QUINN EMANUEL URQUHART & SULLIVAN, LLP
Susheel Kirpalani
Benjamin I. Finestone
David Cooper
Anil Makhijani
51 Madison Avenue, 22nd Floor
New York, New York 10010
Telephone: (212) 849-7000
Telecopier: (212) 849-7100

THOMPSON COBURN LLP
Brian Hockett (*pro hac vice*)
One US Bank Plaza
St. Louis, MO 63101
Telephone: (314) 552-6000
Facsimile: (314) 552-7000

Counsel for Defendants-Appellants
Charter Communications, Inc. and
Charter Communications Operating, LLC

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

In re:	Chapter 11
WINDSTREAM FINANCE, CORP., *et al.*,	Case No. 19-22397 (RDD)
Debtors.	(Formerly Jointly Administered under Lead Case Windstream Holdings, Inc., 19-22312)
WINDSTREAM HOLDINGS, INC., *et al.*,	
Plaintiffs,	Adv. Pro. No. 19-08246
vs.	
CHARTER COMMUNICATIONS, INC. and CHARTER COMMUNICATIONS OPERATING, LLC,	Related Case Nos. 19-cv-09354
Defendants.	

DEFENDANTS-APPELLANTS' NOTICE OF FILING ATTACHMENTS

Defendants Charter Communications, Inc. and Charter Communications Operating, LLC ("Defendants-Appellants"), by and through their undersigned counsel, hereby file attachments to their Designation of the Record and Statement of Issues to be Presented on Appeal filed with the Court on May 13, 202. Due to the Court's document size limitations, it is necessary to file these attachments separately.

Dated: May 13, 2021

Respectfully submitted,

THOMPSON COBURN LLP

By */s/ Brian Hockett*

Brian Hockett (pro hac vice)
One U.S. Bank Plaza, Suite 2700
St. Louis, MO 63101
314-552-6000
314-552-7000 (fax)
bhockett@thompsoncoburn.com

QUINN EMANUEL URQUHART & SULLIVAN, LLP
Susheel Kirpalani
51 Madison Avenue, 22nd Floor
New York, NY 10010
(212) 849-7000
susheelkirpalani@quinnemanuel.com

Counsel for Defendants-Appellants Charter Communications, Inc. and Charter Communications Operating, LLC

CERTIFICATE OF SERVICE

I hereby certify that on this 13th day of May, 2021, I served a copy of the foregoing ***Defendants-Appellants' Notice of Filing Attachments*** via operation of the Court's Electronic Filing System upon all counsel of record in the adversary proceeding.

/s/ Brian Hockett

Table of Contents

On February 25, 2019, 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 court decision discussed above. See Notes 5 and 17 to the consolidated financial statements. 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.

For more information regarding the impact of the Chapter 11 Cases, see "Financial Condition, Liquidity and Capital Resources."

ACQUISITIONS COMPLETED IN 2018 AND 2017

On August 31, 2018, Windstream Holdings completed its acquisition of American Telephone Company, LLC ("ATC"), a reseller of a broad range of voice and data communications services to businesses mainly headquartered in the greater New York metropolitan area, for initial cash consideration of approximately $10.0 million , net of cash acquired. The transaction reflects our strategy to augment organic revenue growth with small, customer-base acquisitions.

On March 27, 2018, Windstream Holdings acquired MASS Communications ("MASS"), a privately held telecommunications network management company focused on providing custom engineered voice, data and networking solutions to small and mid-sized global enterprises in the financial, legal, healthcare, technology, education and government sectors, for $37.1 million in cash, net of cash acquired.

On July 28, 2017, Windstream Holdings completed its merger with Broadview Networks Holdings, Inc. ("Broadview"), a leading provider of cloud-based unified communications solutions to small and medium-sized businesses and offers a broad suite of cloud-based services. Broadview's proprietary OfficeSuite® and unified communications platforms are complementary to our existing Software Defined Wide Area Networking ("SD-WAN") product offering. In addition, Broadview has an experienced sales force and strong channel partner program, which we will leverage to sell unified communications services across our small business and mid-market enterprise customer bases. In the merger, Windstream added approximately 20,000 small and medium-sized business customers and approximately 3,000 incremental route fiber miles. Windstream Services paid $69.8 million in cash to Broadview shareholders and assumed $160.2 million of Broadview's short-term debt obligations, which Windstream Services subsequently repaid using amounts available under its senior secured revolving credit facility (see Note 5). The transaction was valued at approximately $230.0 million .

On February 27, 2017, Windstream Holdings completed its merger with EarthLink Holdings Corp. ("EarthLink"), a leading provider of data, voice and managed network services to retail and wholesale business customers and nationwide Internet access and related value-added services to residential customers. In the merger, Windstream added approximately 700,000 customers and approximately 16,000 incremental route fiber miles. In effecting the merger, each share of EarthLink common stock was exchanged for .1636 shares of Windstream Holdings common stock. In the aggregate, Windstream Holdings issued approximately 17.6 million shares of its common stock and assumed approximately $435 million of EarthLink's long-term debt, which we subsequently refinanced, in a transaction valued at approximately $1.1 billion .

In completing these mergers, we have increased our operating scale and scope giving us the ability to offer customers expanded products, services and enhanced enterprise solutions over an extensive national footprint now spanning approximately 150,000 fiber route miles. We also expect to achieve operating and capital expense synergies in integrating the operations of MASS, Broadview and EarthLink. For additional information regarding the mergers, including our refinancing of EarthLink's long-term debt, see Notes 3 and 5 to the consolidated financial statements.

DISPOSAL OF CONSUMER CLEC BUSINESS

On December 31, 2018, we completed the sale of substantially all of our consumer competitive local exchange carrier ("CLEC") business to an affiliate of Trive Capital Fund III LLP and nQue Technologies for $320.9 million in cash, net of a working capital adjustment. The consumer operations sold consisted solely of the former EarthLink consumer business that we acquired in February 2017. The sale of the consumer CLEC business did not represent a strategic shift in our operations nor have a major effect on our consolidated results of operations, financial position or cash flows, and accordingly, did not qualify for reporting as a discontinued operation.

EXECUTIVE SUMMARY

Overview

We are 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 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.

Our focused operational strategy for each business segment has the overall objective to generate strong financial returns for our investors and grow adjusted OIBDA, which is defined as operating income before depreciation and amortization, adjusted to exclude the impact of the goodwill impairment, merger, integration and other costs, restructuring charges, pension expense and share-based compensation.

2018 Accomplishments and Operating Results

For 2018, our overall business strategy was focused on the following five key priorities:

- Advance our industry-leading Windstream Enterprise & Wholesale product and service capabilities by growing sales of our SD-WAN and unified communications product offerings, including OfficeSuite®, which have broad application across our customer base, as well as advancing our security and on-net solutions and our professional services portfolio.

- Launch next-generation broadband deployment technologies that are both faster and more cost-effective and deploy faster broadband speeds throughout our service territories.

- Simplify our business and transform customer-facing and internal user capabilities by integrating our information technology platforms to allow us to more efficiently manage our product catalog, price quoting and order management systems, as well as eliminate duplicative systems and generate meaningful cost savings.

Table of Contents

- Drive revenue improvements through enhanced sales and improved customer retention in both our business units by improving our broadband market share and increasing speed and value-added service penetration in our Consumer & Small Business segment, and increasing strategic sales in our Enterprise & Wholesale segment by leveraging our next generation products. In addition to our revenue objectives, we continue to aggressively manage expenses through on-going initiatives to lower network access costs, automate processes and enhance organizational effectiveness.

- Seek opportunities to optimize our balance sheet and improve our debt maturity profile.

During 2018, we achieved the following related to these initiatives:

- Expanded our premium broadband availability to our Consumer & Small Business customers. Approximately 40 percent of our customer base now subscribe to rate plans offering 25 megabits per second (“Mbps”) speeds or faster compared to only 24 percent for the same period a year ago. This improvement in premium speed availability helped drive growth in net high-speed Internet customer additions, as we added 14,400 net high-speed Internet customers. Contribution margins in our Consumer & Small Business segment increased to 58.1 percent compared to 57.1 percent a year ago.

- Strategic sales comprised 48.4 percent of total sales in our Enterprise segment and contribution margin increased to 21.4 percent compared to 19.6 percent for the same period a year ago.

- Maintained 70.0 percent contribution margins in our Wholesale segment through strong expense management .

- Executed on our initiative to transform our business operations and reduce operating costs including rebranding our Enterprise and Wholesale business unit, optimizing our network and aligning our workforce to improve productivity and reduce costs. In undertaking these initiatives, we incurred third-party consulting fees, incremental rebranding and marketing expenses, incremental labor, travel, training, and other transition costs related to outsourcing certain support functions. We also incurred costs associated with grooming our network, including relocation of traffic to existing lower-cost circuits and termination of existing contracts prior to their expiration. In addition, we completed restructurings of our workforce in 2018 eliminating approximately 800 employees and an additional 90 positions that drove cost savings of approximately $60 million in 2018.

  We remain on track to successfully complete the integration of the acquired EarthLink and Broadview operations to meet our goal of $180 million in annualized synergies by the end of 2019.

As noted above, we also improved our balance sheet and debt maturity profile during 2018. We sold substantially all of our consumer CLEC business on December 31, 2018. Proceeds from this sale were used to reduce borrowings outstanding under Windstream Services’ revolving line of credit. On August 2, 2018, we completed various debt exchanges, which extended the maturities of $1.4 billion of our long-term debt obligations. In completing these exchanges, we reduced our total long-term debt by $226.0 million and recognized a pretax gain from the early extinguishment of debt of $190.3 million during the third quarter of 2018.

Our consolidated operating results for 2018 were favorably impacted by incremental revenues attributable to the acquisitions of MASS, Broadview and EarthLink, cost savings from workforce reductions, lower merger, integration costs of $105.5 million , and the pretax gains from the sale of the consumer CLEC business and early extinguishment of debt. These increases were partially offset by reductions in consumer, small business and enterprise revenues primarily due to customer losses from competition and decreases in switched access revenues and federal USF surcharges due to the continuing adverse effects of inter-carrier compensation reform. Operating results for 2018 also reflect higher depreciation and amortization expense of $56.7 million , primarily attributable to the acquisitions, and additional interest costs of $25.9 million , principally due to exchanging existing unsecured senior notes for higher interest secured notes and additional borrowings under the revolving credit facility.

Table of Contents

CONSOLIDATED RESULTS OF OPERATIONS

The following table reflects the consolidated operating results of Windstream Holdings for the years ended December 31:

(Millions)	2018	2017	2016	2018 to 2017 Increase (Decrease)	2018 to 2017 %	2017 to 2016 Increase (Decrease)	2017 to 2016 %
Revenues and sales:							
Service revenues	$ 5,637.2	$ 5,759.7	$ 5,279.9	$ (122.5)	(2)	$ 479.8	9
Product sales	75.9	93.2	107.1	(17.3)	(19)	(13.9)	(13)
Total revenues and sales	5,713.1	5,852.9	5,387.0	(139.8)	(2)	465.9	9
Costs and expenses:							
Cost of services (a)	2,854.8	2,962.7	2,647.2	(107.9)	(4)	315.5	12
Cost of products sold	69.1	93.5	98.5	(24.4)	(26)	(5.0)	(5)
Selling, general and administrative	889.0	896.1	782.7	(7.1)	(1)	113.4	14
Depreciation and amortization	1,526.7	1,470.0	1,263.5	56.7	4	206.5	16
Goodwill impairment (b)	—	1,840.8	—	(1,840.8)	(100)	1,840.8	*
Merger, integration and other costs	31.9	137.4	13.8	(105.5)	(77)	123.6	*
Restructuring charges	45.0	43.0	20.3	2.0	5	22.7	112
Total costs and expenses	5,416.5	7,443.5	4,826.0	(2,027.0)	(27)	2,617.5	54
Operating income (loss)	296.6	(1,590.6)	561.0	1,887.2	119	(2,151.6)	*
Other expense, net (c)	(4.9)	(2.3)	(24.0)	2.6	113	(21.7)	(90)
Gain on sale of Consumer CLEC business (d)	145.4	—	—	145.4	*	—	*
Net gain (loss) on early extinguishment of debt	190.3	(56.4)	(18.0)	246.7	*	38.4	*
Other-than-temporary impairment loss on investment in Uniti common stock (e)	—	—	(181.9)	—	*	181.9	100
Interest expense	(901.3)	(875.4)	(860.6)	25.9	3	14.8	2
Loss before income taxes	(273.9)	(2,524.7)	(523.5)	(2,250.8)	(89)	2,001.2	*
Income tax expense (benefit)	449.1	(408.1)	(140.0)	857.2	210	268.1	192
Net loss	$ (723.0)	$ (2,116.6)	$ (383.5)	$ (1,393.6)	(66)	$ 1,733.1	*

* Not meaningful

(a) Excludes depreciation and amortization included below.

(b) See Note 4 for further discussion related to the goodwill impairment charge.

(c) See Note 14 for a summary of the components of other expense, net in each year.

(d) See Note 12 for further discussion related to the sale of the Consumer CLEC business.

(e) See Note 13 for further discussion related to the other-than-temporary impairment loss incurred on our investment in Uniti common stock.

A detailed discussion and analysis of our consolidated operating results is presented below.

Service Revenues

The following table reflects the primary drivers of year-over-year changes in service revenues:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increase attributable to acquisitions	$	328.0		$	869.2	
Decreases in Consumer CLEC revenues (a)		(25.0)			(0.1)	
Decreases in Consumer & Small Business revenues (b)		(94.0)			(78.9)	
Decreases in Wholesale revenues (c)		(68.4)			(115.5)	
Decreases in Enterprise revenues (d)		(263.1)			(194.9)	
Net changes in service revenues	$	(122.5)	(2)	$	479.8	9

(a) Decreases were primarily due to reductions in high-speed Internet and dial-up access attributable to a declining customer base, reflecting the effects of competition.

(b) Decreases were primarily due to lower high-speed Internet bundle revenue as well as reductions in both Consumer & Small Business voice-only revenues attributable to a decline in customers due to the impacts of competition and reductions in switched access revenues and federal USF surcharges due to the impacts of inter-carrier compensation reform.

(c) Decreases were primarily due to declining demand for dedicated copper-based circuits, as carriers continue to migrate traffic to fiber-based connections.

(d) Decreases were primarily due to reductions in traditional voice, long-distance and data and integrated services due to increased customer churn attributable to the effects of competition, as well as declines in long-distance usage.

See "Segment Operating Results" for a further discussion of changes in Enterprise, Consumer & Small Business, Wholesale, and Consumer CLEC Business revenues.

Product Sales

Product sales consist of sales of various types of communications equipment to our customers. We also sell network equipment to contractors on a wholesale basis. Enterprise product sales includes high-end data and communications equipment which facilitate the delivery of advanced data and voice services to our enterprise customers. Consumer product sales include home networking equipment, computers and phones.

The following table reflects the primary drivers of year-over-year changes in product sales:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increase attributable to acquisitions	$	1.2		$	1.8	
Decreases in Consumer & Small Business product sales (a)		(7.4)			(6.1)	
Decreases in Enterprise product sales (b)		(11.1)			(9.6)	
Net decreases in product sales	$	(17.3)	(19)	$	(13.9)	(13)

(a) Decreases reflect declines in sales of network equipment on a wholesale basis to contractors due to lower demand.

(b) Decreases were primarily due to lower equipment installations.

Cost of Services

Cost of services expense primarily consists of charges incurred for network operations, interconnection, bad debt and business taxes. Network operations charges include salaries and wages, materials, contractor costs, IT support and costs to purchase certain network facilities. Interconnection consists of charges incurred to access the public switched network and transport traffic to the Internet, including charges paid to other carriers for access points where we do not own the primary network infrastructure. Other expenses consist of third-party costs for ancillary voice and data services, business and financial services, bad debt and business taxes.

The following table reflects the primary drivers of year-over-year changes in cost of services:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increases attributable to acquisitions	$	182.6		$	544.3	
Decreases in pension and postretirement expense		(5.7)			(0.4)	
Decreases in other operations (a)		(40.1)			(15.1)	
Decreases in network operations (b)		(51.5)			(18.3)	
Decreases in federal USF expenses (c)		(7.7)			(24.8)	
Decreases in interconnection expense (d)		(185.5)			(170.2)	
Net changes in cost of services	$	(107.9)	(4)	$	315.5	12

(a) Decreases reflect reduced labor costs, primarily attributable to workforce reductions completed during each year. The decrease in 2018 was partially offset by incremental network optimization costs of $27.3 million incurred in migrating traffic to existing lower cost circuits and terminating contracts prior to their expiration. The decrease in 2017 was partially offset by incremental expenses of $4.5 million related to Hurricanes Harvey and Irma and $8.3 million of costs incurred related to a carrier access settlement. Also included in other operations in 2017 was a reserve for a penalty attributable to not meeting certain spend commitments under a circuit discount plan of $7.7 million .

(b) Decreases reflect reduced labor costs, primarily attributable to workforce reductions completed each year, partially offset by higher leased network facilities costs attributable to expansion of our fiber transport network.

(c) Decreases reflect the overall decline in revenues when excluding the effects of the acquisitions as well as a reduction in the USF contribution factor in each year.

(d) Decreases in interconnection expense were primarily attributable to rate reductions and cost improvements from the continuation of network efficiency projects, increased customer churn, and lower long distance usage, partially offset by an increase in the cost of higher capacity circuits to service existing customers and increase the transport capacity of our network.

Cost of Products Sold

Cost of products sold represents the cost of equipment sales to customers. The following table reflects the primary drivers of year-over-year changes in cost of products sold:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increases attributable to acquisitions	$	—		$	2.8	
Decreases in Consumer & Small Business product sales		(9.7)			(2.8)	
Decreases in product sales to Enterprise and Wholesale customers		(14.7)			(5.0)	
Net decreases in cost of products sold	$	(24.4)	(26)	$	(5.0)	(5)

The changes in cost of products sold were generally consistent with the changes in product sales.

Def Ex. 3.072

Selling, General and Administrative ("SG&A")

SG&A expenses result from sales and marketing efforts, advertising, IT support, costs associated with corporate and other support functions and professional fees. These expenses include salaries, wages and employee benefits not directly associated with the provisioning of services to our customers.

The following table reflects the primary drivers of year-over-year changes in SG&A expenses:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increases attributable to acquisitions	$	66.6		$	203.6	
Increases due to business transformation expenses (a)		28.8			—	
Decreases in share-based compensation		(13.5)			(4.5)	
Changes in sales and marketing expenses		0.2			(6.1)	
Decreases in other costs		(16.7)			(18.9)	
Decreases in salaries and other benefits (b)		(72.5)			(60.7)	
Net changes in SG&A	$	(7.1)	(1)	$	113.4	14

(a) These expenses primarily consist of third-party consulting fees, incremental labor, travel, training and other transition costs related to the outsourcing of certain support functions.

(b) Decreases were primarily due to reduced labor costs, primarily attributable to workforce reductions completed during each year.

Depreciation and Amortization Expense

Depreciation and amortization expense includes the depreciation of property, plant and equipment and the amortization of intangible assets. The following table reflects the primary drivers of year-over-year changes in depreciation and amortization expense:

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(Millions)		Amount	%		Amount	%
Increases attributable to acquisitions	$	48.0		$	170.1	
Increases in depreciation expense (a)		49.1			62.4	
Decreases in amortization expense (b)		(40.4)			(26.0)	
Net changes in depreciation and amortization expense	$	56.7	4	$	206.5	16

(a) The increase in 2018 was primarily due to incremental depreciation associated with additions of property, plant and equipment.The increase in 2017 was primarily due to the implementation of new depreciation rates that shortened the depreciable lives of assets used by certain of our subsidiaries partially offset by the effects of extending the useful lives of certain fiber assets from 20 to 25 years. See Note 2 to the consolidated financial statements for additional information.

(b) Decreases reflect the use of the sum-of-the-years-digits method for customer lists. The effect of using an accelerated amortization method results in an incremental decline in expense each year as the intangible assets amortize.

Merger, Integration and Other Costs and Restructuring Charges

We incur costs to complete a merger or acquisition and integrate its operations into our business, which are presented as merger and integration expense in our consolidated results of operations. These costs include transaction costs, such as accounting, legal, consulting and broker fees; severance and related costs; IT and network conversion; rebranding and marketing; and contract termination fees. During 2017, we incurred investment banking fees, legal, accounting and other consulting fees, severance and employee benefit costs, contract and lease termination costs, and other integration expenses related to the mergers with EarthLink and Broadview. We also incurred legal fees in 2018 and 2017 for litigation related to the Uniti spin-off. During the fourth quarter of 2017, we completed a network optimization project begun in late 2015 designed to consolidate traffic onto network facilities operated by us and reduce the usage of other carriers' networks in our acquired CLEC markets. In undertaking this initiative, we incurred exit costs to migrate traffic to existing lower cost circuits and to terminate existing contracts prior to their expiration. During 2016, we renegotiated the terms of the lease resulting in the elimination of any future rental payments due under the original lease agreement. As a result, we recorded a $2.0 million reduction in the liability associated with this lease.

