Docket #0825 Date Filed: 07/19/2019

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	
WINDSTREAM HOLDINGS, INC., *et al.*[1]	Chapter 11
	Case No. 19-22312 (RDD)
Debtors.	(Jointly Administered)

DECLARATION OF ELI J. VONNEGUT IN SUPPORT OF UNITI'S OBJECTION TO THE MOTION OF UMB BANK, NATIONAL ASSOCIATION AND U.S. BANK NATIONAL ASSOCIATION

[1] The last four digits of Debtor Windstream Holdings, Inc.'s tax identification number are 7717. A complete list of the debtor entities and the last four digits of their federal tax identification numbers may be obtained on the website of the Debtors' claims and noticing agent at http://www.kccllc.net/windstream. The location of the Debtors' service address for purposes of these chapter 11 cases is: 400l North Rodney Parham Road, Little Rock, Arkansas 72212.

1922312190719000000000056

ELI J. VONNEGUT declares under penalty of perjury, pursuant to 28 U.S.C. § 1746, that the following is true and correct:

1. I am an attorney admitted to practice in the State of New York and a partner at the law firm of Davis Polk & Wardwell LLP, counsel for CSL National, LP and certain of its affiliates that are collectively referred to as Landlord under the Master Lease (collectively, "Uniti"). I submit this declaration in support of Uniti's Objection to the *Motion of UMB Bank, National Association and U.S. Bank National Association, as Indenture Trustees, (i) to Strike the Uniti Master Lease From the Debtors' Schedule G and (ii) to Modify the Cash Management Order* (Docket No. 728). The matters in this declaration are within my personal knowledge and are true and correct.

2. Attached hereto as Exhibit A is a true and correct copy select pages from Windstream Holdings, Inc. and Windstream Corp.'s Form 8-K, dated July 29, 2014 ("July 2014 8-K").

3. Attached hereto as Exhibit B is a true and correct copy of Windstream Holdings, Inc. and Windstream Services, LLC's Form 8-K, dated April 30, 2015 ("April 2015 8-K").

4. Attached hereto as Exhibit C is a true and correct copy of "Master Lease Among CSL National, LP and the Entities Set Forth on Schedule 1, collectively, as Landlord and Windstream Holdings, Inc., as Tenant," dated April 24, 2015 ("Master Lease").

5. Attached hereto as Exhibit D is a true and correct copy of select pages from Docket No. 131-4 filed in *U.S. Bank Nat'l Ass'n v. Windstream Servs., LLC*, No. 1:17-cv-07857-JMF (S.D.N.Y. 2017) (the "Aurelius Litigation"), which appears to be the transcript of the November 2, 2017 deposition of John P. Fletcher ("Fletcher Deposition").

6. Attached hereto as Exhibit E is a true and correct copy of Windstream Holdings, Inc. and Windstream Corp.'s Form 8-K, dated December 18, 2014 ("December 2014 8-K").

7. Attached hereto as Exhibit F is a true and correct copy of select pages from a document titled "Windstream Board of Directors Meeting," dated March 17, 2015, which was Trial Exhibit WIN-048 in the Aurelius Litigation ("Board Presentation").

8. Attached hereto as Exhibit G is a true and correct copy of select pages from Windstream Holdings, Inc. and Windstream Services, LLC's Form 10-Q for the quarterly period ended March 31, 2019 ("Q1 2019 10-Q").

9. Attached hereto as Exhibit H is a true and correct copy of select pages from Windstream Holdings, Inc. and Windstream Services, LLC's Form 10-K for the fiscal year ended December 31, 2018 ("2018 10-K").

10. Attached hereto as Exhibit I is a true and correct copy of select pages from Windstream Holdings, Inc. and Windstream Services, LLC's Form 10-K for the fiscal year ended December 31, 2017 ("2017 10-K").

11. Attached hereto as Exhibit J is a true and correct copy of select pages from Windstream Holdings, Inc. and Windstream Services, LLC's Form 10-K for the fiscal year ended December 31, 2016 ("2016 10-K").

12. Attached hereto as Exhibit K is a true and correct copy of Docket No. 131-30 filed in the Aurelius Litigation, which appears to be an email from Rob Gunderman to Tony Thomas, forwarding an email from Kevin R. Curtin that attaches a "Q&A list for discussions with lenders" ("Lender Q&A").

13. Attached hereto as Exhibit L is a true and correct copy of "Separation and Distribution Agreement by and among Windstream Holdings, Inc., Windstream Services, LLC

and Communications Sales & Leasing, Inc.," dated March 26, 2015 ("Separation and Distribution Agreement").

14. Attached hereto as Exhibit M is a true and correct copy of select pages from Windstream Holdings, Inc. and Windstream Corp.'s Form 10-Q for the quarterly period ended June 30, 2014 ("Q2 2014 10-Q").

15. Attached hereto as Exhibit N is a true and correct copy of select pages from Communications Sales & Leasing, Inc.'s Form 8-K, dated March 26, 2015 ("Uniti Information Statement").

16. Attached hereto as Exhibit O is a true and correct copy of the Skadden, Arps, Slate, Meagher & Flom LLP True Lease Opinion, dated April 24, 2015 ("True Lease Opinion").

17. Attached hereto as Exhibit P is a true and correct copy of private letter ruling from the Internal Revenue Service ("IRS"), number 201528006, issued on July 16, 2014 ("IRS Ruling"). This document can also be accessed at www.irs.gov.

18. Attached hereto as Exhibit Q is a true and correct copy of a document from Bloomberg Intelligence, dated May 17, 2019, titled "Windstream: Threats May Be Hot Air" ("Bloomberg Intelligence Article").

19. Attached hereto as Exhibit R is a true and correct copy of a document from Morningstar, dated May 15, 2019, titled "Windstream Provides Update on Bankruptcy Proceedings and View of Uniti Lease with 1Q Results" ("Morningstar Analyst Note").

20. Attached hereto as Exhibit S is a true and correct copy of a document from J.P. Morgan North America Credit Research, dated May 16, 2019, titled "Setting the Stage for Lease Negotiations – ALERT" ("J.P. Morgan Research Report").

21. Attached hereto as Exhibit T is a true and correct copy of a letter from R. Benjamin Crittenden, dated November 10, 2014, enclosing a document titled "Rebuttal Testimony of Robert E. Gunderman on Behalf of Windstream Kentucky East, LLC and Windstream Kentucky West, LLC" ("Gunderman Rebuttal Testimony to the Kentucky Public Service Commission").

22. Attached hereto as Exhibit U is a true and correct copy of select pages from "Transcript of November 13, 2014, hearing before David L. Armstrong, Chairman; James W. Gardner, Vice-Chairman; and Linda Breathitt, Commissioner, at the Kentucky Public Service Commission," ("Kentucky Public Service Commission Hearing Testimony").

23. I declare under penalty of perjury that the foregoing is true and correct.

Dated: July 19, 2019
New York, New York

/s/ Eli J. Vonnegut
Eli J. Vonnegut

Exhibit A

July 2014 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): July 29, 2014



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Corporation	Delaware	001-36093	20-0792300

4001 Rodney Parham Road Little Rock, Arkansas (Address of principal executive offices)	72212 (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Exhibit 99.1

Windstream to spin off assets into publicly traded REIT

Transaction accelerates company's transformation by enabling greater network investments that will enhance service to customers while providing the REIT with opportunities to grow and diversify

Aligns strategic objectives and creates new opportunities for both companies to increase shareholder value

Release date: July 29, 2014

LITTLE ROCK, Ark. - Windstream (Nasdaq: WIN), a leading provider of advanced network communications, today announced plans to spin off certain telecommunications network assets into an independent, publicly traded real estate investment trust (REIT). The transaction will enable Windstream to accelerate network investments, provide enhanced services to customers and maximize shareholder value. The transaction will allow the REIT, which will own Windstream's existing fiber and copper network and other fixed real estate assets, to expand its network and diversify its assets through acquisitions. The company's board of directors approved the plan following the receipt of a favorable private letter ruling from the Internal Revenue Service.

"This transaction will make Windstream a more nimble competitor in today's increasingly dynamic communications marketplace and accelerate our deployment of advanced communications services," said Jeff Gardner, president and CEO of Windstream. "Additionally, the REIT will have geographically diverse, high-quality assets and sustainable cash flows with the ability to grow and diversify over time."

Transaction Rationale

The tax-free spinoff will enable Windstream to realize significant financial flexibility by lowering debt by approximately $3.2 billion and increasing free cash flow to accelerate broadband investments, transition faster to an IP network and pursue additional growth opportunities to better serve customers. As a result of the transaction, Windstream will offer faster broadband speeds and more robust performance to consumers. The company said it would expand availability of 10 Mbps Internet service to more than 80 percent of its customers by 2018. It also said it would more than double the availability of 24 Mbps Internet service by 2018, expanding to more than 30 percent of its customers.

The REIT will be positioned to provide an attractive dividend to shareholders and grow revenue through lease escalation, capital investment and acquisitions.

Transaction Details

Under the transaction, Windstream will spin off certain assets, including its fiber and copper networks and other real estate, as a REIT, which will lease use of the assets to Windstream through a long-term triple-net exclusive lease with an initial estimated rent payment of $650 million per year. Windstream will operate and maintain the assets and deliver advanced communications and technology services to consumers and businesses. Customers will see no change in their rates, scope or terms of service as a result of the transaction. Windstream will continue to have sole responsibility for meeting its existing regulatory obligations following the creation of the REIT. The REIT will focus on expanding and diversifying its assets and tenants through future acquisitions.

Separation Creates Significant Value

windstream

The separation is free cash flow accretive, significantly deleveraging to Windstream and provides the potential for substantial shareholder value creation

	Current Windstream	New Windstream	REIT	Illustrative Combined Value / % Change
Assumed Adjusted OIBDA Multiple	6.7x *Current*	6.7x	14.4x *1-Year Triple-Net REIT Comp Average*	
Indicative Share Price	$ 10.46	$ 8.66	$ 9.41	$ 18.07 / 72.7%
Indicative Equity Value	$ 6,307	$ 5,222	$ 5,672	
(+) Net Debt (as of 12/31/14E) [1]	8,500	5,250	3,400	
Indicative Enterprise Value	$ 14,807	$ 10,472	$ 9,072	
Fiscal Year 2014E Metrics: [2]				
FY14E Revenue [2]	$ 5,900	$ 5,900	$ 650	
FY14E Adjusted OIBDA [2]	2,220	1,570	630	
FY14E Adjusted Free Cash Flow [2,3]	830	508	439	$ 946 / 14.0%
Net Leverage [4]	3.8x	3.3x	5.4x	
Dividend per Share	$ 1.00	$ 0.10	$ 0.60	$ 0.70 / (30.0%)

Note: For illustrative purposes only and not intended to predict future share prices of New Windstream or the REIT. The REIT's indicative share price and dividend per share assumes a 1:1 exchange ratio. Assumes $650M lease payment from Windstream to the REIT and pay down of ~$3.2B of debt at Windstream. Excludes transfer of consumer CLEC business.

(1) Excludes debt premium. FY14E debt estimated based on FCF and payout ratio guidance. Assumes Windstream incurs $150M in transaction expenses and financing fees.

(2) FY14E Revenue and Adjusted OIBDA equal to Wall St. consensus estimates. Windstream FY14E adjusted FCF equal to midpoint of guidance.

(3) Assumes 4.0% interest rate on debt paid down at Windstream and 5.5% interest rate on new debt at the REIT, tax affected at 38.0%.

(4) Assumes $75M pro forma cash at Windstream and $75M pro forma cash at the REIT.

Exhibit B

April 2015 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): April 30, 2015 (April 24, 2015)



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
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- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 9.01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

As previously announced in its Current Report on Form 8-K dated April 27, 2015, Windstream Holdings, Inc. ("Holdings") has completed its plan to separate its business into two separate and independent publicly traded companies through the distribution of shares of common stock of Communications Sales & Leasing, Inc. ("CS&L") to Holdings stockholders (the "Spin-Off"). The unaudited pro forma consolidated financial statements of Holdings giving effect to the Spin-Off required by Article 11 of Regulation S-X, and the related notes thereto, are attached hereto as Exhibit 99.1.

(d) Exhibits.

The following exhibits are filed with this report:

Exhibit Number	**Description**
99.1	Pro Forma Financial Information

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WINDSTREAM HOLDINGS, INC.

By:	/s/ John P. Fletcher
Name:	John P. Fletcher
Title:	Executive Vice President and General Counsel

WINDSTREAM SERVICES, LLC

By:	/s/ John P. Fletcher
Name:	John P. Fletcher
Title:	Executive Vice President and General Counsel

April 30, 2015

EXHIBIT INDEX

Exhibit Number	**Description**
99.1	Pro Forma Financial Information

Exhibit 99.1

WINDSTREAM'S UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma condensed consolidated financial information presented below gives effect to the spin-off of certain telecommunications network assets of Windstream Holdings, Inc. ("Windstream", "we" or "our"), including fiber and copper networks and other real estate, into an independent, publicly traded real estate investment trust ("REIT"). The spin-off also included substantially all of Windstream's consumer competitive local exchange carrier ("CLEC") business, which will continue to be operated by the REIT. The unaudited pro forma condensed consolidated financial information should be read in conjunction with Windstream's annual report on Form 10-K as of and for its fiscal year ended December 31, 2014.

Pursuant to the plan of distribution and immediately prior to the effective time of the spin-off, Windstream contributed the telecommunications network assets and the consumer CLEC business to Communications Sales & Leasing, Inc. ("CS&L"), a wholly owned subsidiary of Windstream, in exchange for: (i) the issuance to Windstream of CS&L common stock of which 80.4 percent of the shares were distributed on a pro rata basis to Windstream's stockholders, (ii) cash payment to Windstream in the amount of $1.035 billion and (iii) the distribution by CS&L to Windstream of approximately $2.5 billion of CS&L debt securities. After giving effect to the interest in CS&L retained by Windstream, each Windstream Holdings shareholder received one share of CS&L for every five shares of Windstream Holdings common stock held as of the record date of April 10, 2015 in the form of a tax-free dividend. An ex-date of April 27, 2015 was established by NASDAQ, and all trades through the close of business on April 24, 2015 carry the right to receive the distribution. No fractional shares were distributed in connection with the spin-off, with a cash payment being made in lieu of any fractional shares. In connection with the distribution, CS&L borrowed $2.140 billion through a new senior credit agreement. CS&L also issued debt securities in the private placement market to fund the cash payment and to issue its debt securities to Windstream, consisting of $1,110.0 million aggregate principal amount of 8.25 percent senior secured notes due April 15, 2023 and $400.0 million aggregate principal amount of 6.00 percent senior due October 15, 2023. The CS&L unsecured notes and the borrowings under CS&L's new senior credit agreement were issued at a discount, and accordingly, at the date of distribution, CS&L issued to Windstream approximately $2.5 billion of its debt securities consisting of $970.2 million in term loans, $400.0 million in secured and $1,077.3 million in unsecured notes.

Upon completion of the spin-off, we amended our certificate of incorporation to decrease the number of authorized shares of common stock from 1.0 billion to 166.7 million and enacted a one-for-six reverse stock split with respect to all of our outstanding shares of common stock which became effective on April 26, 2015. All share data of Windstream Holdings presented has been retrospectively adjusted to reflect the effects of the decrease in its authorized shares and the reverse stock split, as appropriate.

The unaudited pro forma consolidated financial statements present the historical financial statements of Windstream adjusted to give effect to (i) the contribution of the telecommunications network assets and consumer CLEC business to CS&L; (ii) the issuance to Windstream Holdings of all the outstanding common stock of CS&L (approximately 149.8 million common shares in the aggregate); (iii) the effect of the debt-for-debt exchange and debt retirement; (iv) cash payment received by Windstream Holdings from CS&L; (v) the pro rata distribution to Windstream shareholders of 80.4 percent of the outstanding shares of CS&L common stock as a tax-free stock dividend based on a distribution ratio of one share of CS&L common stock for every five shares of Windstream common stock issued and outstanding with Windstream retaining a passive ownership interest in approximately 19.6 percent of the common stock of CS&L; (vi) the recognition of a lease obligation and related interest expense associated with a new master lease agreement between Windstream and CS&L; (vii) the adjustment of deferred income tax liabilities in conjunction with the spin-off and related transactions; (viii) related party revenues associated with a new wholesale master services agreement between Windstream and CS&L; and (ix) the effects of the reverse stock split.

The unaudited pro forma consolidated income statement for the year ended December 31, 2014 assumes the spin-off and related transactions occurred on January 1, 2014. The unaudited pro forma consolidated balance sheet assumes the spin-off and related transactions occurred on December 31, 2014.

The historical financial data has been adjusted to give pro forma effect to events that are directly attributable to the spin-off and related transactions, are factually supportable and for purposes of our consolidated statement of income are expected to have an ongoing effect. Our unaudited pro forma consolidated financial statements and explanatory notes present how our financial statements may have appeared had our capital structure reflected the above transactions as of the dates noted above.

Exhibit 99.1

WINDSTREAM'S UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited pro forma consolidated financial statements were prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in the notes to Windstream Holdings' unaudited pro forma condensed consolidated financial statements. The following unaudited pro forma consolidated financial statements are presented for illustrative purposes only and do not purport to reflect the results Windstream Holdings may achieve in future periods or the historical results that would have been obtained had the spin-off and related transactions been completed on January 1, 2014 or as of December 31, 2014, as the case may be. Windstream Holdings' unaudited pro forma consolidated financial statements also do not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the transactions described above.

WINDSTREAM HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
As of December 31, 2014

(Millions)	As Reported	Receipt of Cash Payment and Exchange of CS&L Debt Securities for Windstream Corp. Debt Securities	Other Pro Forma Adjustments	Pro Forma
Assets				
Cash and cash equivalents	$ 27.8	$ 1,035.0 (A)	$ (1,026.1) (A)	$ 36.7
Accounts receivable, net of allowance for doubtful accounts	635.5	-	(1.9) (B)	633.6
Current deferred income taxes	105.4	-	55.1 (C)	160.5
Other current assets	235.0	-	22.6 (D)	257.6
Investment in CS&L	-	-	840.4 (E)	840.4
Goodwill	4,352.8	-	(12.8) (F)	4,340.0
Other intangibles, net	1,764.0	-	(14.5) (B)	1,749.5
Net property, plant and equipment	5,412.3	-	-	5,412.3
Other assets	180.6	-	(15.3) (G)	165.3
Total Assets	$ 12,713.4	$ 1,035.0	$ (152.5)	$ 13,595.9
Liabilities				
Current maturities of long-term debt	$ 717.5	$ (711.5) (G)	$ -	$ 6.0
Current portion of long-term lease obligation	-	-	141.3 (H)	141.3
Advance payments and customer deposits	214.7	-	(1.2) (B)	213.5
Other current liabilities	1,110.8	-	(1.2) (B)	1,109.6
Long-term debt	7,934.2	(1,736.0) (G)	(867.8) (G)	5,330.4
Long-term lease obligation	-	-	4,990.5 (H)	4,990.5
Deferred income taxes	1,878.6	-	(1,499.6) (C)	379.0
Other liabilities	632.8	-	(20.2) (A)	612.6
Total liabilities	12,488.6	(2,447.5)	2,741.8	12,782.9
Shareholders' equity	224.8	3,482.5 (G)	(2,894.3) (I)	813.0
Total Liabilities and Shareholders' Equity	$ 12,713.4	$ 1,035.0	$ (152.5)	$ 13,595.9

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

WINDSTREAM HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2014

(Millions, except per share amounts)	As Reported	Pro Forma Adjustments		Pro Forma
Revenues and sales:				
Service revenues	$ 5,647.6	$ (16.6)	(J)	$ 5,631.0
Product sales	181.9	-		181.9
Total revenues and sales	5,829.5	(16.6)		5,812.9
Costs and expenses:				
Cost of services	2,719.3	(4.0)	(K)	2,715.3
Cost of products sold	156.6	-		156.6
Selling, general and administrative	983.8	-		983.8
Depreciation and amortization	1,386.4	14.6	(L)	1,401.0
Merger and integration costs	40.4	(15.4)	(M)	25.0
Restructuring charges	35.9	-		35.9
Total costs and expenses	5,322.4	(4.8)		5,317.6
Operating income	507.1	(11.8)		495.3
Other income, net	0.1	-		0.1
Interest expense	(571.8)	(346.3)	(N)	(918.1)
Loss from continuing operations before income tax benefit	(64.6)	(358.1)		(422.7)
Income tax benefit	(25.1)	(139.7)	(O)	(164.8)
Net loss	$ (39.5)	$ (218.4)		$ (257.9)
Loss per share:				
Basic and diluted	($.40)			($2.59)
Weighted average shares:				
Basic	99.5			99.5
Diluted	99.5			99.5

The accompanying notes are an integral part of the unaudited pro forma condensed consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The unaudited pro forma condensed consolidated financial statements give effect to the spin-off and related transactions as discussed below.

Change in Organizational Structure - Effective February 28, 2015, Windstream Corporation was converted to a limited liability company. As a result, all issued and outstanding common stock of Windstream Corporation held by Windstream Holdings was converted into a 100 percent interest in Windstream Services, LLC ("Windstream Services").

Debt Exchange - In conjunction with the spin-off, while still a wholly owned subsidiary of Windstream, CS&L issued to Windstream approximately $2.5 billion in CS&L debt securities consisting of $970.2 million in term loans, $400.0 million in secured and $1,077.3 million in unsecured notes. In connection with the spin-off transaction, Windstream entered into an exchange agreement (the "Exchange Agreement"), with J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc. (together, the "Investment Banks"), and CS&L. Pursuant to the terms of the Exchange Agreement, Windstream agreed to transfer the CS&L debt securities and cash to the Investment Banks, in exchange for the transfer by the Investment Banks to Windstream of certain debt securities of Windstream Services consisting of approximately $1.9 billion aggregate principal amount of borrowings outstanding under Tranches A3, A4 and B4 of Windstream Services' senior credit facility and $530.1 million aggregate principal amount of borrowings outstanding under the revolving line of credit held by the Investment Banks.

Long-term Lease Obligation - Windstream entered into a master lease agreement to lease back the telecommunication network assets from CS&L. Under terms of the master lease, Windstream will have the exclusive right to use the telecommunication network assets for an initial term of 15 years with up to four, five-year renewal options. CS&L will have the right, but not the obligation, upon Windstream' s request, to fund capital expenditures of Windstream in an aggregate amount of up to $250.0 million for a maximum period of five years. If CS&L exercises this right, the lease payments under the master lease will be adjusted at a rate of 8.125% of the capital expenditures funded by CS&L during the first two years and at a floating rate based on CS&L's cost of capital thereafter. Additionally, if CS&L agrees to fund the entire $250.0 million, the initial term of the master lease will be increased from 15 years to 20 years and the number of renewal terms will be reduced from four renewal terms of five years each to three renewal terms of five years each. Windstream will be required to pay all property taxes, insurance, and repair or maintenance costs associated with the leased property. The master lease will provide for an annual rent of $650.0 million paid in equal monthly installments in advance and is fixed for the first three years. The effective interest rate on the long-term lease obligation is 10.15%. Thereafter, rent will increase on an annual basis at a base rent escalator of 0.5 percent. Future lease payments due under the agreement reset to fair market rental rates upon Windstream's execution of the renewal options.

Due to various forms of continuing involvement, including Windstream Services remaining the legal counterparty to the various easements, permits and pole attachment agreements related to the telecommunication network assets, the transaction will be accounted for as a failed spin-leaseback. As a result, the net book value of the telecommunication network assets will continue to be reported in Windstream's consolidated balance sheet and will be fully depreciated over the initial lease term of 15 years. Windstream will also record a lease obligation equal to the sum of the minimum future annual lease payments over the initial 15-year lease term discounted to the present value based on Windstream Services' incremental borrowing rate. As annual payments are made, a portion of the payment will decrease the long-term lease obligation with the balance of the payment charged to interest expense using the effective interest method. The effective interest rate on the long-term lease obligation is 10.15%.

Recently Adopted Accounting Standards - As permitted, during the fourth quarter of 2014, Windstream early adopted authoritative guidance related to the reporting of discontinued operations. Because the consumer CLEC business does not represent for Windstream Holdings a strategic shift or major line of business, the consumer CLEC business does not qualify as a discontinued operation under the new accounting standards.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Pro Forma Adjustments

The adjustments reflect the following related to the spin-off and the related transactions:

(A) In connection with the spin-off, CS&L made a cash payment to Windstream in the amount of $1,035.0 million. The other pro forma adjustments to cash and cash equivalents consist of the following:

	(Millions)
Repayment of certain long-term debt obligations of Windstream Services	$ (850.0)
Payment of call right premium	(38.5)
Payment to settle certain interest rate swaps	(22.7)
Payment of debt issuance costs on behalf of CS&L	(62.9)
Payment of transaction fees and expenses	(52.0)
Net decrease in cash and cash equivalents	$ (1,026.1)

Windstream Services expects to incur approximately $52.0 million in fees and expenses in connection with completing the transaction, which may not be deductible for income tax purposes, and to pay $22.7 million to terminate the interest rate swaps which had a carrying value of $20.2 million. These costs have not been included as a pro forma adjustment to the condensed consolidated statement of income due to their non-recurring nature but have been recorded in the condensed consolidated balance sheet as of December 31, 2014.

(B) To reflect the transfer of assets and liabilities from the consumer CLEC business to CS&L.

(C) To adjust Windstream's deferred tax assets and liabilities as follows:

(Millions)	Current Deferred Tax Assets	Non-Current Deferred Tax Liabilities
Adjust deferred income tax liabilities to reflect transfer of consumer CLEC business to CS&L	$ -	$ (5.5)
Adjust deferred income tax liabilities to reflect transfer of telecommunications network assets to CS&L	-	420.3
Adjust deferred income tax liabilities to reflect settlement of interest rate swaps	-	8.3
Adjust deferred income tax liabilities for taxable gains recognized in conjunction with the spin-off	-	15.8
Record deferred income tax asset for long-term term lease obligation	55.1	(1,946.3)
Adjust deferred income tax assets and related valuation allowances to reflect entity restructurings completed in conjunction with the spin-off	-	(8.3)
Adjust deferred income tax liabilities to reflect entity restructurings completed in conjunction with the spin-off	-	16.1
Net adjustment to deferred income taxes	$ 55.1	$ (1,499.6)

(D) Changes to other current assets consist of the following:

	(Millions)
Adjustment to reflect transfer of consumer CLEC business to CS&L	$ (0.3)
Record income tax benefits associated with loss on extinguishment of debt and payment to settle interest rate swaps	22.9
	$ 22.6

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(E) To reflect the retained 19.6% ownership interest in available-for-sale CS&L common stock recorded at fair value at the date of spin-off of $840.4 million (calculated based on the shares opening quoted market price on April 27, 2015). Windstream intends to use all of its shares of CS&L common stock opportunistically during a twelve month period following the spin-off, subject to market conditions, to retire additional Windstream Services debt.

(F) In accordance with U.S. GAAP, this adjustment allocates, using the relative fair value method, reporting unit goodwill to the disposal of the consumer CLEC business.

(G) The retirement of Windstream Services long-term debt from the approximate $2.5 billion tax-free debt exchange and the use of the cash payment received from CS&L in the spin-off comprised of the following debt obligations:

	(Millions)
Senior secured credit facility - Tranche A3	$ 344.3
Senior secured credit facility - Tranche A4	255.0
Senior secured credit facility - Tranche B4	1,318.1
Senior secured credit facility - Revolving line of credit	530.1
Windstream Services - 8.125% notes due 2018	400.0
PAETEC Holding, LLC - 9.875% notes due 2018	450.0
	3,297.5
Unamortized premium on long-term debt	17.8
Total debt retirement	$ 3,315.3

The other pro forma adjustments to long-term debt consist of the following:

	(Millions)
Repayment in cash of certain long-term debt obligations of Windstream Services	$ (850.0)
Write-off of unamortized premium on long-term debt extinguishment	(17.8)
	$ (867.8)

In conjunction with the spin-off, Windstream Services called for redemption of all of its $400.0 million aggregate principal amount of 8.125% senior unsecured notes due September 1, 2018, at a redemption price payable in cash equal to $1,040.63 per $1,000 principal amount of the notes, plus accrued and unpaid interest to the redemption date and PAETEC Holding, LLC, a direct, wholly-owned subsidiary of Windstream Services, called for redemption of all $450.0 million of the outstanding aggregate principal amount of 9.875% due 2018, at a redemption price payable in cash equal to $1,049.38 per $1,000 principal amount of the notes, plus accrued and unpaid interest to the redemption date.

In conjunction with the repayment of debt, Windstream Services terminated seven of its ten interest rate swaps designated as cash flow hedges of the variable cash flows paid on the senior secured credit facility. Upon termination of the seven interest rate swaps, Windstream Services reclassified from accumulated other comprehensive income to other income, net a loss of $0.6 million, net of tax, because the cash flows associated with the hedges going forward are no longer probable of occurring due to the amount of the debt retirement.

In connection with the spin-off, on April 24, 2015, Windstream Services amended its senior secured credit facility to extend the maturity of its revolving credit facility to April 24, 2020. Otherwise, the borrowing capacity under the amended revolving credit agreement was unchanged and provides for borrowings up to an aggregate principal amount of $1,250.0 million.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Windstream Services has accounted for the debt exchange and debt retirement as an extinguishment. The pretax loss on extinguishment of debt of $36.0 million (inclusive of the write-off of $15.3 million in unamortized debt issuance costs, the call right premium of $38.5 million and $17.8 million in unamortized premium on long-term debt and the loss on the termination of the interest rate swaps of $2.5 million) have not been included as a pro forma adjustment to the condensed consolidated statement of income due to its non-recurring nature but has been recorded in the condensed consolidated balance sheet as of December 31, 2014.

(H) To reflect the long-term lease obligation, including the current portion of the liability, resulting from the master lease agreement with CS&L.

(I) The other pro forma adjustments to shareholders' equity consist of the following:

		(Millions)
Remove net assets of consumer CLEC business transferred to CS&L and related goodwill	$	(27.1)
Record Windstream's 19.6% retained interest in CS&L at fair value		840.4
Loss on extinguishment of debt and interest rate swaps		(38.5)
Payment of transaction fees and expenses		(114.9)
Record long-term lease obligation		(5,131.8)
Record income tax benefits associated with loss on extinguishment of debt and payment to settle interest rate swaps		22.9
Adjust current deferred income taxes for current portion of long-term lease obligation		55.1
Adjust deferred income taxes for effects of the spin-off and debt-related transactions		1,499.6
Net adjustment to shareholders' equity	$	(2,894.3)

(J) To adjust service revenues as follows:

		(Millions)
Remove revenues of consumer CLEC Business transferred to CS&L	$	(36.0)
Record wholesale revenues from CS&L earned under the wholesale services Agreement		19.4
Net adjustment to service revenues	$	(16.6)

In connection with the spin-off, Windstream entered into a wholesale reseller agreement with CS&L pursuant to which Windstream Holdings and its affiliates will provide to CS&L for an agreed upon charge network transport services to the consumer CLEC business. Wholesale revenues earned by Windstream were estimated to be $19.4 million for the year ended December 31, 2014 based on the pricing for the services provided to CS&L under terms of the wholesale reseller agreement.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(K) To adjust cost of service as follows:

		(Millions)
Remove expenses of consumer CLEC business transferred to CS&L	$	(19.0)
Record interconnection and leased network facilities costs incurred by Windstream to provide network transport services to CS&L		15.0
Net adjustment to cost of service	$	(4.0)

In providing network transport services to CS&L under the wholesale reseller agreement, Windstream will incur interconnection and leased network facilities costs estimated to be $14.8 million for the year ended December 31, 2014 based on the historical amount of these expenses incurred by the consumer CLEC business in providing service to its customers.

(L) To adjust depreciation and amortization expense as follows:

		(Millions)
Record additional depreciation expense to fully depreciate the telecommunications network assets at the end of the initial 15-year lease term	$	19.2
Adjust amortization expense to reflect consumer CLEC business customer lists transferred to CS&L		(4.6)
Net adjustment to depreciation and amortization expense	$	14.6

(M) To eliminate non-recurring transaction costs and expenses incurred during the period that directly related to the spin-off.

(N) To reflect the interest expense associated with the long-term lease obligation, net of reduction in interest expense, due to the retirement of existing debt. The net increase in interest expense was computed as follows:

		(Millions)
Interest expense - Long-term lease obligation	$	508.7
Interest expense - Senior secured credit facility		(82.0)
Interest expense - Windstream Services - 8.125% notes due 2018		(33.8)
Interest expense - PAETEC Holding, LLC - 9.875% notes due 2018		(38.0)
Interest expense - Interest rate swaps		(8.6)
Net increase in interest expense	$	346.3

(O) The pro forma adjustments were tax effected using the Windstream Holdings estimated statutory tax rate of 39.0%.

Exhibit C

Master Lease

MASTER LEASE

Among
CSL NATIONAL, LP
and
THE ENTITIES SET FORTH ON SCHEDULE 1,
collectively, as Landlord
and
WINDSTREAM HOLDINGS, INC.,
as Tenant
Dated as of April 24, 2015

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MASTER LEASE

This MASTER LEASE (the "**Master Lease**") is entered into as of April 24, 2015, by and among CSL NATIONAL, LP, a Delaware limited partnership ("**CS&L National**", and THE ENTITIES SET FORTH ON SCHEDULE 1 ATTACHED HERETO (collectively, together with CS&L National and their respective permitted successors and assigns, "**Landlord**"), and WINDSTREAM HOLDINGS, INC., a Delaware corporation (together with its permitted successors and assigns, "**Tenant**").

RECITALS

A. Capitalized terms used in this Master Lease and not otherwise defined herein are defined in Article II hereof.

B. Pursuant to that certain Separation and Distribution Agreement, dated as of March 26, 2015 (the "**Distribution Agreement**"), by and among Communications Sales and Leasing, Inc., a Maryland corporation ("**CS&L Parent**"), Tenant and Windstream Services, LLC (formerly known as Windstream Corporation) ("**Win Services**"), Landlord desires to lease the Leased Property to Tenant and Tenant desires to lease the Leased Property (as defined below) from Landlord upon the terms set forth in this Master Lease.

C. A list of the approximately thirty six (36) facilities (each a "**Facility**," and collectively, the "**Facilities**") covered by this Master Lease, categorized by geographic area, is attached hereto as Exhibit A, which includes (i) the real property and improvements thereon owned by Landlord in the geographic area of such Facility as identified on Exhibit A attached hereto, and (ii) the Distribution Systems (as defined below) located in the geographic area of the applicable Facility as identified on Exhibit A attached hereto.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I

1.1 Leased Property. Upon and subject to the terms and conditions hereinafter set forth, Landlord exclusively leases to Tenant and Tenant leases from Landlord all of Landlord's rights, title and interest in and to the following with respect to each of the Facilities (collectively, the "**Leased Property**"):

(a) the real property or properties described in a letter, dated as of the date hereof, delivered by Tenant and acknowledged by Landlord, and all other real property or properties owned by Landlord in the geographical areas of each of the Facilities that are (i) the locations for central offices, remote switching locations or other switching facilities and (ii) necessary for the use and operation of, or currently used in the operation of, the Distribution Systems associated with such Facilities (collectively, the "**Land**");

(b) all buildings, structures, and other improvements of every kind now or hereafter located on the Land or connected thereto including, but not limited to, alleyways and

connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site to the extent Landlord has obtained any interest in the same), parking areas and roadways appurtenant to such buildings and structures, including all HVAC systems and components, generators, fire suppression systems and other fixtures (collectively, the "**Leased Improvements**");

(c) all easements, rights and appurtenances relating to the Land and the Leased Improvements, including any Easements, Permits and Pole Agreements;

(d) all fiber optic cable lines, copper cable lines, conduits, telephone poles, attachment hardware (including bolts and lashing), guy wires, anchors, pedestals, concrete pads, amplifiers and such other fixtures, and other items of property, including all components thereof (such as cross connect cabinets, windstream outside plant mini-cabinet mounting posts (WOMP), fiber distribution hubs, fiber access terminals and first entry fiber splice cases), that are now or hereafter located in, on or used in connection with and permanently affixed to or otherwise incorporated into the Facilities, together with all replacements, modifications, alterations and additions thereto, up through and at the meeting and demarcation points described on Exhibit B attached hereto (collectively, the "**Distribution Systems**"); and

(e) all system maps and records for the Distribution Systems.

Notwithstanding anything to the contrary contained herein, the Leased Property shall exclude Tenant's Property (including the Electronics, switching and equipment) and the Excluded Assets. The Leased Property is leased subject to all covenants, conditions, restrictions, easements and other matters affecting the Leased Property as of the Commencement Date and such subsequent covenants, conditions, restrictions, easements and other matters as may be agreed to by Landlord or Tenant in accordance with the terms of this Master Lease, whether or not of record, including any matters which would be disclosed by an inspection or accurate survey of the Leased Property.

1.2 Single, Indivisible Lease. This Master Lease constitutes one indivisible lease of the Leased Property and not separate leases governed by similar terms. The Leased Property constitutes one economic unit, and the Rent and all other provisions have been negotiated and agreed to be based on a demise of all of the Leased Property to Tenant as a single, composite, inseparable transaction and would have been substantially different had separate leases or a divisible lease been intended. Except as expressly provided in this Master Lease for specific, isolated purposes (and then only to the extent expressly otherwise stated), all provisions of this Master Lease apply equally and uniformly to all of the Leased Property as one unit. An Event of Default with respect to any portion of the Leased Property is an Event of Default as to all of the Leased Property. The parties intend that the provisions of this Master Lease shall at all times be construed, interpreted and applied so as to carry out their mutual objective to create an indivisible lease of all of the Leased Property and, in particular but without limitation, that, for purposes of any assumption, rejection or assignment of this Master Lease under 11 U.S.C. Section 365, or any successor or replacement thereof or any analogous state law, this is one indivisible and non-severable lease and executory contract dealing with one legal and economic unit and that this Master Lease must be assumed, rejected or assigned as a whole with respect to all (and only as to all) of the Leased Property. The parties may amend this Master Lease from time to time to include one or more additional Facilities as part of the Leased Property and such

future addition to the Leased Property shall not in any way change the indivisible and nonseverable nature of this Master Lease and all of the foregoing provisions shall continue to apply in full force.

1.3 Term. The "**Term**" of this Master Lease is the Initial Term *plus* all Renewal Terms, to the extent exercised. The initial term of this Master Lease (the "**Initial Term**") shall commence on execution date (the "**Commencement Date**") and end on the last day of the calendar month in which the fifteenth (15^{th}) anniversary of the Commencement Date occurs, subject to renewal as set forth in Section 1.4 below. Notwithstanding anything to the contrary contained herein, Tenant shall have the right to extend the Initial Term for a period of five (5) years (the "**Initial Extension Right**") with respect to all of the Facilities (and in no event for less than all of the Facilities) by delivering Notice (the "**Initial Extension Notice**") to Landlord at any time prior to the fifth (5^{th}) anniversary of the Commencement Date of such election. In the event Tenant seeks to have Landlord provide the Funding Commitment as set forth in Section 10.2(b) hereof, Tenant shall include a request (a "**Funding Request**") for such Funding Commitment from Landlord in the Initial Extension Notice. Upon receipt of an Initial Extension Notice with a Funding Request, Landlord shall have a period of thirty (30) days to evaluate such request and respond to Tenant in writing ("**Landlord Response**"), whether Landlord elects, in its sole and absolute discretion, to provide all or a portion of the Funding Commitment in accordance with Section 10.2(b). Upon Tenant's receipt of a Landlord Response declining to provide a Full Funding Commitment, (x) Landlord may, in its sole and absolute discretion, elect to provide a Limited Funding Commitment in accordance with Section 10.2(b), and if Landlord so elects (A) Landlord shall be obligated to provide the Limited Funding Commitment as set forth in Section 10.2(b), and (B) Tenant shall have the rights set forth in Section 3.4 in the event Landlord defaults in its obligation to provide the Limited Funding Commitment as provided herein, and (y) the Initial Extension Right shall be deemed not to have been exercised and shall be of no further force and effect. Upon Tenant's receipt of a Landlord Response wherein Landlord agrees to provide the Full Funding Commitment in accordance with Section 10.2(b), the Initial Term shall automatically be extended for an additional five (5) years at the same Rent as the Initial Term and upon all of the other terms and conditions of this Master Lease except that (i) the number of Renewal Terms shall be reduced such that Tenant will only have a total of three (3) separate Renewal Terms of five (5) years each, (ii) Landlord shall be obligated to provide the Funding Commitment as set forth in Section 10.2(b), and (iii) Tenant shall have the rights set forth in Section 3.4 in the event Landlord defaults in its obligation to provide the Full Funding Commitment as provided herein. If Tenant does not timely send the Initial Extension Notice pursuant to the provisions of this Section 1.3 or if Landlord does not send a Landlord Response agreeing to provide the Full Funding Commitment in accordance with Section 10.2(b), Tenant shall be deemed to have irrevocably waived the Initial Extension Right.

1.4 Renewal Terms. (a) Subject to Section 1.3, the term of this Master Lease may be extended for four (4) separate "Renewal Terms" of five (5) years each with respect to all (or such lesser portion of the Facilities as provided below) of the Facilities that are subject to the Master Lease as of the last day of the then current Term at a Rent being equal to the Renewal Rent if (a) at least twenty four (24) months prior to the end of the then current Term (a "**Renewal Election Outside Date**"), Tenant delivers to Landlord a "**Renewal Notice**" stating that it exercises its right to extend this Master Lease for one (1) Renewal Term and (b) no Event of Default shall have occurred and be continuing on the Renewal Election Outside Date. If,

Tenant elects to renew the Lease for less than all of the Facilities, then Tenant must specify in the Renewal Notice which Facilities it elects not to renew (each a "**Non-Renewal Leased Property**" and collectively, the "**Non-Renewal Leased Properties**"). Any Facilities not specified in the Renewal Notice as Non-Renewal Leased Properties shall be deemed to be part of the Leased Property that has been extended for the one (1) Renewal Term (each a "**Renewal Leased Property**" and collectively, the "**Renewal Leased Properties**"). During any such Renewal Term, except as otherwise specifically provided for herein, all of the terms and conditions of this Master Lease shall remain in full force and effect, except that the Non-Renewal Leased Properties shall be excluded from the definition of "**Leased Property**" for the applicable Renewal Term, and Tenant shall have no further renewal rights with respect to the Non-Renewal Leased Properties. If Tenant does not timely send the applicable Renewal Notice pursuant to the provisions of this Section 1.4, Tenant shall be deemed to have irrevocably waived its renewal rights for all subsequent Renewal Terms.

(b) No later than two hundred ten (210) days prior to the Renewal Election Outside Date for each Renewal Term, Landlord shall deliver a Notice to Tenant which sets forth Landlord's proposal of the Renewal Rent and Successor Tenant Rent, in each case, for each Facility then subject to this Master Lease. If Landlord and Tenant shall not have entered into a written agreement confirming the Renewal Rent or Successor Tenant Rent, in each case, for all of the Facilities then subject to this Master Lease on or prior to the date that is one hundred eighty (180) days prior to the Renewal Election Outside Date, then the appraisal process set forth in Section 41.14 shall be initiated on such date (the "**Appraisal Commencement Date**") to determine the Renewal Rent and Successor Tenant Rent for each of the Facilities then subject to this Master Lease.

ARTICLE II

2.1 **Definitions**. For all purposes of this Master Lease, except as otherwise expressly provided or unless the context otherwise requires, (i) the terms defined in this Article II have the meanings assigned to them in this Article and include the plural as well as the singular; all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP; (ii) all references in this Master Lease to designated "**Articles**," "**Sections**" and other subdivisions are to the designated Articles, Sections and other subdivisions of this Master Lease; (iii) the word "including" shall have the same meaning as the phrase "including, without limitation," and other similar phrases; (iv) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Master Lease as a whole and not to any particular Article, Section or other subdivision and (v) for the calculation of any financial ratios or tests referenced in this Master Lease, the Rent payable hereunder shall not constitute Indebtedness or Interest Expense.

Accounts: All accounts, including deposit accounts, all rents, profits, income, revenues or rights to payment or reimbursement derived from the use of any space within the Leased Property and/or from goods sold or leased or services rendered from the Leased Property (including, without limitation, from goods sold or leased or services rendered from the Leased Property by any subtenant) and all accounts receivable, in each case whether or not evidenced by a contract, document, instrument or chattel paper and whether or not earned by performance,

including without limitation, the right to payment of management fees and all proceeds of the foregoing.

Additional Charge Invoice: As defined in Section 3.3(a).

Additional Charges: All Impositions and all other amounts, liabilities and obligations which Tenant assumes or agrees to pay under this Master Lease and, in the event of any failure on the part of Tenant to pay any of those items, except where such failure is due to the acts or omissions of Landlord, every fine, penalty, interest and cost which may be added for non-payment or late payment of such items.

Affected Facility: As defined in Section 36.1(a).

Affiliate: When used with respect to any corporation, limited liability company, or partnership, the term "**Affiliate**" shall mean any person which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company or partnership. For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, through the ownership of voting securities, partnership interests or other equity interests.

Annual Base Increase Amount: As defined in Section 10.2(b).

Annual Capital Improvement Plan: As defined in Section 10.2(a).

Appraisal Commencement Date: As defined in Section 1.4(b).

Appraiser: As defined in Section 41.14(a).

Assignment Agreement: Individually or collectively, as the context may require, those certain assignment, conveyance and assumption agreements, dated as of the date hereof, by and among Tenant, Win Services, Landlord and their respective subsidiaries, pursuant to which Tenant and its subsidiaries assigned, among other things, certain of their rights in and to the Easements, Permits and Pole Agreements described therein to Landlord, and Landlord assumed all of the obligations and liabilities of Tenant under such Easements, Permits and Pole Agreements.

Audited Party: As defined in Section 3.3(c).

Auditing Party: As defined in Section 3.3(c).

Award: All compensation, sums or anything of value awarded, paid or received on a total or partial Taking.

Beneficial Owner: shall have the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such

"person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition.

Business Day: Each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which national banks in the City of New York, New York and Little Rock, Arkansas are authorized, or obligated, by law or executive order, to close.

Capital Improvements: Any maintenance, repairs, extensions, upgrades, additions, replacements or overbuild to the Distribution Systems, including fiber, copper and new Permits or Pole Agreements for the Distribution Systems, all of which shall constitute a portion of the Leased Improvements and Leased Property to the extent provided in Section 10.2.

Capital Lease Obligations: With respect to any Person, means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

Cash: Cash and cash equivalents and all instruments evidencing the same or any right thereto and all proceeds thereof.

Change in Control: The occurrence of any of the following: (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Tenant and its Subsidiaries, taken as a whole, to any "person" (as that term is used in Section 13(d)(3) of the Exchange Act); (ii) the adoption of a plan relating to the liquidation or dissolution of Tenant; (iii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes the Beneficial Owner, directly or indirectly, of fifty percent (50%) or more of the voting power of the Voting Stock of Tenant; or (iv) the first day on which a majority of the members of the board of directors of Tenant are not Continuing Directors.

Claims: As defined in Section 21.1.

Code: The Internal Revenue Code of 1986 and, to the extent applicable, the Treasury Regulations promulgated thereunder, each as amended from time to time.

Commencement Date: As defined in Section 1.3.

Communications Assets: With respect to an Affected Facility, the business operations conducted by Tenant and Tenant's Subsidiaries at such Affected Facility (including the license to operate as an incumbent local exchange carrier in the local exchange area where the Affected Facility is located, the Electronics and such other equipment owned by Tenant (or any of Tenant's Subsidiaries) located in the local exchange area and used in the operation of the Affected Facility (but excluding Shared Corporate Assets), any customer relationships that are served by the Affected Facility that Tenant or Tenant's Subsidiaries can no longer support as a

result of the expiration or termination of the Term as to such Affected Facility (for the purposes of determining whether the Tenant can support a customer, Tenant will not be able to meet this standard by entering into an interconnection agreement with the Successor Tenant pursuant to which the Tenant obtains wholesale access that allows Tenant to re-sell the Affected Facility to a customer), all Tenant's Property relating to the Affected Facility, all TCI ILEC Extensions, and any TCI CLEC Extensions to the Affected Facility that Tenant elects to include as part of the Communication Assets to be sold to a Successor Tenant under Article XXXVI, and, if requested by the Successor Tenant, required by an applicable collective bargaining agreement or required by applicable law, all employees that are primarily dedicated to the support, maintenance or operation of the Affected Facility). For the avoidance of doubt, in no event shall Communications Assets include TCI Replacements or any Long Haul TCI.

Communications Assets FMV: As defined in Section 36.1(a).

Communication Assets Sale Agreement: As defined in Section 36.2(c)(i).

Communications Facility: A facility which provides voice, data, video and/or other communication services to business and consumers and/or such other services required to be performed or provided under the Communications Regulations in connection with the foregoing services consistent, with respect to a facility, with its current use or with prevailing communications industry use at any time (including all ancillary uses consistent with communications industry practice).

Communications License: Any license, permit, approval, finding of suitability or other authorization issued by a federal, state or local governmental entity or regulatory agency to operate, carry on or provide voice, data, video and/or other communication services to business and consumers on the Leased Property, or required by any Communications Regulation.

Communications Regulation(s): Any and all laws, statutes, ordinances, rules, regulations, policies, orders, codes, decrees or judgments, and Communications License conditions or restrictions, as amended from time to time, now or hereafter in effect or promulgated, pertaining to the operation, control, maintenance, Capital Improvement of a Communications Facility or the conduct of a person or entity holding a Communications License, including, without limitation, any requirements imposed by a regulatory agency, commission, board or other governmental body pursuant to the jurisdiction and authority granted to it under applicable law.

Competitor: As of the applicable date of determination, any Person engaged in any business activity then actively being conducted by Tenant or its Subsidiaries or any business that Tenant or any of its Subsidiaries has engaged in during the preceding one-year period within any state in which Tenant or any of its Subsidiaries is licensed as an incumbent local exchange carrier or competitive local exchange carrier. For the purpose of clarification, the business in which Tenant and its Subsidiaries is actively engaged includes (i) the provision of retail and wholesale voice, data, video and other communications services to customers of all types and regardless of method or technology used to provide all of these services including, without limitation, pursuant to wireline or wireless or as a reseller, agent, dealer, an interexchange carrier, a cable operator, a competitive access service provider, an incumbent local exchange

carrier, a voice-over-internet protocol provider, mobile network operator, wireless service provider, wireless carrier, cellular company, mobile network carrier, microwave service provider or other provider, and (ii) the provision of local and long distance voice services, unified communication products and services, including MPLS networking and security offerings, network access, fiber transport, broadband products and data services, and digital or analog video programming or services. The term Competitor shall not include a company that derives ninety percent (90%) or more of its revenue from (i) the provision of data hosting and storage services, including without limitation colocation services, disaster recovery services and solutions, cloud computing services via private, public and hybrid cloud solutions or other cloud solutions, (ii) managed services solutions for data hosting, IT infrastructure, security, operating system and software application management or (iii) rent.

Condemnation: The exercise of any governmental power, whether by legal proceedings or otherwise, by a Condemnor or a voluntary sale or transfer by Landlord to any Condemnor, either under threat of condemnation or while legal proceedings for condemnation are pending.

Condemnor: Any public or quasi-public authority, or private corporation or individual, having the power of Condemnation.

Confidential Information: Any and all financial, technical, proprietary, confidential, and other information, including data, reports, interpretations, forecasts, analyses, compilations, studies, summaries, extracts, records, know-how, statements (written or oral) or other documents of any kind, that contain information concerning the business and affairs of a party or its affiliates, divisions and subsidiaries, which such party or its Related Persons provide to the other party or its Related Persons, whether furnished before or after the date of this Master Lease, and regardless of the manner in which it was furnished, and any material prepared by a party or its Related Persons, in whatever form maintained, containing, reflecting or based upon, in whole or in part, any such information; provided, however, that "Confidential Information" shall not include information which: (i) was or becomes generally available to the public other than as a result of a disclosure by the other party or its Related Persons in breach of this Master Lease; (ii) was or becomes available to the other party or its Related Persons on a non-confidential basis prior to its disclosure hereunder as evidenced by the written records of the other party or its Related Persons, provided that the source of the information is not bound by a confidentiality agreement or otherwise prohibited from transmitting such information by a contractual, legal or fiduciary duty; or (iii) was independently developed by the other party without the use of any Confidential Information, as evidenced by the written records of the other party.

Consolidated Adjusted EBITDA: For any period, Consolidated Adjusted Net Income for such period *plus*, without duplication:

(a) provision for taxes based on income or profits of Tenant and its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Adjusted Net Income; *plus*

(b) Interest Expense of Tenant and its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) for such period, to the extent that such Interest Expense was deducted in computing such Consolidated Adjusted Net Income; *plus*

(c) depreciation, amortization (including amortization of intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period), goodwill impairment charges and other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of Tenant and its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) for such period to the extent that such depreciation, amortization and other non-cash charges or expenses were deducted in computing such Consolidated Adjusted Net Income; *plus*

(d) the amount of any minority interest expense deducted in computing such Consolidated Adjusted Net Income; *plus*

(e) any non-cash compensation charge arising from any grant of stock, stock options or other equity-based awards, to the extent deducted in computing such Consolidated Adjusted Net Income; *plus*

(f) any non-cash Statement of Financial Accounting Standards No. 133 income (or loss) related to hedging activities, to the extent deducted in computing such Consolidated Adjusted Net Income; *minus*

(g) the amount of Rent under this Master Lease for such period, with the intent that such amount shall be treated as an operating expense for purposes of calculating Consolidated Adjusted EBITDA; *minus*

(h) non-cash items increasing such Consolidated Adjusted Net Income for such period, other than (i) the accrual of revenue consistent with past practice and (ii) the reversal in such period of an accrual of, or cash reserve for, cash expenses in a prior period, to the extent such accrual or reserve did not increase Consolidated Adjusted EBITDA in a prior period;

in each case determined in accordance with GAAP.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, the Interest Expense of, and the depreciation and amortization and other non-cash expenses of, a Subsidiary will be added to Consolidated Adjusted Net Income to compute Consolidated Adjusted EBITDA (A) in the same proportion that the Net Income of such Subsidiary was added to compute such Consolidated Adjusted Net Income and (B) only to the extent that a corresponding amount would be permitted, as of such determination date, to be dividended or distributed to Tenant (or the Relevant Party, as applicable) by such Subsidiary without direct or indirect restriction pursuant to the terms of its charter and all agreements and instruments applicable to such Subsidiary or its stockholders.

Consolidated Adjusted Net Income: For any period, the aggregate of the Net Income of Tenant and its Subsidiaries for such period (or the Relevant Party and its Subsidiaries, as applicable), determined in accordance with GAAP; provided that:

(a) the Net Income of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or distributions paid in cash to Tenant or its Subsidiary (or the Relevant Party or its Subsidiary, as applicable) during such period (and the net loss of any such Person will be included only to the extent that such loss is funded in cash by Tenant or its Subsidiaries (or the Relevant Party or its Subsidiaries, as applicable) during such period);

(b) the Net Income of the Subsidiaries will be excluded to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary of such Net Income is not, as of such date of determination, permitted directly or indirectly, by operation of the terms of its charter or any agreement or instrument applicable to such Subsidiary or its equityholders;

(c) the Net Income of any Person acquired during the specified period for any period prior to the date of such acquisition will be excluded; and

(d) the cumulative effect of a change in accounting principles will be excluded.

Consolidated Debt: As of any date, the principal amount of Indebtedness of Tenant and its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) outstanding as of such date, determined on a consolidated basis; provided that, for purposes of this definition, the term "Indebtedness" will not include (i) contingent obligations of Tenant or its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) as an account party or applicant in respect of any letter of credit or letter of guaranty, unless such letter of credit or letter of guaranty supports an obligation that constitutes Indebtedness of a Person other than Tenant or its Subsidiaries (or the Relevant Party or its Subsidiaries, as applicable), (ii) all net obligations of Tenant and its Subsidiaries (or the Relevant Party and its Subsidiaries, as applicable) under any Derivative Swap Agreement, (iii) any Earn-out Obligation or obligation in respect of purchase price adjustment in which the contingent consideration relating thereto is paid within fifteen (15) Business Days after the contingency relating thereto is resolved, (iv) any bonds or similar instruments in the nature of surety, performance, appeal or similar bonds and (v) the obligations of Tenant under this Master Lease.

Continuing Directors: As of any date of determination, any member of the board of directors of Tenant who: (i) was a member of such board of directors on the date hereof; or (ii) was nominated for election or elected to such board of directors with the approval of a majority of the Continuing Directors who were members of such board of directors at the time of such nomination or election.

CPI: The United States Department of Labor, Bureau of Labor Statistics Revised Consumer Price Index for All Urban Consumers (1982-84=100), U.S. City Average, All Items, or, if that index is not available at the time in question, the index designated by such Department

as the successor to such index, and if there is no index so designated, an index for an area in the United States that most closely corresponds to the entire United States, published by such Department, or if none, by any other instrumentality of the United States.

CPI Increase: The product of (i) the CPI published for the beginning of each Lease Year, divided by (ii) the CPI published for the beginning of the first Lease Year. If the product is less than one, the CPI Increase shall be equal to one.

Credit Agreement: That certain Fifth Amended and Restated Credit Agreement, dated as of January 23, 2013 as amended by Amendment No. 1, dated as of August 23, 2013 and as further amended by Refinancing Amendment No. 1 dated as of December 6, 2013, by and among Win Services (formerly known as Alltel Holding Corp.), the lenders party thereto and JP Morgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, and Bank of America, N.A., Barclays Bank PLC, Citibank, N.A., Cobank ACB, Goldman Sachs Bank USA, Morgan Stanley Senior Funding Inc., Royal Bank of Canada, The Royal Bank of Scotland plc, SunTrust Bank, Union Bank, N.A. and Wells Fargo Bank, N.A., as Co-Documentation Agents, as the same may be amended, restated, modified, renewed, replaced or refinanced from time to time.

Credit Agreement Agent: The "administrative agent" (or like term) under the Credit Agreement.

Credit Agreement Agent Trigger Event: As defined in Section 36.1(a).

Credit Agreement Payoff Amount: The amount of cash required to repay in full in cash the principal of and all accrued interest on all loans outstanding under the Credit Agreement, to cash collateralize all letters of credit outstanding under the Credit Agreement and to pay in full in cash all other obligations outstanding under the Credit Agreement (other than contingent obligations for which no claim has been made) substantially simultaneously with the consummation of the transfer of the applicable Communication Assets.

CS&L National: As defined in the preamble.

CS&L Parent: As defined in the recitals.

Date of Taking: The date the Condemnor has the right to possession of the property being condemned.

Debt Agreement: One or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances), or (C) instruments or agreements evidencing any other indebtedness, in each case, with the same or different borrowers or issuers and, in each case, (i) entered into from time to time by Tenant and/or its Affiliates, (ii) as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time, and (iii) which may be secured by assets of Tenant and Tenant's Subsidiaries, including,

but not limited to, their Cash, Accounts, Tenant's Property, real property and leasehold estates in real property (including this Master Lease).

Derivative Swap Agreement: Any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Tenant or its Subsidiaries shall be a Derivative Swap Agreement.

Determination Date: As defined in Section 13.9(c).

Discretionary COC Transferee: A transferee that meets all of the following requirements: (a) such transferee has (1) at least five (5) years of experience (directly or through one or more of its Subsidiaries) operating Communications Facilities with average annual revenues of at least $500,000,000.00 for five of the immediately preceding ten year period (or retains a manager with such qualifications, which shall not be replaced other than in accordance with Article XXII hereof), or (2) entered into agreement(s) to retain for a period of eighteen (18) months (or more) after the effective time of the transfer at least (i) sixty percent (60%) of Tenant and Tenant's Subsidiaries' personnel employed at the Facilities and (ii) sixty percent (60%) of Tenant's and Tenant's Subsidiaries' ten most highly compensated corporate employees as of the date of the relevant agreement to transfer based on total compensation determined in accordance with Item 402 of Regulation S-K of the Exchange Act pursuant to which such personnel shall receive (x) a base salary or hourly wage rate and cash commission and target cash bonus opportunity and target cash equity opportunity that are substantially similar in the aggregate, to those provided to such personnel of Tenant and its Subsidiaries immediately prior to the date of the transfer and (y) severance benefits for a period of eighteen (18) months following the date of the transfer which are comparable to the severance plan in effect for such personnel immediately prior to the date of such transfer; (b) such transferee (directly or through one or more of its Subsidiaries) is licensed or certified by each applicable authority with jurisdiction over any portion of the Leased Property as of the date of any proposed assignment or transfer to such entity (or will be so licensed upon its assumption of the Master Lease) in order to operate the Leased Property for the Primary Intended Use; (c) such transferee is Solvent and if such transferee has a Parent Company, the Parent Company of such transferee is Solvent, in each case before and after giving effect to the proposed transaction and (d) (x) the Parent Company of such transferee or, if such transferee does not have a Parent Company, such transferee, has sufficient assets so that, after giving effect to its assumption of Tenant's obligations hereunder or the applicable assignment (including pursuant to a Change in Control under Section 22.2(iii)(x) or Section 22.2(iii)(y), its Leverage Ratio in accordance with GAAP does not exceed 5.50 to 1.0 based on projected earnings, after giving effect to the proposed transaction, and calculated as of the consummation date of the proposed transaction or (y) an entity that has an investment grade credit rating from a nationally recognized rating agency with respect to such entity's long term, unsecured debt has provided a Lease Guaranty.

Discretionary Transferee: A transferee that meets all of the following requirements: (a) such transferee has at least five (5) years of experience (directly or through one or more of its Subsidiaries) operating Communications Facilities with average annual revenues equaling or exceeding the lesser of (x) $500,000,000 and (y) fifty percent (50%) of the prior calendar year revenues derived from the Affected Facility for five of the immediately preceding ten year period; (b) such transferee (directly or through one or more of its Subsidiaries) is licensed or certified by each applicable authority with jurisdiction over any portion of the Leased Property as of the date of any proposed assignment or transfer to such entity (or will be so licensed upon its assumption of the Master Lease) in order to operate the Leased Property for the Primary Intended Use; (c) such transferee is Solvent, and, other than in the case of a Permitted Leasehold Mortgagee Foreclosing Party, if such transferee has a Parent Company, the Parent Company of such transferee is Solvent, in each case before and after giving effect to the proposed transaction and (d) (i) other than in the case of a Permitted Leasehold Mortgagee Foreclosing Party, (x) the Parent Company of such transferee or, if such transferee does not have a Parent Company, such transferee, has sufficient assets so that, after giving effect to its assumption of Tenant's obligations hereunder or the applicable assignment (including pursuant to a Change in Control under Section 22.2(iii)(x) or Section 22.2(iii)(y), its Leverage Ratio in accordance with GAAP does not exceed 5.50 to 1.0 based on projected earnings and after giving effect to the proposed transaction or (y) an entity that has an investment grade credit rating from a nationally recognized rating agency with respect to such entity's long term, unsecured debt has provided a Lease Guaranty, or (ii) in the case of a Permitted Leasehold Mortgagee Foreclosing Party, (x) Tenant's Leverage Ratio does not exceed 5.50 to 1.0 based on projected earnings and after giving effect to the proposed transaction or (y) an entity that has an investment grade credit rating from a nationally recognized rating agency with respect to such entity's long term, unsecured debt has provided a Lease Guaranty.

Dispute: As defined in Section 41.15.

Distribution Agreement: As defined in Recital B.

Distribution Agreement Ancillary Documents: The Transition Services Agreement, the Tax Matters Agreement, and the Employee Matters Agreement, the Intellectual Property Matters Agreement, the Wholesale Reseller Agreement, and the ancillary transfer and assignment agreements (including the Assignment Agreement), each dated as of the date of the Distribution Agreement and entered into by Tenant, Win Services, CS&L and/or their applicable Affiliates or Subsidiaries.

Distribution Systems: As defined in Section 1.1(d).

"Dollars" and "$": shall mean the lawful money of the United States.

Earn-out Obligation: Any contingent consideration based on the future operating performance of an acquired entity or assets, or other purchase price adjustment or indemnification obligation, payable following the consummation of an acquisition (including pursuant to a merger or consolidation) based on criteria set forth in the documentation governing or relating to such acquisition.

Easements: All easements (whether express or prescriptive) or similar agreements (such as railroad crossing agreements and leases of conduits) affecting the Leased Property, including, but not limited to, the easement rights, interests to rights-of-way, railroad crossing agreements and leases of conduits assigned to Landlord under the Assignment Agreement which provide Landlord with the right to access and use the Leased Property (or any portion thereof) where the Distribution Systems are installed or located and the easements entered into by Landlord in connection with Capital Improvements made by Tenant pursuant to the terms of Section 10.2.

Electronics: Any and all electronics that process, compress, modify and route signals along the Distribution Systems that are used in connection with the Leased Property, including, but not limited to, digital subscriber line access multiplexers, digital loop carriers, routers, wave division multiplexers and switches.

Encumbrance: Any mortgage, deed of trust, lien, encumbrance or other matter affecting title to any of the Leased Property, or any portion thereof or interest therein.

Engineering Standard: The engineering standards and methods of Tenant in effect as of the date hereof for the performance of any Capital Improvements, as the same may be modified from time in accordance with the terms hereof.

Environmental Costs: As defined in Section 32.4.

Environmental Laws: Any and all federal, state, municipal and local laws, statutes, ordinances, rules, regulations, guidances, policies, orders, decrees or judgments, whether statutory or common law, as amended from time to time, now or hereafter in effect, or promulgated, pertaining to the environment, public health and safety and industrial hygiene, including the use, generation, manufacture, production, storage, release, discharge, disposal, handling, treatment, removal, decontamination, cleanup, transportation or regulation of any Hazardous Substance, including the Industrial Site Recovery Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Comprehensive Environmental Response Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Insecticide, Fungicide, Rodenticide Act, the Safe Drinking Water Act and the Occupational Safety and Health Act.

Equity Interests: With respect to any Person, any shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest but excluding any debt security that is convertible into, or exchangeable for, any of the foregoing.

Escalated Rent: For the applicable Lease Year, an amount equal to 100.5% of the Rent as of the end of the immediately preceding Lease Year.

Event of Default: As defined in Section 16.1.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules of the SEC.

Excluded Assets: As defined in the Distribution Agreement.

Expert: An independent third party professional, with expertise in respect of a matter at issue, appointed in accordance with Article XXXIV hereof.

Extension of the Distribution Systems to a New Geographic Area: The construction of fiber or copper distribution facilities to a new residential subdivision. A new residential subdivision shall be determined in accordance with Tenant's engineering operating procedures for documenting and identifying residential subdivisions in effect as of the execution date of this Master Lease.

Facilit(y)(ies): As defined in Recital C.

Facility Mortgage: As defined in Section 13.1.

Facility Mortgage Documents: With respect to each Facility Mortgage and Facility Mortgagee, the applicable Facility Mortgage, loan agreement, debt agreement, credit agreement or indenture, lease, note, collateral assignment instruments, guarantees, indemnity agreements and other documents or instruments evidencing, securing or otherwise relating to the loan made, credit extended, or lease or other financing vehicle entered into pursuant thereto.

Facility Mortgagee: As defined in Section 13.1.

Fair Market Rental: The fair market rental value calculated in accordance with the provisions of Exhibit E.

Fair Market Value: A price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy.

Final Lease Expiration: As defined in Section 36.1(a).

Financial Officer: With respect to any Person, the chief financial officer, principal accounting officer, treasurer or controller of such Person.

Financial Statements: As defined in Section 23.1(b).

Fiscal Quarter: A fiscal quarter of Tenant.

Fiscal Year: The fiscal year of Tenant.

Foreclosure Assignment: As defined in Section 22.2(iii)(z).

Foreclosure COC: As defined in Section 22.2(iii)(z).

Foreclosure Purchaser: As defined in Section 31.1.

Full Funding Commitment: An amount not to exceed $50,000,000 per annum for a maximum period of five (5) years as provided in Section 10.2(b), but in no event to extend

beyond the calendar day immediately preceding the seventh (7th) anniversary of the Commencement Date.

Funding Commitment: either (i) the Full Funding Commitment or, (ii) the Limited Funding Commitment, as applicable.

GAAP: Generally accepted accounting principles in effect as of the execution date of this Master Lease. For the avoidance of doubt, all matters that are required to be determined in accordance with GAAP under this Master Lease shall be determined on a consolidated, pro forma basis, and with GAAP being consistently applied.

Guarantee: Any obligation, contingent or otherwise, of or by any Person guaranteeing ("**guarantor**") or having the economic effect of guaranteeing any Indebtedness of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness; provided that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business; and provided, further, that the amount of any Guarantee shall be deemed to be the lower of (i) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee is made and (ii) the maximum amount for which such guarantor may be liable pursuant to the terms of the instrument embodying such Guarantee or, if such Guarantee is not an unconditional guarantee of the entire amount of the primary obligation and such maximum amount is not stated or determinable, the amount of such guarantor's maximum reasonably anticipated liability in respect thereof as determined by such Person in good faith.

Guarantor: Any entity that guaranties the payment or collection of all or any portion of the amounts payable by Tenant, or the performance by Tenant of all or any of its obligations, under this Master Lease which is consented to by Landlord in connection with a Transfer of Leased Property pursuant to Article XXII.

Handling: As defined in Section 32.4.

Hazardous Substances: Collectively, any petroleum, petroleum product or by product or any substance, material or waste regulated or listed pursuant to any Environmental Law.

ILEC Territory: A geographic area where Tenant or its Subsidiaries are licensed as an incumbent local exchange carrier.

Impartial Appraiser: As defined in Section 13.2.

Impositions: Collectively, all taxes, including franchise, margin and other state taxes of Landlord, ad valorem, sales, use, single business, gross receipts, transaction privilege, rent or similar taxes; assessments including assessments for public improvements or benefits, whether or not commenced or completed prior to the date hereof and whether or not to be completed within the Term; ground rents (pursuant to Permits); water, sewer and other utility levies and charges; fees and charges in respect of any Easements, Permits and Pole Agreements, excise tax levies; fees including license, permit, inspection, authorization and similar fees; and all other regulatory or governmental charges, in each case whether general or special, ordinary or extraordinary, or foreseen or unforeseen, of every character in respect of the Leased Property and/or the Rent and Additional Charges and all interest and penalties thereon attributable to any failure in payment by Tenant (other than failures arising from the acts or omissions of Landlord) which at any time prior to, during or in respect of the Term hereof may be assessed or imposed on or in respect of or be a Lien upon (i) Landlord or Landlord's interest in the Leased Property, (ii) the Leased Property or any part thereof or any rent therefrom or any estate, right, title or interest therein, or (iii) any occupancy, operation, use or possession of, or sales from or activity conducted on or in connection with the Leased Property or the leasing or use of the Leased Property or any part thereof; provided, however, that nothing contained in this Master Lease shall be construed to require Tenant to pay (a) any tax based on net income (whether denominated as a franchise or capital stock or other tax) other than property taxes imposed on Landlord or any other Person, (b) any transfer, or net revenue tax of Landlord or any other Person except Tenant and its successors, (c) any tax imposed with respect to the sale, exchange or other disposition by Landlord of any Leased Property or the proceeds thereof, (d) any principal or interest on any indebtedness on or secured by the Leased Property owed to a Facility Mortgagee for which Landlord or its Subsidiaries is the obligor, (e) any franchise tax based upon the capital stock of Landlord, its Subsidiaries or CS&L Parent, or (f) any regulatory fee due to regulatory authorizations held in Landlord's name.

Indebtedness: With respect to any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accrued obligations or trade payables, in each case incurred in the ordinary course of business), (e) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing unconditional right to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (f) all Guarantees by such Person of Indebtedness of others, (g) all Capital Lease Obligations of such Person, (h) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty, (i) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, and (j) all net obligations of such Person under any Derivative Swap Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. The amount of any Indebtedness outstanding as of any date will be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the

contingency giving rise to the obligation, and will be: (1) the accreted value thereof, in the case of any Indebtedness issued with original issue discount; and (2) the principal amount thereof, together with any interest thereon that is more than thirty (30) days past due, in the case of any other Indebtedness.

Initial Appraisal Period: As defined in Section 41.14(a).

Initial Extension Notice: As defined in Section 1.3.

Initial Extension Right: As defined in Section 1.3.

Initial Term: As defined in Section 1.3.

Initial Valuation Period: As defined in Section 34.1(a).

Insurance Requirements: The terms of any insurance policy required by this Master Lease and all requirements of the issuer of any such policy and of any insurance board, association, organization or company necessary for the maintenance of any such policy.

Interest Expense: With respect to any specified Person for any period, the sum, without duplication, of:

(a) the consolidated interest expense of such Person and its Subsidiaries for such period, whether paid or accrued, including, without limitation, original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, imputed interest with respect to commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of the effect of all payments made or received pursuant to Derivative Swap Agreements, but excluding the amortization or write-off of debt issuance costs; *plus*

(b) the consolidated interest of such Person and its Subsidiaries that was capitalized during such period; *plus*

(c) any interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its subsidiaries or secured by a Lien on assets of such Person or one of its Subsidiaries, whether or not such Guarantee or Lien is called upon;

in each case determined in accordance with GAAP.

Investment Fund: A bona fide private equity fund or bona fide investment vehicle arranged by and managed by or controlled by, or under common control with, a private equity fund (excluding any private equity fund investment vehicle the primary assets of which are Tenant and its Subsidiaries and/or this Master Lease and assets related thereto) that is engaged in making, purchasing, funding or otherwise or investing in a diversified portfolio of businesses and companies and is organized primarily for the purpose of making equity investments in companies.

Land: As defined in Section 1.1(a).

Landlord: As defined in the preamble.

Landlord Representatives: As defined in Section 23.3(b).

Landlord Tax Returns: As defined in Section 4.1(b).

Lease Guaranty: A guaranty in form and substance reasonably satisfactory to Landlord executed by a Guarantor in favor of Landlord (as the same may be amended, supplemented or replaced from time to time) pursuant to which such Guarantor agrees to guaranty all of the obligations of Tenant hereunder in connection with a Transfer of Leased Property pursuant to Article XXII.

Lease Termination Notice: As defined in Section 36.1(a).

Lease Year: The first Lease Year for each Facility shall be the period commencing on the Commencement Date and ending on the last day of the calendar month in which the first (1st) anniversary of the Commencement Date occurs, and each subsequent Lease Year for each Facility shall be each period of twelve (12) full calendar months after the last day of the prior Lease Year.

Leased Improvements: As defined in Section 1.1(b).

Leased Property: As defined in Section 1.1.

Leasehold Estate: As defined in Section 17.1(a).

Legal Requirements: All federal, state, county, municipal and other governmental statutes, laws, rules, policies, guidance, codes, orders, regulations, ordinances, permits, licenses, covenants, conditions, restrictions, judgments, decrees and injunctions (including common law, Communications Regulations and Environmental Laws) affecting either the Leased Property, Tenant's Property, all Capital Improvements or the construction, use or alteration thereof, whether now or hereafter enacted and in force, including any which may (i) require repairs, modifications or alterations in or to the Leased Property and Tenant's Property, (ii) in any way adversely affect the use and enjoyment thereof, or (iii) regulate the transport, handling, use, storage or disposal or require the cleanup or other treatment of any Hazardous Substance.

Leverage Ratio. On any date of determination, the ratio of (a) Consolidated Debt as of such day to (b) Consolidated Adjusted EBITDA to be determined as follows: (x) with respect to Tenant, for the period of four consecutive Fiscal Quarters ended on such day (or if such day is not the last day of a Fiscal Quarter, ended on the last day of the Fiscal Quarter most recently ended for which Financial Statements have been delivered or were required to be delivered pursuant to Section 23.1(b)(i) or Section 23.1(b)(ii) before such day) and (y) with respect to a Relevant Party, for the Test Period most recently ended prior to the date for which financial statements are available. For purposes of calculating the Leverage Ratio, Consolidated Adjusted EBITDA shall be calculated on a pro forma basis (and shall be calculated, except for pro forma adjustments reasonably contemplated by the potential transferee which may be

included in such calculations, otherwise in accordance with Regulation S-X under the Securities Act) to give effect to any material acquisitions and material asset sales consummated by the Relevant Party and its Subsidiaries since the beginning of any Test Period of the Relevant Party as if each such material acquisition had been effected on the first day of such Test Period and as if each such material asset sale had been consummated on the day prior to the first day of such period. In addition, for the avoidance of doubt, (i) if the Relevant Party or any Subsidiary of the Relevant Party has incurred any Indebtedness or repaid, repurchased, acquired, defeased or otherwise discharged any Indebtedness since the end of the most recent Test Period for which financial statements are available, Consolidated Debt shall be calculated (for purposes of this definition) after giving effect on a pro forma basis to such incurrence, repayment, repurchase, acquisition, defeasance or discharge and the applications of any proceeds thereof as if it had occurred prior to the first day of such Test Period, (ii) the Leverage Ratio shall give pro forma effect to the transactions whereby the applicable Discretionary COC Transferee or Discretionary Transferee becomes party to the Master Lease or the Change in Control transactions permitted under Section 22.2(iii); and (iii) with respect to a Discretionary COC Transferee, the Leverage Ratio shall include the Consolidated Debt and Consolidated Adjusted EBITDA of Tenant and its Subsidiaries for the relevant period.

Lien: With respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, Encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Limited Funding Commitment: An amount less than the Full Funding Commitment, which amount and the term of the available funding commitment are agreed to by Landlord in its sole and absolute discretion.

Long Haul Fiber Route: A point to point fiber route that is designed to, and continues to function as part of Tenant's long haul fiber network and which shall not have an add/drop concentration greater than two (2) within the ILEC Territory. A Long Haul Fiber Route may connect with one (1) central office within the ILEC Territory as part of the Long Haul Fiber Route plus have up to two (2) separate points of entry into or exit from the ILEC Territory. Tenant may construct up to two (2) Long Haul Fiber Routes that enter an ILEC Territory, and if both Long Haul Fiber Routes access a central office, then both Long Haul Fiber Routes will access the same central office. Tenant may construct additional Long Haul Fiber Routes in the ILEC Territory under the following circumstances: (i) to replace a Long Haul Fiber Route that was previously obtained by Tenant from unrelated third parties, or (ii) to augment a Long Haul Fiber Route where capacity has been exhausted, or (iii) to create Long Haul Fiber Route diversity. Tenant will provide documentation reasonably acceptable to Landlord to substantiate compliance with these exceptions prior to construction of a Long Haul Fiber Route that would result in more than two (2) Long Haul Fiber Routes in the ILEC Territory, or where a Long Haul Fiber Route will interconnect to a central office other than the one designated for the initial two (2) Long Haul Fiber Routes. Within an ILEC Territory, any extensions constructed from a Long Haul Fiber Route to a location within the ILEC Territory, including direct

connections to customer service locations or a direct connection between (2) central offices within the same ILEC Territory, shall be designated as a TCI Replacement.

Long Haul TCI: As defined in Section 10.2(e).

Management Agreement: As defined in Section 36.3(b).

Master Lease: As defined in the preamble.

Material Indebtedness: Indebtedness of any one or more of Tenant and Tenant's Subsidiaries in an aggregate principal amount exceeding $75,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of Tenant or any of Tenant's Subsidiaries in respect of any Derivative Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that Tenant or its Subsidiary would be required to pay if such Derivative Swap Agreement were terminated at such time.

Material Portion: As defined in Section 22.3.

Maximum Expected Annual Aggregate Loss: As defined in Section 13.9(c).

Maximum Foreseeable Loss: As defined in Section 13.2.

Metropolitan Statistical Area: A geographical region with a relatively high population density at its core, as delineated by the United States Office of Management and Budget.

Monthly Report: As defined in Section 3.3(b).

Negotiated Communications Assets FMV: As defined in Section 36.1(a).

Net Income: With respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends, excluding, however:

(a) any gain or loss, together with any related provision for taxes on such gain or loss, realized in connection with: (i) any sale of assets outside the ordinary course of business of such Person or any of its Subsidiaries; or (ii) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries; and

(b) any extraordinary or non-recurring gain, loss, expense or charge, together with any related provision for taxes; provided that non-recurring cash charges shall not exceed $100,000,000 in any period of four consecutive Fiscal Quarters.

New Lease: As defined in Section 17.1(f).

Non-Renewal Event: As defined in Section 36.1(a).

Non-Renewal Leased Property: As defined in Section 1.4.

Notice: A notice given in accordance with Article XXXV.

Notice of Termination: As defined in Section 17.1(f).

OFAC: As defined in Section 39.1.

Officer's Certificate: A certificate of Tenant or Landlord, as the case may be, signed by an officer of such party authorized to so sign by resolution of its board of directors or by its sole member or by the terms of its by-laws or operating agreement, as applicable.

Outside Date: As defined in Section 10.2(b).

Overdue Rate: On any date, a rate equal to five (5) percentage points above the Prime Rate, but in no event greater than the maximum rate then permitted under applicable law.

Parent Company: With respect to any Discretionary COC Transferee or Discretionary Transferee, any Person (other than an Investment Fund) (x) as to which such Discretionary COC Transferee or Discretionary Transferee, as applicable, is a Subsidiary; and (y) which is not a Subsidiary of any other Person (other than an Investment Fund).

Payment Date: Any due date for the payment of the installments of Rent or any other sums payable under this Master Lease.

Permits: All permits, franchises, licenses or similar agreements required for the provision, routing and operation of voice, data and/or other communication services to business and consumers on the Leased Property, including, but not limited to, permits, franchises, licenses or similar agreements granted by governmental authorities (including permits from highway departments and state and county agencies, franchise and right-of-way license agreements with local governments and permits from the Bureau of Land Management) assigned to Landlord pursuant to the Assignment Agreement which provide Landlord with the right to access and use public rights of way where the Distribution Systems are installed or located.

Permitted Leasehold Mortgage: A document creating or evidencing an Encumbrance on Tenant's leasehold interest (or a subtenant's subleasehold interest) in the Leased Property, granted to or for the benefit of a Permitted Leasehold Mortgagee as security for the obligations under a Debt Agreement.

Permitted Leasehold Mortgagee: The lender or agent or trustee or similar representative on behalf of one or more lenders or noteholders or other investors under a Debt Agreement, in each case as and to the extent such Person has the power to act on behalf of all lenders under such Debt Agreement pursuant to the terms thereof; provided such lender, agent or trustee or similar representative (but not necessarily the lenders, noteholders or other investors which it represents) is a banking institution in the business of generally acting as a lender, agent or trustee or similar representative (in each case, on behalf of a group of lenders) under debt agreements or instruments similar to the Debt Agreement.

Permitted Leasehold Mortgagee Designee: An entity designated by a Permitted Leasehold Mortgagee and acting for the benefit of the Permitted Leasehold Mortgagee, or the lenders, noteholders or investors represented by the Permitted Leasehold Mortgagee.

Permitted Leasehold Mortgagee Foreclosing Party: A Permitted Leasehold Mortgagee that forecloses on this Master Lease and assumes this Master Lease or a Subsidiary of a Permitted Leasehold Mortgagee that assumes this Master Lease in connection with a foreclosure on this Master Lease by a Permitted Leasehold Mortgagee.

Person or person: Any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

Pole Agreements: All pole attachment agreements or similar arrangements with third parties that either own the poles to which the Distribution Systems are affixed or that attach their lines to the poles that constitute part of the Leased Property, including, but not limited to, all pole attachment agreements and similar arrangements with third parties assigned to Landlord pursuant to the Assignment Agreement which provide Landlord with the right to access and use telephone or utility poles, conduits or similar facilities where the Distribution Systems are installed or located.

Preferred Stock: With respect to any Person, any Equity Interests in such Person that have preferential rights to any other Equity Interests in such Person with respect to dividends or redemptions upon liquidation.

Primary Intended Use: The provision, routing and delivery of voice, data, video, data center, cloud computing and other communication services to businesses, consumers and other users of communication services (including governmental entities, schools, libraries and non-profit entities), the colocation activities in the data center space, the provision of dark or dim fiber services to third parties and/or such other services and uses required to be or customarily performed or provided under the Communications Regulations in connection with the foregoing uses consistent, with respect to each Facility, with its current use as of the Commencement Date or with prevailing communications industry use at any time (including all ancillary uses consistent with communications industry practice).

Prime Rate: On any date, a rate equal to the annual rate on such date publicly announced by JPMorgan Chase Bank, N.A. (provided that if JPMorgan Chase Bank, N.A. ceases to publish such rate, the Prime Rate shall be determined according to the Prime Rate of another nationally known money center bank reasonably selected by Landlord), to be its prime rate for ninety (90)-day unsecured loans to its corporate borrowers of the highest credit standing, but in no event greater than the maximum rate then permitted under applicable law.

Probable Maximum Loss: The value of the largest monetary loss within one area that may be expected to result from a single fire, assuming the normal functioning of passive protective features and proper functioning of most active suppression systems.

Proceeding: As defined in Section 23.1(b)(vi).

Prohibited Persons: As defined in Section 39.1.

Prudent Industry Practice: The standard of operating and maintenance practices, at any particular time, methods and acts, which, in light of the relevant facts, is generally engaged in or approved by a significant portion of the owners of distribution systems that are similar to the Distribution Systems, which could have been expected to accomplish the desired result consistent with good business practices, reliability and safety.

Qualified Communications Assets Bid: As defined in Section 36.2(c)(ii).

Qualified Successor Tenant: As defined in Section 36.2(a).

Qualified Third Party Auctioneer: An independent auction agent of national reputation experienced in conducting auctions of assets similar to the Communication Assets.

Regulation S-X: Regulation S-X promulgated by the SEC under the Securities Act.

Related Persons: With respect to a party, such party's affiliates, divisions and subsidiaries and the directors, officers, employees, agents, advisors and controlling persons of such party and its affiliates, divisions and subsidiaries.

Relevant Party: The Discretionary COC Transferee, the Discretionary Transferee, the Parent Company of the Discretionary COC Transferee, the Parent Company of the Discretionary Transferee or the Permitted Leasehold Mortgagee Foreclosing Party, as applicable.

Renewal Election Outside Date: As defined in Section 1.4(a).

Renewal Leased Property: As defined in Section 1.4(a).

Renewal Notice: As defined in Section 1.4(a).

Renewal Rent:

(A) For the first year of each Renewal Term, an annual amount equal to the Rent for the Renewal Leased Properties for the applicable Renewal Term which shall be determined in accordance with Section 1.4(b) or Section 41.14, as applicable.

(B) Commencing with the second (2nd) Lease Year of any Renewal Term and continuing each Lease Year thereafter during such Renewal Term, the Renewal Rent shall increase to an annual amount equal to the Escalated Rent.

(C) For purposes of the Appraiser's determination of Renewal Rent under Section 41.14, the determination shall be equal to the Fair Market Rental for each Facility based on an approach consistent with Exhibit E.

Renewal Term: A period for which the Term is renewed in accordance with Section 1.4.

Rent:

(A) During the Initial Term, an annual amount equal to six hundred fifty million and 00/100 Dollars ($650,000,000); provided, however, that commencing with the fourth (4th) Lease Year and continuing each Lease Year thereafter during the Initial Term, the Rent shall increase to an annual amount equal to the Escalated Rent; provided further that any funding provided by Landlord to Tenant for Capital Improvements pursuant to Section 10.2 shall be subject to an annual escalation of 0.5%.

(B) During any Renewal Term, the Rent shall be an annual amount as determined in accordance with Section 1.4(b) or Section 41.14, as applicable.

(C) As applicable during the Term, Rent shall be increased pursuant to Section 10.2 (which increases shall be subject to the escalations provided in clause (A) above or clause (B) in the definition of "Renewal Rent", as applicable).

Representative: With respect to the lenders or holders under a Debt Agreement, a Person designated as agent or trustee or a Person acting in a similar capacity or as representative for such lenders or holders.

Request: As defined in Section 41.15.

Requested Funding Amount: As defined in Section 10.2(a).

SEC: The United States Securities and Exchange Commission.

Securities Act: The Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

Selection Period: As defined in Section 36.2(c)(ii).

Shared Corporate Assets: Facilities or other assets used to provide or perform shared corporate services for the operation of Tenant or its Subsidiaries including general and administrative functions, network operations support centers, network monitoring centers, or network control centers, customer service or repair centers, warehouses for inventory or spare equipment, and any video equipment in which twenty-five percent (25%) or more of the equipment's function is to deliver video content outside of the service area of the Affected Facility.

Solvent: With respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person, on a going-concern basis, is greater than the total amount of liabilities (including contingent liabilities) of such Person, (b) the present fair salable value of the assets of such Person, on a going-concern basis, is not less than the amount that will be required to pay the probable liability of such Person on its debts (including contingent liabilities) as they become absolute and matured, (c) such Person has not incurred, and does not intend to, and does not believe that it will, incur, debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature, (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's

property would constitute an unreasonably small capital and (e) such Person is "solvent" within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability shall be computed as the amount that, in light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (irrespective of whether such contingent liabilities meet the criteria for accrual under Accounting Standards Codification No. 450).

Specified Sublease: Any lease in effect on the Commencement Date constituting part of the Leased Property with respect to which Tenant is a sublessor, substantially as in effect on the Commencement Date.

State: With respect to each Facility, the state or commonwealth in which such Facility is located.

Subsidiary: With respect to any Person (the "**parent**") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity of which securities or other ownership interests representing more than fifty percent (50%) of the equity or more than fifty percent (50%) of the ordinary voting power or, in the case of a partnership, more than fifty percent (50%) of the general partnership interests are, as of such date, owned, controlled or held. Unless otherwise qualified, all references to a "**Subsidiary**" or to "**Subsidiaries**" in this Master Lease shall refer to a Subsidiary or Subsidiaries of Tenant.

Successor Tenant: As defined in Section 36.1(a).

Successor Tenant Rent:

(A) The Rent that Landlord would be entitled to receive from the Successor Tenant for the first year of a new master lease assuming a lease term of ten (10) years as determined in accordance with Section 1.4(b) or Section 36.2, as applicable, and which master lease shall be consistent with the terms described in Section 36.2(a).

(B) Commencing with the second (2^{nd}) lease year of the term of the new master lease and continuing each lease year thereafter during such term, the Successor Tenant Rent shall increase to an amount equal to the Escalated Rent.

(C) For purposes of the Appraiser's determination of Successor Tenant Rent under Section 41.14, to the extent consistent with sound appraisal practice as then existing at the time the appraisal is being performed, the determination shall be equal to the Fair Market Rental based on an approach consistent with Exhibit E.

SVP Representative: With respect to a Person, the senior vice president of such Person or such other similar officer of such Person.

Taking: As defined in Section 15.1(a).

TCI CLEC Extension: As defined in Section 10.2(c).

TCI ILEC Extension: As defined in Section 10.2(c).

TCI Replacement: As defined in Section 10.2(c).

Tenant: As defined in the preamble.

Tenant Capital Improvement: As defined in Section 10.2(c).

Tenant COC: As defined in Section 22.2(iii)(x).

Tenant Representatives: As defined in Section 23.3(c).

Tenant's Property: With respect to each Facility, all assets (including the Electronics, switching and equipment but specifically excluding the Leased Property and property owned by a third party) primarily related to or used in connection with the operation of the business conducted on or about the Leased Property, together with all replacements, modifications, additions, alterations and substitutes therefor.

Term: As defined in Section 1.3.

Termination Notice: As defined in Section 17.1(d).

Test Period: With respect to any Person, for any date of determination, the period of the four (4) most recently ended consecutive fiscal quarters of such Person.

Third Appraiser: As defined in Section 41.14(b).

Third Expert: As defined in Section 34.1(b).

Transfer: As defined in Section 22.1.

Unavoidable Delay: Delays due to strikes, lock-outs, inability to procure materials, power failure, acts of God, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty or other causes beyond the reasonable control of the party responsible for performing an obligation hereunder; provided that lack of funds shall not be deemed a cause beyond the reasonable control of a party unless such lack of funds is caused by the breach of the other party's obligation to perform any obligations of such other party under this Master Lease.

Valuation Period: As defined in Section 34.1(b).

Valuation Request Notice: As defined in Section 13.2.

Voting Stock: With respect to any Person as of any date, the Equity Interests in such Person that are ordinarily entitled to vote in the election of the board of directors of such Person.

VP Representative: With respect to a Person, the vice president of such Person or such other similar officer of such Person.

Win Services: As defined in Recital B.

ARTICLE III

3.1 Rent. During the Term, Tenant will pay to Landlord (or as otherwise directed by Landlord pursuant to Section 3.3 or as otherwise provided in Sections 4.1 and 4.2) the Rent and Additional Charges in lawful money of the United States of America and legal tender for the payment of public and private debts, in the manner provided in Section 3.3. The Rent during any Lease Year is payable in advance in consecutive monthly installments on the fifth (5^{th}) Business Day of each calendar month during that Lease Year. Unless otherwise agreed by the parties, Rent and Additional Charges shall be prorated as to any partial months at the beginning and end of the Term.

3.2 Late Payment of Rent and Additional Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of Rent and Additional Charges will cause Landlord to incur costs not contemplated hereunder, the exact amount of which is presently anticipated to be extremely difficult to ascertain. Accordingly, if any installment of Rent and Additional Charges (other than Additional Charges payable to a Person other than Landlord) shall not be paid within ten (10) days after its due date, Tenant will pay Landlord on demand a late charge equal to the lesser of (a) five percent (5%) of the amount of such installment or (b) the maximum amount permitted by law. The parties agree that this late charge represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. The parties further agree that such late charge is an Additional Charge and not interest and such assessment does not constitute a lender or borrower/creditor relationship between Landlord and Tenant. Thereafter, if any installment of Rent or an Additional Charge (other than Additional Charges payable to a Person other than Landlord) shall not be paid within fifteen (15) days after its due date, the amount unpaid, including any late charges previously accrued, shall bear interest at the Overdue Rate from the due date of such installment to the date of payment thereof, and Tenant shall pay such interest to Landlord on demand. The payment of such late charge or such interest shall not constitute waiver of, nor excuse or cure, any default under this Master Lease, nor prevent Landlord from exercising any other rights and remedies available to Landlord.

3.3 Method of Payment of Rent and Additional Charges to Landlord.

(a) Rent and Additional Charges to be paid to Landlord shall be paid by electronic funds transfer debit transactions through wire transfer of immediately available funds and shall be initiated by Tenant for settlement on or before the Payment Date; provided, however, if the Payment Date is not a Business Day, then settlement shall be made on the next succeeding day which is a Business Day. Landlord shall provide Tenant with appropriate wire transfer information in a Notice from Landlord to Tenant. Landlord shall deliver an invoice to Tenant (each an "**Additional Charge Invoice**") no later than twenty (20) days after the end of each calendar month which itemizes the Additional Charges that Tenant is obligated to pay to Landlord. Promptly following Tenant's request, Landlord shall provide such documentation as

reasonably requested by Tenant to enable Tenant to verify the accuracy of the Additional Charges set forth on the Additional Charge Invoice. Subject to Section 3.3(b) and Article XII relating to permitted contests, Tenant shall pay all Additional Charges to Landlord (or to such other person directed by Landlord) within thirty (30) days after Landlord delivers the Additional Charge Invoice therefor.

(b) No later than fifteen (15) days after the end of each calendar month, Tenant shall deliver to Landlord a report (each a "**Monthly Report**") setting forth all Additional Charges paid by Tenant during the immediately preceding calendar month. Landlord shall reasonably cooperate with Tenant in the preparation of such Monthly Report. Promptly following Landlord's request, Tenant shall deliver to Landlord such documentation as reasonably requested by Landlord, including, without limitation, a copy of the transmittal letter or invoice and a check whereby such payment was made, to evidence the proper payment of the Additional Charges by Tenant to parties other than Landlord hereunder.

(c) Either Landlord or Tenant (the "**Auditing Party**"), upon Notice delivered to the other party (the "**Audited Party**") within sixty (60) days after the end of each calendar year, may elect to have a certified accountant from a nationally recognized accounting firm designated by the Auditing Party to audit the books and records of the Audited Party relating to the Additional Charge Invoices or Monthly Reports, as applicable, for the immediately preceding calendar year, together with reasonable supporting data therefor, such audit to occur during business hours and with at least Five (5) Business Days' prior notice to the Audited Party, and which shall commence no later than thirty (30) days following the date of the Auditing Party's Notice, as such date may be extended on a day for day basis to the extent the Audited Party delays the Audited Party's access to such books and records following the request therefor. If Landlord or Tenant fails to deliver Notice within the time period stated above, then the Additional Charge Invoices or Monthly Reports, as applicable, for the immediately preceding calendar year shall be deemed conclusive and binding upon such party.

(d) The Auditing Party and the Auditing Party's employees, accountants and agents shall treat all of the Audited Party's books and records, and any analysis thereof, as confidential, and, as a condition to any review of such books and records, the Auditing Party shall confirm such confidentiality obligation in writing by executing a confidentiality agreement in form and substance reasonably acceptable to Landlord and Tenant. The Auditing Party shall, at the Auditing Party's sole cost and expense, have the right to obtain copies and/or make abstracts of the books and records as it may reasonably request in connection with its verification of any such Additional Charge Invoices and/or the Monthly Reports, subject to the provisions of any such confidentiality agreement.

(e) Pending the determination of any dispute, Tenant shall pay all Additional Charges required to be paid in accordance with the Additional Charge Invoices in question; provided that the payment of such Additional Charges shall be without prejudice to Tenant's right to dispute such amounts or Tenant's right to recover if Tenant successfully challenges the Additional Charge Invoices. After the dispute has been finally resolved and it is determined that Landlord overstated the Additional Charges on the Additional Charge Invoices in question, then (i) Landlord shall refund to Tenant the amount of such overpayment together with interest thereon at the Overdue Rate no later than thirty (30) days following such determination and (ii) if

it is determined that Tenant has overpaid such Additional Charges by more than five percent (5%), Landlord shall reimburse Tenant for Tenant's reasonable auditing fees incurred in connection with such determination no later than thirty (30) days following receipt of an invoice therefor (with reasonable backup) from Tenant. Landlord's obligation to make such payment shall survive the expiration or earlier termination of this Master Lease.

(f) After a dispute has been finally resolved and it is determined that Tenant has underpaid any Additional Charges (to a party other than Landlord) based on the Landlord's audit set forth in this Section 3.3, Tenant shall pay the amount of such underpayment to the applicable party (together with all applicable interest and penalties related thereto) within thirty (30) days following such determination and shall send to Landlord, simultaneously with such payment, a copy of the invoice or check or other evidence of payment therefor. If it is determined that Tenant has underpaid such Additional Charges by more than five percent (5%), Tenant shall reimburse Landlord for Landlord's reasonable auditing fees incurred in connection with such determination no later than thirty (30) days following receipt of an invoice therefor (with reasonable backup) from Landlord. Tenant's obligation to make such payment shall survive the expiration or earlier termination of this Master Lease.

3.4 Net Lease. Landlord and Tenant acknowledge and agree that (i) this Master Lease is and is intended to be what is commonly referred to as a "net, net, net" or "triple net" lease, and (ii) the Rent shall be paid absolutely net to Landlord, so that this Master Lease shall yield to Landlord the full amount or benefit of the installments of Rent and Additional Charges throughout the Term with respect to each Facility subject to this Master Lease from time to time, all as more fully set forth in Article IV and subject to any other provisions of this Master Lease which expressly provide for adjustment or abatement of Rent or other charges. If Landlord commences any proceedings for non-payment of Rent or Additional Charges, Tenant will not interpose any counterclaim or cross complaint or similar pleading of any nature or description in such proceedings unless Tenant would lose or waive such claim by the failure to assert it. This shall not, however, be construed as a waiver of Tenant's right to assert such claims in a separate action brought by Tenant. The covenants to pay Rent and other amounts hereunder are independent covenants, and Tenant shall have no right to hold back, offset or fail to pay any such amounts for default by Landlord or for any other reason whatsoever. Notwithstanding anything to the contrary contained herein, in the event Landlord defaults on its obligation to fund a Capital Improvement pursuant to Section 10.2(b) and such failure is not cured by Landlord within thirty (30) days following receipt of Notice from Tenant of Landlord's failure to make such payment, Tenant shall be entitled to offset against the next subsequent payments of Rent the amount that Landlord was obligated to but failed to fund to Tenant with respect to such Capital Improvement under Section 10.2.

ARTICLE IV

4.1 Impositions. (a) Subject to Article XII relating to permitted contests, and without any duplication as to amounts payable by Tenant as Additional Charges to Landlord, Tenant shall pay, or cause to be paid, all Impositions before any fine, penalty, interest or cost may be added for non-payment. Tenant shall make such payments directly to the taxing authorities or such other third parties where feasible. Tenant's obligation to pay Impositions shall be absolutely fixed upon the date such Impositions become a Lien upon the Leased

Property or any part thereof subject to Article XII. If any Imposition may, at the option of the taxpayer, lawfully be paid in installments, whether or not interest shall accrue on the unpaid balance of such Imposition, Tenant may pay the same, and any accrued interest on the unpaid balance of such Imposition, in installments as the same respectively become due and before any fine, penalty, premium, further interest or cost may be added thereto.

(b) Landlord shall prepare and file all tax returns and reports as may be required by Legal Requirements with respect to Landlord's net income, gross receipts, franchise taxes and taxes on its capital stock and any other returns required to be filed by or in the name of Landlord (the "**Landlord Tax Returns**"), and Tenant shall prepare and file all other tax returns and reports as may be required by Legal Requirements with respect to or relating to the Leased Property (including all Capital Improvements), and Tenant's Property. For the avoidance of doubt, to facilitate administrative efficiency and to mitigate the risk of duplication of tasks and double-taxation on assets that are on the books and records of Landlord and Tenant, Tenant shall file all tax returns and reports required by any Legal Requirements with respect to or relating to the Leased Property, the Capital Improvements, and Tenant's Property except to the extent Landlord is required (and Tenant is not otherwise permitted) to make such filing, in which case Landlord shall make such filing following Notice thereof from Tenant.

(c) Any refund due from any taxing authority in respect of any Imposition paid by or on behalf of Tenant on or after the date of this Master Lease or in respect of any period prior to the Commencement Date shall be paid over to or retained by Tenant. If Landlord receives such refund from the taxing authority, Landlord shall pay such refund over to Tenant no later than thirty (30) days after receipt of such refund by Landlord.

(d) Landlord and Tenant shall, upon request of the other, provide such data as is maintained by the party to whom the request is made with respect to the Leased Property as may be necessary to prepare any required tax returns and reports. For any property covered by this Master Lease that is real property or personal property for tax purposes, Tenant shall file all property tax returns in such jurisdictions where it must legally so file. Landlord, to the extent it possesses the same, and Tenant, to the extent it possesses the same, shall provide the other party, upon request, with cost and depreciation records necessary for filing returns for any property required to be reported hereunder. Where Landlord is legally required to file property tax returns, Tenant shall be provided with copies of assessment notices indicating a value in excess of the reported value in sufficient time for Tenant to file a protest.

(e) Billings for reimbursement by Tenant to Landlord of personal property or real property taxes and any taxes due under the Landlord Tax Returns, if and to the extent Tenant is responsible for such taxes under the terms of this Section 4.1, shall be accompanied by copies of a bill therefor and payments thereof which identify the personal property or real property or other tax obligations of Landlord with respect to which such payments are made.

(f) Impositions imposed or assessed in respect of the tax-fiscal period during which the Term terminates shall be adjusted and prorated between Landlord and Tenant, whether or not such Imposition is imposed or assessed before or after such termination, and Tenant's obligation to pay its prorated share thereof in respect of a tax-fiscal period during the Term shall survive such termination. Landlord will not voluntarily enter into agreements that will result in

additional Impositions without Tenant's consent, which shall not be unreasonably withheld (it being understood that it shall not be reasonable to withhold consent to customary additional Impositions that other property owners of properties similar to the Leased Property customarily consent to in the ordinary course of business); provided Tenant is given reasonable opportunity to participate in the process leading to such agreement.

4.2 Utilities. Without duplication of any amounts payable by Tenant as Additional Charges to Landlord under Article III, Tenant shall pay or cause to be paid all charges for electricity, power, gas, oil, water and other utilities used in the Leased Property (including all Capital Improvements). Tenant shall also pay or reimburse Landlord in accordance with Article III for all costs and expenses of any kind whatsoever which at any time with respect to the Term hereof with respect to any Facility may be imposed against Landlord by reason of any of the covenants, conditions and/or restrictions affecting the Leased Property or any portion thereof, or with respect to easements, licenses or other rights over, across or with respect to any adjacent or other property which benefits the Leased Property, or any Capital Improvement. Landlord will not enter into any such agreements without Tenant's consent, which shall not be unreasonably withheld (it being understood that it shall not be reasonable to withhold consent to such agreements that do not adversely affect the use or future development of the Facility as a Communications Facility or increase Additional Charges payable under this Master Lease). Tenant will not enter into agreements that will encumber the Leased Property after the expiration of the Term without Landlord's consent, which shall not be unreasonably withheld (it being understood that it shall not be reasonable to withhold consent to Encumbrances that do not adversely affect the value of the Leased Property or the Facility); provided Landlord is given reasonable opportunity to participate in the process leading to such agreement.

4.3 Impound Account. At Landlord's option following the occurrence and during the continuation of an Event of Default (to be exercised by thirty (30) days' Notice to Tenant), Tenant shall be required to deposit, at the time of any payment of Rent, an amount equal to one-twelfth of the sum of (i) Tenant's estimated annual real and personal property taxes required pursuant to Section 4.1 hereof (as reasonably determined by Landlord), and (ii) Tenant's estimated annual maintenance expenses and insurance premium costs pursuant to Articles IX and Article XIII hereof (as reasonably determined by Landlord). Such amounts shall be applied to the payment of the obligations in respect of which said amounts were deposited in such order of priority as Landlord shall reasonably determine, on or before the respective dates on which the same or any of them would become delinquent. The reasonable cost of administering such impound account shall be paid by Tenant. Nothing in this Section 4.3 shall be deemed to affect any right or remedy of Landlord hereunder.

ARTICLE V

5.1 No Termination, Abatement, etc. Except as otherwise specifically provided in this Master Lease including, without limitation, Section 3.4, Tenant shall remain bound by this Master Lease in accordance with its terms and shall not seek or be entitled to any abatement, deduction, deferment or reduction of Rent, or set-off against the Rent. Except as may be otherwise specifically provided in this Master Lease, the respective obligations of Landlord and Tenant shall not be affected by reason of (i) any damage to or destruction of the Leased Property or any portion thereof from whatever cause or any Condemnation of the Leased

Property, any Capital Improvement or any portion thereof; (ii) other than as a result of Landlord's willful misconduct or gross negligence, the lawful or unlawful prohibition of, or restriction upon, Tenant's use of the Leased Property, any Capital Improvement or any portion thereof, the interference with such use by any Person or by reason of eviction by paramount title; (iii) any claim that Tenant has or might have against Landlord by reason of any default or breach of any warranty by Landlord hereunder or under any other agreement between Landlord and Tenant or to which Landlord and Tenant are parties; (iv) any bankruptcy, insolvency, reorganization, consolidation, readjustment, liquidation, dissolution, winding up or other proceedings affecting Landlord or any assignee or transferee of Landlord; or (v) for any other cause, whether similar or dissimilar to any of the foregoing, other than a discharge of Tenant from any such obligations as a matter of law. Tenant hereby specifically waives all rights arising from any occurrence whatsoever which may now or hereafter be conferred upon it by law (a) to modify, surrender or terminate this Master Lease or quit or surrender the Leased Property or any portion thereof, or (b) which may entitle Tenant to any abatement, reduction, suspension or deferment of the Rent or other sums payable by Tenant hereunder except in each case as may be otherwise specifically provided in this Master Lease. Notwithstanding the foregoing, nothing in this Article V shall preclude Tenant from bringing a separate action against Landlord for any matter described in the foregoing clauses (ii), (iii) or (v), and Tenant is not waiving other rights and remedies not expressly waived herein. The obligations of Landlord and Tenant hereunder shall be separate and independent covenants and agreements and the Rent and all other sums payable by Tenant hereunder shall continue to be payable in all events unless the obligations to pay the same shall be terminated pursuant to the express provisions of this Master Lease or by termination of this Master Lease as to all or any portion of the Leased Property other than by reason of an Event of Default. Tenant's agreement that, except as may be otherwise specifically provided in this Master Lease, any eviction by paramount title as described in item (ii) above shall not affect Tenant's obligations under this Master Lease, shall not in any way discharge or diminish any obligation of any insurer under any policy of title or other insurance and, to the extent the recovery thereof is not necessary to compensate Landlord for any damages incurred by any such eviction, Tenant shall be entitled to a credit for any sums recovered by Landlord under any such policy of title or other insurance up to the maximum amount paid by Tenant to Landlord under this Section 5.1, and Landlord, upon request by Tenant, shall assign Landlord's rights under such policies to Tenant; provided that such assignment does not adversely affect Landlord's rights under any such policy and provided further, that Tenant shall indemnify, defend, protect and save Landlord harmless from and against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such assignment except to the extent such liability, cost or expense arises from the gross negligence or willful misconduct of Landlord.

ARTICLE VI

6.1 Ownership of the Leased Property. (a) Landlord and Tenant acknowledge and agree that they have executed and delivered this Master Lease with the understanding that (i) the Leased Property is the property of Landlord, (ii) Tenant has only the right to the possession and use of the Leased Property upon the terms and conditions of this Master Lease, (iii) this Master Lease is a "true lease," is not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of this Master Lease are those of a true

lease, (iv) the business relationship created by this Master Lease and any related documents is and at all times shall remain that of landlord and tenant, (v) this Master Lease has been entered into by each party in reliance upon the mutual covenants, conditions and agreements contained herein, and (vi) none of the agreements contained herein is intended, nor shall the same be deemed or construed, to create a partnership between Landlord and Tenant, to make them joint venturers, to make Tenant an Affiliate, agent, legal representative, partner, subsidiary or employee of Landlord, or to make Landlord in any way responsible for the debts, obligations or losses of Tenant.

(b) Each of the parties hereto covenants and agrees, subject to Section 6.1(c), not to (i) file any income tax return or other associated documents; (ii) file any other document with or submit any document to any governmental body or authority; (iii) enter into any written contractual arrangement with any Person; or (iv) release any financial statements of Tenant, in each case that takes a position for tax purposes other than that this Master Lease is a "true lease" with Landlord as owner of the Leased Property and Tenant as the tenant of the Leased Property, including (x) treating Landlord as the owner of such Leased Property eligible to claim depreciation deductions under Sections 167 or 168 of the Code with respect to such Leased Property, (y) Tenant reporting its Rent payments as rent expense under Section 162 of the Code, and (z) Landlord reporting the Rent payments as rental income under Section 61 of the Code.

(c) If Tenant should reasonably conclude that GAAP, the SEC or the Communications Regulations require treatment different from that set forth in Section 6.1(b) for applicable non-tax purposes, then (x) Tenant shall promptly give prior Notice to Landlord, accompanied by a written statement that references the applicable pronouncement that controls such treatment and contains a brief description and/or analysis that sets forth in reasonable detail the basis upon which Tenant reached such conclusion, and (y) notwithstanding Section 6.1(b), Tenant may comply with such requirements.

(d) The Rent is the fair market rent for the use of the Leased Property and was agreed to by Landlord and Tenant on that basis, and the execution and delivery of, and the performance by Tenant of its obligations under, this Master Lease does not constitute a transfer of all or any part of the Leased Property.

(e) Tenant waives any claim or defense based upon the characterization of this Master Lease as anything other than a true lease and as a master lease of all of the Leased Property. Tenant stipulates and agrees (1) not to challenge the validity, enforceability or characterization of the lease of the Leased Property as a true lease and/or as a single, unseverable instrument pertaining to the lease of all, but not less than all, of the Leased Property, and (2) not to assert or take or omit to take any action inconsistent with the agreements and understandings set forth in Section 3.4 or this Section 6.1.

6.2 Tenant's Property. During the entire Term, Tenant (and Tenant's Subsidiaries) shall have the right to affix any Electronics and other equipment to the Distribution Systems in order to operate the Facilities for the Primary Intended Use. Tenant shall maintain (or cause Tenant's Subsidiaries to maintain) all of such Tenant's Property in accordance with Prudent Industry Practice, in all cases as shall be necessary and appropriate in order to operate the Facilities for the Primary Intended Use in compliance in all material respects with all

applicable licensure and certification requirements and in compliance in all material respects with all applicable Legal Requirements, Insurance Requirements, Permits and Communications Regulations. If any of Tenant's Property requires replacement in order to comply with the foregoing, Tenant shall replace (or cause Tenant's Subsidiary to replace) it with similar property in a manner consistent with Prudent Industry Practice at Tenant's (or such Subsidiary's) sole cost and expense. Subject to the foregoing, Tenant and Tenant's Subsidiaries may sell, transfer, convey, pledge or otherwise dispose of Tenant's Property (other than the Communications Licenses) in their discretion in the ordinary course of their business and Landlord shall have no rights to such Tenant's Property, provided however any pledge of Tenant's Property (including any Communications Licenses), any TCI ILEC Extensions and any TCI CLEC Extensions by Tenant as collateral shall be subject to Tenant's obligation to transfer the Tenant's Property and such TCI ILEC Extensions and TCI CLEC Extensions to a Successor Tenant pursuant to Article XXXVI free and clear of any Encumbrances but only to the extent the same constitute Communication Assets. In the case of any such Tenant's Property that is leased (rather than owned) by Tenant (or its Subsidiaries), Tenant shall use commercially reasonable efforts to ensure that the lease agreements pursuant to which Tenant (or its Subsidiaries) leases such Tenant's Property are assignable to third parties in connection with any transfer by Tenant (or its Subsidiaries) to a replacement lessee or operator at the end of the Term. Tenant shall remove all of Tenant's Property from the Leased Property at the end of the Term, except to the extent Tenant has transferred ownership of such Tenant's Property to a Successor Tenant or Landlord or Tenant continues to operate the Leased Property under a Management Agreement. Any Tenant's Property left on the Leased Property at the end of the Term whose ownership was not transferred to a Successor Tenant shall be deemed abandoned by Tenant and shall become the property of Landlord.

ARTICLE VII

7.1 Condition of the Leased Property. Tenant acknowledges receipt and delivery of possession of the Leased Property and confirms that Tenant has examined and otherwise has knowledge of the condition of the Leased Property prior to the execution and delivery of this Master Lease and has found the same to be in good order and repair and, to the best of Tenant's knowledge, free from Hazardous Substances not in compliance with Legal Requirements and satisfactory for its purposes hereunder. Regardless, however, of any examination or inspection made by Tenant and whether or not any patent or latent defect or condition was revealed or discovered thereby, Tenant is leasing the Leased Property "as is" in its present condition. Tenant waives any claim or action against Landlord in respect of the condition of the Leased Property including any defects or adverse conditions not discovered or otherwise known by Tenant as of the Commencement Date. LANDLORD MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, IN RESPECT OF THE LEASED PROPERTY OR ANY PART THEREOF, EITHER AS TO ITS FITNESS FOR USE, DESIGN OR CONDITION FOR ANY PARTICULAR USE OR PURPOSE OR OTHERWISE, OR AS TO THE NATURE OR QUALITY OF THE MATERIAL OR WORKMANSHIP THEREIN, OR THE EXISTENCE OF ANY HAZARDOUS SUBSTANCE, IT BEING AGREED THAT ALL SUCH RISKS, LATENT OR PATENT, ARE TO BE BORNE SOLELY BY TENANT INCLUDING ALL RESPONSIBILITY AND LIABILITY FOR ANY ENVIRONMENTAL REMEDIATION AND COMPLIANCE WITH ALL ENVIRONMENTAL LAWS.

7.2 Use of the Leased Property. (a) Throughout the Term of this Master Lease, Tenant shall have the exclusive right to use, or cause to be used, the Leased Property of each Facility for its Primary Intended Use; it being agreed and acknowledged by Landlord that any of Tenant's Subsidiaries (including but not limited to the Subsidiaries set forth on Schedule 7.2 attached hereto) shall have the right to use, occupy and operate the Leased Property subject to and in accordance with the terms of this Master Lease and such Subsidiaries shall have the right to discharge any or all of Tenant's obligations (maintenance or otherwise) hereunder on behalf of Tenant. Tenant shall not use the Leased Property or any portion thereof or any Capital Improvement thereto for any other use without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) Tenant shall not commit or suffer to be committed any waste on the Leased Property (including any Capital Improvement thereto) or cause or permit any nuisance thereon or to, except as required by law, take or suffer any action or condition that will diminish the ability of the Leased Property to be used as a Communications Facility after the expiration or earlier termination of the Term.

(c) Tenant shall neither suffer nor permit the Leased Property or any portion thereof to be used in such a manner as (i) might reasonably tend to impair Landlord's title thereto or to any portion thereof or (ii) may make possible a claim of adverse use or possession, or an implied dedication of the Leased Property or any portion thereof.

(d) Except in instances of casualty or condemnation, Tenant shall continuously operate each of the Facilities for one or more of the activities constituting the Primary Intended Use, with the specific use conducted at any portion of the Facilities to be determined by Tenant in its reasonable discretion. Notwithstanding the foregoing, Tenant in its discretion shall be permitted to cease operations at a Facility or Facilities if such cessation would either (x) not reduce the route miles of the fiber optic and copper cable lines with respect to any one Facility by more than ten percent (10%) or the Facilities as a whole by more than five percent (5%) in the aggregate over the Term or (y) not reasonably be expected to have a material adverse effect on Tenant, the Facilities, or on the Leased Property, taken as a whole, provided that no Event of Default has occurred and is continuing immediately prior to or immediately after the date that operations are ceased or as a result of such cessation and such cessation does not result in any non-compliance with any Legal Requirements, Communications Licenses, Pole Agreements or Communications Regulations.

(e) Any sublease (including, but not limited to, any rights granted pursuant to a dark fiber agreement, a dim fiber agreement or a collocation agreement) entered into in accordance with the terms of this Master Lease shall constitute a permitted use under this Master Lease and such use thereunder shall be deemed to be included in the definition of Primary Intended Use.

(f) Tenant shall have the right to receive all rents, profits and charges arising from the Primary Intended Use of the Leased Property or any sublease of the Leased Property, including but not limited to: (i) contract charges and tariffed rates to third parties on a wholesale basis, (ii) rents collected from Pole Agreements, and (iii) payments from customer or carriers for dark or dim fiber services. Without limiting the foregoing, Landlord acknowledges that Tenant

(and Tenant's Subsidiaries) may charge contract and/or tariff rates to other carriers in such amounts as Tenant deems appropriate (subject to Legal Requirements) in performing its obligations under the Communication Regulations (including Tenant's collocation obligations) and that Landlord has no rights to the amounts that Tenant collects from such carriers in connection therewith during the Term. Notwithstanding the foregoing, upon the occurrence and during the continuance of an Event of Default that is monetary in nature, Landlord shall have the right to receive all rents, profits and charges arising from any sublease of the Leased Property (including, but not limited to, any rights granted pursuant to a dark fiber agreement, a dim fiber agreement or a collocation agreement) subject to applicable law, and apply such rents, profits and charges to Rent as set forth in Section 22.3.

