributable to participating non-vested restricted shares from the numerator and excludes the dilutive impact of participating non-vested restricted shares from the denominator.

12. Share-Based Compensation Plans:

Under the Amended and Restated 2006 Equity Incentive Plan (the “Incentive Plan”), we may issue a maximum of 20.0 million equity stock awards in the form of restricted stock, restricted stock units, stock appreciation rights or stock options. Restricted stock, restricted stock units and stock appreciation rights were limited to 18.5 million of the total awards issuable under the Incentive Plan. As of September 30, 2011, the Incentive Plan had remaining capacity of 9.6 million awards, of which 8.1 million were issuable in the form of restricted stock, restricted stock units or stock appreciation rights.

During February 2011, the Compensation committee of our Board of Directors approved grants of restricted stock to officers, executives, non-employee directors and certain management employees. These grants include the standard annual grants to this employee and director group as a key component of their annual incentive compensation plan and a one-time grant to the CEO and select members of management. The one-time grant, totaling 237,989 shares, was approved on February 8, 2011 to provide a retention incentive for the recipients. In 2011, we issued performance-based restricted stock units to executive officers rather than performance-based restricted shares. Each recipient of the performance-based restricted stock units may vest in a number of shares from zero to 150.0 percent of their award based on attainment of certain operating targets over a three-year period.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

12. Share-Based Compensation Plans, Continued:

Restricted stock and unit activity for the nine month period ended September 30, 2011 was as follows:

	Number of Shares (Thousands)	Weighted Average Fair Value Per Share
Non-vested at December 31, 2010	3,833.7	$ 10.13
Granted	1,833.5	$ 13.17
Vested	(1,486.0)	$ 9.94
Forfeited	(82.5)	$ 12.47
Non-vested at September 30, 2011	4,098.7	$ 11.51

For performance based shares granted, the operating target for the first vesting period was approved by the Board of Directors in February 2011.

The vesting periods and grant date fair value for shares and units issued during the nine month period ended September 30, 2011 were as follows:

(Thousands)	Common Shares
Vest ratably over a three-year service period	1,024.0
Vest contingently over a three-year performance period	522.9
Vest three years from date of grant, service based	238.0
Vest one year from date of grant, service based (a)	48.6
Total granted	1,833.5
Grant date fair value (Millions)	$24.1

(a) Represents shares granted to non-employee directors.

There was no change in the weighted average grant date fair value for the three month period ended September 30, 2011. The weighted average grant date fair value for restricted stock and units granted during the nine month period ended September 30, 2011 was $24.1 million, compared to $6.1 million and $24.8 million for the three and nine month periods ended September 30, 2010. At September 30, 2011, unrecognized compensation expense for non-vested restricted shares was $35.8 million. The unrecognized compensation expense for these non-vested restricted shares has a remaining weighted average vesting period of 1.5 years. Stock-based compensation expense was $6.0 million and $17.4 million for the three and nine month periods ended September 30, 2011, respectively, as compared to $4.7 million and $12.2 million for the same periods in 2010.

13. Supplemental Guarantor Information:

In connection with the issuance of the 2013 Notes, the 2016 Notes, the 2017 Notes, the 2018 Notes, the 2019 Notes, the 2020 Notes, the 2021 Notes and the 2023 Notes (“the guaranteed notes”), certain of our wholly-owned subsidiaries (the “Guarantors”), provided guarantees of those debentures. These guarantees are full and unconditional, subject to certain customary release provisions, as well as joint and several. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to us. The remaining subsidiaries (the “Non-Guarantors”) are not guarantors of the guaranteed notes. Following the acquisitions of acquired businesses, the guaranteed notes were amended to include certain subsidiaries of the acquired businesses as guarantors.

The following information presents condensed consolidated statements of income for the three and nine months ended September 30, 2011 and 2010, condensed consolidated balance sheets as of September 30, 2011 and December 31, 2010, and condensed consolidated statements of cash flows for the nine months ended September 30, 2011 and 2010 of the parent company, the Guarantors, and the Non-Guarantors. Investments in consolidated subsidiaries are held primarily by the parent company in the net assets of its subsidiaries and have been presented using the equity method of accounting.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