Restructuring charges are primarily incurred as a result of evaluations of our operating structure. Among other things, these evaluations explore opportunities to provide greater flexibility in managing and financing existing and future strategic operations, for task automation and the balancing of our workforce based on the current needs of our customers. Severance, lease exit costs and other related charges are included in restructuring charges.

During 2018, we completed restructurings of our workforce to improve our overall cost structure and gain operational efficiencies. In undertaking these efforts, we eliminated approximately 800 positions and incurred restructuring charges of $24.6 million , consisting of severance and employee benefit costs. We also incurred lease termination costs of $20.4 million as a result of vacating certain facilities.

During 2017, we completed a restructuring of our workforce to streamline our operations, which resulted in the elimination of approximately 725 employees. In addition to this initiative, we completed other reductions in our workforce during the first half of 2017 eliminating approximately 375 employees in our ILEC small business and enterprise segments as well as in our engineering, finance and information technology work groups to more efficiently manage our operations. In completing our 2017 workforce reductions, we incurred total severance and other employee benefit costs of $35.0 million . Restructuring charges for 2017 also include lease termination costs associated with vacated facilities and consulting fees.

During 2016 , restructuring charges primarily consisted of severance and other employee-related costs totaling $18.7 million related to the completion of several small workforce reductions.

The following is a summary of the merger, integration and other costs and restructuring charges recorded for the years ended December 31:

(Millions)	2018	2017	2016
Merger, integration and other costs:			
Information technology conversion costs	$ 1.1	$ 3.0	$ 0.3
Costs related to merger with EarthLink (a)	15.5	104.1	2.7
Costs related to merger with Broadview (b)	4.1	14.3	—
Costs related to acquisitions of MASS and ATC	2.5	—	—
Legal fees related to Uniti spin-off litigation (see Note 17)	7.2	7.5	—
Costs related to sale of data center business	—	—	0.9
Network optimization and contract termination costs	—	8.5	11.9
Consulting and other costs	1.5	—	—
Reversal of lease termination costs	—	—	(2.0)
Total merger, integration and other costs	31.9	137.4	13.8
Restructuring charges	45.0	43.0	20.3
Total merger, integration and other costs and restructuring charges	$ 76.9	$ 180.4	$ 34.1

(a) In 2018, these amounts include severance and employee benefit costs for EarthLink employees terminated after the Merger of $6.9 million and other miscellaneous expenses of $3.7 million . We also incurred contract and lease termination costs of $4.9 million as a result of vacating certain facilities related to the acquired operations of EarthLink.

In 2017, these amounts include investment banking, legal and other consulting services of $24.0 million , severance and employee benefit costs for EarthLink employees terminated after the Merger of $39.0 million , share-based compensation expense of $10.1 million attributable to the accelerated vesting of assumed equity awards for terminated EarthLink employees, rebranding and marketing of $5.3 million and other miscellaneous expenses of $3.2 million . We also incurred contract and lease termination costs of $22.5 million as a result of vacating certain facilities related to the acquired operations of EarthLink.

Def Ex. 3.074

(b) In 2018, these amounts include severance and employee benefit costs for Broadview employees terminated after the acquisition of $1.8 million .We also incurred contract and lease termination costs of $2.3 million as a result of vacating certain facilities related to the acquired operations of Broadview.

In 2017, these amounts include investment banking, legal and other consulting fees of $4.5 million and severance and employee benefit costs for Broadview employees terminated after the acquisition of $4.7 million .We also incurred contract and lease termination costs of $3.7 million as a result of vacating certain facilities related to the acquired operations of Broadview.

As of December 31, 2018 , we had unpaid merger, integration and other costs and restructuring liabilities totaling $31.9 million , which consisted of $27.9 million associated with the restructuring initiatives and $4.0 million related to merger, integration and other activities, which are included in other current liabilities and other liabilities in the accompanying consolidated balance sheet. Payments of these liabilities will be funded through operating cash flows (see Note 11).

Operating Income (Loss)

Operating income increased $1,887.2 million in 2018 primarily due to the absence of a goodwill impairment charge of $1,840.8 million incurred in 2017. The increase in 2018 also reflected reductions in merger, integration and other costs of $105.5 million and incremental operating income before depreciation and amortization attributable to acquisitions of $79.8 million . The increases were partially offset by higher depreciation and amortization expense of $48.0 million due to the acquisitions and from additions to property, plant and equipment, incremental business transformation expenses of $28.8 million , and $27.3 million of incremental network optimization costs. Operating income for 2018 also reflected decreases in consumer and enterprise revenues, wholesale services and switched access revenues due to customer losses from the effects of competition, declining demand for copper-based circuits to towers and the adverse effects of intercarrier compensation reform, respectively. The adverse effects from these revenue reductions were partially offset by decreased labor costs attributable to workforce reductions completed during 2017 and 2018 and lower interconnections costs attributable to rate reductions and cost improvements from the continuation of network efficiency projects, declines in the number of customers served and decreases in long-distance usage.

Operating income decreased $2,108.9 million in 2017 primarily due to a goodwill impairment charge of $1,840.8 million, higher depreciation and amortization expense of $206.5 million, and increases in merger, integration and other costs of $123.6 million primarily attributable to the acquisitions of Broadview and EarthLink. Operating loss for 2017 also included additional restructuring charges of $22.7 million incurred in connection with workforce reductions completed in 2017, incremental expenses related to Hurricanes Harvey and Irma of $4.5 million and a carrier access settlement of $8.3 million. Operating loss for 2017 also reflects reductions in consumer and enterprise revenues, wholesale services and switched access revenues due to customer losses from the effects of competition, declining demand for copper-based circuits to towers and the adverse affects of intercarrier compensation reform respectively. These increases to expense were partially offset by incremental operating income, excluding depreciation and amortization, of $117.4 million, due to the acquisitions of Broadview and EarthLink.

Net Gain (Loss) on Early Extinguishment of Debt

The net gain (loss) on early extinguishment of debt by debt instrument was as follows for the year ended December 31 :

(Millions)	2018	2017	2016
Senior secured credit facility	$ —	$ (4.1)	$ (3.1)
Broadview 2017 Notes	—	0.2	—
EarthLink 2019 and 2020 Notes	—	(2.0)	—
2017 Notes	—	—	(78.3)
Partial repurchases of 2021, 2022, 2023 and August 2023 Notes	—	—	63.4
Partial repurchase of 2020 Notes	—	5.0	—
Exchanges of 2020, 2021, 2022, and 2023 Notes	—	(55.5)	—
Exchanges of 2021, 2022, 2023, August 2023 and 2024 Notes	190.3	—	—
Net gain (loss) on early extinguishment of debt	$ 190.3	$ (56.4)	$ (18.0)

Def Ex. 3.075

During the third quarter of 2018, Windstream Services completed the settlement of exchange offers, which expired on July 31, 2018, for (1) its 7.75 percent senior notes due October 15, 2020 ("2020 Notes") for new 10.500 percent senior second lien notes due June 30, 2024 (the "New 2024 Notes") and (2) its 7.75 percent senior notes due October 1, 2021 ("2021 Notes"), 7.50 percent senior notes due June 1, 2022 ("2022 Notes"), 7.50 percent senior notes due April 1, 2023 ("2023 Notes"), 6.375 percent senior notes due August 1, 2023 ("August 2023 Notes") and 8.75 percent senior notes due December 15, 2024 ("2024 Notes") for new 9.00 percent senior second lien notes due June 30, 2025 (the "New 2025 Notes") as follows:

- accepted for exchange $414.9 million aggregate principal amount of 2020 Notes in exchange for $414.9 million aggregate principal amount of New 2024 Notes; and
- accepted for exchange $18.8 million aggregate principal amount of 2021 Notes, $5.3 million aggregate principal amount of 2022 Notes, $86.0 million aggregate principal amount of 2023 Notes, $340.7 million aggregate principal amount of August 2023 Notes, and $578.6 million aggregate principal amount of 2024 Notes, in exchange for $802.0 million aggregate principal amount of New 2025 Notes.

In completing the exchange transactions, Windstream Services incurred $18.4 million in arrangement, legal and other third-party fees. The exchanges of the 2020 and 2021 Notes were accounted for as a debt modification, and the remaining exchanges of 2022 Notes, 2023 Notes, August 2023 Notes and 2024 Notes were accounted for as a debt extinguishment. For the exchanges accounted for under the extinguishment method of accounting, Windstream Services recognized a net gain of $190.3 million , consisting of the net principal reduction of $226.0 million reduced by the write-off of a portion of the unamortized discount and debt issuance costs related to the original notes of $35.7 million .

In the fourth quarter of 2017, Windstream Services exchanged a portion of its 2020 Notes, 2021 Notes, 2022 Notes, and April 2023 Notes for new notes with maturities ranging from August 1, 2023 to October 31, 2025. In completing the exchanges, Windstream Services incurred $27.7 million in fees, consisting of $6.0 million in consent fees payable to lenders and $21.7 million in arrangement, legal and other third-party fees and the lenders received a net exchange premium of $95.1 million in the form of additional future principal payments. Based on a lender-by-lender analysis of participating creditors, Windstream Services concluded that a portion of the exchanges should be accounted for as a debt modification, and the remainder as a debt extinguishment. For the portion of the exchanges accounted for under the extinguishment method of accounting, Windstream Services recognized a net loss of $55.5 million, consisting of the write-off of a portion of the net exchange premium and consent fees and unamortized premium and debt issuance costs.

During 2017, pursuant to a debt repurchase program authorized by Windstream Services' board of directors, Windstream Services repurchased in the open market $49.1 million aggregate principal amount of its 2020 Notes. In connection with the repurchase, Windstream Services recognized a pre-tax gain of $5.0 million . Windstream Services also repaid Broadview's long-term debt and refinanced EarthLink's long-term debt obligations that were assumed in the mergers. In repaying these debt obligations prior to their maturity, Windstream Services recognized a net pre-tax loss of $1.8 million. Windstream Services also repaid term loan Tranche B5 and Tranche B6 of its senior secured credit facility through the issuance of a new term loan under Tranche B7, which effectively extended the maturity of the term loan from 2019 to 2024. In completing this refinancing, Windstream recognized a pre-tax loss of $4.1 million .

During 2016, Windstream Services retired $1,370.9 million of long-term debt using proceeds from the issuance of a new $900.0 million secured term loan and available borrowings under its revolving line of credit. The retirements consisted of 7.875 percent senior unsecured notes due November 1, 2017, (the "2017 Notes"); 2021 Notes, 2022 Notes, 2023 Notes and August 2023 Notes. The retirements were accounted for under the extinguishment method of accounting, and as a result, Windstream Services recognized a net loss from the extinguishment of these debt obligations.

Interest Expense

Set forth below is a summary of interest expense for the years ended December 31:

(Millions)		2018		2017		2016
Senior secured credit facility, Tranche B	$	112.1	$	100.7	$	62.5
Senior secured credit facility, revolving line of credit		45.7		29.5		18.8
Senior secured first and second lien notes		110.0		—		—
Senior unsecured notes		154.4		235.5		262.8
Notes issued by subsidiaries		6.8		10.4		6.8
Interest expense - long-term lease obligations:						
Telecommunications network assets		467.0		484.9		500.8
Real estate contributed to pension plan		6.2		6.2		5.8
Impacts of interest rate swaps		(3.5)		10.1		11.0
Interest on capital leases and other		6.3		5.1		2.8
Less capitalized interest expense		(3.7)		(7.0)		(10.7)
Total interest expense	$	901.3	$	875.4	$	860.6

Interest expense increased approximately $25.9 million , or 3 percent in 2018 , reflecting one-time financing fees of $9.2 million incurred in completing the 2018 consent and exchange transactions that were expensed in accordance with debt modification accounting. In addition, interest expense increased in 2018 due to the adverse effects of exchanging existing unsecured senior notes for the new 2024 and 2025 second lien notes, which were issued at comparatively higher interest rates, as well as higher interest costs due to incremental borrowings under the senior secured credit facility. These increases were partially offset by lower interest expense associated with the long-term lease obligation under the master lease with Uniti of $17.9 million , due to a larger portion of the monthly lease payment being recorded as a reduction to the long-term lease obligation in applying the effective interest method over the initial term of the master lease.

Comparatively, the increase in 2017 was primarily due to incremental borrowings under the revolving line of credit and term loans under Tranche B6 and B7 of the senior secured credit facility, the proceeds of which were primarily used to refinance the long-term debt obligations of Broadview and EarthLink assumed in the mergers and amounts outstanding under Tranche B5. These increases were partially offset by lower interest on the senior unsecured notes due to the 2016 redemption of the 2017 Notes, as well as partial repurchases of the 2020 Notes, 2021 Notes, 2022 Notes and 2023 Notes completed during 2016 and 2017, pursuant to a debt repurchase program authorized by Windstream Services' board of directors. Interest expense associated with the long-term lease obligation under the master lease with Uniti also decreased in 2017 due to a larger portion of the monthly lease payment being recorded as a reduction to the long-term lease obligation under the effective interest method.

Income Taxes

We recognized income tax expense of $449.1 million in 2018 , as compared to an income tax benefit of $408.1 million in 2017 . The income tax expense recorded in 2018 reflected discrete tax expense of $501.4 million related to the increase in our valuation allowance and discrete tax expense of $25.5 million related to the sale of our consumer CLEC business. This expense was offset by tax benefits of $18.7 million related to our debt exchange. Our effective tax rate in 2018 was (164.0) percent , compared to 16.2 percent in 2017 and 26.7 percent in 2016. The effective tax rate in 2018 was impacted by the debt exchange and the discrete items discussed above.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Cuts and Jobs Act (the "2017 Tax Act"). December 22, 2018 marked the end of the measurement period for purposes of SAB 118. As such, we have completed our analysis based on legislative updates relating to the 2017 Tax Act currently available which resulted in no material adjustments for the year ended December 31, 2018.

Due to the adverse court ruling and the resulting acceleration of all of our long-term debt obligations and payments due under the master lease agreement with Uniti and subsequent filing of the Chapter 11 Cases, we have concluded that a full valuation allowance is needed in 2018 to offset our deferred tax assets, exclusive of a portion of deferred tax liabilities primarily associated with indefinite-lived intangible assets.

Def Ex. 3.077

Table of Contents

SEGMENT OPERATING RESULTS

We disaggregate our operations between customers located in service areas in which we are the incumbent local exchange carrier ("ILEC") and provide services over network facilities operated by us and those customers located in service areas in which we are a competitive local exchange carrier ("CLEC") and primarily provide services over network facilities owned by other carriers. We have further disaggregated our CLEC operations between enterprise, wholesale and consumer customers. As previously discussed, on December 31, 2018, we sold substantially all of our consumer CLEC operations. Prior to the sale, we operated and reported the following four segments.

Consumer & Small Business – We manage as one business our residential and small business operations in those markets in which we are the ILEC due to the similarities with respect to service offerings, marketing strategies and customer service delivery. Products and services offered to customers include traditional local and long-distance voice services, high-speed Internet services, and value-added services such as security and online back-up, which are delivered primarily over network facilities operated by us. We offer consumer video services through relationships with DirecTV and Dish Network LLC and we also own and operate cable television franchises in some of our service areas. We offer Kinetic, a premium broadband and video entertainment offering in several of our markets.

Residential customers can bundle voice, high-speed Internet and video services, to provide one convenient billing solution and receive bundle discounts. Small Business services offer a wide range of advanced Internet, voice, and web conferencing products. These services are equipped to deliver high-speed Internet with competitive speeds, value added services to enhance business productivity and options to bundle services for a global business solution to meet our small business customer needs.

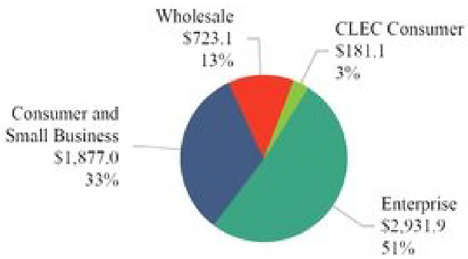
Enterprise – Products and services offered to our business customers include integrated voice and data services, which deliver voice and broadband services over a single Internet connection, data transport services, multi-site networking services which provide a fast and private connection between business locations, Software Defined Wide Area Network ("SD-WAN"), which optimizes application performance, Unified Communications as a Service ("UCaaS"), a next generation voice solution, as well as a variety of other data services, including cloud computing and collocation and managed services as an alternative to traditional information technology infrastructure.

Wholesale – Our wholesale operations are focused on providing network bandwidth to other telecommunications carriers, network operators, and content providers. These services include special access services, which provide access and network transport services to end users, Ethernet and Wave transport up to 100 Gbps, and dark fiber and colocation services. Wholesale services also include fiber-to-the-tower connections to support the wireless backhaul market. In addition, we offer voice and data carrier services to other communications providers and to larger-scale purchasers of network capacity. We also offer traditional services including special access services and Time Division Multiplexing ("TDM") private line transport. The combination of these services allow wholesale customers to provide voice and data services to their customers through the use of our network or in combination with their own networks.

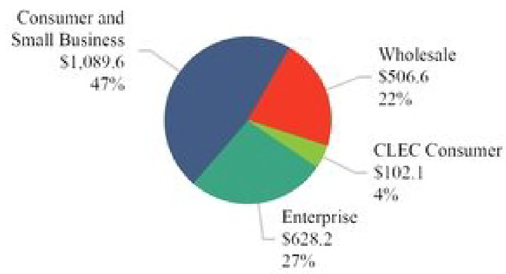
Consumer CLEC – Products and services offered to customers include traditional voice and long-distance services, nationwide Internet access services, both dial-up and high-speed, as well as value added services including online backup and various e-mail services.

Def Ex. 3.078

Revenue and Sales by Segment for the Year Ended December 31, 2018 (Millions)



Segment Income for the Year Ended December 31, 2018 (Millions)



We evaluate performance of the segments based on contribution margin or segment income, which is computed as segment revenues and sales less segment operating expenses. Segment revenues are based upon each customer's classification to an individual segment and include all services provided to that customer. Segment revenues also include revenue from federal and state universal service funds, CAF Phase II support, funds received from federal access recovery mechanisms, revenues from providing switched access services, including usage-based revenues from long-distance companies and other carriers for access to our network to complete long-distance calls, reciprocal compensation received from wireless and other local connecting carriers for the use of network facilities, certain surcharges assessed to our customers, including billings for our required contributions to federal and state USF programs, and product sales to contractors. There are no differences between total segment revenues and sales and total consolidated revenues and sales.

Segment expenses include specific expenses incurred as a direct result of providing services and products to segment customers; selling, general and administrative expenses that are directly associated with specific segment customers or activities; and certain allocated expenses which include network expenses, facilities expenses and other expenses, such as vehicle and real estate-related expenses. Operating expenses associated with regulatory and other revenues have also been assigned to our segments. We do not assign depreciation and amortization expense, goodwill impairment, merger, integration and other costs, restructuring charges, share-based compensation, pension costs, business transformation expenses and costs related to network optimization projects to our segments, because these expenses are centrally managed and are not monitored by or reported to the chief operating decision maker ("CODM") by segment. Similarly, certain costs related to centrally-managed administrative functions, such as accounting and finance, information technology, legal and human resources, are not assigned to our segments. Interest expense and net gain on early extinguishment of debt have also been excluded from segment operating results because we manage our financing activities on a total company basis and have not assigned any long-term debt obligations to the segments. Other income, net, and income tax benefit are not monitored as a part of our segment operations and, therefore, these items also have been excluded from our segment operating results.

See Note 18 to the consolidated financial statements for a reconciliation of total segment income to our consolidated net loss.

Def Ex. 3.079

Table of Contents

Consumer & Small Business Segment Results of Operations

Strategy Overview

As of year end 2018, we reached 61 percent of our consumer footprint with 25 megabits per second (Mbps") speeds, 39 percent with 50 Mbps speeds, and 15 percent with 100 Mbps speeds. Speed expansion is a key part of our consumer strategy for 2019 as well, and we expect to double our 100 Mbps speed availability in the first quarter of 2019. In addition, we offer 1-Gigabit per second ("Gbps") Internet service in 15 states to deliver faster speeds to more of our customer base. Connect America Fund ("CAF") funding will also provide support and allow us to expand our broadband capabilities.