7.3 Competing Business.

(a) Tenant's Rights Regarding Facility Expansions. Tenant shall be permitted (but not required) to construct Capital Improvements in accordance with the terms of Article X hereof; provided however, that Tenant shall be required to construct Capital Improvements to the extent the construction of such Capital Improvements are necessary in order for Tenant to comply with its obligations under Section 9.1.

(b) Landlord's Rights Regarding Facility Expansions. Landlord shall not, without Tenant's prior written consent, (i) construct fiber, copper, coaxial and fixed wireless facilities for any Person other than Tenant or its Subsidiaries within the same local exchange area of the incumbent local exchange carriers that are Subsidiaries of Tenant and are operating the Facilities being leased by Tenant under this Master Lease or (ii) construct for any Person other than Tenant or its Subsidiaries an extension (including extensions in the form of fiber, copper, coaxial or fixed wireless facilities) of any incumbent local exchange carrier Facility under this Master Lease into a geographic area that adjoins the local exchange area of any incumbent local exchange carrier Facilities that are leased by Tenant under this Master Lease. For the avoidance of doubt, nothing herein shall restrict Landlord's ability to construct fiber, copper, coaxial and fixed wireless distribution systems (i) for any Person to the extent such distribution systems are located in the same local exchange area of the competitive local exchange carriers that are Subsidiaries of Tenant and are operating the Facilities being leased by Tenant under this Master Lease or (ii) for any Person to the extent such distribution systems are located in the same local exchange area of the incumbent local exchange carriers that are Subsidiaries of Tenant but do not operate the Facilities being leased by Tenant under this Master Lease. Notwithstanding anything to the contrary contained herein, Landlord shall be permitted to acquire fiber, copper, coaxial and fixed wireless facilities from any Person without having to obtain Tenant's consent.

(c) No Other Restrictions. Except as otherwise expressly set forth in this Master Lease, each of Landlord and Tenant shall not be restricted from participating in opportunities, including, without limitation, developing, building, purchasing or operating Communications Facilities at any time.

ARTICLE VIII

8.1 Representations and Warranties. Except as set forth in the disclosure letter attached to the Distribution Agreement, each party represents and warrants to the other

that: (i) this Master Lease and all other documents executed or to be executed by it in connection herewith have been duly authorized and shall be binding upon it; (ii) it is duly organized, validly existing and in good standing under the laws of the state of its formation and is duly authorized and qualified to perform this Master Lease within the State(s) where any portion of the Leased Property is located; and (iii) neither this Master Lease nor any other document executed or to be executed in connection herewith constitutes a material breach of any other agreement of such party.

8.2 Compliance with Legal and Insurance Requirements, etc.

(a) Subject to Article XII regarding permitted contests, Tenant, at its expense, shall promptly (and shall cause Tenant's Subsidiaries to promptly) (a) comply in all material respects with all Legal Requirements and Insurance Requirements regarding the use, operation, maintenance, repair and restoration of the Leased Property (including all Capital Improvements thereto) and Tenant's Property whether or not compliance therewith may require structural changes or replacements to any of the Leased Improvements or Distribution Systems or interfere with the use and enjoyment of the Leased Property and (b) procure, maintain and comply in all material respects with all Communications Regulations, Communications Licenses, Easements, Pole Agreements and other authorizations required for the use of the Leased Property (including all Capital Improvements) and Tenant's Property for the applicable Primary Intended Use and any other use of the Leased Property (including Capital Improvements then being made) and Tenant's Property, and for the proper erection, installation, operation and maintenance of the Leased Property and Tenant's Property. Without limiting the foregoing, Tenant shall (and shall cause Tenant's Subsidiaries) to comply in all material respects with all federal, state and local regulatory requirements and all Legal Requirements with respect to the standards for the construction, maintenance and operation of the Distribution Systems, membership in, if required, and updates to state "One Call" organizations and reporting requirements for network outages.

(b) In an emergency or in the event of a breach by Tenant of its obligations under this Section 8.2 which is not cured within any applicable cure period, Landlord may, but shall not be obligated to, enter upon the Leased Property and take such reasonable actions and incur such reasonable costs and expenses to effect such compliance as it deems advisable to protect its interest in the Leased Property, and Tenant shall reimburse Landlord for all such reasonable costs and expenses incurred by Landlord in connection with such actions. Landlord shall comply in all material respects with any Communications Regulations or other regulatory requirements required of it as owner of the Facilities taking into account its Primary Intended Use (except to the extent Tenant fulfills or is required to fulfill any such requirements hereunder). Notwithstanding anything in the foregoing to the contrary, no transfer of Tenant's Property used in the conduct of the Primary Intended Use (including the purported or attempted transfer of a Communications License) or the operation of a Communications Facility for its Primary Intended Use shall be effected or permitted without receipt of all necessary approvals and/or Communications Licenses in accordance with applicable Communications Regulations.

8.3 Zoning and Uses. Without the prior written consent of Landlord, which shall not be unreasonably withheld unless the action for which consent is sought could adversely affect the Primary Intended Use of a Facility (in which event Landlord may withhold its consent in its sole and absolute discretion), Tenant shall not (i) initiate or support any limiting change in

the permitted uses of the Leased Property (or to the extent applicable, limiting zoning reclassification of the Leased Property); (ii) seek any variance under existing land use restrictions, laws, rules or regulations (or, to the extent applicable, zoning ordinances) applicable to the Leased Property or use or permit the use of the Leased Property; (iii) impose or permit or suffer the imposition of any restrictive covenants, easements or other Encumbrances (other than Permitted Leasehold Mortgages) upon the Leased Property in any manner that adversely affects in any material respect the value or utility of the Leased Property; (iv) execute or file any subdivision plat affecting the Leased Property, or institute, or permit the institution of, proceedings to alter any tax lot comprising the Leased Property; or (v) permit or suffer the Leased Property to be used by the public or any Person in such manner as might make possible a claim of adverse usage or possession or of any implied dedication or easement (provided that the proscription in this clause (v) is not intended to and shall not restrict Tenant in any way from complying with any obligation it may have under applicable Legal Requirements, including, without limitation, Communications Regulations, to afford to third parties access to the Leased Property).

8.4 No Management Control. Nothing in this Master Lease shall give Landlord the power, either directly or indirectly, to direct, or cause the direction of, the management and policies of Tenant and/or its Subsidiaries.

ARTICLE IX

9.1 Maintenance and Repair. (a) Tenant, at its expense and without the prior consent of Landlord, shall maintain (or cause Tenant's Subsidiaries to maintain) the Leased Property and Tenant's Property, and every portion thereof (i) in accordance with Prudent Industry Practice and (ii) in a manner which complies with all federal and state utility commission delivery standards, in each instance whether or not the need for such repairs occurs as a result of Tenant's use, any prior use, the elements or the age of the Leased Property and Tenant's Property. Without limiting the foregoing, Tenant, at its expense, shall be responsible for (i) coordinating with local, state or federal governmental authorities to execute moves and relocations of the Distribution Systems and the Leased Improvements, (ii) complying with any other requirements instituted by such authorities in order to perform the Primary Intended Use at the Leased Property in accordance with Prudent Industry Practice, (iii) repairing fiber and copper cuts with respect to the Distributions Systems on a timely basis, and (iv) replacing poles, conduits and such other facilities at the Leased Property as may be required from time to time in order to comply with its obligations hereunder.

(b) Tenant shall perform the maintenance obligations hereunder with reasonable promptness and make all reasonably necessary and appropriate repairs thereto of every kind and nature, including those necessary to ensure continuing compliance in all material respects with all Legal Requirements, whether interior or exterior, structural or non-structural, ordinary or extraordinary, foreseen or unforeseen or arising by reason of a condition existing prior to the Commencement Date. All repairs shall be consistent with Prudent Industry Practice and in no event shall Tenant remove (except in the case of a replacement performed in accordance with the terms hereof) any portion of the Distribution Systems without obtaining Landlord's prior consent, which shall not be unreasonably withheld, conditioned or delayed. Tenant will not take or omit to take any action which would reasonably be expected to materially

impair the value or the usefulness of the Leased Property or any part thereof or any Capital Improvement thereto for its Primary Intended Use. Tenant shall provide, at its expense, periodic reports (no less than quarterly) to Landlord, as reasonably requested by Landlord from time to time, on operational matters in sufficient detail to enable Landlord to confirm that Tenant is discharging its maintenance and other obligations under this Master Lease; provided, however, Tenant shall not be required to collect or report any information that it does not regularly collect and report for use in its oversight of operations of facilities comparable to the Distribution Systems which Tenant or any of its Subsidiaries owns. Without limiting the provisions of Section 24.1, Landlord's shall have the right to inspect the Leased Property from time to time and/or request information from Tenant, upon reasonable advance notice to Tenant, to confirm that Tenant is discharging its maintenance obligations under this Master Lease.

(c) Landlord shall not under any circumstances be required to (i) build or rebuild any improvements on the Leased Property; (ii) make any repairs, replacements, alterations, upgrades, restorations or renewals of any nature to the Leased Property, whether ordinary or extraordinary, structural or non-structural, foreseen or unforeseen, or to make any expenditure whatsoever with respect thereto; or (iii) maintain the Leased Property in any way. Tenant hereby waives, to the extent permitted by law, the right to make repairs at the expense of Landlord pursuant to any law in effect at the time of the execution of this Master Lease or hereafter enacted.

(d) Nothing contained in this Master Lease and no action or inaction by Landlord shall be construed as (i) constituting the consent or request of Landlord, expressed or implied, to any contractor, subcontractor, laborer, materialman or vendor to or for the performance of any labor or services or the furnishing of any materials or other property for the construction, alteration, addition, repair or demolition of or to the Leased Property or any part thereof or any Capital Improvement thereto; or (ii) giving Tenant any right, power or permission to contract for or permit the performance of any labor or services or the furnishing of any materials or other property in such fashion as would permit the making of any claim against Landlord in respect thereof or to make any agreement that may create, or in any way be the basis for, any right, title, interest, claim or other Encumbrance upon the estate of Landlord in the Leased Property, or any portion thereof or upon the estate of Landlord in any Capital Improvement thereto.

(e) Tenant acknowledges and agrees that all system maps and records for the Distribution Systems are the property of Landlord and shall be maintained by Tenant within Tenant's engineering systems and records during the Term. Tenant shall provide Landlord with electronic access to the system maps and records for the Distribution Systems and copies of such system maps and records, in each case, pursuant to an arrangement mutually acceptable to both parties.

(f) Tenant shall, upon the expiration or earlier termination of the Term, (a) vacate and surrender the Leased Property (including all Capital Improvements, subject to the provisions of Article X), in each case with respect to such Facility, to Landlord in the condition in which such Leased Property was originally received from Landlord and Capital Improvements were originally introduced to such Facility, except as repaired, rebuilt, restored, altered or added to as permitted or required by the provisions of this Master Lease and except for ordinary wear

and tear and (b) provide an electronic copy of (or mutually acceptable access arrangement for) all system maps and records for the Distribution Systems to Landlord or the Successor Tenant, provided however, that in the case where Tenant has exercised the right to extend the Term of this Master Lease for less than all of the Leased Property in accordance with Section 1.4, Tenant shall only be required to surrender the Leased Property and the system maps and records related to the maintenance and operation for the Non-Renewal Leased Properties upon the expiration or earlier termination of the then current Term.

9.2 Pole Provisions.

(a) Tenant, at its expense, shall (i) maintain (or cause to be maintained) all Easements, Permits and Pole Agreements, including any franchise or right of way license agreements required by any governmental authority in connection with such Easements, Permits and Pole Agreements, (ii) diligently perform, observe and enforce all of the terms, covenants and conditions of the Easements, Permits and Pole Agreement on the part of Tenant to be performed, observed and enforced in all material respects, (iii) promptly notify Landlord of the giving of any notice to Tenant of any default or violation by Tenant in the performance or observance of any of the terms, covenants or conditions of the Easements, Permits or Pole Agreements, (iv) subject to Article XII relating to permitted contests and Section 9.2(f) relating to transfers, pay all costs, fees, charges and rents due under the Easements, Permits and Pole Agreement, and (v) not terminate, cancel or surrender any Easements, Pole Agreements or Permits without Landlord's prior written consent (such consent not to be unreasonably withheld).

(b) Tenant, as Landlord's agent, shall have the right to modify any existing Permits or Pole Agreements without obtaining Landlord's prior consent so long as each of the following conditions are met: (i) the total amount payable under such proposed modifications does not exceed three percent (3%) of the aggregate annual rental rates and permit fees for Permits and Pole Agreements and such amount is equitably apportioned over the term of such modified Permits or Pole Agreements, (ii) such proposed modifications are on market terms and conditions and otherwise commercially reasonable, (iii) the terms of such proposed modifications do not impose any other obligations on Landlord or impair Landlord's rights with respect to the Leased Property and (iv) Landlord shall continue to hold the beneficial ownership interests in such modified Permits or Pole Agreements and legal title to such modified Permits or Pole Agreements shall revert to Landlord at the end of the Term for the applicable Facility. If the foregoing conditions are not satisfied, Tenant shall not have the right to modify any existing Permits or Pole Agreements without obtaining Landlord's prior written consent, which shall not be unreasonably withheld.

(c) Subject to Article XII relating to permitted contests, Tenant shall be responsible for (or cause to be paid) all fees, rents and other payments required to be made under the terms of such Easements, Pole Agreements and Permits (including any franchise or right of way license agreements) in accordance with Section 4.1. Without limiting the foregoing, Tenant shall be responsible for the calculation and payment of all rent or other charges due under any franchise or right of way license agreements (including any fees based on revenue) with respect to the Leased Property and shall upon request promptly furnish evidence to Landlord confirming payment of such amounts (together with back-up calculation and information reasonably necessary to support the determination of any payment). Tenant shall be permitted to recover

the costs of any fees paid under any franchise agreement or right of way license agreement from its customers except to the extent prohibited by Legal Requirements.

(d) Tenant (or Tenant's Subsidiaries) shall maintain a sufficient number of personnel and sufficient resources in order to perform the obligations of Tenant and/or Landlord under the Pole Agreements in a timely manner, including obligations under the Pole Agreement to provide third parties with access to the poles on the Leased Property and to perform make-ready and pole replacements.

(e) In the event any pole owners exercise any audit rights under the Pole Agreements, Tenant shall, at its cost and expense, (x) comply with, participate and perform all of its obligations relating such audit requests, and (y) subject to Article XII relating to permitted contests, pay any charges and such other fees and penalties determined to be owed to a pole owner as a result of such audit, including any fees and penalties for back rent, safety violations, unauthorized attachments, and trespass. Tenant shall have the right to enter into settlement agreements or modifications to Pole Agreements for audit disputes without Landlord's consent provided that (i) no Event of Default then exists, (ii) Tenant promptly and with commercially reasonable diligence negotiates a modification or settlement relating to such audit, (iii) the terms of such settlement agreement or modification do not impose any obligations on Landlord or impair Landlord's rights with respect to the Leased Property, and (iv) any and all monetary amounts payable thereunder are Tenant's sole responsibility and such amounts are paid in accordance with the terms of such settlement agreement or modification. Tenant shall consult with Landlord in the event Tenant proposes to enter into a settlement agreement or modification of a Pole Agreement in connection with an audit dispute involving amounts equal to or greater than $200,000.

(f) At Landlord's option, Tenant shall (or shall cause Tenant's Subsidiaries to) convey legal title to Landlord (or its designee) with respect to any or all of the Easements, Permits and Pole Agreements, provided that with respect to any conveyance, the following terms and conditions are satisfied: (i) Landlord has obtained all requisite certificates, consents, approvals, licenses and permits necessary for Landlord to hold legal title to such Easements, Permits and and/or Pole Agreements, (ii) Landlord pays all related transfer taxes and other costs and expenses related to the conveyance, (iii) Landlord will cooperate with Tenant to allow Tenant to obtain all requisite certificates, consents, approvals, licenses and permits necessary for Tenant to continue to operate and maintain the Leased Property in its own name pursuant to this Master Lease and (iv) Landlord will promptly execute such additional documents and instruments reasonably requested by Tenant (such as a letter of authorization or a contractor's certificate directing a third party to recognize Tenant as having the right to access any portion of the Leased Property covered by the Easements, Permits and/or Pole Agreements) to enable Tenant to exercise its rights with respect to the Leased Property and perform its obligations under this Master Lease. Subject to the satisfaction of the conditions set forth in the immediately preceding sentence, Tenant shall, at no cost and expense to Tenant, cooperate with Landlord in effectuating the conveyance of legal title to Landlord (or its designee) for the applicable Easements, Permits and/or Pole Agreements, which cooperation shall include executing such documents as reasonably requested by Landlord to ensure that Landlord or its designee is named as record owner under the applicable Easements, Permits and/or Pole Agreements. In no event shall any conveyance of legal title to Landlord or its designee with respect to any Easement,

Permit or Pole Agreement under this Section 9.2 reduce or otherwise modify Tenant's obligations under this Master Lease; it being agreed and understood that Tenant shall continue to be obligated to pay all license fees, usage fees, charges and other Impositions associated with any Easement, Permit and/or Pole Agreement for which legal title has been transferred to Landlord (or its designee). Notwithstanding the foregoing, Landlord shall be responsible for the payment of any license fees, usage fees, charges and other Impositions due under any such Easement, Permit and/or Pole Agreement that are solely attributable to legal title of such Easement, Permit or Pole Agreement having been transferred to Landlord (or its designee).

9.3 Encroachments, Restrictions, Mineral Leases, etc.

(a) If any of the Leased Improvements shall, at any time, encroach upon any property, street or right-of-way, or shall violate any restrictive covenant or other agreement affecting the Leased Property, or any part thereof or any Capital Improvement thereto, or shall impair the rights of others under any easement or right-of-way to which the Leased Property is subject, or the use of the Leased Property or any Capital Improvement thereto is impaired, limited or interfered with by reason of the exercise of the right of surface entry or any other provision of a lease or reservation of any oil, gas, water or other minerals and such encroachment or violation does not result from a breach by Tenant of its obligations under Section 9.2, then promptly upon the request of Landlord, each of Tenant and Landlord, subject to their right to contest the existence of any such encroachment, violation or impairment, shall protect, indemnify, save harmless and defend the other party hereto from and against fifty percent (50%) of all losses, liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including reasonable attorneys', consultants' and experts' fees and expenses) based on or arising by reason of any such encroachment, violation or impairment. In the event of an adverse final determination with respect to any such encroachment, violation or impairment, either (a) each of Tenant and Landlord shall be entitled to obtain valid and effective waivers or settlements of all claims, liabilities and damages resulting from each such encroachment, violation or impairment, whether the same shall affect Landlord or Tenant or (b) Tenant at the shared cost and expense of Tenant and Landlord on a 50-50 basis shall make such changes in the Leased Improvements, and take such other actions, as Tenant in the good faith exercise of its judgment deems reasonably practicable, to remove such encroachment or to end such violation or impairment, including, if necessary, the alteration of any of the Leased Improvements, and in any event take all such actions as may be necessary in order to be able to continue the operation of the Leased Improvements for the Primary Intended Use substantially in the manner and to the extent the Leased Improvements were operated prior to the assertion of such encroachment, violation or impairment.

(b) Tenant's (and Landlord's) obligations under this Section 9.3 shall be in addition to and shall in no way discharge or diminish any obligation of any insurer under any policy of title or other insurance and, to the extent the recovery thereof is not necessary to compensate Landlord and Tenant for any damages incurred by any such encroachment, violation or impairment, Tenant shall be entitled to fifty percent (50%) of any sums recovered by Landlord under any such policy of title or other insurance up to the maximum amount paid by Tenant under this Section 9.3 and Landlord, upon request by Tenant, shall assign Landlord's rights under such policies to Tenant; provided such assignment does not adversely affect Landlord's rights under any such policy.

(c) Landlord agrees to use reasonable efforts to seek recovery under any policy of title or other insurance under which Landlord is an insured party for all losses, liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses (including reasonable attorneys', consultants' and experts' fees and expenses) based on or arising by reason of any such encroachment, violation or impairment as set forth in this Section 9.3; provided, however, that in no event shall Landlord be obligated to institute any litigation, arbitration or other legal proceedings in connection therewith unless Landlord is reasonably satisfied that Tenant has the financial resources needed to fund such litigation and Tenant and Landlord have agreed upon the terms and conditions on which such funding will be made available by Tenant, including, but not limited to, the mutual approval of a litigation budget.

ARTICLE X

10.1 Construction of Capital Improvements to the Leased Property. Tenant shall, with respect to any Facility, have the right to make a Capital Improvement, including, without limitation, any Capital Improvement required by Section 8.2 or 9.1(a), without the consent of Landlord if the Capital Improvement is constructed in accordance with the Engineering Standard. Tenant shall have the right to modify the Engineering Standard from time to time subject to Landlord's consent, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Tenant shall have the right, without Landlord's consent, to modify the Engineering Standard as long as the modification is consistent with prevailing industry practice and is in compliance with applicable Legal Requirements. All Capital Improvements that do not comply with the Engineering Standard shall be subject to Landlord's review and approval, which approval shall not be unreasonably withheld. If Tenant desires to make a Capital Improvement for which Landlord's approval is required, Tenant shall submit to Landlord in reasonable detail a general description of the proposal, the projected cost of construction and such plans and specifications, permits, licenses, contracts and other information concerning the proposal as Landlord may reasonably request. It shall be reasonable for Landlord to condition its approval of any Capital Improvement upon any or all of the following terms and conditions:

(a) Such construction shall be effected pursuant to detailed plans and specifications approved by Landlord (such approval not to be unreasonably withheld) for the Capital Improvements in which detailed plans and specifications are customarily prepared;

(b) Such construction shall be conducted under the supervision of an architect or engineer selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld; and

(c) No Capital Improvement will result in the Leased Property becoming a "limited use" property for purposes of United States federal income taxes.

10.2 Landlord's Funding of Capital Improvements.

(a) No later than November 15th of each calendar year, Tenant shall furnish to Landlord a report of Capital Improvements planned for each Facility for the immediately following calendar year (such report, the "**Annual Capital Improvement Plan**") that Tenant

seeks Landlord to finance (in whole or in part), which report shall set forth in reasonable detail the plans, specifications, budget, the amount of financing that Tenant is requesting from Landlord (the "**Requested Funding Amount**"), along with the construction and/or acquisition schedule for such Capital Improvements. No later than twenty (20) days following Landlord's receipt of the Annual Capital Improvement Plan, Landlord and Tenant shall cause their representatives (including a Financial Officer and an engineer for each of Landlord and Tenant) to meet at Landlord's office in order to discuss the Annual Capital Improvement Plan.

(b) Within thirty (30) days from the date of such meeting (the "**Outside Date**"), Landlord shall notify Tenant whether it will fund all or a portion of the Requested Funding Amount and the terms and conditions on which it would do so. Notwithstanding the foregoing but subject to the terms of this Section 10.2(b), in the event either (i) Tenant exercises the Initial Extension Right in accordance with Section 1.3 and in connection therewith, Landlord agrees to provide the Full Funding Commitment in accordance with this Section 10.2(b), or (ii) Tenant is deemed not to have exercised the Initial Extension Right in accordance with Section 1.3 but Landlord agrees to provide a Limited Funding Commitment in accordance with this Section 10.2(b), then, in either case, commencing with the Lease Year immediately following Landlord's receipt of the Initial Extension Notice and continuing for a maximum period of five (5) consecutive Lease Years (or such shorter period as hereinafter provided), Landlord agrees to pay to Tenant, taking into account any prior payments made by Landlord to Tenant under this Section 10.2 during the applicable Lease Year, an amount equal to the actual costs paid by or on behalf of Tenant in the performance of the applicable Capital Improvement that is the subject of the Requested Funding Amount until the Full Funding Commitment or Limited Funding Commitment, as applicable, for such Lease Year has been fully depleted. Notwithstanding anything to the contrary contained herein, in no event shall Landlord have any obligation to provide funding to Tenant as a Full Funding Commitment or Limited Funding Commitment, as applicable, or otherwise for any Requested Funding Amounts from and after the seventh (7^{th}) anniversary of the Commencement Date. If Landlord is required to fund any portion of a Capital Improvement pursuant to the terms hereof or otherwise agrees to provide funding for any portion of a Capital Improvement, including as a Full Funding Commitment or Limited Funding Commitment, at any time prior to the second (2^{nd}) anniversary of the Commencement Date, the then current annual Rent under this Master Lease shall be increased, effective as of the date of such funding and continuing for the balance of the Initial Term, by an amount equal to the product of (i) the amount of the funds advanced by Landlord to Tenant for such Capital Improvement on such date multiplied by (ii) 8.125% (the "**Annual Base Increase Amount**"). For the avoidance of doubt, if Landlord provides funding to Tenant for a Capital Improvement in the amount of $30,000,000 prior to the second (2^{nd}) anniversary of the Commencement Date, the annual Rent shall be increased by an amount equal to $2,437,500 effective as of the date such funds are advanced by Landlord to Tenant but subject to proration for the Lease Year in which the funding occurs based on the number of calendar months remaining in such Lease Year from and after the date that the funds are advanced. Such annual Rent as so increased by the Annual Base Increase Amount shall remain in effect until any subsequent increase pursuant to this Section 10.2 and shall be paid in the manner provided in Article III. If Landlord is required to fund any portion of a Capital Improvement pursuant to the terms hereof or otherwise agrees to provide funding for any portion of a Capital Improvement from and after the second (2^{nd}) anniversary of the Commencement Date and through and excluding the seventh (7^{th}) anniversary of the Commencement Date, the then current annual Rent under this Master Lease shall be

increased, effective as of the date of such funding and continuing for the balance of the Initial Term, by an amount equal to the product of (i) the amount of the funds advanced by Landlord to Tenant for such Capital Improvement on such date multiplied by (ii) a capitalization rate not to exceed two hundred (200) basis points above the average of Landlord's highest cost of debt's average implied yield over the preceding sixty (60) trading days and Landlord's average implied dividend yield over the preceding sixty (60) trading days. Within thirty (30) days after the Commencement Date, the parties will document the operating procedures for the funding of Capital Improvements, including, without limitation, the issuance of funding requests by Tenant, the due date for Landlord to disburse funds to Tenant, and the dispute resolution provisions. If Landlord fails to notify Tenant of its election to fund all or a portion of the Requested Funding Amount by the Outside Date or Landlord and Tenant fail to agree to on the terms and conditions by which Landlord will fund the Requested Funding Amount by the Outside Date and such Requested Funding Amount is in excess of the Full Funding Commitment or Limited Funding Commitment, as applicable, for any Lease Year in which Landlord is obligated to provide a Funding Commitment or otherwise relates to a Capital Improvement during any Lease Year in which Landlord has no obligation to provide a Funding Commitment hereunder, Landlord shall be deemed to have declined to fund the Requested Funding Amount. In no event shall Tenant's obligations under Article VIII and IX of this Master Lease be reduced or modified in any manner as a result of Landlord declining to provide the Requested Funding Amount for a Capital Improvement and such Requested Funding Amount is in excess of the Funding Commitment for any Lease Year in which Landlord agreed to provide a Funding Commitment or otherwise relates to a Capital Improvement to be constructed during any Lease Year in which Landlord has not agreed to provide a Funding Commitment hereunder.

(c) If Tenant constructs a Capital Improvement that is not funded by Landlord (each a "**Tenant Capital Improvement**") and the Capital Improvement constitutes maintenance, repair, overbuild, upgrade or replacement of the Leased Property, including, without limitation, the replacement of copper distribution systems with fiber distribution systems (each a "**TCI Replacement**"), then such TCI Replacement shall automatically become a part of the Leased Property. If a Tenant Capital Improvement constitutes an Extension of the Distribution Systems to a New Geographic Area where Tenant or its Subsidiaries are licensed as an incumbent local exchange carrier (each a "**TCI ILEC Extension**"), then Tenant shall receive fair value for such TCI ILEC Extension by having such TCI ILEC Extension included as part of the Communication Assets sold under Article XXXVI. If the Tenant Capital Improvement occurs where Tenant or its Subsidiaries are a competitive local exchange carrier and is not a TCI Replacement (each a "**TCI CLEC Extension**"), then Tenant may elect to remove the connections between the TCI CLEC Extension and the Leased Property or, if the connection between the TCI CLEC Extension and the Leased Property is functionally independent, elect to leave such connection in place by delivering Notice of either such election to Landlord (which Notice shall also indicate Tenant's intent to enter into an interconnection agreement with the Successor Tenant for continuing access to the Leased Property and shall be delivered no later than (x) fifteen (15) days after the Renewal Election Outside Date in the case of the expiration of the Term or (y) thirty (30) days following receipt of the Lease Termination Notice in the case of the termination of the Term, as applicable) and such TCI CLEC Extension will be Tenant's Property. If the connection between the TCI CLEC Extension and the Leased Property is not functionally independent and Tenant elects not to remove the TCI CLEC Extension connections or Notice is not timely delivered to Landlord, then Tenant shall receive fair value for such TCI

CLEC Extension by having such TCI CLEC Extension included as part of the Communication Assets sold under Article XXXVI. If Tenant elects to remove the connections between any TCI CLEC Extension and the Leased Property pursuant to the terms of this Section 10.2(c), the Leased Property following such removal shall be restored in accordance with Prudent Industry Practice.

(d) If Landlord funds a Capital Improvement in accordance with the terms of this Section 10.2, such Capital Improvement shall be deemed a part of the Leased Property and the Facilities for all purposes and Tenant shall provide Landlord with the following within time periods agreed upon by Landlord and Tenant:

(i) any information, certificates, licenses, new Permits or Pole Agreements or documents reasonably requested by Landlord which are necessary and obtainable to confirm that Tenant will be able to use the Capital Improvement upon completion thereof in accordance with the Primary Intended Use;

(ii) an Officer's Certificate setting forth in reasonable detail the projected or actual costs related to such Capital Improvement;

(iii) an amendment to this Master Lease (and any development or funding agreement agreed to in accordance with this Section 10.2), in a form reasonably agreed to by Landlord and Tenant, which may include, among other things, an increase in the Rent in amounts as agreed upon by the parties hereto pursuant to the agreed funding proposal terms described above and other provisions as may be necessary or appropriate;

(iv) a deed or such other agreement conveying title or beneficial interest to Landlord to any land, easements, or rights of way acquired for the purpose of constructing the Capital Improvement free and clear of any Encumbrances except those approved by Landlord, and accompanied by an ALTA survey thereof satisfactory to Landlord;

(v) if appropriate, for each advance, endorsements to any outstanding policy of title insurance covering the Leased Property or commitments therefor reasonably satisfactory in form and substance to Landlord (i) updating the same without any additional exception except those that do not materially affect the value of such land and do not interfere with the use of the Leased Property or as may be approved by Landlord, which approval shall not be unreasonably withheld, and (ii) increasing the coverage thereof by an amount equal to the cost of the Capital Improvement;

(vi) Upon reasonable notice from Landlord, Tenant shall provide Landlord the right to audit and obtain billing statements, invoices, certificates, endorsements, opinions, site assessments, surveys, resolutions, ratifications, lien releases and waivers and other instruments and information reasonably required by Landlord that are attributable to the Capital Improvements funded by Landlord; and

(vii) Promptly following the completion of such construction, Tenant shall deliver to Landlord "as built" drawings of the Capital Improvement so constructed, certified as accurate by the architect or engineer that supervised the work.

(e) Notwithstanding anything to the contrary contained herein, a Tenant Capital Improvement that constitutes a Long Haul Fiber Route (a "**Long Haul TCI**") shall be treated as Tenant's Property, and in no event shall any such Long Haul TCI (i) become part of the Leased Property, (ii) be considered a TCI ILEC Extension or a TCI CLEC Extension or (iii) be considered part of the Communication Assets or otherwise become subject to the terms of Article XXXVI. In furtherance of the foregoing, Landlord and Tenant hereby expressly agree and acknowledge that a Long Haul TCI will not become part of the Leased Property even though the Long Haul Fiber Route constituting the Long Haul TCI enters into or passes through a geographic area where Tenant or its Subsidiaries are licensed as an incumbent local exchange carrier.

10.3 Construction Requirements for All Capital Improvements. Whether or not Landlord's review and approval is required, for all Capital Improvements:

(a) Tenant shall comply with the applicable building codes and regulations with respect to the construction of the applicable Capital Improvement and shall have procured and paid for all municipal and other governmental permits and authorizations required to be obtained with respect to such Capital Improvement, and Landlord shall join in the application for such permits or authorizations whenever such action is necessary; provided, however, that (i) any such joinder shall be at no cost or expense to Landlord; and (ii) any plans required to be filed in connection with any such application which require the approval of Landlord as hereinabove provided shall have been so approved by Landlord;

(b) All work done in connection with such construction shall be done promptly and using materials and resulting in work that is in accordance with Prudent Industry Practice and in conformity in all material respects with all Legal Requirements; and

(c) No later than February 1st of each calendar year, Tenant shall present to Landlord an "Annual Construction Summary" that (i) reports on the Capital Improvements completed during the prior calendar year, (ii) reconciles the Tenant Capital Improvements and the Capital Improvements financed by Landlord with the Annual Capital Improvement Plan established for the prior calendar year, (iii) provides a pictorial representation of each Facility illustrating which portions of the Facility are Tenant's Property and which portions are Leased Property, (iv) provides a written description containing sufficient detail to provide a clear demarcation between Tenant's Property and the Leased Property respective to each Tenant Capital Improvement in excess of Five Hundred Thousand Dollars ($500,000), and (v) is accompanied by a report of a nationally recognized accounting firm that confirms, based upon an agreed-upon procedures review, the accuracy of the Annual Construction Summary and that the Capital Improvements have not degraded the structural integrity of the Leased Property. Tenant shall select such nationally recognized accounting firm, subject to the approval of Landlord. Any fees associated with the review of the nationally recognized accounting firm shall be shared equally between Tenant and Landlord. If, as a result of the report from the nationally recognized accounting firm, Landlord determines that a Capital Improvement has impaired the structural integrity or value of the Leased Property or that a Capital Improvement has been improperly designated as Tenant's Property, Landlord may demand and Tenant shall be obligated to remediate the problems noted by Landlord to the satisfaction of Landlord.

(d) Within thirty (30) days after the Commencement Date, Tenant and Landlord will develop and document operating procedures to govern the Annual Construction Summary described in clause (c) above, which procedures may substitute the requirement to deliver a physical report containing required information (such as the pictorial representation) with a requirement to allow Landlord to access Tenant's engineering record systems in order to access the same or equivalent information.

ARTICLE XI

11.1 Liens. Subject to the provisions of Article XII relating to permitted contests, Tenant will not (and will not permit any of its Subsidiaries to) directly or indirectly create or allow to remain and will promptly discharge at its expense any lien, attachment, title retention agreement or claim upon the Leased Property or any Capital Improvement thereto or any attachment, levy, claim or encumbrance in respect of the Rent, excluding, however, (i) this Master Lease; (ii) [intentionally omitted]; (iii) restrictions and other Encumbrances which are consented to in writing by Landlord (such consent not to be unreasonably withheld); (iv) liens for Impositions which Tenant or its Subsidiaries are not required to pay hereunder; (v) subleases (including, but not limited to, any rights granted by Tenant or any of its Subsidiaries pursuant to a dark fiber agreement, a dim fiber agreement or a collocation agreement) permitted by Article XXII; (vi) liens for Impositions not yet delinquent or being contested in accordance with Article XII; (vii) liens of mechanics, laborers, materialmen, suppliers or vendors for sums either disputed or not yet due, provided that (1) the payment of such sums shall not be postponed under any related contract for more than sixty (60) days after the completion of the action giving rise to such lien unless being contested in accordance with Article XII; or (2) any such liens are in the process of being contested as permitted by Article XII; (viii) any liens created by Landlord; (ix) liens related to equipment leases or equipment financing for TCI Replacements which are used or useful in Tenant's business on the TCI Replacements, provided that the payment of any sums due under such equipment leases or equipment financing shall either (1) be paid as and when due in accordance with the terms thereof, or (2) be in the process of being contested as permitted by Article XII; (x) liens granted as security for the obligations of Tenant and its Affiliates under Permitted Leasehold Mortgages and, subject to the terms of this Section 11.1, any Debt Agreement with respect to TCI ILEC Extensions and TCI CLEC Extensions; and (xi) Easements, Pole Agreements, Permits, rights-of-way, restrictions (including zoning restrictions), covenants, encroachments, protrusions and other similar charges or encumbrances, and minor title deficiencies on or with respect to any Leased Property, in each case whether now or hereafter in existence, not individually or in the aggregate materially interfering with the conduct of the business on the Leased Property, taken as a whole.

For the avoidance of doubt, the parties acknowledge and agree that Tenant has not granted any liens in favor of Landlord as security for its obligations hereunder (except to the extent contemplated in the final paragraph of this Section 11.1) and nothing contained herein shall be deemed or construed to prohibit (a) the issuance of a lien on the Equity Interests in Tenant (it being agreed that any foreclosure by a lien holder on such interests in Tenant shall be subject to the restriction on Change in Control set forth in Article XXII), or (b) Tenant and its Subsidiaries from pledging any of Tenant's Property (including any Communications Licenses), any TCI ILEC Extensions and any TCI CLEC Extensions, as collateral, but such pledge shall be subject to the obligations of Tenant to transfer the Tenant's Property, such TCI ILEC Extensions

and such TCI CLEC Extensions to a Successor Tenant pursuant to Article XXXVI free and clear of any Encumbrances to the extent the same constitute Communication Assets.

Landlord and Tenant intend that this Master Lease be an indivisible true lease that affords the parties hereto the rights and remedies of landlord and tenant hereunder and does not represent a financing arrangement. This Master Lease is not an attempt by Landlord or Tenant to evade the operation of any aspect of the law applicable to any of the Leased Property. Except as otherwise required by applicable law or any accounting rules or regulations, Landlord and Tenant hereby acknowledge and agree that this Master Lease shall be treated as an operating lease for all purposes and not as a synthetic lease, financing lease or loan and that Landlord shall be entitled to all the benefits of ownership of the Leased Property, including depreciation for all federal, state and local tax purposes.

Notwithstanding (a) the form and substance of this Master Lease and (b) the intent of the parties, and the language contained herein providing that this Master Lease shall at all times be construed, interpreted and applied to create an indivisible lease of all of the Leased Property, if any court of competent jurisdiction finds that this Master Lease is a financing arrangement, this Master Lease shall be considered a secured financing agreement and Landlord's title to the Leased Property shall constitute a perfected first priority lien in Landlord's favor on the Leased Property to secure the payment and performance of all the obligations of Tenant hereunder (and to that end, Tenant hereby grants, assigns and transfers to the Landlord a security interest in all right, title or interest in or to any and all of the Leased Property, as security for the prompt and complete payment and performance when due of Tenant's obligations hereunder). Tenant authorizes Landlord, at the expense of Tenant, to make any filings or take other actions as Landlord reasonably determines are necessary or advisable in order to effect fully this Master Lease or to more fully perfect or renew the rights of the Landlord, and to subordinate to the Landlord the lien of any Permitted Leasehold Mortgagee, with respect to the Leased Property (it being understood that nothing herein shall affect the rights of a Permitted Leasehold Mortgagee under Article XVII hereof). At any time and from time to time upon the request of the Landlord, and at the expense of the Tenant, Tenant shall promptly execute, acknowledge and deliver such further documents and do such other acts as the Landlord may reasonably request in order to effect fully this Master Lease or to more fully perfect or renew the rights of the Landlord with respect to the Leased Property. Upon the exercise by the Landlord of any power, right, privilege or remedy pursuant to this Master Lease which requires any consent, approval, recording, qualification or authorization of any governmental authority, Tenant will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that Landlord may be required to obtain from Tenant for such consent, approval, recording, qualification or authorization.

ARTICLE XII

12.1 Permitted Contests. Tenant, upon prior Notice to Landlord, on its own or in Landlord's name, at Tenant's expense, may contest, in good faith and with due diligence, the amount, validity or application, in whole or in part, of any licensure or certification decision (including pursuant to any Communications Regulation), Additional Charge (other than an Additional Charge payable to Landlord in which case Section 3.3 shall apply), Legal Requirement, Insurance Requirement, lien, attachment, levy, encumbrance, charge (including

charges, fees and penalties for audit disputes under Pole Agreements, Permits and Easements relating to back rent, safety violations, unauthorized attachments, and trespass) or claim; provided, however, that (i) in the case of an unpaid Additional Charge, attachment, levy, Encumbrance, charge (including charges, fees and penalties for audit disputes under Pole Agreements, Permits and Easements relating to back rent, safety violations, unauthorized attachments, and trespass) or claim, the commencement and continuation of such proceedings shall suspend the collection thereof from Landlord and from the Leased Property or any Capital Improvement thereto; (ii) neither the Leased Property or any Capital Improvement thereto, the Rent therefrom nor any part or interest in either thereof would be in any material danger of being sold, forfeited, attached or lost; (iii) in the case of a Legal Requirement, neither Landlord nor Tenant would be in any material danger of civil or criminal liability for failure to comply therewith pending the outcome of such proceedings; (iv) in the case of a Legal Requirement, Additional Charge, Encumbrance or charge, Tenant shall give such reasonable security as may be required by Landlord to insure ultimate payment of the same and to prevent any sale or forfeiture of the Leased Property or any Capital Improvement thereto or the Rent by reason of such non-payment or noncompliance; (v) in the case of an Insurance Requirement, the coverage required by Article XIII shall be maintained; (vi) Tenant shall keep Landlord reasonably informed as to the status of the proceedings; and (vii) if such contest be finally resolved against Landlord or Tenant, Tenant shall promptly pay the amount required to be paid, together with all interest and penalties accrued thereon, or comply with the applicable Legal Requirement or Insurance Requirement.

Landlord, at Tenant's expense and request, shall reasonably cooperate with Tenant in connection with Tenant's exercise of any contest rights under this Article XII (including, without limitation, any audit and appeal rights of Tenant and refunds sought by Tenant) and shall execute and deliver to Tenant such authorizations and other documents as may reasonably be required in any such contest, and, if reasonably requested by Tenant or if Landlord so desires, Landlord shall join as a party therein.

The provisions of this Article XII shall not be construed to permit Tenant to contest the payment of Rent or any other amount (other than Impositions or Additional Charges which Tenant may from time to time be required to impound with Landlord) payable by Tenant to Landlord hereunder.

Tenant shall indemnify, defend, protect and save Landlord harmless from and against any liability, cost or expense of any kind that may be imposed upon Landlord in connection with any such contest and any loss resulting therefrom, except in any instance where Landlord opted to join and joined as a party in the proceeding despite Tenant's having sent written notice to Landlord of Tenant's preference that Landlord not join in such proceeding.

ARTICLE XIII

13.1 General Insurance Requirements. During the Term, Tenant shall at all times keep the Leased Improvements that are central office locations, and all property located in or on such Leased Improvements, including Capital Improvements thereto (collectively, the "**Insured Leased Improvements**") and Tenant's Property, insured with the kinds and amounts of insurance described below at each location where the Insured Leased Improvements and the

Tenant's Property located therein have a combined estimated total value exceeding Five Hundred Thousand Dollars ($500,000.00) ("**Insured Location**"). The $500,000.00 combined estimated total value amount ("**Insurable Amount**") is subject to annual review by Tenant. Tenant may increase the Insurable Amount without first obtaining Landlord's consent so long as: (i) the increased Insurable Amount is consistent with Tenant's practice for its retained properties, and (ii) the increased Insurable Amount would not prevent Tenant from self-insuring its insurance obligations pursuant to Section 13.9 if it chose to do so. Otherwise, Tenant must obtain Landlord's consent, which will not be unreasonably withheld or delayed, to increase the Insurable Amount. Each element of insurance described in this Article XIII shall be maintained with respect to the Insured Leased Improvements of each Facility and Tenant's Property and operations thereon at an Insured Location. Such insurance shall be written by companies permitted to conduct business in the applicable State. All third party liability type policies must name Landlord as an "additional insured." All property policies shall name Landlord as "loss payee" for its interests in each Facility. Property losses shall be payable to Landlord and/or Tenant as provided in Article XIV. In addition, the policies, as appropriate, shall name as an "additional insured" and/or "loss payee" each Permitted Leasehold Mortgagee and as an "additional insured" or "loss payee" the holder of any mortgage, deed of trust or other security agreement ("**Facility Mortgagee**") securing any indebtedness or any other Encumbrance placed on the Leased Property in accordance with the provisions of Article XXXI ("**Facility Mortgage**") by way of a standard form of mortgagee's loss payable endorsement. Except as otherwise set forth herein, any property insurance loss adjustment settlement shall require the written consent of Landlord, Tenant, and each Facility Mortgagee (to the extent required under the applicable Facility Mortgage Documents) unless the amount of the loss net of the applicable deductible is less than Five Million Dollars ($5,000,000) in which event no consent shall be required. Evidence of insurance shall be deposited with Landlord and, if requested, with any Facility Mortgagee(s). The insurance policies required to be carried by Tenant hereunder shall insure against all the following risks with respect to each Insured Location of a Facility:

(a) Loss or damage by fire, vandalism and malicious mischief, extended coverage perils commonly known as "All Risk," and all physical loss perils normally included in such All Risk insurance, including, but not limited to, sprinkler leakage and windstorm in an amount not less than the insurable value on a Maximum Foreseeable Loss (as defined below in Section 13.2) basis and including a building ordinance coverage endorsement, provided that in the event the premium cost of any or all of earthquake, flood, windstorm (including named windstorm) or terrorism coverages are available only for a premium that is more than 2.5 times the average premium paid by Tenant (or prior operator of Facilities) over the preceding three years for the insurance policy contemplated by this Section 13.1(a), then Tenant shall be entitled and required to purchase the maximum insurance coverage it deems most efficient and prudent to purchase and Tenant shall not be required to spend additional funds to purchase additional coverages insuring against such risks; and provided, further, that some property coverages might be sub-limited in an amount less than the Maximum Foreseeable Loss as long as the sub-limits are commercially reasonable and prudent as deemed by Tenant;

(b) Loss or damage by explosion of steam boilers, pressure vessels or similar apparatus, now or hereafter installed in each Insured Leased Improvement, in such limits with respect to any one accident as may be reasonably requested by Landlord from time to time;

(c) Flood (when any of the improvements comprising the Insured Leased Improvement is located in whole or in part within a designated 100-year flood plain area) in an amount not less than the Probable Maximum Loss of a 500 year event and such other hazards and in such amounts as may be customary for comparable properties in the area;

(d) Claims for personal injury or property damage under a policy of comprehensive general public liability insurance with amounts not less than One Hundred Million Dollars ($100,000,000) each occurrence and One Hundred Million Dollars ($100,000,000) in the annual aggregate, provided that such requirements may be satisfied through the purchase of a primary general liability policy and excess liability policies;

(e) During such time as Tenant is performing any Capital Improvements to an Insured Leased Improvement, Tenant, at its sole cost and expense, shall carry, or cause to be carried (i) workers' compensation insurance and employers' liability insurance covering all persons employed in connection with the improvements in statutory limits, (ii) a completed operations endorsement to the commercial general liability insurance policy referred to above, (iii) builder's risk insurance, completed value form (or its equivalent), covering all physical loss, in an amount and subject to policy conditions satisfactory to Landlord, and (iv) such other insurance, in such amounts, as Landlord deems reasonably necessary to protect Landlord's interest in the Insured Leased Improvement from any act or omission of Tenant's contractors or subcontractors.

13.2 Maximum Foreseeable Loss. The term "**Maximum Foreseeable Loss**" shall mean the largest monetary loss within one area that may be expected to result from a single fire with protection impaired, the control of the fire mainly dependent on physical barriers or separations and a delayed manual firefighting by public and/or private fire brigades. If Landlord reasonably believes that the Maximum Foreseeable Loss has increased at any time during the Term, it shall have the right (unless Tenant and Landlord agree otherwise) to have such Maximum Foreseeable Loss redetermined by an impartial national insurance company reasonably acceptable to both parties (the "**Impartial Appraiser**"), or, if the parties cannot in good faith agree on an Impartial Appraiser within fifteen (15) days of Landlord's request for an Impartial Appraiser (a "**Valuation Request Notice**"), then by Experts appointed in accordance with Section 34.1 hereof. The determination of the Impartial Appraiser (or the Experts, as the case may be) shall be final and binding on the parties hereto, and Tenant shall forthwith adjust the amount of the insurance carried pursuant to this Article XIII to the amount so determined by the Impartial Appraiser (or the Experts, as the case may be), subject to the approval of the Facility Mortgagee, as applicable. Each party shall pay one-half (1/2) of the fee, if any, of the Impartial Appraiser. If Landlord pays the Impartial Appraiser, fifty percent (50%) of such costs shall be Additional Charges hereunder and if Tenant pays such Impartial Appraiser, fifty percent (50%) of such costs shall be a credit against the next Rent payment hereunder.

13.3 Additional Insurance. In addition to the insurance described above, Tenant shall maintain adequate workers' compensation coverage and any other coverage required by Legal Requirements for all Persons employed by Tenant on the Leased Property in accordance with Legal Requirements.

13.4 Waiver of Subrogation. All insurance policies carried by either party covering the Leased Property or Tenant's Property, including, without limitation, contents, fire and liability insurance, shall expressly waive any right of subrogation on the part of the insurer against the other party. Each party, respectively, shall pay any additional costs or charges for obtaining such waiver.

13.5 Policy Requirements. All of the policies of insurance referred to in this Article XIII shall be written in form reasonably satisfactory to Landlord and any Facility Mortgagee and issued by insurance companies with a minimum policyholder rating of "A-" and a financial rating of "VII" in the most recent version of Best's Key Rating Guide, or a minimum rating of "BBB" from Standard & Poor's or equivalent. If Tenant obtains and maintains the general liability insurance described in Section 13.1(d) above on a "claims made" basis, Tenant shall provide continuous liability coverage for claims arising during the Term. In the event such "claims made" basis policy is canceled or not renewed for any reason whatsoever (or converted to an "occurrence" basis policy), Tenant shall either obtain (a) "tail" insurance coverage converting the policies to "occurrence" basis policies providing coverage for a period of at least three (3) years beyond the expiration of the Term, or (b) an extended reporting period of at least three (3) years beyond the expiration of the Term. Notwithstanding the foregoing, it is agreed that a captive insurer may issue insurance policies to meet the requirements under Section 13.1, provided that (i) such captive insurer is fully reinsured by insurers or reinsurers with a rating of "A- VIII" or better in the most recent version of Best's Key Rating and Tenant furnishes evidence of such reinsurance upon Landlord's request and (ii) Tenant provides a copy of the audited financial statements of the captive insurer upon Landlord's request. Tenant will have an actuarial study of the captive insurer performed each calendar year, which actuarial study shall be subject to Landlord's reasonable approval. If the actuarial study recommends that the captive's policyholder surplus be increased, then Tenant shall either provide the funding necessary to increase the captive's policyholder surplus to the recommended level or provide alternative insurance to cover any recommended increase of the captive's policyholder surplus. Tenant shall pay all of the premiums therefor, and deliver certificates thereof to Landlord prior to their effective date (and with respect to any renewal policy, prior to the expiration of the existing policy), and in the event of the failure of Tenant either to effect such insurance in the names herein called for or to pay the premiums therefor, or to deliver such certificates thereof to Landlord, at the times required, Landlord shall be entitled, but shall have no obligation, to effect such insurance and pay the premiums therefor, in which event the cost thereof, together with interest thereon at the Overdue Rate, shall be repayable to Landlord upon demand therefor. Tenant shall obtain, to the extent available on commercially reasonable terms, the agreement of each insurer, by endorsement on the policy or policies issued by it, or by independent instrument furnished to Landlord, that it will give to Landlord thirty (30) days' (or ten (10) days' in the case of non-payment of premium) Notice before the policy or policies in question shall be altered, allowed to expire or cancelled; provided however, that if such endorsement cannot be obtained, then Tenant shall be required to deliver Notice of any cancellation to Landlord promptly following Tenant having obtained knowledge of such cancellation (but in no event later than ten (10) days prior to the date of cancellation). Notwithstanding any provision of this Article XIII to the contrary, Landlord acknowledges and agrees that the coverage required to be maintained by Tenant may be provided under one or more policies with various deductibles or self-insurance retentions by Tenant or its Affiliates, subject to Landlord's approval not to be unreasonably

withheld. Upon written request by Landlord, Tenant shall provide Landlord copies of the property insurance policies when issued by the insurers providing such coverage.

13.6 Increase in Limits. If, from time to time after the Commencement Date, Landlord determines in the exercise of its reasonable business judgment that the limits of the personal injury or property damage-public liability insurance then carried pursuant to Section 13.1(d) hereof are insufficient, Landlord may give Tenant Notice of acceptable limits for the insurance to be carried; provided that in no event will Tenant be required to carry insurance in an amount which exceeds the product of (i) the amounts set forth in Section 13.1(d) hereof and (ii) the CPI Increase; and subject to the foregoing limitation, within ninety (90) days after the receipt of such Notice, the insurance shall thereafter be carried with limits as prescribed by Landlord until further increase pursuant to the provisions of this Section 13.6.

13.7 Blanket Policy. Notwithstanding anything to the contrary contained in this Article XIII Tenant's obligations to carry the insurance provided for herein may be brought within the coverage of a so-called blanket policy or policies of insurance carried and maintained by Tenant; provided that the requirements of this Article XIII (including satisfaction of the Facility Mortgagee's requirements and the approval of the Facility Mortgagee) are otherwise satisfied, and provided further that Tenant maintains specific allocations acceptable to Landlord.

13.8 No Separate Insurance. Tenant shall not, on Tenant's own initiative or pursuant to the request or requirement of any third party, (i) take out separate insurance concurrent in form or contributing in the event of loss with that required in this Article XIII to be furnished by, or which may reasonably be required to be furnished by, Tenant or (ii) increase the amounts of any then existing insurance by securing an additional policy or additional policies, unless all parties having an insurable interest in the subject matter of the insurance, including in all cases Landlord and all Facility Mortgagees, are included therein as additional insureds and the loss is payable under such insurance in the same manner as losses are payable under this Master Lease. Notwithstanding the foregoing, nothing herein shall prohibit Tenant from insuring against risks not required to be insured hereby, and as to such insurance, Landlord and any Facility Mortgagee need not be included therein as additional insureds, nor must the loss thereunder be payable in the same manner as losses are payable hereunder except to the extent required to avoid a default under the Facility Mortgage.

13.9 Self-Insurance. Notwithstanding anything to the contrary contained herein, Tenant may self-insure its insurance obligations under Section 13.1 subject to and in accordance with the terms of this Section 13.9.

(a) Self-insure shall mean that Tenant is itself acting as though it were the insurance company providing the insurance required under the provisions hereof and Tenant shall pay any amounts due in lieu of insurance proceeds because of self-insurance, which amounts shall be treated as insurance proceeds for all purposes under this Master Lease.

(b) All amounts which Tenant pays or is required to pay and all loss or damages resulting from risks for which Tenant has elected to self-insure shall be subject to the waiver of subrogation provisions of this Master Lease and shall not limit Tenant's indemnification obligations set forth in this Master Lease.

(c) Tenant's right to self-insure and to continue to self-insure is subject to the following conditions being met:

(i) No later than sixty (60) days prior to the date that Tenant commences to self-insure and no later than sixty (60) days prior to each anniversary thereof (each a "**Determination Date**"), Tenant shall furnish to Landlord a report reasonably acceptable to Landlord prepared by an insurance expert reasonably acceptable to Landlord which sets forth the Maximum Foreseeable Loss and the Probable Maximum Loss as of the Determination Date, together with a certificate from Tenant certifying Tenant's compliance with the requirements set forth in this Section 13.9.

(ii) The Maximum Expected Annual Aggregate Loss does not exceed four percent (4%) of the Consolidated Adjusted EBITDA for Tenant and its Subsidiaries based on the audited Financial Statements furnished to Landlord in accordance with Section 23.1(b)(i) for the Fiscal Year immediately preceding the Determination Date. The term "**Maximum Expected Annual Aggregate Loss**" shall mean, with respect to the applicable Determination Date, the sum of (A) the Probable Maximum Loss set forth in the report delivered to Landlord in accordance with clause (c)(i) above, (B) Tenant's combined deductibles under Tenant's property and executive protection insurance policies and (C) the average expenses incurred by Tenant and its Subsidiaries as a result of property damage to the Leased Property, the Capital Improvements, and Tenant's Property over the immediately preceding five (5) years which are not covered by the insurance policies maintained by Tenant in accordance with Section 13.1, which expenses shall be substantiated by Tenant to Landlord in a manner reasonably acceptable to Landlord.

(iii) The Maximum Foreseeable Loss set forth in the report delivered to Landlord in accordance with clause (c)(i) above for the applicable Determination Date does not exceed six percent (6%) of the Consolidated Adjusted EBITDA for Tenant and its Subsidiaries based on the audited Financial Statements furnished to Landlord in accordance with Section 23.1(b)(i) for the Fiscal Year immediately preceding the Determination Date.

(iv) No events shall occur that make it apparent that such Consolidated Adjusted EBITDA shall have been diminished below the required level beyond a de minimis extent.

(d) In the event Tenant fails to timely fulfill the requirements of this Section 13.9, then Tenant shall immediately lose the right to self-insure during the continuance of such failure and shall be required to provide the insurance otherwise specified in this Article XIII during the continuance of such failure.

(e) In the event that Tenant elects to self-insure and an event or claim occurs for which a defense and/or coverage would have been available from the insurance company, Tenant shall (i) take the defense at Tenant's sole cost and expense of any such claim, including a defense of Landlord and such other parties as Landlord has designated as additional insureds, with counsel selected by Tenant and reasonably acceptable to Landlord and such other parties,

provided Tenant has been furnished with the names of such other parties, and (ii) use its own funds to pay any claim or replace any property or otherwise provide the funding which would have been available from insurance proceeds but for such election by Tenant to self-insure.

13.10 Distribution Systems. Notwithstanding anything herein to the contrary, to the extent consistent with communications industry practice, Tenant is only required to keep those portions of the Distribution Systems that are located within one thousand (1000) feet of an Insured Leased Improvement at an Insured Location insured in accordance with the terms of this Article XIII.

ARTICLE XIV

14.1 Property Insurance Proceeds. All proceeds (except business interruption not allocated to rent expenses) payable by reason of any property loss or damage to the Leased Property, or any portion thereof, under any property policy of insurance required to be carried hereunder shall be paid to Facility Mortgagee or to Landlord and made available to Tenant upon request for the reasonable costs of preservation, stabilization, emergency restoration, business interruption, reconstruction and repair, as the case may be, of any damage to or destruction of the Leased Property, or any portion thereof; provided, however, that if the total amount of proceeds payable net of the applicable deductibles is $2,500,000 or less, and, if no Event of Default has occurred and is continuing, the proceeds shall be paid to Tenant and, subject to the limitations set forth in this Article XIV used for the repair of any damage to the Leased Property. Tenant shall have no obligation to rebuild any TCI CLEC Extensions, any TCI ILEC Extensions or any Long Haul TCI, provided that the Leased Property is rebuilt in a manner reasonably satisfactory to Landlord. Any excess proceeds of insurance remaining after the completion of the restoration or reconstruction of the Leased Property to substantially the same condition as existed immediately before the damage or destruction and with materials and workmanship of like kind and quality and to Landlord's reasonable satisfaction shall be provided to Tenant. All salvage resulting from any risk covered by insurance for damage or loss to the Leased Property shall belong to Landlord. Tenant shall have the right to prosecute and settle insurance claims, provided that Tenant shall consult with and involve Landlord in the process of adjusting any insurance claims under this Article XIV and any final settlement with the insurance company shall be subject to Landlord's consent, such consent not to be unreasonably withheld.

14.2 Tenant's Obligations Following Casualty. (a) If a Facility and/or any Tenant Capital Improvements to a Facility are materially damaged, whether or not from a risk covered by insurance carried by Tenant, (i) Tenant shall restore such Leased Property in a manner consistent with Prudent Industry Practice (excluding any TCI CLEC Extensions, any TCI ILEC Extensions and any Long Haul TCI; it being understood and agreed that Tenant shall not be required to repair any TCI CLEC Extensions, any TCI ILEC Extensions or any Long Haul TCI provided that the Leased Property is rebuilt in a manner reasonably satisfactory to Landlord) and (ii) such damage shall not terminate this Master Lease.

(b) If Tenant restores the affected Leased Property and the cost of the repair or restoration exceeds the amount of proceeds received from the insurance required to be carried hereunder, Tenant shall provide Landlord with evidence reasonably acceptable to Landlord that

Tenant has available to it any excess amounts needed to restore such Facility. Such excess amounts necessary to restore such Facility shall be paid by Tenant.

(c) If Tenant has not restored the affected Leased Property and communications operations have not recommenced by the date that is the third anniversary of the date of any casualty, all remaining insurance proceeds and the unpaid deductibles shall be paid to and retained by Landlord free and clear of any claim by or through Tenant together with interest on such amounts at the Overdue Rate from the date that the casualty occurred until paid.

14.3 No Abatement of Rent. This Master Lease shall remain in full force and effect and Tenant's obligation to pay the Rent and all other charges required by this Master Lease shall remain unabated during the period required for adjusting insurance, satisfying Legal Requirements, repair and restoration.

14.4 Waiver. Tenant waives any statutory rights of termination which may arise by reason of any damage or destruction of the Leased Property but such waiver shall not affect any contractual rights granted to Tenant under this Article XIV.

14.5 Insurance Proceeds Paid to Facility Mortgagee. Notwithstanding anything herein to the contrary, in the event that any Facility Mortgagee is entitled to any insurance proceeds, or any portion thereof, under the terms of any Facility Mortgage, such proceeds shall be applied, held and/or disbursed in accordance with the terms of the Facility Mortgage, provided that the terms of the Facility Mortgage shall provide that such proceeds shall be made available to Tenant, in all instances, to repair or restore the Leased Property to substantially the same condition as existed immediately prior to any damage.

ARTICLE XV

15.1 Condemnation.

(a) Total Taking. If the Leased Property of a Facility is totally and permanently taken by Condemnation (a "**Taking**"), this Master Lease shall terminate with respect to such Facility as of the day before the Date of Taking for such Facility.

(b) Partial Taking. If a portion of the Leased Property of, and any Tenant Capital Improvements to, a Facility are taken by Condemnation, this Master Lease shall remain in effect.

(c) Restoration. If there is a partial Taking of the Leased Property of, and any Tenant Capital Improvements to, a Facility and this Master Lease remains in full force and effect with respect to such Facility, Landlord shall make available to Tenant the portion of the Award applicable to restoration of the Leased Property (excluding any TCI CLEC Extensions, any TCI ILEC Extensions and any Long Haul TCI, it being understood and agreed that Tenant shall not be required to repair or restore any TCI CLEC Extensions, any TCI ILEC Extensions or any Long Haul TCI, provided that the Leased Property is restored in a manner reasonably satisfactory to Landlord), and Tenant shall accomplish all necessary restoration whether or not the amount provided by the Condemnor for restoration is sufficient and the Rent shall be reduced by such amount as may be agreed upon by Landlord and Tenant or, if they are unable to reach

such an agreement within a period of thirty (30) days after the occurrence of the Taking, then the Rent for such Facility shall be proportionately reduced, based on the proportion of the Facility that was subject to the partial Taking. Tenant shall restore such Leased Property (as nearly as possible under the circumstances) to the condition as such Leased Property existed immediately prior to such Taking.

15.2 Award Distribution. Except as set forth below (and to the extent provided in Section 15.1(c) hereof), the entire Award shall belong to and be paid to Landlord. Tenant shall, however, be entitled to pursue its own claim with respect to the Taking for Tenant's lost profits value and moving expenses and, the portion of the Award, if any, allocated to any TCI CLEC Extensions and any TCI ILEC Extensions (subject to Tenant's restoring the Leased Property not subject to a Taking in a manner reasonably satisfactory to Landlord) and Tenant's Property shall be and remain the property of Tenant free of any claim thereto by Landlord.

15.3 Temporary Taking. The taking of the Leased Property, or any part thereof, shall constitute a taking by Condemnation only when the use and occupancy by the taking authority has continued for longer than 180 consecutive days. During any shorter period, which shall be a temporary taking, all the provisions of this Master Lease shall remain in full force and effect and the Award allocable to the Term shall be paid to Tenant.

15.4 Condemnation Awards Paid to Facility Mortgagee. Notwithstanding anything herein to the contrary, in the event that any Facility Mortgagee is entitled to any Condemnation Award, or any portion thereof, under the terms of any Facility Mortgage or related financing agreement, such award shall be applied, held and/or disbursed in accordance with the terms of the Facility Mortgage or related financing agreement; provided that the terms of the Facility Mortgage shall provide that such award shall be made available to Tenant, in all instances, to repair or restore the Leased Property to substantially the same condition as existed immediately prior to any Taking.

15.5 Termination of Master Lease; Abatement of Rent. In the event this Master Lease is terminated with respect to the affected portion of the Leased Property as a result of a Taking, the Rent due hereunder from and after the effective date of such termination shall be proportionately reduced, based on the proportion of route miles of the Facility that was the subject of such Taking.

ARTICLE XVI

16.1 Events of Default. Any one or more of the following shall constitute an "**Event of Default**":

(a) (i) Tenant shall fail to pay any installment of Rent when due and such failure is not cured by Tenant within ten (10) days after Notice from Landlord of Tenant's failure to pay such installment of Rent when due, or (ii) Tenant shall fail to pay any Additional Charge when due and such failure is not cured by Tenant within thirty (30) days after Notice from Landlord of Tenant's failure to pay such Additional Charges when due;

(b) a default shall occur under any other material agreement which has aggregate annual payments greater than $75,000,000 executed by Tenant or an Affiliate of

Tenant in favor of Landlord or an Affiliate of Landlord (excluding, however, the Distribution Agreement and the Distribution Agreement Ancillary Documents), where the default is not cured within any applicable grace period set forth therein or, if no cure periods are provided, within thirty (30) days after Notice from Landlord;

(c) Tenant shall:

(i) admit in writing its inability to pay its debts generally as they become due;

(ii) file a petition in bankruptcy or a petition to take advantage of any insolvency act;

(iii) make an assignment for the benefit of its creditors;

(iv) consent to the appointment of a receiver of itself or of the whole or any substantial part of its property; or

(v) file a petition or answer seeking reorganization or arrangement under the United States bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof;

(d) Tenant shall be adjudicated as bankrupt or a court of competent jurisdiction shall enter an order or decree appointing, without the consent of Tenant, a receiver of Tenant or of the whole or substantially all of the Tenant's property, or approving a petition filed against Tenant seeking reorganization or arrangement of Tenant under the United States bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof, and such judgment, order or decree shall not be vacated or set aside or stayed within ninety (90) days from the date of the entry thereof;

(e) Tenant shall be liquidated or dissolved other than a reorganization that is otherwise permitted by Section 22.2;

(f) the estate or interest of Tenant in the Leased Property or any part thereof shall be levied upon or attached in any proceeding relating to more than $10,000,000 and the same shall not be vacated, discharged or stayed pending appeal (or bonded or otherwise similarly secured payment) within the later of ninety (90) days after commencement thereof or thirty (30) days after receipt by Tenant of Notice thereof from Landlord; provided, however, that such Notice shall be in lieu of and not in addition to any notice required under applicable law;

(g) except as a result of material damage, destruction or Condemnation or as expressly permitted under Section 7.2(d), Tenant voluntarily ceases operations for its Primary Intended Use at a Facility and such event (i) is not cured within thirty (30) days after Notice from Landlord and (ii) would reasonably be expected to have a material adverse effect on Tenant, the Facilities, or on the Leased Property, in each case, taken as a whole;

(h) any of the representations or warranties made by Tenant hereunder proves to be untrue when made in any material respect which materially and adversely affects Landlord;

provided however, that if the condition causing the representation or warranty to be untrue is susceptible of being cured, then such untrue representation shall be an Event of Default hereunder only if such condition is not cured within thirty (30) days of receipt of Notice of such breach by Tenant from Landlord;

(i) any applicable license or other agreements material to a Facility's operation for its Primary Intended Use are at any time terminated or revoked or suspended for more than forty-five (45) days (and causes cessation in the provision of telecommunications services by a Facility) and such termination, revocation or suspension is not stayed pending appeal and would reasonably be expected to have a material adverse effect on Tenant, the Facilities, or on the Leased Property, taken as a whole;

(j) except with respect to the granting of a permitted pledge hereunder to a Permitted Leasehold Mortgagee or a transaction permitted by Article XXII, the sale or transfer, without Landlord's consent, of all or any portion of any Communications License or similar certificate or license relating to the Leased Property;

(k) Tenant, by its acts or omissions, causes the occurrence of a default under any provision (to the extent Tenant has knowledge of such provision and Tenant's obligations with respect thereto) of any Facility Mortgage, related documents or obligations thereunder by which Tenant is bound in accordance with Section 33.2 or has agreed under the terms of this Master Lease to be bound, which default is not cured within the applicable time period (including any notice and cure periods), if the effect of such default is to cause, or to permit the holder or holders of that Facility Mortgage or Indebtedness secured by that Facility Mortgage (or a trustee or agent on behalf of such holder or holders), to cause, that Facility Mortgage (or the Indebtedness secured thereby) to become or be declared due and payable (or redeemable) prior to its stated maturity (excluding in any case any default related to the financial performance of Tenant or any of Tenant's Subsidiaries);

(l) any event or condition occurs that (i) results in any Material Indebtedness becoming due prior to its stated maturity or (ii) enables or permits (with all applicable grace periods, if any, having expired) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity or exercise any other remedy (other than in the case of clauses (i) and (ii) any prepayment, repurchase, or redemption, arising out of or relating to a change of control or asset sale or any redemption, repurchase, conversion or settlement with respect to any Indebtedness convertible into Equity Interests pursuant to its terms, provided that failure to consummate any such required prepayment, redemption, repurchase, conversion or settlement under any Material Indebtedness shall constitute an Event of Default), or (iii) Tenant shall fail to pay the principal of any Material Indebtedness at the stated final maturity thereof (provided that this paragraph (l) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is not prohibited hereby and under the documents providing for such Indebtedness); it being agreed and understood that so long as the Credit Agreement is in full force and effect, in no event shall an Event of Default occur under this paragraph (l) to the extent that any prepayment, repurchase, redemption or

defeasance of any Material Indebtedness does not constitute an Event of Default (as defined in the Credit Agreement) under the terms of the Credit Agreement;

(m) if Tenant shall fail to observe or perform any other term, covenant or condition of this Master Lease in any material respect which materially and adversely affects Landlord and such failure is not cured by Tenant within thirty (30) days after Notice thereof from Landlord, unless such failure cannot with due diligence be cured within a period of thirty (30) days, in which case such failure shall not be deemed to be an Event of Default if Tenant proceeds promptly and with due diligence to cure the failure and diligently completes the curing thereof within one hundred twenty (120) days after such Notice from Landlord; provided, however, that such Notice shall be in lieu of and not in addition to any notice required under applicable law; and

(n) an assignment of Tenant's interest in this Master Lease (including pursuant to a Change in Control) shall have occurred without the consent of Landlord to the extent such consent is required under Article XXII or Tenant is otherwise in default of the provisions set forth in Section 22.1 below.

No Event of Default (other than a failure to make payment of money) shall be deemed to exist under this Section 16.1 during any time the curing thereof is prevented by an Unavoidable Delay, provided that upon the cessation of the Unavoidable Delay, Tenant remedies the default without further delay.

16.2 Certain Remedies. If an Event of Default shall have occurred and be continuing, Landlord may (a) terminate this Master Lease by giving Tenant no less than ten (10) days' Notice of such termination and the Term shall terminate and all rights of Tenant under this Master Lease shall cease, (b) seek damages as provided in Section 16.3 hereof, and/or (c) exercise any other right or remedy at law or in equity available to Landlord as a result of any Event of Default. Tenant shall pay as Additional Charges all costs and expenses incurred by or on behalf of Landlord, including reasonable attorneys' fees and expenses, as a result of any Event of Default hereunder. If an Event of Default shall have occurred and be continuing, whether or not this Master Lease has been terminated pursuant to the first sentence of this Section 16.2, Tenant shall, to the extent permitted by law (including applicable Communications Regulations), if required by Landlord to do so, immediately surrender to Landlord possession of all or any portion of the Leased Property (including any Tenant Capital Improvements of the Facilities) as to which Landlord has so demanded and quit the same and Landlord may, to the extent permitted by law (including applicable Communications Regulations), enter upon and repossess such Leased Property and any Capital Improvement thereto by reasonable force, summary proceedings, ejectment or otherwise, and, to the extent permitted by law (including applicable Communications Regulations), may remove Tenant and all other Persons and any of Tenant's Property from such Leased Property (including any such Tenant Capital Improvement thereto).

16.3 Damages. Subject to Landlord's option to receive liquidated damages under this Section 16.3, none of (i) the termination of this Master Lease, (ii) the repossession of the Leased Property (including any Capital Improvements to any Facility), (iii) the failure of Landlord to relet the Leased Property or any portion thereof, (iv) the reletting of all or any portion of the Leased Property, or (v) the inability of Landlord to collect or receive any rentals

due upon any such reletting, shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive any such termination, repossession or reletting. Landlord and Tenant agree that Landlord shall have no obligation to mitigate Landlord's damages under this Master Lease. If any such termination of this Master Lease occurs (whether or not Landlord terminates Tenant's right to possession of the Leased Property), Tenant shall forthwith pay to Landlord all Rent due and payable under this Master Lease to and including the date of such termination. Thereafter:

Tenant shall forthwith pay to Landlord, at Landlord's option, as and for liquidated and agreed current damages for the occurrence of an Event of Default, either:

(a) the sum of:

(i) the worth at the time of award of the unpaid Rent which had been earned at the time of termination to the extent not previously paid by Tenant under this Section 16.3;

(ii) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided;

(iii) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; *plus*

(iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Master Lease or which in the ordinary course of things would be likely to result therefrom.

As used in clauses (i) and (ii) above, the "worth at the time of award" shall be computed by allowing interest at the Overdue Rate. As used in clause (iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of New York at the time of award plus one percent (1%) and reducing such amount by the portion of the unpaid Rent that Tenant proves could be reasonably avoided.

or

(b) if Landlord chooses not to terminate Tenant's right to possession of the Leased Property (whether or not Landlord terminates the Master Lease), each installment of said Rent and other sums payable by Tenant to Landlord under this Master Lease as the same becomes due and payable, together with interest at the Overdue Rate from the date when due until paid, and Landlord may enforce, by action or otherwise, any other term or covenant of this Master Lease (and Landlord may at any time thereafter terminate Tenant's right to possession of the Leased Property and seek damages under subparagraph (a) hereof, to the extent not already paid for by Tenant under this subparagraph (b)).

16.4 Receiver. Upon the occurrence and continuance of an Event of Default, and upon commencement of proceedings to enforce the rights of Landlord hereunder, but subject to any limitations of applicable law, Landlord shall be entitled, as a matter of right, to the appointment of a receiver or receivers acceptable to Landlord of the Leased Property and of the revenues, earnings, income, products and profits thereof, pending the outcome of such proceedings, with such powers as the court making such appointment shall confer.

16.5 Waiver. If Landlord initiates judicial proceedings or if this Master Lease is terminated by Landlord pursuant to this Article XVI, Tenant waives, to the extent permitted by applicable law, (i) any right of redemption, re-entry or repossession; and (ii) the benefit of any laws now or hereafter in force exempting property from liability for rent or for debt.

16.6 Application of Funds. Any payments received by Landlord under any of the provisions of this Master Lease during the existence or continuance of any Event of Default which are made to Landlord rather than Tenant due to the existence of an Event of Default shall be applied to Tenant's obligations in the order which Landlord may reasonably determine or as may be prescribed by the laws of the State.

ARTICLE XVII

17.1 Permitted Leasehold Mortgagees.

(a) On one or more occasions without Landlord's prior consent Tenant may mortgage or otherwise encumber Tenant's estate in and to the Leased Property (the "**Leasehold Estate**") to one or more Permitted Leasehold Mortgagees under one or more Permitted Leasehold Mortgages and pledge its right, title and interest under this Master Lease as security for such Permitted Leasehold Mortgages or any Debt Agreement secured thereby; provided that no Person shall be considered a Permitted Leasehold Mortgagee unless (1) such Person delivers to Landlord a written agreement (in form and substance reasonably satisfactory to Landlord) providing an express acknowledgement that, in the event of the exercise by the Permitted Leasehold Mortgagee of its rights under the Permitted Leasehold Mortgage, the Permitted Leasehold Mortgagee shall be required to secure the approval of Landlord for the replacement of Tenant with respect to the affected portion of the Leased Property and contain the Permitted Leasehold Mortgagee's acknowledgment that such approval may be granted or withheld by Landlord in accordance with the provisions of Article XXII of this Master Lease (provided that Landlord's approval shall not be required if the transfer is to a Discretionary Transferee that otherwise complies with the requirements set forth in Section 22.2(iii)), and (2) the underlying Permitted Leasehold Mortgage includes an express acknowledgement that any exercise of remedies thereunder that would affect the Leasehold Estate shall be subject to the terms of the Master Lease.

(b) Notice to Landlord.

(i) (1) If Tenant shall, on one or more occasions, mortgage Tenant's Leasehold Estate and if the holder of such Permitted Leasehold Mortgage shall provide Landlord with written notice of such Permitted Leasehold Mortgage together with a true copy of such Permitted Leasehold Mortgage and the name and address of the Permitted

Leasehold Mortgagee, Landlord and Tenant agree that, following receipt of such written notice by Landlord, the provisions of this Section 17.1 shall apply in respect to each such Permitted Leasehold Mortgage.

(2) In the event of any assignment of a Permitted Leasehold Mortgage or in the event of a change of address of a Permitted Leasehold Mortgagee or of an assignee of such Mortgage, written notice of the new name and address shall be provided to Landlord.

(ii) Landlord shall promptly upon receipt of a communication purporting to constitute the notice provided for by subsection (b)(i) above acknowledge by an executed and notarized instrument receipt of such communication as constituting the notice provided for by subsection (b)(i) above and confirming the status of the Permitted Leasehold Mortgagee as such or, in the alternative, notify the Tenant and the Permitted Leasehold Mortgagee of the rejection of such communication as not conforming with the provisions of this Section 17.1 and specify the specific basis of such rejection.

(iii) After Landlord has received the notice provided for by subsection (b)(i) above, the Tenant, upon being requested to do so by Landlord, shall with reasonable promptness provide Landlord with copies of the note or other obligation secured by such Permitted Leasehold Mortgage and of any other documents pertinent to the Permitted Leasehold Mortgage as specified by the Landlord. If requested to do so by Landlord, Tenant shall thereafter also provide the Landlord from time to time with a copy of each amendment or other modification or supplement to such instruments. All recorded documents shall be accompanied by the appropriate recording stamp or other certification of the custodian of the relevant recording office as to their authenticity as true and correct copies of official records and all nonrecorded documents shall be accompanied by a certification by Tenant that such documents are true and correct copies of the originals. From time to time upon being requested to do so by Landlord, Tenant shall also notify Landlord of the date and place of recording and other pertinent recording data with respect to such instruments as have been recorded.

(c) Default Notice. Landlord, upon providing Tenant any notice of: (i) default under this Master Lease or (ii) a termination of this Master Lease, shall at the same time provide a copy of such notice to every Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof. No such notice by Landlord to Tenant shall be deemed to have been duly given unless and until a copy thereof has been sent, in the manner prescribed in Section 35.1 of this Master Lease, to every Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof. From and after such notice has been sent to a Permitted Leasehold Mortgagee, such Permitted Leasehold Mortgagee shall have the same period, after the giving of such notice, as is given Tenant after the giving of such notice to Tenant, plus in each instance, the additional periods of time specified in Section 17.1(d) and Section 17.1(e) to remedy, commence remedying or cause to be remedied the defaults or acts or omissions which are specified in any such notice. Landlord shall accept such performance by or at the instigation of such Permitted Leasehold Mortgagee as if the same had been done by Tenant. Tenant authorizes

each Permitted Leasehold Mortgagee (to the extent such action is authorized under the applicable Debt Agreement) to take any such action at such Permitted Leasehold Mortgagee's option and does hereby authorize entry upon the Leased Property by the Permitted Leasehold Mortgagee for such purpose.

(d) Notice to Permitted Leasehold Mortgagee. Anything contained in this Master Lease to the contrary notwithstanding, if any default shall occur which entitles Landlord to terminate this Master Lease, Landlord shall have no right to terminate this Master Lease on account of such default unless, following the expiration of the period of time given Tenant to cure such default or the act or omission which gave rise to such default, Landlord shall notify every Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof of Landlord's intent to so terminate at least thirty (30) days in advance of the proposed effective date of such termination if such default is capable of being cured by the payment of money, and at least ninety (90) days in advance of the proposed effective date of such termination if such default is not capable of being cured by the payment of money ("**Termination Notice**"). The provisions of Section 17.1(e) shall apply if, during such thirty (30) or ninety (90) days (as the case may be) Termination Notice period, any Permitted Leasehold Mortgagee shall:

(i) notify Landlord of such Permitted Leasehold Mortgagee's desire to nullify such Termination Notice; and

(ii) pay or cause to be paid all Rent, Additional Charges, and other payments (i) then due and in arrears as specified in the Termination Notice to such Permitted Leasehold Mortgagee and (ii) which may become due during such thirty (30) or ninety (90) day (as the case may be) period (as the same may become due); and

(iii) comply or in good faith, with reasonable diligence and continuity, commence to comply with all nonmonetary requirements of this Master Lease then in default and reasonably susceptible of being complied with by such Permitted Leasehold Mortgagee, provided, however, that such Permitted Leasehold Mortgagee shall not be required during such ninety (90) day period to cure or commence to cure any default consisting of Tenant's failure to satisfy and discharge any charge or Encumbrance against the Tenant's interest in this Master Lease or the Leased Property, or any of Tenant's other assets junior in priority to the lien of the mortgage or other security documents held by such Permitted Leasehold Mortgagee; and

(iv) during such thirty (30) or ninety (90) day period, the Permitted Leasehold Mortgagee shall respond, with reasonable diligence, to requests for information from Landlord as to the Permitted Leasehold Mortgagee's (and related lenders') intent to pay such Rent and other charges and comply with this Master Lease.

(e) Procedure on Default.

(i) If Landlord shall elect to terminate this Master Lease by reason of any Event of Default of Tenant that has occurred and is continuing, and a Permitted Leasehold Mortgagee shall have proceeded in the manner provided for by Section

17.1(d), the specified date for the termination of this Master Lease as fixed by Landlord in its Termination Notice shall be extended for a period of six (6) months; provided that such Permitted Leasehold Mortgagee shall, during such six-month period (and during the period of any continuance referred to in subsection (e)(ii) below):

(1) pay or cause to be paid the Rent, Additional Charges and other monetary obligations of Tenant under this Master Lease as the same become due, and continue its good faith efforts to perform or cause to be performed all of Tenant's other obligations under this Master Lease, excepting (A) obligations of Tenant to satisfy or otherwise discharge any charge or Encumbrance against Tenant's interest in this Master Lease or the Leased Property or any of Tenant's other assets junior in priority to the lien of the mortgage or other security documents held by such Permitted Leasehold Mortgagee and (B) past nonmonetary obligations then in default and not reasonably susceptible of being cured by such Permitted Leasehold Mortgagee; and

(2) if not enjoined or stayed pursuant to a bankruptcy or insolvency proceeding or other judicial order, diligently continue to pursue acquiring or selling Tenant's interest in this Master Lease and the Leased Property by foreclosure of the Permitted Leasehold Mortgage or other appropriate means and diligently prosecute the same to completion.

(ii) If at the end of such six (6) month period such Permitted Leasehold Mortgagee is complying with subsection (e)(i) above, this Master Lease shall not then terminate, and the time for completion by such Permitted Leasehold Mortgagee of its proceedings shall continue (provided that for the time of such continuance, such Permitted Leasehold Mortgagee is in compliance with subsection (e)(i) above) (x) so long as such Permitted Leasehold Mortgagee is enjoined or stayed pursuant to a bankruptcy or insolvency proceeding or other judicial order and if so enjoined or stayed, thereafter for so long as such Permitted Leasehold Mortgagee proceeds to complete steps to acquire or sell Tenant's interest in this Master Lease by foreclosure of the Permitted Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity but not to exceed twelve (12) months after the Permitted Leasehold Mortgagee is no longer so enjoined or stayed from prosecuting the same and in no event longer than twenty-four (24) months from the date of Landlord's initial notification to Permitted Leasehold Mortgagee pursuant to Section 17.1(d) hereof, and (y) if such Permitted Leasehold Mortgagee is not so enjoined or stayed, thereafter for so long as such Permitted Leasehold Mortgagee proceeds to complete steps to acquire or sell Tenant's interests in this Master Lease by foreclosure of the Permitted Leasehold Mortgage or by other appropriate means with reasonable diligence and continuity but not to exceed twelve (12) months from the date of Landlord's initial notification to Permitted Leasehold Mortgagee pursuant to Section 17.1(d) hereof. Nothing in this Section 17.1(e), however, shall be construed to extend this Master Lease beyond the original term thereof as extended by any options to extend the term of this Master Lease properly exercised by Tenant or a Permitted Leasehold Mortgagee in accordance with Section 1.4, nor to require a Permitted Leasehold Mortgagee to continue such foreclosure proceeding after the default has been cured. If the default shall be cured pursuant to the terms and within the time periods allowed in Sections 17.1(d) and 17.1(e) and the Permitted Leasehold Mortgagee

shall discontinue such foreclosure proceedings, this Master Lease shall continue in full force and effect as if Tenant had not defaulted under this Master Lease.

(iii) If a Permitted Leasehold Mortgagee is complying with Section 17.1(e)(i), upon the acquisition of Tenant's Leasehold Estate herein by a Discretionary Transferee this Master Lease shall continue in full force and effect as if Tenant had not defaulted under this Master Lease, provided that such Discretionary Transferee cures all outstanding defaults that can be cured through the payment of money and all other defaults that are reasonably susceptible of being cured.

(iv) For the purposes of this Section 17.1, the making of a Permitted Leasehold Mortgage shall not be deemed to constitute an assignment or transfer of this Master Lease nor of the Leasehold Estate hereby created, nor shall any Permitted Leasehold Mortgagee, as such, be deemed to be an assignee or transferee of this Master Lease or of the Leasehold Estate hereby created so as to require such Permitted Leasehold Mortgagee, as such, to assume the performance of any of the terms, covenants or conditions on the part of the Tenant to be performed hereunder; but the purchaser at any sale of this Master Lease (including a Permitted Leasehold Mortgagee if it is the purchaser at foreclosure) and of the Leasehold Estate hereby created in any proceedings for the foreclosure of any Permitted Leasehold Mortgage, or the assignee or transferee of this Master Lease and of the Leasehold Estate hereby created under any instrument of assignment or transfer in lieu of the foreclosure of any Permitted Leasehold Mortgage, shall be subject to Article XXII hereof (including the requirement that such purchaser assume the performance of the terms, covenants or conditions on the part of the Tenant to be performed hereunder and meet the qualifications of Discretionary Transferee or be reasonably consented to by Landlord in accordance with Section 22.2(i) hereof).

(v) Any Permitted Leasehold Mortgagee or other acquirer of the Leasehold Estate of Tenant pursuant to foreclosure, assignment in lieu of foreclosure or other proceedings in accordance with the requirements of Section 22.2(iii) of this Master Lease may, upon acquiring Tenant's Leasehold Estate, without further consent of Landlord, sell and assign the Leasehold Estate in accordance with the requirements of Section 22.2(iii) of this Master Lease and enter into Permitted Leasehold Mortgages in the same manner as the original Tenant, subject to the terms hereof.

(vi) Notwithstanding any other provisions of this Master Lease, any sale of this Master Lease and of the Leasehold Estate hereby created in any proceedings for the foreclosure of any Permitted Leasehold Mortgage, or the assignment or transfer of this Master Lease and of the Leasehold Estate hereby created in lieu of the foreclosure of any Permitted Leasehold Mortgage, shall be deemed to be a permitted sale, transfer or assignment of this Master Lease and of the Leasehold Estate hereby created to the extent that the successor tenant under this Master Lease is a Discretionary Transferee and the transfer otherwise complies with the requirements of Section 22.2(iii) of this Master Lease or the transferee is reasonably consented to by Landlord in accordance with Section 22.2(i) hereof.

(f) New Lease. In the event of the termination of this Master Lease other than due to a default as to which the Permitted Leasehold Mortgagee had the opportunity to, but did not, cure the default as set forth in Sections 17.1(d) and 17.1(e) above, Landlord shall provide each Permitted Leasehold Mortgagee with written notice that this Master Lease has been terminated ("**Notice of Termination**"), together with a statement of all sums which would at that time be due under this Master Lease but for such termination, and of all other defaults, if any, then known to Landlord. Landlord agrees to enter into a new lease ("**New Lease**") of the Leased Property with such Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee (in each case if a Discretionary Transferee) for the remainder of the term of this Master Lease, effective as of the date of termination, at the rent and additional rent, and upon the terms, covenants and conditions (including all options to renew but excluding requirements which have already been fulfilled) of this Master Lease, provided:

(i) Such Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee shall make a binding, written, irrevocable commitment to Landlord for such New Lease within thirty (30) days after the date such Permitted Leasehold Mortgagee receives Landlord's Notice of Termination of this Master Lease given pursuant to this Section 17.1(f);

(ii) Such Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee shall pay or cause to be paid to Landlord at the time of the execution and delivery of such New Lease, any and all sums which would at the time of execution and delivery thereof be due pursuant to this Master Lease but for such termination and, in addition thereto, all reasonable expenses, including reasonable attorney's fees, which Landlord shall have incurred by reason of such termination and the execution and delivery of the New Lease and which have not otherwise been received by Landlord from Tenant or other party in interest under Tenant; and

(iii) Such Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee shall agree to remedy any of Tenant's defaults of which said Permitted Leasehold Mortgagee was notified by Landlord's Notice of Termination (or in any subsequent notice) and which can be cured through the payment of money or are reasonably susceptible of being cured by Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee.

(g) New Lease Priorities. If more than one Permitted Leasehold Mortgagee shall request a New Lease pursuant to Section 17.1(f)(i), Landlord shall enter into such New Lease with the Permitted Leasehold Mortgagee whose mortgage is senior in lien, or with its Permitted Leasehold Mortgagee Designee acting for the benefit of such Permitted Leasehold Mortgagee prior in lien foreclosing on Tenant's interest in this Master Lease. Landlord, without liability to Tenant or any Permitted Leasehold Mortgagee with an adverse claim, may rely upon a title insurance policy issued by a reputable title insurance company as the basis for determining the appropriate Permitted Leasehold Mortgagee who is entitled to such New Lease.

(h) Permitted Leasehold Mortgagee Need Not Cure Specified Defaults. Nothing herein contained shall require any Permitted Leasehold Mortgagee as a condition to its exercise of the right hereunder to cure any default of Tenant not reasonably susceptible of being

cured by such Permitted Leasehold Mortgagee or its Permitted Leasehold Mortgagee Designee (including but not limited to the default referred to in Section 16.1(c), (d), (e), (f) (if the levy or attachment is in favor of such Permitted Leasehold Mortgagee (provided such levy is extinguished upon foreclosure or similar proceeding or in a transfer in lieu of any such foreclosure) or is junior to the lien of such Permitted Leasehold Mortgagee and would be extinguished by the foreclosure of the Permitted Leasehold Mortgage that is held by such Permitted Leasehold Mortgagee), or (l) (as related to the Indebtedness secured by a Permitted Leasehold Mortgage that is junior to the lien of the Permitted Leasehold Mortgagee and such junior lien would be extinguished by the foreclosure of the Permitted Leasehold Mortgage that is held by such Permitted Leasehold Mortgagee) and any other sections of this Master Lease which may impose conditions of default not susceptible to being cured by a Permitted Leasehold Mortgagee or a subsequent owner of the Leasehold Estate through foreclosure hereof), in order to comply with the provisions of Sections 17.1(d) and 17.1(e), or as a condition of entering into the New Lease provided for by Section 17.1(f).

(i) Casualty Loss. A standard mortgagee clause naming each Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof may be added to any and all insurance policies required to be carried by Tenant hereunder on condition that the insurance proceeds are to be applied in the manner specified in this Master Lease and the Permitted Leasehold Mortgage shall so provide; except that the Permitted Leasehold Mortgage may provide a manner for the disposition of such proceeds, if any, otherwise payable directly to the Tenant (but not such proceeds, if any, payable jointly to the Landlord and Tenant, to Landlord, or to the Facility Mortgagee) pursuant to the provisions of this Master Lease.

(j) Arbitration; Legal Proceedings. Landlord shall give prompt notice to each Permitted Leasehold Mortgagee (for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof) of any arbitration or legal proceedings between Landlord and Tenant involving obligations under this Master Lease.

(k) No Merger. So long as any Permitted Leasehold Mortgage is in existence, unless all Permitted Leasehold Mortgagees for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof shall otherwise expressly consent in writing, the fee title to the Leased Property and the Leasehold Estate of Tenant therein created by this Master Lease shall not merge but shall remain separate and distinct, notwithstanding the acquisition of said fee title and said Leasehold Estate by Landlord or by Tenant or by a third party, by purchase or otherwise.

(l) Notices. Notices from Landlord to the Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof shall be provided in the method provided in Section 35.1 hereof to the address or fax number furnished Landlord pursuant to Section 17.1(b), and those from the Permitted Leasehold Mortgagee to Landlord shall be mailed to the address designated pursuant to the provisions of Section 35.1 hereof. Such notices, demands and requests shall be given in the manner described in this Section 17.1 and in Section 35.1 and shall in all respects be governed by the provisions of those sections.

(m) Limitation of Liability. Notwithstanding any other provision hereof to the contrary, (i) Landlord agrees that any Permitted Leasehold Mortgagee's liability to Landlord in its capacity as Permitted Leasehold Mortgagee hereunder howsoever arising shall be limited to and enforceable only against such Permitted Leasehold Mortgagee's interest in the Leasehold Estate and the other collateral granted to such Permitted Leasehold Mortgagee to secure the obligations under its Debt Agreement, and (ii) each Permitted Leasehold Mortgagee agrees that Landlord's liability to such Permitted Leasehold Mortgagee hereunder howsoever arising shall be limited to and enforceable only against Landlord's interest in the Leased Property, and no recourse against Landlord shall be had against any other assets of Landlord whatsoever.

(n) Sale Procedure. If an Event of Default shall have occurred and be continuing, the Permitted Leasehold Mortgagee for which notice has been properly provided to Landlord pursuant to Section 17.1(b) hereof with the most senior lien on the Leasehold Estate shall have the right to make all determinations and agreements on behalf of Tenant under Article XXXVI (including, without limitation, requesting that the sale process described in Article XXXVI be commenced, the determination and agreement of the Communications Assets FMV, the Successor Tenant Rent, and the potential Successor Tenants that should be included in the process, and negotiation with such Successor Tenants), in each case, in accordance with and subject to the terms and provisions of Article XXXVI, including without limitation the requirement that Successor Tenant meet the qualifications of Discretionary Transferee.

(o) Third Party Beneficiary. Each Permitted Leasehold Mortgagee (for so long as such Permitted Leasehold Mortgagee holds a Permitted Leasehold Mortgage) is an intended third-party beneficiary of this Article XVII entitled to enforce the same as if a party to this Master Lease.

17.2 Landlord's Right to Cure Tenant's Default. If Tenant shall fail to make any payment or to perform any act required to be made or performed hereunder when due or within any cure period provided for herein, Landlord, without waiving or releasing any obligation or default, may, but shall be under no obligation to, make such payment or perform such act for the account and at the expense of Tenant, and may, to the extent permitted by law, enter upon the Leased Property for such purpose and take all such action thereon as, in Landlord's opinion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of Tenant. All sums so paid by Landlord and all costs and expenses, including reasonable attorneys' fees and expenses, so incurred, together with interest thereon at the Overdue Rate from the date on which such sums or expenses are paid or incurred by Landlord, shall be paid by Tenant to Landlord on demand as an Additional Charge.

ARTICLE XVIII

18.1 Sale of the Leased Property. Subject to the terms of Section 18.2 and Article XXXI, Landlord may, without the consent or approval of Tenant, sell all (and not less than all) of the Leased Property to a single buyer who is not a Competitor. In connection with such sale, Landlord and the buyer shall concurrently enter into an assignment agreement pursuant to which Landlord assigns to such buyer all of its rights, title and interest under this Master Lease, and the buyer agrees to perform all of the obligations, terms, covenants and conditions of Landlord hereunder from and after the effective date of the sale. For the

avoidance of doubt, each entity comprising Landlord must assign 100% of its right, title and interest under this Master Lease to the buyer in order for an assignment of the Master Lease to be permitted under the terms of this Section 18.1.

18.2 Restrictions on Transfers in Landlord. Subject to the rights of a Foreclosure Purchaser under Article XXXI, Landlord shall not, without Tenant's prior written consent, (i) sell or otherwise transfer any Equity Interests in Landlord or CS&L Parent that results in a Competitor (whether directly or through Subsidiaries of Competitor and whether in a single transaction or in a series of unrelated or related transactions) acquiring beneficial ownership and control of ten percent (10%) or more of the Equity Interests in Landlord or CS&L Parent, (ii) sell any or all of Landlord's assets relating to the Facilities to a Competitor (whether directly or through Subsidiaries of the Competitor and whether in a single transaction or in a series of unrelated or related transactions), (iii) merge or consolidate with or into a Competitor (whether directly or through Landlord's Subsidiaries) or (iv) sell or otherwise transfer any Equity Interests in any entity comprising Landlord that would result in CS&L Parent not being the beneficial owner, whether directly or indirectly, of one hundred percent (100%) of the Equity Interests in such entity unless the Equity Interests that are sold or transferred are convertible into Equity Interests in CS&L Parent.

ARTICLE XIX

19.1 Holding Over. If Tenant shall for any reason remain in possession of the Leased Property of a Facility after the expiration or earlier termination of the Term with respect to such Facility without the consent of Landlord (other than Tenant remaining in possession of a Facility in accordance with Section 36.3) such possession shall be as a month-to-month tenant during which time Tenant shall pay as Rent each month twice the monthly Rent applicable to the prior Lease Year for such Facility, as reasonably determined by Landlord, together with all Additional Charges and all other sums payable by Tenant pursuant to this Master Lease. During such period of month-to-month tenancy, Tenant shall be obligated to perform and observe all of the terms, covenants and conditions of this Master Lease, but shall have no rights hereunder other than the right, to the extent given by law to month-to-month tenancies, to continue its occupancy and use of the Leased Property of, and/or any Tenant Capital Improvements to, such Facility. Nothing contained herein shall constitute the consent, express or implied, of Landlord to the holding over of Tenant after the expiration or earlier termination of this Master Lease.

ARTICLE XX

20.1 Risk of Loss. The risk of loss or of decrease in the enjoyment and beneficial use of the Leased Property as a consequence of the damage or destruction thereof by fire, the elements, casualties, thefts, riots, wars or otherwise, or in consequence of foreclosures, attachments, levies or executions (other than by Landlord and Persons claiming from, through or under Landlord) is assumed by Tenant, and except as otherwise provided herein no such event shall entitle Tenant to any abatement of Rent.

ARTICLE XXI

21.1 General Indemnification. In addition to the other indemnities contained herein, and notwithstanding the existence of any insurance carried by or for the benefit of Landlord or Tenant, and without regard to the policy limits of any such insurance, Tenant shall protect, indemnify, save harmless and defend Landlord from and against all liabilities, obligations, claims, damages, penalties, causes of action, costs and expenses, including reasonable attorneys', consultants' and experts' fees and expenses (collectively, "**Claims**"), imposed upon or incurred by or asserted by third parties against Landlord by reason of: (i) any accident, injury to or death of Persons or loss of or damage to property occurring on or about the Leased Property or adjoining sidewalks under the control of Tenant; (ii) any use, misuse, maintenance or repair by Tenant or its Subsidiaries of the Leased Property; (iii) any failure on the part of Tenant to perform or comply with any of the terms of this Master Lease; (iv) the non-performance of any of the terms and provisions of any and all existing and future subleases of the Leased Property to be performed by any party thereunder; (v) any claim for malpractice, negligence or misconduct committed by any Person on or working from the Leased Property; (vi) any claims or actions for trespass with respect to the Leased Property; (vii) the violation by Tenant of any Legal Requirement and (viii) any carrier of last resort obligations which are Tenant's responsibility pursuant to Section 36.4. Any amounts which become payable by Tenant under this Article XXI shall be paid within ten (10) days after liability therefor is determined by a final non appealable judgment or settlement or other agreement of the parties, and if not timely paid shall bear interest at the Overdue Rate from the date of such determination to the date of payment. Tenant, at its sole cost and expense, shall contest, resist and defend any such claim, action or proceeding asserted or instituted against Landlord; it being agreed and understood that in no event shall Landlord have the right to enter into any settlement with respect to any claim, action or proceeding for which Tenant has an obligation to indemnify Landlord hereunder without obtaining Tenant's prior consent. For purposes of this Article XXI, any acts or omissions of Tenant, or by employees, agents, assignees, contractors, subcontractors or others acting for or on behalf of Tenant (whether or not they are negligent, intentional, willful or unlawful), shall be strictly attributable to Tenant. Landlord shall be obligated to (a) deliver Notice to Tenant of any Claims for which it is seeking Tenant to indemnify Landlord from pursuant to this Section 21.1 promptly after such Claim is imposed on or incurred by Landlord, and (b) mitigate any damages it incurs or is reasonably expected to incur in connection with such Claim.

ARTICLE XXII

22.1 Subletting and Assignment. Tenant shall not, without Landlord's prior written consent, which, except as specifically set forth herein, may be withheld in Landlord's reasonable discretion, voluntarily or by operation of law assign (which term includes any transfer, sale, encumbering, pledge or other transfer or hypothecation) this Master Lease, sublet all or any part of the Leased Property of any Facility (including, without limitation, any rights granted by Tenant through a dark fiber agreement, a dim fiber agreement or a collocation agreement) or engage the services of any Person (other than any of Tenant's Subsidiaries) for the management or operation of any Facility (each of the aforesaid acts being referred to herein as a "**Transfer**") (provided that the foregoing shall not restrict a transferee of Tenant from retaining a manager necessary for such transferee's satisfying the requirement set forth in clause (a)(1) of the

definition of "Discretionary COC Transferee" or prevent Tenant or its Subsidiaries from outsourcing or contracting with third parties to perform services that remain under the supervision of Tenant or its Subsidiaries). Tenant acknowledges that Landlord is relying upon the expertise of Tenant in the operation of the Facilities and that Landlord entered into this Master Lease with the expectation that Tenant (or Tenant's Subsidiaries on behalf of Tenant) would remain in and operate such Facilities during the entire Term and for that reason, except as set forth herein, Landlord retains reasonable discretion in approving or disapproving any assignment or sublease. Any Change in Control shall constitute an assignment of Tenant's interest in this Master Lease within the meaning of this Article XXII and the provisions requiring consent contained herein shall apply.

22.2 Permitted Assignments. Notwithstanding the foregoing, and subject to Section 40.1, Tenant may:

(i) with Landlord's prior written consent, which consent shall not be unreasonably withheld, allow to occur or undergo a Change in Control (including without limitation a transfer or assignment of this Master Lease to any third party in conjunction with a sale by Tenant of all or substantially all of Tenant's assets relating to the Facilities);

(ii) without Landlord's prior written consent, assign this Master Lease or sublease the Leased Property to any of Tenant's Subsidiaries if all of the following are first satisfied: (x) Tenant remains fully liable hereunder; (y) the use of the Leased Property continues to comply with the requirements of this Master Lease; and (z) Landlord in its reasonable discretion shall have approved the form and content of all documents for such assignment or sublease and received an executed counterpart thereof; and

(iii) without Landlord's prior written consent:

(x) undergo a Change in Control of the type referred to in clause (iii) of the definition of Change in Control (such Change in Control, a "**Tenant COC**") if (1) such Person acquiring such beneficial ownership or control is a Discretionary COC Transferee, and (2) the Parent Company of such Discretionary COC Transferee, if any, has become a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord or, if such Discretionary COC Transferee does not have a Parent Company, such Discretionary COC Transferee has become a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord;

(y) assign this Master Lease to any Person in an assignment that does not constitute a Foreclosure Assignment if (1) such Person is a Discretionary Transferee, (2) such Discretionary Transferee agrees in writing to assume the obligations of the Tenant under this Master Lease without amendment or modification other than as provided below, and (3) the Parent Company of such Discretionary Transferee, if any, has become

a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord or, if such Discretionary Transferee does not have a Parent Company, such Discretionary Transferee has become a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord; or

(z) (i) assign this Master Lease by way of foreclosure of the Leasehold Estate or an assignment-in-lieu of foreclosure to any Person (any such assignment, a "**Foreclosure Assignment**") or (ii) undergo a Change in Control whereby a Person acquires beneficial ownership and control of 100% of the Equity Interests in Tenant as a result of the purchase at a foreclosure on a permitted pledge of the Equity Interests in Tenant or an assignment in lieu of such foreclosure (a "**Foreclosure COC**") or (iii) effect the first subsequent sale or assignment of the Leasehold Estate or Change in Control after a Foreclosure Assignment or a Foreclosure COC whereby a Person so acquires the Leasehold Estate or beneficial ownership and control of 100% of the Equity Interests in Tenant or the Person who acquired the Leasehold Estate in connection with the Foreclosure Assignment, in each case, effected by a Permitted Leasehold Mortgagee or a Permitted Leasehold Mortgagee Foreclosing Party, to the extent such Permitted Leasehold Mortgagee or Permitted Leasehold Mortgagee Designee has been diligently attempting to expedite such first subsequent sale from the time it has initiated foreclosure proceedings taking into account the interest of such Permitted Leasehold Mortgagee or Permitted Leasehold Mortgagee Designee in maximizing the proceeds of such disposition if (1) such Person is a Discretionary Transferee, (2) in the case of any Foreclosure Assignment, if such Discretionary Transferee is not a Permitted Leasehold Mortgagee Designee such Discretionary Transferee agrees in writing to assume the obligations of the Tenant under this Master Lease without amendment or modification other than as provided below (which written assumption, in the case of a Permitted Leasehold Mortgagee Foreclosing Party, may be made by a Subsidiary of a Permitted Leasehold Mortgagee or a Permitted Leasehold Mortgagee Designee) and (3) if such Discretionary Transferee is not a Permitted Leasehold Mortgagee Foreclosing Party, the Parent Company of such Discretionary Transferee, if any, has become a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord or, if such Discretionary Transferee does not have a Parent Company, such Discretionary Transferee has become a Guarantor and provided a Lease Guaranty on terms reasonably satisfactory to Landlord;

provided that no such Change in Control or assignment referred to in this Section 22.2(iii) shall be permitted without Landlord's prior written consent unless, and in which case such consent shall not be unreasonably withheld, (A) the use of the Leased Property at the time of such Change in Control or assignment and immediately after giving effect thereto is permitted by Section 7.2 hereof, and (B) Landlord in its reasonable discretion shall have approved the form and content of

all documents for such assignment and assumption and received an executed counterpart thereof (provided no such approval shall be required in the case of a Tenant COC, so long as (A) Tenant remains obligated under the Master Lease, (B) the requirements for a Lease Guaranty from the Parent Company, Discretionary Transferee or Discretionary COC Transferee, as applicable, are met, and (C) any modifications to this Master Lease required pursuant to the next succeeding paragraph are made); and

(iv) without Landlord's prior written consent, pledge or mortgage its Leasehold Estate to a Permitted Leasehold Mortgagee.

Upon the effectiveness of any Change in Control or assignment permitted pursuant to this Section 22.2, such Discretionary COC Transferee, Discretionary Transferee or the Parent Company of such Discretionary COC Transferee or Discretionary Transferee, as applicable and Landlord shall make such amendments and other modifications to this Master Lease as are reasonably requested by either party to give effect to such Change in Control or assignment and such technical amendments as may be necessary or appropriate in the reasonable opinion of such requesting party in connection with such Change in Control or assignment including, without limitation, changes to the definition of Change in Control to include Parent Company (or, if the Discretionary COC Transferee or the Discretionary Transferee does not have a Parent Company, the Discretionary COC Transferee or Discretionary Transferee, as applicable) and in the provisions of this Master Lease regarding delivery of financial statements and other reporting requirements with respect to Tenant and the delivery of a Lease Guaranty by Guarantor. After giving effect to any such Change in Control or assignment, unless the context otherwise requires, references to Tenant hereunder shall be deemed to refer to the Discretionary COC Transferee, the Discretionary Transferee or the Parent Company of such Discretionary COC Transferee or Discretionary Transferee, as applicable.

22.3 Permitted Sublease Agreements and Usage Arrangements. Notwithstanding the provisions of Section 22.1, but subject to compliance with the provisions of this Section 22.3 and of Section 40.1, (a) Tenant shall be permitted to grant any of its rights and privileges under this Master Lease to any of Tenant's Subsidiaries and Landlord acknowledges that the performance of any obligations or agreements by any of Tenant's Subsidiaries on behalf of Tenant shall satisfy Tenant's obligations to perform such obligation or agreement hereunder, (b) the Specified Subleases shall be permitted without any further consent from Landlord, (c) provided that no Event of Default shall have occurred and be continuing, Tenant may enter into any sublease agreement (including, but not limited to, any rights granted by Tenant or any of its Subsidiaries through a dark fiber agreement, a dim fiber agreement, or a collocation agreement) without the prior written consent of Landlord, provided, further that, (i) with respect to clauses (b) or (c), the route miles pursuant to such sublease does not constitute greater than thirty percent (30%) in the aggregate of the route miles of all the Facilities in the aggregate then subject to this Master Lease (such portion, a "**Material Portion**") (and any such route miles for any Material Portion will require Landlord's prior written consent, which consent may not be unreasonably withheld except that no such consent shall be required to the extent (x) permitted under the Specified Subleases (y) the subtenant under such sublease is a Discretionary Transferee or (z) with respect to any collocation agreement, Tenant (or its Subsidiaries) is obligated to enter into such collocation agreement in order to discharge its obligations under any Communication

License or any Communications Regulations); (ii) all sublease agreements under clauses (b) and (c) of this Section 22.3 (other than a sublease with a Discretionary Transferee) are made in the normal course of the Primary Intended Use and to third party users or operators of portions of the Leased Property in furtherance of the Primary Intended Use or are required to discharge Tenant or its Subsidiaries' obligations under any Communications License or Communications Regulations and (iii) Landlord shall have the right to reasonably approve the identity of any subtenants under this Section 22.3 (except with respect to any third parties under any collocation arrangements, dim fiber arrangements and dark fiber agreements or any subtenants under the Specified Subleases and any permitted assignment by such subtenants with respect to such Specified Sublease) that will be operating all or portions of the Leased Property for its Primary Intended Use to ensure that all are adequately capitalized and competent and experienced for the operations which they will be conducting; provided however, that if any subtenant is a Discretionary Transferee, then such subtenant shall be deemed approved by Landlord. Upon the occurrence and during the continuance of an Event of Default that is monetary in nature, Landlord shall have the right to collect all rents, profits and charges under any sublease (including, but not limited to, any rights granted by Tenant or any of its Subsidiaries through a dark fiber agreement, a dim fiber agreement, or a collocation agreement) to the extent permitted by applicable law and apply the net amount collected to the Rent, but no such collection shall be deemed (i) a waiver by Landlord of any of the provisions of this Master Lease, (ii) an acceptance by Landlord of such subtenant or party as a tenant or (iii) a release of Tenant from the future performance of its obligations hereunder. If reasonably requested by Tenant in connection with a sublease permitted under clause (c) above, Landlord and such sublessee shall enter into a subordination, non-disturbance and attornment agreement with respect to such sublease in a form reasonably satisfactory to Landlord (and if a Facility Mortgage is then in effect, Landlord shall use reasonable efforts to cause the Facility Mortgagee to enter into such subordination, non-disturbance and attornment agreement).

22.4 Required Assignment and Subletting Provisions. Any assignment and/or sublease (including, but not limited to, any rights granted by Tenant or any of its Subsidiaries pursuant to a dark fiber agreement, a dim fiber agreement or a collocation agreement) must meet the following conditions:

(i) in the case of a sublease, it shall be subject and subordinate to all of the terms and conditions of this Master Lease;

(ii) the use of the applicable Facility (or portion thereof) shall not conflict with any Legal Requirement or any other provision of this Master Lease;

(iii) except as otherwise provided herein, no subtenant or assignee shall be permitted to further sublet all or any part of the applicable Leased Property or assign this Master Lease or its sublease except insofar as the same would be permitted if it were a sublease by Tenant under this Master Lease (it being understood that any subtenant under Section 22.3(a) may pledge and mortgage its subleasehold estate (or allow the pledge of its equity interests) to a Permitted Leasehold Mortgagee);

(iv) in the case of a sublease, in the event of cancellation or termination of this Master Lease for any reason whatsoever or of the surrender of this Master Lease

(whether voluntary, involuntary or by operation of law) prior to the expiration date of such sublease, including extensions and renewals granted thereunder, then, subject to Article XXXVI, at Landlord's option, the subtenant shall make full and complete attornment to Landlord for the balance of the term of the sublease, which attornment shall be evidenced by an agreement in form and substance satisfactory to Landlord and which the subtenant shall execute and deliver within five (5) days after request by Landlord and the subtenant shall waive the provisions of any law now or hereafter in effect which may give the subtenant any right of election to terminate the sublease or to surrender possession in the event any proceeding is brought by Landlord to terminate this Master Lease;

(v) in the event the subtenant receives a written notice from Landlord stating that this Master Lease has been cancelled, surrendered or terminated, then, subject to Article XXXVI, the subtenant shall thereafter be obligated to pay all rentals accruing under said sublease directly to Landlord (or as Landlord shall so direct); all rentals received from the subtenant by Landlord shall be credited against the amounts owing by Tenant under this Master Lease; and

(vi) the term of the sublease shall expire no later than the day preceding the expiration date of the then current Term.

22.5 Costs. Tenant shall reimburse Landlord for Landlord's reasonable costs and expenses incurred in conjunction with the processing and documentation of any assignment, subletting or management arrangement (but expressly excluding any costs and expenses incurred by Landlord in connection with Landlord's review of any collocation arrangements, dark fiber agreements and dim fiber agreements which shall be borne solely by Landlord), including reasonable attorneys', architects', engineers' or other consultants' fees whether or not such sublease, assignment or management agreement is actually consummated.

22.6 No Release of Tenant's Obligations; Exception. No assignment (other than a permitted transfer pursuant to Section 22.2(i) or Section 22.2(iii)(y) or Section 22.2(iii)(z)(1) or Section 22.2(iii)(z)(3), in connection with a sale or assignment of the Leasehold Estate), subletting or management agreement shall relieve Tenant of its obligation to pay the Rent and to perform all of the other obligations to be performed by Tenant hereunder. The liability of Tenant and any immediate and remote successor in interest of Tenant (by assignment or otherwise), and the due performance of the obligations of this Master Lease on Tenant's part to be performed or observed, shall not in any way be discharged, released or impaired by any (i) stipulation which extends the time within which an obligation under this Master Lease is to be performed, (ii) waiver of the performance of an obligation required under this Master Lease that is not entered into for the benefit of Tenant or such successor, or (iii) failure to enforce any of the obligations set forth in this Master Lease, provided that Tenant shall not be responsible for any additional obligations or liability arising as the result of any modification or amendment of this Master Lease by Landlord and any assignee of Tenant that is not an Affiliate of Tenant.

22.7 Public Offering. Notwithstanding anything that may be to the contrary in this Article XXII, this Master Lease shall not restrict any Transfer of any stock of Tenant as a result of a public offering of Tenant's stock which (a) constitutes a bona fide public distribution

of such stock pursuant to a firm commitment underwriting or a plan of distribution registered under the Securities Act of 1933 and (b) results in such stock being listed for trading on the American Stock Exchange, the New York Stock Exchange, or any other recognized stock exchange whether within or outside of the United States or authorized for quotation on the NASDAQ National Market immediately upon the completion of such public offering. In addition, so long as such stock of Tenant is listed for trading on any such exchange or authorized for quotation on such market, the transfer or exchange of such stock shall not be deemed a Transfer hereunder unless such a transfer or exchange constitutes a Change in Control.

ARTICLE XXIII

23.1 Officer's Certificates and Financial Statements.

(a) Officer's Certificate. Each of Landlord and Tenant shall, at any time and from time to time upon receipt of not less than ten (10) Business Days' prior written request from the other party hereto, furnish an Officer's Certificate certifying (i) that this Master Lease is unmodified and in full force and effect, or that this Master Lease is in full force and effect as modified and setting forth the modifications; (ii) the Rent and Additional Charges payable hereunder and the dates to which the Rent and Additional Charges have been paid; (iii) that the address for notices to be sent to the party furnishing such Officer's Certificate is as set forth in this Master Lease (or, if such address for notices has changed, the correct address for notices to such party); (iv) whether or not, to its actual knowledge, such party or the other party hereto is in compliance in all material respects with the covenants, agreements and conditions contained in this Master Lease (together with back-up calculation and information reasonably necessary to support such determination); (v) that Tenant is in possession of the Leased Property; and (vi) responses to such other questions or statements of fact as such other party, any ground or underlying landlord, any purchaser or any current or prospective Facility Mortgagee or Permitted Leasehold Mortgagee shall reasonably request, provided that such questions or statements of fact are included in the written notice requesting the Officer's Certificate. Landlord's or Tenant's failure to deliver such statement within such time shall constitute an acknowledgement by such failing party that, to such party's knowledge, (x) this Master Lease is unmodified and in full force and effect except as may be represented to the contrary by the other party; (y) the other party is not in default in the performance of any covenant, agreement or condition contained in this Master Lease; and (z) the other matters set forth in such request, if any, are true and correct. Notwithstanding the foregoing, in no event shall Landlord or Tenant be required to deliver an Officer's Certificate under this Section 23.1(a) more than two (2) times in any calendar year. Any such certificate furnished pursuant to this Article XXIII may be relied upon by the receiving party and any current or prospective Facility Mortgagee, Permitted Leasehold Mortgagee, ground or underlying landlord or purchaser of the Leased Property. Tenant shall deliver a Notice to Landlord within two (2) Business Days of obtaining knowledge of the occurrence of any material default hereunder. Such Notice shall include a detailed description of the default and the actions Tenant has taken or shall take, if any, to remedy such default.