	Condensed Consolidated Statement of Income (Unaudited) Three Months Ended September 30, 2011				
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$—	$271.7	$728.5	$(5.5)	$ 994.7
Product sales	—	16.8	11.8	—	28.6
Total revenues and sales	—	288.5	740.3	(5.5)	1,023.3
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	87.6	288.3	(3.1)	372.8
Cost of products sold	—	15.2	9.3	—	24.5
Selling, general and administrative	—	26.0	111.5	(2.4)	135.1
Depreciation and amortization	—	78.5	125.5	—	204.0
Merger, integration and restructuring	—	0.2	20.2	—	20.4
Total costs and expenses	—	207.5	554.8	(5.5)	756.8
Operating income	—	81.0	185.5	—	266.5
Earnings from consolidated subsidiaries	141.8	23.1	1.2	(166.1)	—
Other (expense) income, net	(1.6)	44.8	(44.7)	—	(1.5)
Intercompany interest income (expense)	41.9	(26.4)	(15.5)	—	—
Loss on early extinguishment of debt	(20.5)	—	—	—	(20.5)
Interest (expense) income, net	(134.5)	(1.0)	1.3	—	(134.2)
Income before income taxes	27.1	121.5	127.8	(166.1)	110.3
Income tax (benefit) expense	(44.4)	37.3	45.9	—	38.8
Net income	$71.5	$84.2	$81.9	$(166.1)	$ 71.5

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

	Condensed Consolidated Statement of Income (Unaudited) Three Months Ended September 30, 2010				
(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$—	$265.0	$678.5	$(4.6)	$938.9
Product sales	—	12.7	14.2	—	26.9
Total revenues and sales	—	277.7	692.7	(4.6)	965.8
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	88.4	265.2	(2.9)	350.7
Cost of products sold	—	11.8	10.9	—	22.7
Selling, general and administrative	0.6	28.7	103.0	(1.7)	130.6
Depreciation and amortization	—	75.7	104.2	—	179.9
Merger, integration and restructuring	—	—	11.7	—	11.7
Total costs and expenses	0.6	204.6	495	(4.6)	695.6
Operating income	(0.6)	73.1	197.7	—	270.2
Earnings from consolidated subsidiaries	144.4	24.8	1.0	(170.2)	—
Other (expense) income, net	(1.4)	46.1	(47.7)	—	(3.0)
Intercompany interest income (expense)	38.1	(23.7)	(14.4)	—	—
Interest expense	(130.3)	(1.8)	(0.2)	—	(132.3)
Income before income taxes	50.2	118.5	136.4	(170.2)	134.9
Income tax (benefit) expense	(35.0)	33.9	50.8	—	49.7
Net income	$85.2	$84.6	$85.6	$(170.2)	$85.2

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Income (Unaudited)
Nine Months Ended
September 30, 2011

(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$—	$811.9	$2,198.0	$(16.2)	$2,993.7
Product sales	—	46.4	36.7	—	83.1
Total revenues and sales	—	858.3	2,234.7	(16.2)	3,076.8
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	264.2	861.0	(8.9)	1,116.3
Cost of products sold	—	41.8	26.8	—	68.6
Selling, general and administrative	—	74.8	341.7	(7.3)	409.2
Depreciation and amortization	—	238.2	368.2	—	606.4
Merger, integration and restructuring	—	0.2	34.4	—	34.6
Total costs and expenses	—	619.2	1,632.1	(16.2)	2,235.1
Operating income	—	239.1	602.6	—	841.7
Earnings from consolidated subsidiaries	444.6	88.1	2.7	(535.4)	—
Other (expense) income, net	(3.6)	134.1	(132.6)	—	(2.1)
Intercompany interest income (expense)	127.1	(79.8)	(47.3)	—	—
Loss on early extinguishment of debt	(124.4)	—	—	—	(124.4)
Interest (expense) income, net	(415.3)	(3.9)	2.1	—	(417.1)
Income before income taxes	28.4	377.6	427.5	(535.4)	298.1
Income tax (benefit) expense	(159.8)	110.1	159.6	—	109.9
Net income	$188.2	$267.5	$267.9	$(535.4)	$188.2

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Income (Unaudited)
Nine Months Ended
September 30, 2010

(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$—	$679.2	$1,997.5	$(11.4)	$2,665.3
Product sales	—	30.9	34.8	—	65.7
Total revenues and sales	—	710.1	2,032.3	(11.4)	2,731.0
Costs and expenses:					
Cost of services (exclusive of depreciation and amortization included below)	—	217.1	768.6	(7.9)	977.8
Cost of products sold	—	29.5	27.4	—	56.9
Selling, general and administrative	—	62.9	310.5	(3.5)	369.9
Depreciation and amortization	—	196.0	307.0	—	503.0
Merger, integration and restructuring	—	0.1	52.1	—	52.2
Total costs and expenses	—	505.6	1,465.6	(11.4)	1,959.8
Operating income	—	204.5	566.7	—	771.2
Earnings from consolidated subsidiaries	422.2	73.9	3.5	(499.6)	—
Other (expense) income, net	(2.7)	115.4	(116.9)	—	(4.2)
Intercompany interest income (expense)	79.3	(38.3)	(41.0)	—	—
Interest expense	(372.9)	(5.0)	(1.0)	—	(378.9)
Income before income taxes	125.9	350.5	411.3	(499.6)	388.1
Income tax (benefit) expense	(112.4)	104.3	157.9	—	149.8
Net income	$238.3	$246.2	$253.4	$(499.6)	$238.3