These network investments make us more competitive in the marketplace and create a great customer experience, which helps us retain existing customers and grow market share through new customer acquisition. As of December 31, 2018, 41 percent of our consumer broadband customers were on speeds of 25 Mbps or greater. Our small business strategy also centers around investing in our network. During the first quarter of 2019, we will expand the availability of our Kinetic fiber Internet services, which provides speeds up to 1 Gbps, to approximately 100,000 businesses across 16 states.

We expect the fiber investments in our business footprint to drive increased sales and lower churn by creating a premium customer experience and enabling more robust solutions for our Kinetic Business product, such as cloud voice services, next-generation networking and affordable business continuity plans. Our network investments will also power bandwidth-intensive applications such as video conferencing, file-sharing and high-definition ("HD") content consumption.

The following table reflects the Consumer & Small Business segment results of operations for the years ended December 31:

(Millions)	2018	2017	2016	2018 to 2017 Increase (Decrease)	2018 to 2017 %	2017 to 2016 Increase (Decrease)	2017 to 2016 %
Revenues and sales:							
Service revenues:							
High-speed Internet bundles (a)	$ 1,012.0	$ 1,045.8	$ 1,049.0	$ (33.8)	(3)	$ (3.2)	—
Voice only (b)	120.5	132.4	148.8	(11.9)	(9)	(16.4)	(11)
Video and miscellaneous	44.3	45.0	45.8	(0.7)	(2)	(0.8)	(2)
Total consumer	1,176.8	1,223.2	1,243.6	(46.4)	(4)	(20.4)	(2)
Small business (c)	303.8	325.1	346.4	(21.3)	(7)	(21.3)	(6)
Switched access (d)	28.4	39.5	49.1	(11.1)	(28)	(9.6)	(20)
CAF Phase II funding and frozen federal USF (e)	182.5	188.0	193.8	(5.5)	(3)	(5.8)	(3)
State USF and ARM support (e)	93.3	104.9	121.9	(11.6)	(11)	(17.0)	(14)
End user surcharges (e)	65.7	63.8	68.6	1.9	3	(4.8)	(7)
Total service revenues	1,850.5	1,944.5	2,023.4	(94.0)	(5)	(78.9)	(4)
Product sales (f)	26.5	33.8	39.9	(7.3)	(22)	(6.1)	(15)
Total revenues and sales	1,877.0	1,978.3	2,063.3	(101.3)	(5)	(85.0)	(4)
Costs and expenses (g)	787.4	848.5	870.7	(61.1)	(7)	(22.2)	(3)
Segment income	$ 1,089.6	$ 1,129.8	$ 1,192.6	$ (40.2)	(4)	$ (62.8)	(5)

(a) The decrease in 2018 primarily reflected the effects of implementing new lower priced acquisition and customer retention rate plans aimed at improving customer churn. As further discussed below, high-speed Internet customers grew 1 percent in 2018. The decrease in high-speed Internet bundle revenues in 2017 was primarily due to the overall decline in customers served as further discussed below.

(b) Decreases were primarily attributable to declines in households served as further discussed below.

(c) Decreases were primarily attributable to lower usage for voice-only and high-speed Internet services and declines in customers due to the impacts of competition.

Def Ex. 3.080

Table of Contents

(d) Switched access revenues include usage sensitive revenues from long-distance companies and other carriers for access to our network in connection with the completion of long-distance calls, as well as reciprocal compensation received from wireless and other local connecting carriers for use of our network facilities. The decreases were primarily due to the effects of inter-carrier compensation reform. See "Regulatory Matters" for a further discussion.

(e) Universal Service Fund ("USF") revenues are government subsidies designed to partially offset the cost of providing wireline services in high-cost areas. CAF Phase II funding is provided for the purpose of expanding and supporting broadband service in rural areas and effectively replaces frozen federal USF support in those states in which we elected to receive the CAF Phase II funding. The access recovery mechanism ("ARM") is additional federal universal service support available to help mitigate revenue losses from inter-carrier compensation reform not covered by the access recovery charge ("ARC"). The decreases in state USF and ARM support in both 2018 and 2017 were primarily due to the effects of inter-carrier compensation reform. See "Regulatory Matters" for a further discussion of state and federal regulatory actions impacting these revenues and our election of CAF Phase II funding.

(f) Decreases were primarily due to declines in the sales of network equipment on a wholesale basis to contractors due to lower demand.

(g) Decreases were primarily due to reductions in contract labor and interconnection expense, reflecting lower voice-only revenues due to the decline in households. Decreases also reflect reduced labor costs attributable to workforce reductions completed during 2018 and 2017.

The following table reflects the Consumer & Small Business segment operating metrics as of December 31:

				2018 to 2017		2017 to 2016	
(Thousands)	2018	2017	2016	Increase (Decrease)	%	Increase (Decrease)	%
Consumer Operating Metrics:							
Households served (a)	1,247.9	1,268.8	1,354.6	(20.9)	(2)	(85.8)	(6)
High-speed Internet customers (b)	1,021.0	1,006.6	1,051.1	14.4	1	(44.5)	(4)
Digital television customers (c)	238.5	277.9	321.0	(39.4)	(14)	(43.1)	(13)
Small Business customers (d)	118.1	128.1	139.7	(10)	(8)	(11.6)	(8)

(a) Decreases were primarily attributable to the effects of competition from wireless carriers, cable companies and other providers using emerging technologies.

(b) The increase in 2018 was primarily due to improved sales and customer retention efforts including increased marketing and advertising and offering low introductory pricing plans to attract new customers. As of December 31, 2018 , we provided high-speed Internet service to approximately 90 percent of our primary residential lines in service and approximately 77 percent of our total voice lines had high-speed Internet competition, primarily from cable service providers. In 2017, the decrease was primarily due to the effects of competition from other service providers and increased penetration in the marketplace, as the number of households without high-speed Internet service continues to shrink.

(c) Decreases were primarily due to competition from other service providers.

(d) Decreases were primarily due to competition from cable companies.

We expect the number of consumer households, consumer high-speed Internet customers, digital television subscribers and small business customers in our ILEC footprint to continue to be impacted by the effects of competition.

Enterprise Segment Results of Operations

Strategy Overview

We will continue to exploit opportunities to leverage our own network facilities to reduce third-party network access costs. We will also continue to improve employee productivity with targeted system and process enhancements. To grow profitability, we are focused on leveraging the latest technology in offering next-generation products that deliver significant value to our customers while also generating strong incremental sales margins. Software Defined Wide Area Network ("SD-WAN") and Unified Communication as a Service ("UCaaS") represent two examples of next-generation solutions where we are seeing significant sales and revenue growth. In addition, we expect to improve operating efficiencies and enhance the customer experience by further integrating our internal processes in sales, service delivery, customer care and repair. Furthermore, we continue to follow an aggressive expense management and capital efficient strategy to drive reductions in network access costs, create on-network sales opportunities and improve our competitiveness in the marketplace.

The following table reflects the Enterprise segment results of operations for the years ended December 31:

(Millions)	2018	2017	2016	2018 to 2017 Increase (Decrease)	2018 to 2017 %	2017 to 2016 Increase (Decrease)	2017 to 2016 %
Revenues and sales:							
Service revenues:							
Voice and long-distance (a)	$ 949.7	$ 945.1	$ 820.4	$ 4.6	—	$ 124.7	15
Data and integrated services (b)	1,611.2	1,642.9	1,461.7	(31.7)	(2)	181.2	12
Miscellaneous (c)	194.3	171.5	122.0	22.8	13	49.5	41
End user surcharges	128.5	124.0	116.6	4.5	4	7.4	6
Total service revenues	2,883.7	2,883.5	2,520.7	0.2	—	362.8	14
Product sales (d)	48.2	58.6	67.2	(10.4)	(18)	(8.6)	(13)
Total revenues and sales	2,931.9	2,942.1	2,587.9	(10.2)	—	354.2	14
Costs and expenses (e)	2,303.7	2,364.9	2,075.7	(61.2)	(3)	289.2	14
Segment income	$ 628.2	$ 577.2	$ 512.2	$ 51.0	9	$ 65.0	13

(a) Increases in 2018 and 2017 were primarily attributable to incremental revenues of $95.9 million and $223.3 million , respectively, as a result of the 2018 and 2017 acquisitions offset by declines in traditional voice and long-distance services and in long-distance usage.

(b) The decrease in 2018 was primarily due to lower sales and higher customer churn partially offset by incremental revenues of $134.1 million . The increase in 2017 was primarily due to incremental revenues of $243.8 million from the 2017 acquisitions offset by the adverse effects of customer churn.

(c) Increases in 2018 and 2017 were primarily due to incremental revenues of $18.8 million and $90.6 million , respectively, from the 2018 and 2017 acquisitions offset by lower maintenance revenues.

(d) Decreases were primarily due to our efforts to improve profitability by streamlining our product offerings and shifting our focus from product sales to offering high-value integrated solutions to our customers designed to produce higher margins and recurring revenue streams.

(e) The decrease in 2018 reflects the incremental operating costs attributable to the 2018 and 2017 acquisitions of $163.4 million which were offset by reduction in interconnect expense from the continuation of network efficiency projects, reduced labor costs due to workforce reductions, lower sales and marketing costs, and overall decreases in the number of customers served. The increase in 2017 was primarily due to incremental interconnection costs associated with the 2017 acquisitions in the amount of $270.5 million .

Wholesale Segment Results of Operations

The following table reflects the Wholesale segment results of operations as of December 31:

(Millions)	2018	2017	2016	2018 to 2017 Increase (Decrease)	2018 to 2017 %	2017 to 2016 Increase (Decrease)	2017 to 2016 %
Revenues:							
Core wholesale (a)	$ 597.4	$ 618.6	$ 560.9	$ (21.2)	(3)	$ 57.7	10
Resale (b)	79.5	78.7	74.5	0.8	1	4.2	6
Wireless TDM (c)	9.6	15.7	30.3	(6.1)	(39)	(14.6)	(48)
Switched access (d)	35.9	43.3	55.1	(7.4)	(17)	(11.8)	(21)
Total service revenues	722.4	756.3	720.8	(33.9)	(4)	35.5	5
Product sales	0.7	0.3	—	0.4	*	0.3	*
Total revenues and sales	723.1	756.6	720.8	(33.5)	(4)	35.8	5
Costs and expenses (e)	216.5	226.8	194.5	(10.3)	(5)	32.3	17
Segment income	$ 506.6	$ 529.8	$ 526.3	$ (23.2)	(4)	$ 3.5	1

(a) Core wholesale revenues primarily include revenues from providing special access circuits, fiber connections, data transport and wireless backhaul services. The decrease in 2018 was primarily attributable to lower non-recurring revenue, lower usage for voice-only services and higher disconnect activity as a result of carriers migrating to fiber-based networks partially offset by incremental revenues of $17.5 million due to the EarthLink and Broadview acquisitions. The increase in 2017 was primarily attributable to incremental revenues of $105.6 million due to the acquisitions.

(b) Revenues represent voice and data services sold to other communications services providers on a resale basis. Increases are primarily attributable to the EarthLink and Broadview acquisitions.

(c) Decreases were attributable to declines in special access charges for dedicated copper-based circuits as carriers migrate to fiber-based networks. We expect these revenues to be adversely impacted as wireless carriers continue to migrate traffic to fiber-based connections.

(d) Decreases in these revenues were primarily attributable to the effects of inter-carrier compensation reform.

(e) Decrease in 2018 was primarily related to lower interconnection expense, reductions in long-distance usage by our wholesale customers and rate reductions and costs improvements from the continuation of net work efficiency projects. The increase in 2017 was primarily related to additional interconnection expense of $52.2 million due to the EarthLink and Broadview acquisitions, partially offset by reductions in long-distance usage by our wholesale customers and rate reductions and costs improvements from the continuation of network efficiency projects.

To maintain our contribution margins in our Wholesale business, we will continue to leverage our network assets, offer advanced products and solutions, target our core customers and control costs through our disciplined approach to capital and expense management .

Consumer CLEC Segment - Results of Operations

Prior to the sale of substantially all of our Consumer CLEC segment on December 31, 2018, this segment primarily consisted of EarthLink's consumer Internet business residing outside of our ILEC footprint. These operations also included the remaining portion of our heritage consumer CLEC business not transferred to Uniti as part of the REIT spin-off and revenues generated from our master services agreement with Uniti.

The following table reflects the Consumer CLEC segment results of operations for the years ended December 31:

				2018 to 2017		2017 to 2016	
(Millions)	2018	2017	2016	Increase (Decrease)	%	Increase (Decrease)	%
High-speed Internet	$ 91.0	$ 88.8	$ 0.9	$ 2.2	2	$ 87.9	*
Dial-up, email and miscellaneous	88.3	84.2	14.1	4.1	5	70.1	*
End user surcharges	1.3	2.4	—	(1.1)	(46)	2.4	*
Total service revenues (a)	180.6	175.4	15.0	5.2	3	160.4	*
Product sales	0.5	0.5	—	—	—	0.5	*
Total revenues and sales	181.1	175.9	15.0	5.2	3	160.9	*
Costs and expenses (b)	79.0	86.9	13.1	(7.9)	(9)	73.8	*
Segment income	$ 102.1	$ 89.0	$ 1.9	$ 13.1	15	$ 87.1	*

(a) Increases were due to the incremental revenues attributable to the acquisition of EarthLink.

(b) The decrease in 2018 primarily reflects a decline in interconnect costs due to a decrease in the number of customers served. The increase in 2017 was due to the incremental expenses attributable to the acquisition EarthLink.

Regulatory Matters

We are subject to regulatory oversight by the Federal Communications Commission ("FCC") for particular interstate matters and state public utility commissions ("PUCs") for certain intrastate matters. We are also subject to various federal and state statutes that direct such regulations. We actively monitor and participate in proceedings at the FCC and PUCs and engage federal and state legislatures on matters of importance to us.

From time to time federal and state legislation is introduced dealing with various matters that could affect our business. Most proposed legislation of this type never becomes law. Accordingly, it is difficult to predict what kind of legislation, if any, may be introduced and ultimately become law.

Federal Regulation and Legislation

USF Reform

In November 2011, the FCC released an order ("the Order") that established a framework for reform of federal USF. The Order established the CAF, which included a short-term ("CAF Phase I") and a longer-term ("CAF Phase II") framework for carrier compensation. CAF Phase I provided for continued legacy USF funding frozen at 2011 levels as well as the opportunity for incremental broadband funding to numerous unserved and underserved locations. In accordance with FCC rules, Windstream certified its fulfillment of its obligations for both rounds of CAF Phase I incremental support.

In August 2015, Windstream accepted CAF Phase II support offers for 17 of its 18 states where it is an incumbent provider, totaling approximately $175.0 million in annual funding. Support was retroactive to the beginning of 2015 and would continue for six additional years. Windstream is obligated to offer broadband service at 10/1 Mbps or better to approximately 400,000 eligible locations in high-cost areas in those 17 states. Windstream declined the statewide offer in just one state, New Mexico, where Windstream's projected cost to comply with FCC deployment requirements greatly exceeded the funding offer. The FCC announced the winners of its CAF Phase II competitive bidding process in August, 2018. Windstream was not awarded any bids so it will continue to receive annual USF funding in New Mexico frozen at 2011 levels until the implementation of CAF Phase II award process is complete, which at this time is not known. We cannot reasonably predict what impact the CAF Phase II competitive bidding process will have on our USF support amounts.

Def Ex. 3.084

A summary of CAF Phase II and frozen USF support we have received or expect to receive is as follows:

(Millions)	2016	2017	2018	2019	2020	2021
CAF Phase II support	$ 174.9	$ 175.7	$ 174.9	$ 174.9	$ 174.9	$ 174.9
Transitional Frozen USF support	14.3	7.7	2.9	—	—	—
New Mexico Frozen USF support	4.6	4.6	4.6	—	—	—
Total	$ 193.8	$ 188.0	$ 182.4	$ 174.9	$ 174.9	$ 174.9

Inter-carrier Compensation

As part of the same Order reforming USF, discussed above, the FCC also reformed inter-carrier compensation by establishing two recovery mechanisms that mitigate the revenue reductions resulting from the reduction and ultimate elimination of terminating access rates. First, the FCC established the ARC, a fee which may be assessed to some of our retail customers. Second, the ARM is a form of additional federal universal service support designed to allow carriers to recover some of the revenue reductions that cannot be recovered through assessment of the ARC. Carriers are required to use ARM support to build and operate broadband networks in areas substantially unserved by an unsubsidized competitor offering fixed voice and broadband service. Our ARM support decreased incrementally from $36.4 million in 2015 to $7.7 million in 2018, with a portion of the decrease offset by increases in ARC revenues. The FCC is phasing out the ARM annually in one-third increments, beginning in July 2017, and it will be eliminated completely as of July 2019.

The FCC also capped intrastate and interstate originating access rates but otherwise deferred reforms to the originating access regime. In June 2017, the FCC invited interested parties to refresh the record on issues raised by the Order with respect to access charges for 8YY (toll free) calls, which are under the umbrella of originating access. On June 7, 2018, the FCC adopted a Further Notice of Proposed Rulemaking seeking comment on reforms to “curb abuses” in the 8YY toll-free access regime. Currently 8YY service providers pay access charges to the carrier whose customer makes an 8YY call and compensate that originating carrier for an 8YY database query necessary to route the call correctly. The FCC proposes to move interstate and intrastate originating 8YY end office, tandem switching and transport access charges to bill-and-keep over a three-year period. The FCC also proposes to address concerns about excessive and irrationally priced rates for database query charges by capping those charges nationwide at the lowest rate currently charged by any price cap local exchange carrier and allowing only one database query charge per 8YY call. The FCC will also consider whether incumbent local exchange carriers should be able to recover their lost access charge revenues from their end users and whether it should provide any additional revenue recovery. We cannot now reasonably predict the timing or level of reductions, if any, the FCC may choose.

Set forth below is a summary of inter-carrier compensation revenue and federal USF and CAF Phase II support included in regulatory revenues within the consolidated statements of operations for the years ended December 31:

(Millions)	2018	2017	2016
Inter-carrier compensation revenue and ARM support	$ 71.0	$ 97.0	$ 127.3
Federal universal service and CAF Phase II support	$ 182.4	$ 188.0	$ 193.8

IntraMTA Switched Access Litigation

Several of our companies are defendants in approximately 25 lawsuits filed by Verizon and Sprint long-distance companies (IXCs) alleging that our companies may not bill them switched access charges for calls between wireline and wireless devices that originate and terminate within the same Major Trading Area. The complaints seek historical relief in the form of refunds and prospective relief concerning future billings. These suits were consolidated in a single federal district court in Texas, including a suit filed in 2016 by fifty-five Windstream subsidiaries in Kansas federal district court to collect late payment assessments on amounts Sprint previously withheld, and to ensure consistent application of any adjudication among the subsidiaries. The district court dismissed Verizon and Sprint’s federal law claims on November 17, 2015 and in March 2016, the plaintiffs were denied permission to appeal the dismissal. Verizon and Sprint’s state law claims and the defendants’ counterclaims for return of all withholdings (including those involving Windstream) continued in federal district court along with several lawsuits filed against Level 3 (another long-distance company) and became part of the consolidated case (but not involving Windstream). The parties filed summary judgment motions in March 2018, which were granted by the court on May 15, 2018. The interexchange carriers filed an appeal to the 5th Circuit Court of Appeals on June 29, 2018. On February 19, 2019, the parties began the briefing process. The subject matter of the above suits remains a topic of a pending petition for declaratory ruling before the FCC. The outcome of the disputes is currently not predictable due to the appeal and FCC action.

Last-Mile Access

Windstream has actively engaged in policy advocacy in various FCC proceedings that address the rates, terms and conditions for access to the "last-mile" facilities (i.e., special access and unbundled network elements ("UNEs")) we need to serve retail business customers through our competitive companies. In 2017, we incurred approximately $1.7 billion in interconnection expense and most of that was attributable to last-mile access. For the vast majority of our customers, last-mile facilities, the wires ("loops") to a customer location from a central office, are not economic for Windstream to duplicate through its own investment and are not available from providers other than the incumbent carrier. Therefore, we often utilize connections owned by incumbent carriers as one of two distinct product types: either unbundled network elements ("UNEs"), which by law are not available in all areas but are subject to strict regulatory standards, or business data service ("BDS") inputs, widely available from incumbents but subject to more flexible regulatory standards. Windstream's purchase of business data service inputs may be subject to volume and term commitments and associated fees and penalties.