(b) Statements. Tenant shall furnish the following statements (each a "**Financial Statement**" and collectively the "**Financial Statements**") to Landlord:

(i) as soon as available and in no event later than ninety (90) days after the end of each Fiscal Year, its audited consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such Fiscal Year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by PricewaterhouseCoopers LLP or other independent public accountants of recognized national standing (without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of Tenant and its consolidated Subsidiaries in accordance with GAAP and the applicable requirements of Regulation S-X;

(ii) as soon as available and in no event later than forty-five (45) days after the end of each of the first three Fiscal Quarters of each Fiscal Year, its consolidated balance sheet and related statements of operations, stockholders' equity and cash flows as of the end of and for such Fiscal Quarter and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by a Financial Officer of Tenant as presenting fairly in all material respects the financial condition and results of operations of Tenant and its consolidated Subsidiaries in accordance with GAAP and the applicable requirements of Regulation S-X, subject to normal year-end audit adjustments and the absence of footnotes;

(iii) concurrently with any delivery of financial statements under clause (i) or (ii) above, a certificate of a Financial Officer of Tenant certifying as to whether a default has occurred under this Master Lease and, if a default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto; and

(iv) within sixty (60) days after the beginning of each Fiscal Year, a detailed consolidated budget for such Fiscal Year (including a projected consolidated balance sheet and related statements of projected operations and cash flows as of the end of and for such Fiscal Year and setting forth the assumptions used in preparing such budget) and, promptly when available, any significant revisions of such budget approved by the board of directors of Tenant;

(v) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by Tenant or any of its Subsidiaries with the SEC or with any national securities exchange, or distributed by Tenant to its shareholders generally, as the case may be; and

(vi) prompt Notice to Landlord of any action, proposal or investigation by any agency or entity, or complaint to such agency or entity, (any of which is called a "**Proceeding**"), known to Tenant, the result of which Proceeding would reasonably be expected to be to revoke or suspend or terminate or modify in a way adverse to Tenant, or fail to renew or fully continue in effect, any license or certificate or operating authority pursuant to which Tenant carries on any part of the Primary Intended Use of all or any portion of the Leased Property.

(c) Other than postings on the SEC's website, any financial statement or other materials required to be delivered pursuant to Section 23.1(b) shall be deemed to have been delivered on the date on which such information is posted on Tenant's website on the Internet or by Landlord on an IntraLinks or similar site to which Landlord has been granted access or shall be available on the SEC's website on the Internet at www.sec.gov; provided that Tenant shall give Notice of any such posting to Landlord, and Tenant shall deliver paper copies of any such documents to Landlord if Landlord requests Tenant to deliver such paper copies. Notwithstanding anything contained herein, in every instance Tenant shall be required to provide paper copies of any certificate required by Section 23.1(b)(iii) to Landlord. If any Financial Statement or other materials required to be delivered under this Master Lease shall be required to be delivered on any date that is not a Business Day, such information may be delivered to Landlord on the next succeeding Business Day after such date; and

(d) Tenant further agrees to provide the financial and operational reports to be delivered to Landlord under this Master Lease in such electronic format(s) as may reasonably be required by Landlord from time to time in order to (i) facilitate Landlord's financial and reporting requirements and (ii) permit Landlord to calculate any rent, fee or other payments due under any Pole Agreements or Permits. Tenant also agrees that Landlord shall have audit rights with respect to such information to the extent required to confirm Tenant's compliance with the Master Lease terms (including, calculation of Net Income).

(e) Tenant agrees upon request of Landlord (which request is received by Tenant with reasonable advance notice to allow it to perform its obligations hereunder), the Tenant shall provide such information that Landlord reasonably requires to comply with its reporting and filing obligations pursuant to the Sarbanes-Oxley Act of 2002 including:

(i) preparation of the narrative(s) for processes determined to materially impact Landlord's Financial Statements;

(ii) access during reasonable business hours to Tenant management (including Tenant internal audit management) responsible for activities outlined in the narrative(s);

(iii) incur reasonable efforts to design control activities for all key internal controls over financial reporting, associated information technology general controls and other entity-level controls (collectively "Key Internal Controls") (as required to maintain compliance with the Sarbanes-Oxley Act of 2002);

(iv) incur reasonable efforts to enable Landlord and its external auditors to test the operating effectiveness of the Key Internal Controls over financial reporting identified; and

(v) incur reasonable efforts to attempt to remediate, within a reasonable amount of time prior to each calendar year end, any deficient controls identified by Landlord or its external auditors and to work with Landlord and its external auditors to identify compensating or mitigating controls which can be tested by Landlord

and its external auditor and deemed to be operating effectively for the same period of time as the deficient control operated.

Both parties acknowledge and agree that Tenant will charge Landlord for Tenant's reasonable costs to perform these obligations including its out-of-pocket costs and reasonable allocations for internal labor.

(f) Notwithstanding the foregoing, Tenant shall not be obligated (1) to provide information or assistance that could give Landlord or its Affiliates a "competitive" advantage with respect to markets in which Tenant or Tenant's Subsidiaries might be competing at any time (it being understood that Landlord shall retain audit rights with respect to such information to the extent required to confirm Tenant's compliance with the Master Lease terms (and Landlord's compliance with the SEC, Internal Revenue Service and other legal and regulatory requirements) and provided that appropriate measures are in place to ensure that only Landlord's auditors and attorneys (and not Landlord) are provided access to such information) or (2) to provide information that is subject to the quality assurance immunity or is subject to attorney-client privilege or the attorney work product doctrine.

(g) Tenant shall maintain adequate books and records of all Permits, Easements and Pole Agreement and all payments (and supporting documentation relating to such payments) made thereunder for no less than five (5) years after the end of each Fiscal Year with respect to the books and records maintained during such Fiscal Year. Tenant's books and records for the Permits, Easements and Pole Agreements shall be maintained in a manner consistent with the other books and records maintained by Tenant. Landlord shall have the right from time to time during normal business hours upon reasonable notice to Tenant to examine and audit such books and records at the office of Tenant or other Person maintaining such books and records and to make such copies or extracts thereof as Landlord shall desire.

(h) Notwithstanding anything to the contrary contained herein, Tenant agrees that upon request of Landlord, it shall from time to time provide such information that Landlord requires in order for Landlord to comply with its reporting and filing obligations with the SEC (including, without limitation, any requirements imposed by Regulation S-X (including, to the extent necessary, obtaining a consent from Tenant's external audit firm for inclusion of their report on Tenant's financial statement in Landlord's SEC filings)) and further agrees that Landlord may include such information in its filings and submissions to the SEC.

23.2 Confidentiality; Public Offering Information. (a) The parties recognize and acknowledge that they may receive certain Confidential Information of the other party. Subject to Section 23.1(g), each party agrees that neither such party nor any of its Representatives acting on its behalf shall, during or within five (5) years after the term of the termination or expiration of this Master Lease, directly or indirectly use any Confidential Information of the other party or disclose Confidential Information of the other party to any person for any reason or purpose whatsoever, except as reasonably required in order to comply with the obligations and provisions of this Master Lease.

(b) Notwithstanding anything to the contrary set forth in Section 23.2(a), in the event that a party or any of its Representatives is requested or becomes legally compelled (pursuant to any

legal, governmental, administrative or regulatory order, authority or process) to disclose any Confidential Information of the other party but specifically excluding any disclosures required to be made by Landlord under Section 23.1(g), it will, to the extent reasonably practicable and not prohibited by law, provide the party to whom such Confidential Information belongs prompt written notice of the existence, terms or circumstances of such event so that the party to whom such Confidential Information belongs may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Section 23.2. In the event that such protective order or other remedy is not obtained or the party to whom such Confidential Information belongs waives compliance with this Section 23.2, the party compelled to disclose such Confidential information will furnish only that portion of the Confidential Information or take only such action as, based upon the advice of your legal counsel, is legally required and will use commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded any Confidential Information so furnished. The party compelled to disclose the Confidential Information shall cooperate with any action reasonably requested by the party to whom such Confidential information belongs to obtain a protective order or other reliable assurance that confidential treatment will be accorded to the Confidential Information.

(c) The parties agree that, except as required by law, no party hereto shall issue any press release relating to the terms of this Master Lease without the prior written approval of the other party, which approval may be granted or withheld in such party's sole discretion.

23.3 Agreements with Respect to Certain Information. Notwithstanding anything to the contrary in Section 23.2:

(a) Without limiting the disclosures permitted to be made by Landlord under Section 23.1(g), Tenant specifically agrees that Landlord may include financial information and such information concerning the operation of the Facilities (1) which is publicly available or (2) the inclusion of which is approved by Tenant in writing, which approval may not be unreasonably withheld, in offering memoranda or prospectuses or confidential information memoranda, or similar publications or marketing materials, rating agency presentations, investor presentations or disclosure documents in connection with syndications, private placements or public offerings of Landlord's or its Subsidiaries' securities or loans, and any other reporting requirements under applicable federal and state laws, including those of any successor to Landlord, provided that, to the extent such information is not publicly available, the recipients thereof shall be obligated to maintain the confidentiality thereof pursuant to Section 23.2 hereof or pursuant to confidentiality provisions substantially similar thereto and to comply with all federal, state and other securities laws applicable with respect to such information. Unless otherwise agreed by Tenant, Landlord shall not revise or change the wording of information previously publicly disclosed by Tenant and furnished to Landlord or any its Subsidiaries pursuant to Section 23.1 or this Section 23.3 and Landlord's Form 10-Q or Form 10-K (or supplemental report filed in connection therewith) shall not disclose the operational results of the Facilities prior to Tenant's or its Affiliate's public disclosure thereof so long as Tenant or such Affiliate reports such information in a timely manner consistent with historical practices and SEC disclosure requirements. Tenant agrees to provide such other reasonable information and, if necessary, reasonable participation in road shows and other presentations at Landlord's sole cost and expense, with respect to Tenant and its Leased Property to facilitate a public or private debt or equity offering or syndication by Landlord or its Subsidiaries to satisfy Landlord's SEC

disclosure requirements or the disclosure requirements of any of its Subsidiaries. In this regard, Landlord shall provide to Tenant a copy of any information prepared by Landlord to be published, and Tenant shall have a reasonable period of time (not to exceed three (3) Business Days) after receipt of such information to notify Landlord of any corrections.

(b) Landlord shall have the right to share Confidential Information of Tenant contained in the Financial Statements with its Subsidiaries and their respective officers, employees, directors, Facility Mortgagee, agents and lenders party to material debt instruments entered into by Landlord or its Subsidiaries, actual or prospective arrangers, underwriters, investors or lenders with respect to Indebtedness or Equity Interests that may be issued by Landlord or its Subsidiaries, rating agencies, accountants, attorneys and other consultants (the "**Landlord Representatives**"), provided that (i) such Landlord Representative is not a Competitor and is advised of the confidential nature of such information and agrees, to the extent such information is not publicly available, to maintain the confidentiality thereof pursuant to Section 23.2 hereof or pursuant to confidentiality provisions substantially similar thereto and to comply with all federal, state and other securities laws applicable with respect to such information and (ii) neither it nor any Landlord Representative shall be permitted to engage in any transactions with respect to the stock or other equity or debt securities or syndicated loans of Tenant based on any such non-public information provided by or on behalf of Landlord or its Subsidiaries (provided that this provision shall not govern the provision of information by Tenant).

(c) In addition to the foregoing, Landlord agrees that, upon request of Tenant, it shall from time to time provide such information as may be reasonably requested by Tenant with respect to Landlord's capital structure and/or any financing secured by this Master Lease or the Leased Property in connection with Tenant's review of the treatment of this Master Lease under GAAP. Tenant shall have the right to share such information with Tenant's Subsidiaries and their respective officers, employees, directors, Permitted Leasehold Mortgagees, agents and lenders party to material debt instruments entered into by Tenant or Tenant's Subsidiaries, actual or prospective arrangers, underwriters, investors or lenders with respect to Indebtedness or Equity Interests that may be issued by Tenant or Tenant's Subsidiaries, rating agencies, accountants, attorneys and other consultants (the "**Tenant Representatives**") so long as such Tenant Representative is advised of the confidential nature of such information and agrees, to the extent such information is not publicly available, (i) to maintain the confidentiality thereof pursuant to Section 23.2 hereof and to comply with all federal, state and other securities laws applicable with respect to such information and (ii) not to engage in any transactions with respect to the stock or other equity or debt securities or syndicated loans of Landlord or its Subsidiaries based on any such non-public information provided by or on behalf of Tenant or Tenant's Subsidiaries (provided that this provision shall not govern the provision of information by Landlord).

ARTICLE XXIV

24.1 Landlord's Right to Inspect. Upon reasonable advance notice to Tenant, Tenant shall permit Landlord and its authorized representatives to inspect its Leased Property during usual business hours. Landlord shall take care to minimize disturbance of the operations on the Leased Property, except in the case of emergency.

ARTICLE XXV

25.1 No Waiver. No delay, omission or failure by Landlord to insist upon the strict performance of any term hereof or to exercise any right, power or remedy hereunder and no acceptance of full or partial payment of Rent during the continuance of any default or Event of Default shall impair any such right or constitute a waiver of any such breach or of any such term. No waiver of any breach shall affect or alter this Master Lease, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

ARTICLE XXVI

26.1 Remedies Cumulative. To the extent permitted by law, each legal, equitable or contractual right, power and remedy of Landlord now or hereafter provided either in this Master Lease or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power and remedy and the exercise or beginning of the exercise by Landlord of any one or more of such rights, powers and remedies shall not preclude the simultaneous or subsequent exercise by Landlord of any or all of such other rights, powers and remedies.

ARTICLE XXVII

27.1 Acceptance of Surrender. No surrender to Landlord of this Master Lease or of any Leased Property or any part thereof, or of any interest therein, shall be valid or effective unless agreed to and accepted in writing by Landlord, and no act by Landlord or any representative or agent of Landlord, other than such a written acceptance by Landlord, shall constitute an acceptance of any such surrender.

ARTICLE XXVIII

28.1 No Merger. There shall be no merger of this Master Lease or of the leasehold estate created hereby by reason of the fact that the same Person may acquire, own or hold, directly or indirectly, (i) this Master Lease or the leasehold estate created hereby or any interest in this Master Lease or such leasehold estate and (ii) the fee estate in the Leased Property.

ARTICLE XXIX

29.1 Conveyance by Landlord. If Landlord or any successor owner of the Leased Property shall convey the Leased Property in accordance with the terms of this Master Lease other than as security for a debt, and the grantee or transferee expressly assumes all obligations of Landlord arising after the date of the conveyance, Landlord or such successor owner, as the case may be, shall thereupon be released from all future liabilities and obligations of the Landlord under this Master Lease (other than any obligation of Landlord hereunder to provide a Funding Commitment whether such obligation arises prior to, on or after the date of such conveyance) arising or accruing from and after the date of such conveyance or other transfer and all such future liabilities and obligations shall thereupon be binding upon the new owner; it being agreed and understood that Landlord and any successor owner shall remain

jointly and severally liable for any obligation to provide a Funding Commitment to Tenant that arises from and after the date of such conveyance.

ARTICLE XXX

30.1 Quiet Enjoyment. So long as this Master Lease is in full force and effect, Tenant shall peaceably and quietly have, hold and enjoy the Leased Property for the Term, free of any claim or other action by Landlord or anyone claiming by, through or under Landlord, but subject to all covenants, conditions, restrictions, easements, Encumbrances and other matters affecting the Leased Property as of the Commencement Date or thereafter provided for in this Master Lease or consented to by Tenant. No failure by Landlord to comply with the foregoing covenant shall give Tenant any right to cancel or terminate this Master Lease or abate, reduce or make a deduction from or offset against the Rent or any other sum payable under this Master Lease, or to fail to perform any other obligation of Tenant hereunder. Notwithstanding the foregoing, Tenant shall have the right, by separate and independent action to pursue any claim it may have against Landlord as a result of a breach by Landlord of the covenant of quiet enjoyment contained in this Article XXX.

ARTICLE XXXI

31.1 Landlord's Financing. Without the consent of Tenant but subject to the terms of this Article XXXI, Landlord may from time to time, directly or indirectly, create or otherwise cause to exist any Facility Mortgage upon the Leased Property or any portion thereof or interest therein. This Master Lease is and at all times shall be subject and subordinate to any such Facility Mortgage which may now or hereafter affect the Leased Property or any portion thereof or interest therein and to all renewals, modifications, consolidations, replacements, restatements and extensions thereof or any parts or portions thereof; provided, however, that the subjection and subordination of this Master Lease and Tenant's leasehold interest hereunder to any Facility Mortgage shall be conditioned upon the execution by the holder of each Facility Mortgage and delivery to Tenant of a nondisturbance and attornment agreement substantially in the form attached hereto as Exhibit C (or in a form otherwise reasonably acceptable to Tenant and the Facility Mortgagee or prospective Facility Mortgagee, as the case may be), and executed by Tenant as well as Landlord, which will bind such holder of such Facility Mortgage and its successors and assigns as well as any person who acquires any portion of the Leased Property in a foreclosure or similar proceeding or in a transfer in lieu of any such foreclosure or a successor owner of the Leased Property (each, a "**Foreclosure Purchaser**") and which provides that so long as there is not then outstanding and continuing an Event of Default under this Master Lease, the holder of such Facility Mortgage, and any Foreclosure Purchaser shall disturb neither Tenant's leasehold interest or possession of the Leased Property in accordance with the terms hereof, nor any of its rights, privileges and options, and shall give effect to this Master Lease, including the provisions of Article XVII which benefit any Permitted Leasehold Mortgagee (as if such Facility Mortgagee or Foreclosure Purchaser were the landlord under this Master Lease (it being understood that the exercise of any rights and remedies by the Facility Mortgagee or Foreclosure Purchaser shall be subject to the terms and provisions of this Master Lease (including the provisions of Article XVI and Article XXXVI) if an Event of Default has occurred and is continuing at the time such party acquires any portion of the Leased Property in a foreclosure or similar proceeding or in a transfer in lieu)). Except for the documents described in

the preceding sentences, this provision shall be self-operative and no further instrument of subordination shall be required to give it full force and effect. If, in connection with obtaining any Facility Mortgage for the Leased Property or any portion thereof or interest therein, a Facility Mortgagee or prospective Facility Mortgagee shall request (A) reasonable cooperation from Tenant, Tenant shall provide the same at no cost or expense to Tenant, it being understood and agreed that Landlord shall be required to reimburse Tenant for all reasonable costs and expenses so incurred by Tenant, including, but not limited to, its reasonable attorneys' fees, or (B) reasonable amendments or modifications to this Master Lease as a condition thereto, Tenant hereby agrees to execute and deliver the same so long as any such amendments or modifications do not (i) increase Tenant's monetary obligations under this Master Lease, (ii) adversely increase Tenant's non-monetary obligations under this Master Lease in any material respect, (iii) diminish Tenant's rights under this Master Lease in any material respect or (iv) amend in any respect the provisions set forth in Section 3.4, Section 10.2(b), Section 16.1, Article XXII, Section 34.1, Article XXXVI and Section 41.14 and the definitions related thereto.

31.2 **Attornment**. If Landlord's interest in the Leased Property or any portion thereof or interest therein is sold, conveyed or terminated upon the exercise of any remedy provided for in any Facility Mortgage Documents (or in lieu of such exercise), or otherwise by operation of law: (a) at the request and option of the new owner or superior lessor, as the case may be, Tenant shall attorn to and recognize the new owner or superior lessor as Tenant's "landlord" under this Master Lease or enter into a new lease substantially in the form of this Master Lease with the new owner or superior lessor, and Tenant shall take such actions to confirm the foregoing within ten (10) days after request so long as no provision in such new lease (i) increases Tenant's monetary obligations under this Master Lease, (ii) adversely increases Tenant's non-monetary obligations under this Master Lease in any material respect, (iii) diminishes Tenant's rights under this Master Lease in any material respect or (iv) amends in any respect the provisions set forth in Section 3.4, Section 10.2(b), Section 16.1, Article XXII, Section 34.1, Article XXXVI and Section 41.14 and the definitions related thereto and (b) the new owner or superior lessor shall not be (i) liable for any act or omission of Landlord under this Master Lease occurring prior to such sale, conveyance or termination, unless such act or omission is then continuing and reasonably susceptible to cure by the new owner or superior lessor acting as a prudent landlord; (ii) subject to any offset, abatement or reduction of rent because of any default of Landlord under this Master Lease occurring prior to such sale, conveyance or termination, except where such offset, abatement or reduction of rent arises out of (1) failure of Landlord to fund Capital Improvements pursuant to Section 10.2(b) or (2) a default of the Landlord that is continuing at the time the new owner or superior lessor acquires title to the Leased Property and is reasonably susceptible to cure by the new owner or superior lessor, Tenant has given the new owner or superior lessor notice thereof, and the new owner or superior lessor fails to cure the same after having received such notice thereof; or (iii) bound by any previous modification or amendment to this Master Lease or any previous prepayment of more than one month's Rent, unless such modification, amendment or prepayment shall have been approved in writing by such Facility Mortgagee (to the extent such approval was required at the time of such amendment or modification or prepayment under the terms of the applicable Facility Mortgage Documents) or, in the case of such prepayment, such prepayment of rent has actually been delivered to such new owner or superior lessor or in either case, such modification, amendment or prepayment occurred before Landlord provided Tenant with notice of the Facility Mortgage and the identity and address of the Facility Mortgagee.

ARTICLE XXXII

32.1 Hazardous Substances. Tenant shall not allow any Hazardous Substance to be located in, on, under or about the Leased Property or incorporated in any Facility; provided, however, that Hazardous Substances may be brought, kept, used or disposed of in, on or about the Leased Property in quantities and for purposes similar to those brought, kept, used or disposed of in, on or about similar facilities used for purposes similar to the Primary Intended Use or in connection with the construction of facilities similar to the applicable Facility or to the extent in existence at any Facility and which are brought, kept, used and disposed of in material compliance with Legal Requirements. Tenant shall not allow the Leased Property to be used as a waste disposal site or for the manufacturing, handling, storage, distribution or disposal of any Hazardous Substance other than in the ordinary course of the business conducted at the Leased Property and in material compliance with applicable Legal Requirements.

32.2 Notices. Tenant shall provide to Landlord, within five (5) Business Days after Tenant's receipt thereof, a copy of any notice, or notification with respect to, (i) any violation of a Legal Requirement relating to Hazardous Substances located in, on, or under the Leased Property or any adjacent property; (ii) any enforcement, cleanup, removal, or other governmental or regulatory action instituted, completed or threatened with respect to the Leased Property; (iii) any claim made or threatened by any Person against Tenant or the Leased Property relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from or claimed to result from any Hazardous Substance; and (iv) any reports made to any federal, state or local environmental agency arising out of or in connection with any Hazardous Substance in, on, under or removed from the Leased Property, including any complaints, notices, warnings or assertions of violations in connection therewith.

32.3 Remediation. If Tenant becomes aware of a material violation of any Legal Requirement relating to any Hazardous Substance in, on, under or about the Leased Property or any adjacent property, or if Tenant, Landlord or the Leased Property becomes subject to any order of any federal, state or local agency to repair, close, detoxify, decontaminate or otherwise remediate the Leased Property, Tenant shall immediately notify Landlord of such event and, at its sole cost and expense, cure such violation or effect such repair, closure, detoxification, decontamination or other remediation. If Tenant fails to implement and diligently pursue any such cure, repair, closure, detoxification, decontamination or other remediation, Landlord shall have the right, but not the obligation, to carry out such action and to recover from Tenant all of Landlord's costs and expenses incurred in connection therewith.

32.4 Indemnity. Tenant shall indemnify, defend, protect, save, hold harmless, and reimburse Landlord for, from and against any and all costs, losses (including, losses of use or economic benefit or diminution in value), liabilities, damages, assessments, lawsuits, deficiencies, demands, claims and expenses (collectively, "**Environmental Costs**") (whether or not arising out of third-party claims and regardless of whether liability without fault is imposed, or sought to be imposed, on Landlord) incurred in connection with, arising out of, resulting from or incident to, directly or indirectly, before (except to the extent first discovered after the end of the Term) or during (but not after) the Term or such portion thereof during which the Leased Property is leased to Tenant (i) the production, use, generation, storage, treatment, transporting, disposal, discharge, release or other handling or disposition of any Hazardous Substances from,

in, on or about the Leased Property (collectively, "**Handling**"), including the effects of such Handling of any Hazardous Substances on any Person or property within or outside the boundaries of the Leased Property, (ii) the presence of any Hazardous Substances in, on, under or about the Leased Property and (iii) the violation of any Environmental Law. "Environmental Costs" include interest, costs of response, removal, remedial action, containment, cleanup, investigation, design, engineering and construction, damages (including actual and consequential damages) for personal injuries and for injury to, destruction of or loss of property or natural resources, relocation or replacement costs, penalties, fines, charges or expenses, attorney's fees, expert fees, consultation fees, and court costs, and all amounts paid in investigating, defending or settling any of the foregoing.

Without limiting the scope or generality of the foregoing, Tenant expressly agrees that, in the event of a breach by Tenant in its obligations under this Section 32.4 that is not cured within any applicable cure period, Tenant shall reimburse Landlord for any and all reasonable costs and expenses incurred by Landlord in connection with, arising out of, resulting from or incident to, directly or indirectly, before (with respect to any period of time in which Tenant or its Affiliate was in possession and control of the applicable Leased Property) or during (but not after) the Term or such portion thereof during which the Leased Property is leased to Tenant of the following:

(a) in investigating any and all matters relating to the Handling of any Hazardous Substances, in, on, from, under or about the Leased Property;

(b) in bringing the Leased Property into compliance with all Legal Requirements; and

(c) in removing, treating, storing, transporting, cleaning-up and/or disposing of any Hazardous Substances used, stored, generated, released or disposed of in, on, from, under or about the Leased Property or off-site other than in the ordinary course of the business conducted at the Leased Property and in compliance with applicable Legal Requirements.

If any claim is made by Landlord for reimbursement for Environmental Costs incurred by it hereunder, Tenant agrees to pay such claim promptly, and in any event to pay such claim within sixty (60) calendar days after receipt by Tenant of Notice thereof and any amount not so paid within such sixty (60) calendar day period shall bear interest at the Overdue Rate from the date due to the date paid in full.

32.5 Environmental Inspections. In the event Landlord has a reasonable basis to believe that Tenant is in breach of its obligations under this Article XXXII, Landlord shall have the right, from time to time, during normal business hours and upon not less than five (5) days' Notice to Tenant, except in the case of an emergency in which event no notice shall be required, to conduct an inspection of the Leased Property to determine the existence or presence of Hazardous Substances on or about the Leased Property. Landlord shall have the right to enter and inspect the Leased Property, conduct any testing, sampling and analyses it deems necessary and shall have the right to inspect materials brought into the Leased Property. Landlord may, in its discretion, retain such experts to conduct the inspection, perform the tests referred to herein, and to prepare a written report in connection therewith. All reasonable costs and expenses

incurred by Landlord under this Section 32.5 shall be paid on demand as Additional Charges by Tenant to Landlord. Failure to conduct an environmental inspection or to detect unfavorable conditions if such inspection is conducted shall in no fashion be intended as a release of any liability for environmental conditions subsequently determined to be associated with or to have occurred during Tenant's tenancy. Tenant shall remain liable for any environmental condition related to or having occurred during its tenancy regardless of when such conditions are discovered and regardless of whether or not Landlord conducts an environmental inspection at the termination of this Master Lease. The obligations set forth in this Article XXXII shall survive the expiration or earlier termination of this Master Lease.

ARTICLE XXXIII

33.1 Memorandum of Lease. Upon Tenant's request, Landlord and Tenant shall enter into one or more short form memoranda of this Master Lease, in form suitable for recording in each county or other applicable location in which the Leased Property is located. Tenant shall pay all costs and expenses of recording any such memorandum and shall fully cooperate with Landlord in removing from record any such memorandum upon the expiration or earlier termination of the Term with respect to the applicable Facility.

33.2 Tenant Financing. If, in connection with granting any Permitted Leasehold Mortgage or entering into a Debt Agreement, Tenant shall reasonably request (A) reasonable cooperation from Landlord, Landlord shall provide the same at no cost or expense to Landlord, it being understood and agreed that Tenant shall be required to reimburse Landlord for all such costs and expenses so incurred by Landlord, including, but not limited to, its reasonable attorneys' fees, or (B) reasonable amendments or modifications to this Master Lease as a condition thereto, Landlord hereby agrees to execute and deliver the same so long as any such amendments or modifications do not (i) increase Landlord's monetary obligations under this Master Lease, (ii) adversely increase Landlord's non-monetary obligations under this Master Lease in any material respect, (iii) diminish Landlord's rights under this Master Lease in any material respect, (iv) adversely impact the value of the Leased Property or (v) adversely impact Landlord's (or any Affiliate of Landlord's) tax treatment or position.

ARTICLE XXXIV

34.1 Expert Valuation Process. (a) If it becomes necessary to determine the Maximum Foreseeable Loss, and the parties are unable to agree thereon, then the same shall be determined by two Experts, one such Expert to be selected by Landlord to act on its behalf and the other such Expert to be selected by Tenant to act on its behalf. Landlord or Tenant, as applicable, shall cause its Expert to, within forty-five (45) days after the applicable Valuation Request Notice (the "**Initial Valuation Period**"), determine the Maximum Foreseeable Loss as of the relevant date (giving effect to the impact, if any, of inflation from the date of the Expert's decision to the relevant date); provided, however, that if either party shall fail to appoint its Expert within the time permitted, or if two Experts shall have been so appointed but only one such Expert shall have made such determination within such forty-five (45) day period, then the determination of such sole Expert shall be final and binding upon the parties. For purposes of clarity, the "relevant date" with respect to any determination of the Maximum Foreseeable Loss shall be deemed to be the date on which Tenant must adjust the amount of insurance carried

pursuant to Article XIII. A written report of each Expert shall be delivered and addressed to each of Landlord and Tenant. This provision for determination by an expert valuation process shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law.

(b) If the two Experts shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts then the Maximum Foreseeable Loss shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then such two Experts shall have ten (10) days to appoint a third Expert meeting the above requirements, but if such Experts fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an Expert meeting the above requirements (such Expert, the "**Third Expert**") within ten (10) days of such request, and both parties shall be bound by any appointment so made within such ten (10) day period. If no such Expert shall have been appointed within such ten (10) days or within the Initial Valuation Period, whichever is earlier, either Landlord or Tenant may apply to any court having jurisdiction to have such appointment made by such court. Any Expert appointed by the original Experts, by the American Arbitration Association or by such court shall be instructed to determine the Maximum Foreseeable Loss within thirty (30) days (together with the Initial Valuation Period, the "**Valuation Period**") after appointment of such Expert.

(c) If a Third Expert is appointed in accordance with Section 34.1(b), then such Third Expert shall choose which of the determinations made by the other two (2) Experts shall be final and binding, and such chosen determination shall be final and binding upon Landlord and Tenant as the Maximum Foreseeable Loss.

(d) Landlord and Tenant shall each pay the fees and expenses of the Expert appointed by it and each shall pay one-half (1/2) of the fees and expenses of the Third Expert.

ARTICLE XXXV

35.1 **Notices**. Any notice, request or other communication to be given by any party hereunder shall be in writing and shall be sent by registered or certified mail, postage prepaid and return receipt requested, by hand delivery or express courier service or by an overnight express service to the following address:

To Tenant:	Windstream Holdings, Inc. 4001 Rodney Parham Road Little Rock, AR 72212 Attention: Chief Financial Officer
With a copy to: (that shall not constitute notice)	Windstream Holdings, Inc. 4001 Rodney Parham Road Mailstop: B1F03-71A

	Little Rock, AR 72212 Attention: Legal Department
To Landlord:	c/o Communications Sales & Leasing, Inc. 10802 Executive Center Drive Benton Building, Suite 300 Little Rock, AR 72211 Attention: Controller
And with copy to (which shall not constitute notice):	c/o Communications Sales & Leasing, Inc. 10802 Executive Center Drive Benton Building, Suite 300 Little Rock, AR 72211 Attention: General Counsel

or to such other address as either party may hereafter designate. Notice shall be deemed to have been given on the date of delivery if such delivery is made on a Business Day, or if not, on the first Business Day after delivery. If delivery is refused, Notice shall be deemed to have been given on the date delivery was first attempted.

ARTICLE XXXVI

36.1 Transfer of Tenant's Property and Operational Control of the Facilities.

(a) Upon (i) Tenant's election or deemed election not to extend the Master Lease for any Facility by the Renewal Election Outside Date (a "**Non-Renewal Event**"), (ii) the expiration of the final Renewal Term (the "**Final Lease Expiration**") or (iii) the delivery by Landlord of a Notice (a "**Lease Termination Notice**") to Tenant exercising Landlord's right to terminate this Master Lease or repossess the Leased Property in accordance with the terms of this Master Lease, Tenant shall transfer (or cause to be transferred) upon such expiration or earlier termination of the Term with respect to any Facility that is subject to such expiration or earlier termination (each an "**Affected Facility**") or as soon thereafter as Landlord shall request, the Communication Assets to a successor lessee or operator (or lessees or operators) of such Affected Facility (collectively, the "**Successor Tenant**") designated pursuant to Section 36.2 for consideration to be received by Tenant (or Tenant's Subsidiaries) from the Successor Tenant in an amount equal to the Fair Market Value of the Communications Assets (the "**Communications Assets FMV**") as either (x) negotiated and agreed in writing by Tenant and the Successor Tenant (the "**Negotiated Communications Assets FMV**") in accordance with Section 36.2(c)(i) or (y) if (A) the Tenant and Successor Tenant have not agreed in writing on the Communications Assets FMV for an Affected Facility by the date that is ninety (90) days prior to the expiration of the Term (other than in connection with the Final Lease Expiration) or (B) a Lease Termination Notice has been delivered to Tenant and remains in effect or the Final Lease Expiration shall have occurred, then such Communications Assets FMV shall be determined, and Tenant's transfer of the Communication Assets to a Successor Tenant in consideration for a payment in such amount shall be determined and transferred, in accordance with the provisions of Section 36.2. Notwithstanding the foregoing, in the event (i) the Credit Agreement Agent has notified

Landlord that a default or event of default (beyond all applicable notice and cure periods) has occurred and is continuing under the Credit Agreement or the transfer of the Communication Assets would constitute a sale of all or substantially all of the Tenant's assets on a consolidated basis (each a "**Credit Agreement Agent Trigger Event**"), (ii) the Successor Tenant is a Person other than the Credit Agreement Agent (acting on behalf of the lenders under the Credit Agreement) or its designee and (iii) the Negotiated Communications Assets FMV is less than Credit Agreement Payoff Amount of which Landlord receives notices from Credit Agreement Agent, then Tenant and Successor Tenant shall be deemed to not have agreed on the Communications Assets FMV and the Communications Assets FMV shall be determined in accordance with Section 36.2. For the purpose of clarification, except as provided in Section 36.2(d), the Communication Assets must be transferred in whole (and not in part) to the Successor Tenant in exchange for the Communications Assets FMV.

(b) For purposes of determining the Communication Assets, Landlord and Tenant acknowledge that there may be instances where Tenant provides services to a customer at multiple locations, some of which are directly served by an Affected Facility and some of which are not directly served by an Affected Facility. In such circumstances, Landlord and Tenant have agreed not to divide the customer relationship between Tenant and the Successor Tenant. Therefore, Landlord and Tenant agree that in such circumstances, Tenant will retain the entire customer relationship unless the revenue generated by the customer relationship is predominately derived from services provided to customer locations directly served by an Affected Facility, in which case the entire customer relationship will be included as part of the Communication Assets to be sold to a Successor Tenant under this Article XXXVI.

36.2 Determination of Successor Lessee and Communications Assets FMV.

(a) The determination of the Communications Assets FMV and the transfer of the Communications Assets to a Successor Tenant in consideration for the Communications Assets FMV shall be effected by (i) first, determining the Successor Tenant Rent in accordance with Section 1.4(b) in the case of a Non-Renewal Event or Section 41.14 in the case of a Final Lease Expiration or a termination of this Master Lease (ii) second, identifying and designating in accordance with the terms of Section 36.2(b), a pool of qualified potential Successor Tenants (each, a "**Qualified Successor Tenant**") prepared to lease the Affected Facility at the Successor Tenant Rent and to bid for the Communications Assets of the Affected Facility, and (iii) third, subject to and in accordance with the terms of Section 36.2(c)(ii), determining the highest price a Qualified Successor Tenant would agree to pay for the Communications Assets of the Affected Facility and setting such highest price as the Communications Assets FMV in exchange for which Tenant shall be required to transfer such Communications Assets. Landlord will enter into a lease with such Qualified Successor Tenant on substantially the same terms and conditions of this Master Lease (except that (1) the Leased Property shall only include the Leased Property pertaining to the Affected Facility, (2) the term shall be ten (10) years, (3) the rent shall be the Successor Tenant Rent, and (4) the references to Discretionary COC Transferee shall be deleted from the Master Lease and, to the extent not duplicative, the term Discretionary Transferee shall be substituted in its place).

(b) Designating Potential Successor Tenants. Landlord will select three (3) (one of which will be Landlord or an Affiliate of Landlord) and Tenant will select four (4) (one

of which will be the Credit Agreement Agent or its designee) (for a total of up to seven (7)) potential Qualified Successor Tenants prepared to lease the Affected Facility for the Successor Tenant Rent, each of whom must meet the criteria established for a Discretionary Transferee, or in the case of Credit Agreement Agent or its designee, a Discretionary COC Transferee (and none of whom may be Tenant or an Affiliate of Tenant). Landlord and Tenant must designate their proposed Qualified Successor Tenants within one hundred eighty (180) days prior to the expiration of the Term or, in the case of a termination of this Master Lease, within thirty (30) days after delivery of the Lease Termination Notice. In the event that Landlord or Tenant fails to designate such party's allotted number of potential Qualified Successor Tenants, the other party may designate additional potential Qualified Successor Tenants such that the total number of potential Qualified Successor Tenants does not exceed seven (7); provided that, in the event the total number of potential Qualified Successor Tenants is less than seven (7), the transfer process will still proceed as set forth in Section 36.2(c) below.

(c) Determining Communications Assets FMV.

(i) Tenant will have a three (3) month period to enter into a definitive agreement specifying the Negotiated Communication Assets FMV and all other terms and conditions for the sale of the Communication Assets of the Affected Facility with one of the Qualified Successor Tenants (such agreement, a "**Communications Assets Sale Agreement**") which three (3) month period will commence immediately upon the conclusion of the steps set forth above in Section 36.2(b); provided, however, that (x) if Landlord is notified by the Credit Agreement Agent that a Credit Agreement Agent Trigger Event exists, unless the Successor Tenant is the Credit Agreement Agent (acting on behalf of the lenders under the Credit Agreement) or its designee, such Negotiated Communications Assets FMV shall be not less than the Credit Agreement Payoff Amount of which Landlord receives notice from the Credit Agreement Agent and (y) notwithstanding the foregoing, if a Lease Termination Notice has been delivered to Tenant or the Final Lease Expiration shall have occurred, Landlord and Tenant shall immediately engage a Qualified Third Party Auctioneer and the following clause (ii) shall instead be applicable (in lieu of any such three (3) month period).

(ii) If (A) Tenant does not enter into a Communications Assets Sale Agreement in accordance with the terms set forth in Section 36.2(c)(i) or (B) a Lease Termination Notice has been delivered to Tenant or the Final Lease Expiration shall have occurred, Landlord and Tenant shall engage a Qualified Third Party Auctioneer to conduct an auction for the Communication Assets among the seven (7) potential successor lessees in a manner reasonably designed to maximize the value of the Communication Assets and, subject to the terms of this Section 36.2(c)(ii), Tenant will be required to transfer the Communication Assets to the Qualified Successor Tenant submitting the highest Qualified Communications Assets Bid. Except for a bid submitted by the Credit Agreement Agent (or its designee) which may be in the form of a "credit bid" of the indebtedness and other obligations outstanding under the Credit Agreement, if the Credit Agreement Agent has notified Landlord that a Credit Agreement Agent Trigger Event exists, all bids shall provide the purchase price proposed to be paid for the Communication Assets, and at least seventy-five percent (75%) of such purchase price must consist of cash or cash equivalents (each such bid, a "**Qualified Communications**

Assets Bid"). Tenant shall select the highest Qualified Communications Assets Bid for the sale of the Communications Assets within fifteen (15) days after receipt of the Qualified Communications Assets Bids (the "**Selection Period**"), provided that in the event (x) the Credit Agreement Agent has notified Landlord that a Credit Agreement Agent Trigger Event exists and (y) Tenant desires to select a Qualified Communications Assets Bid as the highest bid that offers cash or cash equivalents in an amount less than the Credit Agreement Payoff Amount that has been identified by the Credit Agreement Agent in a notice to Landlord, then Tenant shall be deemed to designate the Credit Agreement Agent to make such selection. Notwithstanding the foregoing, if the Credit Agreement Agent has been designated by Tenant to select the highest Qualified Communications Assets Bid pursuant to the immediately preceding sentence and the Credit Agreement Agent fails to make such selection within the Selection Period, the Credit Agreement Agent shall be deemed to have waived its right to select the highest Qualified Communications Assets Bid and Tenant shall select the highest Qualified Communications Assets Bid within the five-day period that immediately follows the Selection Period.

(d) Notwithstanding anything in the contrary in this Article XXXVI, the transfer of the Communication Assets will be conditioned upon the approval of the applicable regulatory agencies of the transfer of the applicable Communications Licenses, Pole Agreements, Easements and Permits and any other assets to the Successor Tenant and/or the issuance of new licenses as required by applicable Communications Regulations and the relevant regulatory agencies both with respect to operating and suitability criteria, as the case may be.

36.3 Operation Transfer. (a) Upon designation of a Successor Tenant (pursuant to either Sections 36.1 or 36.2, as the case may be), Tenant shall reasonably cooperate and take all actions reasonably necessary (including providing all reasonable assistance to Successor Tenant) to effectuate the transfer of operational control of the Affected Facility to Successor Tenant in an orderly manner so as to minimize to the maximum extent possible any disruption to the continued orderly operation of the Affected Facility for its Primary Intended Use. Concurrently with the transfer of the Communications Assets to Successor Tenant, Landlord and Successor Tenant shall execute a new master lease in accordance with the terms set forth in Section 36.2(a).

(b) Notwithstanding the expiration or earlier termination of the Term and anything to the contrary herein, unless Landlord consents to the contrary, in the event the transfer of the Communication Assets and operational control of the Affected Facility by Tenant to Successor Tenant is not completed by the expiration or earlier termination of the Term (or Tenant and Landlord agree on an alternative arrangement), Landlord and Tenant hereby agree to enter into a management agreement (the "**Management Agreement**") in a form reasonably acceptable to both parties pursuant to which Tenant shall agree to (or shall cause Tenant's Subsidiaries to agree to) continue to (and Landlord shall permit Tenant to maintain possession of the Leased Property to the extent necessary to) operate the Affected Facility in accordance with all Legal Requirements, Communications Regulations, Communications Licenses, Permits, Easements and Pole Agreements and on such other terms which are customary in the transfer to a Successor Tenant of a facility similar to the Affected Facility for a management fee equal to 110% of the reasonable operating costs (which operating expenses may include, without

limitation, an allocable share of overhead and administrative costs) and 100% of the reasonable capital expenditures incurred by Tenant to continue operating the Affected Facility in accordance with the Management Agreement (which costs shall be evidenced by reasonably detailed backup information) for a term commencing upon the expiration or earlier termination of the Term with respect to the Affected Facility and ending on the date that Tenant transfers the Communications Assets and operational control for the Affected Facility to a Successor Tenant (or Tenant and Landlord agree on an alternative arrangement); it being agreed and understood that (i) Tenant shall not be obligated to pay Rent for the Affected Facility during the term of the Management Agreement, (ii) Landlord shall be responsible for all costs and expenses relating to operation and maintenance of the Affected Facility except as otherwise set forth in the Management Agreement and (iii) all profits, rents and revenues relating to the Affected Facility from and after the expiration or earlier termination of the Term with respect to the Affected Facility shall belong to Landlord (except for Landlord's obligation to pay the management fee described above).

(c) Upon the expiration or earlier termination of the Term with respect to any Affected Facility, Tenant and Landlord (or the Successor Tenant) shall cooperate with one another for a reasonable period in order to ensure that (i) a fully operational Affected Facility is transferred to Landlord or the Successor Tenant and (ii) any necessary authorizations, and legal title to Permits, Pole Agreements, and Easements not previously transferred to Landlord have been transferred to Landlord or Successor Tenant; it being agreed that Tenant shall enter into a Transition Services Agreement for a reasonable term and otherwise consistent with the terms described in the attached Exhibit D promptly following Landlord's (or Successor Tenant's) request in connection therewith. Upon expiration or earlier termination of the Term and following Landlord's request, Tenant shall promptly deliver copies of all of Tenant's books and records relating to the Easements, Permits and Pole Agreements for the Affected Facility.

36.4 Carrier of Last Resort. Each of Landlord and Tenant hereby acknowledge and agree that in no event shall any of Tenant's "carrier of last resort obligations" under any Legal Requirements become the obligations of Landlord with respect to any Facility, and that such obligations shall remain the obligations solely of Tenant, in the event (i) the Term expires and there are no remaining Renewal Terms under Section 1.4, (ii) the Term expires as to such Facility due to Tenant's election not to extend the Term for any Renewal Term under Section 1.4 with respect to such Facility, or (iii) the Master Lease is terminated as to such Facility in accordance with the terms hereof.

ARTICLE XXXVII

37.1 Attorneys' Fees. If Landlord or Tenant brings an action or other proceeding against the other to enforce or interpret any of the terms, covenants or conditions hereof or any instrument executed pursuant to this Master Lease, or by reason of any breach or default hereunder or thereunder, the party prevailing in any such action or proceeding and any appeal thereupon shall be paid all of its costs and reasonable outside attorneys' fees incurred therein. In addition to the foregoing and other provisions of this Master Lease that specifically require Tenant to reimburse, pay or indemnify against Landlord's attorneys' fees, Tenant shall pay, as Additional Charges, all of Landlord's reasonable outside attorneys' fees incurred in connection with the enforcement of this Master Lease (except to the extent provided above), including reasonable attorneys' fees incurred in connection with the review, negotiation or

documentation of any subletting, assignment, or management arrangement or any consent requested in connection therewith, and the collection of past due Rent.

ARTICLE XXXVIII

38.1 Brokers. Tenant warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Master Lease, and Tenant shall indemnify, protect, hold harmless and defend Landlord from and against any liability with respect to any fee or brokerage commission arising out of any act or omission of Tenant. Landlord warrants that it has not had any contact or dealings with any Person or real estate broker which would give rise to the payment of any fee or brokerage commission in connection with this Master Lease, and Landlord shall indemnify, protect, hold harmless and defend Tenant from and against any liability with respect to any fee or brokerage commission arising out of any act or omission of Landlord.

ARTICLE XXXIX

39.1 Anti-Terrorism Representations. Tenant hereby represents and warrants that neither Tenant, nor, to the knowledge of Tenant, any persons or entities holding any legal or beneficial interest whatsoever in Tenant, are (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("**OFAC**"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons" (collectively, "**Prohibited Persons**"). Tenant hereby represents and warrants to Landlord that no funds tendered to Landlord by Tenant under the terms of this Master Lease are or will be directly or indirectly derived from activities that may contravene U.S. federal, state or international laws and regulations, including anti-money laundering laws. If the foregoing representations are untrue at any time during the Term and Landlord suffers actual damages as a result thereof, an Event of Default will be deemed to have occurred, without the necessity of notice to Tenant.

Tenant will not during the Term of this Master Lease knowingly engage in any transactions or dealings, or knowingly be otherwise associated with, any Prohibited Persons in connection with the use or occupancy of the Leased Property. A breach of the representations contained in this Section 39.1 by Tenant as a result of which Landlord suffers actual damages shall constitute a material breach of this Master Lease and shall entitle Landlord to any and all remedies available hereunder, or at law or in equity.

ARTICLE XL

40.1 REIT Protection. (a) The parties hereto intend that Rent and other amounts paid by Tenant hereunder will qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto and this Agreement shall be interpreted consistent with this intent.

(b) Anything contained in this Master Lease to the contrary notwithstanding, Tenant shall not without Landlord's advance written consent (which consent shall not be unreasonably withheld) (i) sublet, assign or enter into a management arrangement for the Leased Property on any basis such that the rental or other amounts to be paid by the subtenant, assignee or manager thereunder would be based, in whole or in part, on either (x) the income or profits derived by the business activities of the subtenant, assignee or manager or (y) any other formula such that any portion of any amount received by Landlord would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto; (ii) sublet, assign or enter into a management arrangement for the Leased Property to any Person (other than a "taxable REIT subsidiary" (within the meaning of Section 856(l) of the Code) of Landlord) in which Landlord owns an interest, directly or indirectly (by applying constructive ownership rules set forth in Section 856(d)(5) of the Code); or (iii) sublet, assign or enter into a management arrangement for the Leased Property in any other manner which could cause any portion of the amounts received by Landlord pursuant to this Master Lease or any sublease to fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Code, or any similar or successor provision thereto, or which could cause any other income of Landlord to fail to qualify as income described in Section 856(c)(2) of the Code. Anything contained in this Master Lease to the contrary notwithstanding, for so long as Tenant owns shares of Landlord, Tenant shall not without Landlord's advance written consent (which consent shall not be unreasonably withheld) sublet, assign or enter into a management arrangement for the Leased Property to any Person in which Tenant owns an interest, directly or indirectly (by applying constructive ownership rules set forth in Section 856(d)(5) of the Code). The requirements of this Section 40.1(b) shall likewise apply to any further subleasing by any subtenant.

(c) Anything contained in this Master Lease to the contrary notwithstanding, the parties acknowledge and agree that Landlord, in its sole discretion, may assign this Master Lease or any interest herein to another Person (including without limitation, a "taxable REIT subsidiary" (within the meaning of Section 856(l) of the Code)) in order to maintain Landlord's status as a "real estate investment trust" (within the meaning of Section 856(a) of the Code); provided, however, Landlord shall be required to (i) comply with any applicable legal requirements related to such transfer, (ii) comply with any restrictions set forth in Section 18.1 with respect to a sale of the Leased Property and (iii) give Tenant Notice of any such assignment; and provided, further, that any such assignment shall be subject to all of the rights of Tenant hereunder.

(d) Anything contained in this Master Lease to the contrary notwithstanding, upon request of Landlord, Tenant shall cooperate with Landlord in good faith and at no cost or expense to Tenant, and provide such documentation and/or information as may be in Tenant's possession or under Tenant's control and otherwise readily available to Tenant as shall be reasonably requested by Landlord in connection with verification of Landlord's "real estate investment trust" (within the meaning of Section 856(a) of the Code) compliance requirements. Anything contained in this Master Lease to the contrary notwithstanding, Tenant shall take such reasonable action as may be requested by Landlord from time to time in order to ensure compliance with the Internal Revenue Service requirement that Rent allocable for purposes of Section 856 of the Code to personal property, if any, at the beginning and end of a calendar year does not exceed fifteen percent (15%) of the total Rent due hereunder as long as such compliance

does not (i) increase Tenant's monetary obligations under this Master Lease or (ii) materially and adversely increase Tenant's nonmonetary obligations under this Master Lease or (iii) materially diminish Tenant's rights under this Master Lease.

ARTICLE XLI

41.1 Survival. Anything contained in this Master Lease to the contrary notwithstanding, all claims against, and liabilities and indemnities of Tenant or Landlord arising prior to the expiration or earlier termination of the Term shall survive such expiration or termination.

41.2 Severability. If any term or provision of this Master Lease or any application thereof shall be held invalid or unenforceable, the remainder of this Master Lease and any other application of such term or provision shall not be affected thereby.

41.3 Non-Recourse. Tenant specifically agrees to look solely to the Leased Property for recovery of any judgment from Landlord (and Landlord's liability hereunder shall be limited solely to its interest in the Leased Property, and no recourse under or in respect of this Master Lease shall be had against any other assets of Landlord whatsoever). It is specifically agreed that no constituent partner in Landlord or officer or employee of Landlord shall ever be personally liable for any such judgment or for the payment of any monetary obligation to Tenant. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord, or any action not involving the personal liability of Landlord. Furthermore, except as otherwise expressly provided herein, in no event shall Landlord or Tenant ever be liable to the other party for any indirect, special, punitive or consequential damages suffered by Tenant or Landlord, as applicable, from whatever cause.

41.4 Successors and Assigns. This Master Lease shall be binding upon Landlord and its successors and assigns and, subject to the provisions of Article XXII, upon Tenant and its successors and assigns.

41.5 Governing Law. THIS MASTER LEASE WAS NEGOTIATED IN THE STATE OF NEW YORK, WHICH STATE THE PARTIES AGREE HAS A SUBSTANTIAL RELATIONSHIP TO THE PARTIES AND TO THE UNDERLYING TRANSACTION EMBODIED HEREBY. ACCORDINGLY, IN ALL RESPECTS THIS MASTER LEASE (AND ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO PRINCIPLES OR CONFLICTS OF LAW) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA, EXCEPT THAT ALL PROVISIONS HEREOF RELATING TO THE CREATION OF THE LEASEHOLD ESTATE AND ALL REMEDIES SET FORTH IN ARTICLE XVI RELATING TO RECOVERY OF POSSESSION OF THE LEASED PROPERTY OF ANY FACILITY (SUCH AS AN ACTION FOR UNLAWFUL DETAINER, IN REM ACTION OR OTHER SIMILAR ACTION) SHALL BE CONSTRUED AND ENFORCED ACCORDING TO, AND GOVERNED BY, THE LAWS OF THE STATE IN WHICH THE LEASED PROPERTY IS LOCATED.

41.6 Waiver of Trial by Jury. EACH OF LANDLORD AND TENANT ACKNOWLEDGES THAT IT HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY UNDER THE CONSTITUTION OF THE UNITED STATES AND THE STATE. EACH OF LANDLORD AND TENANT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (i) ARISING UNDER THIS MASTER LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR (ii) IN ANY MANNER CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF LANDLORD AND TENANT WITH RESPECT TO THIS MASTER LEASE (OR ANY AGREEMENT FORMED PURSUANT TO THE TERMS HEREOF) OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREINAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; EACH OF LANDLORD AND TENANT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY A COURT TRIAL WITHOUT A JURY, AND THAT EITHER PARTY MAY FILE A COPY OF THIS SECTION WITH ANY COURT AS CONCLUSIVE EVIDENCE OF THE CONSENT OF EACH SUCH PARTY TO THE WAIVER OF ITS RIGHT TO TRIAL BY JURY.

41.7 Entire Agreement. This Master Lease and the Exhibits and Schedules hereto constitute the entire and final agreement of the parties with respect to the subject matter hereof, and may not be changed or modified except by an agreement in writing signed by the parties and, with respect to the provisions set forth in Section 40.1, no such change or modification shall be effective without the explicit reference to such section by number and paragraph. Landlord and Tenant hereby agree that all prior or contemporaneous oral understandings, agreements or negotiations relative to the leasing of the Leased Property are merged into and revoked by this Master Lease.

41.8 Headings. All titles and headings to sections, subsections, paragraphs or other divisions of this Master Lease are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other contents of such sections, subsections, paragraphs or other divisions, such other content being controlling as to the agreement among the parties hereto.

41.9 Counterparts. This Master Lease may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument.

41.10 Interpretation. Both Landlord and Tenant have been represented by counsel and this Master Lease and every provision hereof has been freely and fairly negotiated. Consequently, all provisions of this Master Lease shall be interpreted according to their fair meaning and shall not be strictly construed against any party.

41.11 Time of Essence. TIME IS OF THE ESSENCE OF THIS MASTER LEASE AND EACH PROVISION HEREOF IN WHICH TIME OF PERFORMANCE IS ESTABLISHED.

41.12 Further Assurances. The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Master Lease. In addition, Landlord agrees to, at Tenant's sole cost and expense, reasonably cooperate with all applicable regulatory authorities in connection with the administration of their regulatory jurisdiction over Tenant and Tenant's Subsidiaries, including the provision of such documents and other information as may be requested by regulatory authorities relating to Tenant or any of Tenant's Subsidiaries or to this Master Lease and which are within Landlord's reasonable control to obtain and provide.

41.13 Communications Regulations. Notwithstanding anything to the contrary in this Master Lease or any agreement formed pursuant to the terms hereof, each of Tenant, Landlord, and each of Tenant's or Landlord's successors and assigns agrees to cooperate with any regulatory authority in connection with the administration of their regulatory jurisdiction over the parties hereto, including, without limitation, the provision of such documents or other information as may be requested by any such regulatory authorities relating to Tenant, Landlord, Tenant's or Landlord's successors and assigns or to this Master Lease or any agreement formed pursuant to the terms hereof.

41.14 Appraiser. (a) If it becomes necessary to determine the Renewal Rent and/or the Successor Tenant Rent pursuant to Section 1.4(b) or Section 36.2(a), and the parties are unable to agree thereon, the same shall be determined by two independent appraisal firms, in which one or more of the members, officers or principals of such firm are members of the American Society of Appraisers and such member has a minimum of 10 years' experience in appraising facilities similar in scope and use as the Leased Property (each, an "**Appraiser**" and collectively, the "**Appraisers**"), one such Appraiser to be selected by Landlord to act on its behalf and the other such Appraiser to be selected by Tenant to act on its behalf. Landlord or Tenant, as applicable, shall cause its Appraiser to, within ninety (90) days after the Appraisal Commencement Date or Tenant's receipt of the Lease Termination Notice or within ten (10) months prior to the Final Lease Expiration (the "**Initial Appraisal Period**"), as applicable, determine the Renewal Rent or the Successor Tenant Rent, as applicable, as of the relevant date (giving effect to the impact, if any, of inflation from the date of the Appraiser's decision to the relevant date); provided, however, that if either party shall fail to appoint its Appraiser within the time permitted, or if two Appraisers shall have been so appointed but only one such Appraiser shall have made such determination within such ninety (90) day period, then the determination of such sole Appraiser shall be final and binding upon the parties. For purposes of clarity, the "relevant date" with respect to any determination of the Renewal Rent or the Successor Tenant Rent, as applicable, shall be deemed to be the date on which such applicable Renewal Term or lease term is to commence. A written report of each Appraiser shall be delivered and addressed to each of Landlord and Tenant; it being agreed and understood that the report delivered in connection with the appraisal process initiated under Section 1.4(b) shall include the Renewal Rent and/or Successor Tenant Rent, as applicable, for each of the Facilities. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law, and any determination hereunder shall be final and binding upon the parties except as otherwise provided by applicable law.

(b) If the two Appraisers shall have been appointed by Landlord and Tenant, then such two Appraisers shall agree on a third Appraiser (the "**Third Appraiser**") that meets the above requirements no later than thirty (30) days after the Appraisal Commencement Date or

Tenant's receipt of the Lease Termination Notice or twelve (12) months prior to the Final Expiration Date, as applicable, which Third Appraiser shall perform the services set forth in Section 41.14(c) to the extent such services are so required. If the two Appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed ten percent (10%) of the lesser of such amounts, then the Renewal Rent or the Successor Tenant Rent, as applicable, shall be an amount equal to fifty percent (50%) of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed ten percent (10%) of the lesser of such amounts, then the Third Appraiser shall perform the services set forth in Section 41.14(c) below. If the two Appraisers are unable to agree on the selection of the Third Appraiser by the last day of the Initial Appraisal Period, then either party may request the American Arbitration Association or any successor organization thereto to appoint the Third Appraiser meeting the above requirements within twenty (20) days of such request, and both parties shall be bound by any appointment so made within such twenty (20) day period. If no such Appraiser shall have been appointed within such twenty (20) day period or within the Initial Appraisal Period, whichever is earlier, either Landlord or Tenant may apply to any court having jurisdiction to have such appointment made by such court. Any Appraiser appointed by the original Appraisers, by the American Arbitration Association or by such court shall be instructed to determine the Renewal Rent or Successor Tenant Rent, as applicable, within sixty (60) days after the Initial Appraisal Period.

(c) If a Third Appraiser is appointed in accordance with Section 41.14(b), then such Third Appraiser shall choose (without any modifications) which of the determinations made by the other two (2) Appraisers shall be final and binding, and such chosen determination shall be final and binding upon Landlord and Tenant as the Renewal Rent or the Successor Tenant Rent, as applicable.

(d) Landlord and Tenant shall each pay the fees and expenses of the Appraiser appointed by it and each shall pay one-half (1/2) of the fees and expenses of the Third Appraiser.

41.15 Dispute Resolution. The following procedures shall be used to resolve any dispute arising out of or in connection with this Master Lease (each, a "**Dispute**"):

(a) Following the written request of either Landlord or Tenant (a "**Request**"), the VP Representatives of each of Landlord and Tenant shall meet in person to attempt to resolve the Dispute that is the subject of the Request no later than twenty (20) days after the date of such Request. If, for any reason, the VP Representatives do not resolve the Dispute at their meeting, then the SVP Representatives of each of Landlord and Tenant shall meet in person to attempt to resolve the Dispute no later than twenty-five (25) days after the date of the VP Representatives' meeting. A meeting date and place shall be established by mutual agreement of Landlord and Tenant. However, if the parties are unable to agree, the meeting shall take place at Landlord's offices.

(b) If a Request is delivered by either Landlord or Tenant, the parties agree to make a diligent, good faith attempt to resolve the Dispute that is the subject of such Request during the forty-five day period described in clause (a) above.

(c) All negotiations in connection with the Dispute shall be conducted in strict confidence, non-binding and without prejudice to the rights of the parties in any future legal proceedings.

41.16 No Third Party Beneficiaries. Landlord and Tenant hereby acknowledge that they do not intend for any other Person to constitute a third-party beneficiary hereof, except for any permitted successors and/or assigns.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, this Master Lease has been executed by Landlord and Tenant as of the date first written above.

LANDLORD:

CSL ALABAMA SYSTEM, LLC
CSL ARKANSAS SYSTEM, LLC
CSL FLORIDA SYSTEM, LLC
CSL GEORGIA SYSTEM, LLC
CSL IOWA SYSTEM, LLC
CSL KENTUCKY SYSTEM, LLC
CSL MISSISSIPPI SYSTEM, LLC
CSL MISSOURI SYSTEM, LLC
CSL NEW MEXICO SYSTEM, LLC
CSL OHIO SYSTEM, LLC
CSL OKLAHOMA SYSTEM, LLC
CSL TEXAS SYSTEM, LLC
CSL REALTY, LLC
CSL GEORGIA REALTY, LLC,
CSL TENNESSEE REALTY, LLC

By: _____
Name: Kenneth A. Gunderman
Title: President & CEO

CSL NORTH CAROLINA SYSTEM, LP
CSL NORTH CAROLINA REALTY, LP

By: CSL NORTH CAROLINA REALTY, GP, LLC,
as its General Partner

By: _____
Name: Kenneth A. Gunderman
Title: President & CEO

CSL NATIONAL, LP

By: CSL NATIONAL GP, LLC,
as its General Partner

By: _____
Name: Kenneth A. Gunderman
Title: President & CEO

TENANT:

WINDSTREAM HOLDINGS, INC.,
a Delaware corporation

By: Tony Thomas
Name: Tony Thomas
Title: President & CEO

EXHIBIT A

LIST OF FACILITIES

Facility ID	Facility Number	Facility Description
AL-CLEC	1	Alabama CLEC
AL-ILEC	2	Alabama ILEC
AR-CLEC	3	Arkansas CLEC
AR-ILEC	4	Arkansas ILEC
CENTRAL-CLEC	5	Central US CLEC (Includes properties in KS, ND,MT & WY)
EAST-CLEC	6	Eastern US CLEC (Includes properties in CT, DC, MA, ME, NH, RI & VT)
FL-CLEC	7	Florida CLEC
FL-ILEC	8	Florida ILEC
GA-CLEC	9	Georgia CLEC
GA-ILEC	10	Georgia ILEC
IA-CLEC	11	Iowa CLEC
IA-ILEC	12	Iowa ILEC
IL-CLEC	13	Illinios CLEC
IN-CLEC	14	Indiana CLEC
KY-CLEC	15	Kentucky CLEC
KY-ILEC	16	Kentucky ILEC
MI-CLEC	17	Michigan CLEC
MO-CLEC	18	Missouri CLEC
MO-ILEC	19	Missouri ILEC
MS-CLEC	20	Mississippi CLEC
MS-ILEC	21	Mississippi ILEC
NC-CLEC	22	North Carolina CLEC
NC-ILEC	23	North Carolina ILEC
NM-Combined	24	New Mexico ILEC & CLEC
OH-CLEC	25	Ohio CLEC
OH-ILEC	26	Ohio ILEC
OK-CLEC	27	Oklahoma CLEC
OK-ILEC	28	Oklahoma ILEC
PA-CLEC	29	Pennsylvania CLEC
TN-CLEC	30	Tennessee CLEC
TX-CLEC	31	Texas CLEC
TX-ILEC	32	Texas ILEC
VA-CLEC	33	Virginia CLEC
WEST-CLEC	34	Western US CLEC (Includes properties in AZ, ID, NV, OR & WA)
WI-CLEC	35	Wisconsin CLEC

WV-CLEC	36	West Virginia CLEC

EXHIBIT B

DISTRIBUTION SYSTEM DEMARCATION POINTS

Meet Point	Distribution System	Excluded Assets (Retained)
Central Office, Remote Office or Hut	Fiber distribution panel and every connection thereto which is connected on the outside plant side of such fiber distribution panel; all copper cable splice cases and vaults in which it is contained; all conduit installed for any cabling purposes on any Improvements.	All copper and fiber jumper cables between the fiber distribution panel or cable value, and the Equipment and racking located in the Central office Building, Remote Office Building or Hut.
Pad or WOMP mounted Equipment	WOMP or pad and the splice tray which houses fiber splices.	Cabinet mounted on the WOMP or pad, all Electronics inside such cabinet, and the cable or fiber jumpers inside the cabinet from the splice tray to electronics.
Business Demarcation	All fiber/copper to customer demarcation point.	Any equipment at the customer demarcation point.
Consumer Network Interface Device	All fiber/copper leading up to the Network Interface Device (i.e. customer demarcation point)	Network Interface Device

EXHIBIT C

FORM OF SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

This **SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENT AGREEMENT** (the "***Agreement***") is dated as of _____, and is by and among [LENDER], a [ ] [ ] (together with its successors and assigns, "***Lender***"[1]), Communications Sales & Leasing, Inc., a Delaware corporation, and the entities set forth on **Schedule I** attached hereto (collectively, "***Landlord***"), and Windstream Holdings, Inc., a Delaware corporation ("***Tenant***").

WHEREAS, by a Master Lease (as amended, modified or supplemented, the "***Lease***") dated as of [_____], between Landlord (or Landlord's predecessor in title) and Tenant, Landlord leased the Leased Property to Tenant, as said Leased Property is more particularly described in the Lease (such Leased Property hereinafter referred to as the "***Premises***");

WHEREAS, Lender has made or intends to make a loan to Landlord (the "***Loan***"), which Loan shall be evidenced by one or more promissory notes (as the same may be amended, modified, restated, severed, consolidated, renewed, replaced, or supplemented from time to time, the "***Promissory Note***") and secured by, among other things, that certain Mortgage or Deed of Trust, Assignment of Leases and Rents and Security Agreement (as the same may be amended, restated, replaced, severed, split, supplemented or otherwise modified from time to time, the "***Mortgage***") encumbering the real property located in _____ more particularly described on **Exhibit A** annexed hereto and made a part hereof (the "***Property***");[2]

WHEREAS, Tenant acknowledges that Lender will rely on this Agreement in making the Loan to Landlord;

WHEREAS, Lender and Tenant desire to evidence their understanding with respect to the Mortgage and the Lease as hereinafter provided; and

WHEREAS, pursuant to Section 31.1 of the Lease, Tenant has agreed to deliver this Agreement and will subordinate the Lease to the Mortgage and to the lien thereof and, in consideration of Tenant's delivery of this Agreement, Lender has agreed not to disturb Tenant's possessory rights in the Premises under the Lease on the terms and conditions hereinafter set forth.

NOW**,** THEREFORE**,** in consideration of the mutual agreements hereinafter set forth, the parties hereto hereby agree as follows:

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[1] References to "Lender" may be modified to reflect an agent, trustee or other representative acting for a group of debt holders.

[2] Subject to modification to reflect terms and type of financing secured by the applicable mortgage.

1. Tenant covenants, stipulates and agrees that the Lease and all of Tenant's right, title and interest in and to the Property thereunder is hereby, and shall at all times continue to be, subordinated and made secondary and inferior in each and every respect to the Mortgage and the lien thereof, to all of the terms, conditions and provisions thereof and to any and all advances made or to be made thereunder, so that at all times the Mortgage shall be and remain a lien on the Property prior to and superior to the Lease for all purposes, subject to the provisions set forth herein. Subordination is to have the same force and effect as if the Mortgage and such renewals, modifications, consolidations, replacements and extensions had been executed, acknowledged, delivered and recorded prior to the Lease, any amendments or modifications thereof and any notice thereof.

2. Lender agrees that if Lender exercises any of its rights under the Mortgage, including entry or foreclosure of the Mortgage or exercise of a power of sale under the Mortgage, Lender, or any person who acquires any portion of the Property in a foreclosure or similar proceeding or in a transfer in lieu of any such foreclosure, (a) will not terminate or disturb Tenant's right to use, occupy and possess the Premises, nor any of Tenant's rights, privileges and options under the terms of the Lease, so long as Tenant is not in default beyond any applicable grace period under any term, covenant or condition of the Lease and (b) will be bound by the provisions of Article XVII of the Lease for the benefit of each Permitted Leasehold Mortgagee. In addition, Lender or any person prosecuting such rights and remedies agrees that so long as the Lease has not been terminated on account of Tenant's default that has continued beyond applicable notice and cure periods, Lender or such other person, as the case may be, shall not name or join Tenant as a defendant in any exercise of Lender's or such person's rights and remedies arising upon a default under the Mortgage unless applicable law requires Tenant to be made a party thereto as a condition to proceeding against Landlord. In the latter case, Lender or any person prosecuting such rights and remedies may join Tenant as a defendant in such action only for such purpose and not to terminate the Lease or otherwise adversely affect Tenant's rights under the Lease or this Agreement in such action.

3. If, at any time Lender (or any person, or such person's successors or assigns, who acquires the interest of Landlord under the Lease through foreclosure of the Mortgage or otherwise) shall succeed to the rights of Landlord under the Lease as a result of a default or event of default under the Mortgage, Tenant shall attorn to and recognize such person so succeeding to the rights of Landlord under the Lease (herein sometimes called "***Successor Landlord***") as Tenant's landlord under the Lease, said attornment to be effective and self-operative without the execution of any further instruments.

4. Landlord authorizes and directs Tenant to honor any written demand or notice from Lender instructing Tenant to pay rent or other sums to Lender rather than Landlord (a "***Payment Demand***"), regardless of any other or contrary notice or instruction which Tenant may receive from Landlord before or after Tenant's receipt of such Payment Demand. Tenant may rely upon any notice, instruction, Payment Demand, certificate, consent or other document from, and signed by, Lender and shall have no duty to Landlord to investigate the same or the circumstances under which the same was given. Any payment made by Tenant to Lender or in response to a Payment Demand shall be deemed proper payment by Tenant of such sum pursuant to the Lease.

5. If Lender shall become the owner of the Property or the Property shall be sold by reason of foreclosure or other proceedings brought to enforce the Mortgage or if the Property shall be transferred by deed in lieu of foreclosure, Lender or any Successor Landlord shall not be:

(a) liable for any act or omission of any prior landlord (including Landlord) or bound by any obligation to make any payment to Tenant which was required to be made prior to the time Lender succeeded to any prior landlord (including Landlord) provided however, that if a prior landlord (including Landlord) agrees to fund a Capital Improvement under the terms of the Lease and landlord then defaults on the obligation to fund such Capital Improvement, in no event shall such Capital Improvement (other than a TCI Replacement) be deemed to be part of the Leased Property unless Lender cures the default by providing the unfunded amount to Tenant or Tenant exercises its offset right under Section 3.4 of the Master Lease.

(b) obligated to cure any defaults of any prior landlord (including Landlord) which occurred, or to make any payment to Tenant which was required to be paid by any prior landlord (including Landlord), prior to the time that Lender or any Successor Landlord succeeded to the interest of such landlord under the Lease; or

(c) obligated to perform any construction obligations of any prior landlord (including Landlord) under the Lease or liable for any defects (latent, patent or otherwise) in the design, workmanship, materials, construction or otherwise with respect to improvements and buildings constructed on the Property; or

(d) subject to any offsets, defenses or counterclaims which Tenant may be entitled to assert against any prior landlord (including Landlord); or

(e) bound by any payment of rent or additional rent by Tenant to any prior landlord (including Landlord) for more than one month in advance; or

(f) bound by any amendment, modification, termination or surrender of the Lease made without the written consent of Lender.

Notwithstanding the foregoing, Tenant reserves its right to any and all claims or causes of action (i) against Landlord for prior losses or damages and (ii) against the Successor Landlord for all losses or damages arising from and after the date that such Successor Landlord takes title to the Property.

6. Tenant hereby represents, warrants, covenants and agrees to and with Lender:

(a) to deliver to Lender, by certified mail, return receipt requested, a duplicate of each notice of default delivered by Tenant to Landlord at the same time as such notice is given to Landlord and no such notice of default shall be deemed given by Tenant under the Lease unless and until a copy of such notice shall have been so delivered to Lender. Lender shall have the right (but shall not be obligated) to cure such default. Tenant shall accept performance by Lender or its designee of any term, covenant, condition or

agreement to be performed by Landlord under the Lease with the same force and effect as though performed by Landlord. Tenant further agrees to afford Lender or the designee a period of thirty (30) days beyond any period afforded to Landlord or its designee for the curing of such default during which period Lender or its designee may elect (but shall not be obligated) to seek to cure such default, or, if such default cannot be cured within that time, then such additional time as may be reasonably necessary to cure such default (including but not limited to commencement of foreclosure proceedings) which in no event shall exceed one hundred eighty days (180) days following the expiration of such 30-day period during which period Lender or its designee may elect (but shall not be obligated) to seek to cure such default, prior to taking any action to terminate the Lease. If the Lease shall terminate for any reason, upon Lender's written request given within thirty (30) days after such termination, Tenant, within fifteen (15) days after such request, shall execute and deliver to Lender (or its designee to the extent constituting a permitted successor landlord under the Lease) a new lease of the Premises for the remainder of the term of the Lease and upon all of the same terms, covenants and conditions of the Lease;

(b) that Tenant is the sole owner of the leasehold estate created by the Lease; and

(c) to promptly certify in writing to Lender, in connection with any proposed assignment of the Mortgage, whether or not any default on the part of Landlord then exists under the Lease and to deliver to Lender any tenant estoppel certificates required under the Lease.

7. Tenant acknowledges that the interest of Landlord under the Lease is assigned to Lender solely as security for the Promissory Note[3], and Lender shall have no duty, liability or obligation under the Lease or any extension or renewal thereof, unless Lender shall specifically undertake such liability in writing or Lender becomes and then only with respect to periods in which Lender becomes, the fee owner of the Property.

8. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.[4]

9. This Agreement and each and every covenant, agreement and other provisions hereof shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns (including, without limitation, any successor holder of the Promissory Note[5]) and may be amended, supplemented, waived or modified only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought. Each Permitted Leasehold Mortgagee (as defined in the Lease) (for so long as such Permitted Leasehold Mortgagee (as

[3] Subject to modification to reflect terms of debt.

[4] Subject to modification solely and to the extent the law of any jurisdiction in which the Premises are located is required to govern the subordination of Tenant's interests in such jurisdiction.

[5] Subject to modification to reflect terms of debt.

defined in the Lease) holds a Permitted Leasehold Mortgage (as defined in the Lease)) is an intended third party beneficiary of Section 2(b) entitled to enforce the same as if a party to this Agreement.

10. All notices to be given under this Agreement shall be in writing and shall be deemed served upon receipt by the addressee if served personally or, if mailed, upon the first to occur of receipt or the refusal of delivery as shown on a return receipt, after deposit in the United States Postal Service certified mail, postage prepaid, addressed to the address of Landlord, Tenant or Lender appearing below. Such addresses may be changed by notice given in the same manner. If any party consists of multiple individuals or entities, then notice to any one of same shall be deemed notice to such party.

Lender's Address:	[ ] Attn: _____
With a copy to:	[ ]
Tenant's Address**:**	Windstream Holdings, Inc. 4001 Rodney Parham Road Little Rock, AR 72212 Attention: Chief Financial Officer
With a copy to:	Windstream Holdings, Inc. 4001 Rodney Parham Road Mailstop: B1F03-71A Little Rock, AR 72212 Attention: Legal Department
Landlord's Address**:**	c/o Communications Sales & Leasing, Inc. 10802 Executive Center Drive Benton Building, Suite 300 Little Rock, AR 72211 Attention: Controller
With a copy to:	c/o Communications Sales & Leasing, Inc. 10802 Executive Center Drive Benton Building, Suite 300 Little Rock, AR 72211 Attention: General Counsel

11. If this Agreement conflicts with the Lease, then this Agreement shall govern as between the parties and any Successor Landlord, including upon any attornment pursuant to this Agreement. This Agreement supersedes, and constitutes full compliance with, any provisions in the Lease that provide for subordination of the Lease to, or for delivery of nondisturbance agreements by the holder of, the Mortgage.

12. In the event Lender shall acquire Landlord's interest in the Premises, Tenant shall look only to the estate and interest, if any, of Lender in the Property for the satisfaction of Tenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money in the event of any default by Lender as a Successor Landlord under the Lease or under this Agreement, and no other property or assets of Lender shall be subject to levy, execution or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to the Lease, the relationship of the landlord and tenant under the Lease or Tenant's use or occupancy of the Premises or any claim arising under this Agreement.

13. If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be deemed modified to the extent necessary to be enforceable, or if such modification is not practicable, such provision shall be deemed deleted from this Agreement, and the other provisions of this Agreement shall remain in full force and effect, and shall be liberally construed in favor of Lender.

14. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

[*REMAINDER OF PAGE INTENTIONALLY LEFT BLANK*]

EXHIBIT D

DESCRIPTION OF TRANSITION SERVICES

Tenant will provide transition support services for shared corporate services that are customarily provided to a purchaser of a division or select assets of a larger company on the following general terms and conditions:

1. **Description of Services** – The scope of services will be services that are required for, and have been historically provided by Tenant or its subsidiaries to support, the operations of the Communication Assets, but which cannot be provided by Successor Tenant because the necessary personnel or assets are not transferred to or acquired by the Successor Tenant. The services will be negotiated by the parties and may include all or some of the following:

    - Accounting, accounts payable, accounts receivable, and billing;
    - Human resources and payroll;
    - Information technology services including infrastructure, desktop support, network and communications, operations;
    - Procurement purchasing services, contractor management and vendor management;
    - Customer services and support including call center;
    - Network operations support;
    - Engineering support services; and
    - Legal support services.

2. **Service Fees –** Tenant will charge service fees equal to 110% of the reasonable costs incurred to provide the services, and these costs will include an appropriate allocation of overhead costs and applicable taxes.

3. **Term** – The term of services will vary but will generally range from 30 days to up to eighteen months.

4. **Performance Standards** – Performance standards for services should be no greater than those applicable to the services provided prior to the transfer of the Communication Assets.

5. **Other Terms –** The remaining terms of the agreement should be consistent with transition services provided by Tenant in other dispositions and will include termination rights, dispute escalation and resolution provisions, limited licenses of non-transferrable intellectual property, indemnification, limitations of liability, force majeure and confidentiality.

EXHIBIT E

FAIR MARKET RENTAL CALCULATION

Landlord or Tenant, as applicable, will identify the Facilities from Exhibit A of this Master Lease that will be subject to appraisal, each such Facility being referred to herein as an "Appraised Facility". This exhibit sets forth the framework that shall be utilized by the Appraiser(s) in determining the Fair Market Rental for each Appraised Facility.

Definitions, for purposes of this exhibit:

Fair Market Rental - The rental price that a willing renter and a willing landlord, with neither being required to act, and both having reasonable knowledge of the relevant facts.

Calculation of Fair Market Rental shall be based on the following inputs determined by appraiser:

Fair Market Rental Formula
Fair Market Rental = PMT(rate, nper, pv, [fv], [type])

rate = Fair Lease Rate
nper = Renewal Term
pv = Fair Market Value – Residual Value
fv = 0
type = 1 (lease payment due at beginning of period)

Fair Market Value - Shall be consistent with the meaning in IRS Regulation Section 20.2031-1(b) and will reflect the premise of in-continued-use. Fair market value is defined as the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

Residual Value – The uninflated future value of the Appraised Facility as of the expiration date of the Renewal Term, but in any case shall be based on IRS guidelines and methods consistent with that of lease transactions.

Fair Lease Rate – The rate of return used in the determination of the Fair Market Rental. The Fair Lease Rate shall be supported in Appraiser's report by market comparable rates of return which may include analysis of a variety of factors including the Landlord's weighed average cost of capital, the risk free rate of return, financing terms, asset/equity returns, and a market based risk premium.

All other capitalized terms shall have the meaning set forth in the Master Lease Agreement, unless otherwise defined herein.

Appraisal Process and Instructions:

(a) In determining the Fair Market Rental for purposes of establishing Renewal Rent, and/or determining Successor Tenant Rent, the appraisal methods and process shall be consistent with the valuation analysis performed for the Initial Term (the "Initial Term Appraisal"), except that a valuation analysis will be performed separately for each Appraised Facility and will not assume that any other Facilities will be part of the Leased Property comprising the Appraised Facility In addition to providing a recommendation for the Fair Market Rental for each Appraised Facility, the Appraiser will also provide recommendations for each of the following values for each Appraised Facility: (i) Fair Market Value, as of the inception date of the Renewal Term, (ii) Residual Value, (iii) remaining economic life as of the inception date of the Renewal Term, and (iv) Fair Lease Rate. In determining the Fair Market Rental and providing the recommendations under clauses (i) through (iv) in the immediately preceding sentence, Landlord shall be deemed to be the sole owner of the Easements, Permits and Pole Agreements without any deduction in value as a result of Tenant holding legal title to any such Easement, Permits and Pole Agreements subject to Tenant's obligation to convey legal title to Landlord in accordance with Section 9.2(f) of the Master Lease.

(b) Landlord and Tenant agree to promptly provide all information associated with each Appraised Facility that is reasonably requested by Appraiser to facilitate the Appraiser review and determination of Fair Market Rental. Tenant and Landlord shall be prepared to provide any fixed asset data, network specifications, construction documents, capital investment records, historical and projected financial results, business plans, operational performance records, customer and market share data, and other information that may be reasonably requested by Appraiser for each Appraised Facility.

(c) In determining the Fair Market Value, Residual Value, remaining economic life, and Fair Lease Rate of each Appraised Facility as of the inception date of the Renewal Term, the Appraiser will follow generally accepted appraisal procedures including but not limited to the following:

(i) Collect and reconcile data representative for each Appraised Facility, including, but not limited to financial information, business plans, operational performance metrics, customer and market share data, etc.

(ii) Perform valuation analyses for each Appraised Facility to estimate Fair Market Value and Residual Value utilizing the Cost, Market, and Income approaches, as applicable. The analyses will be consistent with the methods and assumptions used in the Initial Term Appraisal.

(iii) Develop determination of Fair Lease Rate based on the financing terms, asset/equity returns, weighted average cost of capital, and other financial metrics observable in market comparable transactions.

(iv) Review key assumptions such as replacement cost new, obsolescence adjustments, total economic life, and remaining economic life with Tenant and Landlord management.

(v) Prepare a written report providing recommendations for Fair Market Value, Residual Value, remaining economic life and Fair Lease Rate for each Appraised Facility as well as describing the procedures performed, assumptions made, and valuation methods applied.

To the extent the Appraiser determines Fair Market Rental to be a single amount, such amount will be considered the appraiser's determination of Renewal Rent, or Successor Tenant Rent, as applicable. To the extent the Appraiser provides a range of amounts which represent his/her determination of Fair Market Rental, then the Renewal Rent, or Successor Tenant Rent, as applicable, shall be an amount equal to fifty percent (50%) of the sum of highest and lowest determinations of Fair Market Rental by such Appraiser.

SCHEDULE 1

LANDLORD

CSL Alabama System, LLC

CSL Arkansas System, LLC

CSL Florida System, LLC

CSL Georgia System, LLC

CSL Iowa System, LLC

CSL Kentucky System, LLC

CSL Mississippi System, LLC

CSL Missouri System, LLC

CSL New Mexico System, LLC

CSL Ohio System, LLC

CSL Oklahoma System, LLC

CSL Texas System, LLC

CSL Realty, LLC

CSL Georgia Realty, LLC

CSL North Carolina System, LP

CSL North Carolina Realty, LP

CSL Tennessee Realty, LLC

SCHEDULE 7.2

LIST OF TENANT'S SUBSIDIARIES

Name of Subsidiary	State of Organization
Allworx Corp.	DE
Birmingham Data Link, LLC	AL
BOB, LLC	IL
Buffalo Valley Management Services, Inc.	DE
Cavalier IP TV, LLC	DE
Cavalier Services, LLC	DE
Cavalier Telephone Mid-Atlantic, L.L.C.	DE
Cavalier Telephone, L.L.C.	VA
Cinergy Communications Company of Virginia, LLC	VA
Conestoga Enterprises, Inc.	PA
Conestoga Management Services, Inc.	DE
Conestoga Wireless Company	PA
D&E Communications, LLC	DE
D&E Management Services, Inc.	NV
D&E Networks, Inc.	PA
D&E Wireless, Inc.	PA
Equity Leasing, Inc.	NV
Georgia Windstream, LLC	DE
Heart of the Lakes Cable Systems, Inc.	MN

Name of Subsidiary	State of Organization
Hosted Solutions Charlotte, LLC	DE
Hosted Solutions Raleigh, LLC	DE
Infocore, Inc.	PA
Intellifiber Networks, LLC	VA
Iowa Telecom Data Services, L.C.	IA
Iowa Telecom Technologies, LLC	IA
IWA Services, LLC	IA
KDL Holdings, LLC	DE
LDMI Telecommunications, LLC	MI
McLeodUSA Information Services LLC	DE
McLeodUSA Purchasing, LLC	IA
McLeodUSA Telecommunications Services, L.L.C.	IA
MPX, Inc.	DE
Nashville Data Link, LLC	TN
Network Telephone, LLC	FL
Norlight Telecommunications of Virginia, LLC	VA
Oklahoma Windstream, LLC	OK
PaeTec Communications of Virginia, LLC	VA
PaeTec Communications, LLC	DE
PAETEC Holding, LLC	DE
PAETEC iTEL, L.L.C.	NC
PAETEC Realty LLC	NY

Name of Subsidiary	State of Organization
PAETEC, LLC	DE
PCS Licenses, Inc.	NV
Progress Place Realty Holding Company, LLC	NC
RevChain Solutions, LLC	DE
SM Holdings, LLC	DE
Southwest Enhanced Network Services, LLC	DE
Talk America of Virginia, LLC	VA
Talk America, LLC.	DE
Teleview, LLC	GA
Texas Windstream, LLC	TX
The Other Phone Company, LLC	FL
TriNet, LLC	GA
US LEC Communications LLC	NC
US LEC of Alabama LLC	NC
US LEC of Florida LLC	NC
US LEC of Georgia LLC	DE
US LEC of Maryland LLC	NC
US LEC of North Carolina LLC	NC
US LEC of Pennsylvania LLC	NC
US LEC of South Carolina LLC	DE
US LEC of Tennessee LLC	DE
US LEC of Virginia LLC	DE

Name of Subsidiary	State of Organization
Valor Telecommunications of Texas, LLC	DE
WaveTel NC License Corporation	DE
WIN Sales & Leasing, Inc.	MN
Windstream Accucomm Networks, LLC	GA
Windstream Accucomm Telecommunications, LLC	GA
Windstream Alabama, LLC	AL
Windstream Arkansas, LLC	DE
Windstream Baker Solutions, Inc.	IA
Windstream Buffalo Valley, Inc.	PA
Windstream Cavalier, LLC	DE
Windstream Communications Kerrville, LLC	TX
Windstream Communications Telecom, LLC	TX
Windstream Communications, LLC	DE
Windstream Concord Telephone, LLC	NC
Windstream Conestoga, Inc.	PA
Windstream Services, LLC	DE
Windstream CTC Internet Services, Inc.	NC
Windstream D&E Systems, LLC	DE
Windstream D&E, Inc.	PA
Windstream Direct, LLC	MN
Windstream EN-TEL, LLC	MN
Windstream Florida, LLC	FL

Name of Subsidiary	State of Organization
Windstream Georgia Communications, LLC	GA
Windstream Georgia Telephone, LLC	GA
Windstream Georgia, LLC	GA
Windstream Holding of the Midwest, Inc.	NE
Windstream Hosted Solutions, LLC	DE
Windstream Intellectual Property Services, Inc.	DE
Windstream Iowa Communications, LLC	DE
Windstream Iowa-Comm, LLC	IA
Windstream IT-Comm, LLC	IA
Windstream KDL, LLC	KY
Windstream KDL-VA, LLC	VA
Windstream Kentucky East, LLC	DE
Windstream Kentucky West, LLC	KY
Windstream Kerrville Long Distance, LLC	TX
Windstream Lakedale Link, Inc.	MN
Windstream Lakedale, Inc.	MN
Windstream Leasing, LLC	DE
Windstream Lexcom Communications, LLC	NC
Windstream Lexcom Entertainment, LLC	NC
Windstream Lexcom Long Distance, LLC	NC
Windstream Lexcom Wireless, LLC	NC
Windstream Mississippi, LLC	DE

Name of Subsidiary	State of Organization
Windstream Missouri, LLC.	MO
Windstream Montezuma, LLC	IA
Windstream Nebraska, Inc.	DE
Windstream Network Services of the Midwest, Inc.	NE
Windstream New York, Inc.	NY
Windstream Norlight, LLC	KY
Windstream North Carolina, LLC	NC
Windstream NorthStar, LLC	MN
Windstream NTI, LLC	WI
Windstream NuVox Arkansas, LLC	DE
Windstream NuVox Illinois, LLC	DE
Windstream NuVox Indiana, LLC	DE
Windstream NuVox Kansas, LLC	DE
Windstream NuVox Missouri, LLC	DE
Windstream NuVox Ohio, LLC	DE
Windstream NuVox Oklahoma, LLC	DE
Windstream NuVox, LLC	DE
Windstream of the Midwest, Inc.	NE
Windstream Ohio, LLC	OH
Windstream Oklahoma, LLC	DE
Windstream Pennsylvania, LLC	DE
Windstream SHAL Networks, Inc.	MN

Name of Subsidiary	State of Organization
Windstream SHAL, LLC	MN
Windstream South Carolina, LLC	SC
Windstream Southwest Long Distance, LLC	DE
Windstream Standard, LLC	GA
Windstream Sugar Land, LLC	TX
Windstream Supply, LLC	OH
Windstream Systems of the Midwest, Inc.	NE
Windstream Western Reserve, LLC	OH
Xeta Technologies, Inc.	OK

Exhibit D

Fletcher Deposition

EXHIBIT D

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
No. 17 Civ. 7857 (JMF)
----------)
U.S. BANK NATIONAL ASSOCIATION, solely in its capacity as indenture trustee of Windstream Services, LLC's 6 3/8% Senior Notes due 2023,

Plaintiff-Counterclaim Defendant,

vs.

WINDSTREAM SERVICES, LLC,

Defendant-Counterclaimant,

vs.

AURELIUS CAPITAL MASTER, LTD.,

Counterclaim Defendant.

----------)

VIDEOTAPED 30(b)(6) DEPOSITION OF WINDSTREAM SERVICES, LLC by
JOHN P. FLETCHER
New York, New York
November 2, 2017

Reported by:
Linda Salzman
JOB NO. 133133

November 2, 2017
9:19 a.m.

Videotaped 30(b)(6) Deposition of WINDSTREAM SERVICES, LLC by JOHN P. FLETCHER, held at the offices of Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York, pursuant to Notice, before Linda Salzman, a Notary Public of the State of New York.

A P P E A R A N C E S:

FRIEDMAN KAPLAN SEILER & ADELMAN
Attorneys for Plaintiff
7 Times Square
New York, New York 10036
BY: EDWARD FRIEDMAN, ESQ.
CHRIS COLORADO, ESQ.
JEFFREY FOURMAUX, ESQ.

KIRKLAND & ELLIS
Attorneys for
Defendant-Counterclaimant and the Witness
601 Lexington Avenue
New York, New York 10022
BY: AARON MARKS, ESQ.
RUSH HOWELL, ESQ.

(Continued)

A P P E A R A N C E S: (Continued)

KRAMER LEVIN NAFTALIS & FRANKEL
Attorneys for Counterclaim Defendant
1177 Avenue of the Americas
New York, New York 10036
BY: ARTHUR AUFSES III, ESQ.

Also Present:
MICHAEL McCARTHY, Maslon
DALE SWINDELL, Videographer

STIPULATIONS

IT IS HEREBY STIPULATED AND AGREED by and among counsel for the respective parties hereto, that the sealing and certification of the within deposition shall be and the same are hereby waived;

IT IS FURTHER STIPULATED AND AGREED all objections, except as to the form of the question, shall be reserved to the time of the trial;

IT IS FURTHER STIPULATED AND AGREED that the within deposition may be signed before any Notary Public with the same force and effect as if signed and sworn to before the Court.

J. Fletcher

Q. And the assets would be the assets that were transferred to CS&L in the transaction, correct?

A. I believe those are the assets you're referencing, including the poles, which were the issue in this question.

Q. And the operating companies here were transferor subsidiaries, correct?

A. Correct.

Q. And am I correct that when we go through the various other Windstream submissions to regulators, the Windstream companies repeatedly assured the regulators that the transferor subsidiaries would have long-term exclusive control of the property they had transferred; is that correct?

A. That was our expectation and that is what we communicated to the regulators.

Q. And did you have an understanding that it was important to the regulators that the transferor subsidiaries would continue to have

J. Fletcher

long-term exclusive control?

MR. MARKS: Objection to the form.

Q. Of the property they transferred?

MR. MARKS: Objection to the form.

A. It's hard for me to know exactly what's important to the regulators at different times.

Q. I'm asking about your understanding. Was it your understanding.

MR. MARKS: Objection to the form.

Q. At the time of the submissions to the regulators, that it was an important consideration for the regulators that the transferor subsidiaries would have long-term exclusive control of the property?

MR. MARKS: Same objection.

A. What was important to them was our ability to continue to operate the business and discharge our regulatory

J. Fletcher

requirements, and they wanted to understand how we would continue to use the assets under the master lease, which is what question 2 is getting into.

Q. And in order to assure them that the transferor subsidiaries would have the ability to continue to operate the business and discharge the regulatory requirements, the formulation frequently used by the Windstream companies was to assure the regulators that the transferor subsidiaries would have long-term exclusive control of the transferor property, correct?

MR. MARKS: Objection to form.

A. That formulation was qualified in the form by the original application that laid out the exact structure of the deal, including the attachments which was a summary of the lease, which the regulators, we assumed, understood because they had it, and so statements like this were made within the full record of the proceeding, and that's why they were

J. Fletcher

written this way.

Q. When you said the operating companies will have long-term exclusive control of the assets, including poles --

A. Yes.

Q. -- that was a truthful statement?

A. In the context of all of the record of this proceeding, which explained how Holdings was the tenant to the master lease, that it held those assets for the use and benefit of the operating companies, and that the operating companies, under that arrangement, would have continuing use and the ability to control these assets.

That's a long statement, and given the record that was present, we abbreviated it, because we knew they understood the context of the record.

Q. And the abbreviation that you referred to was using the formulation long-term exclusive control of the assets?

A. The abbreviation is this

J. Fletcher

sentence. Because to describe the transaction structure under the master lease requires a lot of specificity that was already in the record.

I'm getting close to lunchtime.

Q. Well, you can -- maybe -- I don't want to inconvenience you, maybe go for about five or ten minutes and then take a break.

A. That would be okay.

MR. FRIEDMAN: Is that agreeable?

MR. MARKS: Sure.

MR. FRIEDMAN: Take a short break.

Q. I just want to show you a couple of things. Take a look, please, at Exhibit 38, which should be testimony that was given in Kentucky.

A. Exhibit 38?

Q. Uh-huh.

A. Yes, I have Exhibit 38.

Q. And is that testimony that was given by Mr. Gunderman?

J. Fletcher

A. It is the original transcript of the November 13, 2014 hearing. And Bob Gunderman was a witness and I was a witness.

Q. So let's take a look at, please, page 26 of the testimony.

A. Page 26, Bates 3706?

Q. Yes. And whose testimony is that?

A. I have to go back and find where it began. If you have that reference, I would appreciate it.

Q. I just want to double-check.

A. It looks like it is, Mr. Gunderman begins on page 10.

Q. That's what I thought.

A. It doesn't say his name here.

Q. Okay. I would like to call your attention to the question that starts on line 13, on page 26, and the answer given by Mr. Gunderman on line 17.

And I will ask why don't you look at lines 13 through 21 and then I will ask you a question.

J. Fletcher

A. I have read those lines.

Q. Okay. So the question I want to ask you is whether you would agree with the answer that was provided by Mr. Gunderman at line 17 through 21, his answer actually continues through to line 25, so I don't want to truncate it.

You agree with what Mr. Gunderman said at line 17 through 25 on page 26 in answering the question?

MR. MARKS: Objection to form.

You can answer.

A. I would not agree with a portion of this statement. If I was asked this question, I would have given a different answer.

Q. What's the portion that you don't agree with?

A. Let's read it:

"The agreement will be between CS&L at the corporate entity level as well as Windstream Holdings, Inc."

That is correct. If the agreement is referring to the master

J. Fletcher

lease, I believe that's the context.

I don't agree with "and it's just for administrative ease in terms of transacting." I don't agree with that clause.

Q. And why not?

A. That is not why we put the master lease at Windstream Holdings, Inc.

Q. Why did you put the master lease at Windstream Holdings, Inc.?

A. Where we put the lease had to address many different considerations. It had to meet the tax-free spin-off requirements. It had to meet the tax requirements for the Real Estate Investment Trust. It had to be meet the tax requirements for what the lease was. It had to meet various accounting requirements. It had to meet with various state and federal PSC requirements. It had to meet various corporate finance requirements, including our debt instruments. It had to meet corporate law

J. Fletcher
requirements. And it had to meet long-term strategic objectives of the company.
And the two main reasons, after reflecting on all those different considerations that I recall, are 1, Holdings provided us significant flexibility over time as how to discharge our obligations under this agreement.
At the top entity level, to use as many corporate controlled subsidiaries as they exist today or in the future to discharge their obligations and to react to how our business changes over time.
And second, it gave us, we believe, some important structural tension with our relationship with Uniti, over time, because this is a long-term agreement, and we wanted to have some improved leverage in how this agreement would be negotiated over time, and not having direct contractual privity with the operating companies we thought was

J. Fletcher
a benefit in that long-term relationship.
Those are two examples of the things I can think of three years later, after all those factors I went through, and Bob Gunderman was not involved in this, in the structuring of detailed activity, to determine the answer to this question.
Q. Was one of the considerations that led to the decision to have Holdings as the sole signatory the sale and leaseback covenant in the indenture?
A. Our compliance with all of those various considerations, including the corporate finance considerations, including the debt agreements, which would include the indenture and all its restrictive covenants, including the sale of the leaseback provision, would have been considered.
MR. FRIEDMAN: One more question. Let me show you -- I guess I will mark as an exhibit the e-mail

J. Fletcher
-- let me mark as Exhibit 4A an e-mail from your counsel.
(Exhibit 4A, 10/29/2017 e-mail, marked for identification, as of this date.)
A. It's not in front of me?
Q. No. Here is 4A.
Just for your benefit, Mr. Fletcher, there was some back and forth between counsel, trying to answer some questions here. And you should feel free to read as much of that document as you want, but --
MR. MARKS: Can he read it at lunch?
MR. FRIEDMAN: I actually have one question I want to ask and then we will take a break.
Q. Sorry. I'm calling your attention, Mr. Fletcher, to question 8, which appears on the second page of the document, where it says, "As to question 8," and do you see the second paragraph it says:

J. Fletcher
"Specifically:
"(a) Has Holdings given any of the subsidiaries permission to use the leased property;
"(b) If so, how has that permission been granted and communicated.
"(c) What are the terms and conditions of such permission.
And if you look at the answer to question at the very top of the e-mail, the second paragraph, you see that the answer includes the statement that Holdings has given the subsidiaries permission to use the leased property?
MR. MARKS: Objection.
A. I don't see that answer. You lost me on this. I've never seen this document.
Q. I know. I'm giving this to you because I'm going to ask you a question.
A. Okay.
Q. You see it says, as to question 8, you see on the first page where it says that?

J. Fletcher
Now I'm on page number 1.
A. Okay.
Q. It says "Ed" -- do you see that? And then I'm calling your attention to the second paragraph that says, "As to question 8."
Do you see that?
A. I see that now.
Q. And after the number 8, you see the words, "There is no writing or agreement by which Holdings has given the subsidiaries permission to use the leased property"?
Do you see that?
A. I see that now.
Q. So the question I have for you is whether Holdings has given the subsidiaries permission to use the leased property?
A. Yes.
Q. How was that permission communicated from Holdings to the subsidiaries?
A. Windstream Holdings adopted and

J. Fletcher
approved the master lease, which contemplated that continued use as an express right and holding that approval of the master lease authorized management of Holdings to discharge that approval and effect that authorization.
Q. And what, if anything, did management of Holdings do to discharge that approval and effect that authorization?
MR. MARKS: Object to the form.
A. Please restate the question.
Q. I was trying to use your words. The question is what, if anything, did management of Holdings do to communicate that approval and provide that authorization to the subsidiaries?
A. Well, we explained the transaction, which was complex. We worked with people throughout the company to understand this relationship and the continuing rights of Holdings under the master lease for the benefit of the subsidiaries, and explained how the

J. Fletcher
operating companies could continue to use those assets as express beneficiary under this framework.
We did a lot of communication on explaining to the personnel throughout Windstream to the extent it affected their activities, to make sure they understood the impacts of the transaction that were relevant to them.
Q. Is any of that communication and explaining in writing?
A. I know we had a lease operating guide. That was one of the key things. We had investor presentations that we used externally that were also helpful internally as two examples.
RQ MR. FRIEDMAN: We would like to request that lease operating guide and any investor presentations and any other writings there may be concerning the communications and explaining that you're describing.
MR. MARKS: I hear you.
MR. FRIEDMAN: With that, we

J. Fletcher
will take a break for lunch.
THE VIDEOGRAPHER: Time is 12:10. We're going off the record.
(Luncheon recess taken at 12:10 p.m.)

Exhibit E

December 2014 8-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 18, 2014 (December 18, 2014)



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Corporation	Delaware	001-36093	20-0792300

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

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☒ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On December 18, 2014, Windstream Holdings, Inc. (Windstream) issued a press release announcing certain updates with respect to its previously-announced plans to spin off certain telecommunications network assets into an independent, publicly traded real estate investment trust (REIT). In addition, also on December 18, 2014, Windstream will make a presentation to investors and analysts with respect to the update on its spin off plans. A copy of the press release is attached hereto as Exhibit 99.1 and a copy of the investor presentation is attached hereto as Exhibit 99.2.

The information contained in this Item 7.01 to this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, shall not be deemed "filed" with the Securities and Exchange Commission (SEC) nor incorporated by reference in any registration statement filed by Windstream under the Securities Act of 1933, as amended.

Item 8.01 Other Events.

Windstream intends to call a special meeting of its stockholders and seek stockholder approval of proposals on the following matters in advance of the contemplated spin off:

1. A proposal to amend Windstream's certificate of incorporation to effect a reclassification (reverse stock split) of Windstream's common stock, whereby each outstanding six (6) shares of common stock would be combined into and become one (1) share of common stock and to decrease the number of authorized shares of common stock and preferred stock proportionately;
2. A proposal to approve an amendment to the certificate of incorporation of Windstream's wholly-owned subsidiary, Windstream Corporation, to eliminate certain voting provisions in order to facilitate the spin off without incurring a large tax liability; and
3. A proposal to authorize the chairman of the special meeting to adjourn the special meeting if necessary or appropriate, in the discretion of the chairman, to obtain a quorum or to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve either of the foregoing matters.

Non-GAAP Financial Measures

The exhibits hereto contain certain non-GAAP financial measures, as defined under Regulation G of the rules and regulations of the SEC, including operating income before depreciation and amortization, or OIBDA. Non-GAAP financial measures used by Windstream may not be comparable to similarly titled measures used by other companies and should not be considered in isolation or as a substitute for measures of performance or liquidity prepared in accordance with GAAP. Windstream believes the presentation of supplemental measures of operating performance provides a meaningful comparison of our operating performance for the periods presented.

A reconciliation of the non-GAAP financial measures used in the exhibits hereto to the most directly comparable GAAP measure has been posted to Windstream's investor relations website at www.windstream.com/investors.

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 are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company. Such 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 in Windstream's forward-looking statements include, among others:

- risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spin off, the ability of Windstream to reduce its debt by the currently-anticipated amounts, and the diversion of management's attention from regular business concerns;
- our ability to receive, or delays in obtaining, the regulatory approvals and other conditions required to complete the spin off, and the risk that Windstream's board of directors could abandon the spin off or modify or change the terms of the spin off at any time and for any reason until the spin off is complete;
- our ability to obtain stockholder approval of an amendment to our subsidiary's certificate of incorporation that will facilitate the REIT spin off without incurring a large tax liability; and
- those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the SEC at www.sec.gov.

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 other filings by Windstream with the SEC at www.sec.gov.

Participants in the Solicitation

Windstream and its directors and executive officers may be deemed to be participants in the solicitation of proxies from Windstream's stockholders with respect to the proposals for which stockholder approval is being sought in advance of the REIT spin off. Information about Windstream's directors and executive officers and their ownership of Windstream's common stock is set forth in Windstream's proxy statement on Schedule 14A filed with the SEC on March 25, 2014 and Windstream's Annual Report on Form 10-K for the year ended December 31, 2013. Information regarding the identity of the potential participants, and any direct or indirect interests they have in the proposals, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with SEC in connection with the proposals. Windstream's stockholders are advised to read the proxy statement when it becomes available because it will contain important information. The proxy statement will be mailed by Windstream to its stockholders, and investors will also be able to access the proxy statement and other relevant documents for free once filed with the SEC at www.sec.gov.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits.

The following exhibits are being furnished herewith:

Exhibit No.	Description
99.1	Press Release, dated December 18, 2014
99.2	Investor Presentation

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

WINDSTREAM HOLDINGS, INC.

By: /s/ John P. Fletcher
Name: John P. Fletcher
Title: Executive Vice President and General Counsel

WINDSTREAM CORPORATION

By: /s/ John P. Fletcher
Name: John P. Fletcher
Title: Executive Vice President and General Counsel

Dated: December 18, 2014

[Signature Page to Form 8-K]

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release, dated December 18, 2014
99.2	Investor Presentation

Exhibit 99.1

Windstream Provides Update on REIT Spinoff

Company to distribute 80.1% ownership in REIT to shareholders
Remaining 19.9% ownership in REIT used to retire additional Windstream debt
Company to hold special stockholder meeting in February 2015

Release date: Dec. 18, 2014

LITTLE ROCK, Ark. – Windstream (Nasdaq: WIN), a leading provider of advanced network communications, today provided an update on its planned real estate investment trust (REIT) spinoff. The company will hold a conference call at 7:30 a.m. CST today to review updates to the transaction.

Windstream announced it is refining the transaction structure in certain respects to benefit both Windstream and the REIT. Windstream now expects to retain 19.9 percent of the shares in the REIT and distribute the remaining 80.1 percent to Windstream stockholders. The retained shares will be sold opportunistically during a 12-month period following the spinoff, subject to market conditions, with the net proceeds used to retire debt.

“Given the importance of the REIT formation to Windstream’s future performance, the Board of Directors and I are intently focused on completing the spinoff, and it remains a strategic priority,” said President and CEO Tony Thomas. “This refined structure allows Windstream to reach our leverage goals faster to strengthen our competitive position, which we believe is appropriate and prudent given the fast changing telecom industry and rapidly evolving customer needs. By improving Windstream’s credit profile, the REIT benefits from having a financially stronger anchor tenant and retains the financial flexibility to grow and return capital to its shareholders.”

Special Meeting of Stockholders

Windstream also announced it will hold a special meeting of stockholders on February 20, 2015, in conjunction with the REIT spinoff to approve a 1-for-6 reverse stock split and an amendment to the certificate of incorporation of Windstream Corporation, a subsidiary of Windstream Holdings, that will facilitate the conversion of Windstream Corporation into a limited liability company (LLC).

Without the LLC conversion, Windstream would incur a tax liability of approximately $600 million to $800 million, based on current estimates, at Windstream Holdings that would be triggered upon execution of the spinoff.

In connection with the special meeting, Windstream will make available to its stockholders of record a proxy statement describing information related to the meeting and the proposals to be voted upon.

REIT Transaction Details

Windstream announced on July 29 plans to spin off certain telecommunications network assets into an independent, publicly traded REIT in order to accelerate network investments, provide enhanced services to customers and maximize shareholder value. The REIT will lease use of the assets to Windstream through a long-term triple-net exclusive lease with an initial estimated rent payment of $650 million per year. Windstream will operate and maintain the assets and deliver advanced communications and technology services to consumers and businesses. The REIT will focus on expanding and diversifying its assets and tenants through future acquisitions.

At the separation, the expected annual dividend per share in the aggregate for the two companies will be 70 cents per current Windstream share. Windstream plans to maintain its current dividend practice through the close of the transaction.

Under the refined structure, Windstream expects to reduce debt by approximately $4 billion in total.

The company has received a favorable private letter ruling from the Internal Revenue Service and has obtained a majority of the regulatory approvals required from state commissions.

Conference Call

Windstream will hold a conference call at 7:30 a.m. CST on Dec. 18 to review the revised ownership structure and the proposals for the special meeting of shareholders.

To Access the call:

Interested parties can access the call by dialing 1-877-374-3977, conference ID 52839526, ten minutes prior to the start time.

To Access the Call Replay:

A replay of the call will be available until midnight on Dec. 24. The replay can be accessed by dialing 1-855-859-2056, conference ID 52839526.

Webcast information:

The conference call also will be streamed live over the company's website at www.windstream.com/investors. A presentation related to the call will be posted on the site.

About Windstream

Windstream, a FORTUNE 500 and S&P 500 company, is a leading provider of advanced network communications and technology solutions, including cloud computing and managed services, to businesses nationwide. The company also offers broadband, phone and digital TV services to consumers primarily in rural areas. For more information, visit the company's online newsroom at news.windstream.com or follow on Twitter at @WindstreamNews.

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 are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company. Such 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 in Windstream's forward-looking statements include, among others:

- risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spinoff, the ability of Windstream to reduce its debt by the currently anticipated amounts, and the diversion of management's attention from regular business concerns;
- the company's ability to receive, or delays in obtaining, the regulatory approvals and other conditions required to complete the spinoff, and the

risk that Windstream's board of directors could abandon the spinoff or modify or change the terms of the spinoff at any time and for any reason until the spinoff is complete;

- the company's ability to obtain stockholder approval of an amendment to a company subsidiary's certificate of incorporation that will facilitate the REIT spinoff without incurring a large tax liability; and
- those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the Securities and Exchange Commission at www.sec.gov.

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 other filings by Windstream with the Securities and Exchange Commission at www.sec.gov.

Participants in the Solicitation

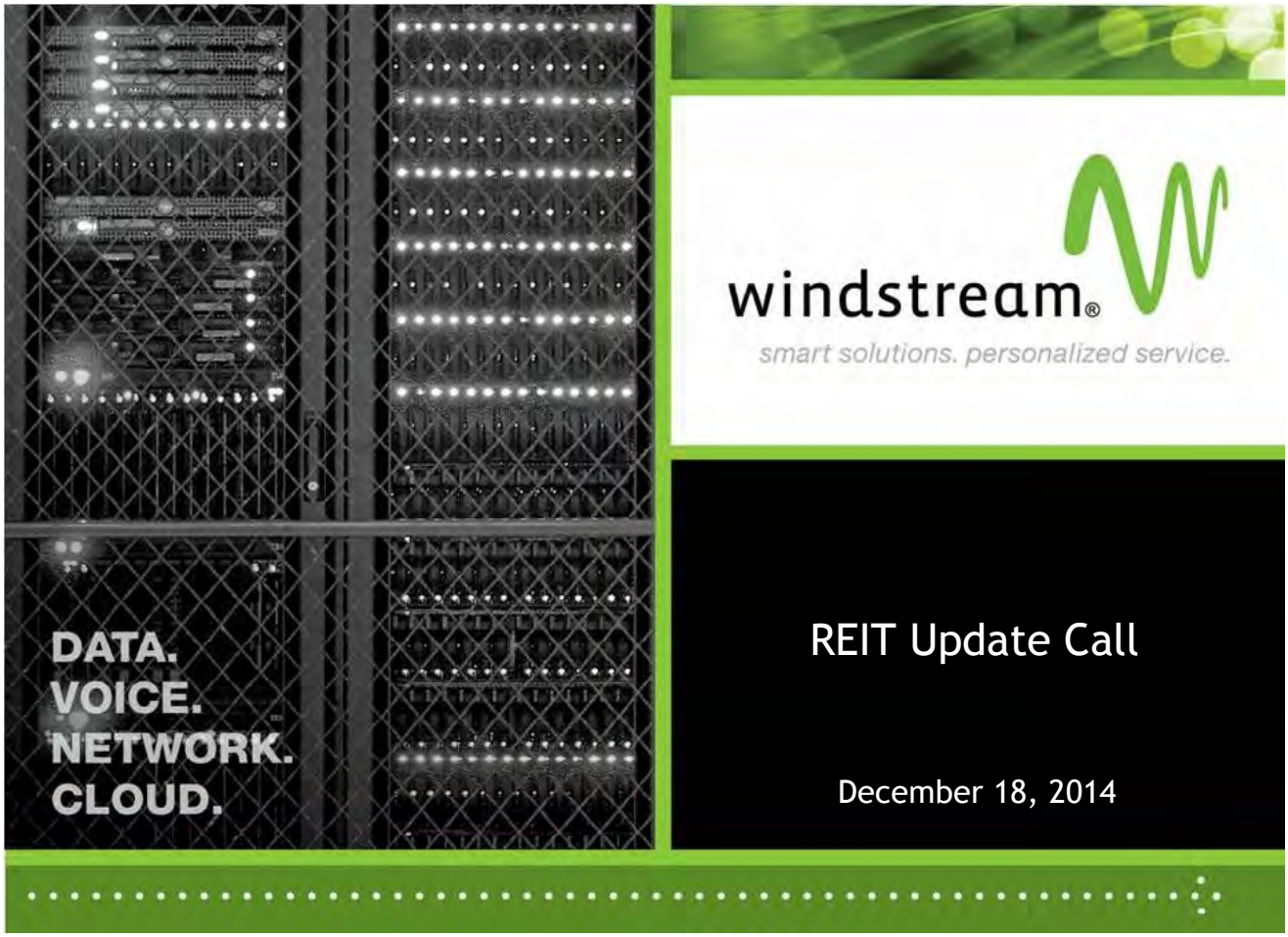
Windstream and its directors and executive officers may be deemed to be participants in the solicitation of proxies from Windstream's stockholders with respect to the proposals for which stockholder approval is being sought in advance of the spinoff. Information about Windstream's directors and executive officers and their ownership of Windstream's common stock is set forth in Windstream's proxy statement on Schedule 14A filed with the SEC on March 25, 2014 and Windstream's Annual Report on Form 10-K for the year ended December 31, 2013. Information regarding the identity of the potential participants, and any direct or indirect interests they have in the proposals, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with SEC in connection with the proposals. Windstream's stockholders are advised to read the proxy statement when it becomes available because it will contain important information. The proxy statement will be mailed by Windstream to its stockholders, and investors will also be able to access the proxy statement and other relevant documents for free once filed with the Securities and Exchange Commission at www.sec.gov.

-end-

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Exhibit 99.2


DATA.
VOICE.
NETWORK.
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smart solutions. personalized service.
REIT Update Call
December 18, 2014

Safe Harbor / Participants in the Proxy Solicitation

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 are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company. Such 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 in Windstream's forward-looking statements include, among others: (i) risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spin off, the ability of Windstream to reduce its debt by the currently-anticipated amounts, and the diversion of management's attention from regular business concerns; (ii) our ability to receive, or delays in obtaining, the regulatory approvals required to complete the spin off, and the risk that Windstream's board of directors could abandon the spinoff or modify or change the terms of the spinoff at any time and for any reason until the spinoff is complete; and (iii) our ability to obtain stockholder approval of an amendment to our subsidiary's certificate of incorporation that will facilitate the REIT spin off without incurring a large tax liability; (iv) those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the Securities and Exchange Commission at www.sec.gov.

Windstream and its directors and executive officers may be deemed to be participants in the solicitation of proxies from Windstream's stockholders with respect to the proposals for which stockholder approval is being sought in advance of the REIT spin off. Information about Windstream's directors and executive officers and their ownership of Windstream's common stock is set forth in Windstream's proxy statement on Schedule 14A filed with the SEC on March 25, 2014 and Windstream's Annual Report on Form 10-K for the year ended December 31, 2013. Information regarding the identity of the potential participants, and any direct or indirect interests they have in the proposals, by security holdings or otherwise, will be set forth in the proxy statement and other materials to be filed with the SEC in connection with the proposals. Windstream's stockholders are advised to read the proxy statement when it becomes available because it will contain important information. The proxy statement will be mailed by Windstream to its stockholders, and investors will also be able to access the proxy statement and other relevant documents for free once filed with the SEC at www.sec.gov.

