

Examples Illustrating Merger Tax Consequences to Former Iowa Telecommunications Services, Inc. Shareholders

Overview

This document provides examples illustrating how to calculate, for U.S. federal income tax purposes, taxable gains and losses on the merger, as well as the tax basis of the new Windstream Corporation shares received in the merger. The examples are for individuals who are citizens or residents of the United States, purchased all of their Iowa Telecommunications Services, Inc. shares for cash and held those shares as a capital asset (generally, for investment purposes). The examples do not address any special tax rules that may apply (including shares received as compensation), nor do they address the consequences of any state, local, or foreign tax laws.

Important Notice

The examples are not meant to provide you with tax advice and you should not rely on them. Your tax consequences depend on your individual circumstances and could differ significantly from those in the examples. **You should consult your own tax advisor regarding the specific tax consequences of the merger to you in light of your own tax circumstances.** These examples are provided for illustrative purposes only and do not replace the discussion of tax consequences contained on pages 70-73 in the joint proxy statements/prospectus dated February 19, 2010 and distributed to Iowa Telecommunications Services, Inc. stockholders of record on February 18, 2010. Additional copies of the joint proxy statement/prospectus can be obtained through an email request sent to windstream.investor.relations@windstream.com.

Calculations

The taxable gain or loss for U.S. federal tax purposes for U.S. taxpayers and the tax basis of the new Windstream Corporation shares received in the merger may be calculated as follows:

- **Step 1:** *Calculate the Original Cost Basis in Iowa Telecommunications Services, Inc. Shares.* The cost basis generally equals the amount you paid for your Iowa Telecommunications Services, Inc. shares. If you received dividends in the past that were classified as return of capital, you should reduce your cost basis accordingly, but not below zero. Please consult with your tax advisor.
- **Step 2:** *Calculate the Total Consideration Received in the Merger.* The total merger consideration equals (1) the fair market value of the new Windstream Corporation shares (including any fractional shares), plus (2) the amount of cash (excluding any cash in lieu of a fractional share) that you received in the merger.

- **Step 3:** *Calculate the Taxable Gain or Loss Realized in the Merger.* The realized gain or loss equals (1) the total merger consideration (as determined in Step 2), minus (2) the cost basis in Iowa Telecommunications Services, Inc. common stock (as determined in Step 1).
- **Step 4:** *Calculate the Taxable Gain Recognized in the Merger.* The recognized gain equals the lesser of (1) the cash you received in the merger (excluding any cash in lieu of fractional shares) and (2) the total gain realized on your Iowa Telecommunications Services, Inc. common stock (as determined in Step 3). You will not be permitted to recognize a loss.
- **Step 5:** *Calculate the Total Basis in New Windstream Corporation Common Stock.* Your total basis in the Windstream Corporation common stock received in the merger (including any fractional shares) equals (1) the original cost basis in your Iowa Telecommunications Services, Inc. common stock (as determined in Step 1), minus (2) the cash you received in the merger (excluding any cash received in lieu of fractional shares), plus (3) the taxable gain you recognized in the merger, if any (as determined in Step 4).
- **Step 6:** *Calculate the Taxable Gain or Loss Recognized on any Fractional Shares.* Your gain or loss on the exchange of any fractional Windstream Corporation share for cash equals (1) the cash you received in exchange for the fractional share, minus (2) your basis in the fractional share (determined based on the calculation in Step 5).
- **Step 7:** *Calculate the Total Basis in Remaining Windstream Corporation Shares.* Your total basis in the remaining Windstream Corporation shares equals (1) your basis in the Windstream Corporation shares received in the merger (including any fractional shares) (as determined in Step 5), minus (2) your basis in the fractional shares (as determined for purposes of Step 6).

If you owned multiple blocks of Iowa Telecommunications Services, Inc. common stock purchased at different share prices, you will calculate your gain on a block-by-block basis. You should consult your tax advisor regarding your basis in the new Windstream Corporation common stock received in exchange for multiple blocks of Iowa Telecommunications Services, Inc. common stock.

Assumptions for Examples

The following three examples utilize the calculations described above and are for illustrative purposes only and should not be considered tax advice. In each example, it is assumed that you owned 200 shares of Iowa Telecommunications Services, Inc. common stock at the time of the merger. It is also assumed, for purposes of calculating the total consideration received in the merger (Step 2), that the fair market value of any new Windstream Corporation shares received in the merger was \$10.65 per share, which was the average of the closing prices for the 10 days leading up to the merger date as provided by the merger agreement.

In each example you would have been entitled to approximately 160.80 shares of Windstream Corporation common stock (200 Iowa Telecommunications Services, Inc. shares times the 0.804 stock exchange ratio) and approximately \$1,580.00 in cash (200 Iowa Telecommunications Services, Inc. shares times the \$7.90 cash ratio). In exchange for the 0.80 fractional share, you would have received an additional cash payment of \$13.17 (\$16.46 times 0.80 shares), leaving you with 160 shares of Windstream common stock.

The examples differ as to the original cost basis in Iowa Telecommunications Services, Inc. common stock. In Example 1, you are assumed to have had an original basis of \$5 per Iowa Telecommunications Services, Inc. share. In Example 2, your basis is assumed to be \$15 per share, while in Example 3, your basis is assumed to be \$20 per share.