In April 2017, the FCC adopted comprehensive reforms to its BDS rules ("BDS Order"). After an appeal by the parties, including Windstream, on August 28, 2018, the United States Court of Appeals for the 8th Circuit upheld the FCC's rules but, based on a lack of adequate notice, it vacated and remanded the FCC's finding that transport was sufficiently competitive to deregulate. In response to the 8th Circuit's remand, on October 2, 2018, the FCC issued a Second Further Notice of Proposed Rulemaking on the topic of transport deregulation and requested that the 8th Circuit issue a Stay of its decision vacating the transport in deference to the FCC issuing new rules regarding same. The 8th Circuit granted a stay of its decision until November 12, 2019, so Windstream expects the FCC to issue new transport rules by that date.

Additionally, on May 4, 2018, the United States Telecommunications Association ("USTA") filed a Petition for Forbearance Pursuant to 47 U.S.C. Sec. 160(c) to Accelerate Investment in Broadband and Next-Generation Networks with the FCC. Among other requests, USTA, on behalf of certain of its members, sought relief from the requirement to provide unbundled network elements ("UNEs") and resale discounts to other telecommunications providers. After successful negotiations, on June 21, 2018, Windstream and the members of USTA filed an ex parte request with the FCC, outlining that they had agreed to a transition time frame for access to UNEs until February 4, 2021, during which transition time Windstream will transition customers from UNEs or otherwise negotiate rates to supersede UNE rates. The parties requested that the FCC consider this a modification of USTA's original forbearance request. The FCC recently granted a 90-day extension for consideration of this petition, which will now be deemed granted in August 2019 if the FCC takes no further action.

Windstream is pursuing a strategy to accelerate the transition of its customers from TDM to packet-based services, which is consistent with the underlying goal of the FCC's reform of business data services and current market trends. However, we believe the BDS order (and the original USTA forbearance proposal) present unnecessary risk of disruption to the market by not allowing an adequate transition period. Customers such as small businesses, schools and libraries are at greatest risk to this disruption, which could occur in the form of price increases for TDM services, the forced transition to purchase new packet-based communications equipment and systems, and the forced obsolescence and write-off of legacy TDM communication systems. Our strategy is to position Windstream for this transition through investments to extend the reach of our metro fiber networks directly to more buildings using fiber and fixed wireless facilities and to negotiate with providers other than the ILECs for last mile access, and to develop next generation, value-added solutions such as SD-WAN and UCaaS. The BDS reforms and UNE forbearance proceeding could negatively impact Windstream due to increased expenses to purchase business data services and UNEs, the need for greater capital investments to retain our competitiveness, and increased customer and revenue churn due to increasing prices.

Rural Healthcare Funding

Windstream and one of its Enterprise customers entered an agreement pursuant to which Windstream provided communication services to several of the customer's locations. The majority of funding for the services was administered by the Universal Service Administrative Company ("USAC") pursuant to the Universal Service Rural Health Care Telecommunications Program that offers reduced rates for broadband and telecommunications services to rural health care facilities. In March 2017, USAC issued a funding denial to the customer on the basis that certain rules of the FCC were violated with the selection of Windstream as the service provider. Due to an alleged conflict of interest created by a third-party Windstream channel partner that acted as a consultant for the customer regarding the agreement, USAC asserted that Windstream's selection was not based upon a fair and open competitive bidding process. USAC's denial addressed accrued funding of approximately $16.6 million, as well as funding of approximately $6.0 million previously remitted to us. Windstream, along with the customer, appealed the denial; USAC rejected the appeal on June 29, 2018, upholding its previous denial of funding. Windstream appealed the denial to the FCC in August 2018. Timing of a decision by the FCC is unknown. While the ultimate resolution and timing of any decision is not currently predictable, if there is a future adverse legal ruling against us, the ruling could result in financial exposure to Windstream for the total amounts listed above.

State Regulation and Legislation

State Universal Service

We recognize revenue from the receipt of state universal service funding in a limited number of states in which we operate: Texas, Georgia, Pennsylvania, New Mexico, Oklahoma, South Carolina, Alabama, Nebraska, and Arkansas. In 2018 and 2017 , we recognized $85.6 million and $90.7 million , respectively, in state USF revenue, the majority of which came from the Texas USF. These payments are intended to provide support, apart from the federal USF receipts, for the high cost of operating in certain rural markets.

There are two high-cost programs of the Texas USF, one for large companies and another for small companies. In 2018 , we received $39.8 million from the large company program and $4.7 million from the small company program based on our demonstration of need in 2016 after 2013 legislation in Texas required same.

We did not seek to preserve $1.7 million in support for Windstream Sugar Land, LLC, because our analysis demonstrated that we would not pass the needs test. Thus, Windstream Sugar Land, LLC, has begun to experience a mandatory 25 percent reduction in support starting January 2018, with additional 25 percent reductions to occur in 2019 and 2020 with support leveling off at 25 percent in 2021.

In Nebraska, our high-cost Nebraska Universal Service Fund ("NUSF") support for 2018 will be $4.5 million of which 20 percent is allocated to ongoing maintenance and support and 80 percent is allocated to approved capital construction projects. On January 29, 2019, the Public Service Commission confirmed that our support amount and allocations will remain the same for 2019.

In 2017, New Mexico enacted a statute to reform the New Mexico State Rural Universal Service Fund ("SRUSF"). Among other things, the legislation authorizes an annual broadband fund in addition to the access replacement fund from which we will continue to receive support. Beginning in 2018, the amount of support is determined by adjusting the 2014 support amount by a carrier's change in access line count and imputing the affordability benchmark, which is currently based on the FCC's residential rate benchmark. We are required to use at least 60 percent of this support to deploy and maintain broadband service in rural areas of the state. In calendar year 2018, we recognized $5.7 million in state USF revenue.

Historically, we have received $3.4 million from the Oklahoma High Cost Fund ("OHCF") on an annual basis. On February 8, 2018, the Oklahoma Corporation Commission issued an order phasing out the OHCF. Starting February 28, 2019, funding will be cut 25 percent per year, with all funding terminating on February 28, 2022. However, in December 2018, we received notice that our application for replacement funds from the Oklahoma Universal Service Fund ("OUSF") was approved. Accordingly, we will continue to receive $3.4 million annually from a combination of OHCF and OUSF support through February 28, 2022, and thereafter solely from the OUSF.

In Georgia, we entered into a settlement agreement with other carriers and staff of the Georgia Public Service Commission regarding disbursements from the Georgia Access Transition Fund for 2019 and 2020, the last two years of a ten-year funding mechanism. This settlement is a result of a proposal by some parties to dramatically reduce the funding for 2019 and 2020, which Windstream and other parties opposed. The agreement solidifies that Windstream's funding will be $12.7 million in 2019 and approximately $11.9 million in 2020. The settlement will result in an approximate $1.4 million reduction in funding for 2019 and 2020 compared to if there were no change in the funding mechanism. The Georgia PSC approved the settlement on March 5, 2019.

Universal service reform is also possible in Pennsylvania. Windstream currently receives $13.3 million from that fund and cannot estimate the financial impact that would result from changes, if any.

Def Ex. 3.087

Table of Contents

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

Liquidity After Filing the Chapter 11 Cases

The filing of the Chapter 11 Cases constituted an event of default that accelerated the obligations under our debt agreements. Due to the Chapter 11 Cases, however, our creditors' ability to exercise remedies under our debt agreements were stayed as of the date of the Chapter 11 petition filing. 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. During the pendency of the Chapter 11 Cases, our principal sources of liquidity are expected to be limited to cash flow from operations, cash on hand and borrowings under our debtor-in-possession facilities discussed below. Our ability to maintain adequate liquidity through the reorganization process and beyond depends on successful operation of our business, and appropriate management of operating expenses and capital spending. Our anticipated liquidity needs are highly sensitive to changes in each of these and other factors.

"Debtor-in-Possession" Financing

Pursuant to a commitment letter dated as of February 25, 2019 by and among Windstream Holdings, Windstream Services and Citigroup Global Markets Inc. (together with certain of its affiliates, "Citi"), Citi has committed to provide senior secured superpriority debtor-in-possession credit facilities in an aggregate principal amount of $1 billion, comprising a superpriority term loan facility (the "Term Facility") in an aggregate principal amount of up to $500 million (the "Term Loan Commitments") and a superpriority revolving credit facility (the "Revolving Facility" and, together with the Term Facility, the "DIP Facilities") in an aggregate principal amount of up to $500 million, subject to availability as described below.

During the period commencing on the date of the Bankruptcy Court's entry of an interim order approving the DIP Facilities in form and substance reasonably satisfactory to Citi (the "Interim Order") and ending on the date the Bankruptcy Court enters a final non-appealable order in form and substance satisfactory to Citi (the "Final Order"), a portion of the Term Loan Commitments will be available to Windstream Services, subject to satisfaction or waiver of certain conditions precedent, in an amount equal to the lesser of $300 million and such other amount as may be approved by order of the Bankruptcy Court. Upon the Bankruptcy Court's entry of the Final Order, the full remaining amount of the Term Loan Commitments shall be available to Windstream Services, subject to the satisfaction or waiver of certain conditions precedent. Availability under the Revolving Facility will be, at any date after the entry of the Interim Order, an amount equal to $100 million, and after the entry of the Final Order, an amount equal to $500 million.

The proceeds of loans extended under the DIP Facilities will be used for purposes permitted by orders of the Bankruptcy Court, including (i) for working capital and other general corporate purposes (ii) to pay transaction costs, professional fees and other obligations and expenses incurred in connection with the DIP Facilities, the Chapter 11 Cases and the transactions contemplated thereunder, and (iii) to pay adequate protection expenses, if any, to the extent set forth in any order entered by the Bankruptcy Court. The maturity date of the DIP Facilities will be 24 months after the closing date of the DIP Facilities. Loans under the Term Facility and the Revolving Facility will bear interest, at the option of Windstream Services, at (1) a margin plus a base rate of the highest of (i) Citibank, N.A.'s base rate, (ii) the three-month certificate of deposit rate plus 1/2 of 1%, (iii) the Federal funds effective rate plus 1/2 of 1% and (iv) the one-month LIBOR plus 1.00% per annum; or (2) a margin plus LIBOR. From and after the closing date for the DIP Facilities, a non-refundable unused commitment fee will accrue at the rate of 0.50% per annum on the daily average unused portion of the Revolving Facility (whether or not then available).

On February 26, 2019, the Bankruptcy Court approved the DIP Facilities and the DIP Facilities closed on the same day. The foregoing description of the DIP Facilities does not purport to be complete and is qualified in its entirety by reference to the final, executed credit agreement relating to the DIP Facilities, as approved by the Bankruptcy Court.

The following table summarizes our cash flow activities for the years ended December 31:

(Millions)	2018	2017	2016
Cash flows provided from (used in):			
Operating activities	$ 1,013.1	$ 974.6	$ 1,007.8
Investing activities	(554.2)	(983.2)	(990.0)
Financing activities	(141.3)	(7.1)	10.0
Increases (decreases) in cash, cash equivalents and restricted cash	$ 317.6	$ (15.7)	$ 27.8

Our cash, cash equivalents and restricted cash increased by $317.6 million to $361.0 million at December 31, 2018 , from $43.4 million at December 31, 2017 , as compared to a decrease of $15.7 million during 2017 . Cash inflows during 2018 were primarily from operating activities, proceeds from the sale of our Consumer CLEC business and financing of fiber assets in Minnesota and incremental debt proceeds. These inflows were partially offset by cash outflows for capital expenditures, repayments of debt, payments under our capital and long-term lease obligations, and the acquisitions of MASS and ATC. Cash, cash equivalents and restricted cash at December 31, 2018, includes a short-term investment in an overnight money market fund of $310.0 million comprised of substantially all of the cash proceeds received from the sale of the consumer CLEC operations. On January 3, 2019, the short-term investment was liquidated, and the proceeds were used to reduce borrowings outstanding under Windstream Services' revolving line of credit.

Cash Flows – Operating Activities

Cash provided from operations is our primary source of funds. Cash flows from operating activities increased by $38.5 million in 2018 and decreased $33.2 million in 2017 , as compared to the corresponding prior year period. The increase in 2018 primarily reflected the incremental cash flows generated from our 2018 and 2017 acquisitions, reductions from the prior year in merger, integration and other costs of $105.5 million mainly attributable to the mergers with EarthLink and Broadview and timing differences in the payment of trade accounts payable. These increases were partially offset by cash outlays related to our 2018 workforce reductions, decreases in consumer, small business and enterprise revenues, wholesale services, and switched access revenues due to customer losses from competition, declining demand for copper-based circuits to towers and the adverse effects of inter-carrier compensation reform, respectively. Higher cash interest payments of $30.8 million attributable to our 2018 and 2017 debt refinancing activities, as well as unfavorable timing differences in the collection of trade receivables also adversely impacted cash from operations in 2018.

The decrease in 2017 was primarily due to the adverse effects on our operating results from increased merger, integration and other costs of $123.6 million , primarily related to the mergers with EarthLink and Broadview, additional restructuring charges of $22.7 million primarily related to workforce reductions, and reductions in consumer and enterprise revenues, wholesale services, and switched access revenues due to customer losses from competition, declining demand for copper-based circuits to towers and the adverse effects of inter-carrier compensation reform, respectively, partially offset by favorable changes in working capital driven by improvement in the collection of trade receivables and timing difference in the payment of trade accounts payable. Additionally, cash flows from operating activities for 2017 include cash contributions to our qualified pension plan totaling $29.0 million to satisfy our 2017 and remaining 2016 funding requirements.

We utilized NOLs and other income tax initiatives to lower our cash income tax obligations for all years presented. As previously discussed, we expect the effects of the overall impact of the 2017 Tax Act will be generally favorable to us over the long-term by allowing us to extend the time frame we have to use our NOLs generated after December 31, 2017, and remain a minimal cash taxpayer for the foreseeable future.

Cash Flows – Investing Activities

Cash used in investing activities primarily includes investments in our network to upgrade and expand our service offerings as well as spending on strategic initiatives. Cash used in investing activities decreased $429.0 million in 2018 compared to 2017 primarily due to a decrease in our capital spending and proceeds from the sale of the Consumer CLEC business of $320.9 million . Cash used in investing in 2018 also reflected cash paid for the acquisitions of MASS and ATC of $46.9 million , net of cash acquired. Cash used in investing activities decreased $6.8 million in 2017 compared to 2016 primarily due to a reduction in our capital spending, partially offset by the net cash paid for the acquisition of Broadview and a payment of $9.4 million to settle an indemnification claim related to the December 2015 sale of substantially all of our data center business.

Capital expenditures were $820.2 million , $908.6 million and $989.8 million for 2018 , 2017 and 2016 , respectively. The majority of our capital spend during the past three years has been primarily directed toward consumer broadband upgrades of our network.

Def Ex. 3.089

Capital expenditures for 2017 and 2016 included $49.9 million and $173.8 million , respectively, related to Project Excel, a capital program that completed in the second quarter of 2017, which upgraded our broadband network and was funded by a portion of the proceeds received from the sale of the data center business. Capital expenditures for 2018 and 2017 also included $37.6 million and $34.5 million , respectively, of incremental spend related to our acquired Broadview and EarthLink operations.

Cash Flows – Financing Activities

Cash provided from financing activities were net outflows of $141.3 million in 2018 and $7.1 million in 2017 and a net inflow of $10.0 million in 2016 .

Proceeds from new issuances of long-term debt were $816.0 million in 2018, which consisted solely of additional borrowings under Windstream Services' revolving line of credit. Comparatively, proceeds from new issuances of long-term debt were $2,614.6 million in 2017 , which consisted of new and incremental borrowings totaling $1,022.6 million under Tranches B6 and B7 of Windstream Services' senior secured credit facility, which were issued at a discount, additional borrowings of $1,196.0 million under the revolving line of credit and $396.0 million from the issuance of the 2025 Notes, which were issued at a discount.

Debt repayments during 2018 totaled $747.2 million and included a one-time mandatory redemption payment of $150.0 million applicable to the 2024 Notes. The redemption payment was made on February 26, 2018 and was funded using available borrowing capacity under the revolving line of credit. During 2018 , Windstream Services also repaid $574.0 million of borrowings under its revolving line of credit. Comparatively, debt repayments during 2017 totaled $2,301.8 million and primarily consisted of cash outlays of $726.7 million to repay amounts outstanding under Tranches B5 and B6 of Windstream Services' senior secured credit facility, $435.3 million to repay amounts outstanding under EarthLink's credit facility and to redeem EarthLink's outstanding 8.875 percent Senior Notes due 2019 and 7.375 percent Senior Secured Notes due 2020 and $160.0 million to repay Broadview's debt obligations. included cash outlays totaling $1,288.8 million in connection with the repurchase and redemption of the 2017 Notes and open market repurchases of other senior unsecured notes. During 2017 , Windstream Services also repaid $896.0 million of borrowings under its revolving line of credit and repurchased $43.8 million of its 2020 Notes.

During the years ended December 31, 2017 and 2016, dividends paid to shareholders were $64.4 million and $58.6 million respectively. Our board of directors elected to eliminate our quarterly common stock dividend commencing in the third quarter of 2017 after reviewing our capital allocation strategy and determining our common stock was undervalued. Concurrently, our board of directors authorized a share repurchase program of up to $90.0 million , effective through March 31, 2019. During 2017, we repurchased 9.1 million of our common shares at a total cost of $19.0 million . Effective February 6, 2018, our Board elected to end the share repurchase program previously authorized.

Our capital allocation practices can be changed at any time at the discretion of our board of directors, and are subject to the restricted payment capacity under Windstream Services' debt covenants as further discussed below. See "Risk Factors" in Item 1A of Part I of this Annual Report on Form 10-K for additional information concerning our dividend practice.

Equity Distribution Agreement

On June 1, 2018, Windstream Holdings entered into an equity distribution agreement with Citigroup Global Markets Inc. (the "Sales Agent"). Under terms of the agreement, Windstream Holdings may issue and sell, from time to time to or through the Sales Agent, shares of its common stock, up to an aggregate offering price of $18.0 million . We intend to use the net proceeds from this offering for general corporate purposes, including, without limitation, the acquisition of companies or businesses and additional contributions to the Windstream Pension Plan.

Sales of our common stock under the equity distribution agreement may be made by the Sales Agent directly on or through the NASDAQ Market, on or through another market, through a market maker other than on an exchange, or in negotiated transactions at market prices prevailing at the time of sale or at negotiated prices, or as otherwise agreed with the Sales Agent. Windstream Holdings will pay a commission to the Sales Agent for any sales of our common shares made through the Sales Agent. The equity distribution agreement will terminate upon the earlier of (1) the sale of all shares subject to the agreement or (2) the termination of the agreement by us or the Sales Agent.

During 2018, we issued and sold approximately 1.9 million of our common shares under the equity distribution agreement and received proceeds of approximately $12.2 million , net of commissions. Windstream utilized the proceeds to fund the cash purchase price to acquire ATC and to fund contributions to the Windstream Pension Plan.

Pension and Employee Savings Plan Contributions

In 2018, we made cash contributions of $11.9 million as well as contributed 0.8 million shares of our common stock with a value of $5.8 million to the qualified pension plan to satisfy our remaining 2017 and 2018 funding requirements. We also made cash contributions of $0.8 million in 2018 to fund the expected benefit payments of our unfunded supplemental executive retirement pension plans.

Under a shelf registration statement on Form S-3 (the "Registration Statement") we filed on March 2, 2017, we established an at-the-market common stock offering program (the "ATM Program") to sell shares of our common stock. During 2017, we issued and sold 1.3 million shares of common stock under the ATM Program and received proceeds of approximately $9.6 million , net of commissions. The ATM Program expired, pursuant to its terms, on February 1, 2018, and on February 20, 2018, Windstream filed a post-effective amendment to the Registration Statement removing from registration all registered but unissued shares under the Registration Statement. During 2017, we made contributions of $29.0 million in cash to the qualified pension plan to satisfy our 2017 and remaining 2016 funding requirements, using proceeds from the ATM Program and available cash on hand. In 2017, we also made cash contributions totaling $1.1 million to fund the expected benefit payments of our unfunded supplemental executive retirement pension plans.

For 2019 , the expected employer contributions for pension benefits consists of $15.2 million to the qualified pension plan to satisfy our remaining 2018 and 2019 funding requirements and $0.8 million necessary to fund the expected benefit payments of our unfunded supplemental executive retirement pension plans to avoid certain benefit restrictions. On January 15, 2019, we made our required quarterly employer contribution of $3.0 million in cash to the qualified pension plan. We intend to fund the remaining 2019 contributions using cash. The amount and timing of future contributions to the qualified pension plan are dependent upon a myriad of factors including future investment performance, changes in future discount rates and changes in the demographics of the population participating in the plan.