Today's Agenda

Leadership



Tony Thomas

- President & CEO, Windstream
- Previously CFO of Windstream; most recently REIT CEO
- Over 20 years experience in the communications industry



Bob Gunderman

- CFO, Windstream
- Previously Windstream Treasurer
  - Interim CFO since Oct. 2014

Agenda

- Review of REIT spinoff
- Discussion of updates to the transaction
- Progress and timeline

REIT Spinoff from Windstream

Windstream is separating the business into two independent, publicly traded companies through a tax-free spinoff of selected network assets



- Windstream will spin off certain network assets into an independent, publicly traded real estate investment trust or REIT, named Communications Sales & Leasing ("CS&L)
- Windstream retains operational control of the network assets via a long-term "triple net" exclusive master lease agreement and will retain sole responsibility for meeting its existing regulatory obligations post transaction
- Windstream will retain the day-to-day role of providing advanced network communications services to businesses and consumers
- CS&L will become a new publicly traded real-estate investment trust that invests in telecom distribution system assets

Improving the Transaction Structure to Maximize Value

windstream

Updates to Structure

- **Ownership:**
  - Windstream will distribute ~80% of CS&L shares to WIN shareholders
  - Remaining ~20% of CS&L shares used to retire WIN debt opportunistically within 12 months of close
  - WIN will vote its REIT shares in accordance with the vote of the publicly held shares
- **Debt for Debt Exchange:**
  - Incremental $150M debt issued at CS&L used for additional debt pay down at Windstream

Benefits of New Structure

- **Debt reduction and flexibility:**

☑ Significantly improves WIN leverage with:

  - Addl. $150M in debt reduction and
  - Future debt pay down using CS&L stock of an estimated $850M to $1B, depending on CS&L valuation (1)

☑ CS&L retains flexibility to grow and return capital to shareholders

☑ ~20% retention provides WIN the opportunity to benefit from optimal CS&L value and enable both companies to retain financial flexibility

The revised structure improves Windstream's credit profile, resulting in a financially stronger anchor tenant for CS&L

(1) Assumes share price based on a OIBDA multiple of 12.5x- 13.9x at CS&L

Revised Transaction Structure Has Multiple Benefits

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	Windstream	CS&L
Lease Payment	▪ Unchanged	▪ Unchanged
Revenue	▪ Unchanged	▪ Unchanged
OIBDA	▪ Unchanged	▪ Unchanged
Free Cash Flow / AFFO	▪ Slightly enhanced by ~$150M less leverage ▪ Temporarily enhanced by benefit of REIT dividends until disposition	▪ Slightly lower AFFO due to ~$150M additional leverage – Results in modest change to payout ratio of less than 200 bps
Leverage	▪ Significantly enhanced due to future use of CS&L equity stake to pay down debt – Depending on REIT valuation, could result in lower net leverage of 0.6x - 0.7x compared to previous structure	▪ Slightly higher net leverage ratio of 0.2x
Dividend	▪ Unchanged at $.10 per share – Windstream benefits from temporarily higher free cash flow from REIT dividends until liquidation	▪ Unchanged - at $.60 per share (1) – Windstream shareholders receiving ~80% of CSL shares

Strategic benefits remain unchanged: Transaction improves Windstream's financial position and accelerates network investments, creates 2 focused businesses and maximizes value for shareholders

(1) Assumes a 1 for 1 exchange ratio

Revised Transaction Structure Has Multiple Benefits *(cont'd)*

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(Dollars in Millions, Except per Share)

New Structure Improves WIN Leverage and Provides Increased Financial Flexibility

	12/31/14 Windstream	Windstream	CS&L	Illustrative Combined Value / % Change
FY15E Revenue [1]	$ 5,763	$ 5,763	$ 650	
FY15E Adjusted OIBDA [1]	2,064	1,414	630	
Assumed Adjusted OIBDA Multiple	6.8x	*Current ILEC Comp Average* 6.1x	*Current Triple-Net REIT Comp Average* 13.9x	
Indicative Enterprise Value	$ 13,967	$ 8,625	$ 8,757	
(-) Net Debt (as of 12/31/14E) [2]	(8,600)	(5,250)	(3,550)	
(+) Temporary Retained Ownership in CS&L [3]	---	1,036	---	
Indicative Equity Value	$ 5,367	$ 4,412	$ 5,207	*Value creation excludes 19.9% of CS&L's equity value retained by New Windstream*
Shares Outstanding	*603*	*603*	*603*	
Indicative Share Price	*Current* $ 8.90	$ 7.32	$ 8.64	**$ 14.23 / 59.9%**
Net Leverage	4.2x	3.7x	5.6x	
Net Leverage Incl. Temporary Retained Ownership in CS&L	---	3.0x	---	

CS&L Valuation Sensitivity and Resulting New Windstream Net Leverage

	Assuming a CS&L OIBDA Multiple of:	
	12.5x	13.9x
Windstream Retained Ownership in CS&L	$ 861	$ 1,036
Net Leverage Including CS&L Stake	3.1x	3.0x
Improvement from Base Case Net Leverage of 3.7x	*(0.6x)*	*(0.7x)*

Note: For illustrative purposes only and not intended to predict future share prices of New Windstream or CS&L. Assumes 12/31/14 transaction date for illustrative and pro forma purposes. CS&L's indicative share price and dividend per share assumes a 1:1 exchange ratio. Assumes $650M lease payment from Windstream to CS&L and pay down of ~$3.4B of debt at Windstream via the debt for debt exchange and cash payment. Assumes New WIN retains 19.9% interest in CS&L (~$1B in value). Excludes transfer of consumer CLEC business.

(1) FY15E Revenue and adjusted OIBDA equal to Wall St. consensus estimates.

(2) Excludes debt premium. FY14E debt estimated based on FCF and payout ratio guidance. Assumes Windstream incurs $200M in transaction expenses and financing fees at transaction closing.

(3) Assumes Windstream retains a 19.9% interest in CS&L. The retained ownership amount excludes transaction fees for the future liquidation of the equity interest and any prepayment penalties associated with the debt pay down.

Separation Creates Two Focused Businesses

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Windstream

- Enterprise service provider with advanced capabilities
- Differentiated business model focusing on mid-size business market
- Roadmap to sustainable growth with 73% of revenue in growth segments
- Financial flexibility to invest in growth initiatives
- Strong and improving balance sheet



REIT

- Geographically diverse, high-quality assets
- Ability to grow and diversify both organically and through acquisition
- Capital structure supports shareholder dividends and financial flexibility to grow
- Sustainable and predictable free cash flow



Growth-focused enterprise telecom services provider

Yield-oriented REIT focused on growth and diversification

Windstream Strategic Priorities

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Driving revenue and OIBDA growth

Strengthen
the core business



- Upgrade and expand network to provide best in class user experience
- Simplify systems environment and improve operational processes to gain efficiency and scale
- Deliver exceptional customer service

Invest
for profitable growth



- Success based fiber expansion to enhance revenue and expenses
- Enhance broadband capabilities and speeds
- Transition to IP network

Expand
capabilities



- Offer new services
- Partner with REIT to expand opportunities
- Strategic M&A

Communications Sales & Leasing Strategy and Overview

windstream

Well-positioned to grow funds from operations (FFO) per share

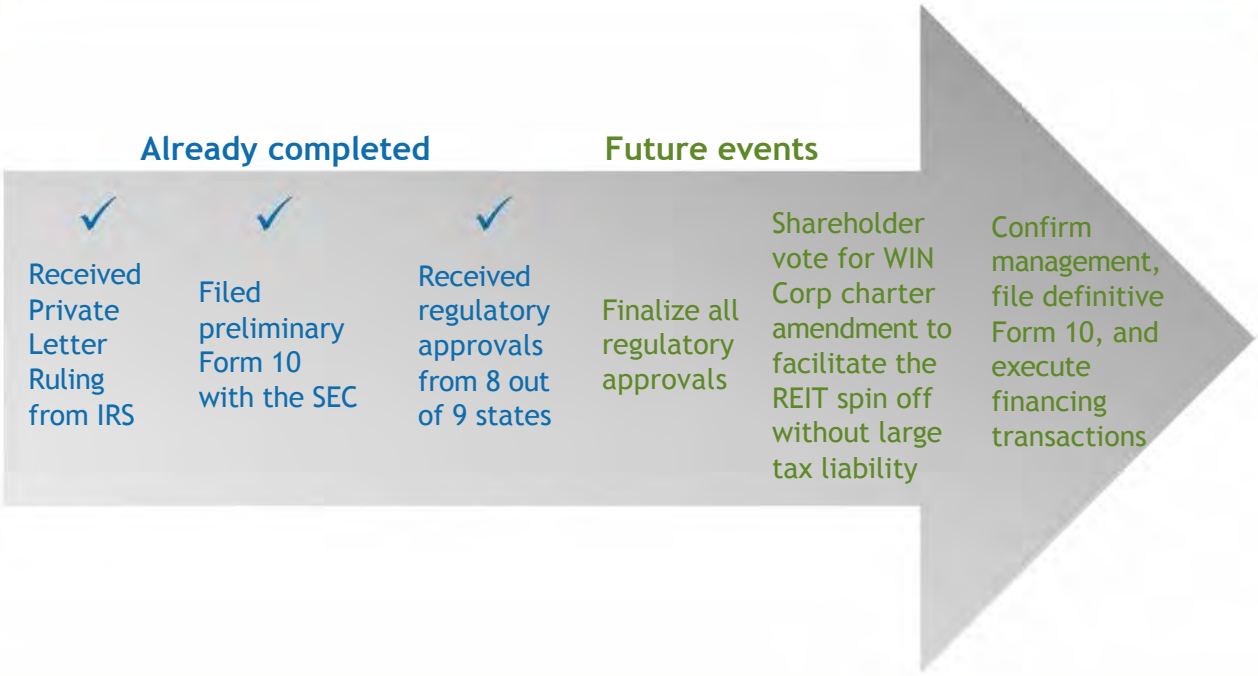
Strategy	▪ Invest in telecom distribution systems infrastructure, including fiber, copper, real estate, and other related fixed assets ▪ Grow FFO per share by partnering with tenants on success-based network expansion opportunities, strategic acquisitions of telecom infrastructure and growing lease revenue via rate escalations ▪ Return income to investors through regular dividend distributions
Operations	▪ Anchor tenant: Windstream ▪ Future customers: Other carriers and telecommunications services providers ▪ Growth strategy: Success-based capital investments, M&A and lease escalations ▪ Employees: ~25 ▪ Ticker: CSAL
CEO & Chairman	▪ Skip Frantz, Chairman ▪ CEO: Search underway
Financial Considerations	▪ Initial lease revenue: ~$650M (1) ▪ Expected pro forma net leverage: ~.65x ▪ Expected dividend: $.60 per share, assuming a 1 for 1 basis (2) ▪ The REIT will distribute at least 90% of its annual taxable income as dividends

(1) The REIT will also receive Windstream's residential CLEC business.
(2) The exchange ratio is expected to be .2 shares of CS&L for each share of WIN owned, subject to finalization. With a .2 exchange ratio, the CS&L dividend is expected to be $2.40 / share annually.

Transaction Timeline

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Expect to close the REIT spinoff in the first half of 2015



Transaction Benefits

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Summary

- **Deleveraging:** Additional cash flow generated from this structure will accelerate WIN debt pay down, strengthening the balance sheet
- **Positioning both WIN and CS&L for growth:** Transaction better positions both companies to focus on growth through attractive expansion projects
- **Attractive dividend:** CS&L's strong and stable cash flow will support an attractive dividend
- **Strategic flexibility:** New capital structures provide increased strategic flexibility, allowing each company to optimize priorities and opportunities
- **Transaction unlocks meaningful value for shareholders**





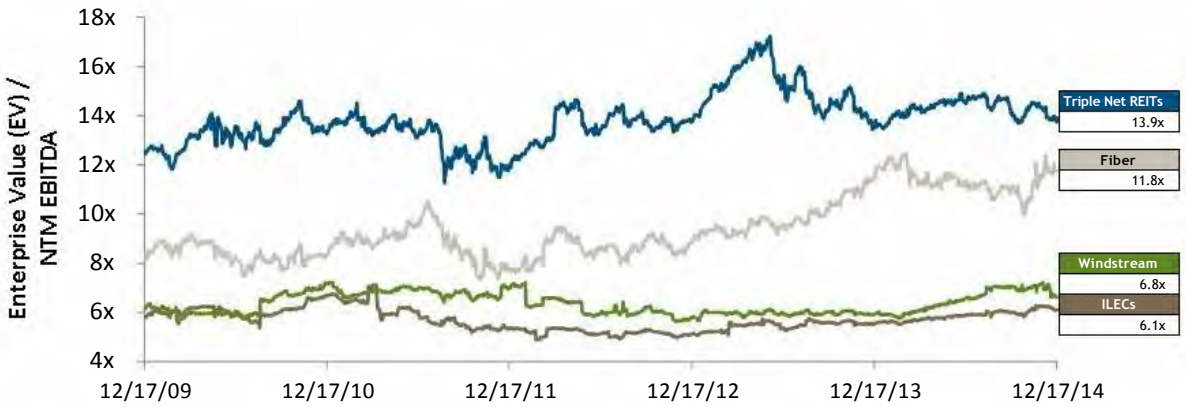
Appendix

Historical Valuation of REITs versus WIN Peers

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Triple Net REITs have historically traded at significant premiums to WIN and its peers

Average During	Windstream	ILECs	Fiber	Triple Net REITs
Current Multiple:	6.8x	6.1x	11.8x	13.9x
Last 1 Year:	6.5x	5.9x	11.4x	14.3x
Last 2 Years:	6.2x	5.7x	10.6x	14.7x
Last 3 Years:	6.2x	5.5x	10.0x	14.3x
Last 5 Years:	6.4x	5.7x	9.4x	13.9x



Source: Factset.
Note: Triple Net REITs average EV / NTM EBITDA includes O, OHI, NNN, GLPI, EPR, LXP, MPW, NHI, SBRA, LTC and GTY.
Note: ILECs average EV / NTM EBITDA includes ALSK, HCOM, FRP, CNSL, CBB, WIN, FTR and CTL.
Note: Fiber average EV / NTM EBITDA includes CCOI, ZAYO and LVLT.

Exhibit F

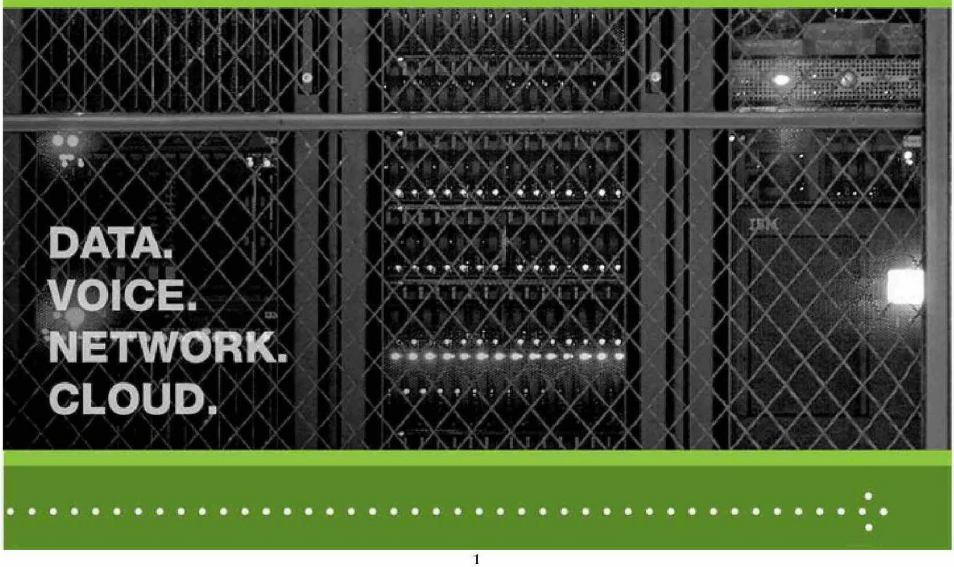
Board Presentation

Exhibit D

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Board of Directors Meeting

March 17, 2015



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WINDSTREAM HOLDINGS, INC.
WINDSTREAM SERVICES, LLC

AGENDA

Joint Board of Directors Meeting

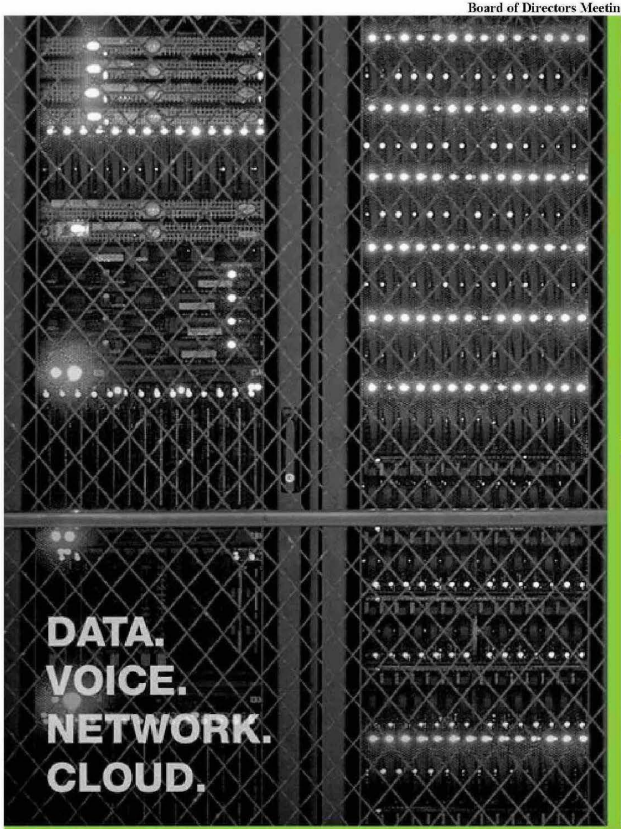
March 17, 2015

A. Interim Update
B. REIT Update
   1. Executive Summary
   2. Financing Plan and Transaction Model
   3. Equity Valuation Considerations and IR Plan
   4. CS&L Standalone Readiness
   5. Confirmatory Diligence
   6. Summary of Principal Transaction Documents

Appendix:
   a. Resolutions
   b. Duff & Phelps Presentation

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smart solutions. personalized service.

February 2015 Financial Review

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E&Y Valuation Approach

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- Ernst & Young ("E&Y") was engaged to update their asset valuation of the real estate assets to be transferred to PropCo
- E&Y performed their work on the assets existing as of 12/31/14. Based on their work they concluded:
  - Assets transferred to PropCo have a fair market value (FMV) between $7.45B - $8.24B
    - Increase in value is due to the valuation of land, buildings, easements, and additional copper/fiber assets not captured in the initial 6/30/2013 valuation
  - Residual value at the conclusion of the initial 15 year lease term would be ~35% of the initial FMV
  - Based on a reasonable market estimated lease return of 9-11%, fair market rent for the assets transferred equate to an annual lease payment of $603 - $700M (15 year lease term)
  - Should the lease term extend to 20 years:
    - Residual value to initial FMV would be ~30%
    - Annual lease payment of $579 - $707M
- Windstream management believes $650M is the optimal initial lease rate, which falls within E&Y's calculated fair market rent range
  - Provides significant deleveraging to OpCo
  - Allows PropCo to pay substantial dividend post transaction ($0.60/share initially)
  - The lease payment is ~3.0x covered by EBITDAR at OpCo, ensuring feasibility and health of both OpCo and PropCo through the life of the lease

Board of Directors Meeting - REIT Update

E&Y Valuation Overview

(Dollars in Millions)

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Asset Valuation Analysis

Asset Category	Fair Market Value Range Low	Fair Market Value Range High	Previous Range
Telecom distribution assets	$ 6,990	$ 7,630	
Real property (Incl. easements) [1]	460	610	
Total Fair Market Value (rounded)	**$ 7,450**	**$ 8,240**	**$7,100 - $7,800**
Implied Cap Rate	*8.7%*	*7.9%*	*9.2% - 8.3%*
Total Residual Value (rounded):			
15-Year Lease Uniflated	$ 2,460	$ 3,060	$1,800 - $2,000
% of Fair Market Value	*33.0%*	*37.1%*	*25.4% - 25.6%*
20-Year Lease Uniflated	$ 2,050	$ 2,480	
% of Fair Market Value	*27.5%*	*30.1%*	

Lease Fair Market Rent Analysis

Fair Market Rent Range — Lease term 15		Estimated Lease Rates 9%	10%	11%	Previous Range
Fair Market Value	Low	$603	$638	$674	$603 - $664
	Mid	$614	$650	$687	---
	High	$626	$662	$700	$660 - $727

Fair Market Rent Range — Lease term 20		Estimated Lease Rates 9%	10%	11%
Fair Market Value	Low	$579	$620	$663
	Mid	$614	$650	$687
	High	$617	$662	$707

Valuation Methodology:

- Cost approach
  - Replacement cost new less Depreciation & Obsolescence
  - Distribution system replacement cost new estimated to be approximately $16.5B, reduced by physical deterioration and obsolescence approximating $9B - $9.5B
- Market approach (Guideline comparable financial metrics)
  - Return on asset and profitability metrics of PropCo and OpCo were within the range of guideline comparable companies

Lease Rate Methodology:

- Estimated a reasonable lease rate range of 9% to 11% based on (i) Weighted Average Cost of Capital (WACC) and (ii) Return on Asset (ROA) plus long term debt
- Using the WACC methodology, the implied lease rate is approximately 9%
  - Assumes capital structure: Debt = 60%, Equity = 40%
  - Assumes long-term debt rate (BB, 20 year term) = ~8%
  - Assumes a market based equity return = 10%
- Using the ROA plus long-term debt methodology, the implied lease rate is approximately 11%
  - Assumes long-term debt rate of ~8% (BB, 20 year term), plus
  - Pre-tax Return on Assets (ROA) mean/median = ~2.5% (based on comparable companies)

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Asset Valuation Considerations

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- While the midpoint of E&Y's asset valuation increased ~$400M, Management believes the lower end of the range remains the right assessment of value and the assets transferred to the REIT, as well as the initial rent, should remain as contemplated in the original valuation
  - The purpose of the E&Y valuation is to provide a range of values to confirm that Management's value assessment is FMV
  - E&Y's valuation is inherently subjective and subject to a number of key assumptions that can produce a wide range of values and should not be viewed as a substitute for Management's assessment of value
  - Other valuation data points indicate a lower value than the mid-point of E&Y's valuation range of $7.8B
    - Assuming a 5.8x PF OpCo trading multiple (comparable to WIN's comps), WIN's current price implies a PropCo enterprise value of $5.4B
    - Research analysts' consensus PropCo trading multiple of 12.1x implies a $7.6B PropCo enterprise value
    - Gross book value of assets is $5.9B
- Removing assets from the transaction would likely introduce meaningful delays and uncertainty in the transaction timeline (3 weeks +)
  - Internal review / updating pro forma financial statements
  - PWC review of new financial statements
  - Re-submission of Form 10 to SEC and likely subsequent elongated review until Form 10 becomes effective
- Would decrease basis going to REIT, making the debt-for-debt exchange marginally more difficult to execute
- If debt markets become volatile during delay and interest rates increase by 50-100 bps, a delay could destroy meaningful equity value for WIN shareholders *(1)*
  - Would decrease annual free cash flow by $14M - $28M, resulting in equity value destruction of $150M - $300M assuming base case free cash flow multiple of 10.7x
  - Would potentially require a dividend cut of $0.08 - $0.16 per share to maintain base case payout ratio, resulting in equity value destruction of $150M - $300M assuming base case dividend yield of 8.1%

(1) Analysis base case assumes $3,650M total debt, PropCo 2016 OCF of $416M, equity value of $4,438M (assumes 12.5x FY15E OIBDA), OCF payout ratio of 87.4% and $2.40 per share dividend.

Duff & Phelps Solvency Opinion

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- We have engaged Duff & Phelps to provide a solvency opinion at the closing of the transaction.
- Duff & Phelps is an independent advisor who will perform no other role in the transaction. Their engagement is on a fixed-fee basis, and no portion of their fee is refundable or contingent on the consummation of the transactions or the conclusions reached in the opinions.
- In their opinion, Duff & Phelps will determine, after giving effect to the consummation of the transactions:
  - The assets of Windstream Holdings, Windstream Services and CS&L, at a fair valuation, exceed their respective debts (including contingent liabilities);
  - Each of Windstream Holdings, Windstream Services and CS&L, should be able to pay their respective debts (including contingent liabilities) as they become due;
  - Each of Windstream Holdings, Windstream Services and CS&L, will not have an unreasonably small amount of assets (or capital) for the businesses in which each is engaged or in which management intends to engage;
  - The fair value of the assets of Windstream Holdings exceeds the sum of (a) its liabilities (including contingent liabilities) and (b) its capital (as calculated pursuant to Delaware law) by no less than an amount to be determined (the "Baseline Capital Amount");
  - The fair value of the assets of Windstream Services exceeds its liabilities (including contingent liabilities), as such assets are valued under Delaware law, by no less than an amount to be determined;
  - The total assets of CS&L exceed the total liabilities of CS&L (as calculated pursuant to Maryland law) by no less than an amount to be determined.
- Duff & Phelps will deliver their final opinions to each the Board of each of (i) Windstream Holdings and Windstream Services and (ii) CS&L. The determination contained in each opinion will be used by management to determine available surplus for each company for future distributions.

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REIT Spin-Off Update

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Executive Summary

Financing Plan & Transaction Model

Equity Valuation Considerations and IR Plan

CS&L Standalone Readiness

Confirmatory Diligence

Summary of Principal Transaction Documents







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Summary of Principal Agreements

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	Agreement	Execution Date	Description
1	Separation & Distribution Agreement	Announcement	Controlling agreement for plan of separation and distribution; identifies scope of transferred assets (distribution facilities), detailed transaction steps, proposed capitalization of CS&L, and conditions of closing
2	Master Lease	Closing	Long-term exclusive lease of distribution facilities. See following slide for summary of key terms, which have not been changed since last Board update.
3	Registration & Stockholder Rights Agreement	Closing	Governs WIN's retained equity stake in CS&L: • Two demand registration rights (no more than 1 per 90 day period) and customary piggyback rights to enable orderly distribution of this stake in 12 months after closing • Blackout - CS&L can delay (or blackout) any demand registration if CS&L reasonably determines, on advice of counsel, that filing a registration statement will require public disclosure of material non-public information about a pending transaction or registration, and such disclosure would materially interfere with such transaction or registration • As long as WIN holds retained shares, WIN agrees to: i. vote retained shares in proportion to votes of all other shareholders ii. standstill provisions (no seeking of positions on board; refrain from proxy contests or other actions as stockholder to influence or control CS&L management practices)
4	Employee Matters Agreement	Closing	Governs the transition of employees to CS&L and the treatment of unvested equity awards held by WIN & CS&L employees. In general, equity awards will be adjusted to provide employees with the same consideration received in the spin-off by shareholders, and CS&L will issue equity awards to WIN employees based on the spin-off exchange rate and containing the same terms and conditions as existing awards (including the right to dividends declared on unvested awards)

Summary of Principal Agreements (*cont'd*)

windstream

	Agreement	Execution Date	Description
5	Wholesale Reseller Agreement	Closing	Reseller Agreement pursuant to which WIN will resell underlying telecommunication services to support Consumer CLEC Business for a term of 4 years. WIN will resell services to CS&L based on net revenue billed to customers, with WIN receiving 60% of such revenue.
6	Master Services Agreement (Billing & Collection)	Closing	WIN will provide billing and collection services for 4 year term, including output processing, customer call routing, and collection services. Long-term billing relationship allows WIN to avoid disruptive IT billing system conversion. Services priced at negotiated rate that will cover WIN's costs
7	Transition Services Agreement	Closing	WIN will provide transitional support services for up to 18 months after closing, including IT, customer call routing, and account services. Services priced at rates that approximate WIN's costs
8	Intellectual Property Matters Agreement	Closing	WIN will license Talk America trademark and internet domain names that CS&L needs for the Consumer CLEC Business for a term of 5 years. WIN licenses (instead of sells) its rights due to WIN's continued use of these rights in WIN's retained enterprise business.
9	Reverse Transition Services Agreement	Closing	CS&L will provide limited reverse transitional support to WIN for 90 days after closing. Services priced at rates that approximate CS&L's costs.
10	Tax Matters Agreement	Closing	The Tax Matters Agreement (the "TMA") reflects agreements of the parties concerning the allocation of Taxes with respect to tax periods prior to the spinoff and Taxes associated with the spin-off. In addition, the TMA includes provisions that are intended to prevent the occurrence of any action that would undermine the intended tax treatment of the transaction (a "Disqualifying Action"), including actions that would disqualify the treatment of (i) the spinoff as a tax-free reorganization, (ii) the distributions to WIN shareholders as tax free distributions, and (iii) the debt exchange and debt-for-equity exchanges as tax-free exchanges. In particular, the TMA imposes restrictions intended to ensure that the spinoff and related transactions are not part of a "plan" or series of related transactions pursuant to which one or more persons acquire, directly or indirectly, stock representing 50% or more interest in CS&L or WIN. If the spinoff were subsequently determined by the IRS to have been undertaken by the parties pursuant to such a "plan," the spinoff distributions would become taxable to WIN (but not its shareholders).

Summary of Principal Agreements (*cont'd*)

windstream

	Agreement	Execution Date	Description
10	Tax Matters Agreement (cont'd)	Closing	To protect WIN against CS&L taking actions that could cause the spinoffs to be taxable to WIN, CS&L agrees to the following restrictions for the two-year period commencing on the Closing: • CS&L agrees not to take any Potential Disqualifying Action, which is any action (including engaging in substantial negotiations with respect to a transaction) that would be reasonably likely to cause a Disqualifying Action to occur; • CS&L agrees not to (i) enter into an agreement, understanding or arrangement or engage in any substantial negotiations with respect to transactions involving the the acquisition of CS&L's capital stock, or (ii) issue any additional shares of CS&L capital stock (or other derivative security arrangements), that could involve the direct or indirect acquisition of a 50% or greater interest in CS&L (as defined under applicable tax regulations); • CS&L agrees to continue the active conduct of the Consumer CLEC Business; • CS&L agrees not to dissolve itself or engage in a merger with another person, unless CS&L is the surviving entity of such merger; • CS&L agrees not take any actions that would cause the CS&L debt securities exchanged in the debt-for-debt exchange to NOT be classified as a "security" for tax purposes (e.g., re-finance such securities shortly following the transaction). If there is a final determination that a Disqualifying Action has occurred after the Closing Date due to an action taken by CS&L, CS&L will indemnify WIN against all taxes and related costs arising from such action. If CS&L desires to engage in a transaction or substantial negotiations that would be reasonably likely to cause a Disqualifying Action, CS&L is not prohibited from taking such actions if it (i) obtains a favorable private letter ruling from the IRS that such action will not alter the tax-free treatment of the transactions or (ii) delivers to WIN an unqualified opinion of tax counsel, in form and substance reasonably acceptable to WIN, with respect to such action.

Board of Directors Meeting - REIT Update

Lease Key Terms Remains Unchanged

windstream

Lease Structure	■ "Triple Net" Master Lease: Windstream Holdings will be responsible for maintenance capital expenditures, property taxes, insurance and other expenses ■ All properties subject to a single, indivisible lease and not separate leases ■ Windstream Holdings to pay all fees associated with the Permits and Pole Agreements, franchise, permit and inspection fees, and easement acquisition costs
Term and Termination	■ 15 years, with up to four 5-year renewals (maximum term of lease of 35 years regardless of OpCo exercising its 5 year extension option) ■ Within first five years, OpCo has the right to extend the Initial Term for 5 years ■ Causes for termination by lessor include lease payment default, bankruptcy and/or loss of relevant authorization permits ■ Provisions for orderly auction-based transition to new operator at the end of the lease term if not extended
Rent	■ $650M [(a)] Annual Rental rate (excluding addition of capex funded by PropCo), paid in equal monthly installments in advance ■ Rate is fixed for 3 years; thereafter, the rate increases on an annual basis at a rent escalator of 0.5% ■ Rent will be paid on a triple net basis, with Lessee responsible for all costs associated with the operation and maintenance of the PropCo assets, Permits and Pole Agreements, including without limitation, all taxes, maintenance, insurance and third party lease, license and regulatory fees
Rights Conveyed	■ Lease will convey upon Windstream Holdings, for the express benefit of its operating subsidiaries, exclusive rights to access and affix telecommunications electronics, switching or other equipment to the PropCo assets for the provision, routing and delivery of voice, data and other communication services ■ In exchange for consideration paid, Windstream Holdings' exclusive usage rights include the right to provide communications services or sub-lease access to the PropCo assets. Any such services will be operated and administered by Windstream Holdings for its sole benefit
Capital Expenditures	■ Windstream Holdings will be required to maintain properties consistent with industry standards, in good repair ■ If OpCo exercises its option to extend the Initial Term for 5 years, PropCo has an obligation to fund up to $50 million annually of Capital Improvements, as requested by OpCo, for 5 years after the option is exercised, but, in no event will PropCo's obligation to fund Capital Improvements extend beyond year 7 of the lease ■ Capitalization rate of PropCo funded Capital Improvements will be 8.125% for first 2 years and a floating rate based on PropCo's cost of capital thereafter

(a) Final rent amount to be confirmed by Board.

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Confidential

WIN_00014450

Exhibit G

Q1 2019 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Services, LLC	Delaware	001-36093	20-0792300

4001 Rodney Parham Road Little Rock, Arkansas (Address of principal executive offices)	72212 (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock ($0.0001 par per share) (1)	WINMQ (1)	OTC Pink Sheets Market (1)

(1) On April 2, 2019, the NASDAQ Stock Market filed a Form 25 with the Securities and Exchange Commission to delist the common stock, par value $0.0001, per share of Windstream Holdings, Inc. (the "common stock") from the NASDAQ Global Select Market. The delisting was effective 10 days after the Form 25 was filed. The deregistration of the common stock under Section 12(b) of the Securities Exchange Act of 1934 will be effective 90 days, or such shorter period as the Securities and Exchange Commission may determine, after filing of the Form 25. Following deregistration of the common stock under Section 12(b) of the Securities Exchange Act of 1934, the common stock shall remain registered under Section 12(g) of the Securities Exchange Act of 1934. Trading of Windstream's common stock now occurs on the OTC Pink market under the symbol "WINMQ."

4. Debt, Continued:

During the first three months of 2019, the variable interest rate on the revolving line of credit ranged from 4.38 percent to 8.50 percent, and the weighted average rate on amounts outstanding was 5.89 percent during the period. Comparatively, the variable interest rate ranged from 3.40 percent to 5.75 percent during the first three months of 2018 with a weighted average rate on amounts outstanding during the period of 3.62 percent.

Following the filing of the Chapter 11 Cases, interest rates applicable to the revolving line of credit, Tranche B6 term loan and Tranche B7 term loan were converted from LIBOR to the alternate base rate, the effects of which increased interest rates 2.00 percent for borrowings under the senior secured credit facility. The Bankruptcy Court also approved an additional 2.00 percent default rate applicable to borrowings under the senior secured credit facility. As of March 31, 2019, interest rates applicable to the revolving line of credit, Tranche B6 term loan and Tranche B7 term loan were 8.50 percent, 10.50 percent and 9.75 percent, respectively.

Interest Expense

Interest expense was as follows:

	Three Months Ended March 31,	
(Millions)	2019	2018
Interest expense - long-term debt	$ 93.8	$ 101.9
Interest expense - long-term lease obligations:		
Telecommunications network assets	-	118.5
Real estate contributed to pension plan	1.6	1.5
Impact of interest rate swaps	(2.9)	0.6
Interest on finance leases and other	0.9	1.5
Less capitalized interest expense	(1.5)	(0.9)
Total interest expense	$ 91.9	$ 223.1

5. Leases

As previously discussed in Note 1, we adopted ASU 2016-02 effective January 1, 2019 using the modified retrospective transition method. We lease network assets and equipment, real estate, office space and office equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet, and we recognize lease expense for these leases on a straight-line basis over the lease term. We have lease agreements with lease and nonlease components, which are generally accounted for separately. For certain agreements in which we lease space for data storage and communications equipment within data centers, central offices of other interexchange carriers and alternative access providers, we account for the lease and nonlease components as a single lease component when the timing and pattern of transfer of the lease and nonlease components are identical, and the lease classification would have been an operating lease absent the combination.

Our operating leases have remaining lease terms of 1 to 30 years, some of which may include one or more options to renew with renewal terms that can extend the lease term from 1 to 10 years or more. The exercise of lease renewal options is at our sole discretion. At inception of a lease, the lease term is generally equal to the initial lease term as execution of a renewal is not reasonably certain at inception. Subsequent renewals are treated as lease modifications. Due to the nature and expected use of the leased assets, exercise of renewal options is reasonably certain for month-to-month fiber, colocation, point of presence and rack space leases. The lease term is based on the average lease term for similar assets or expected period of use of the underlying asset. We apply a portfolio approach to effectively account for the operating lease right-of-use asset and liability for these low dollar, high volume leases. Certain leases also include options to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

5. Leases, Continued:

Windstream uses an incremental borrowing rate as the rates implicit in the leases are not readily determinable. The incremental borrowing rates used for lease accounting are based on Windstream's unsecured rates, adjusted by adding the average credit spread percentage of its traded debt to the January 1, 2019 risk-free rate at that maturity to approximate what Windstream would have to borrow on a collateralized basis over a similar period of time as the recognized lease term. Windstream applies the incremental borrowing rates to lease components using a portfolio approach based upon the length of the lease term and the reporting entity in which the lease resides.

Certain of our lease agreements include rental payments adjusted periodically for inflation. Lease liabilities are not remeasured as a result of changes to the inflation index. Changes to the inflation index are treated as variable lease payments and recognized in the period in which the obligation for those payments was incurred. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating leases consist principally of leases for network assets and equipment, real estate, office space and office equipment. Our most significant operating lease is with Uniti, pursuant to which Windstream Holdings leases telecommunications network assets, including fiber and copper networks and other real estate. Under terms of the master lease, Windstream Holdings has the exclusive right to use the telecommunications network assets for an initial term of 15 years ending in April 2030, with up to four, five-year renewal options. The master lease provides for a current annual rent of $659.0 million paid in equal monthly installments in advance with an annual base rent escalator of 0.5 percent. Future lease payments due under the agreement reset to fair market rental rates upon Windstream Holdings' execution of the renewal options. The remaining lease term is 11.1 years with a discount rate of 13.9 percent.

The acceleration of the 2023 Notes resulted in an event of default under the master lease but no default notice has been received. Upon an event of default, remedies available to Uniti include terminating the master lease and requiring us to transfer the business operations we conduct on the leased assets so terminated (with limited exceptions) to a successor tenant for fair market value pursuant to a process set forth in the master lease, dispossessing us from the leased assets, and/or collecting monetary damages for the breach (including rent acceleration), electing to leave the master lease in place and sue for rent and any other monetary damages, and seeking any and all other rights and remedies available under law or in equity. The exercise of such remedies could have a material adverse effect on our business, financial position, results of operations and liquidity. Uniti's ability to exercise remedies under master lease was stayed as of the date of the Chapter 11 petition filing.

Finance leases consist principally of facilities and equipment for use in our operations. Generally, lease agreements that include a bargain purchase option, transfer of ownership, contractual lease term equal to or greater than 75 percent of the remaining estimated economic life of the leased facilities or equipment or minimum lease payments equal to or greater than 90 percent of the fair value of the leased facilities or equipment are accounted for as finance leases.

We lease certain real property contributed to the Windstream Pension Plan. The lease agreements provide for the continued use of the properties by our operating subsidiaries and include initial lease terms of 10 years for certain properties and 20 years for the remaining properties at an aggregate annual rent of approximately $6.0 million. The lease agreements provide for annual rent increases ranging from 2 percent to 3 percent over the initial lease term and may be renewed for up to three additional five-year terms. The properties are managed on behalf of the Windstream Pension Plan by an independent fiduciary. Due to Windstream Services' ability to repurchase the property by ceasing all but de minimis operations at the location, control of the property has not transferred and the transaction continues to be accounted for as a financing obligation. Accordingly, the properties continue to be reported as assets of Windstream and depreciated over their remaining useful lives until termination of the lease agreement. The long-term lease obligation initially equal to the fair value of the properties at the date of contribution of $72.8 million as of March 31, 2019 is presented in other liabilities. As a result of using the effective interest rate method, when lease payments are made to the Windstream Pension Plan, a portion of the payment is charged to interest expense and the remaining portion is recorded as an accretion to the long-term lease obligation.

5. Leases, Continued:

Components of lease expense were as follows for the three-month period ended March 31, 2019:

(Millions)	Classification		
Operating lease costs (a)	Cost of services, Selling, general and administrative	$	201.5
Finance lease costs			
Amortization of right-of-use assets	Depreciation and amortization		4.4
Interest on lease liabilities	Interest expense		0.4
Net lease expense		$	206.3

(a) Includes short-term leases and variable lease costs which are not material.

Supplemental balance sheet information related to leases was as follows:

(Millions)	March 31, 2019	
Operating Leases		
Operating lease right-of-use assets	$	4,187.4
Current portion of operating lease obligations		3,916.1
Operating lease liabilities		302.2
Operating lease liabilities prior to reclassification to liabilities subject to compromise		4,218.3
Less amounts reclassified to liabilities subject to compromise		(4,218.3)
Total operating lease liabilities	$	-
Finance Leases		
Property, plant and equipment, gross	$	231.7
Accumulated depreciation		(144.8)
Net property, plant and equipment		86.9
Other current liabilities		45.8
Other liabilities		39.8
Finance lease liabilities prior to reclassification to liabilities subject to compromise		85.6
Less amounts reclassified to liabilities subject to compromise		(85.6)
Total finance lease liabilities	$	-
Weighted Average Remaining Lease Term		
Operating lease		10.7 years
Finance lease		2.3 years
Leaseback of real estate contributed to pension plan		11.3 years
Weighted Average Discount Rate		
Operating lease		14.0%
Finance lease		4.5%
Leaseback of real estate contributed to pension plan		8.6%

(DEBTOR-IN-POSSESSION)
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

5. Leases, Continued:

Supplemental cash flow information related to leases was as follows for the three-month period ended March 31, 2019:

(Millions)	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	$ 196.9
Operating cash outflows from finance leases	1.3
Financing cash outflows from finance leases	13.7
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	4.0
Finance leases	3.9

As of March 31, 2019, future minimum lease payments under non-cancellable leases were as follows:

(Millions)	Operating Leases (a)	Leaseback of Real Estate Contributed to Pension Plan (a)	Financing Leases (a)
2019 (excluding the three months ended March 31, 2019)	$ 605.0	$ 4.9	$ 41.1
2020	772.6	6.7	26.3
2021	758.1	6.9	9.5
2022	738.8	7.1	4.8
2023	723.3	7.3	4.7
Thereafter	4,496.6	55.0	6.5
Total future minimum lease payments	8,094.4	87.9	92.9
Less: Amounts representing interest	3,876.1	66.6	7.3
Less: Residual value	-	(51.5)	-
Present value of lease liabilities	$ 4,218.3	$ 72.8	$ 85.6

Future minimum lease payments as of December 31, 2018, as disclosed in our 2018 Form 10-K under ASC 840 were as follows:

(Millions)	Operating Leases (a)	Leaseback of Telecommunications Network Assets	Leaseback of Real Estate Contributed to Pension Plan (a)	Capital Leases (a)
2019	$ 159.0	$ 658.9	$ 6.5	$ 54.5
2020	108.8	662.2	6.7	25.8
2021	87.3	665.6	6.9	8.6
2022	66.3	668.9	7.1	4.3
2023	51.2	672.2	7.3	4.2
Thereafter	182.6	4,323.1	55.0	5.1
Total future minimum lease payments	$ 655.2	$ 7,650.9	$ 89.5	102.5
Less: Amounts representing interest				8.4
Present value of lease liabilities				$ 94.1

(a) Includes options to extend lease terms that are reasonably certain of being exercised.

5. Leases, Continued:

As of March 31, 2019, there are no material operating or finance leases that have not yet commenced.

To provide comprehensive communication solutions to meet our customers' needs, our services are integrated with the latest communications equipment. Certain offerings include equipment leases. We also lease fiber to generate cash flow from unused or underutilized portions of our network. Lease terms typically range from 1 to 20 years some of which may include one or more options to renew, with renewal terms that can extend the lease term from one to 10 years. Fiber customers do have the ability to early terminate the lease by relinquishing the fiber strands back to us, however we have assessed the probability of such action to be remote.

Most of our leases are adjusted periodically for inflation. Although increases in the inflation index are not estimated as part of straight-line rent revenue, to the extent that the actual inflation index is greater or less than the inflation index at lease commencement, there could be changes to realized income or loss.

Comprehensive communication solutions with both lease and nonlease components such as maintenance and other services are accounted for as separate components under the guidance applicable to the component either Accounting Standard Codification Topic 606, Revenue from Contracts with Customers ("ASC 606") or ASC Topic 842, Leases ("ASC 842").

If equipment is not returned, early contract termination penalties are designed to cover the cost of the unrecovered equipment. We provide maintenance for all fiber agreements at lessees cost limiting residual value risk.

Operating lease income was $65.5 million for the three-month period ended March 31, 2019 and is included in service revenues in our consolidated statement of operations.

Future lease maturities under non-cancellable leases were as follows for the years ended December 31:

(Millions)		
2019 (excluding the three months ended March 31, 2019)	$	46.6
2020		49.4
2021		32.6
2022		11.4
2023		5.7
Thereafter		0.9
Total future lease receipts	$	146.6

6. Derivatives:

Prior to the filing of the Chapter 11 Cases, Windstream Services was party to six pay fixed, receive variable interest rate swap agreements. Windstream Services had designated each of the six swaps as cash flow hedges of the interest rate risk inherent in borrowings outstanding under its senior secured credit facility due to changes in the LIBOR benchmark interest rate. All of the swaps hedged the probable variable cash flows which extended up to one year beyond the maturity of certain components of Windstream Services' variable rate debt. Windstream Services expected to extend or otherwise replace those components of its debt with variable rate debt.

The variable rate received on the six swaps was based on one-month LIBOR and reset on the seventeenth day of each month. The maturity date for all six interest rate swap agreements was October 17, 2021. Three of the interest rate swaps were off-market swaps, meaning they contained an embedded financing element, which the swap counterparties recovered through an incremental charge in the fixed rate over what would have been charged for an at-market swap. As such, a portion of the cash payment on the swaps represented the rate that Windstream Services would have paid on a hypothetical at-market interest rate swap and was recognized in interest expense. The remaining portion represented the repayment of the embedded financing element and reduced the initial swap liability. These three swaps had a total notional value of $675.0 million and the average fixed interest rate paid was 2.984 percent. The fourth interest rate swap agreement had a notional value of $200.0 million and the fixed interest rate paid was 1.1275 percent. The remaining two interest rate swap agreements had a total notional value of $500.0 million and the fixed interest rate paid was 1.8812 percent.

Exhibit H

2018 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2018
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Services, LLC	Delaware	001-36093	20-0792300

4001 Rodney Parham Road Little Rock, Arkansas (Address of principal executive offices)	72212 (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.0001 par per share) (1)	NASDAQ Global Select Market (1)

Securities registered pursuant to Section 12(g) of the Act:

NONE (1)
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Windstream Holdings, Inc. ☐ YES ☒ NO
Windstream Services, LLC ☐ YES ☒ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Windstream Holdings, Inc. ☐ YES ☒ NO
Windstream Services, LLC ☐ YES ☒ NO

Windstream Holdings, Inc.
Windstream Services, LLC
Form 10-K, Part I

Item 1. Business

THE COMPANY

Unless the context indicates otherwise, the terms "Windstream," "we," "us" or "our" refer to Windstream Holdings, Inc. and its subsidiaries, including Windstream Services, LLC, and the term "Windstream Services" refers to Windstream Services, LLC and its subsidiaries.

ORGANIZATIONAL STRUCTURE

Windstream Holdings, Inc. ("Windstream Holdings") is a publicly traded holding company incorporated in the state of Delaware on May 23, 2013, and the parent of Windstream Services, LLC ("Windstream Services"), a Delaware limited liability company organized on March 1, 2004. Following its delisting on March 6, 2019, Windstream Holdings common stock no longer trades on the Nasdaq Global Select Market ("NASDAQ") but trades on the Over-the-Counter ("OTC") Pink Sheets market maintained by the OTC Market Group, Inc. under the trading symbol "WINMQ". Windstream Holdings owns a 100 percent interest in Windstream Services. Windstream Services and its guarantor subsidiaries are the sole obligors of all outstanding debt obligations and, as a result, also file periodic reports with the Securities and Exchange Commission ("SEC"). Windstream Holdings is not a guarantor of nor subject to the restrictive covenants included in any of Windstream Services' debt agreements. The Windstream Holdings board of directors and officers oversee both companies.

RECENT DEVELOPMENTS

As further discussed under "Legal Proceedings" in Item 3 of this Annual Report on Form 10-K, on September 22, 2017, Windstream Services received a purported notice of default under the indenture governing its 6.375 percent senior notes due August 2023 (the "2023 Notes") from a purported holder of the senior notes, which alleged that Windstream Services had breached certain covenants under the indenture, primarily that the 2015 spin-off constituted a sale and leaseback transaction (as defined in the indenture). On October 12, 2017, the trustee under the indenture filed suit in the United States District Court for the Southern District of New York (the "District Court") seeking a declaration that defaults had occurred under the indenture. On November 6, 2017, Windstream Services received consents from holders representing a majority of the outstanding aggregate principal amount of the 2023 Notes to certain waivers and amendments to the indenture relating to the defaults alleged in the notice of default in connection with certain exchange and consent transactions completed in 2017. On December 7, 2017, the purported holder issued a notice of acceleration claiming that the principal amount, along with accrued interest, was due and payable immediately.

Trial in the litigation occurred July 23-25, 2018 and the District Court heard final arguments on July 31, 2018.

On February 15, 2019, Judge Jesse Furman of the District Court issued certain findings of fact and conclusions of law (the "Findings") regarding the 2015 spin-off and 2017 exchange and consent transactions and found that the trustee under the indenture and/or the noteholder are entitled to a judgment in the litigation.

The Findings resulted in a cross default under Windstream Services' senior secured credit agreement governing its secured term and revolving loan obligations and remaining obligations under the master lease with Uniti Group, Inc. ("Uniti"). In addition, the acceleration of the 2023 Notes as noted in the Findings resulted in a cross-acceleration event of default under the indentures governing Windstream Services' other series of secured and unsecured notes. A judgment has not been entered by the District Court.

On February 25, 2019 (the "Petition Date"), Windstream Holdings and all of its subsidiaries, including Windstream Services (collectively, the "Debtors"), filed voluntary petitions (the "Chapter 11 Cases") for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the "Bankruptcy Code") in the U.S. Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). We intend to use the court-supervised process to address obligations that have been accelerated as a result of the recent decision by Judge Furman against Windstream.

The filing of the Chapter 11 Cases also constitutes an event of default under our debt agreements. Due to the Chapter 11 Cases, however, the creditors' ability to exercise remedies under our debt agreements were stayed as of the Petition Date, and continue to be stayed. See "Risks Related to Chapter 11 Reorganization" in Item 1A.

The Chapter 11 Cases are being jointly administered under the caption In re Windstream Holdings, Inc., et al., No 19-22312 (RDD). We will continue to operate our businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. Pursuant to first day motions filed with the Bankruptcy Court, the Bankruptcy Court authorized us to conduct our business activities in the ordinary course, including, among other things and subject to the terms and conditions of such orders, authorizing us to obtain debtor-in-possession financing, pay employee wages and benefits, and pay vendors and suppliers in the ordinary course for all goods and services.

Additional resources for customers, vendors and other stakeholders, and other information on the Chapter 11 filings, can be accessed by visiting our restructuring website at www.windstreamrestructuring.com. Court filings and other documents related to the Chapter 11 process are available on a separate website administered by our claims agent, Kurtzman Carson Consultants LLC at http://www.kccllc.net/windstream. Information is also available by calling 877-759-8815 (toll-free in the U.S.) or +1-424-236-7262 (for parties outside the U.S.). Documents and other information available on such website are not part of this document and shall not be deemed incorporated by reference in this document.

OVERVIEW

Windstream is a leading provider of advanced network communications and technology solutions for businesses across the U.S. We also offer broadband, entertainment and security solutions to consumers and small businesses primarily in rural areas in 18 states. Additionally, we supply core transport solutions on a local and long-haul fiber network spanning approximately 150,000 miles.

Our mission is to connect people and empower business in a world of infinite possibilities brought on by rapid technological change. Our vision is to provide innovative software and network solutions while consistently delivering a great customer experience.

To execute on our mission and achieve our vision, we have four key priorities for 2019:

- **Deliver consistent excellence in the customer experience.**

We have made significant investments in our business over the past several years to provide quality service and enhance network reliability and ease of doing business. We will continue to improve collaboration and organizational effectiveness and enhance the day-to-day reliability of our network to drive improvements in the service we provide customers.

- **Achieve differentiation in the marketplace through development of innovative software**.

We have reoriented a significant portion of our information technology ("IT") resources on the development of next-generation software that will create customer solutions as well as internal tools that will enhance our interactions with customers.

- **Continue to position the company for top-line growth**.

We have made significant progress transitioning from legacy telecom products and services to next-generation software-enabled products and services with vastly superior capabilities. We will continue to convert existing customers from legacy voice and data products to our strategic products, including SD-WAN, OfficeSuite®, and Kinetic Broadband, that best meet our customers' communications needs.

- **Continue to aggressively manage costs.**

Our biggest single cash cost consists of interconnection payments we make to other telecommunications carriers to utilize their networks to deliver our products and services to customers. Our annualized interconnection spend is approximately $1.4 billion. We have been aggressively reducing those payments by approximately 10 percent for several years, and we expect this downward trend to continue. At the same time, we will continue to manage all other expenses with rigorous discipline.

Operating under Chapter 11 may restrict our ability to pursue our business strategies.

Under Chapter 11, transactions outside the ordinary course of business will be subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond in a timely manner to certain events or take advantage of certain opportunities. We must obtain Bankruptcy Court approval to, among other things:

- engage in certain transactions with our vendors;
- buy or sell assets outside the ordinary course of business;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- grant liens; and
- finance our operations, investments or other capital needs or to engage in other business activities that would be in our interest.

Adverse publicity in connection with the Chapter 11 Cases or otherwise could negatively affect our businesses.

Adverse publicity or news coverage relating to us, including, but not limited to, publicity or news coverage in connection with the Chapter 11 Cases, may negatively impact our efforts to establish and promote name recognition and a positive image after emergence from the Chapter 11 Cases.

The Chapter 11 Cases limit the flexibility of our management team in running our business.

While we operate our businesses as debtor-in-possession under supervision by the Bankruptcy Court, we are required to obtain the approval of the Bankruptcy Court and, in some cases, certain lenders prior to engaging in activities or transactions outside the ordinary course of business. Bankruptcy Court approval of non-ordinary course activities entails preparation and filing of appropriate motions with the Bankruptcy Court, negotiation with the creditors' committee and other parties-in-interest and one or more hearings. The creditors' committees and other parties-in interest may be heard at any Bankruptcy Court hearing and may raise objections with respect to these motions. This process may delay major transactions and limit our ability to respond quickly to opportunities and events in the marketplace. Furthermore, in the event the Bankruptcy Court does not approve a proposed activity or transaction, we would be prevented from engaging in activities and transactions that we believe are beneficial to us.

Our senior management team and other key personnel may not be able to execute the business plans as currently developed, given the substantial attention required of such individuals by the Chapter 11 Cases.

The execution of our business plans depends on the efforts of our senior management team and other key personnel to execute our business plans. Such individuals may be required to devote significant efforts to the prosecution of the Chapter 11 Cases, thereby potentially impairing their abilities to execute our business plans. Accordingly, our business plans may not be implemented as anticipated, which may cause its financial results to materially deviate from the current projections.

The pursuit of the bankruptcy filing has consumed and will continue to consume a substantial portion of the time and attention of our management, which may have a material adverse effect on our business and results of operations, and we may face increased levels of employee attrition.

Leading up to and following commencement of the Chapter 11 Cases, our management was required to spend a significant amount of time and effort focusing on the filings. This diversion of attention may materially adversely affect the conduct of our business, and, as a result, our financial condition and results of operations, particularly if a Chapter 11 plan is not confirmed. During the continued pendency of the Chapter 11 Cases, our employees are facing distraction and uncertainty and we may experience increased levels of employee attrition. We are highly dependent on the continuing efforts of our executive officers and other personnel as our executive officers have substantial experience and expertise in our industry and have made significant contributions to our business. Uncertainty as a result of the Chapter 11 Cases may adversely affect our ability to attract and retain key personnel, and loss of key personnel or material erosion of employee morale could have a material adverse effect on our ability to meet customer expectations and could require the incurrence of substantial additional costs to recruit replacement personnel, thereby adversely affecting our business and results of operations. In addition, we could experience losses of customers who may be concerned about our long-term viability.

As a result of the Chapter 11 Cases, our financial results may be volatile and may not reflect historical trends.

During the Chapter 11 Cases, we expect our financial results to be volatile as restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact our consolidated financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the bankruptcy filing. In addition, if we emerge from Chapter 11, the amounts reported in subsequent consolidated financial statements may materially change relative to historical consolidated financial statements, including as a result of revisions to our operating plans pursuant to a plan of reorganization. We also may be required to adopt fresh start accounting upon emergence, in which case our assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on our consolidated balance sheets. Our financial results after the application of fresh start accounting also may be different from historical trends.

We may be unable to comply with restrictions or with budget, liquidity or other covenants imposed by the agreements governing the DIP financing and our other financing arrangements. Such non-compliance could result in an event of default under the terms of the DIP financing that, if not cured or waived, would have a material adverse effect on our business, financial condition and results of operations.

The agreements governing our debtor-in-possession (the "DIP") financing impose a number of restrictions on us. Specifically, the terms of the credit agreement governing the DIP financing impose certain obligations including, among other things, affirmative covenants requiring us to provide financial information, budgets and other information to the agent under the DIP financing, and negative covenants restricting our ability to incur additional indebtedness, grant liens, dispose of assets, pay dividends or take certain other actions, in each case except as permitted in by the terms of the DIP financing. Our ability to borrow under the DIP financing is subject to the satisfaction of certain conditions precedent. Covenants of the DIP facility include general affirmative covenants, as well as negative covenants such as prohibiting us from incurring or permitting debt, investments, liens or dispositions unless specifically permitted. Failure to comply with these covenants would result in an event of default under the DIP facilities and permit the lenders thereunder to accelerate the loans and otherwise exercise remedies under the loan documentation for the DIP facilities. Our ability to comply with these provisions may be affected by events beyond our control and our failure to comply or obtain a waiver in the event we cannot comply with a covenant could result in an event of default under the agreements governing the DIP financing and our other financing arrangements.

We may not be able to obtain confirmation of a Chapter 11 plan of reorganization.

To emerge successfully from Bankruptcy Court protection as a viable entity, we must meet certain statutory requirements with respect to adequacy of disclosure related to the plan of reorganization, solicit and obtain the requisite acceptances of such a plan and fulfill other statutory conditions for confirmation of such a plan, which have not occurred to date. The confirmation process is subject to unanticipated potential delays, including a delay in the Bankruptcy Court's commencement of the confirmation hearing regarding our plan of reorganization.

We may not receive the requisite acceptances of constituencies in the Chapter 11 proceedings to confirm our plan of reorganization. Even if the requisite acceptances of our plan of reorganization are received, the Bankruptcy Court may not confirm such a plan. The precise requirements and evidentiary showing for confirming a plan, notwithstanding its rejection by one or more impaired classes of claims or equity interests, depends upon a number of factors, including, without limitation, the status and seniority of the claims or equity interests in the rejecting class (i.e., unsecured claims or secured claims, subordinated or senior claims).

If a Chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether we would be able to reorganize our business and what, if anything, holders of claims against us would ultimately receive with respect to their claims.

Even if a Chapter 11 plan of reorganization is consummated, we will continue to face risks.

Even if a Chapter 11 plan of reorganization is consummated, we will continue to face a number of risks, including certain risks that are beyond our control, such as further deterioration or other changes in economic conditions, changes in our industry and potential revaluing of our assets due to the Chapter 11 Cases. Some of these concerns and effects typically become more acute when a case under the Bankruptcy Code continues for a protracted period without indication of how or when the case may be completed. As a result of these risks and others, there is no guarantee that any plan of reorganization will achieve our stated goals.

Furthermore, we cannot predict the ultimate amount of all settlement terms for the Debtors' liabilities that will be subject to a plan of reorganization. Even if our debts are reduced or discharged through a plan of reorganization, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business after the completion of the Chapter 11 process. Adequate funds may not be available when needed or may not be available on favorable terms. Even once a plan of reorganization is implemented, our operating results may be adversely affected by the possible reluctance of customers to do business with a company that recently emerged from bankruptcy proceedings.

Operating under Bankruptcy Court protection for a long period of time may harm our business.

Our future results are dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity.

If the proceedings related to the Bankruptcy Filings continue for a longer period than anticipated, customers and suppliers may lose confidence in our ability to reorganize our business successfully and will seek to establish alternative commercial relationships.

Furthermore, so long as the Chapter 11 proceedings continue, we will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 proceedings. If we require additional debtor-in-possession financing and are unable to obtain it on favorable terms or at all, our chances of successfully reorganizing our business may be seriously jeopardized, the likelihood that we instead will be required to liquidate our assets may be enhanced, and, as a result, any securities in us could become further devalued or become worthless. Furthermore, we cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even once a plan of reorganization is approved and implemented, our operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from Chapter 11 proceedings.

Third parties may propose competing Chapter 11 plans of reorganization and we may receive unsolicited offers for Windstream or our assets.

Chapter 11 gives us the exclusive right to file a plan of reorganization during the first 120 days after filing. That period can be extended for cause up to a total of 18 months from the Petition Date with approval of the Bankruptcy Court. While we intend to conclude our Chapter 11 Cases during this "exclusivity period", there can be no assurance that we will be able to do so. There is also no assurance that a plan of reorganization we propose will be approved by the requisite creditors and the Bankruptcy Court. After the expiration of the exclusivity period, third parties can file one or more Chapter 11 plans of reorganization for the Debtors. An alternative plan of reorganization could contemplate Windstream continuing as a going concern, Windstream being broken up, Windstream or its assets being acquired by a third party, Windstream being merged with a competitor or some other proposal. We may not believe that such an alternative plan of reorganization is in our stakeholders' best interests or fully values the benefits to be achieved by our reorganization. If we cannot successfully obtain approval of our plan of reorganization during the exclusivity period, we may have limited ability to prevent an alternative plan of reorganization from being approved by the Bankruptcy Court.

Companies in Chapter 11 are often the target of unsolicited merger and acquisition offers, and there is no guarantee that we will emerge from Chapter 11 as a standalone company. An unsolicited proposal or alternative plan of reorganization could potentially delay our emergence from Chapter 11 and expose us to a number of other risks, including potential limitations on our ability to execute our business plan and strategic initiatives; difficulties in hiring, retaining and motivating key personnel; negative reactions among our employees, vendors, strategic partners and service providers; a failure to provide stakeholders full value for the benefits that could be achieved by Windstream post-emergence on a stand-alone basis; and unease and uncertainty among our customer base. In addition, any potential transaction proposed during Chapter 11, even if we decided such transaction was in our best interest, would be expressly subject to Bankruptcy Code requirements and Bankruptcy Court approval.

The level of returns on our pension plan investments and changes to the actuarial assumptions used to value our pension obligations could have a material effect on our earnings and result in material funding requirements to meet our pension obligations.

Our pension plan invests in marketable securities, including marketable debt and equity securities denominated in foreign currencies, which are exposed to changes in the financial markets. During 2018, the fair market value of these investments decreased from $841.4 million to $740.9 million primarily due to investment losses of $41.1 million and routine benefit payments of $77.9 million. These decreases were partially offset by employer contributions of $18.5 million. Returns generated on plan assets have historically funded a large portion of the benefits paid under our pension plan.

Funding requirements may increase as a result of a decline in the market value of plan assets, a decline in the interest rates used to calculate the present value of future plan obligations or government regulations that increase minimum funding requirements of the pension liability. We estimate that the long term rate of return on plan assets will be 7.0 percent, but returns below this estimate could significantly increase our contribution requirements, which could adversely affect our cash flows from operations. Also, reductions in discount rates and extensions of participant mortality rates directly increase our pension liability and expose us to greater funding obligations in the future. Our earnings reported under accounting principles generally accepted in the United States ("U.S. GAAP") may also be adversely affected due to our method of accounting for pension costs, whereby we immediately recognize gains and losses resulting from the return on plan assets as well as other changes in actuarial assumptions impacting our discount rate and mortality estimates.

Competition in our consumer service areas could reduce our market share and adversely affect our results of operations and financial condition.

We face intense competitive pressures in our consumer service areas. If we continue to lose consumer households as we have historically, our results of operations and financial condition could be adversely affected. During 2018, our consumer households declined 1.6 percent.

Sources of competition include, but are not limited to, wireless companies, cable television companies and other communications carriers. Many of our competitors, especially wireless and cable television companies, have advantages over us, including substantially larger operational and financial resources, larger and more diverse networks, less stringent regulation and superior brand recognition. For additional discussion regarding competition, see "Competition" in Item 1.

Cable television companies have aggressively expanded in our consumer markets, offering voice and high-speed Internet services in addition to video services. Some of our customers have chosen to move to cable television providers for their voice, high-speed Internet and television bundles. Cable television companies are subject to less stringent regulations than our consumer operations. For more information, refer to the risk factor, "Our competitors, especially cable television companies, in our consumer markets are subject to less stringent industry regulations."

Wireless competition has contributed to a reduction in our voice lines and generally has caused pricing pressure in the industry. Some customers have chosen to stop using traditional wireline phone service and instead rely solely on wireless service. We anticipate that this trend toward solely using wireless services will continue, particularly if wireless prices continue to decline and the quality of wireless services improves.

Competition in our consumer markets could affect our revenues and profitability in several ways, including accelerated consumer household loss, reductions by customers in usage-based services or shifts to less profitable services and a need to lower our prices or increase marketing expenses to stay competitive.

If we are prohibited from participating in government programs, our results of operations could be materially and adversely affected.

We are the recipient of a material amount of end user revenue and government funding under various government programs and also serve as a government contractor for services for various state, local and federal agencies. Our failure to comply with the complex government regulations and statutes applicable to the programs, or the terms of one or more of our government contracts, could result in our being suspended or disbarred from future government programs for a significant period of time or result in harm to our reputation with the government and possible restriction from future government activities. While we have implemented compliance programs and internal controls that are reasonably designed to prevent misconduct and non-compliance relating to the government programs and contracting, we cannot eliminate the risk that our employees, partners or subcontractors may independently engage in such activities.

If we are suspended or debarred from government programs, or if our government contracts are terminated for any reason, we could suffer a significant reduction in expected revenue which could have a material and adverse effect on our operating results.

New technologies may affect our ability to compete in our consumer markets.

Wireless companies are aggressively developing networks using next-generation data technologies, which are capable of delivering high-speed Internet service via wireless technology to a larger geographic footprint. If these technologies continue to expand in availability and reliability, they could become a cost effective alternative to our high-speed Internet services. In addition, cable operators may be able to take advantage of certain technology to deploy faster broadband speeds more rapidly than Windstream.

These and other new and evolving technologies could result in greater competition for our voice and high-speed Internet services. If we cannot develop new services and products to keep pace with technological advances, or if such services and products are not widely embraced by our customers, our results of operations could be adversely affected.

Competitors, especially cable television companies, in our consumer markets are subject to less stringent industry regulations, which could result in voice line and revenues losses in the future.

Cable television companies are generally subject to less stringent regulations than our consumer operations. Cable voice offerings and others are subject to fewer service quality and reporting requirements than our consumer operations, and their rates are generally not subject to regulation, unlike our consumer voice services. Our consumer areas also may be subject to "carrier of last resort" obligations, which generally obligate us to provide basic voice services to any person within our service area regardless of the profitability of the customer. Our competitors in these areas are not subject to such requirements.

Because of these regulatory disparities, we have less flexibility in our consumer markets than our competitors. This could result in accelerated voice line and revenue losses in the future.

In 2018, we received approximately 5 percent of our revenues from state and federal USF, and any material adverse regulatory developments with respect to these funds could adversely affect our financial and operating condition.

We receive state and federal USF revenues to support the high cost of providing affordable telecommunications services in rural markets. Such support payments constituted approximately 5 percent of our revenues for the year ended December 31, 2018. Pending regulatory proceedings to reform state and federal USF programs and our implementation of those reforms could, depending on the outcome, materially reduce our USF revenues and increase our expenses.
The FCC implemented the Connect America Fund, which was adopted in 2011 and includes a short-term ("CAF Phase I") and a longer-term ("CAF Phase II") framework. Windstream elected to participate in both programs. Currently, Windstream receives immaterial amounts of CAF Phase I funding in one state that is subject to being phased out at an undetermined future date. Furthermore, Windstream receives funds under the CAF Phase II program that is scheduled to end in 2021. If the CAF Phase II program is not extended by the FCC, or if a new similar program is not implemented beyond 2021 in which Windstream can participate, our financial and operating condition could be materially impaired.

Additionally, to obtain the available funding, which is greater than the amount Windstream received from the legacy federal universal service program, Windstream has committed to offer broadband to a certain number of locations at specified speeds in particular portions of its service areas. This will require substantial capital investment and large-scale construction by Windstream in rural and hard-to-serve geography. Costs of Phase II could exceed estimates by a material amount. The scale and scope of the network buildout to meet the obligations is challenging and complex. If Windstream is not able to fulfill its commitments, it would be required to return some funding and may be subject to additional penalties.

We are required to make contributions to state and federal USF programs each year. Most state and federal regulations allow us to recover these contributions by including a surcharge on our customers' bills. If state and/or federal regulations change, and we become ineligible to receive support, such support is reduced, or we become unable to recover the amounts we contribute to the state and federal USF programs from our customers, our results of operations and financial condition would be directly and adversely affected.

We have written off a portion of our goodwill and may be required to write off additional goodwill in the future, which may adversely affect our financial position and results of operations.

As of December 31, 2018, our goodwill comprised 27.0 percent of our assets. Each year, and more frequently on an interim basis if appropriate, we are required by Accounting Standards Codification Topic 350, Intangibles - Goodwill and Other, to assess whether the amount of goodwill assigned to each of our reporting units is impaired. Significant judgments are required to estimate the fair value of reporting units including estimating future cash flows, near-term and long-term revenue growth, and determining appropriate discount rates, among other assumptions. Future impairment reviews could result in additional impairment charges. Any such impairment charges could materially adversely affect our financial results for the periods in which they are recorded. Additional impairment charges will likely result due to changes from various factors or circumstances, including adoption of new accounting standards, deterioration in the macroeconomic environment, deterioration in our performance or future projections as a result of the Chapter 11 Cases or otherwise, if actual results are not consistent with our estimates and assumptions used in the impairment analysis. See Note 2 to the consolidated financial statements included in the Financial Supplement to this Annual Report on Form 10-K.

We may need to defend ourselves against lawsuits or claims that we infringe upon the intellectual property rights of others.

From time to time, we receive notices from third parties, or we are named in lawsuits filed by third parties, claiming we have infringed or are infringing upon their intellectual property rights. We may receive similar notices or be involved in similar lawsuits in the future. In certain situations, we may have the ability to seek indemnification from our vendors regarding these lawsuits or claims. If we cannot enforce our indemnification rights or if our vendors lack the financial means to indemnify us, these claims may require us to expend significant time and money defending our alleged use of the affected technology, may require us to enter into licensing agreements requiring one-time or periodic royalty payments that we would not otherwise have to pay or may require us to pay damages. If we are required to take one or more of these actions, it may result in an adverse impact to our results of operations and financial condition. In addition, in responding to these claims, we may be required to stop selling or redesign one or more of our products or services, which could adversely affect the way we conduct our business.

Weak economic conditions may decrease demand for our services.

We could be affected by economic conditions and downturns in the economy, especially in regards to our business customers. Downturns in the economy in the markets we serve could cause our existing customers to reduce their purchases of our services and make it difficult for us to obtain new customers.

Our relationships with other communications companies are material to our operations and their financial difficulties may adversely affect us.

We originate and terminate calls for long-distance and other voice carriers over our network in exchange for access charges. These access charges represent a significant portion of our revenues. Additionally, we are making significant capital investments to deploy fiber-to-the-tower and other network services in return for long-term revenue generating contracts. If these carriers go bankrupt or experience substantial financial difficulties and we are unable to timely collect payments from them, it may have a negative effect on our results of operations and financial condition.

Key suppliers may experience financial difficulties that may affect our operations.

Windstream purchases a significant amount of equipment from key suppliers to maintain, upgrade and enhance our network facilities and operations. Should these suppliers experience financial difficulties, their issues could adversely affect our business through increased prices to source purchases through alternative vendors or unanticipated delays in the delivery of equipment and services purchased.

Adverse developments in our relationship with our employees could adversely affect our business, our results of operations and financial condition.

As of December 31, 2018, we had 1,340 employees, or approximately 11 percent of all of our employees, covered by collective bargaining agreements. Our relationship with these unions generally has been satisfactory.

We are currently party to 23 collective bargaining agreements and one National Pension Agreement with several unions, which expire at various times. Of our existing collective bargaining agreements, eight agreements covering approximately 500 employees are due to expire in 2019. In addition, the national pension agreement covers approximately 350 employees. This agreement expired in 2010 but has been extended indefinitely, subject to the right of Windstream or the unions to terminate the agreement with 30 days' notice. Historically, we have succeeded in negotiating new collective bargaining agreements without work stoppages; however, no assurances can be given that we will succeed in negotiating new collective bargaining agreements to replace the expiring ones without work stoppages. Increases in organizational activity or any future work stoppages could have a material adverse effect on our business, our results of operations and financial condition.

Item 1B. Unresolved Staff Comments

No reportable information under this item.

Item 2. Properties

Our property, plant and equipment consists primarily of land and buildings, office and warehouse facilities, central office equipment, software, outside plant and related equipment. Outside communications plant includes aerial and underground cable, conduit, poles and wires. Central office equipment includes digital switches and peripheral equipment. As such, our properties do not provide a basis for description by character or location of principal units. All of our property is considered to be in good working condition and suitable for its intended purpose.
Our gross investment in property, by category, as of December 31, 2018, was as follows:

(Millions)	Assets Owned by Windstream	Assets Leased from Uniti (a)	Total
Land	$ 24.4	$ 28.6	$ 53.0
Building and improvements	334.2	326.5	660.7
Central office equipment	7,074.1	0.2	7,074.3
Outside communications plant	2,036.8	6,250.8	8,287.6
Furniture, vehicles and other equipment	1,930.6	10.2	1,940.8
Construction in progress	403.6	-	403.6
Total	$ 11,803.7	$ 6,616.3	$ 18,420.0

(a) In connection with the spin-off, Windstream Holdings entered into a long-term triple-net master lease with Uniti to lease back the telecommunications network assets. For financial reporting purposes, the transaction was accounted for as a failed spin-leaseback. As a result, the net book value of the network assets transferred to Uniti continue to be reported in our consolidated balance sheet.

Certain of our properties are pledged as collateral to secure long-term debt obligations of Windstream Services. The obligations under Windstream Services' senior secured credit facility are secured by liens on all of the personal property assets and the related operations of our subsidiaries who are guarantors of the senior secured credit facility.

Item 3. Legal Proceedings

In a notice letter received September 22, 2017 (the "Original Notice"), Aurelius Capital Master, Ltd. ("Aurelius") asserted an alleged default of certain senior unsecured notes, the 6.375 percent Senior Notes due 2023 of Windstream Services, based on alleged violations of the associated indenture (the "2013 Indenture"). Aurelius primarily alleged that Windstream Services violated the 2013 Indenture by executing transactions related to the spin-off of Uniti in April 2015 (the "Spin-Off") that, according to Aurelius, constituted a Sale and Leaseback Transaction that was prohibited under Section 4.19 of the 2013 Indenture. In light of the allegations in the Original Notice, Windstream Services filed suit against U.S. Bank N.A., the Indenture Trustee (the "Trustee"), in Delaware Chancery Court seeking a declaration that it had not violated any provision of the 2013 Indenture and injunctive relief. On October 12, 2017, the Trustee filed suit in the Southern District of New York seeking a declaration that defaults had occurred. Windstream Services filed an answer and affirmative defenses in response to the Trustee's complaint the following day, as well as counterclaims against the Trustee and Aurelius for declaratory relief. The Delaware action was subsequently dismissed.

Additionally, as outlined in Note 5, on October 18, 2017, Windstream Services launched debt exchange offers with respect to its senior notes, including the 6.375 percent notes, and on October 31, 2017, learned that based on tenders of notes in the exchange offers and consents delivered in the consent solicitation, upon early settlement of the exchange offers, holders representing the requisite percentage of the 6.375 percent notes needed to waive the defaults alleged in the Original Notice would be received. On November 6, 2017, Windstream Services and the Trustee executed a supplemental indenture, and new 6.375 percent notes were issued, which gave effect to the waivers and consents for the 6.375 percent notes. During the fourth quarter of 2017, Windstream Services also completed consent solicitations with respect to each of its series of outstanding notes, pursuant to which noteholders agreed to waive alleged defaults with respect to the transactions related to the Spin-Off and amend the indentures governing such notes to give effect to such waivers and amendments.

On November 22, 2017, Windstream Services filed a motion seeking dismissal of the Trustee's complaint, which motion was denied without prejudice. On the same date, Aurelius filed counterclaims seeking a declaration that the new 6.375 percent notes were improperly issued and that the debt exchange offers and consent solicitation were void. Windstream Services asserted that such counterclaims should be dismissed pursuant to Section 6.06 of the 2013 Indenture, which contains a "no-action" clause. On November 27, 2017, Windstream Services received a second purported notice of default (the "Second Notice") from Aurelius which alleged that certain of the exchange and consent transactions described above violated the terms of the 2013 Indenture. Aurelius withdrew the Second Notice on December 6, 2017, and served an alleged notice of an Event of Default and acceleration on December 7, 2017 ("Notice of Acceleration"). The Notice of Acceleration claimed that the principal amount, and all accrued interest, owed under the 2013 Indenture was now due and payable as result of Windstream Services allegedly not curing the alleged defaults set forth in the Original Notice within the sixty-day cure period.

Trial in this matter occurred July 23-25, 2018, and the court heard final arguments on July 31, 2018.

On February 15, 2019, Judge Furman of United States District Court for the Southern District of New York issued certain findings of fact and conclusions of law regarding the Spin-Off and the 2017 exchange and consent transactions and found that the trustee under the 2013 Indenture and/or Aurelius are entitled to a judgment:

- declaring that, in effecting the Spin-Off, we failed to comply with the covenants set forth in Section 4.19 of the 2013 Indenture restricting certain sale and leaseback transactions;
- declaring that our breaches of Section 4.19 constitute a "Default" under the 2013 Indenture;
- declaring that the 6.375 percent notes issued in the 2017 exchange and consent transactions do not constitute "Additional Notes" under the 2013 Indenture;
- declaring that the notice of default with respect to the foregoing breaches was valid and effective;
- declaring that those breaches ripened into "Events of Default" as defined in the 2013 Indenture on December 6, 2017;
- declaring that the notice of acceleration with respect to those "Events of Default" was valid and effective, and all principal together with all accrued and unpaid interest on the notes became immediately due and payable as of that date;
- enjoining us from taking any further action to issue new notes in contravention of, or to otherwise violate, the 2013 Indenture;

19. Supplemental Guarantor Information:

Debentures and notes, without collateral, issued by Windstream Services, LLC

In connection with the issuance of the 7.750 percent senior notes due October 15, 2020, the 7.750 percent senior notes due October 1, 2021, the 7.500 percent senior notes due June 1, 2022, the 7.500 percent senior notes due April 1, 2023, the 6.375 percent senior notes due August 1, 2023 ("the guaranteed notes"), certain of Windstream Services' wholly-owned subsidiaries (the "Guarantors"), provide guarantees of those debentures. These guarantees are full and unconditional, subject to certain customary release provisions, as well as joint and several. All personal property assets and related operations of the Guarantors are pledged as collateral on the senior secured credit facility of Windstream Services. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Windstream Services. The remaining subsidiaries of Windstream Services (the "Non-Guarantors") are not guarantors of the guaranteed notes. Windstream Holdings is not a guarantor of any Windstream Services debt instruments.

Following the mergers, the acquired legal entities of EarthLink, Broadview, MASS, and ATC have been designated as either Guarantors or Non-Guarantors. Accordingly, the financial information presented herein includes the acquired EarthLink operations beginning on February 27, 2017, the acquired Broadview operations beginning on July 28, 2017, the acquired MASS operations as of March 27, 2018, and the acquired ATC operations as of August 31, 2018.

The following information presents condensed consolidating and combined statements of comprehensive income (loss) for the years ended December 31, 2018, 2017 and 2016, condensed consolidating and combined balance sheets as of December 31, 2018 and 2017, and condensed consolidating and combined statements of cash flows for the years ended December 31, 2018, 2017 and 2016 of Windstream Services, the Guarantors and the Non-Guarantors. Investments consist of investments in net assets of subsidiaries held by Windstream Services and other subsidiaries and have been presented using the equity method of accounting.

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2018

(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$ -	$ 1,150.3	$ 4,592.1	$ (105.2)	$ 5,637.2
Product sales	-	71.1	4.8	-	75.9
Total revenues and sales	-	1,221.4	4,596.9	(105.2)	5,713.1
Costs and expenses:					
Cost of services	-	500.2	2,459.4	(104.8)	2,854.8
Cost of products sold	-	61.5	7.6	-	69.1
Selling, general and administrative	-	149.0	738.6	(0.4)	887.2
Depreciation and amortization	5.7	441.7	1,079.3	-	1,526.7
Merger, integration and other costs	-	0.2	31.7	-	31.9
Restructuring charges	-	3.8	41.2	-	45.0
Total costs and expenses	5.7	1,156.4	4,357.8	(105.2)	5,414.7
Operating (loss) income	(5.7)	65.0	239.1	-	298.4
(Losses) earnings from consolidated subsidiaries	(786.9)	(80.6)	49.3	818.2	-
Other income (expense), net	0.5	(0.3)	(5.1)	-	(4.9)
Gain on sale of Consumer CLEC business	-	145.4	-	-	145.4
Net gain on early extinguishment of debt	190.3	-	-	-	190.3
Intercompany interest income (expense)	54.7	(45.1)	(9.6)	-	-
Interest expense	(418.9)	(141.9)	(340.5)	-	(901.3)
Loss before income taxes	(966.0)	(57.5)	(66.8)	818.2	(272.1)
Income tax (benefit) expense	(244.4)	519.6	174.3	-	449.5
Net loss	$ (721.6)	$ (577.1)	$ (241.1)	$ 818.2	$ (721.6)
Comprehensive loss	$ (712.8)	$ (577.1)	$ (241.1)	$ 818.2	$ (712.8)

19. Supplemental Guarantor Information, Continued:

	Condensed Consolidating Statement of Comprehensive Income (Loss) For the Year Ended December 31, 2017				
(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$ -	$ 1,190.5	$ 4,668.5	$ (99.3)	$ 5,759.7
Product sales	-	83.6	9.6	-	93.2
Total revenues and sales	-	1,274.1	4,678.1	(99.3)	5,852.9
Costs and expenses:					
Cost of services	-	565.4	2,494.5	(97.2)	2,962.7
Cost of products sold	-	77.2	16.3	-	93.5
Selling, general and administrative	-	162.4	733.8	(2.1)	894.1
Depreciation and amortization	9.3	365.0	1,095.7	-	1,470.0
Goodwill impairment	979.4	-	861.4	-	1,840.8
Merger, integration and other costs	-	1.6	135.8	-	137.4
Restructuring charges	-	8.5	34.5	-	43.0
Total costs and expenses	988.7	1,180.1	5,372.0	(99.3)	7,441.5
Operating (loss) income	(988.7)	94.0	(693.9)	-	(1,588.6)
Losses (earnings) from consolidated subsidiaries	(1,018.8)	(195.5)	11.6	1,202.7	-
Other income (expense), net	0.2	0.2	(2.7)	-	(2.3)
Net (loss) gain on early extinguishment of debt	(54.6)	(2.0)	0.2	-	(56.4)
Intercompany interest income (expense)	84.5	(39.6)	(44.9)	-	-
Interest expense	(375.8)	(149.0)	(350.6)	-	(875.4)
Loss before income taxes	(2,353.2)	(291.9)	(1,080.3)	1,202.7	(2,522.7)
Income tax benefit	(237.8)	(39.0)	(130.5)	-	(407.3)
Net loss	$ (2,115.4)	$ (252.9)	$ (949.8)	$ 1,202.7	$ (2,115.4)
Comprehensive loss	$ (2,099.9)	$ (252.9)	$ (949.8)	$ 1,202.7	$ (2,099.9)

19. Supplemental Guarantor Information, Continued:

Condensed Consolidating Statement of Comprehensive Income (Loss)
For the Year Ended December 31, 2016

(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Revenues and sales:					
Service revenues	$ -	$ 1,011.0	$ 4,304.9	$ (36.0)	$ 5,279.9
Product sales	-	96.4	10.7	-	107.1
Total revenues and sales	-	1,107.4	4,315.6	(36.0)	5,387.0
Costs and expenses:					
Cost of services	-	417.0	2,263.4	(33.2)	2,647.2
Cost of products sold	-	86.7	11.8	-	98.5
Selling, general and administrative	-	150.7	633.1	(2.8)	781.0
Depreciation and amortization	13.8	301.4	948.3	-	1,263.5
Merger, integration and other costs	-	-	13.8	-	13.8
Restructuring charges	-	2.9	17.4	-	20.3
Total costs and expenses	13.8	958.7	3,887.8	(36.0)	4,824.3
Operating (loss) income	(13.8)	148.7	427.8	-	562.7
Losses from consolidated subsidiaries	(65.1)	(65.7)	(15.1)	145.9	-
Other income (expense), net	34.6	(0.8)	(57.8)	-	(24.0)
Net loss on early extinguishment of debt	(18.0)	-	-	-	(18.0)
Other-than-temporary impairment loss on investment in Uniti common stock	(181.9)	-	-	-	(181.9)
Intercompany interest income (expense)	116.6	(44.6)	(72.0)	-	-
Interest expense	(355.1)	(149.5)	(356.0)	-	(860.6)
Loss before income taxes	$ (482.7)	$ (111.9)	$ (73.1)	$ 145.9	$ (521.8)
Income tax benefit	(100.2)	(16.3)	(22.8)	-	(139.3)
Net loss	(382.5)	(95.6)	(50.3)	145.9	(382.5)
Comprehensive loss	$ (92.2)	$ (95.6)	$ (50.3)	$ 145.9	$ (92.2)

19. Supplemental Guarantor Information, Continued:

Condensed Consolidating Balance Sheet
As of December 31, 2018

(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ 328.2	$ -	$ 27.5	$ -	$ 355.7
Restricted cash	5.3	-	-	-	5.3
Accounts receivable, net	-	115.3	541.1	(3.3)	653.1
Notes receivable - affiliate	-	5.0	-	(5.0)	-
Affiliates receivable, net	-	537.9	1,842.1	(2,380.0)	-
Inventories	-	66.6	15.8	-	82.4
Prepaid expenses and other	80.3	33.9	93.8	(48.3)	159.7
Total current assets	413.8	758.7	2,520.3	(2,436.6)	1,256.2
Investments in consolidated subsidiaries	4,737.8	526.9	573.6	(5,838.3)	-
Notes receivable - affiliate	-	303.3	-	(303.3)	-
Goodwill	657.2	1,609.6	506.9	-	2,773.7
Other intangibles, net	449.9	335.3	427.9	-	1,213.1
Net property, plant and equipment	0.5	1,125.1	3,795.3	-	4,920.9
Other assets	22.8	17.8	53.4	-	94.0
Total Assets	$ 6,282.0	$ 4,676.7	$ 7,877.4	$ (8,578.2)	$ 10,257.9
Liabilities and Equity (Deficit)					
Current Liabilities:					
Current portion of long-term debt	$ 5,628.5	$ 99.6	$ -	$ -	$ 5,728.1
Current portion of long-term lease obligations	-	1,334.5	3,235.8	-	4,570.3
Accounts payable	-	226.4	277.2	-	503.6
Affiliates payable, net	2,380.0	-	-	(2,380.0)	-
Notes payable - affiliate	-	-	5.0	(5.0)	-
Advance payments and customer deposits	-	31.3	152.6	(3.3)	180.6
Accrued taxes	-	87.7	48.0	(48.3)	87.4
Accrued interest	41.4	1.7	0.4	-	43.5
Other current liabilities	37.8	77.7	228.7	-	344.2
Total current liabilities	8,087.7	1,858.9	3,947.7	(2,436.6)	11,457.7
Long-term lease obligations	-	15.6	57.2	-	72.8
Notes payable - affiliate	-	-	303.3	(303.3)	-
Deferred income taxes	104.3	-	-	-	104.3
Other liabilities	9.3	55.5	477.6	-	542.4
Total liabilities	8,201.3	1,930.0	4,785.8	(2,739.9)	12,177.2
Commitments and Contingencies (See Note 17)					
Equity (Deficit):					
Common stock	-	39.4	81.9	(121.3)	-
Additional paid-in capital	1,244.2	3,956.7	1,404.9	(5,361.6)	1,244.2
Accumulated other comprehensive income	35.6	-	7.7	(7.7)	35.6
(Accumulated deficit) retained earnings	(3,199.1)	(1,249.4)	1,597.1	(347.7)	(3,199.1)
Total (deficit) equity	(1,919.3)	2,746.7	3,091.6	(5,838.3)	(1,919.3)
Total Liabilities and Equity (Deficit)	$ 6,282.0	$ 4,676.7	$ 7,877.4	$ (8,578.2)	$ 10,257.9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

19. Supplemental Guarantor Information, Continued:

Condensed Consolidating Balance Sheet
As of December 31, 2017

(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current Assets:					
Cash and cash equivalents	$ -	$ 2.5	$ 40.9	$ -	$ 43.4
Accounts receivable, net	-	185.2	461.1	(3.3)	643.0
Notes receivable - affiliate	-	5.0	-	(5.0)	-
Affiliates receivable, net	-	18.3	1,949.8	(1,968.1)	-
Inventories	-	76.9	16.1	-	93.0
Prepaid expenses and other	26.8	44.3	83.2	-	154.3
Total current assets	26.8	332.2	2,551.1	(1,976.4)	933.7
Investments in consolidated subsidiaries	5,603.7	575.9	401.0	(6,580.6)	-
Notes receivable - affiliate	-	306.9	-	(306.9)	-
Goodwill	657.2	1,712.8	472.4	-	2,842.4
Other intangibles, net	479.8	461.7	512.9	-	1,454.4
Net property, plant and equipment	5.8	1,318.3	4,067.7	-	5,391.8
Deferred income taxes	-	460.7	205.2	(295.1)	370.8
Other assets	24.5	15.5	51.2	-	91.2
Total Assets	$ 6,797.8	$ 5,184.0	$ 8,261.5	$ (9,159.0)	$ 11,084.3
Liabilities and Equity (Deficit)					
Current Liabilities:					
Current portion of long-term debt	$ 169.3	$ -	$ -	$ -	$ 169.3
Current portion of long-term lease obligations	-	55.2	133.4	-	188.6
Accounts payable	-	123.4	370.6	-	494.0
Affiliates payable, net	1,968.1	-	-	(1,968.1)	-
Notes payable - affiliate	-	-	5.0	(5.0)	-
Advance payments and customer deposits	-	40.7	169.9	(3.3)	207.3
Accrued taxes	-	23.8	65.7	-	89.5
Accrued interest	50.2	1.8	0.6	-	52.6
Other current liabilities	15.6	102.7	223.8	-	342.1
Total current liabilities	2,203.2	347.6	969.0	(1,976.4)	1,543.4
Long-term debt	5,575.0	99.6	-	-	5,674.6
Long-term lease obligations	-	1,350.1	3,293.2	-	4,643.3
Notes payable - affiliate	-	-	306.9	(306.9)	-
Deferred income taxes	295.1	-	-	(295.1)	-
Other liabilities	23.4	77.1	421.4	-	521.9
Total liabilities	8,096.7	1,874.4	4,990.5	(2,578.4)	12,383.2
Commitments and Contingencies (See Note 17)					
Equity (Deficit):					
Common stock	-	39.4	81.9	(121.3)	-
Additional paid-in capital	1,187.1	3,958.6	1,358.1	(5,316.7)	1,187.1
Accumulated other comprehensive income	21.4	-	4.0	(4.0)	21.4
(Accumulated deficit) retained earnings	(2,507.4)	(688.4)	1,827.0	(1,138.6)	(2,507.4)
Total (deficit) equity	(1,298.9)	3,309.6	3,271.0	(6,580.6)	(1,298.9)
Total Liabilities and Equity (Deficit)	$ 6,797.8	$ 5,184.0	$ 8,261.5	$ (9,159.0)	$ 11,084.3

19. Supplemental Guarantor Information, Continued:

	Condensed Consolidating Statement of Cash Flows For the Year Ended December 31, 2018				
(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Provided from Operating Activities:					
Net cash (used in) provided from operating activities	$ (330.5)	$ 509.3	$ 835.9	$ -	$ 1,014.7
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	-	(235.7)	(584.5)	-	(820.2)
Acquisition of MASS and ATC, net of cash acquired	(46.9)	-	-	-	(46.9)
Proceeds from sale of Consumer CLEC business	320.9	-	-	-	320.9
Other, net	1.2	-	(9.2)	-	(8.0)
Net cash provided from (used in) investing activities	275.2	(235.7)	(593.7)	-	(554.2)
Cash Flows from Financing Activities:					
Distributions to Windstream Holdings, Inc.	(1.6)	-	-	-	(1.6)
Contribution from Windstream Holdings, Inc.	12.2	-	-	-	12.2
Repayments of debt and swaps	(747.2)	-	-	-	(747.2)
Proceeds of debt issuance	816.0	-	-	-	816.0
Debt issuance costs	(23.5)	-	-	-	(23.5)
Intercompany transactions, net	334.9	(174.7)	(160.2)	-	-
Proceeds from fiber transaction	-	-	45.8	-	45.8
Payments under long-term lease obligations	-	(55.3)	(133.5)	-	(188.8)
Payments under capital lease obligations	-	(49.5)	(4.1)	-	(53.6)
Other, net	(2.0)	3.4	(3.6)	-	(2.2)
Net cash provided from (used in) financing activities	388.8	(276.1)	(255.6)	-	(142.9)
Increase (decrease) in cash, cash equivalents and restricted cash	333.5	(2.5)	(13.4)	-	317.6
Cash, Cash Equivalents and Restricted Cash:					
Beginning of period	-	2.5	40.9	-	43.4
End of period	$ 333.5	$ -	$ 27.5	$ -	$ 361.0

19. Supplemental Guarantor Information, Continued:

	Condensed Consolidating Statement of Cash Flows For the Year Ended December 31, 2017				
(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Provided from Operating Activities:					
Net cash (used in) provided from operating activities	$ (337.1)	$ 319.9	$ 992.1	$ -	$ 974.9
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(0.5)	(120.4)	(787.7)	-	(908.6)
Acquisition of Broadview, net of cash acquired	(63.3)	-	-	-	(63.3)
Cash acquired from EarthLink	-	0.7	4.3	-	5.0
Other, net	-	(5.0)	(11.3)	-	(16.3)
Net cash used in investing activities	(63.8)	(124.7)	(794.7)	-	(983.2)
Cash Flows from Financing Activities:					
Distributions to Windstream Holdings, Inc.	(83.7)	-	-	-	(83.7)
Contribution from Windstream Holdings, Inc.	9.6	-	-	-	9.6
Repayments of debt and swaps	(1,688.2)	(453.6)	(160.0)	-	(2,301.8)
Proceeds of debt issuance	2,614.6	-	-	-	2,614.6
Debt issuance costs	(27.1)	-	-	-	(27.1)
Intercompany transactions, net	(413.0)	338.7	74.3	-	-
Payments under long-term lease obligations	-	(49.5)	(119.2)	-	(168.7)
Payments under capital lease obligations	-	(34.0)	(5.0)	-	(39.0)
Other, net	(11.3)	3.5	(3.5)	-	(11.3)
Net cash provided from (used in) financing activities	400.9	(194.9)	(213.4)	-	(7.4)
Increase (decrease) in cash and cash equivalents	-	0.3	(16.0)	-	(15.7)
Cash and Cash Equivalents:					
Beginning of period	-	2.2	56.9	-	59.1
End of period	$ -	$ 2.5	$ 40.9	$ -	$ 43.4

19. Supplemental Guarantor Information, Continued:

	Condensed Consolidating Statement of Cash Flows For the Year Ended December 31, 2016				
(Millions)	Windstream Services	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Provided from Operating Activities:					
Net cash (used in) provided from operating activities	$ (59.8)	$ 363.2	$ 705.4	$ -	$ 1,008.8
Cash Flows from Investing Activities:					
Additions to property, plant and equipment	(0.6)	(177.6)	(811.6)	-	(989.8)
Proceeds from the sale of property	-	1.0	5.3	-	6.3
Other, net	(4.1)	-	(2.4)	-	(6.5)
Net cash used in investing activities	(4.7)	(176.6)	(808.7)	-	(990.0)
Cash Flows from Financing Activities:					
Distributions to Windstream Holdings, Inc.	(88.5)	-	-	-	(88.5)
Repayments of debt and swaps	(3,347.1)	-	-	-	(3,347.1)
Proceeds of debt issuance	3,674.5	-	-	-	3,674.5
Debt issuance costs	(12.4)	-	-	-	(12.4)
Intercompany transactions, net	(155.0)	(142.5)	294.2	3.3	-
Payments under long-term lease obligations	-	(44.9)	(107.9)	-	(152.8)
Payments under capital lease obligations	-	(1.7)	(56.0)	-	(57.7)
Other, net	(7.0)	3.6	(3.6)	-	(7.0)
Net cash provided from (used in) financing activities	64.5	(185.5)	126.7	3.3	9.0
Increase in cash and cash equivalents	-	1.1	23.4	3.3	27.8
Cash and Cash Equivalents:					
Beginning of period	-	1.1	33.5	(3.3)	31.3
End of period	$ -	$ 2.2	$ 56.9	$ -	$ 59.1

Exhibit I

2017 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Services, LLC	Delaware	001-36093	20-0792300

4001 Rodney Parham Road Little Rock, Arkansas (Address of principal executive offices)	72212 (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.0001 par per share)	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Windstream Holdings, Inc.	☒ YES ☐ NO
Windstream Services, LLC	☒ YES ☐ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Windstream Holdings, Inc.	☐ YES ☒ NO
Windstream Services, LLC	☐ YES ☒ NO

the rights would become exercisable and entitle shareholders (other than the acquiring shareholder or group) to purchase additional shares of Windstream at a significant discount and result in significant dilution in the economic interest and voting power of acquiring shareholder or group. Although the Rights Plan is intended to reduce the likelihood of an "ownership change" that could adversely affect us, there is no assurance that the restrictions on transferability in the Rights Plan will prevent all transfers that could result in such an "ownership change." The Rights Plan was amended by the Amendment No. 1 to Rights Agreement, dated November 5, 2016, to confirm that any EarthLink shareholder that became a 4.9 percent or greater shareholder of the combined company as a result of the merger is exempt and the ownership does not trigger implementation of the Rights Plan unless the shareholder acquires additional shares of common stock.

Windstream may seek to amend the Rights Plan in the future, requiring approval by shareholders. If not approved, Windstream would lose the benefits provided by the Rights Plan as the Rights Plan will terminate pursuant to its terms in September 2018.

If the spin-off, and certain related transactions, fails to qualify as a tax-free transaction for U.S. federal income tax purposes, we could be subject to significant tax liabilities and, in certain circumstances, we could be required to indemnify Uniti for material taxes pursuant to indemnification obligations that we entered into with Uniti.

We received a private letter ruling from the IRS (the "IRS Ruling") to the effect that, on the basis of certain facts presented and representations and assumptions, the spin-off will qualify as tax-free under Sections 355 and 368(a)(1)(D) of the Code. Although a private letter ruling generally is binding on the IRS, if the factual representations and assumptions made are untrue or incomplete in any material respect, we will not be able to rely on the IRS Ruling. In addition, the IRS Ruling does not address certain requirements for tax-free treatment of the spin-off under Sections 355 and 368(a)(1)(D) of the Code and our use of Uniti indebtedness and common stock to retire certain of our indebtedness (the "debt exchanges"). Accordingly, the spin-off was conditioned upon the receipt of a tax opinion from our tax counsel with respect to the requirements on which the IRS did not rule, which concluded that such requirements also should be satisfied. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached in the tax opinion. In addition, the tax opinion is not binding on the IRS or the courts, and the IRS and/or the courts may not agree with the tax opinion. However, if the spin-off or the debt exchanges failed to qualify as tax free for U.S. federal income tax purposes, we may incur significant tax liabilities that could materially affect our business, financial condition and results of operations.

While certain tax audits regarding the tax year 2015 have concluded, if the spin-off ultimately was determined to be taxable, then a shareholder that received shares of Uniti common stock in the spin-off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares and could incur significant income tax liabilities. Such distribution would be taxable to such shareholder as a dividend to the extent of our current and accumulated earnings and profits (including earnings and profits resulting from the recognition of gain by us in the spin-off). Any amount that exceeded our earnings and profits would be treated first as a non-taxable return of capital to the extent of such shareholder's tax basis in its shares of our common stock with any remaining amount being taxed as a capital gain. In addition, if the spin-off were determined to be taxable, we would recognize taxable gain.

Under the terms of the tax matters agreement that we entered into with Uniti, Uniti is generally responsible for any taxes imposed on us that arise from the failure of the spin-off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to Uniti's stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by Uniti in the tax matters agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representations provided in connection with the tax opinion. Uniti's indemnification obligations to us are not limited by any maximum amount and such amounts could be substantial. If Uniti were required to indemnify us, Uniti may be subject to substantial liabilities and there can be no assurance that Uniti will be able to satisfy such indemnification obligations.

In connection with the spin-off, Uniti will indemnify us and we will indemnify Uniti for certain liabilities. There can be no assurance that the indemnities from Uniti will be sufficient to insure us against the full amount of such liabilities, or that Uniti's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to agreements that we entered into with Uniti in connection with the spin-off, Uniti agreed to indemnify us for certain liabilities, and we agreed to indemnify Uniti for certain liabilities. However, third parties might seek to hold us responsible for liabilities that Uniti agreed to retain, and there can be no assurance that Uniti will be able to fully satisfy its indemnification obligations under these agreements. In addition, indemnities that we may be required to provide to Uniti could be significant and could adversely affect our business.

We are required to pay rent under the master lease with Uniti, and our ability to do so could be adversely impaired by results of our operations, changes in our cash requirements and cash tax obligations, or overall financial position; conversely, payment of the rent could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.

We are required to pay a portion of our cash flow from operations to Uniti pursuant to and subject to the terms and conditions of the master lease. Our ability to pay the rent owed to Uniti could be adversely impaired by results of our operations, changes in our cash obligations and requirements, or general financial position. Additionally, our obligation to pay rent could impair our ability to fund our own operations, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our failure to comply with the provisions of the master lease with Uniti could materially adversely affect our business, financial position, results of operations and liquidity.

We currently lease a significant portion of our telecommunications network assets, including our fiber and copper networks and other real estate, under the master lease with Uniti. Our failure to pay the rent or comply with the provisions of the master lease would result in an event of default regarding the master lease and also could result in a default under other agreements. Upon an event of default, remedies available to Uniti include terminating the master lease and requiring us to transfer the business operations we conduct at the leased assets so terminated (with limited exceptions) to a successor tenant for fair market value pursuant to a process set forth in the master lease, dispossessing us from the leased assets, and/or collecting monetary damages for the breach (including rent acceleration), electing to leave the master lease in place and sue for rent and any other monetary damages, and seeking any and all other rights and remedies available under law or in equity. The exercise of such remedies could have a material adverse effect on our business, financial position, results of operations and liquidity.

Cyber security incidents could have a significant operational and financial impact.

We store customers' proprietary business information in our facilities through our colocation, managed services and cloud computing services. In addition, we maintain certain sensitive customer information in our financial and operating systems. While we have implemented data security polices and other internal controls to safeguard and protect against misuse or loss of this information, if their data were compromised through a cyber security incident, it could have a significant impact on our results of operations and financial condition. Additionally, we have implemented network and data security policies and other internal controls to safeguard and protect against malicious interference with our networks and information technology infrastructure and related systems and technology, as well as misappropriation of data and other malfeasance, but we cannot eliminate the risk associated with these types of occurrences. As part of our information security processes that are regularly reviewed by management and monitored by the Audit Committee, we continue to adapt to new threats, but increasing incidents of unsuccessful and successful "cyber attacks", such as computer hacking, dissemination of computer viruses and denial of service attacks, as well as misappropriation of data, pose growing risks of a significant effect on our results of operations and financial condition and we cannot fully predict the evolution of such threats.

We are subject to various forms of regulation from the Federal Communications Commission ("FCC") and state regulatory commissions in the states in which we operate, which limit our pricing flexibility for regulated voice and high-speed Internet products, subject us to service quality, service reporting and other obligations and expose us to the reduction of revenue from changes to the universal service fund, the inter-carrier compensation system, or access to interconnection with competitors' facilities.

As of December 31, 2017, we had operating authority from each of the 48 states and the District of Columbia in which we conducted local service operations, and we are subject to various forms of regulation from the regulatory commissions in each of these areas as well as from the FCC. State regulatory commissions have jurisdiction over local and intrastate services including, to some extent, the rates that we charge and service quality standards. The FCC has primary jurisdiction over interstate services including the rates that we charge other telecommunications companies that use our network and other issues related to interstate service. In some circumstances, these regulations restrict our ability to adjust rates to reflect market conditions and may affect our ability to compete and respond to changing industry conditions.

Future revenues, costs, and capital investment in our wireline business could be adversely affected by material changes to or decisions regarding applicability of government requirements, including, but not limited to, changes in rules governing inter-carrier compensation, state and federal USF support, competition policies, and other pricing and requirements. Federal and state communications laws and regulations may be amended in the future, and other laws and regulations may affect our business. In addition, certain laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes would have.

In addition, these regulations could create significant compliance costs for us. Delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that we are able to charge our customers. Our business also may be affected by legislation and regulation imposing new or greater obligations related to, for example, assisting law enforcement, bolstering homeland and cyber-security, protecting intellectual property rights of third parties, minimizing environmental impacts, protecting customer privacy, or addressing other issues that affect our business.

Our operations require substantial capital expenditures, and if funds for capital expenditures are not available when needed, this could affect our service to customers and our growth opportunities.

We require substantial capital to maintain our network, and our growth strategy will require significant capital investments for network enhancements and build-out. During 2017, we incurred $908.6 million in total capital expenditures, including $49.9 million related to Project Excel and $34.5 million in incremental spend related to the acquisitions of Broadview and EarthLink. We expect to incur $750.0 million to $800.0 million in capital expenditures during 2018, excluding incremental capital spend related to the acquisitions of EarthLink and Broadview. We expect to be able to fund required capital expenditures from cash generated from operations. However, other risk factors described in this section could materially reduce cash available from operations or significantly increase our capital expenditure requirements. If this occurs, funds for capital expenditures may not be available when needed, which could affect our service to customers and our growth opportunities.

The level of returns on our pension plan investments and changes to the actuarial assumptions used to value our pension obligations could have a material effect on our earnings and result in material funding requirements to meet our pension obligations.

Our pension plan invests in marketable securities, including marketable debt and equity securities denominated in foreign currencies, which are exposed to changes in the financial markets. During 2017, the fair market value of these investments increased from $799.4 million to $841.4 million primarily due to investment returns of $97.3 million and employer contributions of $30.1 million. These increases were partially offset by routine benefit payments of $85.9 million. Returns generated on plan assets have historically funded a large portion of the benefits paid under our pension plan.

Exhibit J

2016 10-K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2016
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____



Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Services, LLC	Delaware	001-36093	20-0792300

4001 Rodney Parham Road
Little Rock, Arkansas 72212
(Address of principal executive offices) (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.0001 par per share)	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:

NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Windstream Holdings, Inc. ☒ YES ☐ NO
Windstream Services, LLC ☒ YES ☐ NO

Disruptions and congestion in our networks and infrastructure may cause us to lose customers and incur additional expenses.

Our customers depend on reliable service over our network. Some of the risks to our network infrastructure include physical damage to lines, security breaches, capacity limitations, power surges or outages, software defects and disruptions beyond our control, such as natural disasters and acts of terrorism. From time to time in the ordinary course of business, we will experience disruptions in our service due to factors such as cable damage, inclement weather and service failures of our third-party service providers. Additionally, we could face disruptions due to capacity limitations as a result of changes in our customers' high-speed Internet usage patterns, resulting in a significant increase in the utilization of our network.

We could experience more significant disruptions in the future. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers or incur additional expenses or capital expenditures. Such results could adversely affect our results of operations and financial condition.

A change in ownership may limit our ability to utilize our net operating loss carryforwards.

If Windstream experiences a 50% or greater change in ownership involving shareholders owning 5% or more of its stock, it could adversely impact Windstream's ability to utilize its existing net operating loss carryforwards. The inability to utilize existing net operating loss carryforwards would significantly increase the amount of Windstream's annual cash taxes reducing the overall amount of cash available to be used in other areas of the business.

In September 2015, Windstream's board of directors adopted a shareholder rights plan (the "Rights Plan"), under which Windstream shareholders of record as of the close of business on September 28, 2015 received one preferred share purchase right for each share of common stock outstanding. The Rights Plan was approved by shareholders at the Annual Meeting held on May 12, 2016. The Rights Plan is designed to protect Windstream's net operating loss carryforwards from the effect of limitations under Section 382 of the Internal Revenue Code ("IRC"), if an ownership change should occur in the future. In general, an ownership change will occur when the percentage of Windstream's ownership by one or more "5-percent shareholders" (as defined under IRC Section 382) has increased by more than 50 percent at any time during the prior three years (calculated on a rolling basis). Pursuant to the Rights Plan, if a shareholder (or group) acquires beneficial ownership of 4.9 percent or more of the outstanding shares of Windstream's common stock without prior approval of our Board of Directors or without meeting certain customary exceptions, the rights would become exercisable and entitle shareholders (other than the acquiring shareholder or group) to purchase additional shares of Windstream at a significant discount and result in significant dilution in the economic interest and voting power of acquiring shareholder or group. Although the Rights Plan is intended to reduce the likelihood of an "ownership change" that could adversely affect us, there is no assurance that the restrictions on transferability in the Rights Plan will prevent all transfers that could result in such an "ownership change." The Rights Plan was amended by the Amendment No. 1 to Rights Agreement, dated November 5, 2016, to confirm that any EarthLink shareholder that became a 4.9% or greater shareholder of the combined company as a result of the merger is exempt and the ownership does not trigger implementation of the Rights Plan unless the shareholder acquires additional shares of common stock.

If the spin-off, and certain related transactions, fails to qualify as a tax-free transaction for U.S. federal income tax purposes, we could be subject to significant tax liabilities and, in certain circumstances, we could be required to indemnify CS&L for material taxes pursuant to indemnification obligations that we entered into with CS&L.

We received a private letter ruling from the IRS (the "IRS Ruling") to the effect that, on the basis of certain facts presented and representations and assumptions, the spin-off will qualify as tax-free under Sections 355 and 368(a)(1)(D) of the Code. Although a private letter ruling generally is binding on the IRS, if the factual representations and assumptions made are untrue or incomplete in any material respect, we will not be able to rely on the IRS Ruling. In addition, the IRS Ruling does not address certain requirements for tax-free treatment of the spin-off under Sections 355 and 368(a)(1)(D) of the Code and our use of CS&L indebtedness and common stock to retire certain of our indebtedness (the "debt exchanges"). Accordingly, the spin-off was conditioned upon the receipt of a tax opinion from our tax counsel with respect to the requirements on which the IRS did not rule, which concluded that such requirements also should be satisfied. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached in the tax opinion. In addition, the tax opinion is not binding on the IRS or the courts, and the IRS and/or the courts may not agree with the tax opinion. However, if the spin-off or the debt exchanges failed to qualify as tax free for U.S. federal income tax purposes, we may incur significant tax liabilities that could materially affect our business, financial condition and results of operations.

If the spin-off ultimately was determined to be taxable, then a shareholder that received shares of CS&L common stock in the spin-off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares and could incur significant income tax liabilities. Such distribution would be taxable to such shareholder as a dividend to the extent of our current and accumulated earnings and profits (including earnings and profits resulting from the recognition of gain by us in the spin-off). Any amount that exceeded our earnings and profits would be treated first as a non-taxable return of capital to the extent of such shareholder's tax basis in its shares of our common stock with any remaining amount being taxed as a capital gain. In addition, if the spin-off were determined to be taxable, we would recognize taxable gain.

Under the terms of the tax matters agreement that we entered into with CS&L, CS&L is generally responsible for any taxes imposed on us that arise from the failure of the spin-off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to CS&L's stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by CS&L in the tax matters agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representations provided in connection with the tax opinion. CS&L's indemnification obligations to us are not limited by any maximum amount and such amounts could be substantial. If CS&L were required to indemnify us, CS&L may be subject to substantial liabilities and there can be no assurance that CS&L will be able to satisfy such indemnification obligations.

In connection with the spin-off, CS&L will indemnify us and we will indemnify CS&L for certain liabilities. There can be no assurance that the indemnities from CS&L will be sufficient to insure us against the full amount of such liabilities, or that CS&L's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to agreements that we entered into with CS&L in connection with the spin-off, CS&L agreed to indemnify us for certain liabilities, and we agreed to indemnify CS&L for certain liabilities. However, third parties might seek to hold us responsible for liabilities that CS&L agreed to retain, and there can be no assurance that CS&L will be able to fully satisfy its indemnification obligations under these agreements. In addition, indemnities that we may be required to provide to CS&L could be significant and could adversely affect our business.

We are required to pay rent under the master lease with CS&L, and our ability to do so could be adversely impaired by results of our operations, changes in our cash requirements and cash tax obligations, or overall financial position; conversely, payment of the rent could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.

We are required to pay a portion of our cash flow from operations to CS&L pursuant to and subject to the terms and conditions of the master lease. Our ability to pay the rent owed to CS&L could be adversely impaired by results of our operations, changes in our cash obligations and requirements, or general financial position. Additionally, our obligation to pay rent could impair our ability to fund our own operations, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our failure to comply with the provisions of the master lease with CS&L could materially adversely affect our business, financial position, results of operations and liquidity.

We currently lease a significant portion of our telecommunications network assets, including our fiber and copper networks and other real estate, under the master lease with CS&L. Our failure to pay the rent or comply with the provisions of the master lease would result in an event of default regarding the master lease and also could result in a default under other agreements. Upon an event of default, remedies available to CS&L include terminating the master lease and requiring us to transfer the business operations we conduct at the leased assets so terminated (with limited exceptions) to a successor tenant for fair market value pursuant to a process set forth in the master lease, dispossessing us from the leased assets, and/or collecting monetary damages for the breach (including rent acceleration), electing to leave the master lease in place and sue for rent and any other monetary damages, and seeking any and all other rights and remedies available under law or in equity. The exercise of such remedies could have a material adverse effect on our business, financial position, results of operations and liquidity.

Cyber security incidents could have a significant operational and financial impact.

We store customers' proprietary business information in our facilities through our colocation, managed services and cloud computing services. In addition, we maintain certain sensitive customer information in our financial and operating systems. While we have implemented data security polices and other internal controls to safeguard and protect against misuse or loss of this information, if their data were compromised through a cyber security incident, it could have a significant impact on our results of operations and financial condition. Additionally, we have implemented network and data security policies and other internal controls to safeguard and protect against malicious interference with our networks and information technology infrastructure and related systems and technology, as well as misappropriation of data and other malfeasance, but we cannot eliminate the risk associated with these types of occurrences. While we continue to adapt to new threats, increasing incidents of unsuccessful and successful "cyber attacks", such as computer hacking, dissemination of computer viruses and denial of service attacks, as well as misappropriation of data, pose growing risks of a significant effect on our results of operations and financial condition and we cannot fully predict the evolution of such threats.

We are subject to various forms of regulation from the Federal Communications Commission ("FCC") and state regulatory commissions in the states in which we operate, which limit our pricing flexibility for regulated voice and high-speed Internet products, subject us to service quality, service reporting and other obligations and expose us to the reduction of revenue from changes to the universal service fund, the inter-carrier compensation system, or access to interconnection with competitors' facilities.

As of December 31, 2016, we had operating authority from each of the 48 states and the District of Columbia in which we conducted local service operations, and we are subject to various forms of regulation from the regulatory commissions in each of these areas as well as from the FCC. State regulatory commissions have jurisdiction over local and intrastate services including, to some extent, the rates that we charge and service quality standards. The FCC has primary jurisdiction over interstate services including the rates that we charge other telecommunications companies that use our network and other issues related to interstate service. In some circumstances, these regulations restrict our ability to adjust rates to reflect market conditions and may affect our ability to compete and respond to changing industry conditions.

Future revenues, costs, and capital investment in our wireline business could be adversely affected by material changes to or decisions regarding applicability of government requirements, including, but not limited to, changes in rules governing inter-carrier compensation, state and federal USF support, competition policies, and other pricing and requirements. Federal and state communications laws and regulations may be amended in the future, and other laws and regulations may affect our business. In addition, certain laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes would have.

In addition, these regulations could create significant compliance costs for us. Delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that we are able to charge our customers. Our business also may be affected by legislation and regulation imposing new or greater obligations related to, for example, assisting law enforcement, bolstering homeland and cyber-security, protecting intellectual property rights of third parties, minimizing environmental impacts, protecting customer privacy, or addressing other issues that affect our business.

Our operations require substantial capital expenditures, and if funds for capital expenditures are not available when needed, this could affect our service to customers and our growth opportunities.

We require substantial capital to maintain our network, and our growth strategy will require significant capital investments for network enhancements and build-out. During 2016, we incurred $989.8 million in capital expenditures, and we expect to incur $790.0 million to $840.0 million in capital expenditures during 2017, excluding incremental capital spend related to the acquisition of EarthLink and in completing Project Excel, a capital program begun in late 2015 that accelerates our plans to upgrade our broadband network by the end of 2016 funded using a portion of the proceeds from the sale of the data center business. See Management's Discussion and Analysis of Financial Condition, Liquidity and Capital Resources in the Financial Supplement to this Annual Report on Form 10-K.

Exhibit K

Lender Q&A

From: Gunderman, Bob
Sent: Sunday, April 12, 2015 6:42 PM
To: Thomas, Tony
Subject: Fwd: WIN/CS&L: Investor strategy materials
Attachments: CS&L_TLB Book and Account Commentary vF.PDF; ATT00001.htm; QA - for lender trip.pdf; ATT00002.htm

Tony,

We just wrapped up our messaging call with JPM and BAML. To start, JPM was more positive overall on our deal messaging and how we can position this story to ensure good execution. Notably Gerry Murray , their head of Leveraged Finance, was on the call as was Richard Gabriel, Jessica's replacement, and both offered assurances on the focus of their team and that they continue to expect good execution.

Over the past couple of days, JPM has enlisted the help of Tim Gralick, DPW bankruptcy counsel, and Andy Lipman, Regulatory counsel of Morgan Lewis. They have used them to confirm the positive messaging around how a remote bankruptcy of a regulated entity like WIN would play out and have made the argument for security of the lease payment in a remote bankruptcy which makes for a stronger story for CSL. These two gentlemen will be asked to speak to any key accounts who are digging in on these points.

We concluded that Kenny and his team will go back to certain accounts who have been holdouts to reinforce their message. We also agree that I should speak with any accounts who want assurances on WIN credit. The next three days will be intense but I feel better today about where we are with the messaging and the JPM and BAML teams were willing to give more assurances on the call tonight.