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

Condensed Consolidated Balance Sheet (Unaudited)
September 30, 2011

(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$8.5	$7.1	$18.7	$—	$ 34.3
Restricted cash	9.2	—	—	—	9.2
Accounts receivable (less allowance for doubtful accounts of $29.5)	—	110.9	273.8	1.5	386.2
Affiliates receivable, net	—	60.7	2,835.6	(2,896.3)	—
Inventories	—	53.3	7.5	—	60.8
Deferred income taxes	83.0	4.7	4.9	—	92.6
Prepaid income taxes	116.6	10.0	—	—	126.6
Prepaid expenses and other	4.3	13.5	45.3	—	63.1
Assets held for sale	—	50.6	—	—	50.6
Total current assets	221.6	310.8	3,185.8	(2,894.8)	823.4
Investments in consolidated subsidiaries	10,987.1	1,349.2	314.1	(12,650.4)	—
Goodwill and other intangibles, net	—	3,829.6	1,762.9	—	5,592.5
Net property, plant and equipment	7.6	1,467.0	3,351.0	—	4,825.6
Other assets	88.8	357.0	67.5	(335.7)	177.6
Total Assets	$11,305.1	$7,313.6	$8,681.3	$(15,880.9)	$ 11,419.1
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$33.8	$0.8	$15.0	$(4.8)	$ 44.8
Current portion of interest rate swaps	32.3	—	—	—	32.3
Accounts payable	0.8	54.2	116.7	—	171.7
Affiliates payable, net	2,896.3	—	—	(2,896.3)	—
Advance payments and customer deposits	—	30.2	112.2	—	142.4
Accrued dividends	129.5	—	—	—	129.5
Accrued taxes	(123.1)	108.9	105.0	—	90.8
Accrued interest	137.5	3.4	0.8	—	141.7
Other current liabilities	27.6	18.6	76.2	—	122.4
Total current liabilities	3,134.7	216.1	425.9	(2,901.1)	875.6
Long-term debt	7,173.6	99.8	352.5	(329.3)	7,296.6
Deferred income taxes	46.8	964.9	991.9	—	2,003.6
Other liabilities	127.4	31.8	261.5	—	420.7
Total liabilities	10,482.5	1,312.6	2,031.8	(3,230.4)	10,596.5
Commitments and Contingencies (See Note 7)					
Shareholders' Equity:					
Common stock	0.1	40.8	83.1	(123.9)	0.1
Additional paid-in capital	982.0	5,083.4	3,162.0	(8,245.4)	982.0
Accumulated other comprehensive (loss) income	(178.1)	4.8	(123.9)	119.1	(178.1)
Retained earnings	18.6	872.0	3,528.3	(4,400.3)	18.6

Total shareholders’ equity	822.6	6,001.0	6,649.5	(12,650.5)	822.6
Total Liabilities and Shareholders’ Equity	$11,305.1	$7,313.6	$8,681.3	$(15,880.9)	$ 11,419.1

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

13. Supplemental Guarantor Information, Continued:

Condensed Consolidated Balance Sheet (Unaudited)
December 31, 2010

(Millions)	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$4.1	$8.4	$29.8	$—	$ 42.3
Accounts receivable (less allowance for doubtful accounts of $27.8)	—	106.6	268.5	(1.2)	373.9
Affiliates receivable, net	—	—	2,517.8	(2,517.8)	—
Inventories	—	44.3	8.2	—	52.5
Deferred income taxes	14.1	25.5	5.2	—	44.8
Prepaid income taxes	62.9	—	—	—	62.9
Prepaid expenses and other	3.1	24.7	32.9	—	60.7
Assets held for sale	—	50.6	—	—	50.6
Total current assets	84.2	260.1	2,862.4	(2,519.0)	687.7
Investments in consolidated subsidiaries	10,501.9	1,260.3	321.2	(12,083.4)	—
Goodwill and other intangibles, net	—	3,930.0	1,812.5	—	5,742.5
Net property, plant and equipment	7.6	1,462.0	3,303.1	—	4,772.7
Other assets	76.9	357.2	52.4	(335.7)	150.8
Total Assets	$10,670.6	$7,269.6	$8,351.6	$(14,938.1)	$ 11,353.7
Liabilities and Shareholders' Equity					
Current Liabilities:					
Current maturities of long-term debt	$128.3	$0.7	$11.4	$(1.2)	$ 139.2
Current portion of interest rate swaps	35.4	—	—	—	35.4
Accounts payable	0.6	71.3	79.4	—	