



State of New Jersey

DIVISION OF RATE COUNSEL

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P. O. Box 003

TRENTON, NEW JERSEY 08625

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

REC'D  
2014 DEC 9 PM 1 51

NJ RPU  
CASE MANAGEMENT

STEFANIE A. BRAND  
Director

2014 DEC 8 PM 3 54  
RECEIVED  
NJ RPU  
MAIL ROOM

December 8, 2014

Via Electronic & Regular Mail

Ms. Kristi Izzo

Board of Public Utilities

44 South Clinton Avenue, 9<sup>th</sup> Floor

Post Office Box 350

Trenton, New Jersey 08625-0350

**Re: I/MO Verified Petition of Cavalier Telephone Mid-Atlantic, LLC, Intellifiber Networks, Inc., Paetec Communications, Inc., Talk America, Inc., and US LEC of Pennsylvania, Inc. For the Transfer and Mass Migration of Certain Intrastate Service Customers in the State of New Jersey to Talk America Services, LLC, and for the Contemporaneous Change of Control of Talk America Services, LLC  
BPU Docket No. TO14091079**

Dear Secretary Izzo:

The Division of the Rate Counsel ("Rate Counsel") has reviewed the above-captioned Verified Petition ("Petition") of Windstream Holdings, Inc. its CLEC subsidiaries, Communications Sales and Leasing, Inc, and Talk America Services, LLC (TAS) (collectively "Petitioners") seeking approval for the mass migration of certain intrastate customers in New Jersey to TAS and Change of Control..

BACKGROUND

Petitioners describe the overall transaction as the spin-off of Communications Sales and Leasing, Inc. (CSL) to become a separate publically traded company and Talk America Services, LLC, (TAS) a newly created subsidiary of CSL will serve existing residential and long distance customers now after assignment and transfer from certain CLEC subsidiaries of Windstream Holdings, Inc. All the other customers of the CLECs who hold CLEC authority in New Jersey will remain customers and be served by the CLECS.

According to an investor briefing and filing with the Securities Exchange Commission on July 29, 2014, the following steps will be taken. In the Third Quarter of 2014, Windstream will

OCMS  
Legal  
Telco

file regulatory approval documentation with various state public utility commissions regulatory and preparation of spinoff agreements and SEC filing. In the Fourth Quarter of 2014, Windstream will file Form 10 with the SEC and begin financing transactions. In the First Quarter of 2015, Windstream will finalize definitive documentation, distribution made after Form 10 declared effective and the regulatory approval process is completed, and the REIT to commence operations as a publically traded real-estate investment trust.

Windstream states that prior to the spin-off, it has a national footprint operating in 48 states and in 86 top markets and has a top five fiber network. Windstream in its July 29, 2014 presentation states that Windstream will separate its business into two publicly traded, independent companies through a tax free spinoff of selected network assets.<sup>1</sup> The assets include fiber, copper, real estate and other fixed assets and Windstream will retain operational control of the network assets via a long term "triple net" exclusive master lease agreement and will retain responsibility for meeting its existing regulatory obligations post transaction. Windstream will retain the day-to-day role of providing advanced network communication services to businesses and consumers.

Windstream summarizes the key lease terms as follows:

- Lease Structure- Exclusive "triple net" Master Lease between Windstream Holdings and the REIT. Under the triple net lease structure, Windstream will be responsible for maintenance capex, property taxes, insurance and other costs associated with the operation and maintenance of the assets including without limitation, permits and pole attachments agreements, 3<sup>rd</sup> party leases, licenses and regulatory fees.
- Terms and Conditions- 15 years, with up to 5-year extensions at Windstream's option, causes for termination by lessor include lease payment default, bankruptcy and/or loss of relevant authorizations permits, and provisions for orderly auction based transition to new operator at the end of the term if not extended.
- Rent-\$650 million annual rent (excluding additions for capex) paid in equal monthly installments and rate is fixed for 3 years and the rate will increase on an annual basis to a rent escalator of 0.5%.
- Rights Conveyed- Lease will convey upon Windstream, for the express benefit of its operating subsidiaries, excluding rights to access and affix telecommunications electronics, switching or other equipment to the REIT's assets for the provision, routing and delivery of voice, data and other communication services. In exchange for consideration paid, Windstream's exclusive usage rights include the right to provide

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<sup>1</sup>/ See Rate Counsel Attachment A.

communication services or sub-leases access to the REIT's assets. Any such services will be operated and administered by Windstream for its sole benefit.

- Capital Expenditures- Windstream will be required to maintain the properties consistent with industry standards, in good repair. Capitalization rate of REIT funded investments will be 8.125% for first 2 years and a floating rate based upon the REIT's cost of capital thereafter.