Bob Gunderman
CFO and Treasurer
Windstream Holdings
501-748-6849
Bob.gunderman@windstream.com

Begin forwarded message:

> **From:** "Curtin, Kevin R" <kevin.r.curtin@jpmorgan.com>
> **Date:** April 12, 2015 at 5:24:23 PM CDT
> **To:** "bob.gunderman@windstream.com" <bob.gunderman@windstream.com>, "'mary.michaels@windstream.com'" <mary.michaels@windstream.com>, "kenny.gunderman@cslreit.com" <kenny.gunderman@cslreit.com>, "markwallace.us@icloud.com" <markwallace.us@icloud.com>, Rob Clancy <Rob.Clancy@cslreit.com>
> **Cc:** "Turpin, Fred J" <fred.j.turpin@jpmorgan.com>, "Murray, Gerry" <GERRY.MURRAY@jpmorgan.com>, "Carey, Leonard P" <leonard.p.carey@jpmorgan.com>, "Gabriel, Richard" <Richard.Gabriel@jpmorgan.com>, "Slocumb, Allen" <allen.slocumb@jpmorgan.com>, "Rastogi, Varun X" <varun.x.rastogi@jpmorgan.com>, Rite Core <Rite_Core@chase.com>, "scott.tolchin@baml.com" <scott.tolchin@baml.com>, "jeffrey.a.fritsche@baml.com" <jeffrey.a.fritsche@baml.com>, "mark.bush@baml.com" <mark.bush@baml.com>, Briefcase

<briefcase@restricted.chase.com>
Subject: WIN/CS&L: Investor strategy materials

All,

Ahead of our call this evening, please see attached the following two documents to guide our discussion:

(i) Consolidated Q&A list for discussions with lenders – this is Mary/JPM's combined document
(ii) CS&L TLB Book and Key Account Commentary

We look forward to speaking with everyone soon.

Thank you,
Kevin

Kevin Curtin | TMT Investment Banking | **J.P. Morgan**
383 Madison Avenue Floor 39, New York, NY 10179
T: 212 622 5948 | F: 917 464 9166 | M: 860 270 9016 | kevin.r.curtin@jpmorgan.com

Alternate contact: Teresa Martorella | T: 212 622 9935 | teresa.martorella@jpmorgan.com

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1. WIN in Distressed Situation / What happens in WIN Bankruptcy?

a. WIN is very reliable tenant **(always lead with this)**
- First, we believe WIN is a very secure financial tenant. The business is diverse and generates a substantial amount of cash flow. In addition, WIN expect to repay almost a half of their outstanding debt via this spin off
- Significant rent coverage at 3.3X
- WIN expects to pay down almost half of its debt as a result of this transaction ($3.5B plus the retained equity component); allowing for more optimal capital structure and cash flow for WIN to invest for growth
- Win is going from $600m annual dividend to $60m annual dividend
- Lease payment is tax deductible whereas dividend was not, so cash flow savings
- WIN will have significant secured leverage capacity after this deal to lower their cost of capital
- Over half of Win's capex (~$400m) is success based and discretionary
- The more Win invests in its network, the better it is for CS&L

b. Lease Structure Well Designed and Iron-Clad
- Win and CS&L's collective intent in negotiating the lease was for it to be impossible to reject it in a bankruptcy; Bankruptcy, tax, regulatory and credit lawyers were all engaged to help structure the lease in an iron-clad fashion
- Lease does not allow for a renegotiation of the rental payment under any circumstances
- Indivisible master lease (WIN can't 'cherry pick' parts they like or don't like)
- WIN knew this structure of the lease would be important for regulatory approval to prove no chance of disruption of service to customers
    - Windstream Services (Opco) is by-law the "carrier of last resort" to customers on the network, so they can't stop providing service

c. What if WIN can't afford to make the lease payment (i.e. Default on lease)
- This is very unlikely as a default on the lease would likely lead to bankruptcy process given the cross default on WIN's credit documents, highlighting the importance of the lease payment to WIN Services (Opco)
- Hypothetically, a default would allow CS&L to begin an orderly sale process to find a successor tenant to step into Windstream's shoes
- The orderly sale provision in the lease requires WIN to sell its communications assets (including all property, operations, electronics, licenses and customer relationships, etc) that are using the CS&L owned distribution systems to another operator, who would then assume WIN's place in the lease.
- Likely good interest at "discounted sales price" given traditional cost synergies in Telco acquisitions

d. What happens in a bankruptcy situation?
- While this is very unlikely, in a bankruptcy WIN Holdings would only be able to "accept" or "reject" the lease in its entirety; If WIN accepts the lease, there are no changes to the lease terms and the lease payment must continue

- As a "Carrier of Last Resort" WIN Opco cannot disrupt service or stop providing service; therefore, with ~85% of WIN's fiber / copper assets residing with CS&L, it is not practical for WIN to reject the lease given their regulatory obligations
  - WIN Services (OPCO) is the regulated entity, not WIN Holdings
- In addition, without making the lease payment, there is no cash flow/value to the Opco

- One of the goals in a Chapter 11 bankruptcy is to ensure that the debtor emerges from BR as a viable company which, given the importance of the leased assets to WIN's operations and the regulatory implications, makes it very unlikely a court would allow rejection of the lease under any circumstances
  - Remember Windstream retains all regulatory obligations, CS&L does not
  - There is a public utility exemption in bankruptcy law that would be invoked whereby the courts would work with the federal and state regulators to ensure that the public utility (telecom service) continues to provide service even under extreme situations, so CS&L would continue to get paid at $650M annually without interruption
- The BR court is a court of equity, meaning part of its responsibility is to ensure creditors are treated fairly while a debtor is under the court's protection. This would prevent WIN from structuring a BR in such a way to allow for a windfall to its operating subs at the expense of CS&L

e. Would regulators prevent WIN from defaulting?
   - Regulators would work to ensure continuity of operations in a distressed scenario and so that payments to CS&L continue uninterrupted

f. Would regulators prevent CS&L from running an auction as prescribed in the lease?
   - In the highly unlikely event that this happens, regulators could not prevent the auction (per Morgan Lewis)

Redacted

Redacted

2. Master Lease / Relationship with WIN

a. How did you derive lease terms?

- Lease framework was carefully designed to benefit/protect both WIN and CS&L
- Longer-term lease provides more certainty needed for the REIT business while also allowing WIN to operate the network and meet its regulatory obligations over a long-period of time (35 plus years)

b. What type of protections do we have as a debt investor under the master lease agreement? What is the priority of the master lease payments at WIN as compared to other obligations at WIN (Interest expense, capex, dividends)?

- Since the WIN Holdings is the obligor on the lease, there is a "technical" subordination for the lease payment but there is "practical" seniority as this payment must be made for WIN Opco to have a business and to continue to generate cash flows
- As a financial obligation of WIN, the lease payments would be prioritized over capex and dividends

c. Why is the lease with WIN Holdings VS WIN Services?

- This is a complex transaction and after considering many factors we concluded that having the lease at WIN Holdings was the best structure
- If Pressed: Factors evaluated (corporate structure, tax, accounting, debt, etc.)

3. Assets Contributed

- 87% of fiber and 82% of copper lines (+ some land, poles and other); these assets constitute the last-mile connections into customer premises; are essential and the only means for WIN to serve clients – WIN has exclusive use of assets under lease
  - Retained by WIN: 100% of Electronics and Equipment (at Data Centers, Central Offices, Customer premises): these assets light fiber/copper lines and are deemed to generate "service revenues" (vs. REIT-able rental income from fiber/copper lines that go into the REIT)
- As Net PP&E include the retained assets, CS&L transferred assets represent c.50% of total Net PP&E
  - % refers to net book value. NBV not representative of actual value: assets GAAP-depreciated over long time and carry low value on the book, intrinsic / replacement value is very much higher than book value
- Contributed asset valuation: What is it? Methodology? Why $650m payment?
  - If you assume an 8.125% cap rate = ~$8bn. $650m = $8bn x 8.12% cap rate
    - Derived from replacement cost less depreciation
    - 1st lien = c.31% LTV, total = c.45% LTV

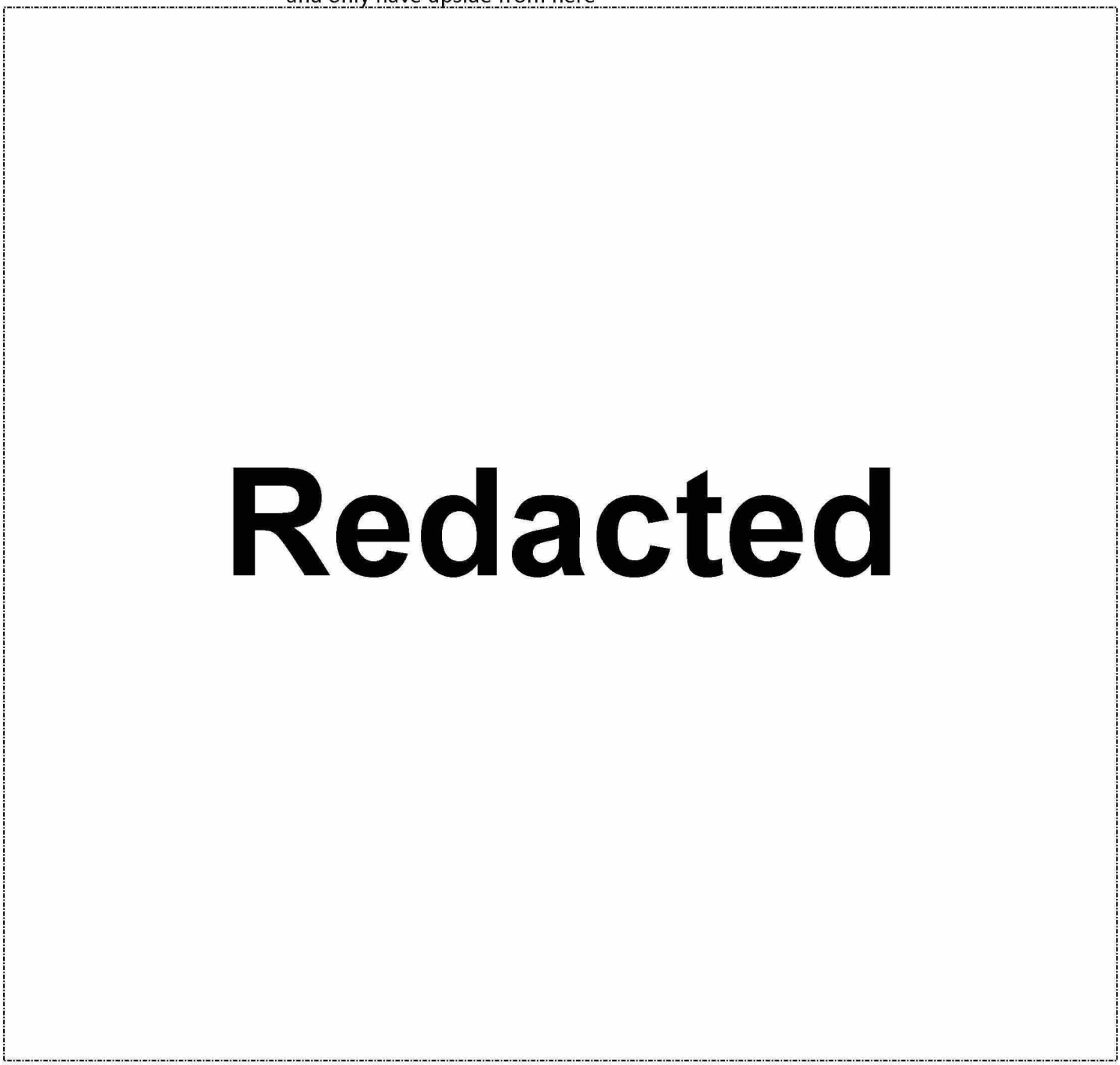
4. **Structure: Are 1st liens ahead of unsecured HY with respect to all assets?**
    - 1st liens are ahead with regard to c.95% of asset value. Exceptions are real estate outside GA/KY valued <$10m. We have all the copper, fiber and poles

5. **Counterparty risk**
    - Windstream trades at CCC yields, >150 bps wide to the HY index
        - Market is too bearish. WIN's asset mix is better than FTR, which trades at 7% and 6x. Our tax benefits alone command a premium TEV vs. FTR. No default catalyst. Near-term maturities can easily be refinanced on a 1st lien basis. Asset coverage through CS&L 1st lien is 2x that of WIN's bonds. CS&L results will have no quarterly volatility due to contracted revenue for next 15 years
        - WIN has a $1.25b undrawn revolver at close, providing ample liquidity, with 2.25x 1st lien capacity under CA and 2.5x under indentures with a $150mm general basket
        - WIN has significant FCF flexibility: EBITDA c.$1.3mm (post lease), Capex c.$400mm, (excl. >50% success-based Capex and $50m at CS&L); PF interest expense c.$360m (to be further reduced after CS&L stake sell-down), tax of $20mm >>> FCF before discretionary uses of c.$520m; dividends of c.$60M
        - Significant liquidity:$1.25bn Revolver (≤15% drawn at closing) and $850m-1bn 20% CS&L stake sell-down within next 12 months
        - WIN's guidance doesn't include potential cash flow benefits of CAF-2

6. **WIN and CS&L after spin-off**
    - Q: Why doesn't the credit delever? Their assets are depreciating.
        - CS&L starting leverage below public triple-net-lease REITs of >6x
        - No REIT delevers on cash flow alone as they need to pay out >90% of taxable income; all deleverage through expanding EBITDA, which is expected to be accelerated based on (i) success-based capex, (ii) tenant diversification, and (iii) rent escalator built into the master lease
        - CS&L dividend of $360m is almost 2x over the REIT requirement of 90% payout of taxable income >>> a lot of room to adjust if necessary
    - Q: Is this just a reshuffling of assets and/or WIN downsizing the business? Why is the sum of these parts greater than WIN today?
        - WIN will have same business as today, just accesses almost all of distribution network via long-term lease rather than owning it
        - Trx deleverages WIN and creates high value triple net lease counterparty that the equity research expects to trade at 11 to 14x
        - Creates a much stronger WIN from a competitive and operational and investment perspective
            - WIN has more strategic and financial flexibility to address its enterprise-data growth strategy
            - Capex investments on the contributed also optimized via CS&L contribution (up to $50m p.a. remunerated at 8.125% initially)
            - Tax benefits of this transaction are significant:

- Practically no taxes at CS&L
- Lease payment deductible at WIN and other effects >>> longer utilization of NOLs and bonus depreciation, high NPV of benefit

- Q: Will CS&L just trade in line with WIN given the two are so codependent?
  - WIN investments directed to core business and no rationale for WIN to overbuild CS&L fiber/copper lines >>> no risk of CS&L being dis-intermediated
  - The lease payment is fixed (even in a bankruptcy) and does not depend on WIN's performance. CS&L quarterly results are known for the next 15 years and only have upside from here



Redacted

b. Has CS&L identified any other acquisition targets?
   - CS&L began having informational discussions with counterparties after the transaction was announced last July
   - We believe that CS&L will have ample opportunities to grow and diversify
   - CS&L has an attractive business model enabling it to serve as a financing source for other telecom companies who may be interested in partnering with CS&L for a variety of reasons (de-leveraging, investing in the business, returning cash to shareholders)
   - Triple net lease REITs like CS&L trade at 13-18x EBITDA; most telecom service providers trade at 5-8x EBITDA – creating an attractive acquisition currency for CS&L
   - CS&L will be prudent about the investment decisions and we believes that M&A will provide an attractive vehicle to create additional value for stakeholders

c. What is the financial policy of CS&L going forward?
   - We expect to maintain leverage at a consistent level to where we are starting (5.6x range)
   - Expect to pay dividend of $2.40 / share
   - Expect to fix most of the floating rate debt exposure
   - Ample liquidity with $500M revolver and a starting cash balance of $100M

d. Who are CS&L's main competitors?
   - CS&L will be the first communications REIT focused on copper and fiber assets
   - There are alternative REITs in the Tower and Data Center Space
   - Have a window of opportunity to capitalize on the CS&L competitive position

e. What is management's plans regarding CS&L's target leverage?
   - The CS&L business model simple and straightforward with consistent and predictable cash flows
   - We are comfortable with leverage in the mid- 5x range
   - These levels consistent with other triple net REITs

9. Capex

a. Of the $50mm capex, how much is discretionary?
   - CS&L does not have any maintenance capital requirements; all capex is success-based with an initial cap rate of 8.125%
   - The lease is flexible and allows WIN & CS&L to partner on and mutually agree up on the co-investment opportunities each year
     - There is a provision in the lease at WIN's option that can require CS&L to invest $50M per year for 5 years (earning an attractive cap rate on these investments) while WIN agrees to extend the lease by 5 year.

- Both companies are incented to work together; CS&L will earn an attractive cap rate while the arrangement will enable WIN to invest more in the network in growth opportunities

b. Is there any contractual obligation for WIN to fund any portion of the capex at CS&L going forward?
   - Under the triple net lease structure, WIN is responsible for continuing maintain the assets as it does today; this maintenance capital is embedded in WIN's current capex run rate today
   - CS&L does not have any maintenance capital obligations

Redacted

11. D4D / Spin Off

a. How did you decide which assets went to PropCo?
   - WIN owns an extensive Distribution System network including ~235k route miles of copper cable lines, $64k route miles of fiber, telephone poles, underground conduits, concrete pads, central office land and buildings, etc.
     - Telecom distribution systems are passive assets and provide a means of delivering electrical signals from one transmission point to a receiving point; these assets are distinct from the active investments such as equipment and electronics that generate the voice and data signals, which are not REITable (switches, routers, digital subscriber line access multiplexers, etc)
   - WIN targeted a specific amount of the telecom distributions that was necessary to establish the targeted capital structures at both companies

b. Will there be a third party assessment of the assets/collateral valuations at CS&L?
   - WIN engaged an independent auditing firm to perform a valuation analysis on the assets; which was subsequently used to determine the annual lease payment

c. What assets will remain at WIN?
   - Win will maintain all "active" assets such as equipment and electronics that generate the voice and data signals, which are not REITable (switches, routers, digital subscriber line access multiplexers, etc)
   - In addition, WIN will maintain the data center business as well as a portion of the distribution system assets that was not needed to reach the target capital structures

d. Please elaborate on the expected plan surrounding WIN's monetization of its 19.9% CS&L equity stake

- WIN plans to monetize the retained ownership in CS&L over the course of a 12 mth period; being very mindful of the pace to ensure the liquidation does not pressure the market

e. What is the use of proceeds from the debt raise?
   - Leverage reduction at WIN

Exhibit L

Separation and Distribution Agreement

Exhibit 2.1

SEPARATION AND DISTRIBUTION AGREEMENT

BY AND AMONG

WINDSTREAM HOLDINGS, INC.,

WINDSTREAM SERVICES, LLC

AND

COMMUNICATIONS SALES & LEASING, INC.

Dated March 26, 2015

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SEPARATION AND DISTRIBUTION AGREEMENT

This SEPARATION AND DISTRIBUTION AGREEMENT, dated as of March 26, 2015 (this "Agreement"), is by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), and Communications Sales & Leasing, Inc., a Maryland corporation ("CS&L" and, together with WHI and Windstream, the "Parties").

W I T N E S S E T H:

WHEREAS, the board of directors of WHI has determined that it is advisable and in the best interests of WHI and its stockholders to separate Windstream's business into two companies in order to accelerate the transformation of its consumer and enterprise network and create additional value for shareholders, and to spin off certain assets into CS&L which will become an independent, publicly traded real estate investment trust;

WHEREAS, CS&L has been incorporated solely for these purposes and has not engaged in activities except in preparation for its corporate reorganization and the distribution of its stock;

WHEREAS, in furtherance of the foregoing, the board of directors of each of WHI, Windstream and CS&L have approved the transfer by Windstream and its Subsidiaries of the Assigned Assets (as hereinafter defined) to CS&L and its Subsidiaries in actual or constructive exchange for (i) the assumption or incurrence, as applicable, by CS&L and certain of its Subsidiaries of the Assumed Liabilities (as hereinafter defined), (ii) the issuance by CS&L to Windstream of all of the outstanding shares of the common stock, par value $0.0001 per share, of CS&L (the "CS&L Common Stock"), (iii) the transfer by CS&L, directly or indirectly, to Windstream of the Cash Payment (as hereinafter defined), and (iv) the transfer by CS&L, directly or indirectly, to Windstream of certain debt securities and loans under a term loan facility to be issued by CS&L or its Subsidiaries as part of the Financing Arrangements (as hereinafter defined), all as more fully described in this Agreement and the Transaction Agreements (together with certain related transactions, the "Reorganization");

WHEREAS, in advance of the Reorganization, WHI, Windstream and its Subsidiaries intend to undertake certain internal reorganization steps (the "Internal Reorganization");

WHEREAS, the board of directors of Windstream has determined that it is advisable and in the best interests of Windstream and its sole stockholder, WHI, to effect a distribution to WHI of shares of CS&L Common Stock in an amount equal to 80.1 percent of the outstanding CS&L Common Stock (the "Internal Distribution"), and the board of directors of WHI has determined that it is advisable and in the best interests of WHI and its stockholders to effect a distribution (the "External Distribution" and, together with the Internal Distribution, the "Distribution") to the holders of the outstanding shares of common stock, par value $0.0001 per share, of WHI (the "WHI Common Stock"), on a pro rata basis, of all shares of CS&L Common Stock received by WHI in the Internal Distribution so that, following the Distribution, WHI and CS&L will be two independent, publicly traded companies; and

WHEREAS, Windstream will temporarily retain a passive ownership interest in shares of CS&L Common Stock in an amount no more than 19.9 percent of the outstanding CS&L Common Stock, pending its opportunistic use of the CS&L Common Stock pursuant to the plan that includes the Reorganization and Distribution, subject to market conditions, to retire debt;

WHEREAS, the number of shares of CS&L Common Stock distributed pursuant to the Internal and External Distributions, and the number of shares of CS&L Common Stock temporarily retained by Windstream, shall each be calculated as of the record date of the Distribution in accordance with the formula set forth on Annex I hereto and shall be certified by an officer of Windstream;

WHEREAS, the Reorganization and the Distribution will, among other benefits, (i) provide WHI, Windstream and CS&L with increased flexibility to pursue the plan to expand Windstream's existing real estate platform and acquisition strategy, including alternatives that are unlikely to be available absent the Distribution; (ii) enable CS&L to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, which management believes is critical to the success of the plan to expand Windstream's existing real estate platform; (iii) meaningfully enhance the ability of the extensive copper cable network and local and long-haul fiber optic cable network utilized in the provision of advanced network communications and technology solutions to businesses and consumers to raise capital by issuing equity on more favorable terms than would be possible, absent the Distribution, in the public markets to institutional investors that invest in real estate investment trusts ("REITs" or, individually, a "REIT"); (iv) reduce the actual or perceived competition for capital resources within the WHI Group (as defined below); (v) meaningfully enhance each of WHI's, Windstream's and CS&L's ability to attract and retain qualified management; and (vi) allow the business of extensive copper cable network and local and long-haul fiber optic cable network utilized in the provision of advanced network communications and technology solutions to businesses and consumers to optimize its leverage and enhance the credit profile of the business of advanced network communications and technology solutions to businesses and consumers, providing the WHI Group with greater financial and strategic flexibility;

WHEREAS, it is the intention of the Parties that the Reorganization and the Distribution, together with certain related transactions, qualify as a reorganization within the meaning of Sections 355, 368(a)(1)(D), and 361 of the Code;

WHEREAS, WHI has received a private letter ruling from the IRS to the effect that, among other things, certain aspects of the Reorganization and the Distribution, together with certain related transactions, qualify as tax-free to WHI, Windstream and CS&L and the holders of WHI Common Stock for U.S. federal income tax purposes under Sections 355, 368(a)(1)(D) and 361 of the Code (the "Private Letter Ruling");

WHEREAS, this Agreement is intended to be, and is hereby adopted as, a "plan of reorganization" within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a); and

WHEREAS, it is appropriate and desirable to set forth the principal corporate transactions required to effect the Reorganization and the Distribution and to set forth certain other agreements that will, following the Distribution, govern certain matters relating to the Reorganization and the Distribution and the relationship between WHI, Windstream and their Subsidiaries, on the one hand, and CS&L and its Subsidiaries, on the other hand.

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings specified in this Section 1.1:

"Action" means any demand, action, claim, dispute, suit, countersuit, arbitration, inquiry, subpoena, proceeding or investigation of any nature (whether criminal, civil, legislative, administrative, regulatory, prosecutorial or otherwise) by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

"Affiliate" means, when used with respect to a specified Person, a Person that directly or indirectly, through one (1) or more intermediaries, controls, is controlled by or is under common control with such specified Person. For the purpose of this definition and the definitions of "CS&L Group" and "WHI Group," "control" (including with correlative meanings, "controlled by" and "under common control with"), when used with respect to any specified Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or other interests, by contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment, undertaking or otherwise. It is expressly agreed that, from and after the Effective Time and for purposes of this Agreement and the other Transaction Agreements, no member of the CS&L Group shall be deemed to be an Affiliate of any member of the WHI Group, and no member of the WHI Group shall be deemed to be an Affiliate of any member of the CS&L Group.

"Agreement" has the meaning set forth in the Preamble.

"Amended and Restated Bylaws" has the meaning set forth in Section 3.1(f).

"Approvals or Notifications" means any consents, waivers, approvals, permits or authorizations to be obtained from, notices, registrations or reports to be submitted to, or other filings to be made with, any third Person, including any Governmental Authority.

"Arbitrable Dispute" has the meaning set forth in Section 9.1(a).

"Articles of Amendment and Restatement" has the meaning set forth in Section 3.1(f).

"Assets" means all rights, properties or other assets, whether real, personal or mixed, tangible or intangible, of any kind, nature and description, whether accrued, contingent or otherwise, and wherever situated and whether or not carried or reflected, or required to be carried or reflected, on the books of any Person.

"Assigned Assets" has the meaning set forth in Section 2.2(a).

"Assigned Contracts" means any contract, agreement, arrangement, commitment or understanding listed or described on Schedule 1.1(a) (or any applicable licenses, leases, addenda and similar arrangements thereunder as described on Schedule 1.1(a)).

"Assignment Agreements" means, collectively, the Assignment, Conveyance and Assumption Agreement for Pole Agreements, the Assignment, Conveyance and Assumption Agreement for Permits, the Assignment, Conveyance and Assumption Agreement for Franchises, the Assignment, Conveyance and Assumption Agreement for Easements, the Assignment, Conveyance and Assumption Agreement for Tangible Assets and the Assignment, Conveyance and Assumption Agreement for Consumer CLEC Assets, each in substantially the form set forth in Exhibit I attached hereto with such conforming changes as are necessary to reflect the applicable State and parties.

"Assumed Liabilities" has the meaning set forth in Section 2.3(a).

"Audited Financial Statements" has the meaning set forth in Section 5.8(a).

"Cash Payment" has the meaning set forth in Section 3.2(j).

"Closing Balance Sheet" has the meaning set forth in Section 8.9(a).

"Closing Net Working Capital" has the meaning set forth in Section 8.9(a).

"Closing Statement" has the meaning set forth in Section 8.9(a).

"Code" means the Internal Revenue Code of 1986, as amended.

"Consumer CLEC Business" means the business of owning and operating a competitive local exchange carrier business offering voice, broadband, long distance and value-added services to consumer customers on a resale, non-facilities basis pursuant to one or more Wholesale Master Services arrangements.

"CPR" means the International Institute for Conflict Prevention & Resolution.

"CPR Arbitration Rules" has the meaning set forth in Section 9.2(a).

"CS&L" has the meaning set forth in the Preamble.

"CS&L Business" means (i) the business of owning and operating an extensive copper cable network and local and long-haul fiber optic cable network located in the Facilities and utilized in the provision of advanced network communications and technology solutions to businesses and consumers (but, for the avoidance of doubt, not the actual provision of advanced network communications and technology solutions to businesses and customers) and (ii) the Consumer CLEC Business.

"CS&L Common Stock" has the meaning set forth in the Recitals.

"CS&L Confidential Information" has the meaning set forth in Section 8.2(a).

"CS&L Group" means CS&L, each Subsidiary of CS&L and each other Person that is controlled directly or indirectly by CS&L, in each case immediately after the Effective Time; provided, however, that no director, officer, employee, agent or other representative of any of the foregoing who is a natural person shall be deemed to be a member of the CS&L Group.

"CS&L Indemnified Parties" has the meaning set forth in Section 7.3.

"Dispute" has the meaning set forth in Section 9.1(a).

"Distribution" has the meaning set forth in the Recitals.

"Distribution Agent" means Computershare Investor Services L.L.C.

"Distribution Date" means April 24, 2015, or such other time as determined by WHI in accordance with Section 3.3(b).

"Distribution Systems" has the meaning set forth in Section 2.2(a)(i)(C).

"Effective Time" means the time at which the External Distribution occurs on the Distribution Date, which shall be deemed to be 12:01 a.m., New York City Time, on the Distribution Date.

"Electronics" means any and all electronics used in connection with the Facilities that process, compress, modify and route signals along the Distribution Systems, including, but not limited to, digital subscriber line access multiplexers, digital loop carriers, routers, wave division multiplexers and switches.

"Employee Matters Agreement" means the Employee Matters Agreement in substantially the form attached hereto as Exhibit C, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"Environmental Law" means any Law relating to pollution, protection or restoration of or prevention of harm to the environment or natural resources, including the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials or the protection of or prevention of harm to human health and safety.

"Environmental Permit" means any license, certificate, permit, registration, approval, authorization or consent that is required pursuant Environmental Laws.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time that reference is made.

"Excluded Assets" has the meaning set forth in Section 2.2(b).

"Excluded Liabilities" has the meaning set forth in Section 2.3(b).

"External Distribution" has the meaning set forth in the Recitals.

"Facilities" means those operational facilities categorized by geographic area set forth in Schedule 1.1(b) hereto and to be further generally described in a letter, dated on or around the Distribution Date, delivered by WHI and WIN and acknowledged by CS&L, which are the subject of the Master Lease and this Agreement.

"Financing Arrangements" has the meaning set forth in Section 3.2(j).

"Force Majeure" means, with respect to a Party, an event beyond the control of such Party (or any Person acting on its behalf), which by its nature could not reasonably have been foreseen by such Party (or such Person), or, if it could have reasonably been foreseen, was unavoidable, and includes acts of God, storms, floods, riots, fires, sabotage, civil commotion or civil unrest, interference by civil or military authorities, acts of war (declared or undeclared) or armed hostilities or other national or international calamity or one (1) or more acts of terrorism or failure of energy sources. Notwithstanding the foregoing, the receipt by a Party of an unsolicited takeover offer or other acquisition proposal, even if unforeseen or unavoidable, and such Party's response thereto shall not be deemed an event of Force Majeure.

"GAAP" means United States generally accepted accounting principles, consistently applied throughout the periods presented in accordance with WHI's historical policies and practices.

"Governmental Authority" means any nation or government, any state, municipality or other political subdivision thereof, and any entity, body, agency, commission, department, board, bureau, court, tribunal or other instrumentality, whether federal, state, local, domestic, foreign or multinational, exercising executive, legislative, judicial, regulatory, administrative or other similar functions of, or pertaining to, government and any executive official thereof.

"Group" means the WHI Group or the CS&L Group, as the context requires.

"Hazardous Materials" means any chemical, material, substance, waste, pollutant, emission, discharge, release or contaminant that could result in liability under, or that is prohibited, limited or regulated by or pursuant to, any Environmental Law, and any natural or artificial substance (whether solid, liquid or gas, noise, ion, vapor or electromagnetic) which could cause harm to human health or the environment, including petroleum, petroleum products

and byproducts, asbestos and asbestos-containing materials, urea formaldehyde foam insulation, electronic, medical or infectious wastes, polychlorinated biphenyls, radon gas, radioactive substances, chlorofluorocarbons and all other ozone-depleting substances.

"Improvements" has the meaning set forth in Section 2.2(a)(i)(B).

"Indemnified Party" has the meaning set forth in Section 7.6(a).

"Indemnifying Party" has the meaning set forth in Section 7.6(a).

"Indemnity Payment" has the meaning set forth in Section 7.6(a).

"Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memoranda and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data.

"Information Statement" means the information statement, attached as an exhibit to the Registration Statement, and any related documentation to be provided to holders of WHI Common Stock in connection with the External Distribution, including any amendments or supplements thereto.

"Insurance Proceeds" means those monies (i) received by an insured from an insurance carrier, (ii) paid by an insurance carrier on behalf of the insured or (iii) received (including by way of set off) from any third Person in the nature of insurance, contribution or indemnification in respect of any Liability; in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses incurred in the collection thereof.

"Intellectual Property Matters Agreement" means the Intellectual Property Matters Agreement in substantially the form attached hereto as Exhibit D, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"Interim Pro Forma Income Statements" has the meaning set forth in Section 5.8(b).

"Internal Distribution" has the meaning set forth in the Recitals.

"Internal Reorganization" has the meaning set forth in the Recitals.

"IRS" means the United States Internal Revenue Service.

"Land" has the meaning set forth in Section 2.2(a)(i)(A).

"Law" means any national, supranational, federal, state, provincial, local or similar law (including common law), statute, code, order, ordinance, rule, regulation, treaty (including any income tax treaty), license, permit, authorization, approval, consent, decree, injunction, binding judicial or administrative interpretation or other requirement, in each case, enacted, promulgated, issued or entered by a Governmental Authority.

"Liabilities" means any and all debts, guarantees, liabilities, costs, expenses, interest and obligations, whether accrued or fixed, absolute or contingent, matured or unmatured, reserved or unreserved, or determined or determinable, including those arising under any Law, claim (including any third Person product liability claim), demand, Action, whether asserted or unasserted, or order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority and those arising under any contract, agreement, obligation, indenture, instrument, lease, promise, arrangement, release, warranty, commitment or undertaking, or any fines, damages or equitable relief that is imposed, in each case, including all costs and expenses relating thereto.

"Lien" means any pledge, claim, lien, mortgage, deed of trust, charge, restriction, control, easement, right of way, exception, reservation, lease, license, grant, covenant or condition, encumbrance or security interest of any kind or nature whatsoever.

"Listing Application" has the meaning set forth in Section 3.1(b).

"Master Lease" means the Master Lease Agreement to be entered into among WHI, CSL National, LP and the other entities listed on the schedules thereto as "Landlord" prior to or as of the Effective Time.

"Master Services Agreement" means the Master Services Agreement in substantially the form attached hereto as Exhibit G, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"NASDAQ" means The NASDAQ Global Select Market.

"Net Working Capital" means (A) the sum of all accounts receivable balances (to be collected and retained by WHI Group), net of allowance for bad debt, relating to the CS&L Business less (B) the sum of all accrued interconnection costs and accrued payroll paid by the WHI Group relating to the CS&L Business, in each case computed in accordance with GAAP and in a manner consistent with the sample calculation set forth in Schedule 8.9 hereto and, to the extent not inconsistent therewith, all accounting principles, practices, methodologies and policies used in the preparation of the financial statements included in the Information Statement.

"Offering Memorandum" means any offering memorandum related to the Financing Arrangements.

"Parties" has the meaning set forth in the Preamble.

"Permitted Lien" means: (i) Liens securing Taxes, the payment of which is not delinquent, that may be paid without interest or penalties or the validity or amount of which is actively being contested in good faith by appropriate proceedings diligently pursued; (ii) zoning laws, building codes, rights-of ways and other land use laws and ordinances applicable to the Assigned Assets that are not violated by the existing structures or present uses thereof or the transfer of the Assigned Assets; (iii) carriers', warehousemen's, materialmen's, workmen's, repairmen's and mechanics' liens, and other similar liens arising or incurred in the ordinary course of business that secure payment of obligations arising in the ordinary course of business not more than 60 days past due or which are being contested in good faith by appropriate proceedings diligently pursued; (iv) subleases, including but not limited to any rights to use through a dark fiber agreement, a dim fiber agreement, or a collocation agreement, and (v) easements, pole agreements, permits, rights-of-way, restrictions (including zoning restrictions), covenants, encroachments, protrusions and other similar charges or encumbrances, and minor title deficiencies on or with respect to any Facilities, not individually or in the aggregate materially interfering with the conduct of the business on the Facilities, taken as a whole.

"Person" means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, Governmental Authority or other entity.

"Plan of Reorganization" has the meaning set forth in Section 2.1(a).

"Private Letter Ruling" has the meaning set forth in the Recitals.

"Record Date" means April 10, 2015.

"Registration Statement" means the registration statement on Form 10 of CS&L with respect to the registration under the Exchange Act of the CS&L Common Stock, including any amendments or supplements thereto.

"REIT(s)" has the meaning set forth in the Recitals.

"Reorganization" has the meaning set forth in the Recitals.

"Representatives" has the meaning set forth in Section 8.2(a).

"Required Approvals" means those Approvals or Notifications set forth in Schedule 2.5(a).

"Reverse Transition Services Agreement" means the Reverse Transition Services Agreement in substantially the form attached hereto as Exhibit H, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"RUS" means the Rural Utilities Service.

"RUS Stimulus Assets" means the assets that constitute collateral under the RUS grant and security agreements pursuant to which members of the WHI Group obtained grants pursuant to the American Recovery and Reinvestment Act of 2009.

"SEC" means the United States Securities and Exchange Commission.

"Securities Act" means the United States Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder, all as the same shall be in effect at the time that reference is made.

"Security Interest" means any mortgage, security interest, pledge, lien, charge, claim, option, right to acquire, voting or other restriction, right-of-way, covenant, condition, easement, encroachment, restriction on transfer, or other encumbrance of any other nature.

"Skadden" has the meaning set forth in Section 3.2(c).

"Software" means any and all (i) computer programs, including any and all software implementation of algorithms, models and methodologies, whether in source code, object code, human readable form or other form, (ii) databases and compilations, including any and all data and collections of data, whether machine readable or otherwise, (iii) descriptions, flow charts and other work products used to design, plan, organize and develop any of the foregoing, screens, user interfaces, report formats, firmware, development tools, templates, menus, buttons and icons, and (iv) documentation, including user manuals and other training documentation, relating to any of the foregoing.

"Special Damages" has the meaning set forth in Section 7.9.

"Stockholder's and Registration Rights Agreement" means the Stockholder's and Registration Rights Agreement in substantially the form attached hereto as Exhibit F, to be entered into by and between Windstream and CS&L on or prior to the Distribution Date.

"Subsidiary" means, with respect to any Person, any corporation, limited liability company, joint venture or partnership of which such Person (i) beneficially owns, either directly or indirectly, more than fifty percent (50%) of (A) the total combined voting power of all classes of voting securities of such Person, (B) the total combined equity interests or (C) the capital or profit interests, in the case of a partnership, or (ii) otherwise has the power to vote, either directly or indirectly, sufficient securities to elect a majority of the board of directors or similar governing body.

"Tax" has the meaning set forth in the Tax Matters Agreement.

"Tax Matters Agreement" means the Tax Matters Agreement, in substantially the form attached hereto as Exhibit B, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"Tax Return" has the meaning set forth in the Tax Matters Agreement.

"Third Party Claim" has the meaning set forth in Section 7.7(a).

"Transaction Agreements" means this Agreement, the Master Lease, the Transition Services Agreement, the Tax Matters Agreement, the Employee Matters Agreement, the Intellectual Property Matters Agreement, the Wholesale Master Services Agreement, the Stockholder's and Registration Rights Agreement, the Master Services Agreement, the Reverse Transition Services Agreement and the Transfer Agreements.

"Transactions" means, collectively, (i) the Internal Reorganization, (ii) the Reorganization, (iii) the Distribution and (iv) all other transactions contemplated by this Agreement or any other Transaction Agreement.

"Transfer Agreements" means the Assignment Agreements and any other document executed by WHI, Windstream, CS&L or their applicable Affiliates or Subsidiaries in connection with the transactions contemplated by Section 2.1(b) and Section 2.4(b).

"Transition Services Agreement" means the Transition Services Agreement in substantially the form attached hereto as Exhibit A, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"WHI" has the meaning set forth in the Preamble.

"WHI Business" means the provision of advanced network communications and technology solutions to businesses and customers and any other businesses and operations conducted prior to the Effective Time by any member of the WHI Group that are not included in the CS&L Business.

"WHI Common Stock" has the meaning set forth in the Recitals.

"WHI Confidential Information" has the meaning set forth in Section 8.2(b).

"WHI Group" means WHI, each Subsidiary of WHI and each other Person that is controlled directly or indirectly by WHI, in each case immediately after the Effective Time; provided, however, that no director, officer, employee, agent or other representative of any of the foregoing who is a natural person shall be deemed a member of the WHI Group.

"WHI Indemnified Parties" has the meaning set forth in Section 7.2.

"Wholesale Master Services Agreement" means the Wholesale Master Services Agreement in substantially the form attached hereto as Exhibit E, to be entered into by and among certain members of the WHI Group and certain members of the CS&L Group on or prior to the Distribution Date.

"Windstream" has the meaning set forth in the Preamble.

ARTICLE II

THE REORGANIZATION

2.1 Transfer of Assets; Assumption of Liabilities.

(a) Prior to the Distribution, WHI, Windstream and CS&L shall complete the Internal Reorganization and the Reorganization in accordance with the plan and structure set forth on Schedule 2.1(a) (such plan and structure being referred to herein as the "Plan of Reorganization"). As part of the Plan of Reorganization, and without limiting the other steps set forth in the Plan of Reorganization:

(i) Windstream and CS&L shall or shall cause their Subsidiaries to execute the Assignment Agreements, pursuant to the terms of which, in the aggregate, Windstream and its Subsidiaries shall transfer, convey and deliver to CS&L and its Subsidiaries, and CS&L and its Subsidiaries shall accept from Windstream, the Assigned Assets (but not the Excluded Assets) and CS&L and its Subsidiaries shall accept, assume and agree faithfully to perform, discharge and fulfill all the Assumed Liabilities (but not the Excluded Liabilities) in accordance with their respective terms. From and after the execution of the Assignment Agreements, CS&L and its Subsidiaries shall be responsible for all Assumed Liabilities, regardless of when or where such Assumed Liabilities arose or arise or against whom such Assumed Liabilities are asserted, and regardless of whether arising from or alleged to arise from negligence, recklessness, violation of Law, fraud or misrepresentation by any member of the WHI Group or the CS&L Group, or any of their respective directors, officers, employees, agents, Subsidiaries or Affiliates; and

(ii) Contemporaneously with the execution of the Assignment Agreements, CS&L shall issue to Windstream the CS&L Common Stock and transfer, directly or indirectly, to Windstream the Cash Payment and those certain debt securities and loans to be issued by CS&L as part of the Financing Arrangements.

(b) In furtherance of the assignment, transfer, conveyance and delivery of the Assigned Assets and the assumption of the Assumed Liabilities in accordance with Section 2.1(a)(i) and the issuance by CS&L to Windstream of the CS&L Common Stock and the transfer by CS&L to Windstream of the Cash Payment and debt securities and loans in accordance with Section 2.1(a)(ii), on the date that such Assignment Agreements are signed (i) Windstream shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such additional bills of sale, quitclaim deeds, stock or equity powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment and other documents as and to the extent deemed by CS&L to be reasonably necessary to evidence the transfer, conveyance and assignment of the Assigned Assets to CS&L and its Subsidiaries, and (ii) CS&L shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such additional assumptions of contracts and other instruments of assumption, additional bills of sale, quitclaim deeds, stock or equity powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment and other documents as and to the extent deemed by Windstream to be reasonably necessary to evidence the valid and effective assumption of the Assumed Liabilities by CS&L and its Subsidiaries, the issuance by CS&L to Windstream of the CS&L Common Stock and the transfer to Windstream of those certain debt securities and loans reference in Section 2.1(a)(ii) above.

(c) If at any time or from time to time (whether prior to or after the Effective Time), any Party (or any member of such Party's respective Group), shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to this Agreement or any other Transaction Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any such other Person.

(d) CS&L, on its own behalf and on behalf of each other member of the CS&L Group, hereby waives compliance by each and every member of the WHI Group with the requirements and provisions of any "bulk-sale" or "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the transfer or sale of any or all of the Assigned Assets to any member of the CS&L Group.

2.2 Assigned Assets.

(a) For purposes of this Agreement, "Assigned Assets" shall mean (without duplication):

(i) All of the WIN Group's rights, title and interest in and to the following with respect to each of the Facilities:

(A) the real property or properties specifically listed in the letter contemplated in the definition of Facilities and all other real property or properties owned by the WIN Group in the geographical areas of the Facilities that are (i) the locations for central offices, remote switching locations, or other switching facilities and (ii) necessary for the use and operation of, or currently used in the operation of, the Distribution Systems associated with such Facilities (the "Land");

(B) all buildings, structures, and other improvements and fixtures of every kind now or hereafter located on the Land or connected thereto including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site to the extent the WIN Group has obtained any interest in the same), parking areas and roadways appurtenant to such buildings and structures, including all HVAC systems and components, generators and fire suppression systems (the "Improvements");

(C) all fiber optic cable lines, copper cable lines, conduits, telephone poles, attachment hardware (including bolts and lashing), guy wires, anchors, pedestals, concrete pads, amplifiers and such other fixtures, and other items of property, including all components thereof (such as cross connect cabinets, windstream outside plant mini-cabinet mounting post (WOMP), fiber distribution hubs, fiber access terminals and first entry fiber splice cases), that are now or hereafter located in, on or used in connection with and permanently affixed to or otherwise incorporated into the Facilities, together with all replacements, modifications, alterations and additions thereto, up through and at the meeting and demarcation points described on Schedule 2.2(a)(i)(C) (the "Distribution Systems"); and

(D) all system maps and records for the Distribution Systems.

(ii) all Assigned Contracts;

(iii) all rights to the "Talk America" name and logo and related domains; and

(iv) any and all Assets owned or held immediately prior to the Effective Time by Windstream or any of its Subsidiaries that are used primarily in, or that primarily relate to, the CS&L Business (the intention of this clause (iv) is only to rectify any inadvertent omission of transfer or conveyance of any Assets that, had the Parties given specific consideration to such Asset as of the date hereof, would have otherwise been classified as an Assigned Asset; no Asset shall be deemed to be an Assigned Asset solely as a result of this clause (iv) if such Asset is within the category or type of Asset expressly covered by the terms of another Transaction Agreement unless the Party claiming entitlement to such Asset can establish that the omission of the transfer or conveyance of such Asset was inadvertent).

(b) For the purposes of this Agreement, "Excluded Assets" shall mean (without duplication), (i) any and all Assets of the WHI Group as of the Effective Time that are not expressly contemplated by this Agreement to be Assigned Assets and (ii) those Assets listed or described on Schedule 2.2(b).

2.3 Assumed Liabilities.

(a) For the purposes of this Agreement, "Assumed Liabilities" shall mean (without duplication):

(i) all Liabilities to the extent relating to, arising out of or resulting from any Assigned Assets, whether arising before, at or after the Effective Time; and

(ii) those Liabilities set forth on Schedule 2.3(a).

(b) For the purposes of this Agreement, "Excluded Liabilities" shall mean (without duplication), (i) any and all Liabilities of WHI, Windstream and their respective Subsidiaries as of the Effective Time that are not expressly contemplated by this Agreement to be Assumed Liabilities, and (ii) those Liabilities listed or described on Schedule 2.3(b).

2.4 Transfer of Assets and Assumption of Liabilities from and after the Effective Time.

(a) To the extent any Excluded Asset is transferred or assigned to, or any Excluded Liability is assumed by, a member of the CS&L Group at the Effective Time or is owned or held by a member of the CS&L Group after the Effective Time, and to the extent any Assigned Asset has not been transferred or assigned to, or any Assumed Liability has not been assumed by, a member of the CS&L Group at the Effective Time or is owned or held by a member of the WHI Group after the Effective Time, from and after the Effective Time:

(i) CS&L or WHI, as applicable, shall, and shall cause its applicable Subsidiaries to, promptly assign, transfer, convey and deliver to the other Party or certain of its Subsidiaries designated by such Party, and CS&L or WHI, or such Subsidiaries, as applicable, shall accept from WHI or CS&L and such applicable Subsidiaries, such Assets of WHI or CS&L; and

(ii) WHI or CS&L, as applicable, or certain Subsidiaries of WHI or CS&L designated by such Party, shall promptly accept, assume and agree faithfully to perform, discharge and fulfill all such Liabilities of WHI or CS&L in accordance with their respective terms.

(b) In furtherance of the assignment, transfer, conveyance and delivery of Assets and the assumption of Liabilities set forth in this Section 2.4, and without any additional consideration therefor: (A) the applicable Party shall execute and deliver, and shall cause its Subsidiaries to execute and deliver, such bills of sale, quitclaim deeds, stock or equity powers, certificates of title, assignments of contracts and other instruments of transfer, conveyance and assignment as and to the extent necessary to evidence the transfer, conveyance and assignment of all of such Party's and its Subsidiaries' right and interest in and to the applicable Assets to the other Party and its Subsidiaries, and (B) the applicable Party shall execute and deliver such assumptions of contracts and other instruments of assumption as and to the extent necessary to evidence the valid and effective assumption of the applicable Liabilities by such Party.

2.5 Approvals and Notifications.

(a) The Parties will use their commercially reasonable efforts to obtain all Required Approvals as soon as reasonably practicable; provided, however, that, except to the extent expressly provided in any of the other Transaction Agreements, neither WHI nor CS&L shall be obligated to contribute capital or pay any consideration in any form (including providing any letter of credit, guaranty or other financial accommodation) to any Person in order to obtain or make such Required Approvals.

(b) If and to the extent that it is mutually determined by the Parties prior to the Distribution Date that the transfer or assignment of any Assets or assumption of any Liabilities would be violative, in any material respect, of an applicable Law notwithstanding the receipt of the Required Approvals then, unless the Parties mutually shall otherwise determine, the transfer or assignment of such Assets or the assumption of such Liabilities, as the case may be, shall be automatically deemed deferred and any such purported transfer, assignment or assumption shall be null and void until such time as all Approvals or Notifications necessary to resolve such violation of Law have been obtained or made; provided, however, that if such Approvals or Notifications are not obtained or made, in each case by the second (2nd) anniversary of the Distribution Date, then, unless the Parties mutually shall otherwise determine, all Assets and Liabilities that are held by any member of the WHI Group or the CS&L Group, as the case may be, will be retained by such Party indefinitely, and the Parties shall execute mutually acceptable documentation to such effect in accordance with applicable Law.

(c) If any transfer or assignment of any Assigned Asset or any assumption of any Assumed Liability intended to be transferred, assigned or assumed hereunder, as the case may be, is not consummated on or prior to the Distribution Date, whether as a result of the provisions of Section 2.5(b) or for any other reason, then the Parties shall use reasonable best efforts to effect such transfer, assignment or assumption as promptly following the Distribution Date as shall be practicable. The member of the WHI Group retaining such Assigned Asset or such Assumed Liability, as the case may be, shall thereafter hold such Assigned Asset or Assumed Liability, as the case may be, for the use and benefit of the member of the CS&L Group entitled thereto (at the expense of the member of the CS&L Group entitled thereto) until such Assigned Asset or Assumed Liability is transferred to a member of the CS&L Group or until such Assigned Asset or Assumed Liability is retained by the member of the WHI Group pursuant to Section 2.5(b), whichever is sooner, and CS&L shall, or shall cause the applicable member of the CS&L Group to, pay or reimburse the Party retaining such Assumed Liability for all amounts paid or incurred in connection with the retention of such liability. In addition, for such period, the member of the WHI Group retaining such Assigned Asset or such Assumed Liability shall, insofar as reasonably possible and to the extent permitted by applicable Law, treat such Assigned Asset or Assumed Liability in the ordinary course of business in accordance with past practice and take such other actions as may be reasonably requested by the member of the CS&L Group to whom such Assigned Asset is to be transferred or assigned, or which will assume such Assumed Liability, as the case may be (including possession, use, risk of loss, potential for gain, and dominion, control and command over such Assigned Asset or Assumed Liability), in order to place such member of the CS&L Group in a substantially similar position as if such Assigned Asset or Assumed Liability had been transferred, assigned or assumed as contemplated hereby and so that all the benefits and burdens relating to such Assigned Asset or Assumed Liability, as the case may be, including use, risk of loss, potential for gain, and dominion, control and command over such Assigned Asset or Assumed Liability, as the case may be, is to inure from and after the Effective Time to the CS&L Group. In furtherance of the foregoing, the Parties agree that, as of the Distribution Date, each member of the CS&L Group shall be deemed to have acquired complete and sole beneficial ownership over all of the Assigned Assets, together with all rights, powers and privileges incident thereto, and shall be deemed to have assumed in accordance with the terms of this Agreement all of the Assumed Liabilities, and all duties, obligations and responsibilities incident thereto, which such member is entitled to acquire or required to assume pursuant to the terms of this Agreement.

(d) With respect to Assigned Assets or Assigned Liabilities described in Section 2.5(c), each of WHI and CS&L shall, and shall cause the members of its respective Group to, (i) treat for all income Tax purposes, (A) any Assigned Asset retained by the WIN Group as having been transferred to and owned by the member of the CS&L Group entitled to such Assigned Asset not later than the Distribution Date and (B) any Assigned Liability retained by the WHI Group as a liability having been assumed and owned by the member of the CS&L Group intended to be subject to such Assumed Liabilities not later than the Distribution Date and (ii) neither report nor take any income Tax position (on a Tax Return or otherwise) inconsistent with such treatment (unless required by a change in applicable Tax Law or good faith resolution of a Tax Contest relating to income Taxes).

(e) If and when any violation of Law contemplated in Section 2.5(b) has been resolved, the transfer or assignment of the applicable Assigned Asset or the assumption of the applicable Assumed Liability, as the case may be, shall be effected in accordance with the terms of this Agreement and/or the applicable Transaction Agreement.

(f) Any member of the WHI Group retaining an Assigned Asset or Assumed Liability due to the deferral of the transfer or assignment of such Assigned Asset or the deferral of the assumption of such Assumed Liability, as the case may be, shall not be obligated, in connection with the foregoing and unless required by the Master Lease or the Parties have executed documentation providing for such asset or liability to be retained by such Party pursuant to Section 2.5(b), to expend any money unless the necessary funds are advanced (or otherwise made available) by CS&L or the member of the CS&L Group entitled to the Assigned Asset or Assumed Liability, other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees, all of which shall be promptly reimbursed by CS&L or the member of the CS&L Group entitled to such Assigned Asset or Assumed Liability.

(g) To the extent any Assigned Asset intended to be subject to the Master Lease is retained by a member of the WHI Group, the rent payable under the Master Lease and the other obligations of the tenant under the Master Lease with respect to such Assigned Asset shall not be impacted by the retention of such Assigned Asset by a member of the WHI Group (and such rent and other obligations shall be determined as if such Assigned Asset had been transferred or assigned to CS&L or a member of the CS&L Group).

2.6 Responsibility for Assumed Liabilities Retained by WHI. If WHI or CS&L is unable to obtain, or to cause to be obtained, any consent, substitution, approval, amendment or release required to transfer an Assumed Liability to a member or members of the CS&L Group, then until the second (2nd) anniversary of the Effective Time, the applicable member of the WHI Group shall continue to be bound by such agreement, lease, license or other obligation or Liability and, unless not permitted by the terms thereof or by Law, CS&L shall, as agent or subcontractor for such member of the WHI Group, as the case may be, pay, perform and discharge fully all the obligations or other Liabilities of such member of the WHI Group that constitute Assumed Liabilities, as the case may be, thereunder from and after the Effective Time. CS&L shall indemnify each WHI Indemnified Party, and hold each of them harmless, against any Liabilities arising in connection therewith; provided, that pursuant hereto CS&L shall have no obligation to indemnify any WHI Indemnified Party that has engaged in any knowing and intentional violation of Law, breach of contract, tort, fraud or misrepresentation in connection therewith. WHI shall cause each member of the WHI Group without further consideration, to pay and remit, or cause to be paid or remitted, to CS&L, promptly all money, rights and other consideration received by it or any member of the WHI Group in respect of such performance (unless any such consideration is an Excluded Asset). If and when any such consent, substitution, approval, amendment or release shall be obtained or the obligations under such agreement, lease, license or other obligations or Liabilities shall otherwise become assignable or able to be novated, WHI shall promptly assign, or cause to be assigned, all its obligations and other Liabilities thereunder or any obligations of any member of the WHI Group to CS&L without payment of further consideration and CS&L shall, without the payment of any further consideration, assume such obligations in accordance with the terms of this Agreement and/or the applicable Transaction Agreement.

ARTICLE III

THE DISTRIBUTION

3.1 Actions on or Prior to the Distribution. Prior to the Distribution, the following shall occur:

(a) *Securities Filings*. Prior to the date of this Agreement, the Parties have caused the Registration Statement to be prepared and filed with the SEC and to become effective and have either caused the Information Statement to be mailed to the holders of record of WHI Common Stock as of the Record Date or posted the Information Statement online and caused a notice of the availability thereof to be mailed to the holders of record of WHI Common Stock as of the Record Date. The Parties shall cooperate in preparing, filing with the SEC and causing to become effective any registration statements or amendments or supplements thereto that are necessary or appropriate in order to effect the Transactions, or to reflect the establishment of, or amendments to, any employee benefit plans contemplated hereby. The Parties shall take all such action as may be necessary or appropriate under state and foreign securities or "blue sky" Laws in connection with the Transactions.

(b) *Listing*. Prior to the date of this Agreement, the Parties have caused an application for the listing on NASDAQ, of the CS&L Common Stock that will be issued to the holders of WHI Common Stock in the External Distribution (the "Listing Application") to be prepared and filed. The Parties shall use commercially reasonable efforts to have the Listing Application approved, subject to official notice of issuance, as soon as reasonably practicable following the date of this Agreement. WHI shall give NASDAQ notice of the Record Date in compliance with Rule 10b-17 under the Exchange Act.

(c) *Distribution Agent*. WHI shall enter into a distribution agent agreement with the Distribution Agent or otherwise provide instructions to the Distribution Agent regarding the Distribution.

(d) *Efforts*. To the extent that any Required Approval has not been obtained prior to the date of this Agreement, the Parties will use commercially reasonable efforts to obtain, or cause to be obtained, such Required Approval prior to the Effective Time. If any Approval or Notification other than a Required Approval has not been obtained from or made to any third Person prior to the Effective Time, the Parties shall use their reasonable best efforts to implement the applicable provisions of this Agreement to the fullest extent practicable and, if any provision of this Agreement cannot be implemented due to the absence of such Approval or Notification, the Parties shall negotiate in good faith to implement the provision in a mutually satisfactory manner.

(e) *Transaction Agreements*. Prior to the Effective Time, each Party shall execute and deliver, and shall cause each applicable member of its Group to execute and deliver, as applicable, the Transaction Agreements and such other written agreements, documents or instruments as the Parties may agree are reasonably necessary or desirable in connection with the Transactions.

(f) *Governance Matters*. On or prior to the Distribution Date, the Parties shall take all necessary actions to adopt the Articles of Amendment and Restatement of CS&L (the "Articles of Amendment and Restatement") and the Amended and Restated Bylaws of CS&L (the "Amended and Restated Bylaws"), each substantially in the forms filed by CS&L with the SEC as exhibits to the Registration Statement. On or prior to the Distribution Date, the Parties shall take all necessary action so that, as of the Distribution Date, the officers and directors of CS&L will be as set forth in the Information Statement, with such changes as may be reasonably acceptable to WHI.

3.2 Conditions Precedent to Distribution. In no event shall the Distribution occur unless each of the following conditions shall have been satisfied (or waived by WHI, in whole or in part, in its sole discretion):

(a) each of the other Transaction Agreements shall have been duly executed and delivered by the parties thereto;

(b) the Internal Reorganization and the Reorganization shall have been completed in accordance with the Plan of Reorganization;

(c) the Private Letter Ruling shall not have been revoked or modified in any material respect and WHI shall have received the opinions of Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), in form and substance satisfactory to WHI, confirming, among other things, that certain aspects of the Reorganization and Distribution, together with certain related transactions, should qualify as tax-free to WHI, Windstream, CS&L and holders of WHI Common Stock for U.S. federal income tax purposes under Sections 355, 368(a)(1)(D) and 361 and related provisions of the Code;

(d) WHI and Windstream shall have received such solvency opinions and appraisals, each in such form and substance, as they shall deem necessary, appropriate or advisable in connection with the consummation of the Transactions;

(e) the Registration Statement shall have been declared effective by the SEC, with no stop order in effect with respect thereto, and no proceedings for such purpose shall be pending before, or threatened by, the SEC, and the Information Statement shall have been mailed to holders of WHI Common Stock as of the Record Date;

(f) all actions and filings necessary or appropriate under applicable federal, state or foreign securities or "blue sky" Laws and the rules and regulations thereunder shall have been taken and, where applicable, become effective or been accepted;

(g) the CS&L Common Stock to be delivered in the Distribution shall have been accepted for listing on NYSE or NASDAQ, subject to compliance with applicable listing requirements;

(h) no order, injunction or decree issued by any court of competent jurisdiction or other legal restraint or prohibition preventing consummation of the Distribution or any of the transactions related thereto, including the Internal Reorganization or the Reorganization, shall be threatened, pending or in effect;

(i) all Required Approvals shall have been obtained and be in full force and effect;

(j) (i) CS&L shall have entered into the financing transactions described in the Registration Statement or the Information Statement and contemplated to occur on or prior to the Distribution Date, and WHI and Windstream shall have entered into the financing transactions and credit agreement amendments to be entered into in connection with the Plan of Reorganization (collectively, the "Financing Arrangements") and the respective amendments thereunder shall have become effective and financings thereunder shall have been consummated and shall be in full force and effect, and (ii) CS&L shall have transferred to WHI or the applicable member of the WHI Group, no later than immediately prior to the Distribution, as contemplated by the Plan of Reorganization, (x) CS&L debt securities with a principal amount approximately equal to $2.35 billion, (y) an amount in cash that will not exceed the total adjusted basis of all of the Assigned Assets (the "Cash Payment"), and (z) all of the stock of CS&L;

(k) on or prior to the Distribution, the persons specified in the Information Statement shall have been duly elected as members of CS&L's board of directors;

(l) WHI, Windstream and CS&L shall each have taken all necessary action that may be required to provide for the adoption by CS&L of the Articles of Amendment and Restatement and the Amended and Restated Bylaws, and CS&L shall have filed the Articles of Amendment and Restatement with the Maryland State Department of Assessments and Taxation;

(m) at or prior to the Effective Time, WHI, Windstream and CS&L shall have taken all actions as may be necessary to approve the stock-based employee benefit plans of CS&L in order to satisfy the applicable rules and regulations of NYSE or NASDAQ; and

(n) no other condition shall fail to be satisfied and no event or development shall have occurred or exist that, in the judgment of the board of directors of WHI, in its sole discretion, makes it inadvisable to effect the Transactions.

Notwithstanding Section 3.1(d) or any other provision hereof, each of the foregoing conditions is for the sole benefit of WHI and shall not give rise to or create any duty on the part of WHI or its board of directors to waive or not to waive any such condition or to effect the Internal Reorganization, the Reorganization and the Distribution, or in any way limit WHI's rights of termination set forth in this Agreement. Any determination made by WHI prior to the Distribution concerning the satisfaction or waiver of any or all of the conditions set forth in this Section 3.2 shall be conclusive and binding on the Parties.

3.3 The Distribution.

(a) Subject to the terms and conditions set forth in this Agreement, including Section 3.3(b), (i) on or prior to the Distribution Date, WHI shall deliver to the Distribution Agent for the benefit of holders of record of WHI Common Stock on the Record Date book-entry transfer authorizations for such number of the issued and outstanding shares of CS&L Common Stock necessary to effect the External Distribution, (ii) the External Distribution shall be effective at the Effective Time, and (iii) WHI shall instruct the Distribution Agent to distribute, on or as soon as practicable after the Effective Time, to each holder of record of WHI Common

Stock as of the Record Date, by means of a pro rata distribution, one (1) share of CS&L Common Stock, or such other number of shares of CS&L Common Stock as shall have been agreed to by the Parties and set forth in the Information Statement, for every one (1) share of WHI Common Stock so held. Following the Distribution Date, CS&L agrees to provide all book-entry transfer authorizations for shares of CS&L Common Stock that WHI or the Distribution Agent shall require in order to effect the External Distribution.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS AGREEMENT, WHI SHALL, IN ITS SOLE AND ABSOLUTE DISCRETION, DETERMINE THE DISTRIBUTION DATE AND ALL TERMS OF THE DISTRIBUTION, INCLUDING THE FORM, STRUCTURE AND TERMS OF ANY TRANSACTIONS AND/OR OFFERINGS TO EFFECT THE DISTRIBUTION AND THE TIMING OF AND CONDITIONS TO THE CONSUMMATION THEREOF. IN ADDITION, WHI MAY AT ANY TIME AND FROM TIME TO TIME UNTIL THE COMPLETION OF THE DISTRIBUTION DECIDE TO ABANDON THE DISTRIBUTION OR MODIFY OR CHANGE THE TERMS OF THE DISTRIBUTION, INCLUDING BY ACCELERATING OR DELAYING THE TIMING OF THE CONSUMMATION OF ALL OR PART OF THE DISTRIBUTION.

(c) The Parties agree that this Agreement constitutes a "plan of reorganization" within the meaning of Treasury Regulations Sections 1.368-2(g) and 1.368-3(a).

ARTICLE IV

ACCESS TO INFORMATION

4.1 Agreement for Exchange of Information. After the Effective Time (or such earlier time as the Parties may agree) and until the fifth (5th) anniversary of the date of this Agreement, each of WHI and CS&L, on behalf of its respective Group, agrees to provide, or cause to be provided, to the other Group, as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such respective Group which the requesting Party reasonably needs; provided, however, that in the event that any Party determines that any such provision of Information could be commercially detrimental, violate any Law or agreement, or waive any attorney-client privilege, the Parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

4.2 Ownership of Information. Any Information owned by one Group that is provided to a requesting Party pursuant to Section 4.1 shall be deemed to remain the property of the providing Party, except where such Information is an Asset of the requesting Party pursuant to the provisions of this Agreement or any other Transaction Agreement. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any Information requested or provided pursuant to Section 4.1.

4.3 Compensation for Providing Information. The Party requesting Information agrees to reimburse the other Party for the reasonable out-of-pocket costs and expenses, if any of creating, gathering and copying such Information to the extent that such costs are incurred in connection with such other Party's provision of Information in response to the requesting Party.

4.4 Record Retention.

(a) To facilitate the possible exchange of Information pursuant to this Article IV and other provisions of this Agreement after the Effective Time, the Parties agree to use their commercially reasonable efforts to retain all Information in their respective possession or control in accordance with the policies or ordinary course practices of WHI in effect on the Distribution Date (including any Information that is subject to a "Litigation Hold" issued by any Party prior to the Distribution Date) or such other policies or practices as may be reasonably adopted by the appropriate Party after the Effective Time.

(b) Except in accordance with its, or its applicable Subsidiaries', policies and ordinary course practices, no Party will destroy, or permit any of its Subsidiaries to destroy, any Information that would, in accordance with such policies or ordinary course practices, be archived or otherwise filed in a centralized filing system by such Party or its applicable Subsidiaries; in furtherance of the foregoing, no Party will destroy, or permit any of its Subsidiaries to destroy, any Information required to be retained by applicable Law.

(c) In the event of any Party's or any of its Subsidiaries' inadvertent failure to comply with its applicable document retention policies as required under this Section 4.4, such Party shall be liable to the other Party solely for the amount of any monetary fines or penalties imposed or levied against such other Party by a Governmental Authority (which fines or penalties shall not include any Liabilities asserted in connection with the claims underlying the applicable Action, other than fines or penalties resulting from any claim of spoliation) as a result of such other Party's inability to produce Information caused by such inadvertent failure and, notwithstanding Sections 7.2 and 7.3, shall not be liable to such other Party for any other Liabilities.

4.5 Liability. No Party shall have any liability to any other Party in the event that any Information exchanged or provided pursuant to this Agreement which is an estimate or forecast, or which is based on an estimate or forecast, is found to be inaccurate in the absence of willful misconduct by the Party providing such Information.

4.6 Other Agreements Providing for Exchange of Information.

(a) The rights and obligations granted under this Article IV are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange, retention or confidential treatment of Information set forth in any other Transaction Agreement.

(b) Any Party that receives, pursuant to a request for Information in accordance with this Article IV, Information that is not relevant to its request shall (i) either destroy such Information or return it to the providing Party and (ii) deliver to the providing Party a certificate certifying that such Information was destroyed or returned, as the case may be, which certificate shall be signed by an officer of the requesting Party holding the title of vice president or above.

(c) When any Information provided by one Group to the other (other than Information provided pursuant to Section 4.4) is no longer needed for the purposes contemplated by this Agreement or any other Transaction Agreement or is no longer required to be retained by applicable Law, the receiving Party will promptly after request of the other Party either return to the other Party all Information in a tangible form (including all copies thereof and all notes, extracts or summaries based thereon) or certify to the other Party that it has destroyed such Information (and such copies thereof and such notes, extracts or summaries based thereon).

4.7 Production of Witnesses; Records; Cooperation.

(a) After the Effective Time, except in the case of an adversarial Action by one Party against another Party, each Party hereto shall use its commercially reasonable efforts to make available to each other Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with any Action in which the requesting Party may from time to time be involved, regardless of whether such Action is a matter with respect to which indemnification may be sought hereunder. The requesting Party shall bear all reasonable out-of-pocket costs and expenses in connection therewith.

(b) If an Indemnifying Party chooses to defend or to seek to compromise or settle any Third Party Claim, the Indemnified Party shall use commercially reasonable efforts to make available to such Indemnifying Party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of the members of its respective Group as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such persons (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may reasonably be required in connection with such defense, settlement or compromise, or the prosecution, evaluation or pursuit thereof, as the case may be, and shall otherwise cooperate in such defense, settlement or compromise, or such prosecution, evaluation or pursuit, as the case may be. The Indemnifying Party shall bear all reasonable out-of-pocket costs and expenses in connection therewith.

(c) For the avoidance of doubt, the provisions of this Section 4.7 are in furtherance of the provisions of Section 4.1 and shall not be deemed to in any way limit or otherwise modify the Parties' rights and obligations under Section 4.1.

4.8 Conflicts; Privilege. Each of the Parties acknowledges that WHI and Windstream retained Skadden to act as counsel to the WHI Group in connection with the Transactions, Skadden has not acted as counsel for any other Person in connection with the Transactions, and no other Person has the status of a client of Skadden for conflict of interest or any other purposes in connection with such Transactions. Each of the Parties further acknowledges that after the Effective Time, Skadden may act as counsel to the WHI Group in connection with matters arising out of or related to this Agreement, the Transactions and the business activities of the WHI Group prior to the Effective Time, and that Skadden's prior representation of the WHI

Group shall not be deemed to be a disabling conflict with respect to such representation. Each of the Parties hereby waives any conflict of interest resulting from the foregoing. The Parties further agree that, as to all communications, whether written or electronic, among Skadden and any member of the WHI Group, and all of their files, attorney notes, drafts or other documents, that relate in any way to the Transactions, that predate the Effective Time and that are protected by the attorney-client privilege, the expectation of client confidence or any other rights to any evidentiary privilege, such protections belong to the WHI Group and may be controlled by the directors and officers of WHI and shall not pass to or be claimed by the CS&L Group. The Parties agree to take, and to cause their respective affiliates to take, all steps necessary to implement the intent of this Section 4.8. The Parties further agree that Skadden and its partners and employees are third party beneficiaries of this Section 4.8.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF WHI AND WINDSTREAM

Except as disclosed in any form, statement, document, schedule or report, together with any amendments thereto and exhibits or other information incorporated therein, filed with or furnished to the SEC by WHI or Windstream and publicly available on the EDGAR system prior to the date of this Agreement (excluding any disclosures set forth in any section thereof entitled “Risk Factors” or “Forward-Looking Statements” or any other disclosures included therein to the extent that they are predictive or forward-looking in nature), each of WHI and Windstream hereby represents and warrants to CS&L as follows:

5.1 Organization and Authority. WHI is a corporation and Windstream is a limited liability company, each duly organized, validly existing and in good standing under the Laws of the State of Delaware. Each of WHI and Windstream has all requisite power and authority to enter into this Agreement and to carry out the Transactions, and to own, lease or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Law, is, in all material respects, qualified to do business and in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary.

5.2 Due Authorization. The execution, delivery and performance of this Agreement by each of WHI and Windstream has been duly and validly authorized by all necessary action of WHI and Windstream, as applicable. This Agreement constitutes the legal, valid and binding obligation of each of WHI and Windstream, enforceable against each of WHI and Windstream in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Law relating to creditors’ rights and general principles of equity.

5.3 Consents and Approvals. Except for the Required Approvals:

(a) no material Approval or Notification is required to be obtained from or made to any Governmental Authority by WHI or Windstream in connection with the execution, delivery and performance of this Agreement or the consummation of the Transactions, and

(b) no Approval or Notification is required to be obtained from or made to any third Person (other than a Governmental Authority or under and applicable Law) by WHI or

Windstream in connection with the execution, delivery and performance of this Agreement or the consummation of the Transactions that, if not obtained, would reasonably be expected to result in a material adverse effect on the CS&L Business.

5.4 No Violation. None of the execution, delivery or performance of this Agreement, or the consummation of the Transactions does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a material breach of, or constitute a material default under or give to others any right of termination, acceleration, cancelation or other right under (a) the organizational documents of WHI or Windstream, (b) any material agreement, document or instrument to which WHI or Windstream is a party or by which WHI or Windstream (or their assets or properties) are bound or (c) any term or provision of any judgment, order, writ, injunction or decree binding on WHI or Windstream (or their assets or properties).

5.5 Litigation. Except as may be listed in a letter, dated on or around the Distribution Date, delivered by WHI and WIN and acknowledged by CS&L, there is no material Action, litigation, claim or other proceeding, either judicial or administrative (including, without limitation, any governmental action or proceeding), pending or, to WHI's or Windstream's knowledge, threatened in the last twelve months, against WHI, Windstream or their Subsidiaries with respect to any Assigned Asset or the CS&L Business. WHI, Windstream and their Subsidiaries are not bound by any material outstanding order, writ, injunction or decree of any Governmental Authority against or affecting all or any portion of the Assigned Assets or the CS&L Business.

5.6 Solvency. WHI and Windstream have been and will be solvent at all times prior to and immediately after giving effect to the Internal Reorganization, the Reorganization and the Distribution.

5.7 Ownership of Assigned Assets.

(a) Windstream or its Subsidiaries are, and as of immediately prior to the execution of the Assignment Agreements will be, the owner of the Assigned Assets and have the power and authority to transfer, sell, assign and convey to CS&L and its Subsidiaries the Assigned Assets free and clear of any Liens, except for Permitted Liens, and, upon delivery of the consideration for such Assigned Assets as provided in this Agreement, CS&L will, except for Permitted Liens and as set forth in Schedules 1.1(a) and 2.2(b), acquire good and valid title thereto, free and clear of any Liens. Except as provided for or contemplated by this Agreement, there are no rights, subscriptions, warrants, options, conversion rights, preemptive rights, agreements, instruments or understandings of any kind outstanding (a) relating to the Assigned Assets or (b) to purchase, transfer or to otherwise acquire, or to in any way encumber, any of the Assigned Assets.

(b) Windstream or its Subsidiaries have good and marketable title in fee simple to all Land included within the Assigned Assets, free and clear of all Liens, other than Permitted Liens. There is no existing or, to WHI's or Windstream's knowledge, proposed or threatened condemnation, eminent domain or similar proceeding, or private purchase in lieu of such a proceeding, in respect of all or any material portion of any Land included within the Assigned Assets.

5.8 No Undisclosed Liabilities; Absence of Certain Changes or Events. No material liabilities or obligations (whether direct or indirect, accrued, contingent or otherwise) have been incurred with respect to the CS&L Business other than such liabilities and obligations as have been disclosed prior to the date hereof. Since January 1, 2014, there has not been any effect, change, fact, event, occurrence or circumstance that, individually or in the aggregate, has had or would reasonably be expected to result in a material adverse effect on the CS&L Business.

5.9 Taxes. WHI, Windstream or their Subsidiaries have filed all material Tax Returns and material reports required to be filed by them (after giving effect to any filing extension properly granted by a Governmental Authority having authority to do so) with respect to the Assigned Assets and the CS&L Business and all such returns and reports are accurate and complete in all material respects, and have paid (or had paid on their behalf) all material Taxes as required to be paid by them. No material deficiencies for any Taxes have been proposed, asserted or assessed against any WHI, Windstream or their Subsidiaries with respect to the Assigned Assets or the CS&L Business, and no material requests for waivers of the time to assess any such Taxes are pending.

5.10 Compliance With Laws. The Assigned Assets have been maintained and operated, and on the date hereof are, in compliance in all material respects with all applicable Laws (including, without limitation, those currently relating to fire, life safety, health codes and sanitation, Americans with Disabilities Act, zoning and building laws) whether Federal, state or local, foreign, except for Environmental Laws which are addressed solely by Section 5.12.

5.11 Licenses and Permits. To WHI's and Windstream's knowledge, all material licenses, permits and certificates (including certificates of occupancy), required in connection with the ownership, construction, use, occupancy, management, leasing and operation of the Assigned Assets have been obtained, are, in all material respects, in full force and effect and in good standing.

5.12 Environmental Compliance. To WHI's and Windstream's knowledge, the Assigned Assets are currently being operated in compliance in all material respects with all applicable Environmental Laws and Environmental Permits. Neither WHI nor Windstream has received, and to WHI's and Windstream's knowledge none of their Subsidiaries has received, any written notice from any Governmental Authority or any other Person claiming that WHI, Windstream or any of their Subsidiaries are in material violation of, or has any material liability under, any Environmental Law or Environmental Permit with respect to the Assigned Assets or the CS&L Business. To WHI's and Windstream's knowledge, there has been no spill or release of any Hazardous Materials that would reasonably be likely to result in any material claim under any Environmental Laws or Environmental Permit with respect to the Assigned Assets or the CS&L Business.

5.13 Exclusive Representations. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ARTICLE V, WHI, WINDSTREAM AND THEIR SUBSIDIARIES HAVE NOT MADE AND DO NOT HEREBY MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS AND WARRANTIES, STATUTORY OR OTHERWISE, OF ANY NATURE, INCLUDING ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY IN CONNECTION WITH THE ASSIGNED ASSETS,

THE INTERNAL REORGANIZATION, THE REORGANIZATION, THE DISTRIBUTION OR THE TRANSACTIONS. Except as set forth in Article VI, WHI and Windstream acknowledge that no representation or warranty has been made by CS&L or its Subsidiaries with respect to the legal and tax consequences of the Internal Reorganization, the Reorganization, the Distribution or any other aspect of the Transactions and that they have not relied upon any other such representation or warranty.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF CS&L

Except as disclosed in the Registration Statement or the Information Statement, together with any amendments thereto and exhibits or other information incorporated therein, filed with or furnished to the SEC by CS&L and publicly available on the EDGAR system prior to the date of this Agreement (excluding any disclosures set forth in any section thereof entitled "Risk Factors" or "Forward-Looking Statements" or any other disclosures included therein to the extent that they are predictive or forward-looking in nature), CS&L hereby represents and warrants to WHI and Windstream as follows:

6.1 Organization and Authority. CS&L is a corporation duly organized, validly existing and in good standing under the Laws of the State of Maryland. CS&L has all requisite power and authority to enter into this Agreement and to carry out the Transactions, and to own, lease or operate its property and to carry on its business as presently conducted and, to the extent required under applicable Law, is, in all material respects, qualified to do business and in good standing in each jurisdiction in which the nature of its business or the character of its property make such qualification necessary.

6.2 Due Authorization. The execution, delivery and performance of this Agreement by CS&L has been duly and validly authorized by all necessary action of CS&L. This Agreement constitutes the legal, valid and binding obligation of CS&L, enforceable against CS&L in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar Law relating to creditors' rights and general principles of equity.

6.3 Consents and Approvals. Except as shall have been satisfied on or prior to the Effective Time, no material consent, waiver, approval or authorization of, or filing with, any Person or Governmental Authority or under any applicable Law is required to be obtained by CS&L in connection with the execution, delivery and performance of this Agreement or the Transactions.

6.4 No Violation. None of the execution, delivery or performance of this Agreement, or the consummation of the Transactions, does or will, with or without the giving of notice, lapse of time, or both, violate, conflict with, result in a material breach of, or constitute a material default under or give to others any right of termination, acceleration, cancelation or other right under (a) the organizational documents of CS&L, (b) any agreement, document or instrument to which CS&L is a party or by which CS&L (or its assets or properties) is bound or (c) any term or provision of any judgment, order, writ, injunction, or decree binding on CS&L (or its assets or properties).

6.5 Validity of CS&L Common Stock. The shares of CS&L Common Stock to be issued to Windstream pursuant to this Agreement have been duly authorized by CS&L and, when issued against the consideration therefor, will be validly issued by CS&L, free and clear of all Liens created by CS&L.

6.6 Litigation. There are no actions, suits or proceedings pending or, to CS&L's knowledge, threatened against CS&L that arise from, are based upon, or challenge the validity of this Agreement or the consummation of the Transactions or that seek to prevent the consummation of the Transactions and that, in each case, if adversely determined could adversely impact CS&L's ability to consummate the Transactions.

6.7 Solvency. CS&L has been and will be solvent at all times prior to and immediately after giving effect to the Distribution.

6.8 Limited Activities. Except as described in the Information Statement, CS&L and its Subsidiaries have not engaged in any material business or incurred any material obligations.

6.9 Exclusive Representations. EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY SET FORTH IN THIS ARTICLE VI, CS&L AND ITS SUBSIDIARIES HAVE NOT MADE AND DO NOT HEREBY MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS AND WARRANTIES, STATUTORY OR OTHERWISE, OF ANY NATURE, INCLUDING ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY IN CONNECTION WITH THE INTERNAL REORGANIZATION, THE REORGANIZATION, THE DISTRIBUTION OR THE TRANSACTIONS. Except as set forth Article V, CS&L acknowledges that no representation or warranty has been made by WHI, Windstream or their Subsidiaries with respect to the Internal Reorganization, the Reorganization, the Distribution or any other aspect of the Transactions and that CS&L has not relied upon any other such representation or warranty.

ARTICLE VII

RELEASE AND INDEMNIFICATION

7.1 Release of Pre-Distribution Claims.

(a) Except as provided in Section 7.1(c), effective as of the Effective Time, CS&L does hereby, for itself and each other member of the CS&L Group, release and forever discharge WHI and the other members of the WHI Group, their respective Affiliates, successors and assigns, and all Persons who at any time prior to the Effective Time have been shareholders, directors, officers, agents or employees of any member of the WHI Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the Transactions and all other activities to implement the Transactions.

(b) Except as provided in Section 7.1(c), effective as of the Effective Time, WHI does hereby, for itself and each other member of the WHI Group, release and forever discharge CS&L, the other members of the CS&L Group, their respective Affiliates, successors and assigns, and all Persons who at any time prior to the Effective Time have been directors, officers, agents or employees of any member of the CS&L Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at Law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of Law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Effective Time, including in connection with the Transactions and all other activities to implement the Transactions.

(c) Nothing contained in Section 7.1(a) or Section 7.1(b) shall impair any right of any Person to enforce this Agreement or any other Transaction Agreement, in each case in accordance with its terms. In addition, nothing contained in Section 7.1(a) or Section 7.1(b) shall release any member of a Group from:

(i) any Liability, contingent or otherwise, assumed by, or allocated to, such Person in accordance with this Agreement or any other Transaction Agreement;

(ii) any Liability that such Person may have with respect to indemnification or contribution pursuant to this Agreement or any other Transaction Agreement for claims brought by third Persons, which Liability shall be governed by the provisions of this Article IX and, if applicable, the appropriate provisions of such other Transaction Agreements; or

(iii) any Liability the release of which would result in the release of any Person other than an Indemnitee; provided, that the Parties agree not to bring suit, or permit any other member of their respective Group to bring suit, against any Indemnitee with respect to such Liability.

(d) CS&L shall not make, and shall not permit any member of the CS&L Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against WHI, Windstream or any member of the WHI Group, or any other Person released pursuant to Section 7.1(a), with respect to any Liabilities released pursuant to Section 7.1(a). WHI and Windstream shall not, and shall not permit any member of the WHI Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification against CS&L or any member of the CS&L Group, or any other Person released pursuant to Section 7.1(b), with respect to any Liabilities released pursuant to Section 7.1(b).

7.2 General Indemnification by CS&L. Except as provided in Section 7.6, CS&L shall, and shall cause the other members of the CS&L Group to, indemnify, defend and hold harmless each member of the WHI Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "WHI Indemnified Parties"), from and against:

(i) any Assumed Liability, including the failure of any member of the CS&L Group or any other Person to pay, perform or otherwise promptly discharge any Assumed Liabilities in accordance with their respective terms, whether prior to, at or after the Effective Time; and

(ii) any breach by any member of the CS&L Group of any covenant or other agreement (but not the inaccuracy of any representation or warranty) set forth in this Agreement or of any Transaction Agreements other than the Master Lease, subject to any limitations of liability provisions and other provisions applicable to any such breach set forth therein; and

in each case, without regard to when or where the loss, claim, accident, occurrence, event or happening giving rise to the Liability took place, or whether any such loss, claim, accident, occurrence, event or happening is known or unknown, or reported or unreported and regardless of whether such loss, claim, accident, occurrence, event or happening giving rise to the Loss existed prior to, on or after the Distribution Date or relates to, arises out of or results from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to, on or after the Distribution Date.

7.3 General Indemnification by WHI and Windstream. Except as provided in Section 7.6, WHI and Windstream shall jointly and severally indemnify, defend and hold harmless each member of the CS&L Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "CS&L Indemnified Parties"), from and against:

(i) any Excluded Liability, including the failure of any member of the WHI Group or any other Person to pay, perform or otherwise promptly discharge any Excluded Liabilities in accordance with their respective terms, whether prior to, at or after the Effective Time; and

(ii) any breach by any member of the WHI Group of any covenant or other agreement (but not the inaccuracy of any representation or warranty) set forth in this Agreement or of any of the Transaction Agreements other than the Master Lease, subject to any limitations of liability provisions and other provisions applicable to any such breach set forth therein;

in each case, without regard to when or where the loss, claim, accident, occurrence, event or happening giving rise to the Liability took place, or whether any such loss, claim, accident, occurrence, event or happening is known or unknown, or reported or unreported and regardless of whether such loss, claim, accident, occurrence, event or happening giving rise to the Loss existed prior to, on or after the Distribution Date or relates to, arises out of or results from actions, inactions, events, omissions, conditions, facts or circumstances occurring or existing prior to, on or after the Distribution Date.

7.4 Disclosure Indemnification. CS&L agrees to indemnify and hold harmless the WHI Indemnified Parties from and against any and all Liabilities arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration

Statement, Information Statement or Offering Memorandum or any amendment of any thereof other than information that relates solely to the WHI Business. WHI and Windstream agree to jointly and severally indemnify and hold harmless the CS&L Indemnified Parties from and against any and all Liabilities arising out of or based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, Information Statement or Offering Memorandum or any amendment of any thereof that relates solely to the WHI Business.

7.5 Contribution. If the indemnification provided for in this Article VII is unavailable to, or insufficient to hold harmless, an indemnified Party under Section 7.4 hereof in respect of any Liabilities referred to therein, then each indemnifying Party shall contribute to the amount paid or payable by such indemnified Party as a result of such Liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the indemnifying Party and the indemnified Party in connection with the actions which resulted in Liabilities as well as any other relevant equitable considerations. The relative fault of such indemnifying Party and indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by such indemnifying Party or indemnified Party, and the Parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. For the purposes of this Section 7.5, the information relating to WHI and Windstream after the Effective Time set forth in the Registration Statement, Information or Offering Memorandum shall be the only "information supplied by" WHI and Windstream and all other information shall be deemed "information supplied by" CS&L.

7.6 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) Any Liability subject to indemnification or contribution pursuant to this Article VII will be net of Insurance Proceeds that actually reduce the amount of the Liability or Loss, as applicable. Accordingly, the amount which any Party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification under this Article VII (an "Indemnified Party") will be reduced by any Insurance Proceeds (net of expenses related to recovery of such Insurance Proceeds) theretofore actually recovered by or on behalf of the Indemnified Party in respect of the related Liability, as applicable. If an Indemnified Party receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnified Party will pay to the Indemnifying Party an amount equal to such Insurance Proceeds but not exceeding the amount of the Indemnity Payment paid by the Indemnifying Party in respect of such Liability.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto. The Indemnified Party shall use its commercially reasonable efforts to seek to collect or recover any third-party Insurance Proceeds (other than Insurance Proceeds under an arrangement where future premiums are adjusted to reflect prior claims in excess of prior premiums) to which the Indemnified Party is entitled in connection with any Liability for which the Indemnified Party seeks indemnification pursuant to this Article VII; provided, that the Indemnified Party's inability to collect or recover any such Insurance Proceeds shall not limit the Indemnifying Party's obligations hereunder.

7.7 Procedures for Indemnification of Third Party Claims.

(a) If an Indemnified Party receives written notice that a Person (including any Governmental Authority) that is not a member of the WHI Group or the CS&L Group has asserted any claim or commenced any Action (collectively, a "Third Party Claim") that may implicate an Indemnifying Party's obligation to indemnify pursuant to Sections 7.2, 7.3 or 7.4, or any other Section of this Agreement or any other Transaction Agreement, the Indemnified Party shall provide the Indemnifying Party written notice thereof as promptly as practicable (and no later than twenty (20) days or sooner, if the nature of the Third Party Claim so requires) after becoming aware of the Third Party Claim. Such notice shall describe the Third Party Claim in reasonable detail and include copies of all notices and documents (including court papers) received by the Indemnified Party relating to the Third Party Claim. Notwithstanding the foregoing, the failure of an Indemnified Party to provide notice in accordance with this Section 7.7(a) shall not relieve an Indemnifying Party of its indemnification obligations under this Agreement, except to the extent to which the Indemnifying Party is actually prejudiced by the Indemnified Party's failure to provide notice in accordance with this Section 7.7(a).

(b) Subject to this Section 7.7(b) and Section 7.7(c), an Indemnifying Party may elect to control the defense of (and seek to settle or compromise), at its own expense and with its own counsel, any Third Party Claim. Within thirty (30) days after the receipt of notice from an Indemnified Party in accordance with Section 7.7(a) (or sooner, if the nature of the Third Party Claim so requires), the Indemnifying Party shall notify the Indemnified Party whether the Indemnifying Party will assume responsibility for defending the Third Party Claim and shall specify any reservations or exceptions to its defense. After receiving notice of an Indemnifying Party's election to assume the defense of a Third Party Claim, whether with or without any reservations or exceptions with respect to such defense, an Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the Indemnified Party shall be responsible for the fees and expenses of its counsel and, in any event, shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, information and materials in such Indemnified Party's possession or under such Indemnified Party's control relating thereto as are reasonably required by the Indemnifying Party. If an Indemnifying Party has elected to assume the defense of a Third Party Claim, whether with or without any reservations or exceptions with respect to such defense, then such Indemnifying Party shall be solely liable for all fees and expenses incurred by it in connection with the defense of such Third Party Claim and shall not be entitled to seek any indemnification or reimbursement from the Indemnified Party for any such fees or expenses incurred during the course of its defense of such Third Party Claim, regardless of any subsequent decision by the Indemnifying Party to reject or otherwise abandon its assumption of such defense.

(c) Notwithstanding Section 7.7(b), if any Indemnified Party shall in good faith determine that there is an actual conflict of interest (whether legal, business or otherwise) if counsel for the Indemnifying Party represented both the Indemnified Party and Indemnifying Party, then the Indemnified Party shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, and the Indemnifying Party shall bear the reasonable fees and expenses of one (1) separate counsel for all Indemnified Parties.

(d) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnified Party of its election within thirty (30) days after the receipt of notice from an Indemnified Party as provided in Section 7.7(b), the Indemnified Party may defend the Third Party Claim at the cost and expense of the Indemnifying Party. If the Indemnified Party is conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnifying Party's expense, all witnesses, information and materials in such Indemnifying Party's possession or under such Indemnifying Party's control relating thereto as are reasonably required by the Indemnified Party.

(e) Without the prior written consent of any Indemnifying Party, which consent shall not be unreasonably withheld, conditioned or delayed, no Indemnified Party may settle or compromise, or seek to settle or compromise, any Third Party Claim; provided, however, in the event that the Indemnifying Party elects not to assume responsibility for defending a Third Party Claim or fails to notify the Indemnified Party of its election within thirty (30) days after the receipt of notice from the Indemnified Party as provided in Section 7.7(b), the Indemnified Party shall have the right to settle or compromise such Third Party Claim in its sole discretion. Without the prior written consent of any Indemnified Party, which consent shall not be unreasonably withheld, conditioned or delayed, no Indemnifying Party shall consent to the entry of any judgment or enter into any settlement of any pending or threatened Third Party Claim for which the Indemnified Party is seeking or may seek indemnity pursuant to this Section 7.7 unless such judgment or settlement is solely for monetary damages, does not impose any expense or obligation on the Indemnified Party, does not involve any finding or determination of wrongdoing or violation of law by the Indemnified Party and provides for a full, unconditional and irrevocable release of that Indemnified Party from all liability in connection with the Third Party Claim.

7.8 Additional Matters.

(a) Indemnification or contribution payments in respect of any Liabilities for which an Indemnified Party is entitled to indemnification or contribution under this Article VII shall be paid by the Indemnifying Party to the Indemnified Party as such Liabilities are incurred upon demand by the Indemnified Party, including reasonably satisfactory documentation setting forth the basis for the amount of such indemnification or contribution payment, including documentation with respect to calculations made and consideration of any Insurance Proceeds that actually reduce the amount of such Liabilities. The indemnity and contribution agreements contained in this Article VII shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Indemnified Party, (ii) the knowledge by the Indemnified Party of Liabilities for which it might be entitled to indemnification or contribution hereunder and (iii) any termination of this Agreement.

(b) Any claim for indemnification under this Agreement which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnified Party to the applicable Indemnifying Party. Such Indemnifying Party shall have a period of thirty (30) days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such thirty (30)-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not

respond within such thirty (30)-day period or rejects such claim in whole or in part, such Indemnified Party shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the other Transaction Agreements without prejudice to its continuing rights to pursue indemnification or contribution hereunder.

(c) If payment is made by or on behalf of any Indemnifying Party to any Indemnified Party in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnified Party as to any events or circumstances in respect of which such Indemnified Party may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other Person. Such Indemnified Party shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense of such Indemnifying Party, in prosecuting any subrogated right, defense or claim.

(d) In an Action in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant if they conclude that substitution is desirable and practical. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this section, and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts fees and all other external expenses), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

(e) For all Tax purposes other than for purposes of Section 355(g) of the Code, WHI, Windstream and CS&L agree to treat (i) any payment required by this Agreement (other than payments with respect to interest accruing after the Effective Time) as either a contribution by Windstream to CS&L or a distribution by CS&L to Windstream, as the case may be, occurring immediately prior to the Effective Time or as a payment of an assumed or retained Liability, and (ii) any payment of interest as taxable or deductible, as the case may be, to the party entitled under this Agreement to retain such payment or required under this Agreement to make such payment, in either case except as otherwise required by applicable Law.

7.9 Remedies Cumulative; Limitations of Liability. The rights provided in this Article VII shall be cumulative and, subject to the provisions of Article IX, shall not preclude assertion by any Indemnified Party of any other rights or the seeking of any and all other remedies against any Indemnifying Party. Notwithstanding the foregoing, neither CS&L or its Affiliates, on the one hand, nor WHI, Windstream or their Affiliates, on the other hand, shall be liable to the other for any special, indirect, punitive, exemplary, remote, speculative or similar damages in excess of compensatory damages (collectively, "Special Damages") of the other arising in connection with the Transactions (provided, that any such liability with respect to a Third Party Claim shall be considered direct damages).

7.10 Survival of Indemnities. The rights and obligations of each of WHI and CS&L and their respective Indemnified Parties under this Article VII shall survive the sale or other transfer by any Party of any Assets or businesses or the assignment by it of any Liabilities.

ARTICLE VIII

OTHER AGREEMENTS

8.1 Further Assurances.

(a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the Parties will cooperate with each other and use (and will cause their respective Subsidiaries and Affiliates to use) commercially reasonable efforts, prior to, on and after the Distribution Date, to take, or to cause to be taken, all actions, and to do, or to cause to be done, all things reasonably necessary on its part under applicable Law or contractual obligations to consummate and make effective the Transactions.

(b) Without limiting the foregoing, prior to, on and after the Distribution Date, each Party shall cooperate with the other Parties, and without any further consideration, but at the expense of the requesting Party from and after the Effective Time, to execute and deliver, or use its commercially reasonable efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to obtain or make any Required Approvals from or with any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument, and to take all such other actions as such Party may reasonably be requested to take by any other Party hereto from time to time, consistent with the terms of this Agreement and the other Transaction Agreements, in order to effectuate the provisions and purposes of this Agreement and the other Transaction Agreements and the transfers of the Assigned Assets and the assignment and assumption of the Assumed Liabilities and the other Transactions. Without limiting the foregoing, each Party will, at the reasonable request, cost and expense of any other Party, take such other actions as may be reasonably necessary to vest in such other Party good and marketable title to the Assets allocated to such Party under this Agreement or any of the other Transaction Agreements, free and clear of any Security Interest except as contemplated by any of the Financing Arrangements or any Transaction Agreement.

(c) At or prior to the Effective Time, WHI and CS&L in their respective capacities as direct and indirect shareholders of their respective Subsidiaries, shall each ratify any actions that are reasonably necessary or desirable to be taken by WHI, CS&L or any of their respective Subsidiaries to effectuate the Transactions.

8.2 Confidentiality.

(a) From and after the Effective Time, subject to Section 8.2(c) and except as contemplated by or otherwise provided in this Agreement or any other Transaction Agreement, WHI and Windstream shall not, and shall cause their Affiliates and their officers, directors, employees, and other agents and representatives, including attorneys, agents, customers, suppliers, contractors, consultants and other representatives of any Person providing financing (collectively, "Representatives"), not to, directly or indirectly, disclose, reveal, divulge or communicate to any Person other than Representatives of such Party or of its Affiliates who reasonably need to know such information in providing services to any member of the WHI Group, any CS&L Confidential Information. If any disclosures are made to any member of the

WHI Group in connection with any services provided to a member of the CS&L Group under this Agreement or any other Transaction Agreement, then the CS&L Confidential Information so disclosed shall be used only as required in connection with the receipt of such services. WHI and Windstream shall use the same degree of care to prevent and restrain the unauthorized use or disclosure of the CS&L Confidential Information by any of its Representatives as they currently use for their own confidential information of a like nature, but in no event less than a reasonable standard of care. For purposes of this Section 8.2(a), any Information, material or documents relating to the CS&L Business currently or formerly conducted, or proposed to be conducted, by any member of the CS&L Group furnished to, or in possession of, WHI or Windstream, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by WHI, Windstream, or their officers, directors and Affiliates, that contain or otherwise reflect such information, material or documents is hereinafter referred to as "CS&L Confidential Information." CS&L Confidential Information does not include, and there shall be no obligation hereunder with respect to, information that (i) is or becomes generally available to the public, other than as a result of a disclosure by WHI or Windstream not otherwise permissible hereunder, (ii) WHI or Windstream can demonstrate was or became available to WHI or Windstream from a source other than CS&L or its Affiliates or (iii) is developed independently by WHI or Windstream without reference to the CS&L Confidential Information; provided, however, that, in the case of clause (ii), the source of such information was not known by WHI or Windstream to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, CS&L or any member of the CS&L Group with respect to such information.

(b) From and after the Effective Time, subject to Section 8.2(c) and except as contemplated by this Agreement or any other Transaction Agreement, CS&L shall not, and shall cause its Affiliates and their respective Representatives, not to, directly or indirectly, disclose, reveal, divulge or communicate to any Person other than Representatives of such Party or of its Affiliates who reasonably need to know such information in providing services to CS&L or any member of the CS&L Group, any WHI Confidential Information. If any disclosures are made to any member of the CS&L Group in connection with any services provided to a member of the CS&L Group under this Agreement or any other Transaction Agreement, then the WHI Confidential Information so disclosed shall be used only as required in connection with the receipt of such services. The CS&L Group shall use the same degree of care to prevent and restrain the unauthorized use or disclosure of the WHI Confidential Information by any of their Representatives as they use for their own confidential information of a like nature, but in no event less than a reasonable standard of care. For purposes of this Section 8.2(b), any Information, material or documents relating to the businesses currently or formerly conducted, or proposed to be conducted, by WHI, Windstream or any of their Affiliates (other than any member of the CS&L Group) furnished to, or in possession of, any member of the CS&L Group, irrespective of the form of communication, and all notes, analyses, compilations, forecasts, data, translations, studies, memoranda or other documents prepared by CS&L, any member of the CS&L Group or their respective officers, directors and Affiliates, that contain or otherwise reflect such information, material or documents is hereinafter referred to as "WHI Confidential Information." WHI Confidential Information does not include, and there shall be no obligation hereunder with respect to, information that (i) is or becomes generally available to the public, other than as a result of a disclosure by any member of the CS&L Group not otherwise permissible hereunder, (ii) CS&L can demonstrate was or became available to CS&L from a

source other than WHI, Windstream and their respective Affiliates or (iii) is developed independently by such member of the CS&L Group without reference to the WHI Confidential Information; provided, however, that, in the case of clause (ii), the source of such information was not known by CS&L to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, WHI, Windstream or their Affiliates with respect to such information.

(c) If WHI, Windstream or their Affiliates, on the one hand, or CS&L or its Affiliates, on the other hand, are requested or required (by oral question, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) by any Governmental Authority or pursuant to applicable Law to disclose or provide any CS&L Confidential Information or WHI Confidential Information (other than with respect to any such information furnished pursuant to the provisions of Article IV of this Agreement), as applicable, the Person receiving such request or demand shall use commercially reasonable efforts to provide the other Party with written notice of such request or demand as promptly as practicable under the circumstances so that such other Party shall have an opportunity to seek an appropriate protective order. The Party receiving such request or demand agrees to take, and cause its representatives to take, at the requesting Party's expense, all other reasonable steps necessary to obtain confidential treatment by the recipient. Subject to the foregoing, the Party that received such request or demand may thereafter disclose or provide any CS&L Confidential Information or WHI Confidential Information, as the case may be, to the extent required by such Law (as so advised by counsel) or by lawful process or such Governmental Authority.

(d) Each of WHI, Windstream and CS&L acknowledges that it and the other members of its Group may have in their possession confidential or proprietary information of third Persons that was received under confidentiality or non-disclosure agreements with such third Person prior to the Distribution Date. WHI, Windstream and CS&L each agrees that it will hold, and will cause the other members of its Group and their respective Representatives to hold, in strict confidence the confidential and proprietary information of third Persons to which it or any other member of its respective Group has access, in accordance with the terms of any agreements entered into prior to the Distribution Date between or among one (1) or more members of the applicable Party's Group and such third Persons to the extent disclosed to such Party.

8.3 Allocation of Costs and Expenses. All costs and expenses incurred and directly related to the Transactions shall: (i) to the extent incurred and payable on or prior to the Distribution Date, be paid by WHI; and (ii) to the extent arising and payable following the Distribution Date, be paid by the Party incurring such cost or expense.

8.4 Litigation; Cooperation.

(a) WHI and Windstream agree that at all times from and after the Effective Time if a Third Party Claim relating primarily to the WHI Business is commenced naming both WHI or Windstream (or any member of the WHI Group), on the one hand, and CS&L (or any member of the CS&L Group), on the other hand, as defendants thereto, then WHI and Windstream shall use its commercially reasonable efforts to cause CS&L (and any member of the CS&L Group) to be removed from such Third Party Claim; provided, that, if WHI and

Windstream are unable to cause CS&L (and any member of the CS&L Group) to be removed from such Third Party Claim, WHI and Windstream, on the one hand, and CS&L, on the other hand, shall cooperate and consult to the extent necessary or advisable with respect to such Third Party Claim.

(b) CS&L agrees that at all times from and after the Effective Time if a Third Party Claim relating primarily to the CS&L Business is commenced naming both WHI or Windstream (or any member of the WHI Group), on the one hand, and CS&L (or any member of the CS&L Group), on the other hand, as defendants thereto, then CS&L shall use its commercially reasonable efforts to cause WHI and Windstream (and any member of the WHI Group) to be removed from such Third Party Claim; provided, that, if CS&L is unable to cause WHI and Windstream (and any member of the WHI Group) to be removed from such Third Party Claim, WHI and Windstream, on the one hand, and CS&L, on the other hand, shall cooperate and consult to the extent necessary or advisable with respect to such Third Party Claim.

(c) The Parties agree that at all times from and after the Effective Time if a Third Party Claim which does not relate primarily to the CS&L Business or the WHI Business is commenced naming both WHI or Windstream (or any member of the WHI Group), on the one hand, and CS&L (or any member of the CS&L Group), on the other hand, as defendants thereto, then WHI and Windstream, on the one hand, and CS&L, on the other hand, shall cooperate fully with each other, maintain a joint defense (in a manner that would preserve for both the WHI Group and the CS&L Group any attorney-client privilege, joint defense or other privilege with respect thereto) and consult each other to the extent necessary or advisable with respect to such Third Party Claim.

8.5 Tax Matters. WHI and CS&L shall enter into the Tax Matters Agreement on or prior to the Distribution Date. To the extent that any representations, warranties, covenants or agreements between the Parties with respect to Taxes or other Tax matters are set forth in the Tax Matters Agreement, such Taxes and other Tax matters shall be governed exclusively by the Tax Matters Agreement and not by this Agreement.

8.6 Employment Matters. WHI and CS&L shall enter into the Employee Matters Agreement on or prior to the Distribution Date. To the extent that any representations, warranties, covenants or agreements between the Parties with respect to employment matters are set forth in the Employee Matters Agreement, such employment matters shall be governed exclusively by the Employee Matters Agreement and not by this Agreement.

8.7 Intellectual Property Matters. WHI and CS&L shall enter into the Intellectual Property Matters Agreement on or prior to the Distribution Date. To the extent that any representations, warranties, covenants or agreements between the Parties with respect to intellectual property matters are set forth in the Intellectual Property Matters Agreement, such intellectual property matters shall be governed exclusively by the Intellectual Property Matters Agreement and not by this Agreement.

8.8 Agreements Among CS&L and its Subsidiaries. CS&L and its certain of its Subsidiaries shall enter into an employee and cost sharing agreement contemporaneous with the Distribution on the Distribution Date in such form as CS&L and such Subsidiaries shall deem to be necessary, appropriate or advisable.

8.9 Net Working Capital Payment.

(a) Within thirty (30) days after the Distribution Date, WHI shall cause to be prepared and delivered to CS&L a combined balance sheet of the CS&L Business as of 12:01 a.m. on the Distribution Date (the "Closing Balance Sheet") and a statement derived from the Closing Balance Sheet (the "Closing Statement") setting forth the Net Working Capital of the CS&L Business as of 12:01 a.m. on the Distribution Date ("Closing Net Working Capital"). The Closing Balance Sheet and Closing Statement shall be prepared in accordance with GAAP and the sample calculation set forth in Schedule 8.9 hereto and, to the extent not inconsistent therewith, all accounting principles, practices, methodologies and policies used in the preparation of the financial statements included in the Information Statement.

(b) Following the Distribution Date, each of WHI and CS&L shall give the other party and its representatives access at all reasonable times to the properties, books, records, working papers and personnel of the CS&L Business to the extent required to prepare and review the Closing Balance Sheet and the Closing Statement. CS&L shall have thirty (30) days following the delivery of the Closing Balance Sheet and the Closing Statement during which to notify WHI of any dispute of any item contained in the Closing Statement, which notice shall set forth in reasonable detail the nature and amount of any such dispute. If CS&L fails to notify WHI of any such dispute within such thirty (30) day period, the Closing Statement delivered to CS&L shall be deemed to be final, conclusive and binding on the parties hereto. In the event that CS&L shall so notify WHI of a dispute within such thirty (30) day period, WHI and CS&L shall cooperate in good faith to resolve such dispute as promptly as practicable.

(c) If WHI and CS&L do not resolve any such disputed item within thirty (30) days after the delivery by CS&L of its notice of dispute, such disputed item shall be resolved by an internationally recognized accounting firm mutually selected and agreed upon by WHI and CS&L. In connection therewith, the accounting firm shall address only items disputed by the parties and may not assign an amount to any disputed item greater than the greatest amount for such item that is claimed by a party or less than the lowest amount for such item that is claimed by a party. The accounting firm shall make its determinations with respect to any such disputed item as promptly as practicable and such determination shall be final, conclusive and binding on the parties and shall be enforceable in any court of competent jurisdiction and may be entered as a judgment in any such court. Any expenses relating to the engagement of the accounting firm shall be shared equally between WHI and CS&L. The Closing Statement, as modified by resolution of any disputed items by the accounting firm, shall be final, conclusive and binding on the parties hereto.

(d) If the Closing Net Working Capital as set forth in the final, binding and conclusive Closing Statement (as modified by the accounting firm, if applicable) exceeds $0, then WHI shall pay to CS&L an amount equal to the Closing Net Working Capital. If the Closing Net Working Capital as set forth in the final, binding and conclusive Closing Statement (as modified by the accounting firm, if applicable) is less than $0, then CS&L shall pay to WHI an amount equal to the Closing Net Working Capital. Any payment to be made pursuant to this

Section 8.9(d) shall be made as promptly as practicable by wire transfer of immediately available funds, together with interest thereon from the Distribution Date through the date such payment is made, at the prime rate as reported as of the date of such payment by *The Wall Street Journal*.

ARTICLE IX

DISPUTE RESOLUTION

9.1 General Provisions.

(a) Any dispute, controversy or claim arising out of or relating to this Agreement or the other Transaction Agreements (other than the Master Lease), or the validity, interpretation, breach or termination thereof in which the amount in controversy (a "Dispute"), shall be resolved in accordance with the procedures set forth in this Section 9.1 and (i) if the amount in controversy in such Dispute is less than $5 million (an "Arbitrable Dispute"), via arbitration in accordance with Section 9.2, and (ii) if the amount in controversy in such Dispute equals or exceeds $5 million, via litigation in accordance with Section 10.2. Such provisions shall be the sole and exclusive procedures for the resolution of any Dispute unless otherwise specified in the applicable Transaction Agreement or in this Agreement.

(b) The Parties agree to cause their respective senior executives to exercise reasonable efforts to resolve any Dispute amicably for a period of thirty (30) days from the date all Parties have been made aware of the Dispute; provided, however, that if any Party reasonably determines that the resolution of such Dispute will require interim injunctive relief, such period shall be reduced to two (2) business days.

(c) THE PARTIES EXPRESSLY WAIVE AND FOREGO ANY RIGHT TO (I) SPECIAL DAMAGES (PROVIDED, THAT LIABILITY FOR ANY SUCH SPECIAL DAMAGES WITH RESPECT TO ANY THIRD PARTY CLAIM SHALL BE CONSIDERED DIRECT DAMAGES) AND (II) TRIAL BY JURY.

(d) The specific procedures set forth in this Article IX including the time limits referenced therein, may be modified by agreement of both of the Parties in writing.

(e) All applicable statutes of limitations and defenses based upon the passage of time shall be tolled while the procedures specified in this Article IX are pending. The Parties will take any necessary or appropriate action required to effectuate such tolling.

9.2 Arbitration.

(a) In the event of any Arbitrable Dispute, any Party may (i) pursuant to its rights under Section 10.10, submit a request for interim injunctive relief to the arbitral tribunal appointed pursuant to Section 9.2(b) (provided, that, if the tribunal shall not have been constituted, any Party may seek interim relief either before a special arbitrator, as provided for in Rule 14 of the CPR Arbitration Rules, or before any court of competent jurisdiction) if, in the reasonable opinion of such Party, such interim injunctive relief is necessary to preserve its rights pending resolution of the Arbitrable Dispute, and (ii) submit such Arbitrable Dispute to be finally resolved by binding arbitration, in each case, pursuant to the CPR Rules for Non-Administered Arbitration as then in effect (the "CPR Arbitration Rules").

(b) The neutral organization for purposes of the CPR Arbitration Rules will be the CPR. The arbitral tribunal will be composed of one arbitrator to be mutually agreed by the Parties or, if the Parties are unable to agree on an arbitrator, the arbitrator will be appointed by CPR from a list of eight (8) proposed neutrals submitted by the CPR each of whom shall have at least ten (10) years' experience in arbitrating commercial disputes. WHI and Windstream, on the one hand, and CS&L, on the other hand, may each strike no more than three (3) neutrals from the list submitted by CPR.

(c) Arbitration will take place in Little Rock, Arkansas. Along with the arbitrator appointed, the Parties will agree to a mutually convenient date and time to conduct the arbitration, but in no event will the hearing(s) be scheduled less than six (6) months from submission of the Arbitrable Dispute to arbitration unless the Parties agree otherwise in writing; provided, that, if injunctive or other interim relief contemplated by Section 9.2(d) below is requested, the hearing(s) will be expedited in accordance with any order entered by the court, tribunal or special arbitrator adjudicating that request.

(d) The arbitral tribunal will have the right to award, on an interim basis, or include in the final award, any relief which it deems proper in the circumstances, including money damages (with interest on unpaid amounts from the due date), injunctive relief (including specific performance) and attorneys' fees and costs; provided, that the arbitral tribunal will not award any relief not specifically requested by the Parties and, in any event, will not award Special Damages. Upon constitution of the arbitral tribunal following any grant of interim relief by a special arbitrator or court pursuant to Sections 9.2(a) and 10.10, the tribunal may affirm or disaffirm that relief, and the Parties will seek modification or rescission of the order entered by the special arbitrator or court as necessary to accord with the tribunal's decision.

(e) The Parties agree to be bound by the provisions of Rule 13 of the Federal Rules of Civil Procedure with respect to compulsory counterclaims (as the same may be amended from time to time); provided, that any such compulsory counterclaim shall be filed within thirty (30) days of the filing of the original claim.

(f) So long as any Party has a timely claim to assert, the agreement to arbitrate Arbitrable Disputes set forth in this Section 9.2 will continue in full force and effect subsequent to, and notwithstanding the completion, expiration or termination of, this Agreement.

(g) A Party obtaining an order of interim injunctive relief may enter judgment upon such award in any court of competent jurisdiction. The final award in an arbitration pursuant to this Article IX shall be conclusive and binding upon the Parties, and a Party obtaining a final award may enter judgment upon such award in any court of competent jurisdiction.

(h) It is the intent of the Parties that the agreement to arbitrate Arbitrable Disputes set forth in this Section 9.2 shall be interpreted and applied broadly such that all reasonable doubts as to arbitrability of a Arbitrable Dispute shall be decided in favor of arbitration.

(i) If a Dispute includes both arbitrable and nonarbitrable claims, counterclaims or defenses, the Parties shall arbitrate all such arbitrable claims, counterclaims or defenses and shall concurrently litigate, subject to and in accordance with Section 10.2, all such nonarbitrable claims, counterclaims or defenses.

(j) The Parties agree that any Dispute submitted to arbitration shall be governed by, and construed and interpreted in accordance with, Section 10.2 and, except as otherwise provided in this Article IX or mutually agreed to in writing by the Parties, the Federal Arbitration Act, 9 U.S.C. §§ 1 et seq., shall govern any arbitration between the Parties pursuant to this Section 9.2.

(k) Each Party shall bear (i) its own fees, costs and expenses and shall bear an equal share of the expenses of the arbitration, including the fees, costs and expenses of the arbitrator; provided, in the case of any Arbitrable Disputes relating to the Parties' rights and obligations with respect to indemnification under Article VII, the substantially prevailing Party shall be entitled to reimbursement by the other Party of its reasonable out-of-pocket fees and expenses (including attorneys' fees) incurred in connection with the arbitration.

(l) Commencing with a request contemplated by Section 9.2(a) above,, all communications among the Parties or their representatives in connection with the attempted resolution of any Arbitrable Dispute shall be deemed to have been delivered in furtherance of a Arbitrable Dispute settlement and shall be exempt from discovery and production, and shall not be admissible into evidence for any reason (whether as an admission or otherwise), in any arbitral or other proceeding for the resolution of any Arbitrable Dispute.

ARTICLE X

MISCELLANEOUS

10.1 No Survival of Representations and Warranties; Survival of Covenants. The representations and warranties of the Parties set forth in this Agreement shall not survive the Effective Time, and shall cease to have any force or effect immediately upon the Effective Time. Except as expressly set forth in any other Transaction Agreement, the covenants and other agreements contained in this Agreement and each other Transaction Agreement, and liability for the breach of any obligations thereunder, shall survive each of the Internal Reorganization, the Reorganization and the Distribution and shall remain in full force and effect in accordance with their terms.

10.2 Governing Law; Jurisdiction. This Agreement and, unless expressly provided therein, each other Transaction Agreement, shall be governed by and construed and interpreted in accordance with the State of Delaware irrespective of the choice of Laws principles of the State of Delaware. In addition, with respect to this Agreement (other than Arbitrable Disputes governed by Section 9.2) and, unless expressly provided therein, each other Transaction Agreement, the Parties agree that any legal action or proceeding shall be brought or determined exclusively in a state or federal court located within the County of New Castle in the State of Delaware.

10.3 Force Majeure. No Party (or any Person acting on its behalf) shall have any liability or responsibility for failure to fulfill any obligation (other than a payment obligation) under this Agreement or, unless otherwise expressly provided therein, any other Transaction Agreement, so long as and to the extent to which the fulfillment of such obligation is prevented, frustrated, hindered or delayed as a consequence of circumstances of Force Majeure. A Party claiming the benefit of this provision shall, as soon as reasonably practicable after the occurrence of any such event, (i) notify the other Parties of the nature and extent of any such Force Majeure condition and (ii) use due diligence to remove any such causes and resume performance under this Agreement as soon as feasible.

10.4 Notices. All notices, requests, claims, demands and other communications under this Agreement and, to the extent applicable and unless otherwise provided therein, under each of the other Transaction Agreements shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by overnight courier service, by facsimile or electronic transmission with receipt confirmed (followed by delivery of an original via overnight courier service) or by registered or certified mail (postage prepaid, return receipt requested) to the respective Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 10.4):

If to WHI or a member of the WHI Group, to:

c/o Windstream Holdings, Inc.
4001 Rodney Parham Road
Little Rock, Arkansas 72212
Attention: Chief Executive Officer

with copies to:

c/o Windstream Holdings, Inc.
4001 Rodney Parham Road
Little Rock, Arkansas 72212
Attention: General Counsel

and

Skadden Arps Slate Meagher & Flom LLP
One Rodney Square
920 N. King Street
Wilmington, Delaware 19801
Attention: Robert B. Pincus, Esq.

if to CS&L:

Communications Sales & Leasing, Inc.
10802 Executive Center Drive
Benton Building Suite 300
Little Rock, AR 72211
Attention: Chief Executive Officer

10.5 Termination. Notwithstanding any provision to the contrary, this Agreement may be terminated and the Transactions abandoned at any time prior to the Effective Time by and in the sole discretion of WHI, without the prior approval of any Person, including CS&L or Windstream. In the event of such termination, this Agreement shall become void and no Party, or any of its officers and directors shall have any liability to any Person by reason of this Agreement. After the Effective Time, this Agreement may not be terminated except by an agreement in writing signed by each of the Parties.

10.6 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced under any Law or as a matter of public policy, all other conditions and provisions of this Agreement shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the Transactions be consummated as originally contemplated to the greatest extent possible.

