



## Windstream to Acquire Hosted Solutions

- **Advances strategy to grow broadband and business revenues**
- **Significantly expands Windstream's data center footprint**
- **Provides platform for future growth in the business enterprise and cloud computing segment under seasoned Hosted Solutions management team**
- **Includes expected tax benefits with an estimated net present value of approximately \$52 million**

LITTLE ROCK, Ark., Nov. 4, 2010 (GLOBE NEWSWIRE) -- Windstream Corp. (Nasdaq:WIN) announced today that it has entered into a definitive agreement with ABRY Partners to acquire Hosted Solutions Acquisition, LLC (Hosted Solutions) in an all-cash transaction valued at \$310 million.

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. The company serves more than 600 customers and has approximately 125 employees.

The acquisition of Hosted Solutions will transform Windstream's data center business, increasing the scale and scope by adding five state-of-the-art SAS 70 Type II certified data centers in Raleigh, N.C.; Charlotte, N.C., and Boston with a total of 68,000 square feet of data center capacity. As a result, Windstream will have a combined total of 12 data centers across the country.

"Data center space is increasingly in demand among our existing business customers," said Jeff Gardner, president and chief executive officer of Windstream. "Hosted Solutions is an excellent complement to our existing enterprise service portfolio. For the past decade, they have been delivering highly complex managed hosting solutions to customers of various sizes. In addition, they have a proven track record of growing revenue and generating significant free cash flow."

Windstream expects to finance the transaction with existing liquidity through cash reserves and revolving credit capacity.

Windstream will be able to fully amortize the purchase price goodwill over 15 years, resulting in expected tax benefits with an estimated net present value of \$52 million.

Windstream estimates the transaction will be accretive to free cash flow in the first year following the closing after expected annual synergies of approximately \$1.5 million in operating expense savings and excluding integration charges.

The boards of both companies have approved the transaction, which is expected to close in the fourth quarter of 2010, subject to certain conditions, including necessary regulatory approvals.

### Financial Information

Hosted Solutions has a history of revenue and OIBDA (operating income before depreciation and amortization) growth. Over the last three fiscal years, Hosted Solutions has grown revenue and OIBDA at a 48 percent and 91 percent CAGR (compound annual growth rate), respectively. The company has potential for future growth, as it currently only utilizes approximately 70 percent of its square feet capacity and 50 percent of its power capacity with the ability to expand at all of its existing data centers. In the 12 months ended Sept. 30, 2010, Hosted Solutions generated \$51.7 million in revenue and \$25.7 million in Adjusted OIBDA.

### Additional Information

The Bank Street Group LLC and Stephens Inc. acted as financial advisers and Kutak Rock LLP acted as legal adviser to Windstream on the transaction. Kirkland & Ellis LLP acted as legal adviser to ABRY Partners and Hosted Solutions.

### Non-GAAP Financial Measures

This press release references the non-GAAP financial measure Adjusted OIBDA for Hosted Solutions on a pro forma basis. A reconciliation of this measure to the most directly comparable GAAP measure is presented below:

(Dollars in Millions)	12 Months Ended
	9/30/10
Operating income under GAAP	\$10.9
Depreciation and amortization	13.6
Stock-based compensation	1.2
Adjusted OIBDA	\$25.7

#### Cautionary Statement Regarding Forward-Looking Statements

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements, including statements regarding the completion of the acquisition, expected benefits of the acquisition and growth potential of Hosted Solutions, are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. These forward-looking statements are based on estimates, projections, beliefs and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors. Factors that could cause actual results to differ materially from those contemplated above include, among others: receipt of required approvals of regulatory agencies; the possibility that the anticipated benefits from the acquisition cannot be fully realized or may take longer to realize than expected; the possibility that costs or difficulties related to the integration of Hosted Solutions operations into Windstream will be greater than expected; the ability of the combined company to retain and hire key personnel; and those additional factors under the caption "Risk Factors" in Windstream's Form 10-K for the year ended December 31, 2009 and in subsequent Securities and Exchange Commission filings. In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes. Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included in Windstream's filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

#### About Windstream

Windstream Corp. (Nasdaq:WIN), headquartered in Little Rock, Ark., is an S&P 500 company with communications operations in 23 states and about \$4 billion in annual revenues. Windstream provides phone, high-speed Internet and high-definition digital TV services. The company also offers a wide range of IP-based voice and data services and advanced phone systems and equipment to businesses and government agencies. For more information about Windstream, visit [www.windstream.com](http://www.windstream.com).

The Windstream Corporation logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=7044>

#### About Hosted Solutions

Hosted Solutions is a premier provider of enterprise-class managed hosting solutions on the East Coast. Its high quality data center and managed hosting services, including a dedicated server offering, managed colocation and its cloud computing suite, maintain and protect customers' mission-critical IT systems and applications, enabling them to reduce operating costs, lower the risk of downtime, focus on core competencies, and achieve their top business objectives. The company operates five SAS 70 Type II certified data centers in Raleigh, N.C.; Charlotte, N.C., and Boston, providing best-of-breed data center operations with hardened physical infrastructure and the highest level of security. It also offers a complete managed services portfolio, including enterprise storage, network, OS management, middleware server management, DBA services, security and disaster recovery. Hosted Solutions is backed by Boston-based private equity firm ABRY Partners. For more information about Hosted Solutions, visit [www.hostedsolutions.com](http://www.hostedsolutions.com).

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