We also sponsor an employee savings plan under section 401(k) of the Internal Revenue Code, which covers substantially all salaried employees and certain bargaining unit employees. We match on an annual basis up to a maximum of 4.0 percent of employee pre-tax contributions to the plan for employees contributing up to 5.0 percent of their eligible pre-tax compensation. In March 2018, we contributed 3.6 million shares of our common stock with a value of $28.3 million to the plan for the 2017 annual matching contribution. During 2017, we contributed 0.6 million shares of our common stock with a value of $22.7 million and $0.6 million in cash to the plan for the 2016 annual matching contribution. We expect to make the 2018 annual matching contribution of approximately $26.0 million to the plan in March 2019 using cash.

Shareholder Rights Plan

On May 12, 2016, our shareholders ratified a shareholder rights plan, previously adopted by Windstream Holdings' board of directors. The plan is designed to protect our net operating loss carryforwards ("NOLs") from the effect of limitations imposed by federal and state tax rules following a change in the ownership of our stock. This plan was designed to deter an "ownership change" (as defined in IRC Section 382) from occurring, and therefore protect our ability to utilize our federal and state net operating loss carry forwards in the future. A person or group of affiliated or associated persons may cause the rights under the plan to become exercisable if such person or group is or becomes the beneficial owner of 4.90 percent or more of the "outstanding shares" of Windstream Holdings common stock other than as a result of repurchases of stock by Windstream Holdings, dividends or distributions by Windstream Holdings or certain inadvertent actions by Windstream Holdings' stockholders. For purposes of calculating percentage ownership under the plan, "outstanding shares" of common stock include all of the shares of common stock actually issued and outstanding. Beneficial ownership is determined as provided in the rights plan and generally includes, without limitation, any ownership of securities a person would be deemed to actually or constructively own for purposes of Section 382 of the IRC or the Treasury Regulations promulgated thereunder.

The plan is not meant to be an anti-takeover measure and our board of directors has established a procedure to consider requests to exempt the acquisition of Windstream Holdings common stock from the rights plan, if such acquisition would not limit or impair the availability of our NOLs. Such determination will be made in the sole and absolute discretion of the Windstream Holdings' board of directors, upon request by any person prior to the date upon which such person would otherwise become the beneficial owner of 4.90 percent or more of the outstanding shares of Windstream Holdings common stock. In addition, if the Windstream Holdings' board of directors determines in good faith that a person has inadvertently become the beneficial owner of 4.90 percent or more of the outstanding shares of Windstream Holdings common stock, and such person divests as promptly as practicable a sufficient number of shares of common stock so that such person beneficially owns less than 4.90 percent, then such person will not cause the rights under the plan to become exercisable. 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 4.90 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

Table of Contents

Plan unless the shareholder acquires additional shares of common stock. This summary description of the rights plan does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, dated as of September 17, 2015, by and between Windstream Holdings and Computershare Trust Company, N.A., as Rights Agent, filed as an exhibit to the Windstream Holdings' Annual Report on Form 10-K for the year ended December 31, 2015.

On August 7, 2018, we amended the 382 Rights Agreement, dated as of September 17, 2015, by and between Windstream and Computershare Trust Company, N.A., as Rights Agent (the "Rights Agreement"), to extend its term to September 17, 2021.

Debt

Windstream Holdings has no debt obligations. All of our debt, including the facility described below, has been incurred by our subsidiaries (primarily Windstream Services). Windstream Holdings is neither a guarantor of nor subject to the restrictive covenants imposed by such debt. As of December 31, 2018 , we had $5,728.1 million in long-term debt outstanding, which has been classified as current in the accompanying consolidated balance sheet (see Note 5).

Debt Covenants and Amendments

The terms of the credit facility and indentures issued by Windstream Services include customary covenants that, among other things, require Windstream Services to maintain certain financial ratios and restrict its ability to incur additional indebtedness. These financial ratios include a maximum leverage ratio of 4.5 to 1.0 and a minimum interest coverage ratio of 2.75 to 1.0 . In addition, the covenants include restrictions on dividend and certain other types of payments, including restricted payments.

Certain of Windstream Services' debt agreements contain various covenants and restrictions specific to the subsidiary that is the legal counterparty to the agreement. Under its long-term debt agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days, a change in control including a person or group obtaining 50 percent or more of Windstream Services' outstanding voting stock, or breach of certain other conditions set forth in the borrowing agreements. At December 31, 2018 , Windstream Services was in compliance with all debt covenants and restrictions.

As further discussed in Note 5, on September 22, 2017, Windstream Services received a purported notice of default dated September 21, 2017 (the "Original Notice") from a noteholder that claims to hold greater than 25 percent in aggregate principal amount of the 6.375 percent 2023 Notes issued under the indenture dated January 23, 2013 (the "2013 Indenture"), between Windstream Services, as issuer, Windstream Finance Corp., as co-issuer, the guarantors party thereto and U.S. Bank National Association, as trustee (the "Trustee"). The Original Notice alleged that the transfer of certain assets and the subsequent lease of those assets in connection with the spin-off of Uniti Group, Inc. in April 2015 constituted a "sale and leaseback transaction" (as defined in the 2013 Indenture) which did not comply with the Sale and Leaseback covenant under the 2013 Indenture. The Original Notice further alleged that Windstream Services violated the restricted payment covenant under the 2013 Indenture by not delivering an officers' certificate as required by the 2013 Indenture and that it made a restricted payment in reliance on the restricted payment builder basket during the pendency of an alleged default which is prohibited by the 2013 Indenture.

In November 2017, Windstream Services completed a private placement offering of approximately $600.0 million in aggregate principal amount of 8.625 percent notes due October 31, 2025 ("2025 Notes"). Windstream Services used the net proceeds of the offering to repay approximately $250.0 million of borrowings under its revolving line of credit and to repay approximately $140.0 million of amounts outstanding under its Tranche B6 term loan. Windstream Services also completed exchange offers with respect to certain of its senior secured notes, improving the maturity profile of its long-term debt obligations due in 2020, 2021 and 2022. In completing these exchange offers, Windstream Services issued $561.9 million aggregate principal amount of new August 2023 Notes, issued $200.0 million aggregate principal amount of 2025 Notes. Pursuant to exchanges offers for its 2021 and 2022 Notes, in December 2017, Windstream Services issued $834.3 million in aggregate principal amount of 8.750 percent senior notes due December 15, 2024 ("2024 Notes") for exchange of $539.2 million aggregate principal amount of 2021 Notes and $232.1 million aggregate principal amount of 2022 Notes.

Additionally, during the fourth quarter of 2017, Windstream Services completed consent solicitations with respect to its 2020 Notes, 2021 Notes, 2022 Notes, April 2023 Notes and the existing 6.375 percent 2023 Notes (collectively "the Windstream Services Notes"), pursuant to which noteholders agreed to waive alleged defaults with respect to the transactions related to the spin-off of Uniti and amend the indentures governing the Windstream Services Notes to give effect to such waivers and amendments. Windstream Services received such consents from the holders representing a majority of the outstanding aggregate principal amount of the Windstream Services Notes. Windstream Services, the trustee under the indentures governing the Windstream Services Notes, and the other parties to such indentures executed supplemental indentures giving effect to the waivers and amendments pursuant to the consent solicitation. The waivers and amendments are now effective and operative and, as such, binding on all holders of the Windstream Services Notes. Consent delivered pursuant to the consent solicitations may not be revoked.

As further discussed in Note 5, during the second quarter of 2018, Windstream Services received the requisite consents to amend the indenture governing the 2025 Notes. The purpose of the consent solicitation was (i) to permit Windstream Services to issue or incur indebtedness on a junior lien basis (which indebtedness is currently permitted by the indenture to be incurred on a first-priority lien basis) and (ii) to authorize the collateral agent under the indenture to enter into a junior lien intercreditor agreement upon the issuance or incurrence of junior lien secured indebtedness by the issuers and the guarantors under the indenture. In conjunction with receiving the requisite consents, the amendments to the indenture became effective and operative. All holders of the 2025 Notes are bound by the terms thereof, even if they did not deliver consents to the amendments.

Concurrent with the consent solicitation, Windstream Services also sought and obtained an amendment to its senior secured credit facility to, among other things, (i) permit the issuance or incurrence of second-priority lien secured indebtedness, (ii) allow Windstream Services to use the proceeds from the issuance or incurrence of such second-priority lien secured indebtedness and other secured indebtedness to repay certain of its outstanding secured and unsecured indebtedness, (iii) permit the execution of a first-lien/second-lien intercreditor agreement, (iv) allow for the incurrence of first-priority lien secured indebtedness if the proceeds of such indebtedness are used to prepay or repay revolving loans or term loans under the senior secured credit facility (and, for revolving loans, permanently reduce the commitments), even if Windstream Services does not meet the typical test of having a pro forma first lien leverage ratio of not more than 2.25 to 1.0, and (v) limit the ability of Windstream Services to declare and pay dividends.

As previously discussed, on August 2, 2018, Windstream Services completed exchange transactions resulting in the issuance of $414.9 million aggregate principal of New 2024 Notes and the issuance of $802.0 million aggregate principal amount of New 2025 Notes in exchange for a portion of the outstanding aggregate principal amount of its 2020 Notes, 2021, Notes, 2022 Notes, August 2023 Notes and 2024 Notes. Both the New 2024 Notes and New 2025 Notes are senior secured obligations and: (i) rank senior to Windstream Services' and the guarantors' existing and future unsecured indebtedness, including its existing senior unsecured notes, to the extent of the value of the collateral securing the New 2024 Notes and New 2025 Notes; (ii) rank equally with all of Windstream Services' and the guarantors' existing and future indebtedness that is secured by second-priority liens on the collateral, as defined below; (iii) rank junior to any existing and future indebtedness of Windstream Services or of the guarantors secured by first-priority liens on the collateral, including indebtedness under Windstream Services' senior secured credit facilities and its existing first lien notes, and by liens on assets that are not part of the collateral, to the extent of the value of such assets; (iv) rank equally in right of payment with all of Windstream Services' and the guarantors' existing and future unsubordinated debt, including the Issuers' existing senior notes and indebtedness under Windstream Services' senior secured credit facilities; (v) rank senior in right of payment to any future subordinated indebtedness of Windstream Services or of the guarantors; and (vi) are structurally subordinated to all existing and future indebtedness and other liabilities of any non-guarantor subsidiary, including trade payables (other than indebtedness and liabilities owed to Windstream Services or to the guarantors).

The New 2024 Notes and New 2025 Notes are guaranteed by each of Windstream Services' domestic subsidiaries that guarantees debt under the Windstream Services' senior credit facilities or that guarantee certain other debt in the future. The New 2024 Notes and New 2025 Notes and the guarantees thereof are secured by second-priority liens, subject to permitted liens, on Windstream Services' and on the guarantors' assets that secure the obligations under Windstream Services' senior credit facilities and its existing first lien notes, except for certain stock of foreign subsidiaries and certain excluded assets.

The Indentures of the New 2024 Notes and New 2025 Notes contain covenants limiting Windstream Services and certain of its subsidiaries' ability to: (i) borrow money or sell preferred stock; (ii) incur liens; (iii) pay dividends on or redeem or repurchase stock; (iv) make certain types of investments; (v) sell stock in restricted subsidiaries; (vi) restrict dividends or other payments from subsidiaries; (vii) enter into transactions with affiliates; (viii) issue guarantees of debt; and (ix) sell assets or merge with other companies. These covenants contain important exceptions, limitations and qualifications. At any time that the New 2024 Notes and/or New 2025 Notes are rated investment grade, certain covenants will be terminated.

The Findings and filing of the Chapter 11 Cases constitute events of default under certain of Windstream Services' and its subsidiaries' debt instruments (the "Debt Instruments"). Any efforts to enforce payment obligations under the Debt Instruments and other obligations of the Debtors are automatically stayed as a result of the filing of the Chapter 11 Cases and holders' rights of enforcement in respect of the Debt Instruments are subject to the applicable provisions of the Bankruptcy Code.

Table of Contents

Credit Ratings

As of March 14, 2019, Moody's Investors Service and Fitch Ratings had granted the following rating on our DIP facility:

Description	Moody's	Fitch
DIP facility (a)	Baa3	BBB-

(a) Represents senior secured, super-priority debtor-in-possession credit facilities consisting of a term loan and revolving credit facility.

As a result of the filing of the Chapter 11 Cases, there can be no assurance that the rating agencies will continue to issue ratings or that our ratings will not be further downgraded.

Contractual Obligations and Commitments

Set forth below is a summary of our material contractual obligations and commitments as of December 31, 2018 . We are in the process of evaluating our executory contracts in order to determine which contracts will be assumed, assumed and assigned, or rejected in our Chapter 11 Cases. Therefore, obligations as currently quantified in the table below and in the footnotes to the table are subject to change.

	Obligations by Period				
(Millions)	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years	Total
Long-term debt (a)	$ 5,814.3	$ —	$ —	$ —	$ 5,814.3
Long-term lease obligations (b)	4,540.1	1.3	2.4	17.4	4,561.2
Interest payments on leaseback of real estate contributed to pension plan	6.2	12.3	12.0	37.6	68.1
Capital leases (c)	54.5	34.4	8.5	5.1	102.5
Operating leases (d)	159.0	196.1	117.5	182.6	655.2
Purchase obligations (e)	521.5	260.8	18.7	0.9	801.9
Other long-term liabilities and commitments (f) (g)(h)	27.9	44.4	19.0	425.7	517.0
Total contractual obligations and commitments	$ 11,123.5	$ 549.3	$ 178.1	$ 669.3	$ 12,520.2

(a) Excludes $28.6 million of unamortized premiums (net of discounts) and $57.6 million of unamortized debt issuance costs included in long-term debt at December 31, 2018 . Prior to reclassifying all long-term debt as current, interest payments would have been as set forth below. During the Chapter 11 Cases, interest obligations will not be paid on certain of our debt agreements.:

(Millions)	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years	Total
Interest payments on long-term debt obligations	$ 406.9	$ 676.9	$ 538.3	$ 278.5	$ 1,900.6

For purposes of the interest payments included in the table above, variable rates on Tranche B6 and B7 of the senior secured credit facility were calculated in relation to one-month London Interbank Offered Rate ("LIBOR") which was 2.46 percent at December 31, 2018 .

Def Ex. 3.094

(b) Represents undiscounted future minimum lease payments related to the master lease agreement with Uniti and the leaseback of real estate contributed to the Windstream Pension Plan, which exclude the residual value of the obligations at the end of the initial lease terms. Prior to reclassifying the Uniti long-term lease obligation as current, interest payments would have been as set forth below.

(Millions)	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 years	Total
Interest payments on Uniti long-term lease obligations	$ 446.8	$ 823.4	$ 709.6	$ 1,131.3	$ 3,111.1

(c) Capital leases include non-cancellable leases, consisting principally of leases for facilities and equipment.

(d) Operating leases include non-cancellable operating leases, consisting principally of leases for network facilities, real estate, office space and office equipment.

(e) Purchase obligations include open purchase orders not yet receipted and amounts payable under non-cancellable contracts. The portion attributable to non-cancellable contracts primarily represents agreements for network capacity and software licensing.

(f) Other long-term liabilities and commitments primarily consist of pension and other postretirement benefit obligations, asset retirement obligations and long-term deferred revenue.

(g) Excludes $3.3 million of reserves for uncertain tax positions, including interest and penalties, that were included in other liabilities at December 31, 2018 for which we are unable to make a reasonably reliable estimate as to when cash settlements with taxing authorities will occur. Also excludes $46.2 million in long-term capital lease obligations, which are included in capital leases above.

(h) Includes $6.8 million and $17.3 million in current portion of interest rate swaps and pension and postretirement benefit obligations, respectively that were included in other current liabilities at December 31, 2018 . The current portion of pension and postretirement benefit obligations includes $16.0 million for expected pension contributions in 2019 of which $3.0 million were made in January 2019. Due to uncertainties inherent in the pension funding calculation, the amount and timing of any remaining contributions are unknown and therefore have been reflected as due in more than 5 years.

See Notes 2, 5 and 17 for additional information regarding certain of the obligations and commitments listed above.

Off-Balance Sheet Arrangements

We do not use securitization of trade receivables, affiliation with special purpose entities, variable interest entities or synthetic leases to finance our operations. Additionally, we have not entered into any arrangement requiring us to guarantee payment of third-party debt or to fund losses of an unconsolidated special purpose entity.

MARKET RISK

Market risk is comprised of three elements: interest rate risk, equity risk and foreign currency risk. Following the disposition of our investment in Uniti common stock, we no longer have exposure to changes in marketable equity security prices. We continue to have exposure to market risk from changes in interest rates. Because we do not operate in foreign countries denominated in foreign currencies, we are not exposed to foreign currency risk. We have estimated our market risk using sensitivity analysis. The results of the sensitivity analysis are further discussed below. Actual results may differ from our estimates.

Interest Rate Risk

We are exposed to market risk through changes in interest rates, primarily as it relates to the variable interest rates we are charged under Windstream Services' senior secured credit facility. Under our current policy, Windstream Services enters into interest rate swap agreements to obtain a targeted mixture of variable and fixed interest rate debt such that the portion of debt subject to variable rates does not exceed 25 percent of our total debt outstanding.

Def Ex. 3.095

We have established policies and procedures for risk assessment and the approval, reporting and monitoring of interest rate swap activity. We do not enter into interest rate swap agreements, or other derivative financial instruments, for trading or speculative purposes. Management periodically reviews our exposure to interest rate fluctuations and implements strategies to manage the exposure.

As of December 31, 2018 , Windstream Services has entered into six pay fixed, receive variable interest rate swap agreements designated as cash flow hedges of the benchmark LIBOR interest rate risk created by the variable cash flows paid on Windstream Services' senior secured credit facility. The interest rate swaps mature on October 17, 2021. The hedging relationships are expected to be highly effective in mitigating cash flow risks resulting from changes in interest rates. For additional information regarding our interest rate swap agreements, see Note 6 to the consolidated financial statements.

As of December 31, 2018 and 2017 , the unhedged portion of Windstream Services' variable rate senior secured credit facility was $1,390.9 million and $1,166.8 million , or approximately 24.0 percent and 19.8 percent of Windstream Services' total outstanding long-term debt excluding unamortized debt issuance costs, respectively. For variable rate debt instruments, market risk is defined as the potential change in earnings resulting from a hypothetical adverse change in interest rates. A hypothetical increase of 100.0 basis points in variable interest rates would have reduced annual pre-tax earnings by approximately $13.9 million and $11.7 million for the years ended December 31, 2018 and 2017 , respectively. Actual results may differ from this estimate.

Reconciliation of Non-GAAP Financial Measures

From time to time, we will reference certain non-GAAP measures in our filings including a non-GAAP measure entitled operating income before depreciation and amortization ("OIBDA"). OIBDA can be calculated directly from the Company's consolidated financial statements prepared in accordance with GAAP by taking operating income (loss) and adding back goodwill impairment and depreciation and amortization expense. Management considers OIBDA to be useful to investors as we believe it provides for comparability and evaluation of our ongoing operating performance and trends by excluding the impact of non-cash depreciation and amortization from capital investments and non-cash goodwill impairment charges which are not indicative of our ongoing operating performance. Management's purpose for including these measures is to provide investors with measures of performance that management uses in evaluating the performance of the business. These non-GAAP measures should not be considered in isolation or as a substitute for measures of financial performance reported under GAAP.

Following is a reconciliation of non-GAAP financial measures to the most closely related financial measure reported under GAAP referenced in this filing:

(Millions)		2018		2017	%
Operating income (loss)	$	296.6	$	(1,590.6)	
Depreciation and amortization		1,526.7		1,470.0	
Goodwill impairment		— —		1,840.8	
OIBDA	$	1,823.3	$	1,720.2	6

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are discussed in detail in Note 2 to the consolidated financial statements. Certain of these accounting policies, as discussed below, require management to make estimates and assumptions about future events that could materially affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. We believe that the estimates, judgments and assumptions made when accounting for the items described below are reasonable, based on information available at the time they are made. However, there can be no assurance that actual results will not differ from those estimates.

The accompanying consolidated financial statements have been prepared assuming that Windstream will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon our ability to successfully implement our plan of reorganization, among other factors. As a result of the adverse court ruling and subsequent filing of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under Chapter 11, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying consolidated financial statements. Further, the plan of reorganization could materially change the amounts and classifications of assets and liabilities reported in the consolidated financial statements. Our financial condition, the defaults under our debt agreements and master lease agreement with Uniti, and the risks and uncertainties surrounding the Chapter 11 Cases, raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern or as a consequence of the Chapter 11 Cases.