10.7 Entire Agreement. Except as otherwise expressly provided in this Agreement, this Agreement (including the Schedules and Exhibits hereto and, to the extent referred to herein, the other Transaction Agreements) constitutes the entire agreement of the Parties with respect to the subject matter of this Agreement and supersedes all prior agreements and undertakings, both written and oral, between or on behalf of the Parties hereto with respect to the subject matter of this Agreement.

10.8 Assignment; No Third-Party Beneficiaries. This Agreement shall not be assigned by any Party without the prior written consent of the other Parties hereto. Except as provided in Section 4.8 with respect to Skadden and its partners and employees or Article VII with respect to Indemnified Parties, this Agreement is for the sole benefit of the Parties to this Agreement and members of their respective Group and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

10.9 Public Announcements. From and after the Effective Time, the Parties agree that they shall make no public statement that would be inconsistent with any of the representations or assumptions underlying the Private Letter Ruling or that would otherwise in any manner compromise or undermine the tax treatment of any of the Transactions without the prior written consent of the other Parties, except as may be required by applicable Law, court process or by obligations pursuant to any listing agreement with any national securities exchange or national securities quotation system.

10.10 Specific Performance. Subject to the provisions of Article IX, in the event of any actual or threatened default in, or breach of, any of the terms, conditions and provisions of this Agreement or any other Transaction Agreement, the party or parties who are or are to be thereby aggrieved shall have the right to specific performance and injunctive or other equitable relief (on

an interim or permanent basis) of its rights under this Agreement or such Transaction Agreement, in addition to any and all other rights and remedies at law or in equity, and all such rights and remedies shall be cumulative. The parties agree that the remedies at law for any breach or threatened breach, including monetary damages, may be inadequate compensation for any loss and that any defense in any action for specific performance that a remedy at law would be adequate is waived. Any requirements for the securing or posting of any bond with such remedy are waived by each of the parties to this Agreement.

10.11 Amendment. No provision of this Agreement may be amended or modified except by a written instrument signed by all the Parties. No waiver by any Party of any provision of this Agreement shall be effective unless explicitly set forth in writing and executed by the Party so waiving. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other subsequent breach.

10.12 Rules of Construction. Interpretation of this Agreement shall be governed by the following rules of construction: (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) references to the terms Article, Section, paragraph, clause, Exhibit and Schedule are references to the Articles, Sections, paragraphs, clauses, Exhibits and Schedules of this Agreement unless otherwise specified, (iii) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement, including the Schedules and Exhibits hereto, (iv) references to "$" shall mean U.S. dollars, (v) the word "including" and words of similar import when used in this Agreement shall mean "including without limitation," unless otherwise specified, (vi) the word "or" shall not be exclusive, (vii) references to "written" or "in writing" include in electronic form, (viii) provisions shall apply, when appropriate, to successive events and transactions, (ix) the table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement, (x) the Parties have each participated in the negotiation and drafting of this Agreement and, if an ambiguity or question of interpretation should arise, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or burdening any Party by virtue of the authorship of any of the provisions in this Agreement or any interim drafts of this Agreement, and (xi) a reference to any Person includes such Person's successors and permitted assigns.

10.13 Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

[*The remainder of this page is intentionally left blank.*]

IN WITNESS WHEREOF, the Parties hereto have caused this Separation and Distribution Agreement to be executed on the date first written above by their respective duly authorized officers.

WINDSTREAM HOLDINGS, INC.

By: /s/ Tony Thomas
Name: Tony Thomas
Title: President & Chief Executive Officer

WINDSTREAM SERVICES, LLC

By: /s/ Tony Thomas
Name: Tony Thomas
Title: President & Chief Executive Officer

COMMUNICATIONS SALES & LEASING, INC.

By: /s/ Kenneth A. Gunderman
Name: Kenneth A Gunderman
Title: President & Chief Executive Officer

ANNEX I

Stock Calculation

The determination of the shares of CS&L Common Stock to be distributed or retained in the Distribution, respectively, by Windstream shall be calculated in accordance with the following formula:

- "D" represents the number of shares of CS&L Common Stock to be temporarily retained by Windstream following the distribution, and D equals (B minus A minus C minus E), where:
    - "A" represents the number of shares of CS&L Common Stock to be distributed in the Internal Distribution and the External Distribution, and A is calculated by dividing X by 5, where X equals the number of common shares of WHI on the record date of the Distribution.
    - B represents the fully diluted (pro forma to give effect to the Distribution and Reorganization) outstanding shares of CS&L Common Stock, and B is calculated by dividing the summation of A and E by 80.1.
    - C represents the number of CSL Restricted Shares to be issued to Retained Employees in accordance with the Employee Matters Agreement, and C is calculated by multiplying .2 times Y, where Y is equal to the number of WHI Restricted Shares issued to Retained Employees outstanding on the record date of the Distribution.
        - For the purpose of clarification, C does not include any CSL Stock Units to be issued in accordance with the Employee Matters Agreement, and C also does not include any CSL Restricted Shares to be issued to Transferred Employees
    - E represents the number of CSL Restricted Shares to be issued to Transferred Employees in accordance with the Employee Matters Agreement, and E is calculated by multiplying .2 times Z, where Z is equal to the number of WHI Restricted Shares issued to Transferred Employees outstanding on the record date of the Distribution
- Example Calculation (As of March 9, 2015):
    - X = 602,176,979
    - A = 120,435,396
    - D = 29,364,946
    - B = 150,366,271

- C = 557,942
- Y = 2,789,709
- E = 7,987
- Z = 39,937

SCHEDULE 1.1(a)

Assigned Contracts

(1) All of the WIN Group's rights (other than its legal title) in and to the following:

(a) all easements (whether express or prescriptive) or other rights-of-way real estate interests providing members of the WIN Group with the right to access and use the real property where the Distribution Systems are installed or located;

(b) all permits, franchises, licenses, or similar agreements granted by Governmental Authorities providing members of the WIN Group with the right to access and use public rights of way where the Distribution Systems are installed or located, including permits from highway departments and state and county agencies, franchise and rights-of-way license agreements with local governments, and permits from the Bureau of Land Management; and

(c) all pole attachment agreements, railroad crossing agreements, leases of conduits,, and similar agreements with third parties providing members of the WIN Group with the right to access and use telephone or utility poles, conduits or similar facilities where the Distribution Systems are installed or located.

(2) All of the WIN Group's rights in and to all contracts with customers of the Consumer CLEC Business.

SCHEDULE 1.1(b)

List of Facilities

AL-CLEC	1	Alabama CLEC
AL-ILEC	2	Alabama ILEC
AR-CLEC	3	Arkansas CLEC
AR-ILEC	4	Arkansas ILEC
CENTRAL-CLEC	5	Central US CLEC (Includes properties in KS, ND,MT & WY)
EAST-CLEC	6	Eastern US CLEC (Includes properties in CT, DC, MA, ME, NH, RI & VT)
FL-CLEC	7	Florida CLEC
FL-ILEC	8	Florida ILEC
GA-CLEC	9	Georgia CLEC
GA-ILEC	10	Georgia ILEC
IA-CLEC	11	Iowa CLEC
IA-ILEC	12	Iowa ILEC
IL-CLEC	13	Illinios CLEC
IN-CLEC	14	Indiana CLEC
KY-CLEC	15	Kentucky CLEC
KY-ILEC	16	Kentucky ILEC
MI-CLEC	17	Michigan CLEC
MO-CLEC	18	Missouri CLEC
MO-ILEC	19	Missouri ILEC
MS-CLEC	20	Mississippi CLEC
MS-ILEC	21	Mississippi ILEC
NC-CLEC	22	North Carolina CLEC
NC-ILEC	23	North Carolina ILEC
NM-Combined	24	New Mexico ILEC & CLEC
OH-CLEC	25	Ohio CLEC
OH-ILEC	26	Ohio ILEC
OK-CLEC	27	Oklahoma CLEC
OK-ILEC	28	Oklahoma ILEC
PA-CLEC	29	Pennsylvania CLEC
TN-CLEC	30	Tennessee CLEC
TX-CLEC	31	Texas CLEC
TX-ILEC	32	Texas ILEC
VA-CLEC	33	Virginia CLEC
WEST-CLEC	34	Western US CLEC (Includes properties in AZ, ID, NV, OR & WA)
WI-CLEC	35	Wisconsin CLEC
WV-CLEC	36	West Virginia CLEC

SCHEDULE 2.1(a)

Plan of Reorganization

Internal Reorganization

Prior to the Distribution, Windstream will have taken the following steps. Following these steps, all of the assets related to the CS&L Business (other than as noted in clause (b) below) will be treated as owned directly by Windstream for U.S. federal income tax purposes.

(a) CSL National, LP will create a new limited liability company called CSL North Carolina Realty GP, LLC to be the general partner of two Delaware limited partnerships. CSL National, LP will contribute 0.1% of its interest in CSL North Carolina System, LLC into CSL North Carolina Realty GP, LLC. Following the 0.1% contribution, CSL North Carolina System, LLC will convert into CSL North Carolina System, LP under Delaware law. CSL National, LP and CSL North Carolina Realty GP, LLC will form CSL North Carolina Realty, LP to hold non-ILEC assets located in North Carolina.

(b) CSL National, LP will create a new limited liability company called CSL Tennessee Realty Partner, LLC to serve as a partner in a new partnership which will own non-ILEC assets located in Tennessee. CSL Tennessee Realty Partner, LLC will elect to initially be regarded as a corporation.[1] CSL National, LP and CSL Tennessee Realty Partner, LLC form a new partnership under Delaware law called CSL Tennessee Realty, LLC to own non-ILEC assets located in Tennessee.

(c) Create Windstream Missouri, Inc. under Delaware law as a subsidiary of Windstream Corporation. Windstream Missouri, Inc. (a Missouri corporation) will merge with and into Windstream Missouri, Inc. (a Delaware corporation), with Windstream Missouri, Inc. (a Delaware corporation) surviving. Immediately thereafter, Windstream Missouri, Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (Windstream Missouri, LLC).

(d) Each of Windstream Western Reserve, Inc. (an Ohio corporation) and Windstream Ohio, Inc. (an Ohio corporation) will convert under Ohio law into a limited liability company (Windstream Western Reserve, LLC and Windstream Ohio, LLC, respectively).

(e) Windstream Florida Inc. (a Florida corporation) will convert under Florida law into a limited liability company (Windstream Florida, LLC).

(f) Each of Texas Windstream, Inc. (a Texas corporation) and Windstream Sugar Land, Inc. (a Texas corporation) will convert under Texas law into a limited liability company (Texas Windstream, LLC and Windstream Sugar Land, LLC, respectively).

(g) Windstream Concord Telephone, Inc. (a North Carolina corporation) will convert under North Carolina law into a limited liability company (Windstream Concord Telephone, LLC).

(h) Windstream Communications Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (Windstream Communications, LLC).

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1 When Communications Sales & Leasing, Inc. makes its REIT election, CSL Tennessee Realty Partner, LLC will elect to be considered a Taxable REIT Subsidiary (TRS).

(i) Each of Windstream NuVox Arkansas, Inc. (a Delaware corporation), Windstream NuVox Illinois, Inc. (a Delaware corporation), Windstream NuVox Indiana, Inc. (a Delaware corporation), Windstream NuVox Kansas, Inc. (a Delaware corporation), Windstream NuVox Missouri, Inc. (a Delaware corporation), Windstream NuVox Ohio, Inc. (a Delaware corporation) and Windstream NuVox Oklahoma, Inc. (a Delaware corporation) will convert into a limited liability company under Delaware law (Windstream NuVox Arkansas, LLC, Windstream NuVox Illinois, LLC, Windstream NuVox Indiana, LLC, Windstream NuVox Kansas, LLC, Windstream NuVox Ohio, LLC, and Windstream NuVox Oklahoma, LLC, respectively).

(j) Windstream NuVox, Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (Windstream NuVox, LLC).

(k) D&E Communications, Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (D&E Communications, LLC) and, subsequently, D&E Networks, Inc. (a Pennsylvania corporation) will distribute assets related to the CS&L Business to D&E Communications, LLC.

(l) Windstream D&E Systems, Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (Windstream D&E Systems, LLC).

(m) Windstream Lexcom Communications, Inc. (a North Carolina corporation) will convert under North Carolina law into a limited liability company (Windstream Lexcom Communications, LLC).

(n) Windstream Iowa Communications, Inc. (a Delaware corporation) will convert under Delaware law into a limited liability company (Windstream Iowa Communications, LLC).

(o) Windstream Montezuma, Inc. (an Iowa corporation) will convert under Iowa law into a limited liability company (Windstream Montezuma, LLC).

(p) Windstream Iowa-Comm, Inc. (an Iowa corporation) will convert under Iowa law into a limited liability company (Windstream Iowa-Comm, LLC).

(q) Windstream KDL Inc. (a Kentucky corporation) will convert under Kentucky law into a limited liability company (Windstream KDL, LLC).

(r) Windstream NTI, Inc. (a Wisconsin corporation) will convert under Wisconsin law into a limited liability company (Windstream NTI, LLC).

(s) Windstream Norlight, Inc. (a Kentucky corporation) will convert under Kentucky law into a limited liability company (Windstream Norlight, LLC).

(t) PAETEC Holding Corp. (a Delaware corporation) will convert under Delaware law into a limited liability company (PAETEC Holding, LLC).

(u) PAETEC Corp. (a Delaware corporation) will convert under Delaware law into a limited liability company (PAETEC, LLC).

(v) PaeTec Communications Inc.(a Delaware corporation) and Cavalier Telephone Corporation (a Delaware corporation) will each convert under Delaware law into a limited liability company (PaeTec Communications, LLC and Windstream Cavalier, LLC, respectively).

(w) PaeTec Communications of Virginia, Inc. (a Virginia corporation) will convert under Virginia law in a limited liability company (PaeTec Communications of Virginia, LLC).

(x) TC Services Holdings Co., Inc. (a Pennsylvania corporation) and NT Corporation (a Delaware corporation) will each merge with and into Talk America, Inc. (a Pennsylvania corporation).

(y) Network Telephone Corporation (a Florida corporation) will convert under Florida law into a limited liability company (Network Telephone, LLC).

(z) Talk America, Inc. (a Pennsylvania corporation) will merge with and into Windstream Talk America, Inc. (a Delaware corporation), a newly-formed Delaware corporation, which will convert under Delaware law into a limited liability company (Talk America, LLC).

(aa) The Other Phone Company, Inc. (a Florida corporation) will convert under Florida law into a limited liability company (The Other Phone Company, LLC).

(bb) Intellifiber Networks, Inc. (a Virginia corporation) will convert under Virginia law into a limited liability company (Intellifiber Networks, LLC).

(cc) LDMI Telecommunications, Inc. (a Michigan corporation) will convert under Michigan law into a limited liability company (LDMI Telecommunications, LLC).

(dd) Windstream KDL-VA, Inc. (a Virginia corporation) will convert under Virginia law into a limited liability company (Windstream KDL-VA, LLC).

(ee) Nashville Data Link, Inc. (a Tennessee corporation) will convert under Tennessee law into a limited liability company (Nashville Data Link, LLC).

(ff) Norlight Telecommunications of Virginia, Inc., (a Virginia corporation) will convert under Virginia law into a limited liability company (Norlight Telecommunications of Virginia, LLC).

(gg) Cinergy Communications Company of Virginia (a Virginia corporation) will convert under Virginia law into a limited liability company (Cinergy Communications of Virginia, LLC).

(hh) Talk America of Virginia, Inc. (a Virginia corporation) will convert under Virginia law into a limited liability company (Talk America of Virginia, LLC).

(ii) Windstream will form a wholly-owned subsidiary called Windstream Finance Corp. under Delaware law.

Reorganization

(i) One or more investment banks (the "Investment Banks") will solicit non-binding orders from third-party investors for debt securities and loans under a term loan facility to be issued by CS&L in the amount of approximately $2.35 billion (the "CS&L Securities").

(ii) At least fourteen days prior to the closing date of the Distributions, each Investment Bank, acting as principal for its own account, will acquire in the marketplace some or all of the revolving loans, term A loans, term B loans and certain notes (the "Exchange Debt").

(iii) No sooner than five days after acquiring the Exchange Debt, Windstream expects that the Investment Banks will enter into an exchange agreement with Windstream pursuant to which the parties will agree to exchange an amount of Exchange Debt for up to a currently estimated aggregate $2.35 billion face amount of CS&L Securities, less a specified spread (the "Debt Exchange"). The exchange ratio for the Debt Exchange will be negotiated between Windstream and the Investment Banks, bargaining at arms' length, no earlier than the time they enter into the exchange agreement. Each Investment Bank will expect to obtain binding commitments at such time from third-party investors who will agree to purchase the CS&L Securities from each Investment Bank following the Debt Exchange.

(iv) As and to the extent set forth in the Separation and Distribution Agreement to which this Schedule is attached, Windstream will contribute all of the assets and liabilities comprising the CS&L Business to CS&L (the "Contribution").

(v) CS&L will borrow an amount of cash from third-parties (the "CS&L Cash").

(vi) In exchange for the assets and liabilities transferred to CS&L in the Contribution, Windstream will receive all of the common stock of CS&L, the CS&L Cash and the CS&L Securities.

(vii) Following the Contribution, CS&L will contribute the Consumer CLEC Business to Talk America Services, LLC in exchange for the equity of Talk America Services, LLC.

(viii) CS&L and the Investment Banks will consummate the Debt Exchange. The Investment Banks intend to complete the sale of the CS&L Securities they receive in the Debt Exchange to public investors immediately thereafter.

SCHEDULE 2.2(a)(i)(C)

Distribution System Demarcation Points

Meet Point	Distribution System	Excluded Assets (Retained)
Central Office, Remote Office or Hut	Fiber distribution panel and every connection thereto which is connected on the outside plant side of such fiber distribution panel; all copper cable splice cases and vaults in which it is contained; all conduit installed for any cabling purposes on any Improvements.	All copper and fiber jumper cables between the fiber distribution panel or cable value, and the Equipment and racking located in the Central office Building, Remote Office Building or Hut.
Pad or WOMP mounted Equipment	WOMP or pad and the splice tray which houses fiber splices.	Cabinet mounted on the WOMP or pad, all Electronics inside such cabinet, and the cable or fiber jumpers inside the cabinet from the splice tray to electronics.
Business Demarcation	All fiber/copper to customer demarcation point.	Any equipment at the customer demarcation point.
Consumer Network Interface Device	All fiber/copper leading up to the Network Interface Device (i.e. customer demarcation point)	Network Interface Device

SCHEDULE 2.2(b)

Specifically Excluded Assets

(1) Any and all title to any Assigned Contract referenced in item (1) of Schedule 1.1(a).

(2) Any and all right, title or interest in or to any RUS Stimulus Assets.

(3) All assets related to (a) Minnesota, Nebraska, Pennsylvania, New York and South Carolina ILECs and (b) California, Colorado, Delaware, Louisiana, Maryland, Minnesota, Nebraska, New Jersey, New York, South Carolina, South Dakota, and Utah CLECs.

(4) Abandoned, decommissioned and retired assets that are no longer used as part of the Distribution Systems (e.g., buried lead cable).

(5) Any and all right, title, and interest in the following assets related to the Consumer CLEC Business:

(a) Interconnection agreements between members of the WHI Group and other telecommunications carriers pursuant to which members of the WHI Group obtain access to network elements, facilities and services in order to operate the CLEC Consumer Business, including unbundled network elements, special access circuits and entrance facilities, and other facilities leased or obtained from the telecommunications carriers providing the underlying services;

(b) Any assets in the excluded Facilities described in section 2.2(b)(4) above used in the CLEC Consumer Business;

(c) any Electronics used in the CLEC Consumer Business including digital access carriers; and

(d) any authorizations, licenses or permits used in or required to operate the CLEC Consumer Business including certificates to operate as a Competitive Local Exchange Carrier and numbering resources and industry standard codes such as ACNAs, CICs and OCNs.

(6) Any and all right, title and interest in cable television systems.

(7) Any and all right, title and interest in communication towers that are not located on a central office site.

(8) Office furniture, batteries or cooling systems used in connection with any Equipment which is an Excluded Asset.

(9) Any and all IRUs.

(10) The following Internet domain names:

bowlinggreen.net
bridgewater.net
carol.net
ccol.net
ceinetworks.com
connections-etc.net
cottoninternet.net
crosspaths.net
ctc.net
dejazzd.com
dejazzdfone.com
dejazzdphone.com
dejazzdphone.net
dejazzdphone.org
dejazzed.com
door.net
en-tel.net
evansville.com
evansville.net
ezmailbox.net
fast.net
fastraxs.net
fbx.com
fbx.net
fdn.com
gibsoncounty.net
glade.net
henderson.net
hopkinsville.net
hubofthe.net
iowatelecom.net
izoom.net
jazzd.com
jazzdphone.com
kdlnetworks.net
kentuckylakes.net
ktc.com
lakedalelink.net
lexcominc.net
lkdllink.net
lookingglass.net
lucasco.net
madisonville.com
mcleodusa.net
midsouth.net
midtech.net
midusa.net
navix.net
netaxs.com
netreach.net
norlight.net
nsatel.net
nuvox.net
odsy.net
one.net
op.net
owensboro.net
paducah.com
pcpartner.net
pcstx.net
pennyrile.net
purchasearea.net
roswell.net
sherbtel.net
slinknet.com
superlink.net
swindiana.com
swindiana.net
titlecast.com
titlecast.net
trailnet.com
trivergent.net
txcom.net
txkinet.com
txk.net
uslec.net
valornet.com
valortelecom.com
vincennes.net
westex.net
wh-link.net
willinet.net
windstreambusiness.net
windstream.net
zumatel.net
cavtel.net
talkamerica.net
visi.net
newsouth.net

SCHEDULE 2.3(a)

Assumed Liabilities

None.

SCHEDULE 2.3(b)

Excluded Liabilities

Liability arising under any Action listed in the letter referenced in Section 5.5.

Liability for any and all abatement and removal of asbestos located at the Facilities as of the Distribution Date.

Liability for any and all removal of Halon fire suppression equipment located at the Facilities as of the Distribution Date.

Liability for any asset retirement obligations with respect to poles located at the Facilities as of the Distribution Date.

SCHEDULE 2.5(a)

Required Approvals

1. State Public Service Commission approval is required for the transfer of the Land, Improvements and Distribution Systems in the following states:[2]

   1.1. Alabama

   1.2. Arizona

   1.3. Georgia

   1.4. Indiana

   1.5. Kentucky

   1.6. North Carolina

   1.7. Ohio

   1.8. Pennsylvania

   1.9. West Virginia

2. A member of the CS&L Group must obtain a certificate of public convenience and necessity (or similar Authorization) as a competitive local exchange carrier and interexchange carrier to operate the Consumer CLEC Business in every state except Alaska and Hawaii.

3. The Form 10 Registration Statement must be declared effective by the Securities and Exchange Commission.

4. An Amendment to the Fifth Amended and Restated Credit Agreement, dated as of January 23, 2013 as amended, of Windstream Corporation, is required in order to effect the Transactions.

5. Pro forma notice of the Transactions must be filed with the Federal Communications Commission within 30 days after the Effective Time of the Transactions.

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2 In the event that any such Public Service Commission approval has not been obtained prior to the Distribution Date, the Parties will reasonably cooperate to either remove such approval as a Required Approval or to obtain such Required Approval within six months following the Distribution Date.

SCHEDULE 8.9

Sample Net Working Capital Calculation

WIN / CS&L Working Capital Settlement

Based on balance sheet as of September 30, 2014

Receivable balances collected and retained by WIN:	
Accounts receivable, net of allowance for bad debt	$2,368
Liabilities to be paid by WIN on behalf of CS&L:	
Accrued interconnection costs	(738)
Accrued payroll	(29)
Net working capital (payment to CS&L)	$1,601

EXHIBITS A THROUGH H

See exhibits to Registration Statement on Form 10 (File No. 001-36708) of Communications Sales & Leasing, Inc.

EXHIBIT I-1

Form of Assignment Agreement for Pole Agreements

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(CSL Alabama – Pole Agreements)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (CSL Alabama – Pole Agreements), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), certain subsidiaries of WHI and Windstream as set forth on Appendix A hereto ("Windstream Subsidiaries"), Communications Sales & Leasing, Inc., a Maryland corporation ("CSL"), and CSL Alabama System, LLC, a Delaware limited liability company ("CSL Subsidiary" and, together with WHI, Windstream, CSL, and Windstream Subsidiaries, the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated as of , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP, a Delaware limited partnership, have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, (i) WHI and Windstream, pursuant to certain Assigned Contracts, have pole attachment agreements, railroad crossing agreements, leases of conduits, and similar agreements with third parties in the State of Alabama, and (ii) the Windstream Subsidiaries, pursuant to certain Assigned Contracts, have pole attachment agreements, railroad crossing agreements, leases of conduits, and similar agreements with third parties in the State of Alabama and elsewhere, in each case providing members of the WIN Group with the right to access and use telephone and utility poles, conduits and similar facilities where the Distribution Systems are installed or located (the "Pole Agreements").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) Subject to Section 1(c) of this Agreement, WHI, Windstream and the Windstream Subsidiaries (collectively "Assignors") hereby assign, convey, transfer and deliver to CSL Subsidiary, all of Assignors' rights to the Pole Agreements, including, without limitation, the Pole Agreements set forth on Appendix B hereto.

(b) CSL Subsidiary hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify Assignors against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Pole Agreements.

(c) The Parties hereby declare their intent that Assignors retain and reserve bare legal ownership of the Pole Agreements as nominees and trustees for the benefit of CSL Subsidiary. Assignors hereby acknowledge they hold such ownership solely in trust for the benefit of CSL Subsidiary and its successors and assigns. Assignors and CSL Subsidiary agree that CSL Subsidiary shall hereby be deemed to have acquired complete and sole beneficial ownership over all of the Pole Agreements, together with all rights, powers and privileges incident thereto. Further, from and after the date hereof, CSL Subsidiary shall be entitled to all revenues with respect to the Pole Agreements, bear all risk of loss with respect to the Pole Agreements and have the right to direct Assignors, as nominees and trustees, to take all necessary, appropriate or advisable actions with respect to the Pole Agreements, including transferring the Pole Agreements on behalf of CSL Subsidiary. Assignors and CSL Subsidiary hereby agree that CSL Subsidiary shall be treated as the owner of the Pole Agreements for all U.S. federal and other income tax purposes, and Assignors and CSL Subsidiary will not take any position inconsistent with such treatment.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. Right to Acquire Legal Ownership. CSL Subsidiary shall have the right to acquire legal ownership of the Pole Agreements in consideration for an aggregate payment by CSL Subsidiary to Assignors of $1.00 at such time, if any, after the date hereof as CSL Subsidiary has both (1) obtained all requisite certificates, consents, approvals, licenses and permits necessary to hold legal ownership of the Pole Agreements and (2) paid all related transfer taxes and other costs and expenses related to the transfer.

4. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

5. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

6. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

7. Modification. This Agreement may not be modified except by a writing signed by the Parties.

8. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

9. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of [Alabama] (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

10. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, Assignors make no representations or warranties, express or implied, with respect to the Pole Agreements.

11. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Pole Agreements pursuant to this Agreement as a contribution of such Pole Agreements by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARIES:

(each as listed on Appendix A)

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

CSL SUBSIDIARY:

CSL ALABAMA SYSTEM, LLC

By: _____

Name: _____

Title: _____

EXHIBIT I-2

Form of Assignment Agreement for Permits

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(CSL Alabama – Permits)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (CSL Alabama – Permits), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), certain subsidiaries of WHI and Windstream as set forth on Appendix A hereto ("Windstream Subsidiaries"), Communications Sales & Leasing, Inc., a Maryland corporation ("CSL"), and CSL Alabama System, LLC, a Delaware limited liability company ("CSL Subsidiary" and, together with WHI, Windstream, CSL, and Windstream Subsidiaries, the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated as of , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP, a Delaware limited partnership, have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, (i) WHI and Windstream, pursuant to certain Assigned Contracts, have permits, licenses and other similar agreements (including but not limited to permits from highway departments and state and county agencies, and rights-of-way license agreements with local governments, and permits from the Bureau of Land Management) granted by Governmental Authorities in the State of Alabama, and (ii) the Windstream Subsidiaries, pursuant to certain Assigned Contracts, have permits, licenses and other similar agreements (including but not limited to permits from highway departments and state and county agencies, and rights-of-way license agreements with local governments, and permits from the Bureau of Land Management) granted by Governmental Authorities in the State of Alabama and elsewhere, in each case providing members of the WIN Group with the right to access and use public rights of way where the Distribution Systems are installed or located (the "Permits").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) Subject to Section 1(c) of this Agreement, WHI, Windstream and the Windstream Subsidiaries (collectively "Assignors") hereby assign, convey, transfer and deliver to CSL Subsidiary, all of Assignors' rights to the Permits, including, without limitation, the Permits set forth on Appendix B hereto.

(b) CSL Subsidiary hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify Assignors against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Permits.

(c) The Parties hereby declare their intent that Assignors retain and reserve bare legal ownership of the Permits as nominees and trustees for the benefit of CSL Subsidiary. Assignors hereby acknowledge they hold such ownership solely in trust for the benefit of CSL Subsidiary and its successors and assigns. Assignors and CSL Subsidiary agree that CSL Subsidiary shall hereby be deemed to have acquired complete and sole beneficial ownership over all of the Permits, together with all rights, powers and privileges incident thereto. Further, from and after the date hereof, CSL Subsidiary shall be entitled to all revenues with respect to the Permits, bear all risk of loss with respect to the Permits and have the right to direct Assignors, as nominees and trustees, to take all necessary, appropriate or advisable actions with respect to the Permits, including transferring the Permits on behalf of CSL Subsidiary. Assignors and CSL Subsidiary hereby agree that CSL Subsidiary shall be treated as the owner of the Permits for all U.S. federal and other income tax purposes, and Assignors and CSL Subsidiary will not take any position inconsistent with such treatment.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. Right to Acquire Legal Ownership. CSL Subsidiary shall have the right to acquire legal ownership of the Permits in consideration for an aggregate payment by CSL Subsidiary to Assignors of $1.00 at such time, if any, after the date hereof as CSL Subsidiary has both (1) obtained all requisite certificates, consents, approvals, licenses and permits necessary to hold legal ownership of the Permits and (2) paid all related transfer taxes and other costs and expenses related to the transfer.

4. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

5. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

6. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments

thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

7. Modification. This Agreement may not be modified except by a writing signed by the Parties.

8. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

9. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of [Alabama] (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

10. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, Assignors make no representations or warranties, express or implied, with respect to the Permits.

11. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Permits pursuant to this Agreement as a contribution of such Permits by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARIES:

(each as listed on Appendix A)

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

CSL SUBSIDIARY:

CSL ALABAMA SYSTEM, LLC

By: _____

Name: _____

Title: _____

EXHIBIT I-3

Form of Assignment Agreement for Franchises

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(CSL Alabama – Franchises)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (CSL Alabama – Franchises), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), certain subsidiaries of WHI and Windstream as set forth on Appendix A hereto ("Windstream Subsidiaries"), Communications Sales & Leasing, Inc., a Maryland corporation ("CSL"), and CSL Alabama System, LLC, a Delaware limited liability company ("CSL Subsidiary" and, together with WHI, Windstream, CSL, and Windstream Subsidiaries, the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated as of , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP, a Delaware limited partnership, have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, (i) WHI and Windstream, pursuant to certain Assigned Contracts, have franchises granted by Governmental Authorities in the State of Alabama, and (ii) the Windstream Subsidiaries, pursuant to certain Assigned Contracts, have franchises granted by Governmental Authorities in the State of Alabama and elsewhere, in each case providing members of the WIN Group with the right to access and use public rights of way where the Distribution Systems are installed or located (the "Franchises").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) Subject to Section 1(c) of this Agreement, WHI, Windstream and the Windstream Subsidiaries (collectively "Assignors") hereby assign, convey, transfer and deliver to CSL Subsidiary, all of Assignors' rights to the Franchises, including, without limitation, the Franchises set forth on Appendix B hereto.

(b) CSL Subsidiary hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify Assignors against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Franchises.

(c) The Parties hereby declare their intent that Assignors retain and reserve bare legal ownership of the Franchises as nominees and trustees for the benefit of CSL Subsidiary. Assignors hereby acknowledge they hold such ownership solely in trust for the benefit of CSL Subsidiary and its successors and assigns. Assignors and CSL Subsidiary agree that CSL Subsidiary shall hereby be deemed to have acquired complete and sole beneficial ownership over all of the Franchises, together with all rights, powers and privileges incident thereto. Further, from and after the date hereof, CSL Subsidiary shall be entitled to all revenues with respect to the Franchises, bear all risk of loss with respect to the Franchises and have the right to direct Assignors, as nominees and trustees, to take all necessary, appropriate or advisable actions with respect to the Franchises, including transferring the Franchises on behalf of CSL Subsidiary. Assignors and CSL Subsidiary hereby agree that CSL Subsidiary shall be treated as the owner of the Franchises for all U.S. federal and other income tax purposes, and Assignors and CSL Subsidiary will not take any position inconsistent with such treatment.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. Right to Acquire Legal Ownership. CSL Subsidiary shall have the right to acquire legal ownership of the Franchises in consideration for an aggregate payment by CSL Subsidiary to Assignors of $1.00 at such time, if any, after the date hereof as CSL Subsidiary has both (1) obtained all requisite certificates, consents, approvals, licenses and permits necessary to hold legal ownership of the Franchises and (2) paid all related transfer taxes and other costs and expenses related to the transfer.

4. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

5. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

6. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

7. Modification. This Agreement may not be modified except by a writing signed by the Parties.

8. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

9. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of [Alabama] (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

10. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, Assignors make no representations or warranties, express or implied, with respect to the Franchises.

11. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Franchises pursuant to this Agreement as a contribution of such Franchises by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARIES:

(each as listed on Appendix A)

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

CSL SUBSIDIARY:

CSL ALABAMA SYSTEM, LLC

By: _____

Name: _____

Title: _____

EXHIBIT I-4

Form of Assignment Agreement for Easements

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(CSL Alabama – Easements)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (CSL Alabama – Easements), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), certain subsidiaries of WHI and Windstream as set forth on Appendix A hereto ("Windstream Subsidiaries"), Communications Sales & Leasing, Inc., a Maryland corporation ("CSL"), and CSL Alabama System, LLC, a Delaware limited liability company ("CSL Subsidiary" and, together with WHI, Windstream, CSL, and Windstream Subsidiaries, the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated as of , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP, a Delaware limited partnership, have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, (i) WHI and Windstream, pursuant to certain Assigned Contracts, have easements (both express and prescriptive) and other rights-of-way real estate interests in the State of Alabama, and (ii) the Windstream Subsidiaries, pursuant to certain Assigned Contracts, have easements (both express and prescriptive) and other rights-of-way real estate interests in the State of Alabama and elsewhere, in each case providing members of the WIN Group with the right to access and use the real property where the Distribution Systems are installed or located (the "Easements").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) Subject to Section 1(c) of this Agreement, WHI, Windstream and the Windstream Subsidiaries (collectively "Assignors") hereby assign, convey, transfer and deliver to CSL Subsidiary, all of Assignors' rights to the Easements, including, without limitation, the Easements set forth on Appendix B hereto.

(b) CSL Subsidiary hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify Assignors against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Easements.

(c) The Parties hereby declare their intent that Assignors retain and reserve bare legal title to the Easements as nominees and trustees for the benefit of CSL Subsidiary. Assignors hereby acknowledge they hold such title solely in trust for the benefit of CSL Subsidiary and its successors and assigns. Assignors and CSL Subsidiary agree that CSL Subsidiary shall hereby be deemed to have acquired complete and sole beneficial title over all of the Easements, together with all rights, powers and privileges incident thereto. Further, from and after the date hereof, CSL Subsidiary shall be entitled to all revenues with respect to the Easements, bear all risk of loss with respect to the Easements and have the right to direct Assignors, as nominees and trustees, to take all necessary, appropriate or advisable actions with respect to the Easements, including transferring the Easements on behalf of CSL Subsidiary. Assignors and CSL Subsidiary hereby agree that CSL Subsidiary shall be treated as the owner of the Easements for all U.S. federal and other income tax purposes, and Assignors and CSL Subsidiary will not take any position inconsistent with such treatment.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. Right to Acquire Legal Title. CSL Subsidiary shall have the right to acquire legal title to the Easements in consideration for an aggregate payment by CSL Subsidiary to Assignors of $1.00 at such time, if any, after the date hereof as CSL Subsidiary has both (1) obtained all requisite certificates, consents, approvals, licenses and permits necessary to hold legal title to the Easements and (2) paid all related transfer taxes and other costs and expenses related to the transfer.

4. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

5. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

6. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

7. Modification. This Agreement may not be modified except by a writing signed by the Parties.

8. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

9. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of [Alabama] (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

10. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, Assignors make no representations or warranties, express or implied, with respect to the Easements.

11. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Easements pursuant to this Agreement as a contribution of such Easements by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARIES:

(each as listed on Appendix A)

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

CSL SUBSIDIARY:

CSL ALABAMA SYSTEM, LLC

By: _____

Name: _____

Title: _____

EXHIBIT I-5

Form of Assignment Agreement for Tangible Assets

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(CSL Alabama – Tangible Assets)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (CSL Alabama – Tangible Assets), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), Windstream Alabama, LLC, an Alabama limited liability company ("Windstream Subsidiary"), Communications Sales & Leasing, Inc., a Maryland corporation ("CSL"), and CSL Alabama System, LLC, a Delaware limited liability company ("CSL Subsidiary" and, together with WHI, Windstream, Windstream Subsidiary, and CSL the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, Windstream Subsidiary has certain copper and fiber cable and other tangible assets, as more particularly described on Appendix A hereto, located in the State of Alabama and elsewhere (the "Tangible Assets").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) Windstream Subsidiary hereby assigns, conveys, transfers and delivers to CSL Subsidiary, all of Windstream Subsidiary's right, title and interest in and to the Tangible Assets.

(b) CSL Subsidiary hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify Windstream Subsidiary against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Tangible Assets.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

4. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

5. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

6. Modification. This Agreement may not be modified except by a writing signed by the Parties.

7. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

8. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of [Alabama] (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

9. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, Windstream Subsidiary makes no representations or warranties, express or implied, with respect to the Tangible Assets.

10. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Tangible Assets pursuant to this Agreement as a contribution of such Tangible Assets by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARY:

WINDSTREAM ALABAMA, LLC

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

CSL SUBSIDIARY:

CSL ALABAMA SYSTEM, LLC

By: _____

Name: _____

Title: _____

EXHIBIT I-6

Form of Assignment Agreement for Consumer CLEC Assets

ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT
(Consumer CLEC Assets)

This ASSIGNMENT, CONVEYANCE AND ASSUMPTION AGREEMENT (Consumer CLEC Assets), dated as of , 2015 (this "Agreement"), is entered into by and among Windstream Holdings, Inc., a Delaware corporation ("WHI"), Windstream Services, LLC, a Delaware limited liability company ("Windstream"), certain subsidiaries of WHI and Windstream as set forth on Appendix A hereto ("Windstream Subsidiaries"), and Communications Sales & Leasing, Inc., a Maryland corporation ("CSL", and together with WHI, Windstream and Windstream Subsidiaries, the "Parties"). Unless otherwise defined herein, all capitalized terms used in this Agreement shall have the meanings assigned to such terms in the Separation and Distribution Agreement (as defined herein).

W I T N E S S E T H:

WHEREAS, WHI, Windstream and CSL have entered into that certain Separation and Distribution Agreement, dated , 2015 (the "Separation and Distribution Agreement"), and WHI and CSL National, LP have entered into that certain Master Lease, dated as of , 2015 (the "Master Lease"); and

WHEREAS, the Windstream Subsidiaries have certain rights in and to contracts with customers of the Consumer CLEC Business (collectively, the "Consumer CLEC Assets").

NOW THEREFORE, for and in consideration of the premises and the mutual promises and covenants set forth herein, and intending to be legally bound:

1. Assignment and Assumption.

(a) The Windstream Subsidiaries hereby assign, convey, transfer and deliver to CSL, all of the Windstream Subsidiaries' right, title and interest in and to the Consumer CLEC Assets.

(b) CSL hereby accepts the foregoing assignment, conveyance, transfer and delivery and hereby undertakes, assumes and agrees to pay (and indemnify the Windstream Subsidiaries against), perform and discharge in accordance with their terms, all Liabilities arising out of or relating to the Consumer CLEC Assets.

2. Effectiveness. This Agreement shall become effective on the date hereof.

3. No Third-Party Beneficiaries. This Agreement is for the sole benefit of the Parties and their permitted successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

4. Transfer of Assets; Assumption of Liabilities. The Parties hereby agree that if, as a result of this Agreement, any Party (or any member of such Party's respective Group) shall receive or otherwise possess any Asset or Liability that is allocated to any other Person pursuant to the Separation and Distribution Agreement, this Agreement or any other Transfer Agreement, such Party shall, as applicable, promptly transfer or accept, or cause to be transferred or accepted, such Asset or Liability, as the case may be, to the Person entitled to such Asset or responsible for such Liability, as the case may be. Prior to any such transfer, the Person receiving, possessing or responsible for such Asset or Liability shall be deemed to be holding such Asset or Liability, as the case may be, in trust for any other such Person.

5. Conflicting Terms. In the event of a conflict between the terms of this Agreement (including any and all attachments hereto and amendments hereof) and the terms of the Separation and Distribution Agreement (including any and all attachments thereto and amendments thereof) or the Master Lease (including any and all attachments thereto and amendments thereof), the terms of the Separation and Distribution Agreement or the Master Lease, as applicable, shall control.

6. Modification. This Agreement may not be modified except by a writing signed by the Parties.

7. Counterparts. This Agreement may be executed in two (2) or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or portable document format (PDF) shall be as effective as delivery of a manually executed counterpart of this Agreement.

8. Governing Law; Enforcement. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to choice of law principles applicable therein) as to all matters, including but not limited to matters of validity, construction, effect, performance and remedies. Any dispute arising under this Agreement shall be resolved in the manner set forth in the Separation and Distribution Agreement.

9. Entire Agreement; No Representations. This Agreement, together with the Separation and Distribution Agreement and the Master Lease, contains the entire understanding of the Parties with respect to the subject matter contained herein and supersedes and cancels all prior agreements, negotiations, correspondence, undertakings and communications of the Parties, oral or written, respecting the subject matter hereof. Except as expressly provided in the Separation and Distribution Agreement and the Master Lease, the Windstream Subsidiaries make no representations or warranties, express or implied, with respect to the Consumer CLEC Assets.

10. Reorganization. For U.S. federal income tax purposes, the Parties intend to treat the assignment of the Consumer CLEC Assets pursuant to this Agreement as a contribution of such Consumer CLEC Assets by WHI to CSL in connection with the Reorganization.

[*The remainder of this page is intentionally left blank*]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

WHI:

WINDSTREAM HOLDINGS, INC.

By: _____

Name: _____

Title: _____

WINDSTREAM:

WINDSTREAM SERVICES, LLC

By: _____

Name: _____

Title: _____

WINDSTREAM SUBSIDIARIES:

(each as listed on Appendix A)

By: _____

Name: _____

Title: _____

CSL:

COMMUNICATIONS SALES & LEASING, INC.

By: _____

Name: _____

Title: _____

Exhibit M

Q2 2014 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2014
or

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

Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Corporation	Delaware	001-36093	20-0792300

4001 Rodney Parham Road
Little Rock, Arkansas 72212
(Address of principal executive offices) (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

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.

Windstream Holdings, Inc. ☒ YES ☐ NO
Windstream Corporation ☒ 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).

Windstream Holdings, Inc. ☒ YES ☐ NO
Windstream Corporation ☒ YES ☐ NO

12. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Cash Flows (Unaudited)

	Six Months Ended June 30, 2013					
(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Cash Provided from Operations:						
Net cash (used in) provided from operations	$ (60.4)	$ (47.2)	$ 119.7	$ 700.1	$ 0.4	$ 712.6
Cash Flows from Investing Activities:						
Additions to property, plant and equipment	(0.2)	-	(79.0)	(393.0)	-	(472.2)
Broadband network expansion funded by stimulus grants	-	-	-	(20.1)	-	(20.1)
Changes in restricted cash	9.9	-	1.5	-	-	11.4
Grant funds received for broadband stimulus projects	35.7	-	-	-	-	35.7
Net cash provided from (used in) investing activities	45.4	-	(77.5)	(413.1)	-	(445.2)
Cash Flows from Financing Activities:						
Dividends paid to shareholders	(296.3)	-	-	-	-	(296.3)
Repayments of debt and swaps	(1,776.2)	(650.0)	-	-	-	(2,426.2)
Proceeds of debt issuance	2,435.0	-	-	-	-	2,435.0
Debt issuance costs	(19.6)	-	-	-	-	(19.6)
Intercompany transactions, net	(349.3)	697.2	(49.0)	(298.5)	(0.4)	-
Payments under capital lease obligations	-	-	(8.1)	(0.1)	-	(8.2)
Other, net	(5.8)	-	-	-	-	(5.8)
Net cash (used in) provided from financing activities	(12.2)	47.2	(57.1)	(298.6)	(0.4)	(321.1)
Decrease in cash and cash equivalents	(27.2)	-	(14.9)	(11.6)	-	(53.7)
Cash and Cash Equivalents:						
Beginning of period	57.5	-	26.5	48.0	-	132.0
End of period	$ 30.3	$ -	$ 11.6	$ 36.4	$ -	$ 78.3

&232;

13. Subsequent Events:

On July 10, 2014, we contributed company-owned real property to our qualified defined benefit pension plan. Independent appraisals of the properties were obtained and the Windstream Pension Plan recorded the contribution based on the properties' aggregate fair value of $45.2 million. We entered into leases for the contributed properties with initial lease terms of 10 years for certain of the properties and 20 years for the remaining properties at an aggregate annual rent of approximately $3.4 million, as we expect to continue to use the contributed properties in conducting our business operations. The properties will be managed on behalf of the Windstream Pension Plan by an independent fiduciary and terms of the lease agreements were negotiated with the fiduciary.

On July 29, 2014, we announced plans to spin off certain telecommunications network assets, including our fiber and copper networks and other real estate, into an independent, publicly traded real estate investment trust ("REIT"). The REIT will lease use of the assets to us through an exclusive long-term triple-net lease with an initial term of 15 years at an initial estimated rent payment of $650.0 million per year. The lease is expected to include up to four 5 year renewal options and provide for annual rent escalations of 0.5 percent after the third year of the initial lease term. We will continue to operate and maintain the assets in order to deliver advanced communications and technology services to consumers and businesses.

13. Subsequent Events, Continued:

We will also continue to have sole responsibility for meeting our existing regulatory obligations following the creation of the REIT. The REIT will focus on expanding and diversifying its assets and tenants through future acquisitions.

Our board of directors approved the proposed spinoff following the receipt of a favorable private letter ruling from the Internal Revenue Service relating to certain tax matters regarding the tax-free nature of the spinoff and the qualification of the spun off assets as real property for REIT purposes.

As part of this proposed transaction, shareholders will retain their existing Windstream shares and are expected to receive an equal number of shares in the REIT in the form of a tax-free dividend. The REIT is expected to raise approximately $3.5 billion in new debt, the proceeds of which will be used to fund a special cash dividend to Windstream of approximately $1.2 billion and to complete a tax-free debt exchange of existing Windstream Corp. debt obligations of approximately $2.2 billion. Net of estimated transaction costs and financing fees, we expect to reduce Windstream Corp.'s total outstanding long-term debt by approximately $3.2 billion through completion of the debt exchange and receipt of the special cash dividend. We do not expect any significant operational changes as a result of the transaction.

We plan to maintain our current dividend practice through the close of the transaction. Following the spinoff, the expected annual dividend per share in the aggregate for the two companies will be $0.70 per share, with Windstream expected to pay an annual dividend of $0.10, while the REIT will have an annual dividend equivalent to $0.60.

Completion of the proposed spinoff is contingent on receipt of regulatory approvals, final approval from our board of directors, execution of all definitive agreements, and satisfaction of other customary conditions. We may, at any time and for any reason until the proposed transaction is complete, abandon the spinoff or modify or change the terms of the spinoff. We anticipate that the spinoff would occur in the first quarter of 2015.

On August 6, 2014, we declared a dividend of $0.25 per share on our common stock, which is payable on October 15, 2014 to shareholders of record on September 30, 2014.

Exhibit N

Uniti Information Statement

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Exhibit 99.1



March 26, 2015

Dear Shareholder of Windstream Holdings, Inc.:

We are pleased to inform you that the board of directors of Windstream Holdings, Inc. ("Windstream Holdings" and, together with its consolidated subsidiaries, "Windstream") has approved a plan to spin off certain telecommunications network assets, including its fiber and copper networks and other real estate, into Communications Sales & Leasing, Inc. ("CS&L"), which will become, upon its election, an independent, publicly traded real estate investment trust. Windstream will retain a passive ownership interest in up to 19.9 percent of the common stock of CS&L at the time of the spinoff. Windstream intends to use all of its shares of CS&L common stock opportunistically during a twelve month period following the spinoff, subject to market conditions, to retire debt.

Certain subsidiaries of CS&L will lease the assets to Windstream Holdings through an exclusive long-term triple-net lease. Windstream will continue to operate and maintain the assets in order to deliver advanced communications and technology services to consumers and businesses. We believe that CS&L will be positioned to provide an attractive dividend to shareholders and grow through acquisitions, capital investments and rent escalation.

The transaction will be completed by way of a *pro rata* distribution of no less than 80.1 percent of the outstanding shares of CS&L common stock to Windstream Holdings shareholders of record as of the close of business on April 10, 2015, the record date for the spinoff. After giving effect to the interest in CS&L retained by Windstream, each Windstream Holdings shareholder will receive one share of CS&L common stock for every five shares of Windstream Holdings common stock held on the record date. The number of Windstream Holdings shares you own will not change as a result of the spinoff. CS&L intends to list its common stock on the NASDAQ Global Select Market under the symbol "CSAL." Windstream Holdings common stock will continue to be listed and traded on the NASDAQ Global Select Market under the symbol "WIN."

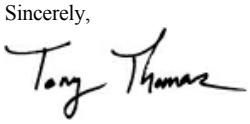
If the distribution date is not on the record date of Windstream's normal quarterly dividend, we intend to pay a *pro rata* dividend to our shareholders based on the number of days elapsed in the quarter. Following the close of the transaction, Windstream initially expects to pay an annual dividend of $.10 per share and CS&L initially expects to pay an annual dividend of $2.40 per share (which would be equivalent to a $.60 per share Windstream dividend per annum). After giving effect to the interest in CS&L retained by Windstream, each shareholder at the time of the spinoff will receive the equivalent of a $.48 per share Windstream dividend per annum.

No vote of Windstream Holdings' shareholders is required in connection with the spinoff. You do not need to make any payment, surrender or exchange your shares of Windstream Holdings common stock or take any other action to receive your shares of CS&L common stock.

The enclosed information statement, which is being made available to all Windstream Holdings shareholders, describes the spinoff in detail and contains important information about CS&L and its business. We urge you to read the information statement carefully and in its entirety.

We want to thank you for your continued support of Windstream, and we look forward to your support of CS&L in the future.

Sincerely,



Anthony W. Thomas
President and Chief Executive Officer

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March 26, 2015

Dear Future Shareholder of Communications Sales & Leasing, Inc.:

It is our pleasure to welcome you as a shareholder of our company, Communications Sales & Leasing, Inc. ("CS&L"). Following the distribution of no less than 80.1 percent of the outstanding shares of CS&L common stock by Windstream Holdings, Inc. to its shareholders, CS&L will be an independent, publicly traded real estate investment trust that will own, acquire and lease distribution systems serving the communications infrastructure industry and potentially other industries. We will strive to be a significant provider of capital and financing to the communication industry.

Our initial properties will include, among other things, an extensive communications distribution system, comprised of approximately 66,000 route miles of fiber optic cable lines, 235,000 route miles of copper cable lines, and central office land and buildings across 37 states that are currently owned by Windstream. This distribution system will be leased to Windstream Holdings on a long-term, triple-net basis. We expect to diversify our tenant base in the future by acquiring additional properties and leasing them to other local, regional and national telecommunications providers. We also expect to grow and diversify our portfolio through the acquisition of properties in different geographic markets, and in different asset classes.

Our goal at CS&L is to create value for our shareholders and we plan to accomplish this by growing our dividend distributions over time. CS&L initially expects to pay an annual dividend of $2.40 per share.

We invite you to learn more about CS&L and its business by reviewing the enclosed information statement. We urge you to read the information statement carefully and in its entirety. We are excited by our future prospects, and look forward to your support as a holder of our common stock.

Sincerely,

Kenneth Gunderman
President and Chief Executive Officer

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organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Skadden, Arps, Slate, Meagher & Flom LLP. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. Any resulting corporate liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our common stock. Unless we were entitled to relief under certain Code provisions, we also would be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT may depend in part on the actions of third parties over which we have no control or only limited influence.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury (the "Treasury"). Changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify to be taxed as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

On February 26, 2014, House Ways and Means Committee Chairman David Camp released a proposal formally introduced recently as proposed legislation, H.R. 1, the Tax Reform Act of 2014 (the "Camp Proposal"), for comprehensive tax reform. The Camp Proposal includes a number of provisions that, if enacted, would have an adverse effect on corporations seeking to make an election to be taxed as a REIT. These include the following: (i) if the stock of a corporation is distributed in a tax-free spin-off under section 355 of the Code, such corporation will not be eligible to make an election to be taxed as a REIT for the ten-year period following the taxable year in which the spin-off occurs, (ii) if a corporation elects to be taxed as a REIT, such corporation will be required to recognize certain built-in gains inherent in its property as if all its assets were sold at their fair market value immediately before the close of the taxable year immediately before the corporation became taxed as a REIT, (iii) for purposes of the REIT income and asset tests, "real property" would be defined to exclude all tangible property with a class life of less than 27.5 years (as defined under the depreciation rules), and (iv) any dividend made to satisfy the REIT requirement that a REIT must not have any earnings and profits accumulated during non-REIT years by the end of its first tax year as a REIT must be made in cash instead of a combination of cash and stock. Provisions (i) and (ii), if enacted in their current form, would apply to REIT elections and tax-free spin-off distributions made on or after February 26, 2014. If enacted in its current form, the Camp Proposal would materially and adversely affect our ability to make an election to be taxed as a REIT. See the risk factor captioned "If we do not qualify as a REIT, or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our shareholders." It is uncertain whether the Camp Proposal, in its current form as it relates to CS&L, or any other legislation affecting REITs and entities desiring to elect REIT status will be enacted and whether any such legislation will apply to CS&L because of its proposed effective date or otherwise.

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We could fail to qualify as a REIT if income we receive from Windstream is not treated as qualifying income.

Under applicable provisions of the Code, we will not be treated as a REIT unless we satisfy various requirements, including requirements relating to the sources of our gross income. See "U.S. Federal Income Tax Considerations—Taxation of REITs in General—Income Tests." Rents received or accrued by us from Windstream will not be treated as qualifying rent for purposes of these requirements if the Master Lease is not respected as a true lease for U.S. federal income tax purposes and is instead treated as a service contract, joint venture or some other type of arrangement. If the Master Lease is not respected as a true lease for U.S. federal income tax purposes, we may fail to qualify as a REIT.

In addition, subject to certain exceptions, rents received or accrued by us from Windstream will not be treated as qualifying rent for purposes of the REIT gross income requirements if we or a beneficial or constructive owner of 10% or more of our stock beneficially or constructively owns 10% or more of the total combined voting power of all classes of Windstream Holdings stock entitled to vote or 10% or more of the total value of all classes of Windstream Holdings stock. Our charter will provide for restrictions on ownership and transfer of our shares of stock, including restrictions on such ownership or transfer that would cause the rents received or accrued by us from Windstream to be treated as non-qualifying rent for purposes of the REIT gross income requirements. The provisions of our charter that will restrict the ownership and transfer of our stock are described in "Description of Our Capital Stock—Restrictions on Transfer and Ownership of CS&L Stock." Nevertheless, there can be no assurance that such restrictions will be effective in ensuring that rents received or accrued by us from Windstream will not be treated as qualifying rent for purposes of REIT qualification requirements.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum U.S. federal income tax rate applicable to income from "qualified dividends" payable by U.S. corporations to U.S. shareholders that are individuals, trusts and estates is currently 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our stock.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, in order for us to qualify as a REIT (assuming that certain other requirements are also satisfied) so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our shareholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to make distributions to our shareholders to comply with the REIT requirements of the Code.

Initially our funds from operations will be generated primarily by rents paid under the Master Lease. From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves or required debt or amortization payments. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions in order to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax, including the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

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Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we remain qualified for taxation as a REIT, we may be subject to certain U.S. federal, state, and local taxes on our income and assets, including taxes on any undistributed income and state or local income, property and transfer taxes. See "U.S. Federal Income Tax Considerations—Taxation of CS&L." For example, we may hold some of our assets or conduct certain of our activities through one or more TRSs or other subsidiary corporations that will be subject to U.S. federal, state, and local corporate-level income taxes as regular C corporations. In addition, we may incur a 100% excise tax on transactions with a TRS if they are not conducted on an arm's-length basis. Any of these taxes would decrease cash available for distribution to our shareholders.

Complying with the REIT requirements may cause us to forego otherwise attractive acquisition opportunities or liquidate otherwise attractive investments.

To qualify as a REIT for U.S. federal income tax purposes, we must ensure that, at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and "real estate assets" (as defined in the Code). The remainder of our investments (other than government securities, qualified real estate assets and securities issued by a TRS) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our total assets (other than government securities, qualified real estate assets and securities issued by a TRS) can consist of the securities of any one issuer, and no more than 25% of the value of our total assets can be represented by securities of one or more TRSs. See "U.S. Federal Income Tax Considerations—Taxation of CS&L." If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

In addition to the asset tests set forth above, to qualify as a REIT we must continually satisfy tests concerning, among other things, the sources of our income, the amounts we distribute to our shareholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments.

Complying with the REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code substantially limit our ability to hedge our assets and liabilities. Income from certain hedging transactions that we may enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute "gross income" for purposes of the 75% or 95% gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non-qualifying income for purposes of both of the gross income tests. See "U.S. Federal Income Tax Considerations—Taxation of CS&L." As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because the TRS may be subject to tax on gains or expose us to greater risks associated with changes in interest rates that we would otherwise want to bear. In addition, losses in the TRS will generally not provide any tax benefit, except that such losses could theoretically be carried back or forward against past or future taxable income in the TRS.

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Even if we qualify as a REIT, we could be subject to tax on any unrealized net built-in gains in our assets held before electing to be treated as a REIT.

Following our REIT election, we will own appreciated assets that were held by a C corporation and will be acquired by us in a transaction in which the adjusted tax basis of the assets in our hands will be determined by reference to the adjusted basis of the assets in the hands of the C corporation. If we dispose of any such appreciated assets during the ten-year period following our qualification as a REIT, we will be subject to tax at the highest corporate tax rates on any gain from such assets to the extent of the excess of the fair market value of the assets on the date that we became a REIT over the adjusted tax basis of such assets on such date, which are referred to as built-in gains. We would be subject to this tax liability even if we qualify and maintain our status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and our distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. We may choose not to sell in a taxable transaction appreciated assets we might otherwise sell during the ten-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, there can be no assurances that such a taxable transaction will not occur. If we sell such assets in a taxable transaction, the amount of corporate tax that we will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time we became a REIT. The amount of tax could be significant.

RISKS RELATED TO OUR BUSINESS

We will be dependent on Windstream Holdings to make payments to us under the Master Lease, and an event that materially and adversely affects Windstream's business, financial position or results of operations could materially and adversely affect our business, financial position or results of operations.

Immediately following the Spin-Off, Windstream Holdings will be the lessee of the Distribution Systems pursuant to the Master Lease and, therefore, will be the source of substantially all of our revenues. Additionally, because the Master Lease is a triple-net lease, we will depend on Windstream Holdings to pay all insurance, taxes, utilities, charges relating to the easements, permits and pole arrangements and maintenance and repair expenses in connection with the Distribution Systems, subject to limited carveouts, and to indemnify, defend and hold us harmless from and against various claims, litigation and liabilities arising in connection with its business. There can be no assurance that Windstream Holdings will have sufficient assets, income and access to financing to enable it to satisfy its payment obligations under the Master Lease. The inability or unwillingness of Windstream Holdings to meet its rent obligations under the Master Lease could materially adversely affect our business, financial position or results of operations, including our ability to pay dividends to our shareholders as required to maintain our status as a REIT. The inability of Windstream Holdings to satisfy its other obligations under the Master Lease, such as the payment of insurance, taxes and utilities, could materially and adversely affect the condition of the Distribution Systems as well as the business, financial position and results of operations of Windstream. Since Windstream Holdings is a holding company, it will be dependent on distributions from Windstream Subsidiary and its subsidiaries in order to satisfy the payment obligations under the Master Lease, and the ability of Windstream Subsidiary and its subsidiaries to make such distributions may be adversely impacted in the event of the insolvency or bankruptcy of such entities or by covenants that restrict the amount of the distributions that may be made by such entities. For these reasons, if Windstream Holdings, Windstream Subsidiary or their subsidiaries were to experience a material and adverse effect on its business, financial position or results of operations, our business, financial position or results of operations could also be materially and adversely affected.

Due to our dependence on rental payments from Windstream Holdings as our primary source of revenues, we may be limited in our ability to enforce our rights under, or to terminate, the Master Lease. Failure by Windstream Holdings to comply with the terms of the Master Lease or to comply with the regulations to which the Distribution Systems are subject could require us to find another lessee for such Distribution Systems and there could be a decrease or cessation of rental payments by Windstream Holdings.

Exhibit O

True Lease Opinion

SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

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TORONTO

April 24, 2015

Communications Sales & Leasing, Inc.
10802 Executive Center Drive
Benton Building Suite 300
Little Rock, AR 72211

RE: True Lease Opinion

Ladies and Gentlemen:

We have acted as tax counsel to Communications Sales & Leasing, Inc. ("CS&L" or "Landlord"), a Maryland corporation that will elect to be treated as a real estate investment trust under Sections[1] 856 through 860 (a "REIT") in connection with the Master Lease attached as Exhibit A, dated as of April 24, 2015 (the "Master Lease"), among CSL National, LP, a Delaware limited partnership that is wholly owned by CS&L and a disregarded entity for U.S. tax purposes and Windstream Holdings, Inc. ("Tenant" or "Windstream"), a Delaware corporation, pursuant to which Tenant will lease from Landlord the Facilities (defined below). You have requested our opinion regarding whether Landlord should be treated as the owner of the Facilities and whether the Master Lease should be respected as a true lease with respect to the Facilities for U.S. federal income tax purposes.[2]

I. SUMMARY OF FACTS

A. The Transaction

1. The Spin-Off and the Master Lease

Windstream and its affiliates provide advanced network communications and technology solutions to both businesses and consumers (the "Communications Business"). In general, part of the Communications Business includes both incumbent local exchange carriers and competitive

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[1] The Master Lease names CSL National, LP as the landlord, but, because CSL National, LP is a disregarded entity of CS&L, this opinion applies to CS&L as if CS&L were the landlord under the Master Lease. Unless otherwise indicated, all references to "tax" or "tax purposes" mean only the U.S. federal income tax or for U.S. federal income tax purposes, respectively, and all Section references are to the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (the "Regulations").

[2] Capitalized terms used herein but not defined have the meanings set forth in the Master Lease.

local exchange carriers that provide services to businesses and consumers. In addition, the Communications Business includes an interexchange carrier services business that provides services to both businesses and consumers.

Windstream owns a vast copper cable network and an expansive local and long-haul fiber optic cable network, which Windstream utilizes in its Communications Business or leases to third-party communications providers (the "Real Property Business"). The networks include approximately 235,000 route miles of copper cable lines, approximately 64,000 route miles of fiber optic cable lines, telephone poles, underground conduits, concrete pads, attachment hardware (e.g., bolts and lashings), pedestals, guy wires, anchors, and signal repeaters.[3]

On July 29, 2014, Windstream announced its plan to separate the business into two publicly traded, independent companies through a tax-free spin-off of selected network assets into CS&L. Through a series of transactions, Windstream and its subsidiaries will transfer the Distribution Systems and the "Consumer CLEC Business" to CS&L and its subsidiaries. The Consumer CLEC Business will be transferred to a taxable REIT subsidiary ("TRS") of CS&L. The Consumer CLEC Business is a competitive local exchange carrier business that offers various communication services to consumers located in primarily rural locations.

On April 24, 2015, Windstream will distribute no less than 80.1% of the stock of CS&L pro rata to Windstream's common shareholders (the "Distribution, and, together with the formation of CS&L and the transfer of the Facilities and stock of the TRS to CS&L, the "Spin-Off"). Windstream will retain up to 19.9% of the CS&L stock. For the tax year ending December 31, 2015 and all subsequent tax years, CS&L intends to elect to be treated as a REIT (the "REIT Election" and, together with the consummation of the Spin-Off and the Master Lease, the "Transaction").

In connection with the Spin-Off, Tenant and Landlord will enter into the Master Lease. Under the terms of the Master Lease detailed below, Landlord will agree to lease to Tenant on an "as is" basis all of its rights and interests in the following property (the "Leased Property") with respect to each of the 36 facilities (each a "Distribution System" or "Facility" and collectively the "Distribution Systems" or "Facilities") covered by the Master Lease:

- All fiber optic cable lines, copper cable lines, conduits, telephone poles, attachment hardware (including bolts and lashing), guy wires, anchors, pedestals, concrete pads, amplifiers and such other fixtures, and other items of property, including all components thereof (such as cross connect cabinets, Windstream outside plant mini-cabinet mounting posts (WOMP), fiber distribution hubs, fiber access terminals and first entry fiber splice cases), that are or become permanently affixed to or otherwise incorporated into the Facilities;

[3] Signal repeaters are also referred to as amplifiers.

- All Easements, Permits and Pole Agreements (defined below);

- The real property owned by Landlord in the geographical areas of each of the Facilities that are i) the locations for central offices, remote switching locations or other switching facilities, and ii) necessary for the use and operation of the Distribution Systems; and

- The buildings and other improvements that are part of the applicable Facilities.

Before the Spin-Off, as part of Windstream's contribution of the Distribution Systems and the Consumer CLEC Business to CS&L in exchange for stock and cash, Windstream and CS&L will enter into a series of assignment and assumption agreements where Windstream will assign the benefits and burdens of ownership of the Easements, Permits, and Pole Agreements to CS&L. For certain regulatory, efficiency and administrative reasons, bare legal title to the Easements, Permits, and Pole Agreements will remain with Windstream after the Spin-Off.[4]

2. Cash Distributions and Debt Exchanges

(a) Cash Distribution

In connection with the Spin-Off, the Distribution Systems and Consumer CLEC Business will be transferred to CS&L as part of an exchange with Windstream that includes a cash distribution by CS&L to Windstream. In exchange for the Distribution Systems and the Consumer CLEC Business, CS&L will distribute all of its common stock and an estimated $1.05 billion, which CS&L will obtain by borrowing from a third-party lender (the "Loan"). Windstream will use a portion of those proceeds to repay outstanding debt.

(b) Debt Exchanges

In connection with the Spin-Off, several investment banks will enter into an exchange agreement with Windstream pursuant to which the parties agreed to exchange $2.55 billion in aggregate Windstream debt under Windstream's senior secured credit facility for $2.55 billion of CS&L senior notes. Additionally, within twelve months of the Spin-Off, Windstream intends to use the 19.9% of CS&L common stock that it retains in order to retire some of its debt in one or more debt-for-equity exchanges.

3. Business Purpose

In a private letter ruling request filed with the Internal Revenue Service (the "Service") on May 10, 2013, Windstream represented that the Spin-Off was motivated in whole or

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[4] In the case of prescriptive easements, no legal title may be recorded. In such a case, Windstream did not retain legal title, but instead, made an unrecorded transfer of such easements to CS&L pursuant to an assignment agreement.

substantial part to facilitate strategic expansion opportunities for CS&L by providing CS&L with the ability to: (i) provide Windstream and CS&L with increased flexibility to pursue the business plan, (ii) enable CS&L to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, with less dilution to existing shareholders, (iii) reduce the actual or perceived competition for capital resources within Windstream, (iv) meaningfully enhance CS&L's ability to raise capital to finance acquisitions by issuing equity on more favorable terms in the public markets to institutional investors that invest in REITs, (v) meaningfully enhance each of Windstream and CS&L's ability to attract and retain qualified management, and (vi) enable CS&L to increase its leverage, thereby enhancing the Communications Business's credit profile and providing it with greater financial and strategic flexibility.

B. Description of Leased Property

CS&L will own the Distribution Systems, which Windstream utilizes in its Communications Business or leases to third party communications providers. Windstream received a private letter ruling from the Service that the Distribution Systems, with the exception of the signal repeaters, qualify as real estate assets under Section 856(c)(4)(A) and (5)(B) and that the rents from the Master Lease qualify as rents from real property under Section 856(d)(1).

1. Copper and Fiber Optic Cable Lines

The main component of the Distribution Systems is Windstream's permanently installed copper and fiber optic cable lines. In general, communications data travels over copper cables in the form of electrical energy. Because the electrical signal passing through a copper cable gradually diminishes over time, signal repeaters are used to boost the signal. A signal flowing through an optical fiber does not degrade as quickly as an electrical signal and, consequently, fiber optic lines generally require less frequent use of signal repeaters and can transmit signals over longer distances. The Distribution Systems are passive and include no machinery or equipment that produces any products or commodities. They are clearly distinct from the systems that generate the signals, which are owned by third parties.

Copper cables, fiber optic cables, signal repeaters, pedestals, concrete pads, and the related hardware used to affix such items in place will remain in place for their entire useful lives. Distribution Systems have useful lives in excess of 40 years. The Distribution Systems have never been moved to a new location, and even a substantial part of the Distribution Systems cannot be moved without prohibitive expense and damage to the system. Occasionally, government authorities (or other third parties who control a right of way) require Windstream to build a small segment of a Distribution System in a new location nearby due to road construction in the right of way (e.g., road-widening projects). This affects approximately 0.01% of the network each year. Such projects involve installing new components in the new location, and then typically abandoning the old components. If the government authority so requires, Windstream removes the components from the former location and disposes of them. In rare circumstances, a pole can be reused in another location. Components are otherwise only removed for replacement at the end of their useful lives, not for use in another location.

Each component of a Distribution System is interconnected physically to another component part of the Distribution System. No single component of a Distribution System may be operated effectively or safely for its intended useful purpose without each of the other components of the Distribution System.

2. Easements, Permits, and Pole Agreements

The components of the Distribution Systems are installed along public rights of way or express or prescriptive easements (the "Easements") held by Windstream or other public utilities. In general, Windstream holds permits from state highway departments and enters into right-of-way license or franchise agreements with county governments and local municipalities in order to access public rights of way (collectively, the "Permits"). Windstream also enters into pole attachment agreements pursuant to which Windstream attaches its lines to a third party's poles or allows a third party to attach its lines to Windstream poles (the "Pole Agreements").

Each of the Easements, Permits, and Pole Agreements provides the holder with the right to use and access specified real property for the purpose of installing, maintaining, and operating a Distribution System. The Easements are typically acquired for an unlimited or indefinite period of time, whereas Pole Agreements and Permits are generally for a fixed period of time in exchange for consideration. Pole Agreements typically have terms of ten to twenty-five years, with automatic one-year renewal terms thereafter. Permits to use highway rights of way are usually in perpetuity because regulated utilities have the right to occupy public rights of way. Permits to use rights of way in cities are typically for three to ten years, with one-year renewal terms thereafter, but regulated utilities also have a right to occupy these rights of way.

3. Land

Windstream owns real property or properties in the geographic areas of (i) the locations for central offices, remote switching locations or other switching facilities and (ii) necessary for the use and operation of, or currently used in the operation of, the Distribution Systems (the "Land").

4. Leased Improvements

Windstream also has rights to all buildings, structures, and other improvements of every kind now or to be located on the Land or connected to it including, but not limited to, alleyways and connecting tunnels, sidewalks, utility pipes, conduits and lines (on-site and off-site to the extent Windstream had obtained any interest in the same), parking areas and roadways appurtenant to such buildings and structures, including all HVAC systems and components, generators, fire suppression systems as well as other fixtures.

C. Intent of Parties

Under Sections 6.1 and 11.1 of the Master Lease, Landlord and Tenant will expressly acknowledge their intent to enter into a "true lease" agreement. The Master Lease specifically provides that:

- The Leased Property is the property of Landlord and Tenant has only the right to the possession and use of the Leased Property upon the terms and conditions of the Master Lease.

- The Master Lease is a "true lease," and is not a financing lease, capital lease, mortgage, equitable mortgage, deed of trust, trust agreement, security agreement or other financing or trust arrangement, and the economic realities of the Master Lease are those of a true lease.

- Landlord and Tenant agree not to (i) file any income tax return or other associated documents; (ii) file any other document with or submit any document to any governmental body or authority; (iii) enter into any written contractual arrangement with any Person; or (iv) release any financial statements of Tenant, in each case that takes a position for tax purposes other than that the Master Lease is a "true lease."

- None of the agreements contained in the Master Lease is intended, nor deemed or construed, to create a partnership between Landlord and Tenant, to make them joint venturers, to make Tenant an Affiliate, agent, legal representative, partner, subsidiary or employee of Landlord, or to make Landlord in any way responsible for the debts, obligations or losses of Tenant.

- Except as otherwise required by applicable law or any accounting rules or regulations, Landlord and Tenant acknowledge and agree that the Master Lease shall be treated as an operating lease for all purposes and not as a synthetic lease, financing lease or loan and that Landlord shall be entitled to all the benefits of ownership of the Leased Property, including depreciation for all federal, state, and local tax purposes.

D. Material Terms of the Master Lease

1. Single Lease

Although the Master Lease involves a number of Facilities, the Master Lease constitutes a single, indivisible lease rather than separate leases governed by similar terms. As a result, except as expressly provided for in the Master Lease, all terms of the Master Lease apply equally to all Leased Property as one economic unit. Also, if additional properties are added to the Master Lease, the additional properties will not in any way change the indivisible and non-severable nature of the Master Lease.

2. Term

The term of the Master Lease will commence April 24, 2015 (the "Commencement Date"). It includes an initial term of 15 years from the Commencement Date (the "Initial Term") and four separate renewal terms of five years each (each a "Renewal Term," collectively, the "Renewal Terms," and together with the Initial Term, the "Term"). Thus, the total potential Term of the Master Lease is 35 years.

Tenant, however, has the right (the "Initial Extension Right") to extend the Initial Term for five years provided that Tenant delivers notice (the "Initial Extension Notice") to Landlord any time before the fifth anniversary of the Commencement Date. In the event Tenant seeks to have Landlord provide the Funding Commitment (described in more detail below in Part I.D.3(b) and 7(c)), Tenant shall include a Funding Request in the Initial Extension Notice. Upon receipt of an Initial Extension Notice with a Funding Request, Landlord would have 30 days to respond. If Landlord agrees to provide a Full Funding Commitment, the Initial Term will extend five years to 20 years (the "Extended Initial Term"), and the number of Renewal Terms will be reduced to three, still allowing for a total potential Term of 35 years. If Landlord declines to provide a Funding Commitment or elects to provide a Limited Funding Commitment, the Initial Extension Right will be deemed not to have been exercised and Tenant shall be deemed to have irrevocably waived the Initial Extension Right.

With respect to the Renewal Terms, provided that Tenant satisfies certain notice requirements and is not in default under the Master Lease, Tenant generally has the option to extend the Master Lease for the Renewal Terms at the end of the Initial Term and the first three Renewal Terms (the "Renewal Options," and each, a "Renewal Option"), subject to Tenant electing to deliver the Initial Extension Notice. If Tenant exercises any Renewal Option, all terms and conditions of the Master Lease continue to apply during any Renewal Term.

3. Rents

(a) Overview

The rent that Tenant owes Landlord under the Master Lease for the Initial Term is an annual amount equal to $650 million (the "Rent"), subject to an annual escalation representing a 0.5% year-over-year increase (the "Escalation"), starting after the fourth Lease Year and continuing each Lease Year during the Initial Term.

(b) Escalation for Capital Improvements

Section 10.2 of the Master Lease provides that, each year, Tenant shall provide Landlord with a list of expected Capital Improvements to the Leased Property. Generally, Landlord has the opportunity to choose whether or not to fund such proposed Capital Improvements. However, if Tenant delivers the Initial Extension Notice and Landlord agrees to provide the Funding Commitment (described in more detail in Part I.D.7(c) below), Landlord will be required to fund Capital Improvements for an amount no greater than $50 million per year (in the case of a Full

Funding Commitment) or an amount no greater than the amount agreed upon in the Limited Funding Agreement (in the case of a Limited Funding Commitment) for a maximum period of five years, but in no event to extend beyond year seven of the Master Lease.

If Landlord is required or agrees to funding Capital Improvements, including a Funding Commitment, before the second anniversary of the Commencement Date, then the Rent will increase by the product of the amount of Landlord funding and 8.125%. If, between the second and seventh anniversary of the Commencement Date, Landlord is required or agrees to funding, Rent will increase by the amount of funds contributed by Landlord multiplied by a to-be-determined capitalization rate. The capitalization rate can fall within a range that is no more than 200 basis points above the average of Landlord's highest cost of debt's average implied yield over the preceding 60 trading days and Landlord's average implied dividend yield over the preceding 60 trading days. Rent will be subject to the Escalation of 0.5% before it is subject to any of the aforementioned escalations for Capital Improvements.

(c) Renewal Term Rent

Up to 210 days before the date Tenant may elect to renew the Master Lease, Landlord will deliver Tenant a proposal for the Renewal Rent for the Facilities Tenant wishes to renew. If no agreement occurs by 180 days before the date Tenant may elect to renew the Master Lease, an appraisal process will occur in which a third-party appraiser must determine the fair market Renewal Rent for the Facilities subject to the Master Lease.

(d) Rent Payment

Under Section 3.1 of the Master Lease, Rent is payable in advance in monthly installments due on the fifth day of each month.

4. Operation of Leased Property

(a) The Primary Intended Use

Section 7.2 of the Master Lease provides that, unless Tenant receives Landlord's prior written consent, Tenant must use all of Landlord's rights, title and interest in and to the Facilities generally for the provision, routing, and delivery of communication services to businesses, consumers, and other users of communication services, the colocation activities in the data center space, the provision of certain fiber services to third parties, and/or such other services and uses to be customarily performed under relevant communications regulations (the "Primary Intended Use").

Under Section 7.2(e) and (f) of the Master Lease, the Primary Intended Use also includes Tenant's right to sublease the Leased Property to third parties for, among other purposes, the rights granted in a dark fiber agreement or a colocation agreement. Tenant has the right to receive rents, profits, and charges from these subleases or from any other activity within the Primary Intended Use. While Landlord generally has no right to collect these rents, profits, and

charges in connection with Tenant's activities concerning the Primary Intended Use, in an Event of Default by Tenant, Landlord may collect these amounts and apply such amounts to Rent.

Section 7.2(b) of the Master Lease states that while operating the Leased Property, Tenant may not commit or allow any waste on the Leased Property, create or permit a nuisance on the Leased Property, or otherwise cause or allow a condition to be maintained that would diminish the ability of the Leased Property to be used as a facility which could generally provide voice, data, video or other communication services to business and consumers.

In general, under Section 7.2(d) of the Master Lease, except in cases of casualty or condemnation, Tenant must continue to operate the Leased Property for the Primary Intended Use throughout the Term; however, provided that it does not have a material adverse effect on Tenant or the Facilities and that Tenant is not in default under the Master Lease, Tenant in its discretion may cease to operate one or more of the Facilities. Additionally, Tenant may cease operations at a Facility or Facilities in its discretion if ceasing operations would not reduce the route miles of the fiber optic and copper cable lines with respect to any one Facility by more than 10%, or the Facilities as a whole by more than 5% in the aggregate over the Term provided that Tenant is not in default under the Master Lease.

In addition, Section 8.2 of the Master Lease requires Tenant to comply in all material respects with all federal, state, and local Communications Regulations, Communications Licenses, Easements, Pole Agreements, and other authorizations required for the Primary Intended Use of the Leased Property (hereinafter the "Compliance Standards"). If Tenant is not able to meet the Compliance Standards and it is not cured within a reasonable period, Landlord may enter the Leased Property and incur costs to protect its interest in the Leased Property. Tenant will be required to reimburse Landlord for such costs.

(b) Liens and Encumbrances

Under Section 11.1 of the Master Lease, subject to certain exceptions, Tenant is generally not permitted to create or allow any lien, encumbrance, or attachment upon the Leased Property. Despite the general prohibition against encumbering the Leased Property, Tenant may, without obtaining Landlord's consent, enter into subleases of Tenant's rights to the leased property (subject to certain REIT protections in Article XL of the Master Lease). Furthermore, Tenant may, without Landlord's consent, mortgage Tenant's leasehold interests in the Leased Property if the mortgagee agrees in writing with Landlord to replace Tenant (in the event the mortgage rights are exercised) only with a Landlord-approved tenant in accordance with the terms of the Master Lease and acknowledges in writing that the exercise of the mortgage is subject to the terms of the Master Lease.

(c) Landlord's Right to Inspect

Pursuant to Section 24.1 of the Master Lease, Landlord has the right, upon reasonable notice to enter and inspect the Leased Property during normal business hours. Under Section 23.1(g) of the Master Lease, upon reasonable notice during normal business hours, Landlord may

inspect Tenant's books and records pertaining to all permits, easements and financial information. Under Section 23.1 of the Master Lease, upon Landlord's request and at least 10 business day's written notice, Tenant must provide an Officer's Certificate confirming Tenant's compliance with the Master Lease. Additionally, each fiscal year, Tenant must furnish financial information in the form of financial statements by a third party auditor to Landlord, as well as any relevant SEC documentation arising during such fiscal year.

5. Risk of Loss from Operation

(a) Requirement to Pay Rent

Under Sections 5.1 and 20.1 of the Master Lease, Tenant generally remains bound by the terms of Master Lease and must pay the Rent without reduction for any abatement, deduction, deferment, or set-off against the Rent owed to Landlord. In general, Tenant's obligation to pay the Rent will not be affected by, among other things, any of the following:

- Damage or destruction of the Leased Property;
- A lawful or unlawful prohibition or restriction on Tenant's use of the Leased Property;
- Any claim Tenant may have against Landlord by reason of a default or breach of any warranty by Landlord under the Master Lease or other agreement;
- Landlord's bankruptcy, insolvency, reorganization, consolidation, liquidation, dissolution, or winding-up; or
- Any other cause other than a discharge of Tenant from any such obligations as a matter of law.

In the event Landlord defaults on its obligation to fund a Capital Improvement under Section 10.2(b) of the Master Lease (described in Part I.D.7 below) and such failure is not cured by Landlord within 30 days following receipt of Notice from Tenant of Landlord's failure to make such payment, Tenant may offset against the next subsequent payments of Rent by the amount that Landlord was obligated but failed to fund. This offset would be treated as if Landlord funded the Capital Improvements and Tenant paid Rent in full.

(b) "Triple Net" Lease Terms

Section 3.4 of the Master Lease states that the Master Lease is a "triple net" lease. Therefore, Tenant is required to pay all taxes, maintenance, and insurance related to the Leased Property. Specifically under Section 4.1 of the Master Lease, Tenant is liable for all taxes, assessments, rents, fees, levies, and other governmental charges associated with the Leased Property. Pursuant to Section 9.1 of the Master Lease, Landlord is not obligated to make any repairs to the Leased Property. Tenant is required to maintain Leased Property in good order and

repairs are at Tenant's expense. This includes both ordinary and extraordinary repairs and repairs arising by reason of a condition that existed prior to the Commencement Date. This also includes complying with legal requirements in order to perform the Primary Intended Use. Tenant's repairs must be consistent with the standard of operating and maintenance practices, methods, and acts, which, in light of the relevant facts, is generally engaged in or approved by a significant portion of the owners of distribution systems that are similar to the Distribution Systems, which are expected to accomplish the desired result consistent with good business practices, reliability, and safety. No repairs can result in the removal of any portion of the Distribution Systems without Landlord's prior written consent, which may not be unreasonably withheld.

(i) Tenant Obligations and Rights Regarding Easements, Permits, and Pole Agreements

Under Section 9.2 of the Master Lease, Tenant must, at its expense, maintain Landlord's Easements, Permits, and Pole Agreements, including any franchise or requisite right of way license agreements, and cannot terminate Easements, Permits, or Pole Agreements without prior written consent of Landlord. Tenant is also responsible for calculating and paying all fees, rents, and other payments required to be made under the terms of the Easements, Permits, and Pole Agreements.

Tenant must provide, as reasonably requested by Landlord, periodic reports to confirm that Tenant is discharging its maintenance obligations under the Master Lease. Tenant must provide Landlord with electronic access to and copies of all system maps and records for the Distribution Systems. Finally, Section 13.1 of the Master Lease provides that Tenant must maintain certain levels of insurance with respect to the Leased Property. This generally includes the maintenance of property insurance, liability insurance, business interruption insurance, "all risk" insurance, flood insurance, and workers compensation insurance.

Tenant may modify existing Permits or Pole Agreements without Landlord consent only if (1) the amount payable for the modification is no more than 3% of the aggregate of the annual rental rates and permit fees for the Permits and Pole Agreements, which amount is apportioned over the term of the Permits and Pole Agreements equitably, (2) the modification is on market terms and otherwise commercially reasonable, (3) the modification terms do not impose other obligations on Landlord or impair Landlord's rights with respect to the Leased Property, and (4) Landlord will continue to hold the beneficial ownership interests in the modified Permits and Pole Agreements, and legal title to the modified Permits and Pole Agreements will revert to Landlord at the end of the Term.

(ii) Pole Owner Audits

Tenant is also subject to compliance with pole owner audits in connection with the Pole Agreements. Under Section 9.2(e) of the Master Lease, Tenant must, at its cost and expense, participate and perform its obligations with respect to the audits and pay any charges, fees, or penalties determined to be owed to a pole owner as a result of the audit. Tenant has the right to

enter into settlement agreements with the pole owners without Landlord consent as long as there is: (1) no Event of Default under the Master Lease, (2) the terms are settled promptly and with commercially reasonable diligence, (3) no modification terms obligate Landlord or impair Landlord's rights with respect to the Leased Property, and (4) Tenant is solely responsible to pay the settlement amounts. Tenant must consult with Landlord if the settlement amount is greater than or equal to $200,000.

(c) Damage to the Leased Property

In general, under Section 14.2 of the Master Lease, if the Leased Property is damaged, Tenant has the obligation to restore the Leased Property in a manner consistent with good business practices, reliability, and safety. If, after the third anniversary of any damage or casualty, Tenant has not yet repaired the damage to the Leased Property, the remaining proceeds of insurance and the unpaid deductibles will be paid to Landlord as well as any overdue rent and interest charges accrued since the date the casualty occurred. Tenant must fund repairs to the extent the insurance proceeds do not cover the repairs required to restore damages to Leased Property. The Master Lease will remain in full force and effect during the period of any necessary repairs, and, under Section 20.1 of the Master Lease, Tenant will bear the risk of any decrease in enjoyment and beneficial use of the Leased Property as a result of the damage. No such damage entitles Tenant to an abatement of Rent.

(d) Indemnification

Pursuant to Section 21.1 of the Master Lease, Tenant is also generally required to indemnify Landlord against any liabilities asserted against Landlord with respect to Tenant's use of the Leased Property. This includes liabilities that arise from injuries to persons or damages to property that occur on the Leased Property. Tenant also has the obligation to contest any claims against Landlord that arise due to the operation of the Leased Property.

(e) Utilities

Pursuant to Section 4.2 of the Master Lease, Tenant is obligated to pay all charges for electricity, power, gas, oil, water, and other utilities.

6. Transfer of Legal Title

As mentioned above, Windstream will irrevocably assign all of the benefits and burdens of ownership of the Easements, Permits, and Pole Agreements by executing several assignment and assumption agreements with Landlord. Bare legal title will remain with Windstream due to regulatory issues and other factors. For tax purposes, the parties intend that CS&L be treated as the owner of the Easements, Permits, and Pole Agreements. Windstream has concurrently received an opinion from us that, although not free from doubt, the Assignment Agreements (as referenced in Schedule 1) will result in the transfer of ownership of these assets for tax purposes. In Section 9.2(f) of the Master Lease, upon Landlord's request, Tenant must convey the bare legal title with respect to any of the Easements, Permits, or Pole Agreements to Landlord for no

consideration, provided that Landlord obtains all requisite approval and permits to hold the legal title, pays all related transfer taxes and other costs, and cooperates with Tenant to allow Tenant to obtain the requisite approvals and consents to continue operating the Facilities.

Consistent with Landlord's ownership of the property prior to the transfer of legal title, such transfer does not alter any of Tenant's obligations under the Master Lease.

7. Capital Improvements

Tenant has the right to make improvements to the Leased Property beyond ordinary repairs and maintenance, including structural alterations, modifications, improvements, and additions (each a "Capital Improvement," and collectively, the "Capital Improvements"). As explained below, certain Capital Improvements belong to Landlord and thus Tenant must surrender these Capital Improvements at the end of the Term or upon termination of the Master Lease for no compensation. Other Capital Improvements funded by Tenant that do not constitute maintenance, repair, overbuild, upgrade, or replacement of the Leased Property are Tenant's property, as the following paragraphs describe.

(a) Capital Improvement Approval Process

Under Section 10.1 of the Master Lease, depending on the Capital Improvement, Tenant may or may not be required to receive Landlord's consent before proceeding with a Capital Improvement. Landlord's consent is generally not required if the Capital Improvement is constructed in accordance with the engineering standards and methods of Tenant that are in effect on the Commencement Date (the "Engineering Standard"). Tenant has the right to modify the Engineering Standard without Landlord consent if the modification is consistent with prevailing industry practice and is in compliance with applicable legal requirements. All other Capital Improvements not in accordance with the Engineering Standard are subject to Landlord's approval. Although Landlord cannot unreasonably withhold its approval, Landlord may condition its approval on any or all the following constraints:

- Any potential Tenant Capital Improvement construction is subject to detailed plans and specifications. These plans and specifications require Landlord approval, which will not be unreasonably withheld;

- any Tenant Capital Improvement construction to be conducted under the supervision of an architect or engineer selected by Tenant is subject to approval by Landlord, who will not unreasonably withhold approval of the architect; and

- no Capital Improvement can result in the Leased Property becoming a "limited use" property for purposes of United States federal income taxes.

No later than November 15th of each calendar year, Tenant will furnish to Landlord a report of Capital Improvements planned for each Facility for the immediately following calendar year. Thereafter, Tenant and Landlord will meet to discuss the proposed Capital Improvements,

after which Landlord must decide within 30 days whether it will provide all or a portion of the funding and the terms and conditions of such funding. All Capital Improvements that Landlord funds become part of the Leased Property and must therefore be surrendered to Landlord upon the termination of the Master Lease. Rent under the Master Lease increases for the Landlord-funded Capital Improvements as explained in Part I.D.3 above.

(b) Capital Expenditure Side Letter

On April 24, 2015, Landlord and Tenant entered into an agreement (the "Capital Expenditure Side Letter")[5] pursuant to Section 10.2 of the Master Lease in which Landlord agreed to fund up to $50 million of Capital Improvements provided (i) such funds are used only for the Capital Improvements set forth on Exhibit A to the Capital Expenditure Side Letter (the "Approved Capital Improvements"), (ii) Tenant delivers to Landlord an Annual Capital Improvement Plan with respect to the Approved Capital Improvements meeting the requirements set forth in Section 10.2(a) of the Master Lease, and (iii) Tenant otherwise satisfies the requirements with respect to the Approved Capital Improvements set forth in the Master Lease.

(c) Funding Commitment

If Tenant delivers an Initial Extension Notice with a Funding Request for Capital Improvements, Landlord will have 30 days to respond. Landlord may agree to (i) commit to fund Capital Improvements for an amount no greater than $50 million per year (as requested by Tenant) (the "Full Funding Commitment"); (ii) commit to fund a portion of the Full Funding Commitment in an amount no greater than the amount agreed upon in the Limited Funding Agreement (the "Limited Funding Commitment"); or (iii) decline to provide a Funding Commitment.

(d) TCI Replacement

If the Capital Improvement is not funded by Landlord but constitutes maintenance, repair, overbuild, upgrade, or replacement of the Leased Property ("TCI Replacement"), including the replacement of copper distribution systems with fiber distribution systems, such Capital Improvement automatically becomes part of the Leased Property. TCI Replacements do not affect Rent during the Initial Term.

(e) TCI ILEC Extensions

If the Capital Improvement is not funded by Landlord and is the construction of fiber or copper distribution facilities in a new residential subdivision, as determined in accordance with Tenant's engineering operating procedures for documenting and identifying residential subdivisions as of the execution date of the Master Lease (an "Extension of the Distribution

[5] The Capital Expenditure Side Letter is attached hereto as Exhibit D.

Systems to a New Geographic Area"), where Tenant is licensed as an incumbent local exchange carrier ("TCI ILEC Extension"), then the Capital Improvement does not become part of the Leased Property. Instead, the TCI ILEC Extension becomes part of the Communications Assets as described below in Part I.D.10(b). Tenant is required to sell the Communications Assets at fair market value to a Successor Tenant at the end of the Term or when the Master Lease is otherwise terminated.

(f) TCI CLEC Extensions

If the Capital Improvement is not funded by Landlord and is an Extension of the Distribution Systems to a New Geographic Area where Tenant is a competitive local exchange carrier ("TCI CLEC Extensions"), then the Capital Improvement does not become part of the Leased Property. Tenant can elect to remove connections between TCI CLEC Extensions and the Leased Property and restore the Leased Property consistent with Prudent Industry Practice. If the connections between TCI CLEC Extensions and the Leased Property are functionally independent, Tenant, upon proper notice as outlined in Section 10.2(c) of the Master Lease can keep the TCI CLEC Extensions as Tenant Property and enter into an interconnection agreement with a Successor Tenant. If the connections between TCI CLEC Extensions and the Leased Property are not functionally independent, and Tenant does not elect to remove the connections, the TCI CLEC Extensions become part of the Communications Assets as described below in Part I.D.10(b). Tenant is required to sell the Communications Assets at fair market value to a Successor Tenant at the end of the Term or when the Master Lease is otherwise terminated.

(g) Long Haul Fiber Routes

A Capital Improvement that constitutes a "Long Haul Fiber Route" will be Tenant's Property. A Long Haul Fiber Route is a point to point fiber route that is designed to and continues to function as part of Tenant's long haul fiber network and which shall not have an add/drop concentration greater than two within the incumbent local exchange carrier territory (the "ILEC Territory"). A Long Haul Fiber Route may connect with one central office within the ILEC Territory as part of the Long Haul Fiber Route plus have up to two separate points of entry into or exit from the ILEC Territory. Tenant may construct up to two Long Haul Fiber Routes that enter an ILEC Territory, and, if both Long Haul Fiber Routes access a central office, then both Long Haul Fiber Routes will access the same central office. Tenant may construct additional Long Haul Fiber Routes in the ILEC Territory under the following circumstances: (i) to replace a Long Haul Fiber Route that was previously obtained by Tenant from unrelated third parties, or (ii) to augment a Long Haul Fiber Route where capacity has been exhausted, or (iii) to create Long Haul Fiber Route diversity. Tenant will provide documentation reasonably acceptable to Landlord to substantiate compliance with these exceptions prior to construction of a Long Haul Fiber Route that would result in more than two Long Haul Fiber Routes in the ILEC Territory, or where a Long Haul Fiber Route will interconnect to a central office other than the one designated for the initial two Long Haul Fiber Routes. Within an ILEC Territory, any extensions constructed from a Long Haul Fiber Route to a location within the ILEC Territory,

including direct connections to customer service locations or a direct connection between central offices within the same ILEC Territory, will be designated as TCI Replacements.

8. Insurance and Condemnation

(a) Insurance Proceeds

In general, pursuant to Section 14.1 of the Master Lease, insurance proceeds received for any damage to the Leased Property must be paid over to a Facility Mortgagee or to Landlord and made available upon request to Tenant to fund repairs to the damaged property. However, if the total amount of proceeds payable after the applicable deductibles is $2,500,000 or less, and no Event of Default has occurred and is continuing, the proceeds will be paid over to Tenant for funding repairs of the Leased Property. Tenant will have no obligation to rebuild TCI CLEC Extensions, TCI ILEC Extensions, or any Long Haul Fiber Route, so long as the Leased Property is rebuilt in a manner reasonably satisfactory to Landlord.

If the insurance proceeds are used to restore and reconstruct the Leased Property, Tenant has the right to any excess insurance proceeds remaining after the restoration and reconstruction. For all salvage resulting from any risk covered by insurance for damage or loss to the Leased Property, Landlord has the right to any insurance proceeds received. Tenant has the right to prosecute and settle insurance claims as long as Tenant consults with and involves Landlord in the process of adjusting the insurance claims and any final settlements are subject to Landlord's consent, which will not be unreasonably withheld.

(b) Condemnation Award

Pursuant to Article XV of the Master Lease, if a Facility is totally and permanently taken through a condemnation, the Master Lease will terminate with respect to that Facility. If a portion of a Facility is so taken (a "Partial Taking"), the Master Lease will remain in effect with respect to that Facility. In that event, Landlord will make available to Tenant a portion of the condemnation award necessary to restore the remaining portion of the Facility to the same general condition as before the Taking. Tenant will undertake all necessary restorations whether or not the amount provided by any authority, private corporation, or individual having the power of condemnation is sufficient. Either (1) the Rent for the Facility will be reduced for the portion of the Facility subject to the Partial Taking by an amount agreed upon by Landlord and Tenant, or (2) in the absence of an agreement within 30 days of the Taking, the Rent for the Facility will be proportionally reduced based on the proportion of the Facility that was subject to the Partial Taking.

9. Subleasing and Assignment

Under Section 22.1 of the Master Lease, Tenant generally may not assign its rights under the Master Lease, sublease any of the Leased Property, or engage a third party for the operation or management of any facility without receiving the written consent of Landlord. Landlord may

withhold consent in its reasonable discretion. The exceptions to this general rule are described below.

Without Landlord's prior consent, Tenant may:

- Assign the Master Lease or sublease the Leased Property if Tenant remains fully liable for the Master Lease, the use of the Leased Property continues to comply with the requirements of the Master Lease, and Landlord approves the form and content of all documents for the assignment or sublease and has received executed counterparts thereof;

- outsource or contract with third parties to perform services that remain under the supervision of Tenant;

- undergo a Change of Control if the person acquiring control is a "Discretionary COC Transferee", and such Discretionary COC Transferee or its parent guarantees the obligations of the tenant under the Master Lease. A Discretionary COC Transferee is defined as one who meets all the following requirements:

    - must have at least five years of experience operating Communications Facilities with average annual revenues of at least $500,000,000 for five of the immediately preceding ten years, or have entered into an agreement to retain for a period of 18 months or more after the effective time of the transfer at least 60% of Tenant's personnel employed at the Facilities and 60% of Tenant's ten most highly compensated corporate employees;

    - must be licensed or certified to operate the Leased Property for the Primary Intended Use;

    - must be solvent before and after the Change of Control; and

    - must have either:

        - (i) enough assets to fulfill Tenant obligations, or

        - (ii) a debt to EBITDA ratio lower than 5.5:1;

- assign the Master Lease in an assignment that does not constitute a Foreclosure Assignment to a "Discretionary Transferee" who agrees in writing to assume the obligations of Tenant under the Master Lease generally without amendment or modification. The Discretionary Transferee's parent company, or in the absence of a parent company, the Discretionary Transferee must become a guarantor of the Master Lease on terms reasonably satisfactory to Landlord. A Discretionary Transferee is defined as one who meets all of the following requirements:

- must have either (a) at least five years' experience operating or managing Communications Facilities with average annual revenues greater than or equal to the lesser of $500 million or 50% of the prior calendar year revenues for five of the immediately preceding 10 years, or (b) agreements reasonably satisfactory to Landlord in place to retain, for no less than 18 months, at least:
  - (i) 80% of Tenant's employees employed at the Facilities who have employment contracts on the date of the potential transfer, and
  - (ii) 80% of Tenant's 10 most highly compensated employees as of the date of the relevant agreement to transfer the Communications Assets;
- must be licensed or certified by each government authority with jurisdiction over any Leased Property;
- must be solvent; and,
- after giving effect to the assumption of Tenant's obligations under the Master Lease, must have a debt-to-EBITDA ratio of less than 5.5:1 based on projected earnings, or provide a guaranty from an entity with an investment grade credit rating;

- assign the Master Lease by way of foreclosure of the Leasehold Estate or an assignment-in-lieu of foreclosure to any Person (a "Foreclosure Assignment"), subject to certain requirements;
- undergo a Change in Control whereby a Person acquires beneficial ownership and control of 100% of the equity agreements in Tenant as a result of the purchase at a foreclosure or an assignment in lieu of such foreclosure (a "Foreclosure COC"), subject to certain requirements;
- effect the first subsequent sale or assignment of the Leasehold Estate or Change in Control after a Foreclosure Assignment or Foreclosure COC, subject to certain requirements; and
- pledge or mortgage the Leasehold Estate to a Permitted Leasehold Mortgagee.

10. End of Term Arrangements

(a) End of Term and Early Termination of the Master Lease

Aside from expiring at the end of the Initial Term or one of the Renewal Terms, Landlord may terminate the Master Lease for a number of reasons, including failure by Tenant to comply with a material regulatory requirement for the continued operation of a Facility for the Primary Intended Use and such failure would have a material adverse effect on Tenant, the Facilities, or on the Leased Property taken as a whole.

Landlord may also terminate the Master Lease upon Event of Default by Tenant that is not cured within certain specified periods. In general, an Event of Default includes, among other things, Tenant's bankruptcy or liquidation, failure to pay Rent, or failure to comply with any covenant or condition of the Master Lease.

(b) Transfer Procedures

Section 36.1 of the Master Lease addresses the transfer of Tenant's Property and operational control of the Facilities at the end of the Term or upon an earlier termination of the Master Lease.

Upon such a termination or expiration, Tenant must transfer the business operations conducted by Tenant on the Leased Property, including the license to operate a local exchange carrier, certain customer relationships, all Tenant's Property related to each affected Facility, and all TCI ILEC Extensions and TCI CLEC Extensions that are not Tenant's Property as described in Part I.D.7 above (collectively, the "Communications Assets") to a successor operator designated by specified procedures (a "Successor Tenant"). Tenant will receive fair market value for the Communications Assets, as negotiated between Tenant and the Successor Tenant. Pursuant to Section 36.3 of the Master Lease, if such transfer of the Communications Assets does not occur until after the expiration or early termination of the Term, Tenant will continue to operate the Facilities until such transfer occurs.

If Section 36.1 of the Master Lease would apply but for the inability of Tenant and a Successor Tenant designated by Landlord to agree upon the fair market value of the Communications Assets, then the fair market value of the Communications Assets will be determined as follows. First, the parties must determine the rent Landlord would receive from a Successor Tenant in a lease with a 10 year term that contains substantially the same terms as the Master Lease (the "Successor Tenant Rent"). If Landlord and Tenant can agree on the amount of the Successor Tenant Rent, the Successor Tenant Rent will equal such amount. If they cannot come to an agreement on the Successor Tenant Rent within a reasonable period, then Section 41.14 of the Master Lease supplies a process of obtaining an appraisal to determine the Successor Tenant Rent.

After establishing the Successor Tenant Rent, the parties will identify a pool of potential Successor Tenants prepared to lease the Leased Property at the Successor Tenant Rent and bid

for the Communications Assets. Each potential Successor Tenant must also meet the requirements of a Discretionary Transferee (as defined in Part I.D.9 above) or in the case of a Credit Agreement Agent, a Discretionary COC Transferee (defined in Part I.D.9 above) (each such potential Successor Tenant, a "Qualified Successor Tenant," and collectively, the "Qualified Successor Tenants"). The pool of Qualified Successor Tenants will consist of up to seven persons, four of whom shall be selected by Tenant and three of whom shall be selected by Landlord. Tenant or its affiliates cannot be among the Qualified Successor Tenants.

Once the pool of Qualified Successor Tenants has been established, Tenant has a three-month period to negotiate the sales price for the Communications Assets with the seven Qualified Successor Tenants in the pool. If Tenant cannot reach an agreement in that three-month period, Landlord may conduct an auction of the Communications Assets among the Qualified Successor Tenants in the pool, and Tenant will be required to sell the Communications Assets to the highest bidder in such auction. Concurrently with the transfer of the Communications Assets, Landlord will enter into a new lease agreement with the Qualified Successor Tenant that acquires the Communications Assets.

Based on its consultation with regulatory counsel and its knowledge of the communications industry, CS&L believes that, using the process outlined above, it will be commercially feasible for Tenant to transfer the Communications Assets and for Landlord to enter into a new lease with a Qualified Successor Tenant at the expiration of the Term or at the early termination of the Master Lease. Furthermore, there are currently persons who could satisfy the requirements of a Qualified Successor Tenant under the Master Lease, and CS&L expects that such persons will exist upon the expiration of the Term or upon early termination of the Master Lease.

(c) Tenant Purchase Options

Tenant has no option or other right to purchase the Facilities at the end of the Term.

11. Fair Market Value and Useful Life Summary

The Ernst & Young, LLP ("EY") Appraisal (the "EY Appraisal") projected the fair market value of each Distribution System as of the end of the Extended Initial Term as a percentage of the fair market value of such Distribution System as of the Commencement Date.[6] The EY Appraisal projects both inflated and uninflated values. Exhibit C lists the estimated inflated and uninflated residual values of each Distribution System at the end of the Extended Initial Term. Without considering inflation, each Distribution System is estimated to retain between 22.3% and 39.0% of its Closing Date value at the end the Extended Initial Term. Collectively, the Distribution Systems are estimated to retain 33.0% of their Closing Date value

[6] *See* complete EY Appraisal at Exhibit B.

at the end of the Initial Term, and 27.5% of their Closing Date value at the end of the Extended Initial Term.

If inflation is taken into account in the residual value calculations, each Distribution System is estimated to retain between 40.3% and 70.4% of its Closing Date value at the end of the Extended Initial Term. Collectively, the Distribution Systems are estimated to retain 51.4% of their Closing Date value at the end of the Initial Term, and 49.7% of their value at the end of the Extended Initial Term.

Additionally, the EY Appraisal projected the remaining useful life at the end of the Initial Term and the Extended Initial Term. Each Distribution System is estimated to have a remaining economic life of between 25.4 to 40.6 years. Exhibit C lists the estimated remaining economic useful life for each Distribution System. Collectively, the Distribution Systems are estimated to have a percentage of remaining economic life of 46.4% at the end of the Initial Term, and 28.6% at the end of the Extended Initial Term.

II. CERTAIN ASSUMPTIONS AND REPRESENTATIONS

A. Scope

Our opinion addresses only whether Landlord is the owner of, and whether the Master Lease is a true lease with respect to the Leased Properties.

B. Assumptions

In preparing our opinion, we have reviewed originals or copies, certified or otherwise identified to our satisfaction, of the agreements and documents listed in Appendix 1 attached hereto (including all addenda, attachments, exhibits, schedules and supplements thereto (the "Documents")). In our examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, electronic or photostatic copies, and the authenticity of the originals of such copies. In addition, we have relied upon the truth, accuracy and completeness of certain facts, representations, and covenants set forth in the Documents and the CS&L Officer's Certificate delivered by CS&L to us, dated April 24, 2015 (the "Representation Letter"). For purposes of rendering our opinion, we have assumed that such representations and covenants are true, correct, and complete without regard to any qualification as to knowledge or belief. Our opinion assumes and is expressly conditioned on, among other things, the initial and continuing accuracy of the facts, information, covenants, and representations set forth in the documents referred to above, in the Representation Letter, and otherwise expressed to us. Our opinion further assumes that the Documents have been executed in substantially the forms reviewed by us, that the transactions described above have been and will be consummated in accordance with the terms of the Documents and that the parties will act consistently with the Documents.

C. Representations

CS&L has represented to us that:

1. The facts, representations, and covenants as described herein are true, accurate and complete in all material respects.

2. The documents listed in Schedule 1 and any other documents related to the Transaction (the "Separation Documents") represent the entire understanding of the parties thereto with respect to the Transaction, and there is no understanding not described in the Separation Documents which reasonably could be expected to be material to the Transaction. All transactions that have been, or will be, undertaken contemporaneously with, in anticipation of, in conjunction with or otherwise related to the Transaction will have been fully disclosed. There is and will be no plan or intention to amend, waive, or otherwise modify any material terms or conditions set forth in the Separation Documents.

3. The Transaction will be carried out and is motivated, in whole or substantial part, by one or more of the following corporate business purposes: (i) provide Tenant and Landlord with increased flexibility to pursue the business plan and acquisition strategy, including alternatives that are unlikely to be available absent the Transaction; (ii) enable Landlord to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, which management believes is critical to the success of the business plan, with less dilution to existing shareholders; (iii) meaningfully enhance the ability of the Real Property Business to raise capital by issuing equity on more favorable terms than would be possible, absent the Transaction, in the public markets to institutional investors that invest in REITs; (iv) reduce the actual or perceived competition for capital resources within the affiliated group of corporations that files a consolidated U.S. federal income tax return with Tenant; (v) meaningfully enhance the ability of each of Tenant and Landlord to attract and retain qualified management; and (vi) allow the Real Property Business to optimize its leverage and enhance the credit profile of the Communications Business, providing Tenant with greater financial and strategic flexibility (collectively, the "Corporate Business Purpose").

4. Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden") has been provided with correct and complete copies of all Separation Documents, and there are no documents, material to the Transaction, that have not been provided to Skadden. The Transaction has been, and will be, consummated as set forth in Part I above and in accordance with the terms and conditions of the Separation Documents.

5. The Business Purpose Letter (as defined in Schedule 1) accurately describes the Corporate Business Purpose and the expectation of the CS&L Board of Directors as to the business objectives that will be accomplished by the Transaction.

6. By entering into the Master Lease, Landlord intends for Landlord and Tenant's relationship to be that of a lessor-lessee.

7. Based on the EY Appraisal, Landlord expects that at the end of (i) the Initial Term, or (ii) the Extended Initial Term, the remaining useful life of each Distribution System will, in each case, equal at least 20 percent of the useful life of such Distribution System as of the Commencement Date.

8. Based on the EY Appraisal, Landlord expects that at the end of (i) the Initial Term or (ii) the Extended Initial Term, the fair market value of each Distribution System will, in each case, equal at least 20% of the fair market value of such Distribution System as of the Commencement Date.

9. The factual statements made to EY in connection with the EY Appraisal are true and correct in all material respects, and any projections provided to EY in connection with the EY Appraisal are reasonable based on the facts then known by Windstream and Landlord.

10. The Rent for the Initial Term and each Renewal Term will be determined in accordance with the terms of the Master Lease and will approximate the fair market value rental rates for the Leased Property.

11. None of Tenant, any shareholder of Tenant, nor any of Tenant's Affiliates[7] have a contractual right to purchase any of the Facilities from Landlord.

12. Landlord does not have a contractual right to cause any party to purchase any of the Leased Property and does not have any present intention to acquire such a contractual right.

13. Neither Tenant nor any of its Affiliates have (i) loaned amounts to Landlord to allow Landlord to acquire any of the Leased Property, or (ii) guaranteed any of Landlord's indebtedness incurred in connection with the acquisition of any of the Leased Property.

14. During both the Initial Term and any Renewal Terms, based on CS&L's financial projections, Landlord expects to earn a material profit and generate material positive cash flow from leasing the Leased Property to Tenant.

15. Except with respect to the Easements, Permits and Pole Agreements, Landlord will hold fee simple title to the Leased Property.

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[7] Affiliate is defined in Article II of the Master Lease as "any person which, directly or indirectly, controls or is controlled by or is under common control with such corporation, limited liability company or partnership."

16. As of the Commencement Date and upon each incurrence of additional indebtedness by Landlord during the Initial Term and any Renewal Terms, Landlord expects that the amount of its indebtedness will be less than 80% of the fair market value of its assets.

17. Each Facility is complete and available to be used for the Primary Intended Use.

18. The methodology for determining the Successor Tenant Rent under Article 36 of the Master Lease represents a reasonable methodology for determining the fair market value rental rates for the Leased Property.

19. Based on its consultation with regulatory counsel, Landlord expects that at the end of the Initial Term, the Extended Initial Term, and each of the Renewal Terms it will be commercially feasible for Landlord and Tenant to transfer all property and rights necessary to operate each Facility for the Primary Intended Use to a person other than Tenant or an Affiliate of Tenant.

20. As of the Commencement Date, persons exist other than Tenant or an Affiliate of Tenant who could satisfy the requirements of a Discretionary Transferee.

21. At the end of the Initial Term, the Extended Initial Term, and each of the Renewal Terms, Landlord expects persons other than Tenant or an Affiliate of Tenant to be able to satisfy the requirements of a Discretionary Transferee.

22. All components of each Facility are functionally interdependent, and no Facility is functionally interdependent with any other Facility. For this purpose, immaterial investment costs associated with separating one Facility from another Facility shall be disregarded in determining whether any Facility is functionally interdependent with another Facility.

23. Following the contribution of all of the assets and liabilities comprising the Real Property Business and the Consumer CLEC Business to Landlord, Landlord will own, or hold a leasehold interest in, all the components of each Facility necessary for each Facility to function independent of any property owned by Tenant, it being understood that a tenant of Landlord would need to attach certain equipment and electronics to the Facilities to use the Facility in Tenant's business.

24. Landlord and its Affiliates will provide no services to Tenant and its Affiliates other than the services provided for under, or contemplated by, the Separation Documents.

25. Tenant and its Affiliates will provide no services to Landlord and its Affiliates other than the services provided for under, or contemplated by, the Separation Documents.

26. To the extent the Master Lease provides that Tenant must receive Landlord's consent prior to constructing a Capital Improvement, Landlord does not intend to consent to any Capital Improvement that would cause any Facility to become a "limited use" property under Revenue Procedure 2001-28, 2001-1 C.B. 1156.

27. Landlord has no intention to permit Tenant to use the Facilities for purposes other than the Primary Intended Use.

28. If Tenant delivers a Funding Request, Landlord anticipates that it will agree to provide the Full Funding Commitment in accordance with the terms of the Master Lease.

29. Neither Landlord and its Affiliates nor Tenant and its Affiliates has taken or will take any position on any U.S. federal, state or local income or franchise tax return that is inconsistent with this opinion.

III. SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

Based on and subject to the description of the facts, assumptions, and analysis described herein, we are of the opinion that, under current U.S. federal income tax law, Landlord should be treated as the owner of the Leased Properties and the Master Lease should be respected as a true lease for U.S. federal income tax purposes with respect to the Leased Properties.

In rendering our analysis, we have considered applicable provisions of the Code, the Regulations, pertinent judicial authorities, rulings of the Service, and such other authorities as we have considered relevant. The conclusions set forth herein are based on our analysis and interpretation of the applicable authorities and our views regarding the most appropriate interpretation of such authorities as applicable to the facts as described herein. It should be noted that such laws, Code, Regulations, judicial decisions, administrative interpretations, and such other authorities are subject to change at any time, possibly with retroactive effect.[8] A change in any of the authorities upon which our opinion is based could affect our conclusions herein. There can be no assurance, moreover, that any conclusion expressed in our opinion will be accepted by the Service or, if challenged, by a court. Except as set forth herein, we express no opinions, conclusions or views regarding the U.S. federal income tax consequences applicable to CS&L, Landlord, Windstream, Tenant, or any other person. This opinion is expressed as of the date hereof, and we are not under any obligation to supplement or revise our opinion to reflect any legal developments or factual matters arising subsequent to the date hereof or the impact of any information, document, certificate, record, statement, representation, covenant, or assumption relied upon herein that hereafter becomes incorrect, incomplete or untrue in any respect.

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[8] We recognize that, under section 6110(k)(3), private letter rulings and technical advice memoranda may not be cited as precedent, but are cited in our opinion as an indication of the Service's views on particular issues.

IV. ANALYSIS

A. Introduction

While the Code does not define the term "lease," a lease may generally be defined as "a contract by which a rightful possessor of real property conveys the right to use and occupy the property in exchange for consideration,"[9] and the courts have adopted a similar definition for tax purposes.[10] Despite this concise definition, a large volume of case law has been devoted to determining whether certain transactions should be classified as leases. These cases often involve distinguishing a "true lease" from a loan, sale, management or services contract, or partnership. Parts IV.B through IV.E below analyze the proper characterization of the Master Lease under substance-over-form principles (i.e., a "benefits and burdens" analysis). The analysis of the substance of the Master Lease begins with the premise that the Master Lease meets the general definition of a lease and should therefore be treated as a lease as long as Landlord retains the traditional substantive attributes of a lessor.[11] We then assess whether the Master Lease should, in substance, be classified as a loan, sale, management or services contract, or partnership. Specifically, we discuss the possibility of the Master Lease being classified as a loan or sale in Part IV.C, as a management or services contract in Part IV.D, and as a partnership in Part IV.E.

In addition, leasing cases have played a significant role in the development of the economic substance doctrine, which is now codified under Section 7701(o). Where applicable, the economic substance doctrine can cause a transaction to be treated as a sham or effectively disregarded for U.S. tax purposes.[12] Accordingly, this opinion also addresses the application of the economic substance doctrine to the Master Lease in Part IV.F.[13]

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[9] *Black's Law Dictionary* 970 (9th ed. 2009).

[10] *State National Bank of El Paso v. United States*, 509 F.2d 832, 835 (5th Cir. 1975); *see also* Treas. Reg. § 1.61-8 (describing rental income as rent received or accrued for the occupancy of real estate or use of personal property).

[11] *See Frank Lyon Co. v. United States*, 435 U.S. 561, 584 (1978) ("so long as the lessor retains significant and genuine attributes of the traditional lessor status, the form of the transaction adopted by the parties governs for tax purposes").

[12] *Killingsworth v. Comm'r*, 864 F.2d 1214, 1216 (5th Cir. 1989) ("courts have consistently held that although a transaction may, on its face, satisfy applicable Internal Revenue Code criteria, it will nevertheless remain unrecognized for tax purposes if it is lacking in economic substance"); *Levy v. Comm'r*, 91 T.C. 838, 853-54 (1988) ("we must disregard sale-leaseback transactions as economic shams where we find that investors entered into such transactions with the sole business purpose of obtaining tax benefits and where the transactions are devoid of economic substance").