Example 1:**Step 1: Original Cost Basis in Iowa Telecommunications Services Shares**

200 shares x \$5/share \$1,000.00

Step 2: Total Consideration Received in the Merger

Stock Merger Consideration (160.80 Windstream Corporation shares x \$10.65) \$1,712.52

Plus: Cash Merger Consideration (200 Iowa Telecommunications shares x \$7.90) 1,580.00

Total Consideration Received \$3,292.52

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received \$3,292.52

Less: Original Cost Basis of Iowa Telecommunications Services shares (1,000.00)

Total Gain Realized \$2,292.52

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration) \$1,580.00

Step 5: Total Basis in New Windstream Corporation Shares

Original Cost Basis in Iowa Telecommunications shares \$1,000.00

Less: Cash Merger Consideration (1,580.00)

Plus: Taxable Gain Recognized 1,580.00

Basis in New Windstream Corporation Shares (160.80 shares) \$1,000.00

Step 6: Taxable Gain or Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.80 x \$16.46) \$ 13.17

Less: Basis Attributable to Fractional Share [(0.80/160.80) x \$1,000.00] (4.98)

Taxable Gain on Fractional Share \$ 8.19

Step 7: Total Basis in the Remaining Windstream Shares

Basis in New Windstream Corporation shares (160.80 shares) \$1,000.00

Less: Basis Attributable to Fractional Share (from Step 6) (4.98)

Basis in Remaining Windstream Shares (160 shares) \$ 995.02

Per Share Basis (\$995.02/160 shares) \$6.22

In this example, you would report a total taxable gain of \$1,588.19 (\$1,580.00 plus \$8.19) from the merger, and you would have a tax basis of \$995.02 in the 160 shares of Windstream Corporation common stock that you received.

This calculation is for illustrative purposes only and should not be considered tax advice. Specific questions about your unique situation should be discussed with your tax advisor.

Example 2:**Step 1: Original Cost Basis in Iowa Telecommunications Services Shares**

200 shares x \$15/share \$3,000.00

Step 2: Total Consideration Received in the Merger

Stock Merger Consideration (160.80 Windstream Corporation shares x \$10.65) \$1,712.52

Plus: Cash Merger Consideration (200 Iowa Telecommunications shares x \$7.90) 1,580.00

Total Consideration Received \$3,292.52

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received \$3,292.52

Less: Original Cost Basis of Iowa Telecommunications Services shares (3,000.00)

Total Gain Realized \$ 292.52

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration) \$ 292.52

Step 5: Total Basis in New Windstream Corporation Shares

Original Cost Basis in Iowa Telecommunications shares \$3,000.00

Less: Cash Merger Consideration (1,580.00)

Plus: Taxable Gain Recognized 292.52

Basis in New Windstream Corporation Shares (160.80 shares) \$1,712.52

Step 6: Taxable Gain or Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.80 x \$16.46) \$ 13.17

Less Basis Attributable to Fractional Share [(0.80/160.80) x \$1,712.52] (8.52)

Taxable Loss on Fractional Share \$ 4.65

Step 7: Total Basis in the Remaining Windstream Shares

Basis in New Windstream Corporation shares (160.80 shares) \$1,712.52

Less Basis Attributable to Fractional Share (from Step 6) (8.52)

Basis in Remaining Windstream Shares (160 shares) \$1,704.00

Per Share Basis (\$1,704.00/160 shares) \$10.65

In this example, you would report a total taxable gain of \$297.17 (\$292.52 plus \$4.65) from the merger, and you would have a tax basis of \$1,704.00 in the 160 shares of Windstream Corporation common stock that you received.

This calculation is for illustrative purposes only and should not be considered tax advice. Specific questions about your unique situation should be discussed with your tax advisor.

Example 3:**Step 1: Original Cost Basis in Iowa Telecommunications Services Shares**

200 shares x \$20/share \$4,000.00

Step 2: Total Consideration Received in the Merger

Stock Merger Consideration (160.80 Windstream Corporation shares x \$10.65) \$1,712.52

Plus: Cash Merger Consideration (200 Iowa Telecommunications shares x \$7.90) 1,580.00

Total Consideration Received \$3,292.52

Step 3: Taxable Gain or Loss Realized in the Merger

Total Consideration Received \$3,292.52

Less: Original Cost Basis of Iowa Telecommunications Services shares (4,000.00)

Total Loss Realized (\$ 707.48)

Step 4: Taxable Gain Recognized in the Merger

Taxable Gain Recognized (Lesser of Total Gain Realized or Cash Merger Consideration) \$ 0.00

No Loss Allowed

Step 5: Total Basis in New Windstream Corporation Shares

Original Cost Basis in Iowa Telecommunications shares \$4,000.00

Less: Cash Merger Consideration (1,580.00)

Plus: Taxable Gain Recognized 0.00

Basis in New Windstream Corporation Shares (160.80 shares) \$2,420.00

Step 6: Taxable Gain of Loss Recognized on Fractional Share

Cash Paid in Lieu of Fractional Share (0.80 x \$7.90) \$ 13.17

Less Basis Attributable to Fractional Share [(0.80/160.80) x \$2,420.00] (12.04)

Taxable Gain on Fractional Share \$ 1.13

Step 7: Total Basis in the Remaining Windstream Shares

Basis in New Windstream Corporation shares (160.80 shares) \$2,420.00

Less Basis Attributable to Fractional Share (from Step 6) (12.04)

Basis in Remaining Windstream Shares (160 shares) \$2,407.96

Per Share Basis (\$2,407.96/160 shares) \$15.05

In this example, you would report a total taxable gain of \$1.13 from the merger, and you would have a tax basis of \$2,407.96 in the 160 shares of Windstream Corporation common stock that you received.

This calculation is for illustrative purposes only and should not be considered tax advice. Specific questions about your unique situation should be discussed with your tax advisor.