Useful Lives of Assets

The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and finite-lived intangible assets. Our regulated operations use a group composite depreciation method. During 2016, with the assistance of a third-party valuation advisor, we completed analyses of the depreciable lives of assets held for use of certain subsidiaries during 2016. Based on the results of the analyses, we implemented new depreciation rates in the fourth quarter of 2016, the effects of which resulted in an increase to depreciation expense. Additionally, in the fourth quarter of 2016, we reassessed the estimated useful lives of certain fiber assets, extending the useful life of such assets from 20 to 25 years. The net impact of these changes resulted in increases to depreciation expense of $35.3 million and $8.8 million for the years ended December 31, 2017 and 2016, respectively, which increased our reported net loss $22.2 million or $.66 per share in 2017 and $5.4 million or $.29 per share in 2016.

Rapid changes in technology or changes in market conditions could result in significant changes to the estimated useful lives of our tangible or finite-lived intangible assets that could materially affect the carrying value of these assets and our future consolidated operating results. An extension of the average useful life of our property, plant and equipment of one year would decrease depreciation expense by approximately $78.9 million per year, while a reduction in the average useful life of one year would increase depreciation expense by approximately $90.5 million per year.

At December 31, 2018 , our unamortized finite-lived intangible assets totaled $1,213.1 million and primarily consisted of franchise rights of $870.5 million and customer lists of $308.1 million . The customer lists are amortized using the sum-of-the-years digits method over estimated useful lives ranging from 5.5 to 15 years. The franchise rights are amortized on a straight-line basis over their estimated useful lives of 30 years. A reduction in the average useful lives of the franchise rights and customer lists of one year would have increased the amount of amortization expense recorded in 2018 by approximately $6.9 million . We are in the process of assessing the impact to subsequent periods, if any, that the Chapter 11 Cases may have on the valuation of our long-lived assets.

Goodwill

Our goodwill was derived from numerous acquisitions where the purchase price exceeded the fair value of the net assets acquired. In accordance with authoritative guidance, goodwill is to be assigned to a company's reporting units and tested for impairment at least annually using a consistent measurement date, which is November 1st for us, or sooner when circumstances indicate an impairment may exist. We performed a quantitative goodwill impairment test as of our annual measurement date of November 1, 2018. As of that date, we had four reporting units consisting of Consumer & Small Business, Enterprise, Wholesale and Consumer CLEC, which is consistent with how we defined our four reportable operating segments. Our reporting units are not separate legal entities with discrete balance sheet information. Accordingly, in determining the reporting unit's carrying value, assets and liabilities were assigned to the reporting units using a combination of specification identification and consistent and reasonable allocation methodologies as appropriate.

We estimated the fair value of our Consumer & Small Business, Enterprise and Wholesale reporting units using an income approach. The income approach is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the reporting unit beyond the cash flows from the discrete projection period of five years. We discounted the estimated cash flows for each of the reporting units using a rate that represents a market participant's weighted average cost of capital commensurate with the reporting unit's underlying business operations. For the Consumer CLEC reporting unit, we estimated fair value based on the actual cash proceeds received from the subsequent sale of these operations due to the close proximity of the sale date of December 31, 2018 to our assessment date of November 1, 2018. Based on the results of our quantitative analysis, we determined that no goodwill impairment existed as of November 1, 2018.

Fair value determinations of our reporting units require considerable judgment and are sensitive to changes in underlying assumptions and factors. As a result, there can be no assurance that the estimates and assumptions made for purposes of the annual goodwill impairment tests will prove to be an accurate prediction of future results. Examples of events or circumstances that could reasonably be expected to negatively affect the underlying key assumptions and ultimately impact the estimated fair value of our reporting units may include such items as: (i) a decrease in expected future cash flows due to decreases in sales and/or increases in costs that could significantly impact our immediate and long-range results, and an inability to successfully achieve our cost savings targets, (ii) higher than expected customer churn as the result of competition or customer concerns related to our bankruptcy filing, (iii) volatility in the equity and debt markets or other macroeconomic factors which could result in a higher weighted-average cost of capital, (iv) sensitivity to market multiples; and (v) adverse changes as a result of regulatory or legislative actions.

For 2018, the discount rates used in developing our fair value estimates were 9.25 percent for our Consumer & Small Business and 9.75 percent for both our Enterprise and Wholesale reporting units, compared to 8.25 percent used for all three reporting units in our 2017 goodwill impairment testing. The discount rates for our reporting units were based on the weighted average cost of capital, adjusted for the current perceived risks impacting each reporting unit. The terminal period growth rate for each reporting unit was based on the expected debt-free cash flow growth rate in the final year of the discrete five-year projection period adjusted as needed to reflect sustainable margins consistent with an assumed constant growth rate. For 2018, the terminal period growth rate used for the Consumer & Small Business decreased by 0.5 percent while the terminal period growth rate for the Enterprise reporting unit decreased by 1.0 percent from the prior year. The terminal period growth rate for Wholesale was unchanged from 2017 and remained at (1.0) percent .

The fair values of Enterprise, Wholesale and Consumer & Small Business reporting units exceeded their carrying values by approximately 14 percent , 15 percent and less than 1 percent , respectively. Accordingly, if our current cash flow assumptions are not realized, it is possible that an additional impairment charge may be recorded in the future. Assuming all other assumptions and inputs used in the discounted cash flow analysis are held constant, a 50 basis point increase in the discount rate assumption would result in decreases in fair value of approximately $180.0 million , $90.0 million and $200.0 million in the Enterprise, Wholesale and Consumer & Small Business reporting units, respectively. Comparatively, a 50 basis point decrease in the terminal period growth rate assumption would result in decreases in fair value of approximately $120.0 million , $60.0 million and $130.0 million in the Enterprise, Wholesale and Consumer & Small Business reporting units, respectively.

As further discussed in Note 2 to the consolidated financial statements, upon adoption of the new leasing standard on January 1, 2019, we expect to record a cumulative effect adjustment of approximately $2.8 billion decreasing our accumulated deficit due to reassessing our financing arrangement with Uniti. The spin-off and leaseback transaction with Uniti had been accounted for as a failed spin-leaseback financing arrangement for financial reporting purposes due to prohibited continuing involvement. Under the new leasing standard, the previous forms of prohibited continuing involvement no longer preclude spin-leaseback accounting. As a result, we will de-recognize the remaining net book value of network assets transferred to Uniti of approximately $1.3 billion , recognize a right-of-use asset of approximately $3.8 billion equaling the adjusted Uniti lease liability and record a deferred tax liability of approximately $0.5 billion in accordance with the standard's transition guidance, as this arrangement will now be accounted for as an operating lease. Due to recording the $2.8 billion cumulative effect adjustment to equity and the resulting increase in the carrying value of our Enterprise, Wholesale and Consumer & Small Business reporting units, we expect to record a pre-tax goodwill impairment charge of approximately $1.8 billion to $1.9 billion in the first quarter of 2019 resulting from the adoption of the new leasing standard. Of the total impairment charge, we expect to record an impairment of all remaining goodwill in our Consumer & Small Business reporting unit of $903.4 million , an impairment of goodwill in our Enterprise reporting unit of approximately $600.0 million and an impairment of goodwill in our Wholesale reporting unit of approximately $300.0 million , representing the excess of the carrying value from each reporting unit's fair value. No other long-lived assets are expected to be impaired as a result of adopting the new leasing standard. We are in the process of assessing the impact to subsequent periods that the Chapter 11 Cases may have on the valuation of our goodwill.

Pension Benefits

We maintain a non-contributory qualified defined benefit pension plan as well as supplemental executive retirement plans that provide unfunded, non-qualified supplemental retirement benefits to a select group of management employees. The annual costs of providing pension benefits are based on certain key actuarial assumptions, including the expected return on plan assets and discount rate. We recognize changes in the fair value of plan assets and actuarial gains and losses due to actual experience differing from the various actuarial assumptions, including changes in our pension obligation, as pension expense or income in the fourth quarter each year, unless an earlier measurement date is required. Our projected net pension income for 2019 , which is estimated to be approximately $3.6 million , was calculated based upon a number of actuarial assumptions, including an expected long-term rate of return on qualified pension plan assets of 7.0 percent and a discount rate of 4.34 percent. If returns vary from the expected rate of return or there is a change in the discount rate, the estimated net pension income could vary. In developing the expected long-term rate of return assumption, we considered the plan's historical rate of return, as well as input from our investment advisors. Projected returns on qualified pension plan assets were based on broad equity and bond indices and include a targeted asset allocation of 31.0 percent to equities, 49.0 percent to fixed income assets and 20.0 percent to alternative investments, with an aggregate expected long-term rate of return of approximately 7.0 percent . Lowering the expected long-term rate of return on the qualified pension plan assets by 50 basis points (from 7.0 percent to 6.5 percent) would result in a decrease in our projected pension income of approximately $3.5 million in 2019 , the effects of which would result in the recognition of pension income of $0.1 million in 2019 .

The discount rate selected is derived by identifying a theoretical settlement portfolio of high-quality corporate bonds sufficient to provide for the plan's projected benefit payments. The values of the plan's projected benefit payments are matched to the cash flows of the theoretical settlement bond portfolio to arrive at a single equivalent discount rate that aligns the present value of the required cash flows with the market value of the bond portfolio. The discount rate determined on this basis was 4.34 percent at December 31, 2018 . Lowering the discount rate by 25 basis points (from 4.34 percent to 4.09 percent) would result in a decrease in our projected pension income of approximately $25.1 million in 2019 , the effects of which would result in the recognition of pension expense of $21.5 million in 2019 .

See Notes 2 and 9 to the consolidated financial statements for additional information on our pension plans.

Income Taxes

Our estimates of income taxes and the significant items resulting in the recognition of deferred tax assets and liabilities are disclosed in Note 16 to the consolidated financial statements and reflect our assessment of future tax consequences of transactions that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. Actual income taxes to be paid could vary from these estimates due to future changes in income tax law or the outcome of audits completed by federal and state taxing authorities. Included in the calculation of our annual income tax expense are the effect s of changes, if any, to our income tax reserves for uncertain tax positions. We maintain income tax reserves for potential assessments from the IRS or other state taxing authorities. The reserves are determined in accordance with authoritative guidance and are adjusted, from time to time, based upon changing facts and circumstances. Changes to the income tax reserves could materially affect our future consolidated operating results in the period of change. In addition, a valuation allowance is recorded to reduce the carrying amount of deferred tax assets unless it is more likely than not that such assets will be realized. As of December 31, 2018, Windstream recorded a full valuation allowance, exclusive of a portion of deferred tax liabilities primarily associated with indefinite-lived intangible assets, due to the acceleration of all long-term debt obligations following an adverse court ruling and subsequent filing of the Chapter 11 Cases, and Windstream's assessment that it was more likely than not that our deferred tax assets would not be realized. See Notes 5, 16 and 17 to the consolidated financial statements for additional information regarding the acceleration of long-term debt obligations, the court ruling and the related effects on income taxes.

Allowance for Doubtful Accounts

In evaluating the collectability of our trade receivables, we assess a number of factors, including a specific customer's ability to meet its financial obligations to us, as well as general factors, such as the length of time the receivables are past due and historical collection experience. Based on these assumptions, we record an allowance for doubtful accounts to reduce the related receivables to the amount that we ultimately expect to collect from customers. If circumstances related to specific customers change or economic conditions worsen such that our past collection experience is no longer relevant, our estimate of the recoverability of our trade receivables could be further reduced from the levels provided for in the consolidated financial statements. A 10 percent change in the amounts estimated to be uncollectible would result in a change in the provision for doubtful accounts of approximately $2.5 million for the year ended December 31, 2018 .

Recently Issued Authoritative Guidance

The following authoritative guidance, together with our evaluation of the related impact to the consolidated financial statements, is more fully described in Note 2 to the consolidated financial statements.

- Leases
- Financial Instruments - Credit Losses
- Implementation Costs in Cloud Computing Arrangements
- Derivatives and Hedging - Change in Benchmark Interest Rate

Forward-Looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes, and future filings on Form 10-K, Form 10-Q and Form 8-K and future oral and written statements by us and our management may include, certain forward-looking statements. We claim the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for this Annual Report on Form 10-K.

This report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including, without limitation, our future performance, our ability to comply with the covenant in the agreements governing our indebtedness and the availability of capital and terms thereof. Statements expressing expectations and projections with respect to future matters are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views, estimates, projections, beliefs and assumptions, as of the time the statements are made, regarding future events and results. There can be no assurance, however, that management's expectations will necessarily come to pass. Actual future events and our results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

A wide range of factors could cause actual results to differ materially from those contemplated in our forward-looking statements, including, but not limited to:

- risks and uncertainties relating to the Chapter 11 Cases;
- our ability to pursue our business strategies during the pendency of the Chapter 11 Cases;
- our ability to generate sufficient cash to fund our operations during the pendency of the Chapter 11 Cases;
- our ability to propose and implement a business plan;
- the diversion of management's attention as a result of the Chapter 11 Cases;
- increased levels of employee attrition as a result of the Chapter 11 Cases;
- our ability to continue as a going concern;
- volatility of our financial results as a result of the Chapter 11 Cases;
- the conditions to which our debtor-in-possession financing is subject and the risk that these conditions may not be satisfied for various reasons, including for reasons outside of our control;
- our ability to obtain confirmation of a Chapter 11 plan of reorganization
- the impact of a protracted restructuring on our business;
- the impact of any challenge by creditors or other parties to previously completed transactions;
- risks associated with third-party motions in the Chapter 11 Cases;
- the potential adverse effects of the Chapter 11 Cases on our liquidity or results of operations and increased legal and other professional costs necessary to execute our reorganization;
- trading price and volatility of our common stock;
- our substantial debt could adversely affect our cash flow and impair our ability to raise additional capital on favorable terms;
- the cost savings and expected synergies from the mergers with EarthLink and Broadview may not be fully realized or may take longer to realize than expected;

- the integration of Windstream and EarthLink and Broadview may not be successful, may cause disruption in relationships with customers, vendors and suppliers and may divert attention of management and key personnel;
- the potential for incumbent carriers to impose monetary penalties for failure to meet specific volume and term commitments under their special access pricing and tariff plans, which Windstream uses to lease last-mile connections to serve its retail business data service customers, without FCC action;
- the impact of the FCC's comprehensive business data services reforms that were confirmed by an appellate court, which may result in greater capital investments and customer and revenue churn because of possible price increases by our ILEC suppliers for certain services we use to serve customer locations where we do not have facilities;
- the impact of new, emerging or competing technologies and our ability to utilize these technologies to provide services to our customers;
- unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements, or otherwise;
- for certain operations where we utilize facilities owned by other carriers, adverse effect s on the availability, quality of service, price of facilities and services provided by other carriers on which our services depend;
- our election to accept statewide offers under the FCC's Connect America Fund, Phase II, and the impact of such election on our future receipt of federal universal service funds and capital expenditures, and any return of support received pursuant to the program or future versions of the program implemented by the FCC;
- our ability to make rent payments under the master lease to Uniti, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position;
- adverse changes in economic conditions in the markets served by us;
- the extent, timing and overall effect s of competition in the communications business;
- unfavorable rulings by state public service commissions in current and further proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- earnings on pension plan investments significantly below our expected long term rate of return for plan assets or a significant change in the discount rate or other actuarial assumptions;
- unfavorable results of litigation or intellectual property infringement claims asserted against us;
- the risks associated with noncompliance by us with regulations or statutes applicable to government programs under which we receive material amounts of end-user revenue and government subsidies, or noncompliance by us, our partners, or our subcontractors with any terms of our government contracts;
- the effect s of federal and state legislation, and rules and regulations, and changes thereto, governing the communications industry;
- loss of consumer households served;
- the impact of equipment failure, natural disasters or terrorist acts;
- the effect s of work stoppages by our employees or employees of other communications companies on whom we rely for service; and

- other risks and uncertainties referenced from time to time in this Annual Report on Form 10-K, including those additional factors under "Risk Factors" in Item 1A, and in other filings of ours with the SEC at www.sec.gov or not currently known to us or that we do not currently deem to be material.

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.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

SELECTED FINANCIAL DATA

Selected consolidated financial data for Windstream Holdings is as follows for the years ended December 31:

(Millions, except per share amounts)	2018	2017	2016	2015	2014
Revenues and sales	$ 5,713.1	$ 5,852.9	$ 5,387.0	$ 5,765.3	$ 5,829.5
Operating income (loss)	296.6	(1,590.6)	561.0	481.6	611.3
Other (expense) income, net	(4.9)	(2.3)	(24.0)	85.3	(104.1)
Gain on disposal of businesses	145.4	—	—	326.1	—
Net gain (loss) on early extinguishment of debt	190.3	(56.4)	(18.0)	(36.4)	—
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	(181.9)	—	—
Interest expense	(901.3)	(875.4)	(860.6)	(813.2)	(571.8)
(Loss) income before income taxes	(273.9)	(2,524.7)	(523.5)	43.4	(64.6)
Income tax expense (benefit)	449.1	(408.1)	(140.0)	16.0	(25.1)
Net (loss) income	$ (723.0)	$ (2,116.6)	$ (383.5)	$ 27.4	$ (39.5)
Basic and diluted (loss) earnings per share:					
Net (loss) income	($17.72)	($62.66)	($20.53)	$1.21	($2.24)
Dividends declared per common share	$—	$1.50	$3.00	$11.55	$30.00
Balance sheet data					
Total assets	$ 10,257.9	$ 11,084.3	$ 11,770.0	$ 12,518.1	$ 12,520.3
Total long-term debt and capital and other lease obligations (excluding premium and discount)	$ 10,551.5	$ 10,906.2	$ 9,976.7	$ 10,443.0	$ 8,762.3
Total (deficit) equity	$ (1,919.3)	$ (1,298.9)	$ 170.0	$ 306.4	$ 224.8

Notes to Selected Financial Information:

- As discussed in Note 2 to the consolidated financial statements, Windstream changed the presentation of certain components of its periodic pension and postretirement benefit cost in 2018 due to the adoption of ASU 2017-07, Compensation-Retirement Benefits (Topic 715) Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs. As required, prior period information has been reclassified to conform to this change in presentation.

- The selected consolidated financial data of Windstream Services are identical to Windstream Holdings with the exception of certain expenses directly incurred by Windstream Holdings principally consisting of audit, legal and board of director fees, NASDAQ listing fees, other shareholder-related costs, income taxes, common stock activity, and payables from Windstream Services to Windstream Holdings. The amount of pre-tax expenses directly incurred by Windstream Holdings totaled approximately $1.8 million , $2.0 million , $1.7 million , $2.0 million and $2.3 million in 2018 , 2017 , 2016 , 2015, and 2014 respectively. Earnings and dividends per common share information for Windstream Services has not been presented because that entity has not issued publicly held common stock as defined in U.S. GAAP.

- Actuarial gains and losses for pension benefits are recognized in operating results in the year in which the gains and losses occur. This methodology can create volatility in earnings based on market fluctuations which impacts pension expense for the year. Pension expense was $(1.0) million , $10.1 million , $59.1 million , $1.2 million and $128.3 million in 2018 , 2017 , 2016 , 2015, and 2014, respectively. Other (expense) income, net for all periods also includes the non-operating components of pension and other postretirement benefit income (expense), which totaled $3.8 million , $(2.9) million , $(45.6) million , $27.8 million and $(104.2) million in 2018, 2017, 2016, 2015 and 2014, respectively.

Def Ex. 3.103

Table of Contents

- Explanations for significant events affect ing our historical operating trends, including the effects of acquisitions and dispositions, during the years 2016 through 2018 are provided in Management's Discussion and Analysis of Results of Operations and Financial Condition. As of December 31, 2018, Windstream recorded a full valuation allowance, exclusive of a portion of deferred tax liabilities primarily associated with indefinite-lived intangible assets due to the acceleration of all long-term debt obligations following an adverse court ruling and subsequent filing of the Chapter 11 Cases, and Windstream's assessment that it was more likely than not that our deferred tax assets would not be realized. See Notes 5, 16 and 17 to the consolidated financial statements for additional information regarding the acceleration of long-term debt obligations, the court ruling, filing of the Chapter 11 Cases, and the related effects on income taxes. We also recorded a goodwill impairment charge of $1,840.8 million in 2017. See Note 4 for further discussion.

- In 2015, we completed the spin-off of certain telecommunications network assets, including our fiber and copper networks and other real estate, to Uniti Group, Inc. ("Uniti"), a publicly traded real estate investment trust. Following the spin-off, Windstream Holdings entered into a long-term triple-net master lease with Uniti to lease back the telecommunications network assets. 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 with up to four, five-year renewal options. Due to various forms of continuing involvement, we accounted for the transaction as a failed spin-leaseback for financial reporting purposes. At inception of the master lease, we recorded a long-term lease obligation of approximately $5.1 billion. As annual lease payments are made, a portion of the payment decreases the long-term lease obligation with the balance of the payment charged to interest expense using the effective interest method. Interest expense related to the long-term lease obligation was $467.0 million, $484.9 million, $500.8 million and $351.6 million in 2018, 2017, 2016 and 2015, respectively.