[13] Although not all cases retain a clear distinction between substance-over-form and the economic substance doctrine, the economic substance doctrine should be treated as a concept distinct from substance-over-form doctrine. *See John Hancock Life Ins. Co. v. Comm'r*, 141 T.C. No. 1 (2013) (applying separate analysis for the economic substance doctrine and substance-over-form); *Levy*, 91 T.C. 853-62 (applying separate analysis for

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B. Lease as Chosen Form

1. Definition of a Lease

To determine whether the Master Lease should be respected as a true lease, the tax law requires that the Master Lease be a lease in substance. For tax purposes, "a lease is a transfer of an interest in and possession of property for a prescribed period of time in exchange for an agreed consideration, called 'rent.'"[14] This definition contains four elements: (i) the lessor must have an interest and possession in the property, (ii) the lessor must transfer an interest and possession to the lessee, (iii) the lessee's interest and possession of the property must be for a prescribed period, and (iv) the lessee must provide consideration. Moreover, the Supreme Court has stated that "so long as the lessor retains significant and genuine attributes of the traditional lessor status, the form of the transaction adopted by the parties governs for tax purposes."[15] Accordingly, where a transaction satisfies the definition of a lease in form, the transaction should be respected as such if the lessor retains the proper attributes of a traditional lessor.

2. Application to the Master Lease

The Master Lease should meet the general requirements of a lease. As part of the Transaction, Landlord will acquire either a fee simple or the equivalent of a leasehold interest in all the Leased Properties. Windstream received a private letter ruling from the Service that the Distribution Systems, with the exception of the signal repeaters, qualify as real estate assets under Section 856(c)(4)(A) and (5)(B) and that the rents from the Master Lease qualify as rents from real property under Section 856(d)(1). Under the Master Lease, Landlord has agreed to lease all of its rights and interest in the Leased Properties to Tenant. The Master Lease also provides that, as long as Tenant complies with its terms, Tenant has the right to have, hold, and enjoy the Leased Properties for the duration of the Term. Finally, the Master Lease requires Tenant to pay Landlord the Rent. Accordingly, in form, the Master Lease should meet all the basic requirements to be treated as a lease and should be treated as a lease for tax purposes unless, in substance, the Master Lease is more appropriately characterized as a loan, a sale, a management or services contract, or a partnership.

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the economic substance doctrine and "benefits and burdens"); LB&I Directive, "Guidance for Examiners and Managers on Codified Economic Substance Doctrine and Related Penalties," LB&I-4-0711-015 (July 15, 2011) (treating substance-over-form analysis as an alternative to the application of the economic substance doctrine); Jasper L. Cummings, Jr., "SILOs and LILOs in the Tax Court," 140 Tax Notes 1413 (Sept. 23, 2013) (noting confusion in terminology and application of the "economic substance doctrine," "economic substance," and "substance-over-form").

[14] *State National Bank of El Paso*, 509 F.2d at 835.

[15] *Frank Lyon Co.*, 435 U.S. at 584.

C. Master Lease as Loan or Sale Transaction

1. Overview

The Service has challenged a large number of purported leasing arrangements on substance-over-form principles. Under the substance-over-form doctrine a transaction may be recharacterized according to its substance in a manner that is different from its form.[16] In the leasing context, one of the substance-over-form issues that has repeatedly been contested is whether the lessor, in substance, should be treated as the owner of the leased property for tax purposes. These disputes have generally traveled one of two paths.

First, a taxpayer may enter into a purported lease transaction, but the terms of the lease agreement (such as the length of the lease, the renewal periods, or purchase options) effectively transfer economic ownership of the property to the lessee.[17] For instance, this could occur where the term of the lease is as long as or longer than the economic life of the property or where the lessee holds a bargain purchase option at the end of the lease term. In such cases, the Service may attempt to recharacterize the transaction as a sale, with the purported lessor selling the property to the lessee in return for a note that has an aggregate amount of principal and interest payments equal to the purported rental payments. Second, the Service may argue that the purported lease is merely a financing arrangement and that the purported lessor is, in substance, a secured creditor but holds no equity interest in the property. The Service has frequently challenged sale-leaseback arrangements in this manner, arguing that the purported buyer-lessor is a lender and the purported seller-lessee is a borrower.[18]

The primary issue in either of these fact patterns is whether the purported lessor should be treated as the owner of the property for tax purposes. Therefore, courts have considered similar factors in both sale and loan cases. The courts will most often employ a "benefits and burdens" analysis, under which the person who holds the benefits and burdens of ownership is treated as the owner of the subject property for tax purposes.[19] Both case law and administrative guidance describe a number of relevant factors that must be examined in determining which party has the benefits and burdens of ownership. In Revenue Procedures 2001-28 and 2001-29

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[16] *See John Hancock Life Ins.*, 141 T.C. No. 1, 33 ("[c]ourts use substance over form and its related doctrines to determine the true nature of a transaction disguised by formalisms that exist solely to alter tax liabilities").

[17] *See e.g., Estate of Starr v. Comm'r*, 274 F.2d 294 (9th Cir. 1959); *Adney v. Comm'r*, T.C. Memo. 1983-135; Rev. Rul. 57-371, 1957-2 C.B. 214; Rev. Rul. 55-541, 1955-2 C.B. 19.

[18] *See e.g., Frank Lyon Co.*, 435 U.S. 561; *American Realty Trust v. U.S.*, 498 F.2d 1194 (4th Cir. 1974); *Dunlap v. Comm'r*, 74 T.C. 1377 (1980), *rev'd in part on other grounds*, 670 F.2d 785 (8th Cir. 1982); *see also* CCA 201351022 (2013).

[19] *See* Michael H. Simonson, "Determining Tax Ownership of Leased Property," 38 Tax Law 1, 3 (1984) ("the ultimate inquiry into the tax ownership question involves an assessment of whether a lessor stands to realize a significant economic gain or incur a meaningful economic loss with respect to leased property").

(collectively, the "Guidelines"), the Service set forth a number of these factors.[20] While the Guidelines merely describe the facts and circumstances under which the Service would ordinarily recognize the existence of a lease through a private letter ruling,[21] they present specific benchmarks related to many of the factors courts traditionally have considered in determining whether a lessor possesses sufficient benefits and burdens of ownership to be treated as the owner of the leased property.[22] Where applicable, this opinion uses the Guidelines as a starting point for an analysis of each of the factors noted below. While the Guidelines do reflect factors often used by courts in leasing cases, the Guidelines were created to facilitate the Service's administrative ruling process and as such should not be viewed as establishing substantive rules. Accordingly, our opinion also addresses differences between the Guidelines' tests and the traditional benefits and burdens analysis contained in case law and other administrative guidance.

Based on the Guidelines, the material relevant factors include:

- The lessor's equity interest in the property;
- The property's useful life in comparison with the lease term;
- The expected residual value of the property;
- The presence of lease renewal or purchase options;
- The expected cash-flow and profits from the lease property apart from any tax benefits;
- The lessee's investment in improvements to the property;
- Whether the lessee acts as creditor or guarantor with respect to any debt the lessor used to acquire the property; and

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[20] Rev. Proc. 2001-28, 2001-28 C.B. 1156; Rev. Proc. 2001-29, 2001-1 C.B. 1160.

[21] The Guidelines do not purport to define whether a transaction is a lease, and, even where an arrangement does not conform to the Guidelines, the Service will still consider issuing a ruling recognizing the existence of a lease. Rev. Proc. 2001-28, 2001-1 C.B. 1156 at § 3.

[22] *See* TAM 8332005 (Feb. 25, 1983) ("the guidelines [the predecessor revenue procedure to the Guidelines] do establish conditions that, if met, produce a distribution of burdens and benefits that will ordinarily result in a determination that a lease should be recognized as such for federal income tax purposes").

- Whether the property is "limited use" property (i.e., the nature of the property is such that, at the end of the lease term, it is unlikely any person besides the lessee or a related party would buy or rent the property).[23]

As the above list indicates, the factors to be analyzed generally apply in reference to the leased property. Therefore, prior to applying these factors, the relevant leased property must be established (i.e., whether all the Distribution Systems should be considered a single item of property or whether the Distribution Systems should be disaggregated for purposes of the analysis).

(a) Relevant Property

(i) Applicable Guidance

Although not directly addressed in case law or other authority, in applying a number of the lease factors, it is important to properly define the scope of the leased property. The Guidelines do not present any specific guidance on the issue, but they do require the taxpayer to represent that, as of the commencement of the term of the lease, no improvements to the property are necessary in order for the lessee to be able to use the property as intended (unless the improvement is of a type customarily provided by a lessee).[24] Thus, under the Guidelines, it appears that the leased property must include all the interdependent property necessary to allow the leased property to function independent of other property. This type of functional independence test is consistent with the law governing when assets are placed in service for

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[23] Rev. Proc. 2001-28, 2001-1 C.B. 1156. Similar factors frequently cited in case law include: (i) how the taxpayer's equity interest in the property relates to the purchase price; (ii) whether the useful life of the property exceeds the leaseback term; (iii) whether any renewal rentals at the end of the leaseback term are set at fair market value; (iv) whether the residual value and rental amounts allow the taxpayer to recoup at least its initial investment; (v) whether the taxpayer expects a "turnaround" point resulting in the taxpayer realizing income in excess of deductions in later years; (vi) whether the net tax benefits to the taxpayer are less than the taxpayer's initial cash investment; and (vii) whether the taxpayer has the potential for realizing a profit or a loss on the sale or release of the subject matter of the lease. *Emershaw v. Comm'r*, T.C. Memo. 1990-246, *aff'd*, 949 F.2d 841(6th Cir. 1991); *Rubin v. Comm'r*, T.C. Memo. 1989-484; *Pearlstein v. Comm'r*, T.C. Memo. 1989-621; *Van Roekel v. Comm'r*, T.C. Memo. 1989-74; *Levy*, 91 T.C. 838.

[24] Rev. Proc. 2001-29 at § 4.05(2).

purposes of computing depreciation[25] and when amounts paid to improve leased property must be capitalized.[26]

In addition, some guidance is available related to whether a building and the underlying land should be treated as a single unit of property in the context of a true lease analysis. In Technical Advice Memorandum 201027045, the Service addressed whether a sale-leaseback involving land should be recast as financing arrangement.[27] The lease under scrutiny in the TAM had an initial term of 22 years plus two potential renewal terms of 10 years each. The TAM specifically addressed the application of the residual useful life factor, stating:

> [i]n the case of the [transactions], the facts do not support Examination's position that the leaseback term exceeds the useful life of the leasehold improvements. The sale-leaseback transactions here entail both land and leasehold improvements. Land, however, does not have a finite useful life....These facts evidence that the useful life of the property extends beyond the initial lease term.

Similarly, in assessing the whether a sale-leaseback involving a warehouse was a sham, the court in *Dunlap v. Commissioner* took into account the possible residual value of the underlying land. In that case, the taxpayer purchased an interest in a warehouse distribution center that was subject to a sale-leaseback arrangement.[28] The lease had an initial term of 25 years and granted the lessee the option to extend the lease for six additional periods of five years each. In holding that the taxpayer should be treated as lessor of the warehouse, the court found it material that whether or not the lessee exercised its renewal option, the land would eventually revert to the taxpayer and thus the taxpayer had the ability to receive the residual value of the land.[29]

(ii) Application to the Master Lease

There are three primary ways the Distribution Systems could be aggregated or disaggregated: (i) each Distribution System, including all "Distribution System Components" (e.g., the Land, all of the copper cable lines and/or fiber optic cable lines, telephone poles,

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[25] *See Armstrong World Industries Inc. v. Comm'r*, 974 F.2d 422, 434 (3rd Cir. 1992) (for purposes of determining when property is placed in service, the "court have agreed that . . . component assets constitute a single property when those components have no independent utility in the taxpayer's trade or business prior to the time that all of the components are completed and available for use").

[26] *See* Treas. Reg. § 1.263(a)-3(e) (in cases other than a building, "all components that are functionally interdependent comprise a single unit of property"; in the case of a leased building, "the unit of property is each building and its structural components").

[27] July 9, 2010.

[28] *Dunlap*, 74 T.C. 1377.

[29] *Id.* at 1437.

underground conduits, concrete pads, attachment hardware, pedestals, guy wires, anchors, and signal repeaters, Easements, Permits, and Pole Agreement within each respective Distribution System) could be viewed as the relevant property, (ii) each Distribution System Component could be treated as a separate property under the Master Lease, or (iii) all the Distribution Systems subject to the Master Lease could be treated as a single property.

Although the matter is not free from doubt, based on the applicable authority, we believe that each Distribution System, including its Distribution System Components, should be treated as the relevant property for purposes of determining whether the Master Lease is a true lease. This approach is consistent with the Guidelines' apparent functional independence approach, as each Distribution System is functionally independent of the other Distribution Systems, and all of the Distribution System Components in each Distribution System are required to operate such Distribution System (i.e., the Distribution System Components at each Distribution System are functionally interdependent). In addition, both TAM 201027045 and *Dunlap* support treating each Distribution System as a single asset. Accordingly, based on the limited guidance available, we believe that each Distribution System should be treated as a single asset in evaluating the Master Lease.[30]

(b) Lease Factors

(i) Equity Investment and Risk of Loss

In order for a person to bear the burdens of property ownership, the tax law requires that person to have some equity investment in the property. This requirement ensures that the taxpayer retains some measure of risk related to the property.[31]

The Guidelines require that a person make an equity investment in the property equal to at least 20% of the property's cost.[32] The equity investment must be unconditional, meaning that the person cannot be entitled to a return of its equity investment from the lessee, a shareholder of the lessee, or a person related to the lessee under Section 318 (collectively, the "Lessee Group").[33] In addition, under the Guidelines, the lessor must maintain an equity investment equal

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[30] We do not believe that treating all the Leased Property as a single asset is appropriate. While such an approach is supported by the language in the Master Lease that describes the Master Lease as one indivisible lease of the Leased Property, and not as separate leases governed by similar terms, such an approach appears inconsistent with the Guidelines' suggestion that the leased property is defined based on functional independence because the various Facilities are not interdependent on one another. In addition, such treatment would be inconsistent with the depreciation and capitalization rules addressing the proper scope of separate assets.

[31] *See Estate of Franklin v. Comm'r*, 544 F.2d 1045 (9th Cir. 1976) (holding that without any equity in the property a purported buyer/lessor in a sale-leaseback arrangement could not be treated as the owner of the property for tax purposes).

[32] Rev. Proc. 2001-28 § 4.01(1).

[33] *Id.* at § 4.01(2).

to at least 20% of the cost of the property at all times during the term of the lease. The lessor will meet this requirement where the excess of the projected cumulative payments required to be paid by the lessee to or for the lessor over the projected cumulative disbursements required to be paid by or for the lessor in connection with the ownership of the property never exceeds the sum of (i) the excess of the lessor's initial equity investment over 20% of the cost of the property plus (ii) the cumulative *pro rata* portion of the projected profit from the transaction (exclusive of tax benefits).[34]

Case law does not require a specific percentage of equity investment from the lessor, but the lessor's equity investment must be "meaningful."[35] In *Frank Lyon Co v. United States*, where the taxpayer made an equity investment equal to approximately 6% of the value of the leased property, the Supreme Court held the taxpayer was the true owner of the property.[36] Similarly, in *L.W. Hardy Co. v. Commissioner*, a taxpayer's 11% initial equity investment was sufficient for the United States Tax Court (the "Tax Court") to hold that the taxpayer was the owner of the property for tax purposes.[37] In contrast, the cases in which a lessor's equity investment have been regarded as insufficient generally involve a taxpayer using nonrecourse debt to purchase property for an amount in excess of the property's fair market value. For instance, the court in *Estate of Franklin v. Commissioner* held that a lessor was not the owner of a motel property where the lessor purchased the motel with a $1.2 million nonrecourse debt, which exceeded any "demonstrably reasonable estimate of fair market value."[38]

(ii) Useful Life

If a property's useful life does not extend beyond the term of the lease, it suggests that the lessor has effectively transferred all the benefits and burdens of ownership to the lessee. Under the Guidelines, a lessor must show that, after expiration of the lease, the property will still have a useful life equal to the greater of at least 20% of its originally estimated useful life or one year.[39] For this purpose, the lease term includes all renewal periods, unless the renewal is at the option

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34 *Id.*

35 *Altria v. United States*, 658 F.3d 276, 289 (2d Cir. 2011).

36 *Frank Lyon Co.*, 435 U.S. at 566-568 (lessor made an equity investment of $500,000 on property purchased for $7,640,000).

37 *L.W. Hardy Co. v. Comm'r*, T.C. Memo. 1987-63 (lessor made an equity investment of $319,000 on property purchased for $2,920,000). *See also Moser v. Comm'r*, T.C. Memo. 1989-142, *aff'd on other grounds*, 914 F.2d 1040 (8th Cir. 1990) (16.5%); *Mukerji v. Comm'r*, 87 T.C. 926 (1986) (4%).

38 *Estate of Franklin v. Comm'r*, at 1048.

39 Rev. Proc. 2001-28 at § 4.01(4).

of the lessee and the rental rate during the renewal period equals fair market value at the time the renewal option is exercised.[40]

The courts have not provided any minimum threshold percentage for residual useful life. In many cases, it is often difficult to separate a court's analysis of residual useful life from its analysis of whether the property has sufficient residual value, since property with a meaningful residual value presumably would also have a meaningful residual useful life.[41] The facts involved in certain cases indicate that courts have approved residual useful life percentages of less than 20%. For instance, in *Torres v. Commissioner*, a residual useful life of 12-16% of the original useful life was considered significant.[42] And, in *Davis v. Commissioner*, certain printing equipment with a three-year useful life was subject to a three-year lease term, but the court nonetheless held the lease was a true lease where other factors supported the arrangement was a true lease.[43] Thus, the courts do not use the same strict 20% threshold found in the Guidelines.

(iii) Residual Value

As noted above, the property's residual value is closely connected with the property's residual useful life. The Guidelines state that the lessor must demonstrate that the residual value of the leased property after the expiration of the lease term is reasonably expected to exceed 20% of the original cost of the property.[44] In making this estimate, a taxpayer must compute the residual value without regard to increases in the property's value due to inflation and must reduce the residual value by the costs of delivering possession of the leased property to the lessor at the end of the lease term.[45] Similar to the residual useful life factor, the lease term under the Guidelines includes any renewal periods unless the renewal is at the option of the lessee and the rental rate during the renewal period equals fair market value at the time the renewal option is exercised.[46]

As with the other factors, the courts have not supplied a strict percentage test for residual value. Instead, a court will generally describe the required residual value as "meaningful" or "significant."[47] In *Mukerji v. Commissioner, Estate of Thomas v. Commissioner,* and *Shea v.*

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40 *Id.* at § 4.02.

41 *See e.g.*, *Moser*, T.C. Memo. 1989-142 ("fact that equipment was projected by the experts to have a residual value . . . demonstrates that the equipment's useful life was in excess of the lease term").

42 88 T.C. 702, 716-17 (1987).

43 T.C. Memo. 1978-348.

44 Rev. Proc. 2001-28 § 4.01(3).

45 *Id.*

46 *Id.* § 4.02.

47 *Altria*, 658 F.3d at 289; *Cooper v. Comm'r*, 88 T.C. 84, 106 (1987).

Commissioner, the Tax Court approved residual values equal to approximately 16.5% and 17.8%, 14%, and 10%, respectively.[48] Therefore, although a 20% residual value will ordinarily be required for advance ruling purposes under the Guidelines, courts have not imposed a strict threshold on the necessary residual value. Additionally, courts have not required that the residual value calculations exclude inflation.[49]

(iv) Call and Renewal Options

Under the Guidelines, no member of the Lessee Group may have a contractual right to purchase the property from the lessor at a price that is less than the property's fair market value at the time the right is exercised.[50] Also, as noted above, under the Guidelines, the lease term includes all renewal periods, unless the renewal is at the option of the lessee and the rental rate during the renewal period is at fair market value.[51]

While the courts have directly dealt with purchase options more frequently than renewal options, the effect of either should be analyzed in a similar manner, as both may give the lessee the ability to acquire the property for its entire economic life. The courts, however, have not set forth any particular rule regarding renewal or purchase options and generally take a facts and circumstances approach in assessing the effect of the lessee's options to continue possessing the property at the end of the term.[52] If a court believes that, based on the evidence presented, one of the parties to a lease agreement is reasonably certain to exercise a right to extend the lease term or purchase the leased property, the court will usually take that additional term or potential purchase into account.[53]

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48 *Shea v. Comm'r*, T.C. Memo. 1991-518; *Mukerji*, 87 T.C. at 955; *Estate of Thomas v. Comm'r*, 84 T.C. 412, 429 (1985).

49 Courts have used residual value analysis, but have not made any distinction on whether the residual value should be calculated using inflated or uninflated calculations. *See Moser*, T.C. Memo. 1989-142; *Altria*, 658 F.3d at 289. *See also Shea*, T.C. Memo. 1991-518; *Mukerji*, 87 T.C. at 955. *See generally Estate of Thomas v. Comm'r*, 84 T.C. 412.

50 Rev. Proc. 2001-28 at § 4.03.

51 *Id.* at § 4.02.

52 *See e.g., Northwest Acceptance Co. v. Comm'r*, 58 T.C. 836 (1972), *aff'd*, 500 F.2d 1222 (9th Cir. 1974) (holding that a true lease existed where it was uncertain whether a lessee would exercise its purchase option as of commencement of the lease); *Davis*, T.C. Memo 1978-348 (finding that where renewal rental rates were "reasonable and normal" the lessor's right to renew the lease annually would not cause the lease to be treated as a sales contract); *Lockhart Leasing Co. v. Comm'r.*, 54 T.C. 301 (1970), *aff'd*, 446 F.2d 269 (10th Cir. 1971) (holding lessee purchase option for 10% of original cost does not prevent the arrangement from being considered a true lease for tax purposes).

53 *Unionbancal & Subsidiaries v. United States*, 113 Fed. Cl. 117 (Fed. Cl. 2013); *Consolidated Edison Co. of N.Y. v. United States*, 703 F.3d 1367, 1376-1378 (Fed. Cir. 2013) ; *Wells Fargo Co. v. U.S.*, 641 F.3d 1319, 1326 (Fed. Cir. 2011); .

(v) Put Rights

The Guidelines also require that, at the time the leased property is first used by the lessee, the lessor may not have a right to cause any party to purchase the property, and the lessor must represent to the Service that it has no present intention of acquiring such a right.[54]

(vi) Profits and Cash Flow

The advance ruling guidance provided in the Guidelines requires a lessor to demonstrate that it expects to receive a profit from the transaction without considering the value of any expected tax benefits.[55] The Guidelines specify that this requirement is met when both of the following conditions are satisfied:

- Overall Profit - The sum of the aggregate amount the lessee is required to pay to or for the lessor over the lease term plus the residual value of the leased property exceeds the sum of the aggregate disbursements the lessor is required to make plus the lessor's initial equity investment in the leased property and any direct costs to finance that equity investment, and

- Positive Cash Flow - The aggregate amount the lessor receives over the lease term exceeds, by a reasonable amount, the aggregate disbursement required to be paid by or for the lessor in connection with the ownership of the property.[56]

The courts have used a similar profit measurement in their decisions, indicating that a material factor in a true lease analysis is "whether the projected residual value of the [leased property] plus the cash-flow generated by the rental of the [leased property] allows the [lessor] to recoup at least their initial cash investment."[57] However, as noted below, provided that a lessor could obtain a profit from the residual value, the courts have generally viewed positive cash flow over the lease term as a neutral factor.[58]

As detailed below, while the facts related to this substance-over-form factor often parallel the facts relevant to a court's economic substance doctrine analysis (i.e., both may relate to whether a reasonable expectation of pre-tax profit existed), courts that have made clear distinctions between their analysis regarding the economic substance doctrine, on the one hand, and substance-over-form principles, on the other hand, have generally treated a profits or cash

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54 Rev. Proc. 2001-28 at § 4.03.

55 Rev. Proc. 2001-28 § 4.06.

56 *Id.*

57 *Levy*, 91 T.C. at 860.

58 *Infra* at n. 80.

flow factor as relevant to both the economic substance doctrine and substance-over-form issues.[59]

A factor not directly addressed in the Guidelines but related to profits and frequently cited in case law is the existence of a "turnaround" point.[60] Courts have defined a turnaround point as that point during the term of the lease after which the lessor's depreciation and interest deductions become less than the income the lessor expects to receive from the lease.[61] If a turnaround point is projected to occur under the terms of a lease, it is a factor supporting the existence of a true lease.

(vii) Lessee as creditor or guarantor

Under the Guidelines, the Service will not ordinarily grant a ruling if a member of the Lessee Group makes a loan to the lessor or acts as guarantor of a loan for the lessor in connection with the acquisition of the leased property.[62] The Guidelines only restrict guarantees from the Lessee Group on loans the lessor obtains in connection with acquiring the property. Importantly, the restriction does not extend to guarantees made by the Lessee Group regarding the lessee's obligation to pay rent, properly maintain the property, pay insurance premiums, or pay for other obligations that are normally included in net leases.[63]

(viii) Lessee's Investment

For advance ruling purposes, the Guidelines contain a general prohibition against a lessee furnishing the cost of improvements, modifications, or additions (other than for ordinary repair and maintenance) to the leased property.[64] The Guidelines contain two important exceptions to this prohibition on lessee improvements. First, if the improvement is readily removable from the leased property without causing material damage to the leased property (a "Severable Improvement") and is not subject to an option for purchase or sale between the lessor and the Lessee Group at a price other than fair market value, then a member of the Lessee Group may generally pay for the cost of the improvement without affecting the lessor's ability to receive an advance ruling.[65] However, as of the commencement of the lease, the Severable Improvement must not be necessary for the leased property to fulfill its primary function unless the

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59 *Id.*

60 *Supra* n. 21.

61 *Id.*

62 Rev. Proc. 2001-28 § 4.05.

63 *Id.*

64 *Id* at § 4.04(1).

65 *Id.*at § 4.04(2).

improvement is ancillary and of a kind customarily furnished by lessees.[66] Second, if a number of requirements are met, a member of the Lessee Group may pay for improvements that are not readily removable from the leased property without causing material damage (a "Nonseverable Improvement").[67] Under the Guidelines, a lessee may pay for a Nonseverable Improvement if:

- The Nonseverable Improvement meets one of the following:
    - The Nonseverable Improvement is constructed to comply with health, safety, or environmental standards set or recognized by a government or governmental authority,
    - The Nonseverable Improvement does not increase the productivity or capacity of the leased property to more than 125% of its productivity or capacity when first placed in service and does not modify the leased property for a different use, or
    - The aggregate cost of all Nonseverable Improvements made to the leased property does not exceed 10% of the total cost of the property.[68]
- The Nonseverable Improvement must also meet each of the following:
    - The Nonseverable Improvement must not be necessary for the leased property to fulfill its primary intended function,
    - The Nonseverable Improvement must not cause the leased property to become "limited use" property (described below), and
    - The Nonseverable Improvement must not constitute an equity investment in the property by a member of the Lessee Group.[69]

For purposes of determining whether a Nonseverable Improvement creates an equity investment by the Lessee Group, the Lessee Group has an equity investment if:

- The lessor is obligated to purchase the Nonseverable Improvement at fair market value or reimburse the Lessee Group for the cost of the Nonseverable Improvement,

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66 *Id.*

67 *Id.* at § 4.04(3).

68 *Id.* at § 4.04(3)(a).

69 *Id.* at § 4.04(3)(b).

- Any purchase option price or renewal rental rates decrease due to the cost or fair market value of the Nonseverable Improvements,

- The lessor is obligated to share any proceeds from the sale of the leased property with the Lessee Group, or

- The Lessee Group otherwise may receive compensation, directly or indirectly, for its interest in the Nonseverable Improvement.[70]

The Guidelines' prohibition against lessee improvements does not appear to be firmly based on any court decisions. General Counsel Memorandum 36727, which related to a prior version of the Guidelines,[71] stated that the Office of Chief Counsel could not identify any statutory or judicial law supporting the reclassification of a lease transaction because of lessee improvements.[72] An attachment to that memorandum stated that the reason for including this requirement was that substantial improvements may indicate that the lessee intends to purchase the property or renew the lease upon termination. Thus, outside of the advance ruling context, it appears that lessee improvements should be considered as a factor in determining whether the lessee will purchase the leased property or renew the lease, but should not, standing alone, cause the lessee to be treated as the owner of the leased property.

(ix) Limited use property

Under the Guidelines the Service will generally not grant a true lease ruling if the leased property is "limited use" property. Property is limited use property if, at the end of the lease term, "there will probably be no potential lessees or buyers [of the property] other than members of the Lessee Group."[73] The purpose of this requirement is to ensure that the lessor has not effectively transferred the property to the lessee for substantially all of the property's useful life, even though the formal term of the lease may be significantly less than the property's useful life.[74]

The Guidelines contain several examples of limited use property, two of which are particularly relevant to Landlord's circumstances. The first example contains the following facts:

> X builds a complete chemical production facility on land owned by Y and leases the facility to Y, a manufacturer of chemicals.... The technical "know-how" and

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70 *Id.*

71 *See* Rev. Proc. 75-21, 1975-1 C.B. 715.

72 (May 15, 1976).

73 Rev. Proc. 2001-28 at § 5.02(1).

74 *Id.*

> trade secrets Y possesses are necessary elements in the commercial operation of the facility. At the time the lease is entered into, no person who is not a member of the [L]essee [G]roup possesses the technical "know-how" and trade secrets necessary for the commercial operation of the facility. The taxpayers submit to the Service the written opinion of a qualified expert stating that it is probable that by the expiration of the lease term of the facility third parties who are potential purchasers or lessors of the facility will have independently developed such "know-how" and trade secrets.

Based on these facts, the Guidelines conclude that the facility is limited use property, and it specifically states that the Service will not consider the expert's opinion in the example because the Service believes that such an opinion is too speculative.[75]

Nevertheless, the Guidelines provide a second example based on similar facts in which the Service will not treat the facility as limited use property:

> The facts are the same as [in the immediately above example], except X has an option at the end of the lease term of the facility to purchase from Y the "know-how" and trade secrets necessary for the commercial operation of the facility, and it would be commercially feasible at the end of such lease term for X to exercise the option and operate the facility itself.

In this example, since X has the ability to acquire the necessary "know-how" and trade secrets, X could potentially sell or release the facility to a person other than Y. Accordingly, the Guidelines conclude that the facility is not limited use property under these facts.[76]

The courts have also used the concept of limited use property as a key factor in deciding how to characterize a transaction. For instance, in *Adney v. Commissioner*, the purported lessor installed an almond cleaning and hulling plant that was permanently affixed to real property owned by the lessee.[77] The Tax Court found that it was "unrealistic" to believe the lessor would recover the permanently affixed leased property at the end of the lease term, and cited this as an important factor in holding that the lease should be treated as a sale for tax purposes. Similarly, in *Estate of Starr v. Commissioner*, the lessor installed a sprinkler system on the lessee's property, and the lessee agreed to lease the sprinkler system from the lessor.[78] In determining whether the transaction should have been characterized as a sale for tax purposes, the court observed that most sprinkler systems are customized for specific property and that it was

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[75] *Id.* at § 5.02(2)(b).

[76] *Id.* at § 5.02(2)(c).

[77] T.C. Memo 1983-135.

[78] 274 F.2d at 295-96.

unlikely that the lessor would retrieve the system after installation. Thus, the use of the sprinkler system was effectively limited to the original lessee, and this was an important factor in the court's determination that the transaction was a sale for tax purposes.

(x) Other Factors

The factors discussed above represent the most frequently cited and, we believe, most significant factors in determining which party owns the leased property for tax purposes, but courts, have found certain additional factors relevant in some cases. These include: (i) whether the lessor holds legal title to the property, (ii) whether the lessor has control of the premises during the lease term, (iii) whether the lessor pays the property taxes, and (iv) whether the parties have treated the transaction as a lease.[79]

Although these factors have been used by courts in certain cases, we do not believe they are material factors in most cases. First, a substance-over-form analysis of tax ownership necessitates that, although a lessor's legal title may be a factor considered, a court will generally not give formal legal title substantial weight.[80] Second, by its nature, a lease requires the property owner to grant use and possession of the property to the lessee. Accordingly, granting a lessee possession and control of the premises would appear to be neutral factor in most cases. Third, while paying property taxes may be an indication of ownership, as explained below, courts have generally viewed a "net lease," in which the lessee is liable for the property taxes, as a neutral factor. Thus, courts have generally not treated the payment of property taxes as a material fact in true lease cases. Finally, although courts have stated that the parties' treatment of the transaction as a lease is a relevant factor, the substance-over-form doctrine allows the courts to disregard the form of the transaction when it is inconsistent with its substance.[81] As a result, the form given the transaction by the parties, while relevant, is generally not viewed as significant where it is inconsistent with the transaction's substance.

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[79] *See e.g.*, *Houchins v. Comm'r*, 79 T.C. 570, 591 (1982), *Grodt & McKay Realty, Inc. v. Comm'r*, 77 T.C. 1221, 1237 (1981).

[80] Unlike other areas of tax law in which a taxpayer may be held to its form by the Service even if such form departs from a transaction's substance, in determining whether an arrangement is a lease, sale, or loan, courts have accepted arguments on substance-over-form principles from both taxpayers and the Service. *Compare Helvering v. F.& R. Lazarus & Co.*, 308 U.S. 252 (1939) (holding that a taxpayer could disregard the form of 99 year lease and be treated as the owner of the leased property for the purpose of claiming depreciation deductions) *with Comm'r v. Danielson*, 378 F.2d 771 (3rd Cir. 1967) (holding that a seller could not disregard a purchase price allocation as between stock and a covenant not to compete contained in the sale contract absent fraud, duress, mistake, or undue influence despite the Tax Court's finding that the allocation in the contract lacked substance).

[81] *Id.*

(xi) Neutral Factors

In addition to the factors discussed above, case law also has noted certain facts that normally do not provide weight to either side's argument in leasing cases. These neutral factors include: (i) whether the lease is a net lease, (ii) whether the lease is expected to produce positive cash flow for the lessor during the lease term, (iii) whether the payments under the lease match the payments the lessor owes on indebtedness the lessor used to acquire the leased property, and (iv) whether the lessor financed the purchase of the leased property with nonrecourse debt.[82]

(c) Application of Sale and Loan Factors the Master Lease

(i) Equity Investment

Landlord will acquire the Distribution Systems as part of the Transaction. Pursuant to that Transaction, Windstream and its affiliates will contribute the Leased Property and the Consumer CLEC Business to CS&L. In addition, as part of the Transaction, CS&L will receive proceeds from the Loan and distribute approximately $1.05 billion of these proceeds to Windstream.

Although this transaction is not the traditional acquisition of leased property contemplated by the Guidelines or normally reviewed by the courts, economically, CS&L will effectively acquire the Leased Property and the Consumer CLEC Business in exchange for equity in CS&L and cash of approximately $1.05 billion, with the cash portion of the transaction being financed by the Loan. The portion of this exchange that will involve CS&L's equity should be viewed as Landlord's equity investment in both the Leased Property and the Consumer CLEC Business.[83] Since the Leased Property and the Consumer CLEC Business will account for substantially all of CS&L's assets at the time CS&L acquired the Leased Property and the Consumer CLEC Business, based on CS&L's representation that it expects Landlord's and CS&L's respective indebtedness to at all times be less than 80% of the fair market value of Landlord's and CS&L's respective assets, CS&L and Landlord should have an initial equity investment in the Leased Property equal to at least 20% of the Leased Property's value. Accordingly, Landlord should satisfy the requirement in the Guidelines that the lessor initially make a 20% equity investment in the leased property. Since case law has generally permitted an even smaller initial equity investment than the Guidelines, Landlord's initial equity investment in the Leased Properties should be treated as consistent with Landlord's status as owner and lessor of the Leased Properties.

In addition, CS&L has represented that it expects that the indebtedness of CS&L will not exceed 80% of the fair market value of Landlord's assets at the time CS&L incurs additional

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[82] *Levy*, 91 T.C. at 860; *Larsen v. Comm'r*, 89 T.C. 1229, 1267 (1987), *aff'd in part and rev'd in part*, 909 F.2d 1360 (9th Cir. 1990); *Estate of Thomas*, 84 T.C. at 433-438.

[83] In an economically equivalent transaction, CS&L could have issued its stock to investors for cash and then used that cash to purchase the Leased Property and the Consumer CLEC Business.

indebtedness during the Initial Term or any Renewal Term. Although CS&L's expectation does not specifically address the formulaic requirement found in the Guidelines regarding the maintenance of a minimum investment,[84] the purpose of this requirement is to ensure that the lessor continues to bear a significant risk of loss, and courts have not required a lessor to comply with the specific formula contained in the Guidelines. Accordingly, given the facts contained in the representation, Landlord should retain a sufficient equity investment in each Distribution System to be treated as the owner and lessor.

(ii) Residual Useful Life, Residual Value, and Renewal Options

Both the Guidelines and the relevant case law require a lessor's reversionary interest in leased property to have an expected useful life and value at the end of the lease term. That is, the lessor must retain the potential benefits and risks of ownership through participating in the appreciation or depreciation of the leased property during the lease term. With respect to this requirement, as preliminary matter, it is necessary to determine the lease term.

The Guidelines require that all renewal periods be considered in assessing the residual useful life and residual value, unless the renewal occurs at the option of the lessee and at rents equal to fair market value determined at the time of the renewal.[85] Under the Master Lease, Tenant may exercise the Renewal Options and renew the Master Lease for three Renewal Terms of five years each or four Renewal Terms if the option to extend the Initial Term is not exercised. If Tenant exercises the Renewal Options, Sections 1.4(b) and 41.14 of the Master Lease provide that Landlord and Tenant will negotiate the rent amount, or, if they fail to reach an agreement, a third party appraiser will determine the fair market value rent for them. Therefore, only the Initial Term and the Extended Initial Term are applicable for the useful life analysis and residual value analysis, and the Renewal Terms are not considered part of the lease term.

As discussed above, we believe each Distribution System, including all of the Distribution System Components, is the correct unit of property for the purposes of testing useful life and residual value of the Distribution Systems. If the useful life requirement in the Guidelines is applied to each Distribution System, the EY Appraisal estimated that each of the

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[84] The Guidelines state the lessor meets the requirement where the excess of the projected cumulative payments required to be paid by the lessee to or for the lessor over the projected cumulative disbursements required to be paid by or for the lessor in connection with the ownership of the property never exceeds the sum of (i) the excess of the lessor's initial equity investment over twenty percent of the cost of the property *plus* (ii) a cumulative *pro rata* portion of the projected profits from the transaction (exclusive of tax benefits). Rev. Proc. 2001-28 at § 4.01(2).

[85] Rev. Proc. 2001-28 at § 4.02.

Distribution Systems will have at least 20% of remaining useful life at the end of the Extended Initial Term, which should satisfy the residual life requirement for each Distribution System.[86]

In addition, the EY Appraisal projects that, if inflation is taken into account, the residual value of each Distribution System will range between approximately 40.3% and 70.4% at the end of the Extended Initial Term. Accordingly, each Distribution System should satisfy the residual value requirement whether or not the Initial Extension Right is exercised.[87]

As discussed above in Part IV.C.1(b)(iii), while the Guidelines require uninflated fair market value analysis of the residual value at the end of the lease term, the courts have not specified such a requirement. Even when inflation is disregarded in calculating the fair market residual value at the end of the Initial Term and Extended Initial Term, the values are still above the 20% threshold. The EY Appraisal projects that the uninflated residual value of each Distribution System will range between approximately 22.3% and 39.0% at the end of the Extended Initial Term. Thus, the residual life and residual value of the Leased Properties should be considered consistent with Landlord's status as owner and lessor of those Leased Properties.

(iii) Call and Put Options

Under the Master Lease, neither Tenant nor its affiliates have the right to purchase any of the Distribution Systems, and CS&L has represented that no such right exists outside of the Master Lease. In addition, under the Master Lease, Landlord does not have the right to put any of the Distribution Systems to Tenant or its affiliates, and CS&L has represented no such right exists outside of the Master Lease. The lack of any call or put rights between Landlord and Tenant regarding the Leased Properties weighs in favor of treating Landlord as the lessor with respect to that property.

(iv) Profits, Cash Flow, and Turnaround Point

Both the case law and the Guidelines treat a reasonable expectation of profit and cash flow as indicative of a true lease. In addition, the case law also considers the existence of a "turnaround point" (a point where gross income from the lease exceeds tax deductions related to the lease) to be a factor supporting the existence of a true lease. CS&L has represented that it expects Landlord to earn a material profit and produce material positive cash flow from leasing the Distribution Systems. Furthermore, because Landlord expects to earn a material profit from

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[86] The estimated remaining useful life for the Distribution System ranges between 25.4 to 40.6 years. See Exhibit C for details.

[87] We also note that, if any of the Leased Properties are destroyed, the insurance proceeds must first either be used to repair the property or, if the Distribution System is not repaired, to compensate Landlord or Landlord's creditors. Furthermore, if the property is condemned and can no longer be used for the Primary Intended Use, the compensation accrues to the benefit of Landlord or Landlord's creditors. Accordingly, if a Distribution System is destroyed or condemned during the Term, Landlord should nevertheless retain the benefit of the residual value of the Distribution System.

leasing the Distribution Systems, the gross income Landlord earns should be greater than the tax deductions related to the Distribution Systems. Therefore, the factors relating to profits, cash flow, and turnaround points also support treating Landlord as the lessor of the Distribution Systems.

(v) Lessee as Creditor or Guarantor

The Guidelines require that the Lessee Group not make a loan to the lessor in connection with the lessor's acquisition of the leased property or act as guarantor of indebtedness the lessor incurred to obtain the leased property. CS&L has represented that neither Tenant nor its affiliates will loan money to Landlord in connection with Landlord's acquisition of the Distribution Systems or act as a guarantor of indebtedness Landlord incurred in connection with its acquisition of the Distribution Systems. While Tenant and certain Affiliates of Tenant are, or may become, guarantors with respect to Tenant's obligations under the Master Lease, the Guidelines expressly state that this type of guarantee does not constitute a guarantee of the lessor's indebtedness.[88] Thus, this factor also supports treating Landlord as the lessor of the Distribution Systems.

(vi) Lessee Investment

Under Section 10.2 of the Master Lease, Tenant has the right to make certain Capital Improvements and these may potentially take the form of either a Severable Improvement or a Nonseverable Improvement. Depending on the nature of the Capital Improvement, Landlord may or may not have the option to fund the Capital Improvement. Accordingly, under the Master Lease, four types of possible Capital Improvements exist: (i) a Severable Improvement that is not a Tenant-funded Capital Improvement (i.e., a Capital Improvement that Landlord funds), (ii) a Severable Improvement that is a Tenant-funded Capital Improvement, (iii) a Nonseverable Improvement that is not a Tenant-funded Capital Improvement (i.e., a Capital Improvement that Landlord funds), and (iv) a Nonseverable Improvement that is a Tenant-funded Capital Improvement. The Guidelines only prohibit investments by the lessee; therefore, only a Severable Improvement or Nonseverable Improvement that is a Tenant-funded Capital Improvement (i.e., TCI Replacements, TCI ILEC Extensions, TCI CLEC Extensions, and Long Haul Fiber Routes) could create an issue under the Guidelines.

(vii) TCI Replacements

TCI Replacements are not funded by Landlord, but constitute maintenance, repair, overbuild, upgrade, or replacement of the Distribution Systems, including the replacement of copper distribution systems with fiber distribution systems. These Capital Improvements automatically become part of the Leased Property. To the extent TCI Replacements are for maintenance and repair, they need not undergo a Nonseverable Improvement analysis because,

[88] Rev. Proc. 2001-28 at § 4.05.

as explained above in Part IV.C.1(b)(viii), a lessee furnishing the cost of ordinary repair and maintenance is not prohibited by the Guidelines.

It is not anticipated that there will be a significant amount of TCI Replacements used for overbuild, upgrade, or replacement of the Distribution Systems. It is against Tenant's interest to fund such Capital Improvements that will become part of the Leased Property. In all likelihood, Tenant instead will seek funding from Landlord pursuant to Section 10.2 of the Master Lease for these types of improvements. Although Landlord is not required to fund any Capital Improvements pursuant to the Master Lease, Landlord has agreed to fund up to $50 million of Capital Improvements for the first year of the Term in the Capital Expenditure Side Letter. Additionally, Landlord has represented that, if Tenant delivers a Funding Request, Landlord anticipates that it will agree to provide the Full Funding Commitment in accordance with the terms of the Master Lease. Because Landlord will likely fund a substantial amount of Capital Improvements including what would otherwise be considered TCI Replacements if funded by Tenant, it is unlikely that there will be a significant amount of TCI Replacements.

Furthermore, the Guidelines' rules regarding lessee investment are not firmly supported by case law, and the Service has stated that the primary reasons that these rules were included in the Guidelines was out of concern that excessive tenant improvements could indicate that the lessee intends to purchase the property or renew the lease at the end of the term. In this case, Tenant will not hold any option to purchase the Leased Property or hold an option to renew the Master Lease (other than at fair market value rent) at the end of the Extended Initial Term. Thus, even if future TCI Replacements provide an incentive for Tenant to purchase the Distribution Systems or enter into a new lease with Landlord, whether Tenant would be successful in making such a purchase or entering into such a lease is uncertain (for further explanation, see Part IV.C.1(c)(xi), below) and would in any event not entitle Tenant to the residual value of any such improvements without paying fair market value. For these reasons, we believe that the possibility of TCI Replacements should not cause the Master Lease to be treated as other than a true lease for tax purposes.

(viii) TCI ILEC Extensions

The Guidelines provide that a lessee may pay for a Severable Improvement unless the Severable Improvement is necessary in order to render the leased property complete for its intended use or the Severable Improvement is subject to a contract or option for purchase or sale between the lessor and any member of the Lessee Group at a price other than the fair market value at the time of purchase or sale.[89] TCI ILEC Extensions are Severable Improvements because they are Extensions of the Distribution Systems to a New Geographic Area where Tenant is licensed as an incumbent local exchange carrier. CS&L has represented that Landlord owns an interest in all components of each Distribution System that are necessary for each Distribution System to function for the Primary Intended Use, it being understood that a tenant of

[89] *Id.* at § 4.04(2).

CS&L would need to attach certain equipment and electronics to the Distribution Systems to use the Distribution Systems in Tenant's business.[90] In addition, TCI ILEC Extensions are not subject to a lessor-lessee sale arrangement, but instead are included within a sale of Communications Assets at fair market value to a Successor Tenant upon the termination of the lease. Accordingly, any TCI ILEC Extension made by Tenant to the Distribution Systems should be permitted by the Guidelines.

(ix) TCI CLEC Extensions

The TCI CLEC Extensions are not funded by Landlord and are Extensions of the Distribution Systems to a New Geographic Area where Tenant is licensed as a competitive local exchange carrier. TCI CLEC Extensions are Severable Improvements because, as extensions, they would not interfere with the existing Distribution Systems; they would only supplement the Distribution Systems. Additionally, the TCI CLEC Extensions are not subject to an agreement between Tenant and Landlord for purchase. Instead, if Tenant decides to leave the TCI CLEC Extensions in place, it will receive fair market value in one of two ways. It could receive fair market value as part of an interconnection agreement with the Successor Tenant, if functionally independent of the Distribution Systems. Alternatively, it could receive fair market value as part of the Communications Assets to be sold to a Successor Tenant, if not functionally independent of the Distribution Systems.[91] Tenant would always have the option to sever the TCI CLEC Extensions from the Distribution Systems and keep them as Tenant's Property. Therefore, the TCI CLEC Extensions should be permitted.

(x) Long Haul Fiber Routes

Capital Improvements that constitute Long Haul Fiber Routes will be Tenant's Property, and not funded by Landlord. Long Haul Fiber Routes will be incorporated with and connected to Tenant's long haul fiber network. Therefore, Long Haul Fiber Routes should be considered separate and apart from the Leased Property, and should not be subject to the improvement analysis under the Guidelines. To the extent Long Haul Fiber Routes are considered a Severable Improvement, the improvement would pass scrutiny under the Guidelines. The improvement would never interfere with the Leased Property and is not required to operate the Leased Property for the Primary Intended Use. Furthermore, it is not contemplated for sale between Landlord and Tenant, as it is always considered Tenant's property.

(xi) Nonseverable Improvements

As of the date of our opinion, it is uncertain whether any future Nonseverable Improvement that is a Tenant-funded Capital Improvement would satisfy the Guidelines

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[90] The electronics and certain equipment mentioned in the representation are considered Tenant Property, and therefore outside the scope of the improvement category.

[91] For clarity, the Leased Property is never functionally dependent on the TCI CLEC Extensions.

requirements. Nevertheless, we do not believe that this uncertainty should materially affect whether the Master Lease is a true lease with respect to the Distribution Systems. First, the Guidelines' rules regarding lessee investment are not firmly supported by case law, and the Service has stated that the primary reasons that these rules were included in the Guidelines was out of concern that excessive tenant improvements could indicate that the lessee intends to purchase the property or renew the lease at the end of the term. In this case, Tenant will not hold an option to purchase or renew the Master Lease at the end of the Term. Thus, even if a future Tenant-funded Capital Improvement provides an incentive for Tenant to purchase the Distribution Systems or enter into a new lease with Landlord, whether Tenant would be successful in making such a purchase or entering into such a lease is uncertain. Second, since Tenant can receive fair market value for certain of the Tenant-funded Capital Improvements upon expiration of the Master Lease (from a Successor Tenant), the existence of a Nonseverable Improvement should not materially affect Tenant's decision to attempt to purchase the Distribution Systems or renew the Master Lease. That is, at the end of the Term, because Tenant can receive fair market value for its Capital Improvements without necessarily renewing the Master Lease or purchasing the Distribution Systems, Tenant will not face a situation in which its choices are either to purchase the Distribution Systems, renew the Master Lease, or lose all the value associated with its Capital Improvements. Accordingly, the extent to which a Tenant-funded Capital Improvement would provide an incentive for Tenant to purchase the Distribution Systems or enter into a new lease is muted under the terms of the Master Lease. Finally, as of the Commencement Date, the level of Nonseverable Improvements that will be Tenant-funded Capital Improvements is uncertain and will depend on a number of factors, including Landlord's option to fund certain Capital Improvements. Therefore, as of the Commencement Date, it is uncertain whether Capital Improvements funded by Tenant will ever become a significant portion of any of the Distribution Systems.

In summary, the status of future Tenant-funded Capital Improvements under the Guidelines is uncertain, but should not materially affect the status of the Master Lease as a true lease with respect to the Distribution Systems. The lessee improvement factor is not directly based on any case law and, for the reasons noted above, any future Tenant-funded Capital Improvements should not significantly increase the likelihood of Tenant renewing the Master Lease. Thus, we believe the potential for Tenant to make certain Nonseverable Improvements in the future should be a neutral factor in determining whether the Master Lease is a true lease with respect to the Distribution Systems.

(xii) Limited Use Property

The Guidelines require a lessor to demonstrate that it expects to be able to sell or lease the property to a person outside the Lessee Group. Since the operation of the Distribution Systems requires the use of the Communications Assets, if it is unlikely that Tenant and its affiliates could transfer its Communications Assets to an unrelated party, the Distribution Systems could be considered limited use property. Nevertheless, in an example with facts that parallel the relationship between the Distribution Systems and the Communications Assets, the Guidelines provide that if it is feasible to transfer the trade secrets and know-how necessary to

operate leased property to a new tenant, the leased property will not be considered limited use property.[92] Accordingly, provided that it is feasible to transfer the required Communications Assets from Tenant to a person outside of the Lessee Group, the Distribution Systems should not be treated as limited use property.

The Master Lease contains detailed procedures relating to the transfer of the Distribution Systems from Tenant to an unrelated party. These procedures are intended to facilitate the simultaneous transfer of the Communications Assets to a Successor Tenant who is not a member of the Lessee Group. CS&L has also represented that it will be commercially feasible to transfer all the property and rights necessary to operate each Distribution System to a person other than Tenant or its affiliates. Furthermore, CS&L has represented that as of the Commencement Date persons exist other than Tenant or its affiliates who could satisfy the requirements of a Qualified Successor Tenant and that CS&L expects such persons to exist as of the end of the Initial Term, the Extended Initial Term, and any of the Renewal Terms. Finally, CS&L has also represented that, to the extent Tenant must seek Landlord's approval prior to constructing Capital Improvements, Landlord will not permit Tenant to construct a Capital Improvement that would cause any Distribution System to be considered limited use property under the Guidelines. Based on the terms of the Master Lease and CS&L's representations, none of the Distribution Systems should be considered limited use property under the Guidelines.

(xiii) Traditional Benefits and Burdens

As described in the above analysis, the Guidelines' requirements are generally aimed at determining which party possesses the benefits and burdens of ownership. Courts have used factors similar to those contained in the Guidelines in deciding whether a purported lessor has retained sufficient benefits and burdens of ownership in leased property to be considered the owner of such property for tax purposes.[93] At bottom, a court's benefits and burdens analysis is intended to assess which party has the upside and downside risk (i.e., the benefits and burdens of ownership) regarding the leased property.[94] Because the Guidelines' requirements are intended to address this same issue, the traditional benefits and burdens analysis generally mirrors the analysis above, and Landlord should thus be treated as the owner and lessor of the Distribution Systems under a traditional benefits and burdens analysis.[95]

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92 Rev. Proc. 2001-28 at § 5.02(2)(b).

93 *See Emershaw*, T.C. Memo. 1990-246; *Pearlstein*, T.C. Memo. 1989-621; *Rubin*, T.C. Memo. 1989-484; *Moser*, T.C. Memo. 1989-142; *Van Roekel*, T.C. Memo. 1989-74; *Levy*, 91 T.C. 838 at 859-862; *Ockels*, T.C. Memo. 1987-507; *Larsen*, 89 T.C. 1229 at 1266-1269; *Mukerji v. Comm'r*, 87 T.C. 926 at 967-968.

94 *See* Michael H. Simonson, *Determining Tax Ownership of Leased Property*, 38 Tax Law. 1, 3 (1984) ("[t]he ultimate inquiry into the tax ownership question involves an assessment of whether a lessor stands to realize a significant economic gain or to incur a meaningful economic loss with respect to the leased property").

95 *See supra* n. 22 (detailing factors contained in case law similar to those contained in the Guidelines).

The following specific factors reviewed above establish that Landlord has retained substantial upside potential and downside risk regarding the Distribution Systems. First, Landlord's substantial equity investment in the Distribution Systems and the expected residual value of the Distribution Systems indicate that Landlord bears a significant risk of loss with respect to the economic depreciation of the Distribution Systems. In addition, because Landlord expects a significant residual useful life and residual value in the Distribution Systems beyond the Initial Term (regardless of whether the option to extend the Initial Term is exercised) of the Master Lease, Landlord should have the opportunity to profit from appreciation in the Distribution Systems through a sale or lease of the Distribution Systems at the end of the Initial Term. Furthermore, the Master Lease does not grant Tenant either a bargain purchase option or an option to renew the Master Lease for nominal rent; therefore, Tenant has not acquired the benefits and burdens of ownership through a bargain purchase option or nominal rent arrangement. Also, Landlord does not hold an option to put the Distribution Systems to any party, which further indicates that Landlord bears the downside risk related to the Distribution Systems. Accordingly, under a traditional benefits and burdens analysis, Landlord should be treated as possessing both the potential upside benefit and downside risk with respect to the Distribution Systems.

(xiv) Conclusion

Based on the factors presented in the Guidelines, case law, and other authority, we believe the Master Lease should not be treated as a sale or financing arrangement with respect to the Distribution Systems.[96]

D. The Master Lease as Management or Services Agreement

1. Overview

In addition to reclassification as a sale or financing arrangement, a purported lease may also be reclassified as a management or services contract. Although the concepts used in analyzing possible service or management agreements are similar, the tax law has generally treated them as two distinct concepts.[97]

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[96] We also note that if the Distribution Systems were considered a single asset, the Master Lease should nevertheless be treated as a true lease with respect to the Distribution Systems, based on the factors in the Guidelines and case law. This should result because, if viewed as a single property, the Distribution Systems should have a significant residual value and useful life at the end of the Term based on the EY Appraisal and all other lease factors described above should apply similarly regardless of whether the relevant property is each separate Distribution System or the aggregate of all the Distribution Systems.

[97] *See* Joint Comm. on Tax'n, 98th Cong., 2d Sess., General Explanation of the Revenue Provisions of the "Deficit Reduction Act of 1984," 59 (1984) (explaining that the enactment of Section 7701(e) does not affect rules for determining the treatment of management contracts).

- *Management contract*[98] – In a management contract, the property owner contracts to have a manager operate the property. If the manager obtains significant control and risk of loss from operations with respect to the property, the contract may be recharacterized as a lease, with the property owner as lessor and the manager as lessee. Conversely, if a lessee doesn't obtain sufficient control of the property or is not exposed to the risk of loss from operating the property, a purported lease may be recharacterized as a management contact, with the lessee as manager or agent and the property owner as principal.

- *Services contract* – In a potential services contract, one party generally provides a second party with a mix of property and services (e.g., providing copy machines to an office building along with maintenance services). If, based on a number of factors, the receiving party has leased property (and not received services), then the contract would be classified as a lease, with the purported service provider as lessor and the recipient as lessee. Conversely, if, based on those same factors, a purported lease were characterized as a service contract, the arrangement would be characterized as such, with the lessor as the service provider and the lessee as service recipient.[99]

The following first discusses the Master Lease under the legal authorities addressing management contracts and then turns to the service contract factors set forth under Section 7701(e).

2. Management Contracts

The case law and authorities distinguishing between leases and management contracts generally agree that the two controlling considerations are: (i) which party controls the use of the property and (ii) which party bears the risk of loss with respect to such use.[100] In the context of a purported lease arrangement, if the lessor retains significant control and risk of loss with respect to the property, then it may be more appropriate to characterize the lease as a management contract. In addition, while a court will not allow taxpayers to obscure the substance of the

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98 Case law addressing the characterization of an arrangement as a management contract or lease will often use the term agency agreement instead of management contract. For purposes of this opinion, we have used the term management contract to describe both agency and management contracts.

99 We note that Section 7701(e), which sets forth factors for distinguishing between leases and service contracts (or other arrangements), only applies to recharacterize a service contract (or other arrangement) as a lease and not a lease as a service contract (or other arrangement). However, in letter rulings, the Service has used these same factors in analyzing whether a purported lease should be treated as a service contract. *See e.g.*, Priv. Ltr. Rul 9814021 (Dec. 23, 1998) (applying Section 7701(e) factors to purported lease of electric generating plants).

100 *See Amerco v. Comm'r*, 82 T.C. 654, 671 (1984) ("[t]his Court has recognized, as have other court, that two key factors indicate the existence of an agency arrangement: (1) control over the venture by the property owner, and (2) risk of loss on the property owner).

transaction by merely labeling a transaction a lease, in management contract cases, courts will give weight to the intent of the parties regarding the relationship the transaction creates.[101]

The case *Berry v. Commissioner* demonstrates the application of these rules.[102] In *Berry*, the taxpayer and a local county entered into a contract labeled the "agreement and lease." Under this contract, the county gave the taxpayer the right to exclusively possess and control certain premises for operation as an airport parking lot, and the taxpayer agreed to pay the county rent based on the greater of a specified amount or a percentage of gross receipts. The contract also contained certain controls or restrictions on the methods the taxpayer could use to operate the parking facility. Specifically, the taxpayer agreed to dismiss any employee whose conduct was detrimental to the airport; operate the premises in a neat and clean manner; receive approval for all signage placed on the premises; use a parking fee schedule agreed upon with the county; and furnish parking services in a fair, reasonable, and nondiscriminatory manner.

For reasons not relevant here, the taxpayer in *Berry* argued that the agreement was in substance a management contract. The court disagreed and held that the contract was a lease. Although the taxpayer argued that the restrictions on its use of the parking facility were inconsistent with the taxpayer being treated as a lessee, the court found the restrictions in the agreement to be typical lease terms and noted that it is common for lessors to place some restrictions on a lessee's use of property, especially where a portion of the rent is contingent upon such use. In addition, the court determined that the risk of loss from operating the parking facility rested largely on the taxpayer, as the taxpayer would owe a minimum rent to the county regardless of the taxpayer's success in operating the parking facility. Even though the taxpayer was also potentially liable for rent based on a percentage of gross receipts, the court decided that this percentage rent did not shift substantial risk from operations to the county. Furthermore, the agreement was labeled a lease and used the terms "rent," "lessee," and "lessor," showing the parties had an intent to create a lessor-lessee relationship. Since the taxpayer had significant control of the property and retained significant risk from operating the parking facility, and the form of transaction indicated an intent to create a lease, the court held the arrangement was a lease for tax purposes.

Amerco v. Commissioner is another case in which the court applied the control and risk of loss factors to determine that a taxpayer's transaction was properly characterized as a lease.[103] *Amerco* involved an arrangement under which investors could purchase U-Haul trailers and then place the trailers in U-Haul's nationwide rental system. U-Haul would operate the rental system and remit a percentage of the net income earned from the trailer to the investor. U-Haul treated the transactions as leases, with the trailer owners the lessors and U-Haul as the lessee, in its tax filings, board minutes, communications with the U.S. Securities and Exchange Commission, and

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[101] *Amerco*, 82 T.C. at 684-685.

[102] T.C. Memo. 1978-65, *aff'd*, 622 F.2d 270 (6th Cir. 1980).

[103] 82 T.C. 654.

in soliciting potential investors. The Service challenged U-Haul's characterization and argued that the arrangement was a management contract.

With respect to the control factor, the court determined that U-Haul had significant control over the trailers. The trailer owner granted U-Haul permission to place the trailer in U-Haul's rental system, pay necessary operational expenses, declare the trailer unfit for further use, control day-to-day operations of the rental fleet, and set or recommend terms and conditions concerning the rental of the trailers to the public. Although U-Haul agreed to exercise these rights to promote the trailers and to make periodic accountings to the owners, the court believed that such limited restrictions on U-Haul's control were consistent with a lessor-lessee relationship.

The court also determined that the predominant risk of loss from operations rested with U-Haul. Under the agreement between U-Haul and the trailer owners, U-Haul agreed to distribute 35% of the income from operating the trailer to the owner, and U-Haul had the right to pay for operating expenditures from the gross income earned from renting the trailers to the public. However, if the operating expenses were in excess of rental income, U-Haul had no recourse against the trailer owners other than charging the expenses against future rental income from the trailers. In addition, U-Haul agreed to hold the trailer owners harmless from any damages and liability incurred in renting the trailers. As a result of this arrangement, the trailer owners' potential losses were limited to their initial investment in the trailers, which the court found consistent with their status as lessors.

As a final point, the court placed "great weight" on the intent of the parties, as evidenced by U-Haul's consistent characterization of the transactions as leases in board minutes, communications with the U.S. Securities and Exchange Commission, and solicitations of investors.[104] The court thus also considered the form given the transaction by the parties as a factor in its decision. Because the parties intended to create a lessor-lessee relationship and the trailer owners did not exercise significant control or bear the risk of loss with respect to the operation of the trailers, the court held that U-Haul had properly characterized the transactions as leases.

A case with facts similar to *Amerco*, but with a different result, is *Meagher v. Commissioner*.[105] In *Meagher*, the taxpayer had purchased a railroad tank car and then entered into a contract with Relco, under which Relco would operate the railcar and the taxpayer would pay Relco 35% of the operating income from such operation. The taxpayer characterized the arrangement as a management contract, while the Service sought to recharacterize the transaction as a lease.

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[104] *Id.* at 684-685.

[105] T.C. Memo. 1977-270.

In regards to the control factor, the facts in *Meagher* are difficult to distinguish from those in Amerco. Under the contract, Relco agreed to perform all managerial and administrative functions necessary for the operation of the railcar and to use its best efforts to lease the railcar to shippers. While the contract did impose limited restrictions on Relco that appeared similar to those imposed on U-Haul in *Amerco*, including obligations to keep adequate records of the railcar's operation, obtain insurance, and use best efforts to lease the railcar to shippers, the court concluded that these restrictions gave the taxpayer sufficient control of the railcar to characterize the transaction as a management agreement.

Although it is difficult to differentiate *Meagher* and *Amerco* based on the control factor, the cases can be distinguished on the risk of loss factor. In *Meagher*, to provide for operating expenses, Relco was to set aside a reserve of $200 of the income earned from each railcar. However, if the operating expenses exceeded the reserve, the taxpayer agreed to reimburse Relco for the excess expenses. In addition, the taxpayer agreed to defend, indemnify, and hold Relco harmless for any losses or damages with respect to the cars. Thus, in contrast with the trailer owners in *Amerco*, the risk of loss from operating the railcars in *Meagher* fell on the railcar owner and not the operator, Relco. Based on this, the court held that the taxpayer in *Meagher* had properly characterized his agreement with Relco as a management contract.

3. Application of Management Contract Authority to the Master Lease

The Master Lease should not be characterized as a management contract because, under the terms of the Master Lease, Tenant has sufficient control over the Distribution Systems and bears significant risk of loss with respect to the operation of the Distribution Systems. Before analyzing the control and risk of loss factors, however, we also note that Landlord and Tenant intend for the Master Lease to create a lessor-lessee relationship. Landlord has represented that this is the intention of the parties, and the Master Lease not only takes the form of a lease but also states that the parties intend to create a leasing arrangement. Accordingly, the parties' intent to create a lessor-lessee relationship weighs in favor of treating the Master Lease as a lease rather than a management contract for tax purposes.

In addition, Tenant should have sufficient control over the Distribution Systems to prevent the Master Lease from being considered a management contract. Subject to terms of the Master Lease, Tenant generally has the right to peaceably and quietly have, hold, and enjoy the Distribution Systems during the Term free of any claim or other action by Landlord. The primary restriction that the Master Lease places on Tenant's enjoyment of the Distribution Systems is that it requires Tenant to operate the Distribution Systems for the Primary Intended Use. The Master Lease also contains a number of terms that buttress this requirement, including Tenant's obligation to (i) comply with all relevant regulations and licensing requirements, (ii) seek approval for material modification to the Distribution Systems, and (iii) generally prevent any liens or encumbrances on the Distribution Systems. In addition, Tenant can only cease operating a Distribution System for the Primary Intended Use if ceasing operations does not have a material adverse effect on Tenant or the Facilities. Finally, Landlord has the right to inspect the Distribution Systems upon reasonable notice and to audit certain financial information of Tenant.

Although the Master Lease does restrict Tenant's enjoyment of the property in a number of ways, the relevant cases indicate that these types of restrictions should not be considered inconsistent with the status of the Master Lease as a lease. Outside of the requirement to operate the Distribution Systems for its Primary Intended Use, Tenant is generally free to operate the Distribution Systems according to its own best interest. The remainder of the significant restrictions in the Master Lease are designed to prevent Tenant from impairing the use of the Distribution Systems for the Primary Intended Use. For instance, the requirements to comply with the relevant regulations and licensing requirements, prevent liens and encumbrances on the Distribution Systems, and continue to operate a Facility if ceasing operations would have a material adverse effect on Tenant or the Facilities are restrictions designed to prevent Tenant from impairing the operation of the Distribution Systems for the Primary Intended Use. These are similar to the restrictions found in *Berry* that were designed to prevent the parking lot operator from impairing the operation of the airport. Finally, Landlord's rights to inspect the Distribution Systems and audit Tenant to ensure compliance with the Master Lease are similar to the lessors' rights in *Amerco* to receive regular accounting reports related to their trailers and do not grant Landlord substantial control over the Distribution Systems. Given the above, Tenant should be treated as having a significant degree of control over the operation of the Distribution Systems.

Tenant should also bear a sufficient risk of loss from the operation of the Distribution Systems to be considered a lessee. The cases described above highlight the material factors in determining whether a tenant bears the risk of loss from operating the property. First, as described in *Berry*, an unconditional obligation to pay rent indicates that the tenant bears the risk of loss. Second, the distinguishing feature between *Meagher* and *Amerco* was the tenant or manager's recourse against the property owner. In *Meagher*, the manager had recourse against the property owner, which reduced the manager's risk, and the court determined the arrangement was a management contract. In contrast, in *Amerco*, U-Haul had no direct recourse against the trailer owner, and the court held that U-Haul bore sufficient risk of loss to be considered a lessee.

Under the Master Lease, Tenant must pay the Rent regardless of the operating performance of the Facilities, the destruction or damage to the Facilities, the lawful or unlawful prohibition on Tenant's use of the Facilities, or the existence of claims Tenant may have against Landlord. The Rent is fixed, subject only to the annual Escalation, and Tenant will thus owe the Rent to Landlord throughout the Initial Term and any Renewal Terms regardless of Tenant's financial performance. Thus, Tenant's obligation to pay the Rent indicates that Tenant bears the risk of loss with respect to the Distribution Systems.

The Master Lease also generally does not provide Tenant with any recourse against Landlord for operating costs. The Master Lease is a triple-net lease, under which Tenant is liable for the operating expenses associated with the Distribution Systems, including insurance, utilities, taxes, repairs, and maintenance. Tenant generally also has an obligation to repair any damages to the Distribution Systems and to indemnify Landlord for any liabilities Landlord incurs as a result of Tenant's operation of the Distribution Systems. Accordingly, Tenant is at risk for the operating costs associated with the Distribution Systems. Since Tenant has an

obligation to pay the Rent and has no recourse against Landlord for the costs of operating the Distribution Systems, Tenant should be treated as bearing the risk of loss from operating the Distribution Systems.

To summarize, given the terms of the Master Lease, Tenant should have sufficient control over the Distribution Systems and bear sufficient operational risk related to the Distribution Systems for the Master Lease to be considered a lease and not a management contract.

4. Service Contracts – Section 7701(e) Factors

As noted above, the tax law distinguishes between a service contract and a management contract. In a service contract, the party purportedly providing a service may be recharacterized as the lessor or vice versa, whereas in a management contract the person purportedly providing the management services may be recharacterized as the lessee. Section 7701(e) addresses service contracts and other arrangements but is not intended to apply to management contracts.[106] Section 7701(e)(1) sets forth a number of factors that distinguish leases from service contracts. By its terms, Section 7701(e)(1) applies only to "a contract which purports to be a service contract"; however, in private letter rulings, the Service has applied the factors listed in Section 7701(e) to purported leases to determine if the arrangements should be classified as service contracts.[107] Thus, the factors are likely relevant to agreements, like the Master Lease, that the parties designate as lease agreements.

Section 7701(e)(1) provides that the determination of whether a purported service contract should be treated as a lease must be based on all relevant factors, but specifically highlights the following:

- *The service recipient is in physical possession of the property* – if the service recipient has physical possession of the service provider's property, it is indicative of a lease.[108]

- *The service recipient controls the property* – if the service recipient controls the property, it is indicative of a lease.[109]

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[106] *See supra* n. 22 (detailing factors contained in case law similar to those contained in the Guidelines).

[107] *See e.g.*, Priv. Ltr. Rul. 9814021 (Dec. 23, 1998) (applying Section 7701(e) factors to purported lease of electric generating plants).

[108] Joint Comm. on Tax'n, 98th Cong., 2d Sess., General Explanation of the Revenue Provisions of the "Deficit Reduction Act of 1984," 59 (1984).

[109] *Id.*

- *The service recipient has a significant economic or possessory interest in the property* – if the service recipient obtains a significant possessory or economic interest in the property, it is indicative of a lease. This may be established by facts that show (i) the property's use is likely to be dedicated to the service recipient, (ii) the service recipient shares the risk that the property will decline in value, (iii) the service recipient shares in any appreciation in the value of the property, (iv) the service recipient shares in savings in the property's operating costs, or (v) the service recipient bears the risk of damages or loss of the property.[110]

- *The service provider does not bear any risk of substantially diminished receipts or substantially increased expenditures if there is nonperformance under the contract* – if the service provider does not bear this risk, it is indicative of a lease. The nonperformance referred to in this factor can refer to the nonperformance of either the service provider or any property involved in the transaction.[111]

- *The service provider does not use the property concurrently to provide significant services to entities unrelated to the service recipient* – if the service provider does not use the property to provide unrelated persons with services, it is indicative of a lease.[112]

- *The total contract price does not substantially exceed the rental value of the property* – if the contract price is principally based on the use of property, it is indicative of a lease.[113]

5. Application of Service Contract Factors to the Master Lease

If the Master Lease were considered a service contract, the tax law would treat Landlord as the service provider and Tenant as the service recipient. Thus, each of the Section 7701(e) factors must be applied with Landlord as the potential service provider and Tenant as the potential service recipient. Since Landlord has no obligation to perform any significant services under the Master Lease and CS&L's expected status as a REIT limits Landlord's ability to perform services, none of the factors set forth in Section 7701(e) indicate the Master Lease should be treated as other than a lease.

- *The service recipient is in physical possession of the property* – The Master Lease provides enjoyment and possession of the Distribution Systems to Tenant, and thus Tenant is in physical possession of the property, indicating the Master Lease is a lease.

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[110] *Id.* at 60.

[111] *Id.*

[112] *Id.*

[113] *Id.*

- *The service recipient controls the property* – As noted above, while the Master Lease does restrict Tenant's use of the Distribution Systems in certain ways, Tenant has significant control over the day-to-day operations of the Distribution Systems, which is also indicative of a lease.

- *The service recipient has a significant economic or possessory interest in the property* – The Distribution Systems are dedicated to Tenant's use. Also, as described above, Tenant bears most of the operating costs associated with the Distribution Systems and thus would enjoy any savings in the Distribution Systems' operating costs. The Master Lease also generally imposes an obligation on Tenant to repair any damages to the Distribution Systems and therefore Tenant bears the risk of damage to the Distribution Systems.[114] Accordingly, Tenant should have a significant economic or possessory interest in the Distribution Systems under Section 7701(e), indicating the Master Lease is a lease.

- *The service provider does not bear any risk of substantially diminished receipts or substantially increased expenditures if there is nonperformance under the contract* – Here, the Landlord does not bear any risk of substantially diminished receipts due to nonperformance because Rent is fixed at $650 million per year, with fixed escalation provisions from year to year. This factor also indicates the Master Lease is a lease.

- *The service provider does not use the property concurrently to provide significant services to entities unrelated to the service recipient* – Landlord only leases the Distribution Systems to Tenant, and Landlord therefore does not use the Distribution Systems to provide significant services to any other parties. This factor also indicates the Master Lease is a lease.

- *The total contract price does not substantially exceed the rental value of the property* – CS&L has represented that the amount of Rent under the Master Lease is expected to be a fair market value rental rate for the Distribution Systems, which indicates the Master Lease is a lease.

All of the factors set forth under Section 7701(e) weigh in favor of treating the Master Lease as a lease and not as a service contract for tax purposes. We believe, therefore, that the Master Lease should not be treated as a service contract.

E. The Master Lease as Partnership

The final alternative characterization that could apply to the Master Lease is a partnership. Under the Code, a partnership includes "a syndicate, group, pool, joint venture, or other unincorporated organization through or by means of which any business, financial

[114] The upside potential and downside risk in the value of the property remain with Landlord

operation, or venture is carried on."[115] The Supreme Court has stated that in determining whether a partnership exists a court will examine all relevant facts to decide if "the parties in good faith and acting with a business purpose intended to join together in the present conduct of the enterprise."[116] In making this determination, the Tax Court has found the following facts relevant:

- Whether the parties conducted business in the name of the venture;
- Whether the venture filed federal partnership tax returns;
- Whether the venture maintained separate books and records;
- Whether each party contributed to the venture (whether capital or services);
- Whether each party controlled and shared the responsibilities of the venture; and
- Whether the parties shared net profits and losses or compensation contingent on net income.[117]

Several cases apply factors similar to these and highlight the difference between a partnership and a lessor-lessee relationship. In *Grandview Mines v. Commissioner*, the taxpayer owned mineral property and entered into a lease agreement with a lessee, under which the lessee would mine the property.[118] As compensation for allowing the lessee to mine the land, the taxpayer was entitled to 50% of the net profits from operation of the property.[119] The taxpayer also had certain rights that allowed it to monitor and restrict certain of the lessee's activities. These rights included (i) the taxpayer's right to inspect the lessee's books and records, (ii) the lessee's duty to report to taxpayer regarding the operation of the property, and (iii) the taxpayer's right to restrict the lessee's activity with respect to exploration and development of the property.[120] Based on these facts, the taxpayer argued that the purported lease was in substance a partnership between the taxpayer and the lessee. Despite the fact that the taxpayer in *Grandview* received a share of the net profits, the court held that the arrangement failed to create a partnership because the taxpayer did not sufficiently join the lessee in controlling the mining

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[115] Section 761(a).

[116] *Comm'r v. Culbertson*, 337 U.S. 733, 742 (1949).

[117] *Luna v. Comm'r*, 42 T.C. 1067, 1077-1078 (1959).

[118] 282 F.2d 700 (9th Cir. 1960).

[119] *Id.* at 702.

[120] *Id.* at 704.

operations. The court discounted the rights the taxpayer had to monitor and restrict certain of lessee's activities as merely consistent with the taxpayer's interest in the property as lessor.[121] As a result, the court ruled that the transaction was a lease for tax purposes.

In Private Letter Ruling 8046064, the Service also ruled that it would not view a lease arrangement as a partnership absent joint control and management.[122] In that ruling, a local government agency agreed to lease certain property rights to a property developer. Using the leased property, the developer planned to construct apartments. The developer agreed to pay the agency rent based, in part, on the income the developer realized from the apartments; however, any losses from the property would be borne solely by the developer. Under the lease, the developer was also responsible for managing for the apartments, making necessary repairs, and paying all real estate taxes. In making its ruling, the Service emphasized that, while the government agency would receive percentage rents, it would not participate in any losses related to the apartments and that the developer had exclusive power to manage and control the apartments. Accordingly, the Service ruled that the arrangement was not a partnership.

1. Application of Partnership Authority to the Master Lease

The Master Lease should not be treated as creating a partnership because none of the relevant factors support this conclusion. The Master Lease contains specific provisions stating that Landlord and Tenant intend to create a lessor-lessee relationship and that they do not intend for the Master Lease to create a partnership. Furthermore, the Master Lease requires that neither Landlord nor Tenant file any tax returns, enter into any agreements, or release financial statements inconsistent with treating the Master Lease as a true lease (unless Tenant determines that GAAP or the U.S. Securities and Exchange Commission require different treatment). Accordingly, provided the terms of the Master Lease are complied with, Landlord and Tenant will not file a partnership tax return, hold themselves out as conducting a joint business, or maintain a separate set of books and records for the Master Lease. As a result, none of these partnership factors should apply to the Master Lease.

In addition, Tenant and Landlord should not be treated as contributing property to a joint venture. The Master Lease specifically provides that the Distribution Systems are the property of Landlord and that all property used in connection with the Distribution Systems that is not Leased Property (or property of a third party) is property of Tenant. Therefore, as a general matter, the property of each party is kept separate and the parties have not contributed the property to a joint venture.

The Master Lease also does not provide for the joint control or shared responsibilities that are typical of a partnership. As described above, the Master Lease grants Landlord certain rights

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[121] *Id.*

[122] (Aug. 21, 1980).

to control Tenant's use of the Distribution Systems, but these rights are similar to those of the lessor in *Grandview Mines* and should be treated as consistent with Landlord's status as a lessor.

Finally, the Master Lease does not provide for a split of net profits and losses. The Rent is a fixed amount (subject only to the Escalation), and not based on net profits or losses.

The Master Lease does not contemplate conducting a separate business, filing partnership tax returns, keeping separate books and records, contributing capital or services, sharing control and responsibility, or splitting net profits and losses. Therefore, the Master Lease should not be treated as creating a partnership between Landlord and Tenant.

F. Economic Substance Doctrine

Section 7701(o) defines the economic substance doctrine as "the common law doctrine under which tax benefits under subtitle A with respect to a transaction are not allowable if the transaction does not have economic substance or lacks a business purpose."[123] Thus, if the economic substance doctrine applies to a transaction, the transaction is effectively disregarded for tax purposes or, stated differently, the taxpayer will not be entitled to the tax benefits of the transaction.[124] As a result, if the Master Lease fails to satisfy the requirements of this doctrine, the Master Lease will not be treated as a true lease for U.S. federal income tax purposes and may instead be recharacterized as a loan or sale transaction, a management or services contract, or a partnership. Accordingly, the possible application of the economic substance doctrine must be analyzed in determining whether the Master Lease should be treated as a true lease.

The economic substance doctrine was originally the creation of case law and was applied in numerous cases involving leasing arrangements.[125] Over time the doctrine became subject to a number of varying formulations.[126] In light of the uncertainty this created, Section 7701(o) was added to the Code to "clarify and enhance" the doctrine by codifying its basic elements.[127] Section 7701(o)(1) now explains the application of the economic substance doctrine as follows:

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[123] Section 7701(o)(5)(A).

[124] *Supra* n. 10.

[125] *See e.g., Emershaw*, T.C. Memo. 1990-246; *Rice's Toyota World*, 752 F.2d 89 (4th Cir. 1989); *AWG Leasing Trust*, 592 F. Supp. 2d 953 (N.D. Ohio 2008); *Levy*, 91 T.C. 838; *Torres v. Comm'r*, 88 T.C. 702; *Casebeer v. Comm'r*, T.C. Memo. 1987-628, *aff'd*, 909 F.2d 1360 (9th Cir. 1990); *Johns v. Comm'r*, T.C. Memo. 1987-163; *James v. Comm'r*, 87 T.C. 905 (1986), *aff'd*, 899 F.2d 905 (10th Cir. 1990); *Estate of Thomas*, 84 T.C. 412.

[126] *See ACM Partnership v. Comm'r*, 157 F.3d 231, 247 (3rd Cir. 1998) (treating economic substance and business purposes as factors to be considered but not strict requirements); *Rice's Toyota World*, 752 F.2d at 91-92 (stating that a transaction must have either economic substance or a business purpose); *Pasternak v. Comm'r*, 990 F.2d 893, 898 (6th Cir. 1993) (requiring both a business purpose and economic substance).

[127] Pub. L. No. 111-152, § 1409, 124 Stat. 1029 (2010).

> [i]n the case of any transaction to which the economic substance doctrine is relevant, such transaction shall be treated as having economic substance only if—
>
> (A) the transaction changes in a meaningful way (apart from federal income tax effects) the taxpayer's economic position (the "Objective Economic Substance Test"), and
>
> (B) the taxpayer has a substantial purpose (apart from Federal income tax effects) for entering into such transaction (the "Substantial Purpose Test").

Accordingly, under the codified version of the economic substance doctrine set forth in Section 7701(o), the transaction must satisfy both the Objective Economic Substance Test and the Substantial Purpose Test. If the transaction fails to satisfy either of these tests, it will be disregarded for federal tax purposes and the taxpayer will not be entitled to the tax benefits of the transaction.

Section 7701(o) presents two preliminary issues that must be considered before analyzing the Master Lease under the Objective Economic Substance Test and the Substantial Purpose Test. First, Section 7701(o) applies to "the transaction" but does not contain any rule for determining scope of the transaction. Therefore, prior to applying the economic substance doctrine's operative rules, a taxpayer must first determine the appropriate scope of the transaction. As described below, while appropriately defining the scope of the relevant transaction often has a material effect on the application of the economic substance doctrine, we believe that the Master Lease should satisfy the economic substance doctrine regardless of whether the relevant transaction is the Master Lease viewed in isolation or the Transaction taken as a whole. Second, Section 7701(o) applies only to a "transaction to which the economic substance doctrine is relevant."[128] Accordingly, it is also necessary to determine whether the doctrine is relevant to the transaction in question. As described below, although it is uncertain whether the economic substance doctrine is relevant to either the Master Lease or the Transaction, if the doctrine is relevant, we believe that the Master Lease should satisfy the requirements of the economic substance doctrine under Section 7701(o).

1. Defining the Transaction

The first issue that must be addressed in applying the codified economic substance doctrine is determining the scope of the transaction. Unfortunately, the codified rule contains limited guidance on this issue and, in most pre-codification cases involving the economic substance doctrine, the courts have not articulated the criteria used to define the transaction at issue.[129] In some cases, courts have viewed the relevant transaction as all elements related to a

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[128] Section 7701(o)(1).

[129] David P. Hariton, *The Frame Game: How Defining the "Transaction" Decides the Case*, 31 Va. Tax Rev. 221 (2011) (arguing that, even though few courts have expressly focused on the issue, the manner in which courts define the transaction determines the outcome of economic substance doctrine cases).

single plan or undertaking (the "Integrated Approach").[130] In other cases, each element of a larger transaction has been examined separately to determine whether each particular element has economic substance (the "Isolated Approach").[131] The pre-codification case law has not, however, established a framework for determining when to apply the Integrated Approach or the Isolated Approach.[132] With the codification of the economic substance doctrine, the only statutory guidance concerning the definition of "transaction" is found under Section 7701(o)(5)(D), which provides the "term 'transaction' includes a series of transactions." Thus, Section 7701(o)(5)(D) establishes grounds for aggregating a series of transactions, but does not appear to limit a court's ability to disaggregate a series of transactions into individual parts.[133]

Although clear guidance in this area is lacking, based on existing case law, it appears that the Integrated Approach will apply in situations involving corporate restructurings. In particular, in the case *United Parcel Service of* America, *Inc. v. Commissioner,* UPS had traditionally collected "excess-value charges" from its shipping customers in exchange for UPS assuming liability for lost or damaged parcels.[134] In that case, UPS decided, however, to operate this line of business as a separate reinsurance business. Accordingly, UPS formed a Bermuda subsidiary, OPL, and distributed the stock of OPL to UPS's existing shareholders. UPS then entered into an

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130 Section 7701(o)(5)(A).

131 *Id.*

132 *E.g., compare Coltec Industries v. U.S.*, 454 F.3d 1340 (Fed. Cir. 2006) (where a taxpayer contributed property to a newly formed corporation in return for stock with basis in excess of its fair market value and the newly formed corporation assumed certain liabilities of the taxpayer, the court used the Isolated Approach to evaluate the economic substance of only the contribution of property and assumption of liability that created the stock basis in excess of fair market value rather than considering the economic substance of forming the new corporation as a whole and held that the newly formed corporation's assumption of the taxpayer's liability had no purpose because it could not effectively shield the taxpayer from liability) *with Shell Petroleum, Inc. v. U.S.*, 102 A.F.T.R.2d 2008-5085 (S.D. Tex. 2008) (where a taxpayer contributed property to a newly formed corporation in return for stock with basis in excess of its fair market value, the court used the Integrated Approach to evaluate whether the formation of the new corporation as a whole had economic substance rather than isolating only the contribution of property that created the stock basis in excess of fair market value); *also compare ACM Partnership,* 157 F.3d 231 (where the court used the Isolated Approach with respect to a partner's investment in a partnership to evaluate the economic substance of only certain transactions engaged in by the partnership) *with Salina Partnership, LP v. Comm'r*, T.C. Memo. 2000-352 (where the court used the Integrated Approach to examine the economic substance of a partner's overall investment in a partnership rather than only certain transactions entered into by the partnership).

133 The report of the staff of the Joint Committee on Taxation (the "JCT Report") explains that Section 7701(o)(5)(D) "does not alter the court's ability to aggregate, disaggregate, or otherwise characterize a transaction when applying the doctrine. For example, the provision reiterates the present-law ability of the courts to bifurcate a transaction in which independent activities with non-tax objectives are combined with an unrelated item having only tax-avoidance objectives." Joint Comm. on Tax'n, 111th Cong., 2d Sess., Technical Explanation of the Revenue Provisions of the "Reconciliation Act of 2010," as amended in combination with the "Patient Protection and Affordable Care Act," 153 (2010).

134 254 F.3d 1014 (11th Cir. 2001).

agreement with a third party insurance company to assume the risk of lost and damaged packages related to the excess-value charges. The third party insurance company, in turn, entered into a reinsurance contract with OPL concerning the same risk. UPS continued to collect the excess-value charges from its customers, but remitted these amounts to the third party insurer and did not include the amounts in its gross income (presumably under the theory that UPS was acting as the insurer's agent in collecting the excess-value charges). The third party insurer then paid OPL a premium for the reinsurance equal to the excess-value charges less a commission, applicable taxes, and fees retained by the third party insurer.[135] Using the economic substance doctrine, the Service argued that UPS's restructuring should be disregarded and that UPS should be required to continue to include the excess-value charges in its gross income.[136] In rejecting the Service's position, the court used the Integrated Approach to examine the business purpose of the restructuring, finding that the excess-value charges represented a bona fide business and that UPS was free to restructure that business.[137] That is, the court reasoned that since the excess-value charges represented a legitimate business, the restructuring of that business had economic substance. Thus, the fact that UPS restructured a bona fide business was enough to imbue the restructuring with business purpose, even though the restructuring itself likely was primarily tax-motivated. Accordingly, when a genuine business is being restructured, it appears that an Integrated Approach should be used to define the relevant transaction for purposes of the economic substance doctrine.

Sale-leaseback cases also support using an Integrated Approach in applying the economic substance doctrine. In the typical sale-leaseback case, the lessor acquires the property subject to the lease with a significant amount of leverage, permitting the lessor to receive increased depreciation and interest deductions.[138] Thus, the direct tax benefits are normally generated by the purchase. However, one of the key determinations in applying the economic substance doctrine in sale-leaseback cases is whether the purported lessor has a reasonable expectation of profit.[139] To determine whether a lessor had such an expectation, the courts invariably also consider the lease transaction.[140] In other words, in applying the economic substance doctrine to sale-leaseback cases, the courts use an Integrated Approach and treat the combined sale and lease as the relevant transaction.

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135 *Id.* at 1016-1017.

136 *Id.* at 1017.

137 *Id.* at 1020.

138 *See e.g., Hines v. U.S.*, 912 F.2d 736, 737 (4th Cir. 1990); *Rice's Toyota World*, 752 F.2d at 91; *Levy*, 91 T.C. at 842-843; *Torres*, 88 T.C. at 709-711.

139 *See e.g., Hines*, 912 F.2d at 739; *Rice's Toyota World*, 752 F.2d at 94; *Levy*, 91 T.C. at 854; *Torres*, 88 T.C. at 718-719.

140 *Id.*

2. Relevant Transaction for the Master Lease

In the case of the Master Lease, if an Integrated Approach is taken with respect to the Master Lease, the Transaction, including the Spin-Off, the Master Lease, and the REIT Election, would likely be considered the relevant transaction. If an Isolated Approach were taken, however, the Master Lease, standing alone, would likely be considered the relevant transaction. While neither the pre-codification case law nor Section 7701(o) develops a consistent approach for defining the parameters of the relevant transaction, we believe that the relevant transaction for purposes of applying the economic substance doctrine to the Master Lease should be the entire Transaction. This view is supported by the use of the Integrated Approach in the business restructuring in *UPS* and in traditional sale-leaseback cases.

The Transaction resembles the *UPS* transaction in several material respects. Specifically, the Transaction involves the distribution of the stock of a subsidiary from a parent corporation to its shareholders and a continuing financial relationship between the parent corporation and its former subsidiary. While CS&L's leasing business does not pre-date the Transaction in the same manner as the excess-value charge business in *UPS* (i.e., it was not a customer-facing revenue stream prior to the Transaction), the business CS&L obtained in the Transaction is nonetheless a legitimate, independent business, as evidenced by CS&L's stock being publicly traded. Thus, as in *UPS*, the Transaction involves the restructuring of a genuine business, and the Integrated Approach should be used to determine the relevant transaction.

Also, the Transaction is similar to a sale-leaseback and therefore both CS&L's acquisition of the Distribution Systems and the Master Lease should be considered relevant for purposes of applying the economic substance doctrine. From an economic standpoint, CS&L can be seen as having "purchased" the Distribution Systems with a combination of its stock and proceeds from the Loan immediately before leasing the Distribution Systems back to Windstream. Thus, as in the sale-leaseback cases, both CS&L's acquisition of the Distribution Systems and the Master Lease should be viewed as an integrated transaction for purposes of applying the economic substance doctrine. As a result, we believe the Transaction as a whole should be considered the relevant transaction for purposes of applying the economic substance doctrine. However, as described below, regardless of whether the relevant transaction is the Master Lease or the Transaction, the Master Lease should satisfy the requirements of the economic substance doctrine under Section 7701(o).

3. Relevance

As codified under Section 7701(o), the economic substance doctrine applies only when "relevant."[141] Section 7701(o)(5)(c) states that "the determination of whether the economic substance doctrine is relevant to a transaction shall be made in the same manner as if the subsection had never been enacted." Because the pre-codification case law has not set forth clear

[141] Section 7701(o)(1).

boundaries on when the economic substance doctrine was relevant, the scope of Section 7701(o) remains uncertain,[142] and the Service has published only limited guidance concerning when it will assert that the doctrine is relevant.[143]

The JCT Report provides some guidance related to determining when the economic substance doctrine is relevant by highlighting two types of situations in which the economic substance doctrine is not relevant.[144] The first type includes transactions that a taxpayer would not have entered into without receiving a tax benefit but that are nonetheless consistent with Congressional intent.[145] For example, an investment a taxpayer makes or activity a taxpayer engages in to receive a tax credit may be outside the scope of the doctrine because the tax credit is designed to provide an incentive for making a certain investment or engaging in a certain activity.[146] The JCT Report also states that certain "basic business transactions" are not within the economic substance doctrine's scope. Examples of these basic transactions include the choice (i) to finance a business with debt or equity, (ii) to utilize a foreign corporation or a domestic corporation to make foreign investments, (iii) to enter into a transaction that constitutes a corporate organization or reorganization, or (iv) to utilize a related party in a transaction.[147]

Although the pre-codification case law does not create a framework for analyzing when the economic substance doctrine is relevant, some guidance can nevertheless be obtained from the cases in which the courts have applied the doctrine. Of particular relevance to the Transaction, courts have applied the economic substance doctrine to leasing arrangements in a large number of cases.[148] This is especially true regarding leveraged equipment leasing; sale-

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142 *See* Jodi J. Schwartz, "The Economic Substance Doctrine and Subchapter C: What, Me Worry?," 89 Taxes 113 (Mar. 2011) ("[w]ithout any guidance in the statutory text and limited guidance in the relevant reports, however, it remains highly unclear how a court is to make this determination, especially since, pre-codification, it was not always clear where the courts ever actually considered whether the [economic substance doctrine] was 'relevant' to a particular transaction").

143 LB&I Directive, "Guidance for Examiners and Managers on Codified Economic Substance Doctrine and Related Penalties," LB&I-4-0711-015 (July 15, 2011).

144 In its explanation as to when Section 7701(o) should be considered relevant, the JCT Report specifically addresses leasing arrangements, stating "[l]easing transactions, like all other types of transactions, will continue to be analyzed in light of all the facts and circumstances." JCT Report at 153. However, the statement that leasing transactions will be treated as all other transactions does not provide any guidance on identifying the leasing transactions that fall into the subset of all transactions to which the economic substance doctrine is inapplicable.

145 JCT Report at 152.

146 JCT Report at 152 n. 344.

147 JCT Report at 152-153.

148 Section 7701(o)(5)(A).

leaseback arrangements; and lease in, lease out arrangements.[149] The economic substance doctrine's application in the context of a tax-free corporate distribution, such as the Spin-Off, is less clear. On the one hand, the Spin-Off relies on Sections 355 and 368(a)(1)(D) for nonrecognition treatment, and these Sections contain their own business purpose requirement and create tax benefits that Congress specifically intended.[150] These factors may suggest that the economic substance doctrine should generally be inapplicable to a transaction that qualifies under Sections 355 and 368(a)(1)(D). On the other hand, *Gregory v. Helvering*,[151] a Supreme Court case that was often cited in support of the pre-codification economic substance doctrine, involved a purported tax-free distribution,[152] suggesting that a court may find the doctrine relevant to a Section 355 transaction. Finally, we are not aware of any case that applies the economic substance doctrine to a REIT election, and the dividends paid deduction the Code grants to REITs would appear to be the type of Congressionally intended benefit that would be outside the economic substance doctrine's scope.

4. Application to the Master Lease

The Transaction involves three distinct components: the Spin-Off; the Master Lease, and the REIT Election. Arguably, the Spin-Off's qualification under Section 355 and the REIT Election are both specific benefits that Congress intended to provide under the Code. Thus, based on the JCT Report, these transactions could be viewed as outside the scope of the economic substance doctrine because they represent the application of specific benefits under the Code. In addition, although the economic substance doctrine has often been applied to leasing arrangements, those cases usually involved the lessor receiving increased depreciation and interest deductions by purchasing the leased property immediately before leasing it. In this case, CS&L's basis in the Distribution Systems will be based on Windstream's historic cost basis;[153] thus, Landlord and CS&L will not receive a "stepped-up" basis or the increased depreciation deductions that are common in many of the leasing cases applying the economic substance doctrine. As a result, the Master Lease could also be viewed as outside the scope of the economic substance doctrine. Accordingly, the economic substance doctrine may be inapplicable to the entire Transaction.

Such a result is, however, uncertain. The courts have applied the economic substance doctrine to transactions similar to the components of the Transaction. Specifically, courts have frequently applied the doctrine to sale-leaseback arrangements, and the Spin-Off and Master

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[149] *Id.*

[150] *See* Treas. Reg. §§ 1.355-2(b); 1.368-1(b).

[151] 293 U.S. 465 (1935).

[152] *See e.g., Rice's Toyota World*, 752 F.2d at 95; *Estate of Thomas*, 84 T.C. at 433.

[153] *See* Section 362.

Lease involve a contribution of property to CS&L by Windstream and a leaseback of those properties from CS&L to Windstream. Thus, there is a transfer of legal ownership of the Distribution Systems followed by a leaseback of that property that could be viewed as similar to a sale-leaseback arrangement. Also, while the Spin-Off and Master Lease do not provide the normal increased depreciation deductions common to traditional sale-leasebacks, the fact that CS&L will be a REIT capable of eliminating its taxable income through a dividend could be viewed as creating a tax benefit that brings the Transaction within the scope of the economic substance doctrine. Finally, as noted above, based on the frequent citations to *Gregory* made by the courts in applying the economic substance doctrine, a court could potentially view the doctrine as relevant to the Spin-Off.

As a result of the existing uncertainty concerning the scope of the codified economic substance doctrine, for purposes of this opinion, we have assumed that the doctrine is relevant to the Master Lease.

5. Two Part Economic Substance Doctrine Test

(a) Section 7701(o)(1)

As described above, Section 7701(o)(1) clarifies that a transaction has economic substance only if both the Objective Economic Substance Test and the Substantial Purpose Test are met. The Objective Economic Substance Test requires a transaction to meaningfully change the taxpayer's economic position, and the Substantial Purposes Test requires that the taxpayer have a substantial non-tax purpose for entering into the transaction.

With respect to the Objective Economic Substance Test, a taxpayer may show a meaningful change in its economic position by proving the transaction provides a reasonable expectation of profit. Section 7701(o)(2) provides that:

> [t]he potential for profit of a transaction shall be taken into account in determining whether the requirements of [the Objective Economic Substance Test] and [the Substantial Purpose Test] are met with respect to the transaction only if the present value of the reasonably expected pre-tax profit from the transaction is substantial in relation to the present value of the expected net tax benefits that would be allowed if the transaction were respected.[154]

While many pre-codification cases use a reasonable expectation of profit to satisfy the economic substance doctrine, the JCT Report makes clear that a taxpayer may satisfy the

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[154] For this purpose, fees and other transaction expenses must be taken into account in determining the pre-tax profit. Section 7701(o).

Objective Economic Substance Test in other ways.[155] A pre-codification case that demonstrates this principle is *UPS*.[156] As described above, in that case, prior to UPS's spin-off of its excess-value charge business, UPS collected excess-value charges from its customers and made a profit on the difference between the charges and the amount it was required to pay out in respect to damages to its customers' parcels. After the distribution of OPL, UPS continued to collect the excess-value charges but remitted the charges to a third-party insurance company, which then remitted a significant portion of the charges to OPL. Thus, after the transaction, UPS's business operated in much the same way as it did prior to the transaction, and it was unclear whether any incremental pre-tax profits would be obtained from the transaction or whether these profits would be substantial in relation to the transaction's tax benefits. In assessing whether the transaction had an economic effect, however, the court focused on whether the transaction created a "genuine obligation enforceable by unrelated parties" and on the separate tax existence of OPL.[157] The court noted that UPS incurred a real obligation to pay premiums to the third-party insurer and that UPS lost a stream of revenue related to the excess-value charges. Furthermore, OPL, the entity that gained most of the revenues from the excess-value charges, was respected by the court as a separate entity for tax purposes.[158] Based on these facts, and consistent with the JCT Report, the court held that the transaction had economic substance without considering any incremental pre-tax profit the transaction may have achieved.

With respect to the Substantial Purpose Test, the statute requires the taxpayer to have a substantial non-tax purpose for entering into the transaction.[159] While "substantial purpose" is not defined in the statute, the concept has been developed in the numerous pre-codification economic substance doctrine cases referring to business purpose. Similar to the Objective Economic Substance Test, taxpayers have often attempted to show a substantial non-tax purpose by proving they had a reasonable expectation of profit.[160] Under the codified rule, if a profit motive is used to show a business purpose, the present value of the reasonably expected pre-tax profits must be substantial in relation to the present value of the expected tax benefits. However, purposes other than a pre-tax profit motive may also satisfy the Substantial Purpose Test. For instance, the following have been considered legitimate business purposes: (i) obtaining

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[155] JCT Report at 154-155 ("[u]nder the provision, a taxpayer may rely on factors other than profit potential to demonstrate that a transaction results in a meaningful change in the taxpayer's economic position or that the taxpayer has a substantial non-Federal-income-tax purpose for entering into such transaction").

[156] 254 F.3d 1014.

[157] *Id.* at 1018.

[158] *Id.* at 1019.

[159] Section 7701(o)(1)(B).

[160] *Id.* at 1020.

financing,[161] (ii) focusing management,[162] (iii) increasing cash flow,[163] and (iv) complying with regulatory requirements.[164]

(b) Application to the Master Lease

As noted above, although the matter is not free from doubt, we believe that under the Integrated Approach the appropriate transaction to analyze for purposes of the economic substance doctrine is the entire Transaction and not the Master Lease in isolation. Accordingly, we believe the Objective Economic Substance Test and the Substantial Purpose Test should be applied to the Transaction as a whole. The Transaction should satisfy both of these tests and it should therefore be respected under the economic substance doctrine. And, since the Master Lease is a component of the Transaction, the Master Lease should also be respected under the economic substance doctrine.

To satisfy the Objective Economic Substance Test, the transaction must meaningfully alter the taxpayer's economic position. Prior to the Transaction, Windstream and its affiliates owned all the Distribution Systems. After the Transaction, CS&L will own the Distribution Systems and lease that property to Windstream. Both CS&L and Windstream will be separate publicly traded companies that should be respected as such for tax purposes.[165] In addition, with respect to both the Initial Term and any Renewal Terms, CS&L has represented that the expected Rent under the Master Lease as set forth in the EY Appraisal represents the approximate fair market value rental rates for the Distribution Systems. Furthermore, as detailed below, CS&L and Windstream had a number of business purposes for entering into the Transaction. Thus, similar to the restructuring in *UPS*, the Transaction will create two independent, publicly traded companies with a bona fide obligation running between those companies in the form of the Master Lease. Accordingly, the Transaction meaningfully changed CS&L's economic position by (i) conveying to CS&L a fee or leasehold interest in the Leased Property, (ii) establishing CS&L as a publicly traded company, and (iii) granting CS&L rights to a stream of cash flow from the Rent. The Transaction should therefore be treated as meaningfully changing the economic positions of CS&L and Landlord. Accordingly, the Transaction should satisfy the Objective Economic Substance Test.

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[161] *Frank Lyon Co.*, 435 U.S. at 582; *Shell Petroleum, Inc.*, 102 A.F.T.R.2d 2008-5010.

[162] *Coltec Industries, Inc.*, 454 F.3d at 1358; *Shell Petroleum,* 102 A.F.T.R.2d 2008-5010.

[163] *Shell Petroleum, Inc.*, 102 A.F.T.R. 2d 2008-5010.

[164] *Frank Lyon Co.*, 435 U.S. at 582.

[165] *See Moline Properties, Inc. v. Comm'r*, 319 U.S. 436, 438-439 (1943) (explaining that a corporation will remain respected as a separate taxable entity "so long as [the corporation's] purpose is the equivalent of a business activity or is followed by carrying on of business by the corporation").

Section 7701(o)(1)(B) also requires that the relevant transaction satisfy the Substantial Purpose Test. CS&L has represented that it has a number of significant business purposes for entering into the Transaction, including:

- enabling CS&L to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, with less dilution to existing shareholders,
- unlocking additional value for shareholders since the aggregate value of the two companies following the Distributions should exceed the status quo value of Windstream,
- meaningfully enhancing CS&L's ability to raise capital to finance acquisitions by issuing equity on more favorable terms in the public markets to institutional investors that invest in REITs,
- meaningfully enhancing CS&L's ability to attract and retain qualified management, and
- enabling CS&L to increase its leverage, thereby enhancing the Communications Businesses' credit profile and providing it with greater financial and strategic flexibility.

Purposes similar to these, such as obtaining financing, have been viewed as substantial business purposes under pre-codification case law and should satisfy the Substantial Purpose Test of Section 7701(o)(1)(B). Because the Transaction should satisfy both the Objective Economic Substance Test and the Substantial Purpose Test, the Transaction, and the Master Lease as a component of the Transaction, should satisfy the economic substance doctrine requirements contained under Section 7701(o)(1).

Even if the Master Lease is viewed as the relevant transaction under the Isolated Approach, the Master Lease should nonetheless have economic substance. With respect to the Objective Economic Substance Test, pursuant to the Master Lease, Landlord will grant Tenant a leasehold interest in the Distribution Systems, which is an interest Tenant would not hold absent the Master Lease. Under the Master Lease, Tenant will also pay Landlord the Rent, which, at least initially, will generate substantially all of Landlord's revenue, profits, and cash flow. As a result, the Master Lease, standing alone, should be treated as causing a meaningful change to both Landlord's and Tenant's economic positions, and the Objective Economic Substance Test should be satisfied.

Furthermore, the Master Lease, in isolation, should also meet the Substantial Purpose Test. The Master Lease accomplishes a substantial non-tax business purpose for Landlord by allowing Landlord to monetize its real estate assets, make required payments on the Loan, distribute free cash flow to its shareholders, and shift operational risk to Tenant. Finally, if the Master Lease were analyzed as an isolated transaction, the profits earned from the lease also

should be substantial in relation to any tax benefits. Specifically, the Master Lease creates a stream of profit and cash flow for CS&L, and CS&L has represented that this profit and cash flow will be substantial. Moreover, the Master Lease, standing alone, does not appear to create any marginal tax benefit for CS&L, or the shareholders of CS&L. Thus, CS&L also should be able to satisfy both the Objective Economic Substance Test and the Substantial Purpose Test because of its reasonable expectation of profits regarding the Master Lease. Accordingly, even if the Master Lease is viewed in isolation, the Master Lease should still satisfy the economic substance doctrine under Section 7701(o).

V. CONCLUSION

Based on and subject to the description of the facts, assumptions, and analysis described herein, we are of the opinion that, under current U.S. federal income tax law, Landlord should be treated as the owner of the Distribution Systems and the Master Lease should be respected as a true lease for U.S. federal income tax purposes with respect to the Distribution Systems.

This opinion has been prepared exclusively for CS&L and may not be relied upon by anyone else without our prior written consent. This opinion is expressed as of the date hereof, and we are under no obligation to supplement or revise our opinion to reflect any legal or factual matters arising subsequent to the date hereof, or the impact of any information, document, certificate, record, statement, representation, covenant, or assumption relied upon herein that is or hereafter becomes incorrect or untrue.

Very truly yours,

Skadden, Arps, Slate, Meagher & Flom LLP

Schedule 1

Separation Documents

1. The request for private letter rulings submitted to the Service on May 10, 2013, including all appendices, attachments and exhibits thereto, as modified by the supplemental submissions and correspondence submitted to the Internal Revenue Service on June 10, 2013, October 10, 2013, February 27, 2014, July 3, 2014 and August 5, 2014 and the electronic mail submissions to the Service from Skadden on September 14, 2014 and December 23, 2014

2. The private letter ruling (PLR-122375-13), dated July 16, 2014, issued by the Service to Tenant

3. The information statement which is included in the Registration Statement on Form 10, as amended or supplemented, of Landlord that was filed with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended, and the exhibits included as part of that Registration Statement

4. The Representation Letter

5. The letter, dated April 24, 2015, from Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") regarding the business purposes for the Separation (the "Business Purpose Letter")

6. The Separation and Distribution Agreement, dated as of March 26, 2015, by and between Tenant and Landlord

7. The Tax Matters Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

8. The Master Lease, dated as of April 24, 2015, by and between Tenant and Landlord

9. The Capital Expenditure Side Letter, dated as of April 24, 2015, by and between Tenant and Landlord

10. The Transition Services Agreement, dated as of April 24, 2015, by and among Tenant and Landlord

11. The Wholesale Master Services Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

12. The Reverse Transition Services Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

13. The Billing and Remittance Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

14. The Master Services Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

15. The Employee Matters Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

16. The Intellectual Property Matters Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

17. Each of the Assignment, Conveyance and Assumption Agreements, dated as of April 24, 2015, by and between Tenant and Landlord

18. The EY Appraisal, dated as of April 16, 2015, entitled "Windstream Services LLC Project Rite Valuation Report"

19. The Stockholder's and Registration Rights Agreement, dated as of April 24, 2015, by and between Tenant and Landlord

20. The Credit Agreement, dated as of April 24, 2015, between Tenant, CSL Capital, LLC, a Delaware limited liability company ("CSL Capital"), the Lenders (as defined therein), Bank of America, N.A., as Administrative Agent, Collateral Agent, Swing Line Lender and L/C Issuer (each as defined therein)

21. The Offering Memorandum of CS&L and CSL Capital, dated as of April 16, 2015, relating to its issuance of $1,110,000,000 aggregate principal amount of 8.25% Senior Unsecured Notes due 2023 and $400,000,000 aggregate principal amount of 6.00% Senior Secured Notes due 2023 including all schedules and exhibits thereto

22. The Exchange Agreement, dated as of April 16, 2015, between Tenant, J.P. Morgan Securities, LLC ("J.P. Morgan Securities"), Merrill Lynch, and J.P. Morgan Chase Bank, N.A. as Administrative Agent (as defined therein) including all schedules and exhibits thereto

23. The Purchase Agreement, dated as of April 16, 2015, between Tenant, Merrill Lynch, and J.P. Morgan Securities including all schedules and exhibits thereto

24. The Closing Letter, dated as of April 24, 2015

25. The Recognition Agreement, dated as of April 24, 2015, by and among Tenant, Landlord, and J.P. Morgan Chase Bank, N.A., including all schedules and exhibits thereto

26. All Deeds pertinent to the Spin-Off

27. The Employee and Cost Sharing Agreement, by and among Landlord and Talk America, LLC dated as of April 24, 2015

28. The Holdings Agreement, dated as of April 24, 2015, among Tenant, Landlord, and J.P. Morgan Chase Bank, N.A., including all schedules and exhibits thereto.

29. All Financing Documents pertinent to the Spin-Off

Exhibit A

Final Master Lease

Exhibit B

Final EY Valuation Report

Exhibit C

Attachment E of the EY Appraisal Showing Remaining Useful Life ("RUL") and Residual Values for Each Distribution System

Attachment E
Fair Market Value by POD / Facility

Number	POD	POD Description	Millions	Years	USD (M)	Uninflated	Inflated
1	AL-CLEC	Alabama CLEC	18	29.26	5	28.8%	44.8%
2	AL-ILEC	Alabama ILEC	80	26.44	26	32.1%	50.0%
3	AR-CLEC	Arkansas CLEC	187	30.63	54	29.0%	45.2%
4	AR-ILEC	Arkansas ILEC	250	28.31	78	31.4%	48.9%
5	CENTRAL-CLEC	Central US CLEC (1)	5	26.16	2	45.5%	70.9%
6	EAST-CLEC	Eastern US CLEC (2)	10	25.75	3	32.1%	50.0%
7	FL-CLEC	Florida CLEC	62	26.48	22	36.0%	56.0%
8	FL-ILEC	Florida ILEC	125	28.88	41	32.6%	50.8%
9	GA-CLEC	Georgia CLEC	42	26.48	13	31.1%	48.4%
10	GA-ILEC	Georgia ILEC	1,050	27.37	340	32.4%	50.4%
11	IA-CLEC	Iowa CLEC	119	27.78	36	30.0%	46.7%
12	IA-ILEC	Iowa ILEC	550	29.92	183	33.2%	51.7%
13	IL-CLEC	Illinois CLEC	196	28.67	58	29.7%	46.3%
14	IN-CLEC	Indiana CLEC	145	29.43	43	29.9%	46.6%
15	KY-CLEC	Kentucky CLEC	117	31.09	34	29.1%	45.3%
16	KY-ILEC	Kentucky ILEC	790	29.69	294	37.3%	58.0%
17	MI-CLEC	Michigan CLEC	30	27.27	10	32.1%	50.0%
18	MO-CLEC	Missouri CLEC	27	30.41	8	30.7%	47.8%
19	MO-ILEC	Missouri ILEC	177	28.40	57	32.1%	50.1%
20	MS-CLEC	Mississippi CLEC	24	30.33	7	29.2%	45.4%
21	MS-ILEC	Mississippi ILEC	22	28.58	7	30.9%	48.1%
22	NC-CLEC	North Carolina CLEC	107	25.41	33	30.7%	47.8%
23	NC-ILEC	North Carolina ILEC	614	26.83	196	31.9%	49.7%
24	NM-Combined	New Mexico ILEC & CLEC	161	26.85	55	34.2%	53.3%
25	OH-CLEC	Ohio CLEC	137	45.25	47	34.6%	53.9%
26	OH-ILEC	Ohio ILEC	472	25.42	179	37.8%	58.9%
27	OK-CLEC	Oklahoma CLEC	49	31.40	15	31.3%	48.8%
28	OK-ILEC	Oklahoma ILEC	301	26.69	102	34.0%	53.0%
29	PA-CLEC	Pennsylvania CLEC	78	26.56	27	34.7%	54.1%
30	TN-CLEC	Tennessee CLEC	111	28.81	33	29.4%	45.9%
31	TX-CLEC	Texas CLEC	138	27.93	42	30.8%	48.0%
32	TX-ILEC	Texas ILEC	793	27.14	270	34.0%	53.0%
33	VA-CLEC	Virginia CLEC	234	26.24	71	30.4%	47.3%
34	WEST-CLEC	Western US CLEC (3)	21	25.73	6	30.4%	47.4%
35	WI-CLEC	Wisconsin CLEC	88	28.80	26	29.6%	46.1%
36	WV-CLEC	West Virginia CLEC	120	40.60	34	28.6%	44.5%
			7,450		2,460		

Attachment E
Fair Market Value by POD / Facility

Number	POD	POD Description	[illegible] (MW USD)	[illegible] Run	[illegible] Value @ [illegible]		
			Millions	Years	USD (M)	Uninflated	Inflated
1	AL-CLEC	Alabama CLEC	18	29.26	4	22.9%	41.3%
2	AL-ILEC	Alabama ILEC	80	26.44	22	27.1%	49.0%
3	AR-CLEC	Arkansas CLEC	187	30.63	43	23.2%	41.9%
4	AR-ILEC	Arkansas ILEC	250	28.31	65	26.2%	47.3%
5	CENTRAL-CLEC	Central US CLEC (1)	5	26.16	2	39.0%	70.4%
6	EAST-CLEC	Eastern US CLEC (2)	10	25.75	3	26.2%	47.4%
7	FL-CLEC	Florida CLEC	62	26.48	19	30.8%	55.6%
8	FL-ILEC	Florida ILEC	125	28.88	34	27.1%	49.0%
9	GA-CLEC	Georgia CLEC	42	26.48	11	25.2%	45.6%
10	GA-ILEC	Georgia ILEC	1,050	27.37	280	26.9%	48.5%
11	IA-CLEC	Iowa CLEC	119	27.78	29	24.6%	44.4%
12	IA-ILEC	Iowa ILEC	550	29.92	154	28.0%	50.6%
13	IL-CLEC	Illinois CLEC	196	28.67	47	24.1%	43.5%
14	IN-CLEC	Indiana CLEC	145	29.43	35	24.1%	43.6%
15	KY-CLEC	Kentucky CLEC	117	31.09	28	23.6%	42.6%
16	KY-ILEC	Kentucky ILEC	790	29.69	258	32.7%	59.0%
17	MI-CLEC	Michigan CLEC	30	27.27	8	26.3%	47.4%
18	MO-CLEC	Missouri CLEC	27	30.41	7	25.0%	45.1%
19	MO-ILEC	Missouri ILEC	177	28.40	48	27.2%	49.2%
20	MS-CLEC	Mississippi CLEC	24	30.33	6	23.3%	42.1%
21	MS-ILEC	Mississippi ILEC	22	28.58	6	25.8%	46.7%
22	NC-CLEC	North Carolina CLEC	107	25.41	26	24.6%	44.5%
23	NC-ILEC	North Carolina ILEC	614	26.83	165	26.9%	48.6%
24	NM-Combined	New Mexico ILEC & CLEC	161	26.85	46	28.5%	51.4%
25	OH-CLEC	Ohio CLEC	137	45.25	42	30.4%	54.9%
26	OH-ILEC	Ohio ILEC	472	25.42	150	32.2%	58.1%
27	OK-CLEC	Oklahoma CLEC	49	31.40	13	25.6%	46.3%
28	OK-ILEC	Oklahoma ILEC	301	26.69	85	28.3%	51.1%
29	PA-CLEC	Pennsylvania CLEC	78	26.56	22	28.8%	52.0%
30	TN-CLEC	Tennessee CLEC	111	28.81	26	23.8%	42.9%
31	TX-CLEC	Texas CLEC	138	27.93	35	25.1%	45.4%
32	TX-ILEC	Texas ILEC	793	27.14	221	27.9%	50.4%
33	VA-CLEC	Virginia CLEC	234	26.24	58	24.8%	44.7%
34	WEST-CLEC	Western US CLEC (3)	21	25.73	5	24.8%	44.8%
35	WI-CLEC	Wisconsin CLEC	88	28.80	21	23.6%	42.6%
36	WV-CLEC	West Virginia CLEC	120	40.60	27	22.3%	40.3%
			7,450		2,050		

Exhibit D

Final Capital Expenditure Side Letter

Exhibit P

IRS Ruling

FAX COVER SHEET

INTERNAL REVENUE SERVICE

INTERNAL REVENUE SERVICE
OFFICE OF CHIEF COUNSEL
1111 CONSTITUTION AVENUE, NW-#5140
WASHINGTON, DC 20224

Date Sent:	07/17/2014	**Pages Sent:**	37 (Counting Cover)
Deliver To:	Pamela Endreny	**FAX Number:**	917-777-2976
Organization:	Skadden, Arps, Slate, Meagher & Flom LLP	**Phone Number:**	
Sender:	Gene Raineri	**FAX Number:**	
Office:	CC:CORP:B04	**Phone Number:**	202-317-5024

Sent by: _____ **Time:** _____

THIS DOCUMENT IS INTENDED ONLY FOR THE NAMED ADDRESSEE.

This communication is intended for the sole use of the individual to whom it is addressed and may contain information that is privileged, confidential, and exempt from disclosure under applicable law. If the reader of this communication is not the intended recipient or the employee or agent for delivering the communication to the intended recipient, you are hereby notified that any dissemination, distribution, or copying of this communication may be strictly prohibited. If you have received this communication in error, please notify the sender immediately by telephone, and return the communication to the address above via the United States Postal Service. Thank you.

COMMENTS:

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Index Numbers: 368.04-00, 355.01-00,
332.00-00, 856.00-00

Third Party Communication: None
Date of Communication: Not Applicable

Mr. Willis R. Kemp
Vice President - Tax
Windstream Corporation
4001 Rodney Parham Road
Little Rock, AR 72212

Person To Contact:
Gene Raineri, ID No. 50-05894
Telephone Number:
(202) 317-5024
Refer Reply To:
CC:CORP:B04
PLR-122375--13
Date:
July 16, 2014

Distributing 1	=	Windstream Corporation a Delaware corporation EIN: 20-0792300
Distributing 2	=	Windstream Holdings Inc. a Delaware corporation EIN: 46-2847717
Controlled	=	Communications Sales & Leasing II, Inc. a Delaware corporation EIN: 46-5230630
Controlled Sub	=	Talk America II, Inc. a Delaware corporation EIN: 47-1233778
Merger Sub	=	WIN Merger Sub, Inc. a Delaware corporation EIN: none
Exchange	=	the NASDAQ
Sub 1	=	Windstream Missouri, Inc. a Missouri corporation EIN: 43-0690837
Sub 2	=	Windstream Western Reserve, Inc. an Ohio corporation EIN: 34-0614000
Sub 3	=	Windstream Ohio, Inc. an Ohio corporation

EIN: 31-4265290

Sub 4	=	Windstream Florida Inc. a Florida corporation EIN: 59-0717786
Sub 5	=	Texas Windstream, Inc. a Texas corporation EIN: 75-0984391
Sub 6	=	Windstream Sugar Land, Inc. a Texas corporation EIN: 74-0672235
Sub 7	=	Windstream Holding of the Midwest, Inc. a Nebraska corporation EIN: 47-0632436
Sub 8	=	Windstream of the Midwest, Inc. a Nebraska corporation EIN: 47-0803453
Sub 9	=	Windstream Network Services of the Midwest, Inc. a Nebraska corporation EIN: 91-1772936
Sub 10	=	Windstream Nebraska, Inc. a Delaware corporation EIN: 47-0223220
Sub 11	=	Valor Telecommunications Enterprises Finance Corp. a Delaware corporation EIN: 20-2280110
Sub 12	=	Kerrville Communications Corporation a Delaware corporation EIN: 74-2197091
Sub 13	=	CT Communications, Inc. a North Carolina corporation EIN: 56-1837282
Sub 14	=	Windstream Concord Telephone, Inc.

a North Carolina corporation
EIN: 56-0186420

Sub 15 = Windstream Communications Inc.
a Delaware corporation
EIN: 20-3767982

Sub 16 = NuVox, Inc.
a Delaware corporation
EIN: 43-1820855

Sub 17 = Gabriel Communications Finance Company
a Delaware corporation
EIN: 43-1861146

Sub 18 = Windstream NuVox Arkansas, Inc.
a Delaware corporation
EIN: 43-1830185

Sub 19 = Windstream NuVox Illinois, Inc.
a Delaware corporation
EIN: 43-1861148

Sub 20 = Windstream NuVox Indiana, Inc.
a Delaware corporation
EIN: 43-1861150

Sub 21 = Windstream NuVox, Inc.
a Delaware corporation
EIN: 57-1072836

Sub 22 = Windstream NuVox Kansas, Inc.
a Delaware corporation
EIN: 43-1830186

Sub 23 = Windstream NuVox Missouri, Inc.
a Delaware corporation
EIN: 43-1830184

Sub 24 = Windstream NuVox Ohio, Inc.
a Delaware corporation
EIN: 43-1861151

Sub 25 = Windstream NuVox Oklahoma, Inc.

a Delaware corporation
EIN: 43-1850572

Sub 26 = D&E Communications, Inc.
a Delaware corporation
EIN: 27-0147149

Sub 27 = D&E Networks, Inc.
a Pennsylvania corporation
EIN: 25-1780894

Sub 28 = Windstream D&E Inc.
a Pennsylvania corporation
EIN: 23-0520190

Sub 29 = Conestoga Enterprises, Inc.
a Pennsylvania corporation
EIN: 23-2565087

Sub 30 = Windstream Conestoga, Inc.
a Pennsylvania corporation
EIN: 23-0488700

Sub 31 = Windstream Buffalo Valley, Inc.
a Pennsylvania corporation
EIN: 23-2825123

Sub 32 = Windstream D&E Systems, Inc.
a Delaware corporation
EIN: 23-2971125

Sub 33 = Lexcom, Inc.
a North Carolina corporation
EIN: 56-1942135

Sub 34 = Windstream Lexcom Communications, Inc.
a North Carolina corporation
EIN: 56-0298450

Sub 35 = Windstream Iowa Communications, Inc.
a Delaware Corporation
EIN: 27-1635456

Sub 36 = Windstream Montezuma Inc.

an Iowa corporation
EIN: 42-0422100

Sub 37 = Windstream Iowa-Comm, Inc.
an Iowa corporation
EIN: 42-1525756

Sub 38 = Bishop Communications Corporation
a Minnesota corporation
41-1462176

Sub 39 = Windstream Lakedale, Inc.
a Minnesota corporation
EIN: 41-0643917

Sub 40 = Windstream Lakedale Link, Inc.
a Minnesota corporation
EIN: 41-1815232

Sub 41 = Windstream SHAL Networks, Inc.
a Minnesota corporation
EIN: 41-1701143

Sub 42 = KDL Communications Corporation
a Nevada corporation
EIN: 74-2816724

Sub 43 = Windstream KDL Inc.
a Kentucky corporation
EIN: 61-1196739

Sub 44 = Windstream NTI, Inc.
a Wisconsin corporation
EIN: 39-1712867

Sub 45 = Windstream Norlight, Inc.
a Kentucky corporation
EIN: 61-0927928

Sub 46 = PAETEC Holding Corp.
a Delaware corporation
EIN: 20-5339741

Sub 47 = PAETEC Corp.
a Delaware corporation

EIN: 16-1551094

Sub 48 = PaeTec Communications Inc.
a Delaware corporation
EIN: 16-1551095

Sub 49 = Cavalier Telephone Corporation
a Delaware corporation
EIN: 54-1946546

Sub 50 = Talk America Holdings, Inc.
a Delaware corporation
EIN: 23-2827736

Sub 51 = Talk America, Inc.
a Pennsylvania corporation
EIN: 23-2582790

Sub 52 = TC Services Holdings Company, Inc.
a Pennsylvania corporation
EIN: 23-3036795

Sub 53 = NT Corporation
a Delaware corporation
EIN: 59-3619111

Sub 54 = Network Telephone Corporation
a Florida corporation
EIN: 59-3477521

Sub 55 = LDMI Telecommunications, Inc.
a Michigan corporation
EIN: 38-2940840

Sub 56 = Access One Communications Corp.
a New Jersey corporation
EIN: 22-3527935

Sub 57 = OmniCall, Inc.
a South Carolina corporation
EIN: 57-1046947

Sub 58 = The Other Phone Company, Inc.
a Florida corporation
EIN: 65-0705374

JUL-17-2014 04:12 2026220477 2026220477 P.08

Sub 59	=	Elantic Networks, Inc. a Delaware corporation EIN: 20-0726068
Sub 60	=	Intellifiber Networks, Inc. a Virginia corporation EIN: 54-1861675
LLC 1	=	Valor Telecommunications Enterprises II LLC a Delaware limited liability company that elected to be treated as an association subject to tax as a corporation EIN: 75-2950064
LLC 2	=	Midwest, LLC To be formed as a Delaware limited liability company
LLC 3	=	DES, LLC To be formed as a Delaware limited liability company
LLC 4	=	PCI, LLC To be formed as a Delaware limited liability company
LLC 5	=	CTC, LLC To be formed as a Delaware limited liability company
DRE 1	=	Windstream Kentucky East, LLC a Delaware limited liability company
DRE 2	=	Valor Telecommunications Enterprises, LLC a Delaware limited liability company
DRE 3	=	CavTel Holdings, LLC a Delaware limited liability company
Business A	=	provision of advanced network communications and technology solutions to businesses and consumers (the Communications Business)

Business A-1	=	provision of Business A in Kentucky
Business B	=	competitive local exchange carrier business offering voice, broadband, long distance and value-added services to consumer customers located in primarily rural locations (the Consumer CLEC Business)
Business C	=	provision of an extensive copper cable network and local and long-haul fiber optic cable network utilized in Business A or leased to third-party communications providers (the Real Property Business)
Business Plan	=	a plan to expand Distributing 1's existing real estate platform
Other Parties	=	third-party public utilities
Services	=	communications services
System	=	extensive networks comprised of copper cable lines, fiber optic cable lines, telephone poles, underground conduits, concrete pads, attachment hardware, pedestals, guy wires, anchors, and signal repeaters
Asset Z	=	copper cable lines
Asset AA	=	fiber optic cable lines
Asset BB	=	telephone poles
Asset CC	=	underground conduits
Asset DD	=	concrete pads
Asset EE	=	attachment hardware
Asset FF	=	pedestals
Asset GG	=	guy wires

Asset HH	=	anchors
Asset II	=	certain office buildings
Asset JJ	=	signal repeaters
Asset LL	=	certain permits from state highway departments
Type NN	=	pole attachment agreements pursuant to which Distributing 1 can attach its lines to a third party's poles or allow a third party to attach its lines to Distributing 1's poles
Type OO	=	right-of-way licenses or franchise agreements granted by county governments and local municipalities that allow access to public rights of way
Date 1	=	May 23, 2013
Date 2	=	August 23, 2013
Date 3	=	August 30, 2013
Date 4	=	December 31, 2013
State A	=	Delaware
State B	=	Ohio
State C	=	Florida
State D	=	Texas
State E	=	Nebraska
State F	=	North Carolina
State G	=	Minnesota
State H	=	Iowa

State I	=	Kentucky
State J	=	Wisconsin
State K	=	Michigan
State L	=	Virginia
Tranche A Debt	=	$300 million of Tranche A4 senior secured credit facilities incurred on August 8, 2012, $150.4 million of Tranche A2 senior secured credit facilities that were restated to Tranche A3 effective February 23, 2012, and $280 million Tranche A3 senior secured credit facilities incurred February 23, 2012
Tranche B Debt	=	$1,345 million of Tranche B4 senior secured credit facilities incurred January 2013
Note 1	=	$700 million of 6.375% senior unsecured notes incurred January 2013
Note 2	=	$1,100 million of 7.875% Senior Notes issued in September 2009
Note 3	=	$400 million of 8.125% senior unsecured notes issued in July 2010
Note 4	=	$200 million of 7.75% senior unsecured notes issued in January 2011
Note 5	=	$500 million of 7.750% senior unsecured notes issued in October 2010
Note 6	=	$500 million of 7.500% senior unsecured notes issued in November 2011
Note 7	=	$600 million of 7.500% senior unsecured notes issued in March 2011
$a	=	$665,000,000

$b	=	$1,922,000,000
$c	=	$590,000,000
$d	=	$4,950,000,000
e	=	98.0392
f	=	1.9608
g	=	7
h	=	30
i	=	40
j	=	.02
k	=	10
l	=	25
m	=	3
n	=	1
$o	=	currently expected to equal approximately $650,000,000
p	=	5
$r	=	$2,250,000,000
$s	=	an estimated amount of cash that will not exceed the total adjusted basis of the assets transferred to Controlled by Distributing 1
t	=	15
u	=	4
v	=	15

w	=	in perpetuity because regulated utilities have the right to occupy public rights of way
Cost RR	=	maintenance costs of the site
Problem	=	Controlled's having to become regulated by public utility commissions (PUCs) in each state in which the property underlying the relevant agreement is located
Rights UU	=	that Controlled may thereafter, at its option and for no cost, have the property retitled in its own, or its designee's, name at any time upon receiving the required authorizations from the relevant state regulator
Rights VV	=	that Controlled will be entitled to all revenues with respect to the underlying property, bear the burden of all expenses and costs associated with owning such assets, including any taxes, and have all opportunity for profit and risk of loss with respect to such assets (and indemnify Distributing 1 against any such loss)
Rights WW	=	that Controlled will have the right to direct the holder of the legal title of the property, as nominee, to take actions with respect to such assets, including transferring such assets on behalf of Controlled. For example, subject to the Leases (defined herein), Controlled will be able to encumber or sell any of the Distribution Assets to a third party without the approval of the Distributing Group.
Escrow LLC	=	Windstream Escrow, LLC a Delaware limited liability company EIN: 46-5237486

Dear Mr. Kemp:

We respond to your May 10, 2013, request for rulings, submitted by your authorized representatives, on certain U.S. federal income tax consequences of a series of proposed and partially completed transactions (collectively, as defined below, the Transactions). The information submitted in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties-of-perjury statement executed by an appropriate party. While this office has not verified any of the materials submitted in support of the request for rulings, it is subject to verification upon examination.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Transactions: (i) satisfy the business purpose requirement of section 1.355-(2)(b) of the Income Tax Regulations, (ii) are used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) of the Internal Revenue Code (Code) and section 1.355-2(d)), or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in the distributing corporation or the controlled corporation (see sections 355(e) and 1.355-7).

Summary of Facts

Distributing 2 is a publicly traded holding company and the common parent of an affiliated group of corporations that files a consolidated U.S. federal income tax return (the Distributing Group). Distributing 2 has a single class of common stock outstanding (the Distributing 2 Common Stock) that trades on Exchange.

Distributing 2 wholly owns Distributing 1, which was previously the common parent of the Distributing Group. Distributing 1 had a single class of common stock outstanding (the Distributing 1 Common Stock) that traded on Exchange. On Date 1, Distributing 1 formed Distributing 2. On Date 2, Distributing 2 formed Merger Sub. On Date 3, Merger Sub merged into Distributing 1, with Distributing 1 becoming a wholly owned subsidiary of Distributing 2 (the Merger), and each share of Distributing 1 Common Stock converted into the right to receive a share of Distributing 2 Common Stock. As a result of the Merger, Distributing 2 became the common parent of the Distributing Group.

As of Date 4, Distributing 1 had outstanding $a in Tranche A Debt, $b in Tranche B senior secured credit facilities including, but not limited to, the Tranche B Debt, $c in a revolving line of credit under its senior secured line of credit (the Revolver), and $d of

senior unsecured notes, including, but not limited to, Note 1, Note 2, Note 3, Note 4, Note 5, Note 6, and Note 7 (collectively, the Notes).

The Distributing Group engages in Business A (including Business A-1), Business B, and Business C. Before the occurrence of any step relating to the Transactions, set forth below, the Distributing Group was structured as follows:

Distributing 1, directly and indirectly through its subsidiaries, engages in Business A, Business B, and Business C. Distributing 1 directly wholly owned, among other subsidiaries, Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 13, Sub 16, Sub 26, Sub 33, Sub 35, Sub 42, Sub 46, and LLC 1, each of which was, or was treated as, a domestic corporation for U.S. federal tax purposes. Distributing 1 also directly wholly owned DRE 1, an entity that was disregarded from its sole owner for U.S. federal tax purposes (a disregarded entity). Distributing 1 also directly wholly owned Sub 11, a domestic corporation, through its ownership of DRE 2, a disregarded entity. Distributing 1 also directly owned e percent of the sole class of stock of Sub 15, a domestic corporation. The remaining f percent of the stock of Sub 15 was owned by Sub 13.

Sub 7 directly wholly owned Sub 8, Sub 9, and Sub 10, each a domestic corporation. LLC 1 directly wholly owned Sub 12, a domestic corporation. Sub 13 directly wholly owned Sub 14, a domestic corporation. Sub 16 directly wholly owned Sub 17, which in turn directly owned Sub 18, Sub 19, Sub 20, Sub 21, Sub 22, Sub 23, Sub 24, and Sub 25, each a domestic corporation. Sub 26 directly wholly owned Sub 27, Sub 28, Sub 29, and Sub 32, each a domestic corporation. Sub 29 directly wholly owned Sub 30 and Sub 31, each a domestic corporation. Sub 33 directly wholly owned Sub 34, a domestic corporation. Sub 35 directly wholly owned Sub 36, Sub 37, and Sub 38, each a domestic corporation. Sub 38 directly wholly owned Sub 39, Sub 40, and Sub 41, each a domestic corporation. Sub 42 directly wholly owned Sub 43, Sub 44, and Sub 45, each a domestic corporation. Sub 46 directly wholly owned Sub 47, a domestic corporation, and Sub 47 directly wholly owned Sub 48 and Sub 49, each a domestic corporation. Sub 49 directly wholly owned Sub 50 and Sub 59, each a domestic corporation, through its ownership of DRE 3, a disregarded entity. Sub 50 directly wholly owned Sub 51 and Sub 56, each a domestic corporation, and Sub 51 directly wholly owned Sub 52, Sub 53, and Sub 55, each a domestic corporation. Sub 53 directly wholly owned Sub 54, a domestic corporation, and Sub 56 directly wholly owned Sub 57 and Sub 58, each a domestic corporation. Sub 59 directly wholly owned domestic Sub 60.

Distributing 1, directly and indirectly through its subsidiaries, owns System, which it leases to third parties in Business C and which it utilizes in Business A and Business B. Business B utilizes System to offer Services to consumers in certain locations. Before the occurrence of any of the steps of the Transactions, each of Sub 8, Sub 12, Sub 15, Sub 18, Sub 19, Sub 20, Sub 21, Sub 22, Sub 23, Sub 24, Sub 25, Sub 27, Sub 32, Sub 37, Sub 38, Sub 39, Sub 40, Sub 45, Sub 48, Sub 49, Sub 51, Sub 54, Sub 55, Sub 58, and Sub 60 were engaged in, and held assets related to, Business B.

System is comprised mainly of Assets Z, AA, BB, CC, DD, EE, FF, GG, and HH (collectively, the Distribution Assets, including Asset II). The taxpayer has not requested any rulings with regard to Asset JJ that is also a component of System.

The Distribution Assets are subject to certain easements (the Easements) held by Distributing 1 or Other Parties. Distributing 1 also holds Asset LL and enters into Type OO agreements (collectively, the Rights). Distributing 1 also enters into certain Type NN agreements with respect to Asset BB (the Agreements). Each of the Easements, the Rights, and the Agreements provides the holder with certain rights regarding certain of the Distribution Assets. The Easements are typically acquired for an unlimited or indefinite period of time, whereas the Agreements and the Rights are generally for a fixed period of time in exchange for consideration. The Agreements typically have terms of k to l years, with automatic renewal terms thereafter. The Asset LL Rights are usually for a term of w. Type OO agreements are typically for m to k years, with n-year renewal terms thereafter. The holder of a Right or an Agreement generally is required to pay its proportionate share of Cost RR and to maintain the Distribution Assets located at the site.

In recent years, Distributing 1 has shifted more of its focus to Business A; thus, as part of the Transactions, Distributing 1 will transfer Business B and Business C to Controlled, its recently-formed and wholly-owned State A subsidiary. Management of Distributing 1 has determined that separating Business B and Business C from Business A will serve the following corporate business purposes: (i) provide Distributing 1, Distributing 2, and Controlled with increased flexibility to pursue the Business Plan and acquisition strategy, including alternatives that are unlikely to be available absent the Distributions; (ii) enable Controlled to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, which management believes is critical to the success of the Business Plan, with less dilution to existing shareholders; (iii) meaningfully enhance the ability of the corporation to raise capital for Business C by issuing equity on more favorable terms than would be possible, absent the Distributions, in the public markets to institutional investors that invest in real estate investment trusts (REITs); (iv) reduce the actual or perceived competition for capital resources within the Distributing Group; (v) meaningfully enhance each of Distributing 1's, Distributing 2's, and Controlled's ability to attract and retain qualified management; and (vi) allow Business C to optimize its leverage and enhance Business A's credit profile, providing the Distributing Group with greater financial and strategic flexibility (collectively, the Corporate Business Purposes).

As part of the Transactions, after the External Distribution (as defined below), Controlled will make an election to be treated as a REIT (the REIT Election) and, together with Controlled Sub, its recently formed wholly owned State A subsidiary, will jointly elect to treat Controlled Sub as a taxable REIT subsidiary within the meaning of section 856(l) effective on the first day of Controlled's first taxable year as a REIT (the First REIT Taxable Year). Controlled will retain Business C, and Controlled Sub will hold Business B.

In connection with the REIT election, prior to the end of the First REIT Taxable Year, Controlled intends to distribute to its shareholders with respect to their Controlled Stock all of its earnings and profits (E&P) that were, or will be, accumulated by Controlled for all taxable periods ending prior to the First REIT Taxable Year as required by section 857(a)(2)(B) (the Purging Distribution). The Purging Distribution will take the form of cash and Controlled common stock. Controlled also currently intends to make cash and stock distributions in the two years following the effective date of the REIT Election (the Other Distributions and, together with the Purging Distribution, the REIT Distributions).

When Controlled makes the REIT Distributions, it intends to allow each Controlled shareholder to elect to receive the shareholder's distribution in either cash or Controlled shares of equivalent value, subject to a limitation on the amount of cash to be distributed in the aggregate to all shareholders (the Cash Limitation). If a shareholder fails to make a valid election by the election deadline, that shareholder will be deemed to have made an election to be determined by Controlled at Controlled's sole discretion. To the extent necessary, Controlled will issue cash in lieu of fractional shares of its stock. Although Controlled has not yet determined the amount of the Cash Limitation, it will not be less than 20 percent of each REIT Distribution declaration (without regard to any cash that may be paid in lieu of fractional shares).

If the total number of shares for which an election to receive a distribution in cash is made would result in the payment of cash in an aggregate amount that is less than or equal to the Cash Limitation, then all shareholders electing to receive cash will receive cash on all such shares. If too many shareholders elect to receive cash, each shareholder electing to receive cash will receive a pro rata amount of cash corresponding to the shareholder's respective entitlement under the REIT Distribution declaration, but in no event will any shareholder electing to receive cash receive less than 20 percent of the shareholder's entire entitlement under the distribution declaration in cash.

The calculation of the number of shares to be received by any shareholder will be determined, over a period of up to two weeks ending as close as practicable to the payment date of the REIT Distribution, based on a formula using market prices that is designed to equate in value the number of shares to be received with the amount of cash that could be received instead.

After the External Distributions (as defined below), Controlled will lease the Distribution Assets to either Distributing 1 or Distributing 2 under a triple-net lease (the Lease) with a g to t year term. In the aggregate, the Lease will provide for a fixed annual rent of approximately $o for the first m years. Thereafter, the rent will increase under the Lease on an annual basis at a rent escalator that has yet to be determined by the parties. All amounts received under the Lease will be for the use of the Distribution Assets. The Lease will provide Distributing 1 or Distributing 2, as relevant, with the right to renew for as many as u p-year terms, which renewal will be priced at the then fair

market value for such Lease. After the External Distributions, Controlled will also acquire, develop, and lease similar assets to unrelated tenants.

To avoid Problem, Distributing 1 will enter into certain agreements under which it will irrevocably assign all of the benefits and burdens of the Easements, the Rights, and the Agreements, through assignment and assumption agreements (the Assignment Agreements), to Controlled. The Assignment Agreements will provide for Rights UU, VV, and WW.

For administrative convenience and to avail itself of economies of scale with respect to employment costs, certain employees may perform services for both Controlled and Controlled Sub following the Transactions. For example, Distributing 1 expects that Controlled's collective human resources, legal, accounting, and other administrative departments will be located in either Controlled or Controlled Sub, and the personnel in those departments will provide services to both Controlled and Controlled Sub pursuant to an employee sharing agreement (the ESA).

Under the ESA, the employer, whether Controlled or Controlled Sub, will loan or advance the shared employees to the service recipient to the extent those employees spend time performing services for the service recipient. The service recipient will reimburse the employer for the service recipient's allocable share of the employee's costs, including salaries, benefits, and other compensation costs associated with payroll administration, and allocable overhead costs including, but not limited to, office supplies, furniture, and equipment. The amount of the reimbursements will be computed periodically and will be determined on the basis of the relative amount of time the employees spend performing services on behalf of the employer versus the service recipient (or pursuant to another reasonable allocation method).

Controlled and Controlled Sub also expect to co-occupy the corporate offices of Controlled following the Transactions. Controlled and Controlled Sub will co-own or co-lease and co-occupy the offices, but only one or the other will be listed as the primary owner or lessee, as applicable, of the space. With respect to the shared space, Controlled and Controlled Sub will enter into a space sharing agreement (the SSA and, together with the ESA, the Cost Sharing Arrangements) that will provide that each party pays its allocable share of costs associated with the shared space on a cost reimbursement basis based upon the use of the space and its elements. Reimbursed costs may include, but are not limited to, utilities, taxes, mortgage expense, rents, and building maintenance and improvement expenses.

Distributing 1 and Controlled will enter into certain agreements in connection with the implementation of the Transactions that are intended to include: (i) a separation and distribution agreement, (ii) a tax matters agreement (the Tax Matters Agreement), (iii) a transition services agreement (the Transition Services Agreement), and (iv) an employee matters agreement (collectively, the Transaction Agreements).

The Transactions

For what are represented to be valid corporate business purposes, Distributing 2 has proposed the following series of proposed and partially completed transactions (the Transactions):

First Internal Restructuring

On Date 4, the following transactions occurred, although not necessarily in the order enumerated (collectively, the First Internal Restructuring):

(i) DRE 2 merged into Distributing 1, and, thereafter, Sub 11 merged into its parent, Distributing 1 (the Sub 11 Liquidation).

(ii) LLC 1 merged into Distributing 1 (the LLC 1 Liquidation), and, thereafter, Sub 12 merged into its parent, Distributing 1 (the Sub 12 Liquidation).

(iii) Each of Sub 13, Sub 33, and Sub 42 merged into its parent, Distributing 1 (the Sub 13 Liquidation, the Sub 33 Liquidation, and the Sub 42 Liquidation, respectively).

(iv) Sub 17 merged into its parent, Sub 16 (the Sub 17 Liquidation), and, thereafter, Sub 16 merged into its parent, Distributing 1 (the Sub 16 Liquidation).

(v) Sub 38 merged into its parent, Sub 35 (the Sub 38 Liquidation).

(vi) DRE 3 merged into its parent, Sub 49, and thereafter, each of Sub 50 and Sub 59 merged into its parent, Sub 49 (the Sub 50 Liquidation and the Sub 59 Liquidation, respectively); subsequently, Sub 56 merged into its parent, Sub 49 (the Sub 56 Liquidation), after which Sub 57 merged into its parent, Sub 49 (the Sub 57 Liquidation).

Second Internal Restructuring

Distributing 1 will complete the following steps in the following order to align the various assets and entities relating to Business A, Business B, and Business C (collectively, the Second Internal Restructuring). Following the First Internal Restructuring and the Second Internal Restructuring, all of the assets related to Business B and Business C will be treated as directly owned by Distributing 1 for U.S. federal income tax purposes.

(vii) Sub 1 will merge into a newly-formed State A corporation wholly owned by its parent, Distributing 1. Immediately thereafter, the State A corporation will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 1 Liquidation).

(viii) Each of Sub 2 and Sub 3 will convert under State B law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 2 Liquidation and the Sub 3 Liquidation, respectively).

(ix) Sub 4 will convert under State C law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 4 Liquidation).

(x) Each of Sub 5 and Sub 6 will convert under State D law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 5 Liquidation and the Sub 6 Liquidation, respectively).

(xi) Sub 14 will convert under State F law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 14 Liquidation).

(xii) Sub 15 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 15 Liquidation).

(xiii) Sub 7 will merge into Distributing 1 (the Sub 7 Liquidation).

(xiv) Sub 10 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 10 Liquidation).

(xv) Sub 9 will convert under State E law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 9 Liquidation).

(xvi) Sub 8 will contribute certain Business B assets and Business B to LLC 2, a newly formed State A limited liability company that is disregarded as separate from Sub 8 for U.S. federal tax purposes; immediately thereafter, Sub 8 will distribute all of the member interests in LLC 2 to Distributing 1.

(xvii) Each of Sub 18, Sub 19, Sub 20, Sub 22, Sub 23, Sub 24, and Sub 25 will distribute its Business B assets to Distributing 1.

(xviii) Sub 21 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes.

(xix) Sub 26 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax

purposes (the Sub 26 Liquidation), and subsequently, Sub 27 will distribute assets related to Business B to Sub 26.

(xx) Sub 29 will merge into Sub 26, an entity that will be disregarded as separate from its parent, Distributing 1 (the Sub 29 Liquidation).

(xxi) Sub 28 will merge into a newly formed State A corporation that is wholly owned by its parent, Sub 26, a disregarded entity that is wholly owned by Distributing 1. Immediately thereafter, the State A corporation will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 28 Liquidation).

(xxii) Sub 30 will merge into a newly formed State A corporation that is wholly owned by its parent, Sub 26, a disregarded entity that is wholly owned by Distributing 1. Immediately thereafter, the State A corporation will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 30 Liquidation).

(xxiii) Sub 31 will merge into a newly formed State A corporation that is wholly owned by its parent, Sub 26, a disregarded entity that is wholly owned by Distributing 1. Immediately thereafter, the State A corporation will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 31 Liquidation).

(xxiv) Sub 32 will contribute certain assets related to Business B and Business C to LLC 3, a newly formed State A limited liability company that is disregarded as separate from Sub 32 for U.S. federal tax purposes; subsequently, Sub 32 will distribute all of the member interests in LLC 3 to Sub 26, an entity that will be disregarded as separate from its parent, Distributing 1, for U.S. federal tax purposes.

(xxv) Sub 34 will convert under State F law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 34 Liquidation).

(xxvi) Sub 35 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 35 Liquidation). Subsequently, Sub 37 will distribute certain assets related to Business B to Sub 35.

(xxvii) Each of Sub 39, Sub 40 and Sub 41 will convert under State G law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 39 Liquidation, Sub 40

Liquidation, and Sub 41 Liquidation, respectively).

(xxviii) Sub 36 will convert under State H law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 36 Liquidation).

(xxix) Sub 43 will convert under State I law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 43 Liquidation).

(xxx) Sub 44 will convert under State J law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 44 Liquidation).

(xxxi) Sub 45 will convert under State I law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 45 Liquidation).

(xxxii) Sub 46 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes.

(xxxiii) Sub 47 will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes.

(xxxiv) Sub 48 and Sub 49 will each convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes.

(xxxv) Sub 51 will merge into a newly formed State A corporation that is wholly owned by its parent, Sub 49. Immediately thereafter, the newly formed State A corporation will convert under State A law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 51 Liquidation).

(xxxvi) Sub 58 will convert under State C law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 58 Liquidation).

(xxxvii) Sub 60 will convert under State L law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 60 Liquidation).

(xxxviii) Sub 52 and Sub 53 will each merge into Sub 51 (the Sub 52 Liquidation and the Sub 53 Liquidation).

(xxxix) Sub 54 will convert under State C law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 54 Liquidation).

(xxxx) Sub 55 will convert under State K law into a limited liability company that is disregarded as separate from Distributing 1 for U.S. federal tax purposes (the Sub 55 Liquidation).

Debt Exchange

(xxxxi) One or more investment banks (individually, an Investment Bank and collectively, the Investment Banks) intend to solicit non-binding orders from third-party investors for debt securities and loans under a term loan facility to be issued by Controlled with a currently estimated face amount of up to approximately $r (the Controlled Securities).

(xxxxii) At least 14 days prior to the closing date of the Distributions, each Investment Bank, acting as principal for its own account, will acquire in the marketplace some or all of the Tranche A Debt, the Tranche B Debt, the Revolver, and the Notes (the Exchange Debt).

(xxxxiii) No sooner than five days after acquiring the Exchange Debt and at least nine days prior to the Distributions (defined below), Distributing 1 expects that the Investment Banks will enter into an exchange agreement with Distributing 1 pursuant to which the parties will agree to exchange an amount of Exchange Debt for up to a currently estimated aggregate $r face amount of Controlled Securities, less a specified spread (the Debt Exchange). The exchange ratio for the Debt Exchange will be negotiated between Distributing 1 and the Investment Banks, bargaining at arms' length, no earlier than the time they enter into the exchange agreement. Each Investment Bank expects to obtain binding commitments at such time from third-party investors who will agree to purchase the Controlled Securities from each Investment Bank following the Debt Exchange.

The Contribution and the Distributions

(xxxxiv) Distributing 1 will contribute all of the assets and liabilities comprising Business B and Business C to Controlled. As part of this contribution, Distributing 1 will transfer membership interests in limited liability companies that are disregarded from it for U.S. federal tax purposes and that hold the Distribution Assets and Business B. Distributing 1 may also cause limited liability companies that are disregarded as separate from it to directly transfer assets to Controlled. As described earlier, Distributing 1 will also irrevocably assign the Easements, the Rights, and the Agreements, through the Assignment Agreements, to Controlled.

(xxxxv) In exchange for the assignments and the contributions of Business B and Business C (the Contributed Assets), Distributing 1 will receive all of the common stock of Controlled, $s in cash that Controlled expects to borrow from unrelated third-parties (the Controlled Cash), and the Controlled Securities (the Contribution). In order to address certain issues under Distributing 1's debt covenants, Escrow LLC, a disregarded entity formed by Controlled, will borrow from third parties, the proceeds of which will be held in an escrow account and pledged to the lenders until the conditions to the Distributions (defined below) have been satisfied. In the event that the Distributions do not occur, the proceeds will be used to fund a mandatory redemption of Distributing 1's existing debt. Upon satisfaction of all of the conditions to the Distributions, the proceeds of the borrowing will be released from the escrow account, and Escrow LLC will distribute the proceeds to Controlled, who in turn, will distribute them to Distributing 1 in connection with the Contribution. Immediately following completion of the Distributions, Escrow LLC will be merged into Controlled.

(xxxxvi) Controlled will contribute Business B to Controlled Sub in exchange for Controlled Sub stock.

(xxxxvii) Distributing 1 and the Investment Banks will consummate the Debt Exchange.

(xxxxviii) Distributing 1 will distribute all of the stock of Controlled to Distributing 2 (the Internal Distribution).

(xxxxix) Distributing 2 will distribute all of the stock of Controlled, pro rata, to the holders of the Distributing 2 Common Stock (the External Distribution and, together with the Internal Distribution, the Distributions).

(xxxxx) As promptly as practicable after the Distributions, but in no event later than one year after the Distributions, Distributing 1 will use the Controlled Cash received in the Contribution to repay existing Tranche B Debt, the Notes, or other existing debt and/or to distribute to Distributing 2 for the repurchase of shares of common stock.

The Elections

(xxxxxi) Controlled will make the REIT Election by electing to become a REIT as of the first day of its taxable year beginning the day after the Distributions occur, and Controlled will elect jointly with Controlled Sub to have Controlled Sub treated as a "taxable REIT subsidiary" within the meaning of section 856(l) effective on the first day of Controlled's first taxable year as a REIT.

(xxxxxii) In accordance with section 857(b)(9), Controlled will declare a dividend in an amount equal to the Purging Distribution within the last three months of the calendar year in which Controlled makes the REIT Election. The Purging Distribution will be paid no later than January 31st of the following calendar year.

Representations

The Liquidations

The following representations have been made with respect to each of the Sub 1 Liquidation, the Sub 2 Liquidation, the Sub 3 Liquidation, the Sub 4 Liquidation, the Sub 5 Liquidation, the Sub 6 Liquidation, the Sub 7 Liquidation, the Sub 9 Liquidation, the Sub 10 Liquidation, the Sub 11 Liquidation, the Sub 12 Liquidation, the Sub 13 Liquidation, the Sub 14 Liquidation, the Sub 15 Liquidation, the Sub 16 Liquidation, the Sub 17 Liquidation, the Sub 26 Liquidation, the Sub 28 Liquidation, the Sub 29 Liquidation, the Sub 30 Liquidation, the Sub 31 Liquidation, the Sub 33 Liquidation, the Sub 34 Liquidation, the Sub 35 Liquidation, the Sub 36 Liquidation, the Sub 38 Liquidation, the Sub 39 Liquidation, the Sub 40 Liquidation, the Sub 41 Liquidation, the Sub 42 Liquidation, the Sub 43 Liquidation, the Sub 44 Liquidation, the Sub 45 Liquidation, the Sub 50 Liquidation, the Sub 51 Liquidation, the Sub 52 Liquidation, the Sub 53 Liquidation, the Sub 54 Liquidation, the Sub 55 Liquidation, the Sub 56 Liquidation, the Sub 57 Liquidation, the Sub 58 Liquidation, the Sub 59 Liquidation, the Sub 60 Liquidation, and the LLC 1 Liquidation (each, a Liquidation). For purposes of these representations, each liquidating corporation is referred to as "Liquidating Subsidiary" and each parent corporation of such Liquidating Subsidiary is referred to as "Parent."

(a) Except with respect to transactions comprising steps of the Transactions and transfers in the ordinary course of business, the liquidation of each Liquidating Subsidiary will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of such Liquidating Subsidiary, if persons holding, directly or indirectly, more than 20 percent in value of the Liquidating Subsidiary stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation and in each place that it appears herein, ownership will be determined immediately after the External Distribution and by application of the constructive ownership rules of section 318(a) as modified by section 304(c)(3).

(b) Parent, on the date of adoption of each plan of liquidation, and at all times thereafter until the completion of the final liquidation, will own 100 percent of the single outstanding class of stock of each Liquidating Subsidiary. For purposes of this representation, each plan of liquidation is considered to be adopted by Parent immediately prior to such Liquidation.

(c) No shares of stock of any Liquidating Subsidiary will have been redeemed during the three years preceding the date of the Transactions.

(d) All distributions from each Liquidating Subsidiary to its Parent pursuant to the plan of complete liquidation will be made within a single taxable year of such Liquidating Subsidiary.

(e) As of the effective date of each Liquidation, each Liquidating Subsidiary will cease to be an entity that is separate from its Parent for U.S. federal tax purposes.

(f) For U.S. federal tax purposes, no Liquidating Subsidiary (as a corporation) will retain any assets following its Liquidation.

(g) No Liquidating Subsidiary will have acquired assets in any nontaxable transaction at any time except for acquisitions occurring more than three years prior to the Transactions.

(h) Except with respect to transfers made pursuant to the steps of the Transactions, no assets of any Liquidating Subsidiary have been or will be disposed of by its Parent, except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to adoption of the plan of liquidation.

(i) Each Liquidating Subsidiary will report all earned income represented by assets that will be deemed distributed to its Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(j) The fair market value of the assets of each Liquidating Subsidiary will exceed its liabilities both at the date of the adoption of the plan of complete liquidation and immediately prior to the time the Liquidation occurs.

(k) There is no intercorporate debt existing between any Liquidating Subsidiary and its Parent and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of adoption of the liquidation plan.

(l) Parent is not an organization that is exempt from U.S. federal tax under section 501 or any other provision of the Code.

(m) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Liquidations have been fully disclosed.

(n) In each Liquidation, the assets of the Liquidating Subsidiary that relate to

Business B and that will ultimately be contributed to Controlled Sub will make up less than 20 percent of the fair market value of the total assets previously held by such Liquidating Subsidiary.

The Contribution and the Distributions

The following representations have been made with respect to the Internal Distribution and the External Distribution (each such Distribution is referred to as a Distribution, and the corporation that will distribute the stock of Controlled in each such Distribution is referred to as the Distributing Corporation):

(o) With the exception of the Controlled Securities to be held by Distributing 1 prior to the Debt Exchange, the indebtedness, if any, owed by Controlled to the Distributing Corporation after the Distribution will not constitute stock or securities.

(p) No part of the consideration to be distributed by the Distributing Corporation with respect to the Distributing Corporation's stock will be received by any shareholder of the Distributing Corporation as a creditor, employee, or in any capacity other than that of a shareholder of the Distributing Corporation.

(q) The Distributing Corporation and Controlled will treat all members of their respective separate affiliated groups (as defined in section 355(b)(3)(B)) (the SAG) as one corporation in determining whether the requirements of section 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

(r) The five years of financial information submitted on behalf of Business A-1 conducted by DRE 1 is representative of the present business operations of DRE 1, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(s) The five years of financial information submitted on behalf of Business B is representative of the present business operations of Business B, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(t) Following the Distribution and except as contemplated by the Transition Services Agreement, the Distributing Corporation SAG and the Controlled SAG will continue the active conduct of their respective businesses, independently and with their separate employees.

(u) Neither the Distributing Corporation nor any member of the Distributing Corporation SAG acquired Business A-1 or control of any entity

conducting Business A-1 during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under section 1.355-3 of the proposed regulations) in whole or in part, excluding acquisitions that constitute an expansion of Business A-1. Throughout the five-year period ending on the date of the Distribution, the Distributing Corporation and/or members of the Distributing Corporation SAG will have been the principal owner(s) of the goodwill and significant assets of Business A-1 and will continue to be the principal owner(s) following the Distribution.

(v) Neither the Distributing Corporation nor any member of the Distributing Corporation SAG acquired Business B or control of any entity conducting Business B during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized under section 1.355-3 of the proposed regulations) in whole or in part, excluding acquisitions that constitute an expansion of Business B. Throughout the five-year period ending on the date of the Distribution, the Distributing Corporation and/or members of the Distributing Corporation SAG will have been the principal owner(s) of the goodwill and significant assets of Business B, and Controlled or members of the Controlled SAG will be the principal owner(s) following the Distribution.

(w) The Distributions are being carried out for one or more of the following corporate business purposes: (i) to provide Distributing 1, Distributing 2, and Controlled with increased flexibility to pursue the Business Plan and acquisition strategy, including alternatives that are unlikely to be available absent the Distributions; (ii) to enable Controlled to issue equity on meaningfully more favorable terms in connection with investments and acquisitions, which management believes is critical to the success of the Business Plan, with less dilution to existing shareholders; (iii) to meaningfully enhance the ability of Business C to raise capital by issuing equity on more favorable terms than would be possible, absent the Distributions, in the public markets to institutional investors that invest in REITs; (iv) to reduce the actual and perceived competition for capital resources within the Distributing Group; (v) to meaningfully enhance each of Distributing 1 and Distributing 2, and Controlled's ability to attract and retain qualified management; and (vi) to allow Business C to optimize its leverage and enhance Business A's credit profile, providing the Distributing Group with greater financial and strategic flexibility. The Distributions are motivated, in whole or substantial part, by one or more of these corporate business purposes.

(x) The Distribution is not being used principally as a device for the distribution of the earnings and profits of the Distributing Corporation or Controlled.

(y) Immediately after the Distribution, (i) any person that holds a 50 percent or greater interest (within the meaning of section 355(g)(3)) in any disqualified investment corporation (within the meaning of section 355(g)(2)) will have held such an interest in such corporation immediately before the transaction, or (ii) neither the Distributing Corporation nor Controlled will be a disqualified investment corporation for purposes of section 355(g).

(z) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of stock of the Distributing Corporation entitled to vote, or 50 percent or more of the total value of shares of all classes of stock of the Distributing Corporation, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(aa) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing Corporation stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(bb) The External Distribution is not part of a plan or series of related transactions (within the meaning of section 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50 percent or greater interest (within the meaning of section 355(d)(4)) in the Distributing Corporation or Controlled (including any predecessor or successor of any such corporation).

(cc) The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing 1 each will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled and (ii) the total of any money and the fair market value of any other property (within the meaning of section 361(b)) received by Distributing 1.

(dd) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled in the Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(ee) Except for the Controlled Securities, no indebtedness will exist between Distributing 1 and Controlled at the time of, or subsequent to, the Internal Distribution, except for obligations arising in the ordinary course of business or obligations arising pursuant to the Transaction Agreements.

(ff) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (*see* sections 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; section 1.1502-13 as published in T.D. 8597). Any excess loss account the Distributing Corporation may have in the Controlled Stock will be included in income immediately before the Distribution to the extent required by the regulations (*see* section 1.1502-19).

(gg) Except for certain payments that will be made in connection with the Tax Matters Agreement and certain services agreements that are transitional in nature, payments made in connection with any continuing transactions between the Distributing Corporation (and its subsidiaries) and Controlled (and its subsidiaries) following the Distribution will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(hh) No property will be transferred by Distributing 1 to Controlled for which an investment credit allowed under section 46 will be (or has been) claimed.

(ii) Pursuant to the plan of reorganization, Distributing 1 will use the Controlled Cash received in the Contribution to repay existing Tranche B Debt, Notes, other existing debt, and/or to distribute to Distributing 2 for the repurchase of shares of Common Stock. Such proceeds will be held in a segregated account until they are used, as described above.

(jj) The Tranche A Debt, the Tranche B Debt, and the Notes (the Specified Exchange Debt) to be used in the Debt Exchange were not issued in anticipation of the External Distribution.

Other Representations

(kk) Unless required by law or loss of other rights, neither Distributing 1 presently, nor Controlled following the Distributions, has or will have the intent to remove the Distribution Assets prior to the end of the economic useful life of the Distribution Assets.

(ll) The Distribution Assets were designed and constructed to remain in place for the entirety of the economic useful lives of the Distribution Assets.

(mm) Asset JJ and any personal property leased as part of the Distribution Assets will not exceed v percent of the aggregate fair market value of both the real property and personal property attributable to the Distribution Assets.

(nn) In the event Controlled and Controlled Sub share office or facility space, each of Controlled and Controlled Sub will bear its proportional amount of the costs for such space through a cost-sharing arrangement.

(oo) Reimbursements for shared personnel, equipment, and space will be at cost and will be deducted or capitalized, as applicable, by the party bearing such costs under the cost-sharing arrangement; the reimbursed party under a cost-sharing arrangement will not deduct or capitalize the costs of shared personnel or space for which it receives reimbursement.

(pp) Neither Controlled nor Controlled Sub will be in the business of receiving compensation from other persons for services or use of property of the types that will be shared.

(qq) Rent attributable to any personal property leased in connection with the Distribution Assets will not exceed v percent of the total rent of both the real property and personal property included in the System.

(rr) The Distribution Assets are passive and include no machinery or equipment that produces any products or commodities.

(ss) The Distribution Assets have economic useful lives of approximately h to i years.

(tt) The Distribution Assets have never been moved to a new location and a substantial part of the Distribution Assets cannot be moved without prohibitive expense and damage to the System. Although Parties MM or parties who control a right of way occasionally require Distributing 1 to build and/or move certain Distribution Assets, this only affects approximately j percent of the System each year. Such projects typically involve installing new Distribution Assets in a new location and abandoning the old. If Parties MM so require, Distributing 1 completes removal and disposal of the old components. In rare instances, an Asset BB can be reused in a new location. Components otherwise are removed only for replacement rather than use at another location at the end of their useful life.

(uu) Controlled will be the substantive owner of the Easements, the Rights, and the Agreements.

(vv) No portion of the rent paid by Distributing 2 will be based on Distributing

2's net income or profit within the meaning of section 856(d)(2)(A).

(ww) With regard to the ESA, the employer will not deduct or capitalize the costs reimbursed by the service recipient; rather, the service recipient will deduct or capitalize those costs, as appropriate.

(xx) With regard to the SSA, neither party will deduct or capitalize any costs that are reimbursed by the other party; rather, each party will deduct or capitalize its share of the costs, as appropriate. The reimbursement under the Cost Sharing Arrangements will be solely for the associated costs, both direct and indirect, with no mark-up. The allocation of general and administrative overhead expenses under the Cost Sharing Arrangements will be made on an equitable basis consistent with an arm's length standard. Neither Controlled nor Controlled Sub will be in the business of receiving compensation from others for services or use of property of the types that will be reimbursed under the Cost Sharing Arrangement.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Transactions:

The Liquidations

For purposes of Rulings 1-7 below, with respect to each Liquidation, each liquidating corporation is referred to as a "Liquidating Subsidiary," and each parent corporation of such Liquidating Subsidiary is referred to as "Parent." With respect to each of the Liquidations, we rule as follows:

(1) The Liquidation will qualify as a complete liquidation under section 332 (sections 332(b) and 1.332-2(d)).

(2) No gain or loss will be recognized by Parent on its receipt of the Liquidating Subsidiary's assets and the assumption of the Liquidating Subsidiary's liabilities (section 332(a)).

(3) No gain or loss will be recognized by the Liquidating Subsidiary on the distribution of its assets to, and the assumption of its liabilities by, its Parent (sections 336(d)(3) and 337(a)).

(4) Parent's basis in each asset received from the Liquidating Subsidiary in the Liquidation will be the same as the basis of that asset in the hands of the Liquidating Subsidiary immediately before the Liquidation (section 334(b)(1)).

(5) Parent's holding period in each asset received from the Liquidating

Subsidiary in the Liquidation will include the period during which that asset was held by the Liquidating Subsidiary (section 1223(2)).

(6) Parent will succeed to and take into account as of the close of the effective date of the Liquidation the items of the Liquidating Subsidiary described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (sections 381(a) and 1.381(a)-1)).

(7) The excess loss account, if any, of Parent with respect to the stock of the Liquidating Subsidiary will not be recognized as a result of the Liquidation.

The Contribution, Internal Distribution, and Debt Exchange

(8) The Contribution (including the receipt by Distributing 1 of the Controlled Cash and the Controlled Securities), together with the distribution of the Controlled stock in the Internal Distribution, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Distributing 1 and Controlled each will be "a party to a reorganization" within the meaning of section 368(b).

(9) Provided that the Controlled Securities are transferred in the Debt Exchange and the Controlled Cash is dispensed of as described in step (xxxxx) and representation (ii) above, Distributing 1 will not recognize any gain or loss on the Contribution, including the receipt by Distributing 1 of the Controlled Stock, the Controlled Securities, the Controlled Cash, and the assumption of any liabilities (sections 361(a), 361(b) and 357(a)).

(10) Controlled will not recognize gain or loss on the Contribution (section 1032(a)).

(11) Controlled's basis in each asset received in the Contribution will be the same as the basis of that asset in the hands of Distributing 1 immediately before the Contribution (section 362(b)).

(12) Controlled's holding period in each asset received in the Contribution will include the period during which Distributing 1 held the asset (section 1223(2)).

(13) Distributing 1 will not recognize gain or loss on the distribution of its Controlled stock in the Internal Distribution (section 361(c)).

(14) Provided that the Controlled Securities are transferred in the Debt Exchange, Distributing 1 will not recognize any income, gain, loss, or deduction with respect to the transfer of the Controlled Securities solely in exchange for the Specified Exchange Debt in the Debt Exchange (section

361(c)).

(15) No gain or loss will be recognized by (and no amount will be included in the income of) Distributing 2 upon its receipt of the Controlled stock in the Internal Distribution (section 355(a)).

(16) Distributing 2's basis in the Distributing 1 Common Stock and Controlled stock immediately after the Internal Distribution will equal its basis in its Distributing 1 Common Stock immediately before the Internal Distribution, allocated between the Distributing 1 Common Stock and the Controlled stock in proportion to the fair market value of each immediately following the Internal Distribution in accordance with section 1.358-2(a)(2)(iv) (section 358(a), (b)(2) and (c)).

(17) Distributing 2's holding period in the Controlled stock received from Distributing 1 in the Internal Distribution will include the holding period of the Distributing 1 Common Stock with respect to which the Internal Distribution is made, provided that the Distributing 1 Common Stock is held as a capital asset on the date of the Internal Distribution (section 1223(1)).

(18) Earnings and profits (if any) will be allocated between Distributing 1 and Controlled in accordance with section 312(h) and sections 1.312-10(a) and 1.1502-33(e).

(19) Except for purposes of section 355(g), any post-distribution payments made by Distributing 1 or any of its affiliates to Controlled or any of its affiliates, or vice versa, that (i) have arisen or will arise with respect to a taxable period ending on or before the date of the Internal Distribution or for a taxable period beginning on or before and ending after the date of the Internal Distribution and (ii) will not have become fixed and ascertainable until after the Internal Distribution will be treated as occurring immediately before the Internal Distribution (*see Arrowsmith v. Commissioner,* 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84).

The External Distribution

(20) No gain or loss will be recognized by Distributing 2 on the External Distribution (section 355(c)).

(21) No gain or loss will be recognized by (and no amount will be included in the income of) the Distributing 2 shareholders upon their receipt of the Controlled stock in the External Distribution (section 355(a)).

(22) Each Distributing 2 shareholder's basis in the Distributing 2 Common Stock and Controlled stock (including any fractional share interest in

Controlled to which the shareholder may be entitled) immediately after the External Distribution will equal the basis of the Distributing 2 Common Stock that the shareholder held immediately before the External Distribution, allocated between the Distributing 2 Common Stock and the Controlled stock in proportion to the fair market value of each immediately following the External Distribution in accordance with section 1.358-2(a)(2)(iv) (section 358(a), (b)(2) and (c)).

(23) Each Distributing 2 shareholder's holding period in the Controlled stock received in the External Distribution (including any fractional share interest in Controlled to which the shareholder may be entitled) will include the holding period of the Distributing 2 Common Stock with respect to which the External Distribution is made, provided that the shareholder holds such Distributing 2 Common Stock as a capital asset on the date of the External Distribution (section 1223(1)).

(24) Earnings and profits, if any, will be allocated between Distributing 2 and Controlled in accordance with section 312(h) and sections 1.312-10(b) and 1.1502-33(e)(3).

Other Rulings

(25) The Distribution Assets (including Assets Z, AA, BB, CC, DD, EE, FF, GG, HH, and II) will constitute "real property" for purposes of sections 856(c)(2)(C) and 856(c)(3)(A). The Easements, the Rights, and the Agreements are interests in real property and each will qualify, under section 856(c)(5)(B), as a "real estate asset," and assuming Controlled is the owner of the Easements, the Rights, and the Agreements, the amounts derived by Controlled under the agreements will be considered "rents from real property" within the meaning of section 856(d)(1).

(26) Payments received by Controlled under the Lease will be treated as "rents from real property" under section 856(d).

(27) Any amounts received by Controlled or Controlled Sub as reimbursements under a cost-sharing arrangement will not be included in the reimbursed party's gross income, including for purposes of section 856(c)(2) and (3) (to the extent Controlled is the reimbursed party). Also, the reimbursed party will not be entitled to a deduction for any expenses that are later reimbursed.

(28) All of the cash and Controlled Stock to be distributed in the Purging Distribution or Other Distributions by Controlled to holders of Controlled Stock will be treated as a distribution of property with respect to its stock to which sections 301 and 305(b) apply. Provided (a) Controlled elects to be taxed as, and qualifies as, a REIT as of the First REIT Taxable Year

and (b) the Purging Distribution occurs during the First REIT Taxable Year and the Other Distributions occur thereafter, the amount of the distribution of stock shall be considered to equal the amount of cash that could have been received instead of such stock (section 1.305-1(b)(2) and 1.305-2(b), Example (2), of the Income Tax Regulations). The Purging Distribution will not be deductible by Controlled.

Caveats

We express no opinion about the federal income tax treatment of the Transactions under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Transactions that are not specifically covered by the above rulings. Rulings concerning the Purging Distribution and Other Distributions are void, and we do not express any opinion on the tax consequences of the Purging Distribution and the Other Distributions if the Purging Distribution is not completed by the end of the First REIT Taxable Year and the Other Distributions thereafter.

In particular, we express no opinion regarding:

(a) whether the Transactions (i) satisfy the business purpose requirement of section 1.355-(2)(b), (ii) are used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (*see* sections 355(a)(1)(B) and 1.355-2(d)), or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in the distributing corporation or the controlled corporation (see sections 355(e) and 1.355-7);

(b) whether Controlled otherwise qualifies as a REIT under part II of subchapter M of Chapter 1 of the Code;

(c) whether any asset not listed above as part of the Distribution Assets or included in the Easements, the Rights, and the Agreements will qualify as a real estate asset;

(d) who is the owner of the Easements, the Rights, and the Agreements following their assignments, as described herein;

(e) whether Asset JJ that is a part of Distributing 1's System will qualify as real estate assets under section 856(c)(5)(B);

(f) whether any amounts paid to Controlled by Controlled Sub as rents will clearly reflect income for purposes of section 857(b)(7)(B); and

(g) the federal income tax treatment of the Merger or the transactions described in steps (xvi), (xvii), (xviii), (xxiv), (xxxii), (xxxiii), (xxxiv), and

(xxxxvi).

Procedural Matters

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Under a power of attorney on file in this office, we are sending a copy of this ruling letter to your authorized representatives.

Sincerely,

Filiz A. Serbes
Chief, Branch 3
Office of Associate Chief Counsel (Corporate)

Exhibit Q

Bloomberg Intelligence Article

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Bloomberg Intelligence

Windstream: Threats May Be Hot Air

BI Distressed, Global Dashboard


Philip Brendel
Team: Credit
BI Senior Credit Analyst


Negisa Balluku
Team: Litigation
BI Litigation Analyst

Windstream's Legal Threats on Lease Lack Substance and Viability

(Bloomberg Intelligence) -- Windstream had hinted it would seek concessions on its master lease with Uniti, yet its new threat to reject or recharacterize it is an escalation, that we view as impractical, value-destructive and ultimately hollow. Windstream said in its 1Q earnings release that it's considering renegotiating, recharacterizing or rejecting the master lease. (05/17/19)

1. Threats of Lower Rent in 2030 Ring Hollow

We believe both sides want to settle and this shot across the bow may play as Uniti's excuse for concessions. Given the weak nature of the threat, we suspect any concessions will be minor. Windstream's 1Q commentary conspicuously opined on the valuation of Uniti's assets in 2030, suggesting that the "prescriptive valuation process" of the lease may reduce renewal rent by 80% in 2030. We suspect Windstream's template for a new lease seeks discounts now in exchange for out-year economics. A grasp for a rent discount now via talk of theoretical 2030 economics illustrates, in our view, weak negotiating leverage.

Even if the lease were renegotiated, scars from this fight would likely drag on both companies' valuation. We continue to view recombining Windstream and Uniti as a value-maximizing path for stakeholders. (05/17/19)

Company Filing

"Windstream has utilized fiber to replace copper in select portions of its ILEC markets. Many of those investments fully accrete to Uniti under the terms of the master lease. However, it is important to understand that Windstream estimates that historically only approximately $50 million in tenant capital improvements annually relate to long term fiber...In fact, given the prescriptive valuation process outlined in the lease, Windstream estimates that the lease payment could be reduced by 80% or more if the lease were to be renewed in 2030, because of the significant decline in the value of copper facilities."

Tony Thomas - CEO, Windstream Holdings, Inc.
1Q19 Earnings Script, May 15, 2019

Quote located on page 5, click to view entire filing

2. Windstream Master Lease Options Likely Limited

Windstream has the option to assume or reject Uniti's lease, and while it is common for a debtor to seek to renegotiate an executory contract, the debtor and the court can't unilaterally rewrite the contract without the non-debtor's consent. An important limitation to the right to assume or reject is that, given the lease's structure and without Uniti's consent, Windstream must assume or reject the lease in its entirety -- it can't cherry-pick favorable provisions to assume and reject others. If approved by the court, rejection would operate as a breach of the contract and permit Uniti to file an unsecured claim for damages. (05/17/19)

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Docket:

- In re: Windstream Holdings, Inc. | BBLS »

Bankruptcy Specifics:

- Debtor: Windstream Holdings, Inc.
- The First Lien Ad Hoc Group includes: Bain Capital, Canyon Partners, Franklin Mutual, Invesco, Marathon Asset Management, Oaktree, Oz Management, York Capital
- The Ad Hoc Committee of Second Lien Noteholders includes: Brigade, Contrarian, Elliott Management, Loomis Sayles, Marble Ridge
- Assets: $13.1 Billion
- Liabilities: $11.2 Billion

Court:

- U.S. Bankruptcy Court Southern District of New York (White Plains)

Date Filed:

- Feb 25, 2019

3. Windstream's Lease Rejection Threat Likely Empty

Windstream is unlikely to have enough heft to compel a ground-up negotiation of Uniti's lease under the threat of rejection. Bankruptcy law allows debtors to reject burdensome contracts and such moves are typically reviewed under the lenient "business judgment" rule, but even this deferential standard has its limits. Under the rule, the bankruptcy court would focus on the interests of Windstream's bankruptcy estate without considering the impact on Uniti. However, because the lease rejection could arguably destroy Windstream's business, the court could determine that rejection would not be supported by sound business judgment.

Further, because it's a regulated telecommunications service provider, Windstream may face a more rigorous standard of review than standard business judgment given potential public interest concerns. (05/17/19)

Court Filing

"Between July and December 2014, Services and the Transferor Subsidiaries sought and obtained advanced approval for the transaction from various state utilities regulators... In particular, in applications to at least nine state utilities regulators, the Transferor Subsidiaries (sometimes joined by Holdings) described the 2015 Transaction and sought approval for it (or a ruling that no approval was needed)."

District Court Ruling, U.S. Bank National Association v. Windstream Services, LLC, Feb. 15, 2019

Quote located on page 24, click to view entire document

4. Windstream Recharacterization Bid Likely an Uphill Slog

Windstream's suggestion that it could recharacterize the master lease as a secured financing may not be frivolous but is unlikely to present a real threat. When bankruptcy judges analyze recharacterization they focus on the economic substance of the transaction. The fact that Uniti owns the assets specifically for Windstream to use and Windstream is responsible for capital improvements cuts in favor of recharacterization. Yet a court would primarily ask if the original length of the lease is equal to the life of the assets and if Windstream has the ability to own the assets upon expiration of the lease for a nominal value. Neither of these are likely the case.

The U.S. district court's holding that the Uniti spinoff constituted a sale leaseback also weakens the recharacterization argument, but may not preclude it. (05/17/19)

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Company Filing

"The company is evaluating all options as part of the Chapter 11 reorganization process regarding the master lease with Uniti Group, Inc., including renegotiation, recharacterization and rejection of the agreement."

Windstream Holdings, Inc., Form 8-K, Press Release, May 15, 2019

Click to view entire filing

5. If Granted, Recharacterization Likely Powerful

Though unlikely, Windstream could gain a powerful negotiation tool in recharacterization. True leases and secured financings are treated differently in bankruptcy. Absent recharacterization, Uniti remains the owner of the leased assets. However, recharacterization would render the assets Windstream's property, giving Uniti at most a secured claim over those assets if the security interest had been properly perfected. As a result, Windstream wouldn't have to comply with the ongoing post-petition payment requirements on the lease and Uniti's stake in the assets would be limited to a claim subject to the overall reorganization process. (05/17/19)

Court Filing

"As a whole, section 865 allows a trustee, or in this case a debtor-in-possession, to reject or assume executory contracts and leases, based on a determination of whether they burden or benefit the bankrupt estate. Thus, executory contracts and leases that benefit the bankrupt are favored over contracts with other creditors. If security transactions, loans and other financing arrangements can be couched in lease terms, and can thereby be assumed by the bankrupt estate, the "lessor" gains a distinct advantage at the expense of other creditors without a concomitant benefit to the bankrupt estate."

In re PCH Associates, 804 F.2d 193, 199-200 (2d Cir.1986), Oct. 27, 1986

Click to view entire document

6. Still No Sign That Windstream May Pursue $3 Billion Distribution

Noticeably absent from Windstream's public salvo against Uniti and its master lease relationship was any mention of a potential fraudulent conveyance claim against Uniti. Recall the 2015 transactions resulted in Uniti equity valued at $3 billion being distributed to Windstream shareholders, a windfall for them at the time.

Considering Windstream's management were the architects of the spinoff, this isn't surprising. These potential fraudulent conveyance claims, as opposed to cosmetic threats to reject or recharacterize the lease, may be Windstream's most valuable claims against Uniti. Yet this management team may avoid pursuing that angle due to its inherent conflict. (05/17/19)

Company Filing

"A court could deem the Spin-Off of our...stock or certain internal restructuring transactions undertaken by Windstream in connection therewith to be a fraudulent conveyance or transfer. Fraudulent conveyances or transfers are...transfers made or obligations incurred with the actual intent to hinder, delay or defraud current or future creditors or transfers made or obligations incurred for less than reasonably equivalent value when the debtor was insolvent, or that rendered the debtor insolvent"

Uniti Group, Inc.
2015 Form 10-K, March 7, 2016

Quote located on page 15, click to view entire filing

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7. Large Share of Unsecured Debt May Sculpt Elliott's Plan Support

Elliott Management's positioning may be instructive as we analyze the restructuring landscape. Importantly, Elliott's largest share of likely classes in a plan of reorganization will be in an unsecured note class, not the second lien note class. We estimate that Elliott would receive 46 cents on the dollar distributed to the unsecured notes, versus just 33 cents for the second lien notes.

Elliott therefore has an economic motivation to support higher distributions to the unsecured note class. Elliott's exiting of its Uniti position may also suggest that it's supportive of Windstream's more aggressive stance against Uniti and the master lease agreement. (05/17/19)

Windstream Ad Hoc Group Holdings

Ad Hoc Committee of Second Lien Noteholders (as of Apr. 8, 2019)	1L Term	1L Rev	1L Notes	1L Total	% of 1L Debt	2L Notes	% of 2L Debt	Unsec. Notes	% of Unsec Debt	Prepet. Total
Elliott Management	62		157	219	6.9%	405	33.3%	525	46.4%	1,149
JPM Asset Management	19		26	45	1.4%	222	18.2%		0.0%	266
Loomis Sayles	59		98	157	5.0%	137	11.2%		0.0%	293
Brigade Capital	131		0	131	4.1%	72	5.9%		0.0%	203
Contrarian Capital			13	13	0.4%	76	6.2%		0.0%	89
Marble Ridge Capital				-	0.0%	51	4.1%	12	1.0%	62
Western Holdings	1			1	0.0%	46	3.8%		0.0%	47
HSBC			14	14	0.5%	20	1.6%	4	0.3%	38
Deutsche Bank Distressed		35	(4)	31	1.0%	37	3.0%		0.0%	68
Total	272	35	304	610	19.4%	1,065	87.5%	540	47.7%	2,215
% of Issue	*15.5%*	*4.3%*	*50.7%*	*19.4%*		*87.5%*		*47.7%*		*39.6%*
Issue Outstanding	1,749	802	600	3,151		1,217		1,131		5,599

Source: Court Filings, Bloomberg Intelligence

To contact the analyst for this research:
Philip Brendel at pbrendel4@bloomberg.net

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Exhibit R

Morningstar Analyst Note

Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

Windstream Provides Update on Bankruptcy Proceedings and View of Uniti Lease With 1Q Results

Matthew Dolgin, CFA
Equity Analyst
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Analyst Note 15 May 2019

No-moat Windstream released first-quarter results that highlighted some of the challenges its business faces but were consistent with recent trends. The unsurprising results also had some encouraging items, including accelerating growth in its consumer broadband base and continuing strides in enterprise strategic services. In addition, management provided its view on the Uniti network lease, which Windstream must accept or reject by June 25 (although we expect Windstream to invoke its right to extend the deadline by three months). We are leaving our fair value estimate under review during bankruptcy proceedings, but there's no change to our view that we would not recommend Windstream stock at any price.

Windstream is required to either accept or reject its Uniti lease in full, but we maintain that the two firms will voluntarily renegotiate the lease to reduce Windstream's payments, as we think the lease is vital to both parties. We continue to estimate a 25% reduction to the lease payments, which is what our $13 Uniti fair value estimate is based on, but we acknowledge it is impossible to precisely project.

Windstream management indicated that it believes the annual lease payments, which extend to 2030, are "significantly above market," and the value of the assets is rapidly declining, largely due to the network's heavy copper makeup. We see the firm's implication that it finds the lease unattractive as merely a negotiating tool to entice Uniti to bargain. Regardless of quality, we think Windstream has no realistic alternative to using Uniti's network. As a carrier of last resort, Windstream is obligated to provide service in numerous geographies, and we don't see a feasible alternative to Uniti's network that allows Windstream to meet those obligations. However, we doubt Uniti could stay solvent if it completely lost the Windstream lease, which accounts for about 70% of Uniti's total revenue, so it can't

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The primary analyst covering this company does not own its stock.

Research as of 15 May 2019
Estimates as of 19 Feb 2019
Pricing data through 14 May 2019 00:00
Rating updated as of 25 Feb 2019

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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Vital Statistics

Market Cap (USD Mil)	13
52-Week High (USD)	7.60
52-Week Low (USD)	0.20
52-Week Total Return %	-95.9
YTD Total Return %	-86.1
Last Fiscal Year End	31 Dec 2017
5-Yr Forward Revenue CAGR %	-2.7
5-Yr Forward EPS CAGR %	—
Price/Fair Value	—

Valuation Summary and Forecasts

Fiscal Year:	2016	2017	*2018(E)*	*2019(E)*
Price/Earnings	NM	NM	—	*NM*
EV/EBITDA	6.1	5.5	—	*5.7*
EV/EBIT	20.1	24.5	—	*24.1*
Free Cash Flow Yield %	-19.3	47.0	—	*2,028.1*
Dividend Yield %	1.7	4.1	—	—

Financial Summary and Forecasts (USD Mil)

Fiscal Year:	2016	2017	*2018(E)*	*2019(E)*
Revenue	5,387	5,853	*5,729*	*5,357*
Revenue YoY %	-6.6	8.7	*-2.1*	*-6.5*
EBIT	550	428	*367*	*416*
EBIT YoY %	-12.1	-22.2	*-14.2*	*13.2*
Net Income, Adjusted	-228	-375	*-385*	*-346*
Net Income YoY %	91.9	64.7	*2.6*	*-10.2*
Diluted EPS	-2.43	-2.22	—	—
Diluted EPS YoY %	102.1	-8.6	—	—
Free Cash Flow	517	640	*996*	*795*
Free Cash Flow YoY %	-45.8	23.9	*55.6*	*-20.2*

Historical/forecast data sources are Morningstar Estimates and may reflect adjustments.

Profile

Windstream is a telecom provider that offers phone and broadband services to consumers in 18 U.S. states, primarily in rural areas, and other communications services to enterprises throughout the United States. In 2015, the firm spun most of its fiber and copper assets into a newly created entity, Uniti. Windstream concurrently executed a 15-year lease for exclusive use of those assets, and it holds up to four five-year renewal options. Windstream's network is concentrated in the eastern half of the U.S., but it has long-haul routes that reach the West Coast. Windstream no longer has any ownership interest in Uniti.

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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

play hardball.

Adjusted for the sale of its consumer CLEC (competitive local exchange carrier) business, Windstream's year-over-year revenue declined 6%. While revenue for all segments declined from last year's first quarter, consumer revenue and strategic enterprise revenue were the bright spots and, in our view, the firm's most promising businesses long term.

Consumer revenue fell 1% year over year, but the decline was mostly attributable to voice. Consumer high-speed Internet revenue was flat versus the same quarter last year, but the firm added over 11,000 new customers in the quarter, marking Windstream's best quarter since 2011 by that metric and the firm's fourth straight quarter of customer growth. Lower average revenue per user offset the 3% year-over-year growth in customers. We think Windstream will be able to grow Internet revenue in the future.

Enterprise strategic services, which includes software-defined wide area networking, or SD-WAN, and unified communications as a service, or UCaaS, continued rapid growth off a low base, rising over 8% sequentially and 44% year over year. We think the firm will be able to maintain similar levels of growth for several years, but strategic services still account for less than 10% of enterprise revenue. Double-digit year-over-year revenue declines in other enterprise revenue streams led to enterprise revenue contraction of 8% year over year. With strategic services continuing to cannibalize higher-revenue enterprise alternatives, such as MPLS (multiprotocol label switching), we think revenue declines will continue.

The firm's adjusted EBITDA margin contracted by 170 basis points versus last year's first quarter, due primarily to higher cost of services and the sale of the consumer CLEC business, which was relatively higher margin. We think margins will expand from here, as a continuing shift towards strategic from legacy enterprise services should allow the firm to cut costs.

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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

Morningstar Analyst Forecasts

Financial Summary and Forecasts

Fiscal Year Ends in December

Growth (% YoY)	3-Year Hist. CAGR	2015	2016	2017	Forecast 2018	Forecast 2019	5-Year Proj. CAGR
Revenue	*0.1*	-1.1	-6.6	8.7	*-2.1*	*-6.5*	*-2.7*
EBIT	*-9.8*	7.2	-12.1	-22.2	*-14.2*	*13.2*	*15.5*
EBITDA	*-1.2*	1.1	-9.0	4.7	*-1.0*	*-5.6*	*0.3*
Net Income	*-475.4*	-1,774.3	91.9	64.7	*2.6*	*-10.2*	—
Diluted EPS	*-671.6*	-10,204.9	102.1	-8.6	—	—	—
Earnings Before Interest, after Tax	*-19.0*	-41.7	17.3	-22.2	*-23.7*	*37.4*	*15.1*
Free Cash Flow	*-13.9*	-4.9	-45.8	23.9	*55.6*	*-20.2*	*3.2*

Profitability	3-Year Hist. Avg	2015	2016	2017	2018	2019	5-Year Proj. Avg
Operating Margin %	*9.5*	10.8	10.2	7.3	*6.4*	*7.8*	*11.7*
EBITDA Margin %	*33.5*	34.5	33.7	32.4	*32.8*	*33.1*	*34.9*
Net Margin %	*-4.2*	-2.1	-4.2	-6.4	*-6.7*	*-6.5*	*-2.5*
Free Cash Flow Margin %	*12.4*	16.5	9.6	10.9	*17.4*	*14.9*	*14.9*
ROIC %	*17.6*	15.5	28.3	9.1	*23.9*	*41.1*	*100.2*
Adjusted ROIC %	*6.5*	7.9	8.2	3.3	*9.4*	*11.4*	*17.5*
Return on Assets %	*-7.2*	0.2	-3.2	-18.5	*-2.5*	*-3.5*	*-1.1*
Return on Equity %	*74.8*	10.3	-161.0	375.0	*19.2*	*19.8*	*7.5*

Leverage	3-Year Hist. Avg	2015	2016	2017	2018	2019	5-Year Proj. Avg
Debt/Capital	*1.07*	0.94	0.97	1.29	*1.37*	*1.56*	*1.51*
Total Debt/EBITDA	*2.79*	2.60	2.68	3.08	*3.09*	*3.03*	*3.04*
EBITDA/Interest Expense	*2.24*	2.45	2.11	2.17	*2.13*	*2.09*	*2.36*

Valuation Summary and Forecasts

	2016	2017	2018(E)	2019(E)
Price/Fair Value	0.81	—	—	—
Price/Earnings	NM	NM	—	*NM*
EV/EBITDA	6.1	5.5	—	*5.7*
EV/EBIT	20.1	24.5	—	*24.1*
Free Cash Flow Yield %	-19.3	47.0	—	*2,028.1*
Dividend Yield %	1.7	4.1	—	—

Key Valuation Drivers

Cost of Equity %	13.5
Pre-Tax Cost of Debt %	10.0
Weighted Average Cost of Capital %	8.5
Long-Run Tax Rate %	21.1
Stage II EBI Growth Rate %	2.5
Stage II Investment Rate %	35.7
Perpetuity Year	11

Additional estimates and scenarios available for download at http://select.morningstar.com.

Discounted Cash Flow Valuation

	USD Mil	Firm Value (%)	Per Share Value
Present Value Stage I	4,931	45.2	114.66
Present Value Stage II	301	2.8	7.00
Present Value Stage III	5,676	52.0	131.99
Total Firm Value	**10,907**	**100.0**	**253.65**
Cash and Equivalents	43	—	1.01
Debt	-5,844	—	-135.90
Preferred Stock	—	—	—
Other Adjustments	-5,020	—	-116.75
Equity Value	**86**	**—**	**2.01**
Projected Diluted Shares	43		
Fair Value per Share (USD)	—		

The data in the table above represent base-case forecasts in the company's reporting currency as of the beginning of the current year. Our fair value estimate may differ from the equity value per share shown above due to our time value of money adjustment and in cases where probability-weighted scenario analysis is performed.

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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

Morningstar Analyst Forecasts

Income Statement (USD Mil)

Fiscal Year Ends in December	2015	2016	2017	*Forecast* 2018	*Forecast* 2019
Revenue	**5,765**	**5,387**	**5,853**	***5,729***	***5,357***
Cost of Goods Sold	2,907	2,776	3,058	*2,929*	*2,668*
Gross Profit	**2,858**	**2,611**	**2,795**	***2,800***	***2,689***
Selling, General & Administrative Expenses	867	798	897	*921*	*915*
Other Operating Expense (Income)	—	—	—	—	—
Other Operating Expense (Income)	—	—	—	—	—
Depreciation & Amortization (if reported separately)	1,367	1,264	1,470	*1,512*	*1,358*
Operating Income (ex charges)	**625**	**550**	**428**	***367***	***416***
Restructuring & Other Cash Charges	116	34	2,021	*56*	—
Impairment Charges (if reported separately)	—	—	—	—	—
Other Non-Cash (Income)/Charges	-347	178	56	*-203*	—
Operating Income (incl charges)	**857**	**337**	**-1,649**	***514***	***416***
Interest Expense	813	861	875	*882*	*848*
Interest Income	—	—	—	—	—
Pre-Tax Income	**43**	**-524**	**-2,525**	***-368***	***-433***
Income Tax Expense	16	-140	-408	*-93*	*-87*
Other After-Tax Cash Gains (Losses)	—	—	—	—	—
Other After-Tax Non-Cash Gains (Losses)	—	—	—	—	—
(Minority Interest)	—	—	—	—	—
(Preferred Dividends)	—	—	—	—	—
Net Income	**27**	**-384**	**-2,117**	***-275***	***-346***
Weighted Average Diluted Shares Outstanding	99	94	169	*43*	*43*
Diluted Earnings Per Share	**0.28**	**-4.08**	**-12.52**	***-6.41***	***-8.05***
Adjusted Net Income	-119	-228	-375	*-385*	*-346*
Diluted Earnings Per Share (Adjusted)	**-1.20**	**-2.43**	**-2.22**	**—**	**—**
Dividends Per Common Share	3.73	0.62	0.38	—	—
EBITDA	**2,223**	**1,601**	**-179**	***2,026***	***1,773***
Adjusted EBITDA	**1,992**	**1,813**	**1,898**	***1,879***	***1,773***

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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

Morningstar Analyst Forecasts

Balance Sheet (USD Mil)

Fiscal Year Ends in December	2015	2016	2017	Forecast 2018	Forecast 2019
Cash and Equivalents	31	59	43	*355*	*42*
Investments	—	—	—	—	—
Accounts Receivable	644	619	643	*629*	*589*
Inventory	80	78	93	*89*	*81*
Deferred Tax Assets (Current)	—	—	—	—	—
Other Short Term Assets	121	112	153	*150*	*140*
Current Assets	**875**	**867**	**933**	***1,224***	***852***
Net Property Plant, and Equipment	5,280	5,284	5,392	*4,515*	*3,916*
Goodwill	4,214	4,214	2,842	*2,842*	*2,842*
Other Intangibles	1,505	1,321	1,454	*1,232*	*1,052*
Deferred Tax Assets (Long-Term)	549	—	371	*464*	*550*
Other Long-Term Operating Assets	96	86	92	*90*	*85*
Long-Term Non-Operating Assets	—	—	—	*203*	*203*
Total Assets	**12,518**	**11,770**	**11,084**	***10,570***	***9,500***
Accounts Payable	430	390	494	*473*	*431*
Short-Term Debt	6	15	169	—	—
Deferred Tax Liabilities (Current)	—	—	—	—	—
Other Short-Term Liabilities	831	850	880	*861*	*806*
Current Liabilities	**1,267**	**1,255**	**1,543**	***1,335***	***1,237***
Long-Term Debt	5,165	4,849	5,675	*5,814*	*5,379*
Deferred Tax Liabilities (Long-Term)	287	152	—	—	—
Other Long-Term Operating Liabilities	5,493	5,345	5,165	*4,995*	*4,805*
Long-Term Non-Operating Liabilities	—	—	—	—	—
Total Liabilities	**12,212**	**11,600**	**12,383**	***12,144***	***11,421***
Preferred Stock	—	—	—	—	—
Common Stock	—	—	—	—	—
Additional Paid-in Capital	603	556	1,187	*1,187*	*1,187*
Retained Earnings (Deficit)	-12	-392	-2,507	*-2,783*	*-3,129*
(Treasury Stock)	—	—	—	—	—
Other Equity	-284	6	21	*21*	*21*
Shareholder's Equity	**306**	**170**	**-1,299**	***-1,574***	***-1,920***
Minority Interest	—	—	—	—	—
Total Equity	**306**	**170**	**-1,299**	***-1,574***	***-1,920***

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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services

Morningstar Analyst Forecasts

Cash Flow (USD Mil)

Fiscal Year Ends in December	2015	2016	2017	Forecast 2018	Forecast 2019
Net Income	27	-384	-2,117	*-275*	*-346*
Depreciation	1,146	1,078	1,229	*1,289*	*1,179*
Amortization	220	185	241	*223*	*179*
Stock-Based Compensation	55	42	55	*35*	*37*
Impairment of Goodwill	—	—	1,841	—	—
Impairment of Other Intangibles	—	—	—	—	—
Deferred Taxes	-16	-138	-413	*-93*	*-87*
Other Non-Cash Adjustments	-295	228	121	*-203*	—
(Increase) Decrease in Accounts Receivable	-70	-15	18	*14*	*41*
(Increase) Decrease in Inventory	—	—	—	*4*	*8*
Change in Other Short-Term Assets	—	-4	1	*3*	*10*
Increase (Decrease) in Accounts Payable	31	-47	43	*-21*	*-42*
Change in Other Short-Term Liabilities	-73	-20	-69	*-19*	*-56*
Cash From Operations	**1,027**	**924**	**951**	***957***	***923***
(Capital Expenditures)	-1,055	-990	-909	*-802*	*-670*
Net (Acquisitions), Asset Sales, and Disposals	574	—	-58	*390*	*90*
Net Sales (Purchases) of Investments	—	—	—	—	—
Other Investing Cash Flows	-41	0	-16	*-168*	*-185*
Cash From Investing	**-522**	**-990**	**-983**	***-580***	***-764***
Common Stock Issuance (or Repurchase)	-46	-29	-9	—	—
Common Stock (Dividends)	-369	-59	-64	—	—
Short-Term Debt Issuance (or Retirement)	—	—	—	*-169*	—
Long-Term Debt Issuance (or Retirement)	-1,020	398	310	*140*	*-435*
Other Financing Cash Flows	935	-218	-219	*-35*	*-37*
Cash From Financing	**-501**	**93**	**17**	***-65***	***-473***
Exchange Rates, Discontinued Ops, etc. (net)	—	—	—	—	—
Net Change in Cash	**4**	**28**	**-16**	***312***	***-313***

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Research Methodology for Valuing Companies

Qualitative Equity Research Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. We believe this bottom-up, long-term, fundamentally based approach allows our analysts to focus on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at an uncertainty-adjusted discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

To assess the direction of the underlying competitive advantages, analysts perform ongoing assessments of the moat trend. A firm's moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don't anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

All the moat and moat trend ratings undergo periodic review and any changes must be approved by the Morningstar Economic Moat Committee, comprised of senior members of Morningstar's equity research department.

2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes, or EBI, and the net new investment, or NNI, to derive our annual free cash flow forecast.

Stage II: Fade

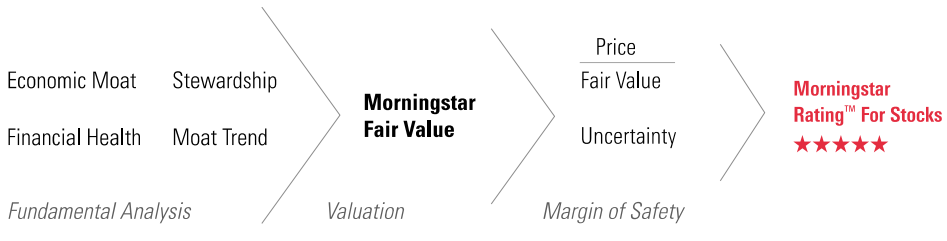
The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital, or RONIC, and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until the perpetuity stage is reached. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term market-value weights.

Morningstar Research Methodology for Valuing Companies



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Research Methodology for Valuing Companies

3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the fair value estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

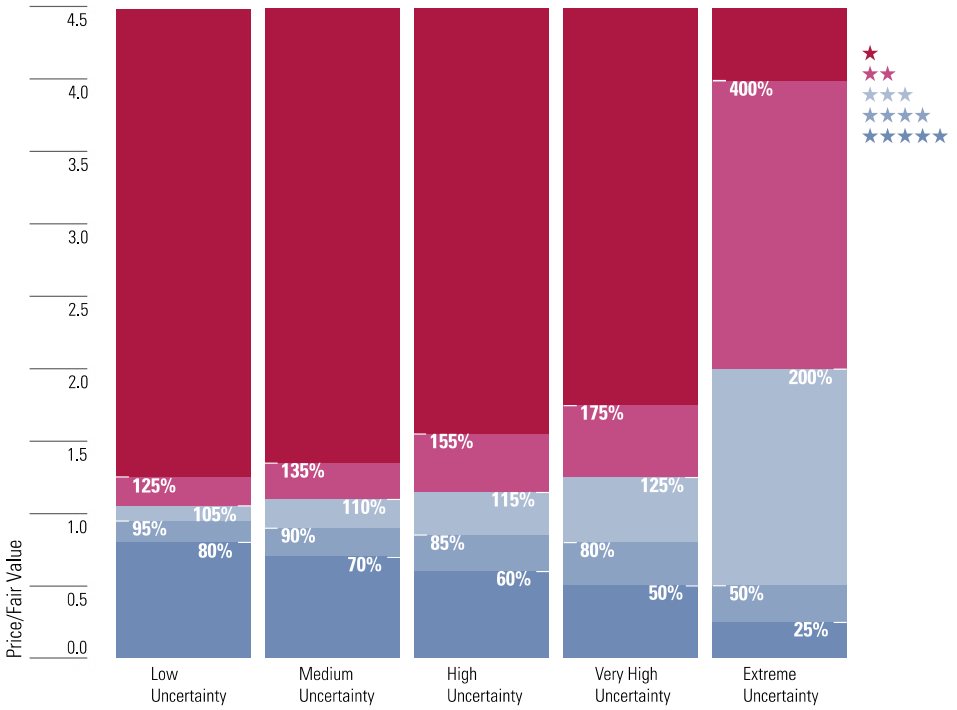
- Low–margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- Medium–margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- High–margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- Very High–margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- Extreme–margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed, which we believe is a reliable source.

For more details about our methodology, please go to https://shareholders.morningstar.com.

Morningstar Equity Research Star Rating Methodology



Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. The current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. The market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

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Research Methodology for Valuing Companies

Other Definitions

Last Price: Price of the stock as of the close of the market of the last trading day before date of the report.

Stewardship Rating: Represents our assessment of management's stewardship of shareholder capital, with particular emphasis on capital allocation decisions. Analysts consider companies' investment strategy and valuation, financial leverage, dividend and share buyback policies, execution, compensation, related party transactions, and accounting practices. Corporate governance practices are only considered if they've had a demonstrated impact on shareholder value. Analysts assign one of three ratings: "Exemplary," "Standard," and "Poor." Analysts judge stewardship from an equity holder's perspective. Ratings are determined on an absolute basis. Most companies will receive a Standard rating, and this is the default rating in the absence of evidence that managers have made exceptionally strong or poor capital allocation decisions.

Quantitative Valuation: Using the below terms, intended to denote the relationship between the security's Last Price and Morningstar's quantitative fair value estimate for that security.

- ► Undervalued: Last Price is below Morningstar's quantitative fair value estimate.
- ► Fairly Valued: Last Price is in line with Morningstar's quantitative fair value estimate.
- ► Overvalued: Last Price is above Morningstar's quantitative fair value estimate.

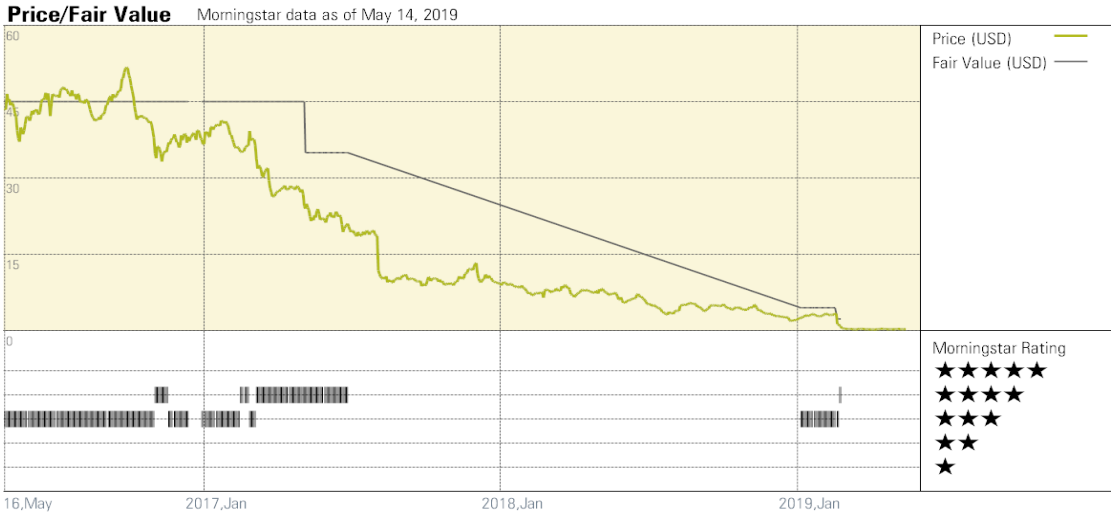
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Windstream Holdings Inc WINMQ (PINX) |

Last Price	Fair Value	Uncertainty	Economic Moat™	Moat Trend™	Stewardship	Industry Group
0.29 USD	—	Extreme	None	Negative	Poor	Communication Services



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Exhibit S

J.P. Morgan Research Report

Windstream

Setting the Stage for Lease Negotiations - ALERT

Neutral

Moody's: B2 Outlook: Negative
S&P: B Outlook: Negative
The above agency ratings are at the corporate level

Ticker
WIN

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Windstream reported 1Q19 results that fell a bit shy of our estimates. More importantly, the company may have set the stage for a showdown with Uniti over its lease agreement as WIN management called the lease rate "significantly above market".

- **Results a bit shy.** WIN reported revenue of $1,321mn compared to our forecast of $1,331mn. Adjusted EBITDA of $283mn was also lower than the $297mn we expected.

- **Consumer strong while Enterprise lagged.** The consumer and small business segment posted revenue of $454mn and contribution of $272mn. Both were better than JPM's estimate of $445mn and $257mn respectively. WIN continued to add broadband customers (+11.4K) with its best quarterly net subscriber additions since 2011. Enterprise and Wholesale fell short however as the Enterprise margin of 22.5% was below the 23% we were looking for. Management also said that Wholesale was negatively affected by fiber to the tower contracts that were renewed at lower prices.

- **Sharper tone on lease with Uniti.** WIN spent a significant amount of time discussing its network lease with Uniti on the prerecorded call. Management said that it estimates that the lease payment could be reduced by 80% or more if the lease were to be renewed in 2030. The company went on to say that the lease is "significantly above market," and that in the context of its Chapter 11 case, WIN will consider all options including renegotiation, recharacterization, unwinding, or outright rejection of the lease. That strikes a far more aggressive tone than we have heard from WIN in the past. And we suspect that WIN is setting the stage for negotiations with Uniti for a reduction in the lease payment.

- **Uniti still looking for a mutually beneficial solution.** UNIT management has said in the past that they would consider a lease solution that would be good for both WIN and Uniti. At JPM's conference in Boston this week, UNIT's CFO said that one possibility would involve the acquisition of some of WIN's unused fiber capacity in exchange for a reduction in the lease payment.

- **Bottom line.** WIN has until September 23 to legally accept or reject the lease in court if it uses allowable extensions from the initial due date of June 25. That gives WIN and UNIT several months to sort out how to handle the lease payment. It appears to us that WIN's legal team is taking a more aggressive position regarding the lease than they have in the past, and that should be better for WIN debtholders.

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	Date	Action	Rating/Designation	Ticker/ISIN
Issuer	07 Nov 16	Withdrawn	Not Rated	WIN
Issuer	13 Apr 17	Restored	Neutral	WIN
8.750% Sr Nts due 2024 *	22 Jan 18	Initiate	Neutral	US97381LAD01
6.375% Sr Nts due 2023	07 Nov 16	Withdrawn	Not Rated	US97381WAZ77
6.375% Sr Nts due 2023	13 Apr 17	Restored	Overweight	US97381WAZ77
6.375% Sr Nts due 2023	22 Jan 18	Downgrade	Neutral	US97381WAZ77
6.375% Sr Nts due 2023 (new)	22 Jan 18	Initiate	Neutral	US97381LAA61
6.750% Sr Nts due 2028	07 Nov 16	Withdrawn	Not Rated	US016090AA05
6.750% Sr Nts due 2028	13 Apr 17	Restored	Neutral	US016090AA05
7.500% Sr Nts due 2022	07 Nov 16	Withdrawn	Not Rated	US97381WAX20
7.500% Sr Nts due 2022	13 Apr 17	Restored	Neutral	US97381WAX20
7.500% Sr Nts due 2023	07 Nov 16	Withdrawn	Not Rated	US97381WAU80
7.500% Sr Nts due 2023	13 Apr 17	Restored	Overweight	US97381WAU80
7.500% Sr Nts due 2023	22 Jan 18	Downgrade	Neutral	US97381WAU80
7.750% Sr Nts due 2020	07 Nov 16	Withdrawn	Not Rated	US97381WAM64
7.750% Sr Nts due 2020	13 Apr 17	Restored	Neutral	US97381WAM64
7.750% Sr Nts due 2021	07 Nov 16	Withdrawn	Not Rated	US97381WAR51
7.750% Sr Nts due 2021	13 Apr 17	Restored	Neutral	US97381WAR51
7.750% Sr Nts due 2021	06 Sep 17	Upgrade	Overweight	US97381WAR51
7.750% Sr Nts due 2021	22 Jan 18	Downgrade	Neutral	US97381WAR51
7.875% Sr Nts due 2017	07 Nov 16	Withdrawn	Not Rated	US97381WAG96
7.875% Sr Nts due 2017	11 Nov 16	—	Not Covered	US97381WAG96
7.875% Sr Nts due 2017	13 Apr 17	—	Not Rated	US97381WAG96
8.125% Sr Nts due 2018	07 Nov 16	Withdrawn	Not Rated	US97381WAP95
8.125% Sr Nts due 2018	11 Nov 16	—	Not Covered	US97381WAP95
8.125% Sr Nts due 2018	13 Apr 17	—	Not Rated	US97381WAP95
8.625% Sr Sec Nts due 2025	22 Jan 18	Initiate	Neutral	US97381LAB45
9.875% Sr Nts due 2018	07 Nov 16	Withdrawn	Not Rated	US695459AF48
9.875% Sr Nts due 2018	11 Nov 16	—	Not Covered	US695459AF48
9.875% Sr Nts due 2018	13 Apr 17	—	Not Rated	US695459AF48

***Indicates representative/primary bond/instrument.**

The table(s) above show the recommendation changes made by J.P. Morgan Credit Research Analysts in the subject company and/or instruments over the past three years (or, if no recommendation changes were made during that period, the most recent change). Notes: Effective April 11, 2016, J.P. Morgan changed its Credit Research Ratings System. Please see the Explanation of Credit Research Ratings below for the new definitions. The previous rating system no longer should be relied upon. For the history prior to April 11, 2016, please call 1-800-447-0406 or e-mail research.disclosure.inquiries@jpmorgan.com.

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We use the following ratings for bonds (issues) and issuers: Overweight (over the next three months, the recommended risk position is expected to outperform the relevant index, sector, or benchmark); Neutral (over the next three months, the recommended risk position is expected to perform in line with the relevant index, sector, or benchmark); and Underweight (over the next three months, the recommended risk position is expected to underperform the relevant index, sector, or benchmark). J.P. Morgan Emerging Markets Sovereign Research uses Marketweight, which is equivalent to Neutral. NR is Not Rated. In this case, J.P. Morgan has removed the rating for this particular security or issuer because of either a lack of a sufficient fundamental basis or for legal, regulatory or policy reasons. The previous rating no longer should be relied upon. An NR designation is not a recommendation or a rating. NC is Not Covered. An NC designation is not a rating or a recommendation.

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Exhibit T

Gunderman Rebuttal Testimony to the
Kentucky Public Service Commission

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November 10, 2014

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RECEIVED
NOV 10 2014
PUBLIC SERVICE COMMISSION

Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: *Application of Windstream Kentucky East, LLC and Windstream Kentucky West, LLC (1) for a Declaratory Ruling that Approval is Not Required for the Transfer of a Portion of their Assets; (2) Alternatively for Approval of the Transfer of Assets; (3) for a Declaratory Ruling that Communications Sales and Leasing, Inc. is Not Subject to KRS 278.020(1); and (4) for All Other Required Approvals and Relief*, Case No. 2014-00283.

Dear Mr. Derouen:

Enclosed for filing please find an original and ten copies of the Rebuttal Testimony of Robert E. Gunderman on behalf of Windstream Kentucky East, LLC and Windstream Kentucky West, LLC. Copies have been mailed and provided via e-mail to counsel for the other parties of record.

Sincerely,

R. Benjamin Crittenden

RBC

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV 10 2014
PUBLIC SERVICE COMMISSION

In the Matter Of:

The Application Of Windstream Kentucky East, LLC And Windstream Kentucky West, LLC For (1) A Declaratory Ruling That Approval Is Not Required For The Transfer Of A Portion Of Their Assets; (2) Alternatively For Approval Of The Transfer Of Assets; (3) For A Declaratory Ruling That Communications Sales and Leasing, Inc. Is Not Subject To KRS 278.020(1); and (4) For All Other Required Approvals And Relief

CASE NO. 2014-00283

REBUTTAL TESTIMONY OF

ROBERT E. GUNDERMAN

ON BEHALF OF WINDSTREAM KENTUCKY EAST, LLC

AND WINDSTREAM KENTUCKY WEST, LLC

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Robert E. Gunderman. I am employed by Windstream Holdings, Inc. and my position is Interim Chief Financial Officer and Treasurer. My business address is 4001 Rodney Parham Road, Little Rock, Arkansas 72212.

Q. ARE YOU THE SAME ROBERT E. GUNDERMAN THAT FILED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF WINDSTREAM KENTUCKY EAST, LLC AND WINDSTREAM KENTUCKY WEST, LLC?

A. Yes, I am.

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. The purpose of my testimony is to address issues raised by the Communications Workers of America's witness, Randy Barber, concerning the financial impacts of the transaction at issue in this proceeding.

Q. ARE YOU SPONSORING ANY EXHIBITS?

A. Not at this time.

III. ISSUES RAISED IN THE DIRECT TESTIMONY OF RANDY BARBER

Q. ON PAGE 6 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT THE SALES PRICE FOR THE TRANSACTION WILL BE APPROXIMATELY $3.2 BILLION ON A COMPANY-WIDE BASIS. DO YOU AGREE?

A. The transaction is a spin-off and therefore the owners (i.e. shareholders of Windstream) are the same both before and after the separation. As such, it is not appropriate to

characterize the transaction as a sale. $3.2 billion represents the reduction of existing debt of Windstream.

Q. ON PAGE 7 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT SUBSTITUTING THE LEASE OBLIGATION FOR INTEREST AND DEPRECIATION ASSOCIATED WITH OWNERSHIP OF THE SUBJECT ASSETS WILL RESULT IN REDUCED FREE CASH FLOW. DO YOU AGREE?

A. I agree. As illustrated on Schedule RB-1, Windstream will have modestly less free cash flow following the Transaction. However, it is important to note that Windstream will also have $3.2 billion in less debt as a result of the Transaction. Windstream is also reducing its dividend to ten cents in concert with the transaction. As a result of the debt reduction and dividend reduction, Windstream will have more capital available going forward. Additionally, Windstream can partner with CSL to expand or enhance the fiber distribution system instead of requiring Windstream cash flows to fund the investments. With CSL's expected low cost of capital, CSL will be an attractive alternative source of capital for funding investments.

Q. ON PAGE 8 OF HIS DIRECT TESTIMONY, MR. BARBER EXPRESSES CONCERN THAT BY SUBSTITUTING A DISCRETIONARY CASH OUTLAY (DIVIDENDS) FOR A NON-DISCRETIONARY CASH OUTLAY (LEASE PAYMENT) WINDSTREAM'S FLEXIBILITY TO RESPOND TO BUSINESS CONDITIONS WILL BE LIMITED GOING FORWARD. DO YOU AGREE?

A. Mr. Barber's concern appears to be based primarily upon his Exhibit RB-1, which represents Windstream's 2014 financial performance. Importantly, the lease payment,

which is tax deductible for income tax purposes, did not create a cash benefit in 2014 due to accelerated depreciation deductions in the preceding years (referred to as bonus depreciation) which led to minimal cash tax payments in the 2014 fiscal year. Windstream expects to become a cash tax payer in future years. Mr. Barber shows a decline in free cash flow of $322 million ($830 million to $508 million) but this ignores the tax deductibility of the lease payment. The lease payment will generate a tax benefit of $247 million (or 38% effective tax rate related to the $650 million lease payment) so the expected loss of free cash would be substantially less in future periods going forward. In other words, the $650 million lease payment has a free cash flow impact of $403 million, due to its tax deductibility.

Mr. Barber's testimony also insufficiently accounts for the fact that Windstream's outstanding debt will be reduced by $3.2 billion. Finally, as described in my testimony above, CSL will also be a potential funding partner for future investments. The financial flexibility achieved through the combination of these actions, together with the planned changes in the dividend structure, provides a better platform for addressing the financial and capital needs today and in the future.

Q. ON PAGE 9 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT HE CANNOT DETERMINE WHETHER THE TRANSACTION WILL INCREASE OR DECREASE NET CASH AVAILABLE TO THE OPERATING COMPANIES BECAUSE THAT WILL DEPEND ON INTEREST EXPENSE, DEPRECIATION EXPENSE, AND OTHER FACTORS FOR THE OPERATING COMPANIES BEFORE AND AFTER THE TRANSACTION. PLEASE EXPLAIN ANY

FINANCIAL CHANGES THE OPERTING COMPANIES WILL EXPERIENCE AS A RESULT OF THE TRANSACTION.

A. The Master Lease Agreement will be made between CSL and Windstream Holdings, Inc., and not directly with the Operating Companies. Both before and after the transaction, the Operating Companies will distribute their excess free cash flow to Windstream Holdings, Inc. for general corporate uses including principal and interest payments on debt, dividend distributions, and (following the transaction) payment of the rent on the lease.

Q. ON PAGE 9 OF HIS DIRECT TESTIMONY, MR. BARBER QUESTIONS THE PROPOSED ACCOUNTING TREATMENT FOR THE TRANSACTION. PLEASE ADDRESS THIS ISSUE.

A. The accounting treatment for the Transaction is consistent with how the assets will be distributed to CSL and leased back to Windstream. The accounting has been reviewed and approved by Windstream's external auditors, a nationally recognized accounting firm. Moreover, Windstream has reviewed and discussed the accounting treatment with the Securities and Exchange Commission ("SEC") and the SEC has not raised any concerns.

Q. ON PAGE 9 OF HIS DIRECT TESTIMONY, MR. BARBER RAISES OPERATIONAL CONCERNS FOR CWA MEMBERS, INCLUDING THEIR ABILITY TO ACCESS POLES AND CONDUITS FOLLOWING THE TRANSACTION. PLEASE ADDRESS MR. BARBER'S CONCERNS ON THIS ISSUE.

A. As explained in detailed in the Application and my direct testimony, after the transaction closes the Operating Companies will have long term, exclusive use of the Subject Assets,

including all poles and conduits. The Operating Companies will continue to maintain and expand the network, and the personnel responsible for maintenance and expansion of the network prior to the Transaction will retain those responsibilities after the transaction closes. The Operating Companies' employees, including CWA members, will see no change in their ability to access poles, conduits or any other part of the network as a result of the Transaction.

Q. ON PAGE 10 OF HIS DIRECT TESTIMONY, MR. BARBER QUESTIONS WHETHER THE ACCOUNTING TREATMENT OF THE LEASE WILL IMPAIR WINDSTREAM'S ABILITY TO PAY DIVIDENDS, AFFECT COVENANT REQUIREMENTS ON DEBT, AND HAVE OTHER, UNIDENTIFIED FINANCIAL IMPLICATIONS. PLEASE ELABORATE ON THESE ISSUES.

A. The accounting treatment of the lease will not impair Windstream's ability to pay dividends. The dividends distributions are not limited by GAAP equity but rather the fair value of Windstream's equity. It is widely understood that GAAP or book value often does not equate to fair value. In the present case, this is evidenced by Windstream's equity market capitalization of approximately $6 billion on November 7, 2014. Moreover, GAAP equity has no bearing on the ability to issue equity in the future. The combination of lower debt and a more sustainable dividend level will improve Windstream's ability to raise both debt and equity capital in the future. Also, the accounting treatment will not impair Windstream's compliance with its debt covenants. Specifically, the accounting of the transaction as a long term lease obligation does not impair (or detriment) the covenant calculations given the characterization of the liability

as long term lease obligation for GAAP. Also, Windstream Corporation's indentures do not require any consents to effect the Transaction.

Q. ON PAGE 10 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT WINDSTREAM HAS NOT SHOWN HOW THE DIFFERENCE BETWEEN ITS BOOKS FOR TAX PURPOSES AND GAAP WILL AFFECT RATEMAKING. PLEASE ADDRESS THIS ISSUE.

A. As an initial matter, the Operating Companies made it clear in their Application and responses requests for information that the Transaction will not result in any rate changes. After the Transaction closes, the Operating Companies will continue to bill under the existing rates included in tariffs or contracts. Additionally, the Operating Companies have elected alternative regulation and their rates are not subject to rate-of-return regulation. Therefore, the Transaction will not have any impact on future ratemaking. With regard to pole attachment rates, as discussed in responses to information requests from the Commission Staff and the Kentucky Cable Telecommunications Association, the Operating Companies will continue to maintain all necessary information needed to support future rate changes in accordance with Commission orders.

Q. ON PAGE 10 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT WINDSTREAM WILL BE REQUIRED TO TAKE A WRITE OFF REPRESENTING THE DISCOUNTED PRESENT VALUE OF THE LEASE PAYMENTS TO CSL, WHICH ALLEGEDLY WILL EFFECT WINDSTREAM'S SHAREHOLDER EQUITY OR ITS ABILITY TO RAISE CAPITAL IN THE FUTURE. PLEASE ADDRESS THIS CONCERN.

A. As set forth in my testimony above, the transaction significantly improves Windstream's ability to raise both debt and equity. The lease payments will result in a reduction of book equity under GAAP, but as discussed above, the ability to raise capital is not related to book equity. The ability to raise capital will be improved by this Transaction, because it significantly reduces long term debt and increases financial flexibility by reducing the dividend and creating the potential to source capital investment funds from CSL.

Q. ON PAGE 11 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT A SEPTEMBER 12, 2014 LETTER FILED WITH THE PUBLIC UTILITIES COMMISSION OF OHIO MAKES IT UNCLEAR WHETHER LEASE PAYMENTS WILL BE DEDUCTIBLE FOR TAX PURPOSES. PLEASE ADDRESS THIS ISSUE.

A. The lease payments are deductible by Windstream for Federal Income Tax purposes.

Q. ON PAGE 11 OF HIS DIRECT TESTIMONY, MR. BARBER STATES THAT THE APPLICATION DOES NOT DISCUSS WHAT HAPPENS AT THE CONCLUSION OF THE LEASE. PLEASE ADDRESS THIS ISSUE.

A. I would first like to emphasize that the Lease has an initial term of 15 years, and up to four (4) renewal terms of five (5) years each, at Windstream's sole option (provided that there is no event of default), so that the Lease should remain in effect for a minimum of 35 years. At that point, Windstream and CSL could negotiate an extension or a replacement for the Lease, or they could allow it to expire. Of course, it is impossible to predict what technological and economic changes may have occurred by that time; it is at least theoretically possible that, by 2050, the Subject Assets could be considered obsolete and have little practical value. It is much more likely, however, that there will continue to

be demand for some kind of telecommunications capabilities delivered to homes and businesses over fixed transmission facilities, as there has been since telephone technology was developed in the late 19th century, even though the nature of the facilities and the services they enable will probably continue to change.

Nevertheless, the Lease contains a transition provision under which, if the term does expire without a new agreement in place, the Operating Companies will continue to operate the Subject Assets on an interim basis until a new lessee has been identified, and until all regulatory approvals required under the laws in effect at that time have been obtained.

IV. CONLUSION

Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

A. Through the Application and responses to requests for information issued by the Commission Staff and KCTA, the Operating Companies have provided the Commission with sufficient information determine that the Transaction will be beneficial to the Applicants and their customers. The Transaction will not result in any harm to Windstream's employees, including those who are members of the CWA. Accordingly, the Commission should grant Windstream's Application.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes, it does.

Exhibit U

Kentucky Public Service

Commission Hearing Testimony

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COMMISSION

November 26, 2014

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Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: *Application of Windstream Kentucky East, LLC and Windstream Kentucky West, LLC (1) for a Declaratory Ruling that Approval is Not Required for the Transfer of a Portion of their Assets; (2) Alternatively for Approval of the Transfer of Assets; (3) for a Declaratory Ruling that Communications Sales and Leasing, Inc. is Not Subject to KRS 278.020(1); and (4) for All Other Required Approvals and Relief*
Case No. 2014-00283.

Dear Mr. Derouen:

Enclosed for filing please find the original transcript of the November 13, 2014 hearing in this matter.

Sincerely,

R. Benjamin Crittenden

RBC

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF WINDSTREAM KENTUCKY EAST, LLC AND WINDSTREAM KENTUCKY WEST, LLC FOR A DECLARATORY RULING THAT APPROVAL IS NOT REQUIRED FOR THE TRANSFER OF A PORTION OF THEIR ASSETS; (2) ALTERNATIVELY FOR APPROVAL OF THE TRANSFER OF ASSETS; (3) FOR A DECLARATORY RULING THAT COMMUNICATIONS SALES AND LEASING, INC. IS NOT SUBJECT TO KRS 278.020(1); AND (4) FOR ALL OTHER REQUIRED APPROVALS AND RELIEF	CASE NO. 2014-00283

ORIGINAL

* * *

Transcript of November 13, 2014, hearing before David L. Armstrong, Chairman; James W. Gardner, Vice-Chairman; and Linda Breathitt, Commissioner, at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602-0615.

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Four accounting firm. It's not final. It won't be final until we finalize all the assets, and obviously, you know, similar to hearings like today, the finalization of the assets that will go over will be dependent upon the outcome of our regulatory approval process, so -- but we think that is -- there's a high probability that that will be the final result.

Q. Okay. Now, if my math is correct, over the initial 15-year term of the lease, Windstream will make lease payments to CSL totaling about $10 billion for these assets; is that correct?

A. I can do the math in my head, but that's roughly, I guess, the number, yeah.

Q. I mean, 650 million a year for ten years with some escalation?

A. Escalation of half a percent, you know, in year four, yeah.

Q. Okay. So how did Windstream determine that it was appropriate to commit itself to pay $10 billion over a 15-year period for these assets that it currently owns with a book value of $2.7 billion?

A. Well, the value I would say is not -- the fair value is not 2.7. That's the book value. As

we -- as we, I think, all understand, book value is based upon historically, you know, historically purchased assets that have been depreciated over time. Certain of those have obviously been reinvested in. You know, the fair value is much higher, closer to, I think, the $8 billion that we talked about earlier.

But we believe that the value of the transaction, given the long-term exclusive use of those assets, in combination with the debt reduction and the free cash flow characteristics of each of the transaction outcomes here for each company, was fair in terms of the cap rate that is typically gained on assets like this for similarly, you know, valued transactions.

And so the analysis of -- of our accounting firm on, you know, this type of, you know, set of assets, we felt like this was a fair valuation for the types of assets that were being transferred over to CS&L.

Q. And, you know, I guess I'm having a little trouble. You just threw out an $8 billion figure. I don't -- I don't know what that referred to, but you're receiving $3.2 billion for the assets.

A. Yeah.

Q. And then over the next 15 years you're going to make payments totaling about $10 billion, right?
A. Yeah. But Windstream obviously still has the exclusive use of the assets in support of our customers, and we would have the requirement, you know, to continue to reinvest in those.
So at the end of the day, we view that the residual income stream of these -- the residual value of these assets over time is not limited in value to, you know, a defined period. We expect to enjoy the benefits of them for a very long time in support of our customers and the cash flows from the customers that we get.
Q. Okay. But if there is residual value to the assets after the lease is finished, that value belongs to CSL, doesn't it, not to Windstream?
A. It does. Thirty-five years out, most likely.
Q. Okay. Let's move now to a discussion of how your Kentucky operations fit into all of this.
A. Yes.
Q. You have two ILECs in Kentucky, correct?
A. Yes, we do.
Q. And will both of those companies contribute assets to the deal?
A. That is our expectation, yes.

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Q. And they will do that through a subsidiary of CSL to be known as CSL Kentucky System; is that correct?

A. I think that's correct, but I'll defer to our general counsel for the detailed legal entity there.

Q. Okay. I'm just going by information you provided in response to the -- the Cable Association's --

A. Yes.

Q. -- interrogatory. You had an organization chart, and I just picked the name off the chart.

A. Yes. Got it. I'm sure that's correct.

Q. And believe me, that's all I know is the name on the chart. So, now, will there be an agreement between the Kentucky ILECs and that CSL Kentucky subsidiary?

A. The agreement will be between CS&L at the corporate entity level as well as Windstream Holdings, Inc., and it's just for administrative ease in terms of transacting -- transacting the lease between the entities --

Q. Okay. I --

A. -- for the benefit -- for the benefit of the operating subsidiaries of Windstream to include Kentucky East and West.

Q. Okay. Now, as I understand the summary of the lease that you've provided to us, it talks about there being a number of -- it uses the term "facilities" under the lease, and it sounds like each facility will basically be a separate state?

A. Yeah. I think we referred to them as pods. It's just, you know, for -- as we think about renewal opportunities and options, you know, some 15-plus years down the road, we wanted to have the flexibility to think about each of those separately if something changed within the 15-year period.

But the most likely scenario is that when the first renewal period comes to pass in 15 years, or sometime even before that, that the -- the vast majority or all of those would be renewed at the existing, you know, structure.

Q. Okay. But you would have the ability to renew some of them and not renew others?

A. We would.

Q. Okay.

VICE-CHAIRMAN GARDNER: Excuse me.

MR. RUBIN: Oh, sure.

VICE-CHAIRMAN GARDNER: Could I ask one clarifying question, and that is, did I understand you to say that the assets that the Kentucky -- the

A. So that's my business understanding of it, and I'll defer to John for detailed legal descriptions.

Q. That's fine. I won't ask you to play lawyer, and I'll try not to play business person, which I know very little about.

So -- so from a business sense, do you understand that those self-help rights would -- or may give CSL the right to seize control of certain assets or to operate certain assets.

A. That would be my understanding.

Q. And do you know if those rights are different in different states?

A. I do not.

Q. Okay. And -- well, this is probably getting more into a legal question --

A. I will say yes.

Q. -- and if it is, you can defer it, that's fine, but do you know if the Kentucky assets will be governed by Kentucky law under the lease, or will they be governed by some choice-of-law provision that appears in the lease that --

A. I'll defer to John on the legal interpretations.

Q. Okay. Now, I'd like to spend a few minutes

talking about a letter that your attorneys submitted to the Public Utilities Commission of Ohio.

A. Uh-huh.

Q. That was attached to Mr. Barber's testimony for CWA. I assume you're familiar with it because you discuss it in your rebuttal testimony.

A. Yes.

Q. And again, for the record, that's attached to Mr. Barber's testimony as Schedule RB-3.

And, I'm sorry, I can't tell from here, do you have a copy of that letter in front of you.

A. I do.

Q. Okay. The letter discusses some of the accounting for the proposed transaction under Generally Accepted Accounting Principles; is that right?

A. Right, yes.

Q. And are you okay if I refer to Generally Accepted Accounting Principles as GAAP?

A. Yes, I am.

Q. That makes life much easier. Will the transaction be recognized as a sale under GAAP accounting?

A. The -- the accounting for this transaction we believe will ultimately be accounted for as what's

called a failed sale-leaseback, which from the standpoint of a legal outcome, we are selling assets and we are leasing them back, you know, via Windstream Holdings for the benefit of a subsidiary.

So but because under GAAP there is a determination that there is a substantive continued involvement of Windstream in the management and, you know, use of these assets, that the GAAP accounting answer is a failed sale-leaseback, and that's -- that's the most -- most -- that's the accounting determination of the transaction, which is -- I would say to you is not -- not exactly in line with what I would call the legal substance of the transaction.

Q. Okay. Will the transaction be recognized as a lease under GAAP accounting?

A. It is -- it will be -- yes, it will be -- the lease obligation will be placed upon the balance sheet of Windstream. It will be a long-term lease obligation between Windstream Holdings and CSL.

Q. Okay. But I think the Ohio letter says it's not being treated as either an operating lease or a capital lease.

A. That's right.

Q. So is -- and this is maybe my ignorance of

accounting. I thought those were the only two types of leases. You're saying there's a third kind now?

A. There is.

Q. And what is it?

A. It is a failed sale-leaseback accounting outcome.

Q. Okay.

A. So that's the third one as described in this.

Q. And is one of the differences that the failed sale-leaseback results in a write-off being taken of the discounted present value of the future lease payments?

A. Uh-huh. The -- the final accounting of the transaction will most likely be that the present value of the lease obligation will be placed upon Windstream's balance sheet, and then over the period of the lease, we will obviously make payments and relieve that obligation over time.

Q. Okay. How much equity is on Windstream's balance sheet today? Again round numbers.

A. Under half a billion.

Q. Okay. And we said earlier that the lease payments over the next 15 years would total about $10 billion. Do you have a sense for what the present value of those payments would be?

A. Not in front of me, but I understand where you're going. You're talking about a book instance versus a fair value instance, but I'll wait for your question.

Q. Well, that was my question. If we're talking about a series of payments totaling $10 billion over 15 years, that has a present value of, what, at least 3 or $4 billion, doesn't it?

A. It depends on various assumptions, but I'll take you at your math.

Q. Okay. So will that result in Windstream having negative equity on its books?

A. It could.

Q. And does that have any consequences for the way in which Windstream will operate its business?

A. It will not.

Q. Okay. Will this accounting have an effect on the books of the Kentucky ILECs?

A. It will.

Q. And will it be the same, but obviously smaller numbers --

A. Yes.

Q. -- as the effect on the parent?

A. Yes.

Q. Okay. So is it possible that the Kentucky

STATE OF KENTUCKY.)
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COUNTY OF JEFFERSON)

We, Laura J. Kogut and Jennifer B. Janes, Notaries Public within and for the State at Large, commissions as such expiring 25 July 2015 and 16 May 2015 respectively, do hereby certify that the foregoing hearing was taken at the time and place stated and for the purpose in the caption stated; that witnesses were first duly sworn to tell the truth, the whole truth, and nothing but the truth; that the hearing was reduced to shorthand writing in the presence of the witnesses; that the foregoing is a full, true, and correct transcript of the hearing; that the appearances were as stated in the caption.

WITNESS my hand this 17th day of November 2014.

Registered Merit Reporter
Certified Realtime Reporter
KY CCR 20042BF060
Notary Public, State at Large

Registered Professional Reporter
Certified Realtime Reporter
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