- In 2015, we completed the sale of a substantial portion of our data center business for $574.2 million in cash and recorded a pre-tax gain of $326.1 million. The sale of the data center business did not qualify for reporting as a discontinued operation.

- Other (expense) income, net includes dividend income received on our investment in Uniti common stock of $17.6 million in 2016 and $48.2 million in 2015.

- Operating income for 2015 decreased due to the overall decline in revenues primarily attributable to customer losses and the effects of intercarrier compensation reform and additional merger and integration costs of $54.6 million primarily attributable to the spin-off transaction with Uniti and the sale of the data center operations.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Our management is responsible for the integrity and objectivity of all financial information included in this Financial Supplement. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include amounts that are based on the best estimates and judgments of management. All financial information in this Financial Supplement is consistent with that in the consolidated financial statements.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and have expressed herein their unqualified opinion on those financial statements.

The Audit Committee of the Board of Directors, which oversees our financial reporting process on behalf of the Board of Directors, is composed entirely of independent directors (as defined by the NASDAQ Global Select Market). The Audit Committee meets periodically with management, the independent registered public accounting firm and the internal auditors to review matters relating to our financial statements and financial reporting process, annual financial statement audit, engagement of independent registered public accounting firm, internal audit function, system of internal controls, and legal compliance and ethics programs as established by our management and the Board of Directors. The internal auditors and the independent registered public accounting firm periodically meet alone with the Audit Committee and have access to the Audit Committee at any time.

WINDSTREAM HOLDINGS, INC.		**WINDSTREAM SERVICES, LLC**	
Name:	Anthony W. Thomas	Name:	Robert E. Gunderman
Title:	President and Chief Executive Officer	Title:	Chief Financial Officer and Treasurer

Dated March 15, 2019

Def Ex. 3.105

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Windstream Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Windstream Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - *Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has defaulted on its debt and master lease agreements and filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code on February 25, 2019, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers and the manner in which it accounts for certain cash payments and cash receipts in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
Little Rock, Arkansas
March 15, 2019

We have served as the Company's auditor since 2006.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member of Windstream Services, LLC

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Windstream Services, LLC and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income (loss), member equity (deficit) and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule II - valuation and qualifying accounts listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has defaulted on its debt and master lease agreements and filed for voluntary reorganization under Chapter 11 of the U.S. Bankruptcy Code on February 25, 2019, which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers and the manner in which it accounts for certain cash payments and cash receipts in 2018.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's report on internal control over financial reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/PricewaterhouseCoopers LLP
Little Rock, Arkansas
March 15, 2019

We have served as the Company's auditor since 2006.

WINDSTREAM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31,

(Millions, except per share amounts)	2018	2017	2016
Revenues and sales:			
Service revenues	$ 5,637.2	$ 5,759.7	$ 5,279.9
Product sales	75.9	93.2	107.1
Total revenues and sales	5,713.1	5,852.9	5,387.0
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization included below)	2,854.8	2,962.7	2,647.2
Cost of products sold	69.1	93.5	98.5
Selling, general and administrative	889.0	896.1	782.7
Depreciation and amortization	1,526.7	1,470.0	1,263.5
Goodwill impairment	—	1,840.8	—
Merger, integration and other costs	31.9	137.4	13.8
Restructuring charges	45.0	43.0	20.3
Total costs and expenses	5,416.5	7,443.5	4,826.0
Operating income (loss)	296.6	(1,590.6)	561.0
Other expense, net	(4.9)	(2.3)	(24.0)
Gain on sale of Consumer CLEC business	145.4	—	—
Net gain (loss) on early extinguishment of debt	190.3	(56.4)	(18.0)
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	(181.9)
Interest expense	(901.3)	(875.4)	(860.6)
Loss before income taxes	(273.9)	(2,524.7)	(523.5)
Income tax expense (benefit)	449.1	(408.1)	(140.0)
Net loss	$ (723.0)	$ (2,116.6)	$ (383.5)
Basic and diluted loss per share:			
Net loss	($17.72)	($62.66)	($20.53)

The accompanying notes are an integral part of these consolidated financial statements.

Def Ex. 3.110

WINDSTREAM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31,

(Millions)	2018	2017	2016
Net loss	$ (723.0)	$ (2,116.6)	$ (383.5)
Other comprehensive income:			
Available-for-sale securities:			
Unrealized holding gain arising during the period	—	—	156.1
Gain on disposal recognized in the period	—	—	(51.5)
Other-than-temporary impairment loss recognized in the period	—	—	181.9
Change in available-for-sale securities	—	—	286.5
Interest rate swaps:			
Unrealized gains on designated interest rate swaps	3.7	11.4	8.0
Amortization of net unrealized losses on de-designated interest rate swaps	3.0	5.3	4.8
Income tax expense	(1.6)	(6.4)	(5.0)
Change in interest rate swaps	5.1	10.3	7.8
Postretirement and pension plans:			
Prior service credit arising during the period	2.7	9.1	—
Change in net actuarial gain (loss) for employee benefit plans	7.2	(1.3)	(0.2)
Plan curtailments and settlements	—	—	(5.5)
Amounts included in net periodic benefit cost:			
Amortization of net actuarial loss	0.2	0.1	0.2
Amortization of prior service credits	(5.1)	(0.7)	(1.1)
Income tax (expense) benefit	(1.3)	(2.0)	2.6
Change in postretirement and pension plans	3.7	5.2	(4.0)
Other comprehensive income	8.8	15.5	290.3
Comprehensive loss	$ (714.2)	$ (2,101.1)	$ (93.2)

The accompanying notes are an integral part of these consolidated financial statements.

Def Ex. 3.111

WINDSTREAM HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
December 31,

(Millions, except par value)	2018	2017
Assets		
Current Assets:		
Cash and cash equivalents	$ 355.7	$ 43.4
Restricted cash	5.3	—
Accounts receivable (less allowance for doubtful accounts of $24.8 and $29.7, respectively)	653.1	643.0
Inventories	82.4	93.0
Prepaid expenses and other	159.7	154.3
Total current assets	1,256.2	933.7
Goodwill	2,773.7	2,842.4
Other intangibles, net	1,213.1	1,454.4
Net property, plant and equipment	4,920.9	5,391.8
Deferred income taxes	—	370.8
Other assets	94.0	91.2
Total Assets	$ 10,257.9	$ 11,084.3
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Current portion of long-term debt	$ 5,728.1	$ 169.3
Current portion of long-term lease obligations	4,570.3	188.6
Accounts payable	503.6	494.0
Advance payments and customer deposits	180.6	207.3
Accrued taxes	87.4	89.5
Accrued interest	43.5	52.6
Other current liabilities	344.2	342.1
Total current liabilities	11,457.7	1,543.4
Long-term debt	—	5,674.6
Long-term lease obligations	72.8	4,643.3
Deferred income taxes	104.3	—
Other liabilities	542.4	521.9
Total liabilities	12,177.2	12,383.2
Commitments and Contingencies (See Note 17)		
Shareholders' Deficit:		
Common stock, $0.0001 par value, 75.0 shares authorized, 42.9 and 36.5 shares issued and outstanding, respectively	—	—
Additional paid-in capital	1,250.4	1,191.9
Accumulated other comprehensive income	35.6	21.4
Accumulated deficit	(3,205.3)	(2,512.2)
Total shareholders' deficit	(1,919.3)	(1,298.9)
Total Liabilities and Shareholders' Deficit	$ 10,257.9	$ 11,084.3

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WINDSTREAM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

(Millions)	2018	2017	2016
Cash Provided from Operating Activities:			
Net loss	$ (723.0)	$ (2,116.6)	$ (383.5)
Adjustments to reconcile net loss to net cash provided from operations:			
Depreciation and amortization	1,526.7	1,470.0	1,263.5
Goodwill impairment	—	1,840.8	—
Provision for doubtful accounts	37.7	45.8	43.8
Share-based compensation expense	11.3	55.4	41.6
Deferred income taxes	441.2	(412.7)	(138.3)
Gain on sale of Consumer CLEC business	(145.4)	—	—
Net (gain) loss on early extinguishment of debt	(190.3)	56.4	18.0
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	181.9
Other, net	29.0	38.7	54.4
Changes in operating assets and liabilities, net			
Accounts receivable	(47.0)	17.7	(15.1)
Prepaid income taxes	3.6	0.8	(4.4)
Prepaid expenses and other	43.2	1.3	30.4
Accounts payable	5.2	43.3	(47.2)
Accrued interest	(8.6)	(16.3)	(20.1)
Accrued taxes	(9.4)	(0.2)	(6.1)
Other current liabilities	35.1	4.8	21.2
Other liabilities	(2.2)	(25.7)	(42.4)
Other, net	6.0	(28.9)	10.1
Net cash provided from operating activities	1,013.1	974.6	1,007.8
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(820.2)	(908.6)	(989.8)
Proceeds from the sale of property	—	—	6.3
Acquisition of Broadview, net of cash acquired	—	(63.3)	—
Cash acquired from EarthLink	—	5.0	—
Acquisition of MASS and ATC, net of cash acquired	(46.9)	—	—
Proceeds from sale of Consumer CLEC business	320.9	—	—
Other, net	(8.0)	(16.3)	(6.5)
Net cash used in investing activities	(554.2)	(983.2)	(990.0)
Cash Flows from Financing Activities:			
Dividends paid to shareholders	—	(64.4)	(58.6)
Proceeds from issuance of stock	12.2	9.6	—
Repayments of debt and swaps	(747.2)	(2,301.8)	(3,347.1)
Proceeds of debt issuance	816.0	2,614.6	3,674.5
Debt issuance costs	(23.5)	(27.1)	(12.4)
Proceeds from fiber transaction	45.8	—	—
Stock repurchases	—	(19.0)	(28.9)
Payments under long-term lease obligations	(188.8)	(168.7)	(152.8)
Payments under capital lease obligations	(53.6)	(39.0)	(57.7)
Other, net	(2.2)	(11.3)	(7.0)
Net cash (used in) provided from financing activities	(141.3)	(7.1)	10.0
Increase (decrease) in cash, cash equivalents and restricted cash	317.6	(15.7)	27.8
Cash, Cash Equivalents and Restricted Cash:			
Beginning of period	43.4	59.1	31.3
End of period	$ 361.0	$ 43.4	$ 59.1
Supplemental Cash Flow Disclosures:			

Interest paid, net of interest capitalized	$	886.1	$	835.3	$	867.1
Income taxes (refunded) paid, net	$	(15.1)	$	1.7	$	6.2

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WINDSTREAM HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)

(Millions, except per share amounts)	Common Stock and Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2015	$ 602.9	$ (284.4)	$ (12.1)	$ 306.4
Net loss	—	—	(383.5)	(383.5)
Other comprehensive income, net of tax:				
Change in available-for-sale securities	—	286.5	—	286.5
Change in postretirement and pension plans	—	(4.0)	—	(4.0)
Amortization of unrealized losses on de-designated interest rate swaps	—	2.9	—	2.9
Changes in designated interest rate swaps	—	4.9	—	4.9
Comprehensive income (loss)	—	290.3	(383.5)	(93.2)
Share-based compensation	21.8	—	—	21.8
Stock options exercised	0.5	—	—	0.5
Stock issued for management incentive compensation plans	5.6	—	—	5.6
Stock issued to employee savings plan (See Note 9)	24.0	—	—	24.0
Stock repurchases	(28.9)	—	—	(28.9)
Taxes withheld on vested restricted stock and other	(8.0)	—	—	(8.0)
Dividends of $3.00 per share declared to stockholders	(58.2)	—	—	(58.2)
Balance at December 31, 2016	$ 559.7	$ 5.9	$ (395.6)	$ 170.0
Net loss	—	—	(2,116.6)	(2,116.6)
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	5.2	—	5.2
Amortization of unrealized losses on de-designated interest rate swaps	—	3.3	—	3.3
Changes in designated interest rate swaps	—	7.0	—	7.0
Comprehensive income (loss)	—	15.5	(2,116.6)	(2,101.1)
Share-based compensation	35.8	—	—	35.8
Stock issued for pension contribution	9.6	—	—	9.6
Stock issued to employee savings plan (See Note 9)	22.7	—	—	22.7
Stock issued in merger with EarthLink	642.6	—	—	642.6
Stock repurchases	(19.0)	—	—	(19.0)
Taxes withheld on vested restricted stock and other	(10.7)	—	—	(10.7)
Dividends of $1.50 per share declared to stockholders	(48.8)	—	—	(48.8)
Balance at December 31, 2017	$ 1,191.9	$ 21.4	$ (2,512.2)	$ (1,298.9)
Cumulative effect adjustments, net of tax:				
Adoption of ASU 2014-09 (See Note 2)	—	—	35.3	35.3
Adoption of ASU 2017-12 (See Note 2)	—	1.7	(1.7)	—
Adoption of ASU 2018-02 (See Note 2)	—	3.7	(3.7)	—
Net loss	—	—	(723.0)	(723.0)
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	3.7	—	3.7
Amortization of unrealized losses on de-designated interest rate swaps	—	2.3	—	2.3
Changes in designated interest rate swaps	—	2.8	—	2.8
Comprehensive income (loss)	—	8.8	(723.0)	(714.2)
Share-based compensation	13.3	—	—	13.3
Stock issued for pension contribution	5.8	—	—	5.8
Stock issued to employee savings plan (See Note 9)	28.3	—	—	28.3
Stock issued under equity distribution agreement	12.2	—	—	12.2
Taxes withheld on vested restricted stock and other	(1.1)	—	—	(1.1)
Balance at December 31, 2018	$ 1,250.4	$ 35.6	$ (3,205.3)	$ (1,919.3)

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

WINDSTREAM SERVICES, LLC
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31,

(Millions)	2018	2017	2016
Revenues and sales:			
Service revenues	$ 5,637.2	$ 5,759.7	$ 5,279.9
Product sales	75.9	93.2	107.1
Total revenues and sales	5,713.1	5,852.9	5,387.0
Costs and expenses:			
Cost of services (exclusive of depreciation and amortization included below)	2,854.8	2,962.7	2,647.2
Cost of products sold	69.1	93.5	98.5
Selling, general and administrative	887.2	894.1	781.0
Depreciation and amortization	1,526.7	1,470.0	1,263.5
Goodwill impairment	—	1,840.8	—
Merger, integration and other costs	31.9	137.4	13.8
Restructuring charges	45.0	43.0	20.3
Total costs and expenses	5,414.7	7,441.5	4,824.3
Operating income (loss)	298.4	(1,588.6)	562.7
Other expense, net	(4.9)	(2.3)	(24.0)
Gain on sale of Consumer CLEC business	145.4	—	—
Net gain (loss) on early extinguishment of debt	190.3	(56.4)	(18.0)
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	(181.9)
Interest expense	(901.3)	(875.4)	(860.6)
Loss before income taxes	(272.1)	(2,522.7)	(521.8)
Income tax expense (benefit)	449.5	(407.3)	(139.3)
Net loss	$ (721.6)	$ (2,115.4)	$ (382.5)

The accompanying notes are an integral part of these consolidated financial statements.

Def Ex. 3.117

Table of Contents

WINDSTREAM SERVICES, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the years ended December 31,

(Millions)	2018	2017	2016
Net loss	$ (721.6)	$ (2,115.4)	$ (382.5)
Other comprehensive income:			
Available-for-sale securities:			
Unrealized holding gain arising during the period	—	—	156.1
Gain on disposal recognized in the period	—	—	(51.5)
Other-than-temporary impairment loss recognized in the period	—	—	181.9
Change in available-for-sale securities	—	—	286.5
Interest rate swaps:			
Unrealized gains on designated interest rate swaps	3.7	11.4	8.0
Amortization of net unrealized losses on de-designated interest rate swaps	3.0	5.3	4.8
Income tax expense	(1.6)	(6.4)	(5.0)
Change in interest rate swaps	5.1	10.3	7.8
Postretirement and pension plans:			
Prior service credit arising during the period	2.7	9.1	—
Change in net actuarial gain (loss) for employee benefit plans	7.2	(1.3)	(0.2)
Plan curtailments and settlements	—	—	(5.5)
Amounts included in net periodic benefit cost:			
Amortization of net actuarial loss	0.2	0.1	0.2
Amortization of prior service credits	(5.1)	(0.7)	(1.1)
Income tax (expense) benefit	(1.3)	(2.0)	2.6
Change in postretirement and pension plans	3.7	5.2	(4.0)
Other comprehensive income	8.8	15.5	290.3
Comprehensive loss	$ (712.8)	$ (2,099.9)	$ (92.2)

The accompanying notes are an integral part of these consolidated financial statements.

Def Ex. 3.118

WINDSTREAM SERVICES, LLC
CONSOLIDATED BALANCE SHEETS
December 31,

(Millions)		2018		2017
Assets				
Current Assets:				
Cash and cash equivalents	$	355.7	$	43.4
Restricted cash		5.3		—
Accounts receivable (less allowance for doubtful accounts of $24.8 and $29.7, respectively)		653.1		643.0
Inventories		82.4		93.0
Prepaid expenses and other		159.7		154.3
Total current assets		1,256.2		933.7
Goodwill		2,773.7		2,842.4
Other intangibles, net		1,213.1		1,454.4
Net property, plant and equipment		4,920.9		5,391.8
Deferred income taxes		—		370.8
Other assets		94.0		91.2
Total Assets	$	10,257.9	$	11,084.3
Liabilities and Member Deficit				
Current Liabilities:				
Current portion of long-term debt	$	5,728.1	$	169.3
Current portion of long-term lease obligations		4,570.3		188.6
Accounts payable		503.6		494.0
Advance payments and customer deposits		180.6		207.3
Accrued taxes		87.4		89.5
Accrued interest		43.5		52.6
Other current liabilities		344.2		342.1
Total current liabilities		11,457.7		1,543.4
Long-term debt		—		5,674.6
Long-term lease obligations		72.8		4,643.3
Deferred income taxes		104.3		—
Other liabilities		542.4		521.9
Total liabilities		12,177.2		12,383.2
Commitments and Contingencies (See Note 17)				
Member Deficit:				
Additional paid-in capital		1,244.2		1,187.1
Accumulated other comprehensive income		35.6		21.4
Accumulated deficit		(3,199.1)		(2,507.4)
Total member deficit		(1,919.3)		(1,298.9)
Total Liabilities and Member Deficit	$	10,257.9	$	11,084.3

The accompanying notes are an integral part of these consolidated financial statements.

Def Ex. 3.119

Table of Contents

WINDSTREAM SERVICES, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

(Millions)	2018	2017	2016
Cash Provided from Operating Activities:			
Net loss	$ (721.6)	$ (2,115.4)	$ (382.5)
Adjustments to reconcile net loss to net cash provided from operations:			
Depreciation and amortization	1,526.7	1,470.0	1,263.5
Goodwill impairment	—	1,840.8	—
Provision for doubtful accounts	37.7	45.8	43.8
Share-based compensation expense	11.3	55.4	41.6
Deferred income taxes	441.2	(412.7)	(138.3)
Gain on sale of Consumer CLEC business	(145.4)	—	—
Net (gain) loss on early extinguishment of debt	(190.3)	56.4	18.0
Other-than-temporary impairment loss on investment in Uniti common stock	—	—	181.9
Other, net	29.0	38.7	54.4
Changes in operating assets and liabilities, net			
Accounts receivable	(47.0)	17.7	(15.1)
Prepaid income taxes	3.6	0.8	(4.4)
Prepaid expenses and other	43.2	1.3	30.4
Accounts payable	5.2	43.3	(47.2)
Accrued interest	(8.6)	(16.3)	(20.1)
Accrued taxes	(9.4)	(0.2)	(6.1)
Other current liabilities	35.3	3.9	21.2
Other liabilities	(2.2)	(25.7)	(42.4)
Other, net	6.0	(28.9)	10.1
Net cash provided from operating activities	1,014.7	974.9	1,008.8
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(820.2)	(908.6)	(989.8)
Proceeds from the sale of property	—	—	6.3
Acquisition of Broadview, net of cash acquired	—	(63.3)	—
Cash acquired from EarthLink	—	5.0	—
Acquisition of MASS and ATC, net of cash acquired	(46.9)	—	—
Proceeds from sale of Consumer CLEC business	320.9	—	—
Other, net	(8.0)	(16.3)	(6.5)
Net cash used in investing activities	(554.2)	(983.2)	(990.0)
Cash Flows from Financing Activities:			
Distributions to Windstream Holdings, Inc.	(1.6)	(83.7)	(88.5)
Contribution from Windstream Holdings, Inc.	12.2	9.6	—
Repayments of debt and swaps	(747.2)	(2,301.8)	(3,347.1)
Proceeds of debt issuance	816.0	2,614.6	3,674.5
Debt issuance costs	(23.5)	(27.1)	(12.4)
Proceeds from fiber transaction	45.8	—	—
Payments under long-term lease obligations	(188.8)	(168.7)	(152.8)
Payments under capital lease obligations	(53.6)	(39.0)	(57.7)
Other, net	(2.2)	(11.3)	(7.0)
Net cash (used in) provided from financing activities	(142.9)	(7.4)	9.0
Increase (decrease) in cash, cash equivalents and restricted cash	317.6	(15.7)	27.8
Cash, Cash Equivalents and Restricted Cash:			
Beginning of period	43.4	59.1	31.3
End of period	$ 361.0	$ 43.4	$ 59.1
Supplemental Cash Flow Disclosures:			

Interest paid, net of interest capitalized	$ 886.1	$ 835.3	$ 867.1
Income taxes (refunded) paid, net	$ (15.1)	$ 1.7	$ 6.2

The accompanying notes are an integral part of these consolidated financial statements.

WINDSTREAM SERVICES, LLC
CONSOLIDATED STATEMENTS OF MEMBER EQUITY (DEFICIT)

(Millions)	Common Stock and Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2015	$ 600.3	$ (284.4)	$ (9.5)	$ 306.4
Net loss	—	—	(382.5)	(382.5)
Other comprehensive income, net of tax:				
Change in available-for-sale securities	—	286.5	—	286.5
Change in postretirement and pension plans	—	(4.0)	—	(4.0)
Amortization of unrealized losses on de-designated interest rate swaps	—	2.9	—	2.9
Changes in designated interest rate swaps	—	4.9	—	4.9
Comprehensive income (loss)	—	290.3	(382.5)	(92.2)
Share-based compensation	21.8	—	—	21.8
Stock options exercised	0.5	—	—	0.5
Stock issued for management incentive compensation plans	5.6	—	—	5.6
Stock issued to employee savings plan (See Note 9)	24.0	—	—	24.0
Taxes withheld on vested restricted stock and other	(8.0)	—	—	(8.0)
Distributions payable to Windstream Holdings, Inc.	(88.1)	—	—	(88.1)
Balance at December 31, 2016	$ 556.1	$ 5.9	$ (392.0)	$ 170.0
Net loss	—	—	(2,115.4)	(2,115.4)
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	5.2	—	5.2
Amortization of unrealized losses on de-designated interest rate swaps	—	3.3	—	3.3
Changes in designated interest rate swaps	—	7.0	—	7.0
Comprehensive income (loss)	—	15.5	(2,115.4)	(2,099.9)
Share-based compensation	35.8	—	—	35.8
Stock issued for pension contribution	9.6	—	—	9.6
Stock issued to employee savings plan (See Note 9)	22.7	—	—	22.7
Stock issued in merger with EarthLink	642.6	—	—	642.6
Taxes withheld on vested restricted stock and other	(10.7)	—	—	(10.7)
Distributions payable to Windstream Holdings, Inc.	(69.0)	—	—	(69.0)
Balance at December 31, 2017	$ 1,187.1	$ 21.4	$ (2,507.4)	$ (1,298.9)
Cumulative effect adjustments, net of tax:				
Adoption of ASU 2014-09 (See Note 2)	—	—	35.3	35.3
Adoption of ASU 2017-12 (See Note 2)	—	1.7	(1.7)	—
Adoption of ASU 2018-02 (See Note 2)	—	3.7	(3.7)	—
Net loss	—	—	(721.6)	(721.6)
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	3.7	—	3.7
Amortization of unrealized losses on de-designated interest rate swaps	—	2.3	—	2.3
Changes in designated interest rate swaps	—	2.8	—	2.8
Comprehensive income (loss)	—	8.8	(721.6)	(712.8)
Share-based compensation	13.3	—	—	13.3
Stock issued for pension contribution	5.8	—	—	5.8
Stock issued to employee savings plan (See Note 9)	28.3	—	—	28.3
Stock issued under equity distribution agreement	12.2	—	—	12.2
Taxes withheld on vested restricted stock and other	(1.1)	—	—	(1.1)
Distributions payable to Windstream Holdings, Inc.	(1.4)	—	—	(1.4)
Balance at December 31, 2018	$ 1,244.2	$ 35.6	$ (3,199.1)	$ (1,919.3)

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Background and Basis for Presentation:

In these consolidated financial statements, unless the context requires otherwise, the use of the terms "Windstream," "we," "us" or "our" shall refer to Windstream Holdings, Inc. and its subsidiaries, including Windstream Services, LLC, and the term "Windstream Services" shall refer 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.

Description of Business – We are 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.

Consumer service revenues are generated from the provisioning of high-speed Internet, voice and video services to consumers. Enterprise service revenues include revenues from integrated voice and data services, advanced data and traditional voice and long-distance services provided to enterprise, mid-market and small business customers. Wholesale revenues include revenues from other communications services providers for special access circuits and fiber connections, voice and data transport services, and revenues from the reselling of our services. Service revenues also include switched access revenues, federal and state Universal Service Fund ("USF") revenues, amounts received from Connect America Fund ("CAF") - Phase II, USF surcharges and revenues from providing other miscellaneous services.

Recent Developments – As further discussed in Note 17, 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 "August 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 August 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 under the master lease with Uniti Group, Inc. ("Uniti"). In addition, the acceleration of the August 2023 Notes resulted in a cross-acceleration event of default under the indentures governing Windstream Services' other series of secured and unsecured notes. As a result, all of Windstream Services' long-term debt and obligations under the master lease agreement with Uniti have been classified as current liabilities in the accompanying consolidated balance sheet as of December 31, 2018.

1. Background and Basis for Presentation, Continued:

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 in the District Court 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.

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 described below, pay employee wages and benefits, and pay vendors and suppliers in the ordinary course for all goods and services.

Going Concern – The accompanying consolidated financial statements have been prepared assuming that Windstream will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon our ability to successfully implement our plan of reorganization, among other factors. As a result of the adverse court ruling and the filing of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under Chapter 11, we may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying consolidated financial statements. Further, the plan of reorganization could materially change the amounts and classifications of assets and liabilities reported in the consolidated financial statements. Our financial condition, the defaults under our debt agreements and master lease agreement with Uniti, and the risks and uncertainties surrounding the Chapter 11 Cases, raise substantial doubt about our ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be necessary should we be unable to continue as a going concern or as a consequence of the Chapter 11 Cases.

Basis of Presentation – The consolidated financial statements include the accounts of Windstream Holdings, Windstream Services and the accounts of its subsidiaries. All affiliated transactions have been eliminated, as applicable.

On May 23, 2018, we amended our certificate of incorporation to decrease the number of authorized shares of our common and preferred stock from 375.0 million to 75.0 million and from 33.3 million to 6.7 million , respectively, and enacted a one -for- five reverse stock split with respect to all of our outstanding shares of common stock which became effective on May 25, 2018. All per share data of Windstream Holdings presented herein has been retrospectively adjusted to reflect the decrease in authorized shares and the reverse stock split, as appropriate.

There are no significant differences between the consolidated results of operations, financial condition, and cash flows of Windstream Holdings and those of Windstream Services other than for certain expenses incurred directly by Windstream Holdings principally consisting of audit, legal and board of director fees, NASDAQ listing fees, other shareholder-related costs, income taxes, common stock activity, and payables from Windstream Services to Windstream Holdings. Earnings per share data has not been presented for Windstream Services, because that entity has not issued publicly held common stock as defined in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). Unless otherwise indicated, the note disclosures included herein pertain to both Windstream Holdings and Windstream Services.

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

2. Summary of Significant Accounting Policies and Changes:

Significant Accounting Policies

Use of Estimates – The preparation of financial statements, in accordance with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

Cash and Cash Equivalents – Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

Restricted Cash - Deposits held as security for indebtedness under our corporate purchase card program and not available for use have been presented as restricted cash in the accompanying consolidated financial statements.

Accounts Receivable – Accounts receivable consist principally of trade receivables from customers and are generally unsecured and due within 30 days. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts in the consolidated balance sheets. In establishing the allowance for doubtful accounts, we consider a number of factors, including historical collection experience, aging of the accounts receivable balances, current economic conditions and a specific customer's ability to meet its financial obligations. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up our customer base. Due to varying customer billing cycle cut-off, we must estimate service revenues earned but not yet billed at the end of each reporting period. Included in accounts receivable are unbilled receivables related to communications services and product sales of $40.0 million and $23.8 million at December 31, 2018 and 2017 , respectively.

Inventories – Inventories consist of finished goods and are stated at the lower of cost or net realizable value. Cost is determined using either an average original cost or specific identification method of valuation.

Prepaid Expenses and Other Current Assets – Prepaid expenses and other current assets consist of prepaid services, rent, insurance, taxes, maintenance contracts, refundable deposits, interest rate swaps, and the current portion of contract assets and deferred contract costs recorded in accounting for revenue from contracts with customers. Prepayments are expensed on a straight-line basis over the corresponding life of the underlying agreements.

Goodwill and Other Intangible Assets – Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets has been recorded as goodwill. In accordance with authoritative guidance, goodwill is to be assigned to a company's reporting units and tested for impairment at least annually or sooner when circumstances indicate an impairment may exist, using a consistent measurement date, which for us is November 1st of each year. Goodwill is tested at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit for which discrete financial information is available and our executive management team regularly reviews the operating results of that component. Additionally, components of an operating segment can be combined as a single reporting unit if the components have similar economic characteristics. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired. If the carrying value of the reporting unit exceeds its fair value, then an impairment loss is recognized equal to the amount by which the carrying value exceeds the reporting unit's fair value; however, the impairment loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Prior to performing the quantitative evaluation, an entity has the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit exceeds the carrying value. Under the qualitative assessment, if an entity determines that it is more likely than not that a reporting unit's fair value exceeds its carrying value, then the entity is not required to complete the quantitative goodwill impairment evaluation.

Other intangible assets arising from business combinations such as franchise rights, customer lists, trade names and internally developed technology and software are initially recorded at estimated fair value. We amortize customer lists using the sum-of-the-years-digits method over the estimated lives of the customer relationships. All other intangible assets are amortized using a straight-line method over the estimated useful lives. See Note 4 for additional information regarding goodwill and other intangible assets.

Def Ex. 3.126

2. Summary of Significant Accounting Policies and Changes, Continued:

Net Property, Plant and Equipment – Property, plant and equipment are stated at original cost, less accumulated depreciation. Property, plant and equipment consists of central office equipment, office and warehouse facilities, outside communications plant, customer premise equipment, furniture, fixtures, vehicles, machinery, other equipment and software to support the business units in the distribution of telecommunications products. The costs of additions, replacements, substantial improvements and extension of the network to the customer premise, including related contract and internal labor costs, are capitalized, while the costs of maintenance and repairs are expensed as incurred. Capitalized internal labor costs include non-cash share-based compensation and the matching contribution to the employee savings plan for those employees directly involved with construction activities. Depreciation expense amounted to $1,300.9 million , $1,229.0 million , and $1,078.3 million in 2018 , 2017 and 2016 , respectively.

Net property, plant and equipment consisted of the following as of December 31:

(Millions)	Depreciable Lives	2018	2017
Land		$ 53.0	$ 65.4
Building and improvements	3-40 years	660.7	420.3
Central office equipment	3-40 years	7,074.3	7,170.5
Outside communications plant	7-47 years	8,287.6	7,882.5
Furniture, vehicles and other equipment	1-23 years	1,940.8	2,308.7
Construction in progress		403.6	440.8
		18,420.0	18,288.2
Less accumulated depreciation		(13,499.1)	(12,896.4)
Net property, plant and equipment		$ 4,920.9	$ 5,391.8

Of the total net property, plant and equipment at December 31, 2018 and 2017 listed above, approximately $1.9 billion and $2.0 billion , respectively, has been legally transferred to Uniti Group, Inc. ("Uniti") as a result of the spin-off and leaseback by Windstream Holdings. Under the master lease agreement with Uniti, any capital improvements, including upgrades or replacements to the leased network assets, funded by us become the property of Uniti at the time such improvements are placed in service. As further discussed in Note 5, we accounted for the spin-off transaction as a failed spin-leaseback for financial reporting purposes and, as a result the net book value of the assets initially transferred to Uniti and any subsequent capital improvements made by us continue to be reported in our consolidated balance sheet as property, plant and equipment and are depreciated over the shorter of the estimated useful life of the asset or the initial lease term of 15 years .

Our regulated operations use a group composite depreciation method. Under this method, when plant is retired, the original cost, net of salvage value, is charged against accumulated depreciation and no immediate gain or loss is recognized on the disposition of the plant. For our non-regulated operations, when depreciable plant is retired or otherwise disposed of, the related cost and accumulated depreciation are deducted from the plant accounts, with the corresponding gain or loss reflected in operating results.

In accordance with the terms of certain broadband stimulus grants we received from the Rural Utilities Service ("RUS") to fund 75 percent of the costs related to specified construction projects, the RUS retained a security interest in the assets funded by these grants for the duration of their economic life, which varies by grant for periods up to 23 years . In the event of default of terms of the agreement, the RUS could exercise the rights under its retained security interest to gain control and ownership of these assets. In addition, in the event of a proposed change in control of Windstream, the acquiring party would need to receive approval from the RUS prior to consummating the proposed transaction, for which pre-approval will not be reasonably withheld. At December 31, 2018, the net book value of assets funded by broadband stimulus grants was $84.5 million .

We capitalize interest in connection with the acquisition or construction of plant assets. Capitalized interest is included in the cost of the asset with a corresponding reduction in interest expense. Capitalized interest amounted to $3.7 million , $7.0 million and $10.7 million in 2018 , 2017 and 2016 , respectively.

Asset Retirement Obligations – We recognize asset retirement obligations in accordance with authoritative guidance on accounting for asset retirement obligations and conditional asset retirement obligations, which requires recognition of a liability for the fair value of an asset retirement obligation if the amount can be reasonably estimated. Our asset retirement obligations include legal obligations to remediate the asbestos in certain buildings if we exit them, to properly dispose of our chemically-treated telephone poles at the time they are removed from service and to restore certain leased properties to their previous condition upon exit from the lease. These asset retirement obligations totaled $53.3 million and $53.0 million as of December 31, 2018 and 2017 , respectively, and are included in other liabilities in the accompanying consolidated balance sheets.

Def Ex. 3.127

2. Summary of Significant Accounting Policies and Changes, Continued:

Impairment of Long-Lived Assets – We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable from future, undiscounted net cash flows expected to be generated by the asset group. If the asset group is not fully recoverable, an impairment loss would be recognized for the difference between the carrying value of the asset group and its estimated fair value based on discounted net future cash flows.

Derivative Instruments – Windstream Services enters into interest rate swap agreements to mitigate the interest rate risk inherent in its variable rate senior secured credit facility. Derivative instruments are accounted for in accordance with authoritative guidance for recognition, measurement and disclosures about derivative instruments and hedging activities, including when a derivative or other financial instrument can be designated as a hedge. This guidance requires recognition of all derivative instruments at fair value, and accounting for the changes in fair value depends on whether the derivative has been designated as, and qualifies as, a hedge. Changes in fair value of cash flow hedges are recorded as a component of other comprehensive (loss) income in the current period. See Note 6 for additional information regarding our hedging activities and derivative instruments.

Revenue Recognition – Revenue is primarily derived from providing access to or usage of our networks and facilities in accordance with our customer contracts.

A contract's transaction price, considering discounts given for bundled purchases and promotional credits, is allocated to each distinct performance obligation, a promise in a contract to transfer a distinct good or service to the customer, and recognized as revenue when, or as, the performance obligation is satisfied. The majority of our contracts have multiple performance obligations. While many contracts include one or more performance obligations, the revenue recognition pattern is generally not impacted by the allocation since the performance obligations are generally satisfied over the same period of time. When the method and timing of transfer and performance risk are the same, services are deemed to be highly interdependent. Highly interdependent, indistinct, services are combined into a single performance obligation. Although each month of services promised is a separate performance obligation, we consider the series of monthly service performance obligations promised over the course of the contract a single performance obligation for purposes of the allocation.

For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation based on the relative standalone selling price of each performance obligation in the contract. The standalone selling price is the estimated price we would charge for the good or service in a separate transaction with similar customers in similar circumstances. Identifying distinct performance obligations and determining the standalone selling price for each performance obligation within a contract with multiple performance obligations requires management judgment.

Our performance obligations are satisfied over time as services are rendered or at a point in time depending on our evaluation of when the customer obtains control of the promised goods. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally, this occurs when services are rendered or control of our communication products is transferred. Service revenues are recognized over the period that the corresponding services are rendered to customers. Revenues that are billed in advance include monthly recurring network access and data services, special access and monthly recurring voice, Internet and other related charges. Revenues derived from other telecommunications services, including interconnection, long-distance and enhanced service revenues are recognized monthly as services are provided. Telecommunications network maintenance revenue from indefeasible rights to use fiber optic network facility arrangements ("IRUs") are generally recognized over the term of the related contract. Sales of communications products including customer premise equipment and modems are recognized when products are delivered to and accepted by customers.

In determining whether installation is a separate performance obligation, we evaluate, among other factors, whether other performance obligations are highly dependent upon installation requiring significant integration or customization or whether a customer can benefit from the installation with other readily available resources. In circumstances where customers can benefit from the installation with other readily available resources, installation is a separate performance obligation. We recognize installation revenue when the installation is complete. In circumstances where other telecommunication service performance obligations are highly dependent upon installation, installation is not a separate purchase obligation, and accordingly, we include the installation fees in the transaction price allocated to and recognized with other telecommunication service performance obligations.

Fees assessed to customers for service activation are considered a material right in a month-to-month contract. These service activation fees are deferred and recognized as service revenue on a straight-line basis over the estimated life of the customer.

2. Summary of Significant Accounting Policies and Changes, Continued:

As a practical expedient, we group similar contracts or performance obligations together into portfolios of contracts or performance obligations when the result does not differ materially from considering each contract or performance obligation separately. We apply the portfolio approach for the following: service activations, installation services, certain promotional credits, commissions and other costs to fulfill a contract. Portfolios are recognized over the estimated life of the customer. Determining the estimated life of the customer requires management judgment.

The estimated life of our customer relationships varies by business segment. Wholesale customer lives are estimated based on the average number of months each individual circuit was active. Enterprise and small business customer lives are based on average contract terms. Consumer lives are estimated based on average customer tenure.

Our contracts include discounts and promotional credits given to customers. We include discounts and promotional credits in the transaction price. These estimates are based on historical experience and anticipated performance.

In determining whether to include in revenues and expenses, the taxes and surcharges assessed and collected from customers and remitted to government authorities, including USF charges, sales, use, value added and excise taxes, we evaluate, among other factors, whether we are the primary obligor or principal tax payer for the fees and taxes assessed in each jurisdiction in which we operate. In those jurisdictions for which we are the primary obligor, we record the taxes and surcharges on a gross basis and include in revenues and costs of services and products. In jurisdictions in which we function as a collection agent for the government authority, we record the taxes on a net basis and exclude the amounts from our revenues and costs of services and products .

We offer third-party video services to our customers. The third-party service provider retains control of the service and is the primary obligor. We record commissions received on a net basis.

See Note 8 for additional information regarding contract balances, remaining performance obligations, revenue by category and deferred contract costs.

Connect America Fund Support – In conjunction with reforming USF, the Federal Communications Commission ("FCC") established the Connect America Fund ("CAF") which provides incremental broadband funding to a number of unserved and underserved locations. In 2015, Windstream accepted support offers under CAF Phase II for 17 of 18 states in which we are the incumbent provider, totaling approximately $175.0 million in annual funding which will continue through 2021. Windstream is obligated to offer broadband service at speeds of 10/1 Mbps or better to approximately 400,000 eligible locations in high-cost areas in those 17 states.

Intercarrier Billing Disputes - We routinely dispute network access charges that are billed to us by other companies for access to their networks. We have accrued amounts that we believe are adequate related to ongoing billing disputes. The reserves are subject to changes in estimates and management judgment as new information becomes available. Due to the length of time historically required to resolve these disputes, these matters may be resolved or require adjustment in future periods and relate to costs invoiced, accrued or paid in prior periods. While we believe the reserves recorded for billing disputes are adequate as of December 31, 2018, it is possible that we could record future adjustments to these reserves and such adjustments could be significant. There were no material adjustments to our billing dispute reserves during the years ended December 31, 2018, 2017 and 2016.

Advertising – Advertising costs are expensed as incurred. Advertising expense totaled $40.6 million , $47.8 million and $44.0 million in 2018 , 2017 and 2016 , respectively.