Petitioners assert aside from a change in the name of their telecommunications provider, the residential customer base transfer will be virtually invisible to customers transferred to TAS, and the rates, terms and conditions of service provided to the transferred residential customers will not change as a result of the transfer. TAS will assume the residential customer contracts and relationships that the Windstream Licensees have with their residential customers. Where services are provided pursuant to file tariff, TAS will adopt the tariffs of the Licensee or file tariffs that incorporate such rates, terms and conditions of services. Where services are provided on a non-tariffed basis, TAS will continue to provide service to the customers pursuant to the relevant service contracts or price lists.<sup>2</sup>

Petitioners seek approval from the New Jersey Board of Public Utilities ("Board") to the transfer control, and sale of assets regarding the spin-off of assets into a REIT pursuant to N.J.S.A. §§ 48:2-51, and 48:3-7.

The Board is required to evaluate the impact of the transaction on rates, employees of the utilities involved

Rate Counsel submits the sale of assets, and transfer of control should be approved under N.J.S.A. §§ 48:2-51, and 48:3-7 and applicable regulations. The Mass Migration of customers should also be approved with the requested waivers.

Enclosed with this original please find ten copies, kindly return a stamped "Received/Filed" copy back to Rate Counsel for our file. Thank you for your attention to this matter.

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<sup>2</sup> Windstream and Talk America Services also filed a Petition for a certificate of authority for TAS, Docket No. TE14111290. Rate Counsel has filed comments requesting the Board approve the Petition.

Kristi Izzo, Board Secretary Ltr. - 10/31/2014

Rate Counsel Comments

I/M/O Verified Petition of Cavalier Telephone Mid-Atlantic, et als.

**BPU Docket No. TO14091079**

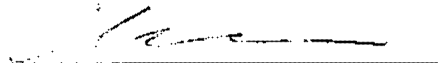
Page 4 of 4

Very truly yours,

STEFANIE A. BRAND,  
DIRECTOR

NEW JERSEY DIVISION OF RATE COUNSEL

By:



Christopher J. White,

Deputy Rate Counsel

Maria T. Novas-Ruiz,

Assistant Deputy Rate Counsel

CJW/gp

cc: Service List (*via regular mail*)

IMO Petition Cavalier Tel., et.  
al., for Mass Migration of  
Certain Intrastate Telecom Svc  
in NJ to Talk America Services

Docket No. TO14091079

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# ATTACHMENT

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8-K 1 a2014729form8k.htm FORM 8-K

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

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**FORM 8-K**

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

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windstream



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

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

72212  
(Zip Code)

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

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

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 7.01 Regulation FD Disclosure.**

On July 29, 2014, Windstream Holdings, Inc. (Windstream) issued a press release announcing plans to spinoff certain telecommunications network assets into an independent, publicly traded real estate investment trust (REIT). In addition, also on July 29, 2014, Windstream will make a presentation to investors and analysts with respect to the spinoff plans and make a fact sheet available to investors and analysts with respect to the spinoff plans. A copy of the press release is attached hereto as Exhibit 99.1, a copy of the investor presentation is attached hereto as Exhibit 99.2, and a copy of the fact sheet is attached hereto as Exhibit 99.3.

The information contained in this Item 7.01 to this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3, shall not be deemed "filed" with the SEC nor incorporated by reference in any registration statement filed by Windstream under the Securities Act of 1933, as amended.

**Cautionary Statement Regarding Forward Looking Statements**

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company. Such statements are based on estimates, projections, beliefs and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in Windstream's forward-looking statements include, among others:

- risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spinoff, and the diversion of management's attention from regular business concerns;
- our ability to receive, or delays in obtaining, the regulatory approvals required to complete the spinoff; and
- those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included in other filings by Windstream with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

**Item 9.01 Financial Statements and Exhibits.****(d) Exhibits**

The following exhibits are being furnished herewith:

<u>Exhibit No.</u>	<u>Description</u>
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99.1	Press Release, dated July 29, 2014
99.2	Investor Presentation
99.3	Fact Sheet

**SIGNATURE**

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

**WINDSTREAM HOLDINGS, INC.**

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

**WINDSTREAM CORPORATION**

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

Dated: July 29, 2014

**EXHIBIT INDEX**

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99.3	Fact Sheet

EX-99.1 2 pressreleasedatedjuly292014.htm PRESS RELEASE DATED JULY 29, 2014

Exhibit 99.1

## **Windstream to spin off assets into publicly traded REIT**

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

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

Release date: July 29, 2014

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

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

### **Transaction Rationale**

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

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

### **Transaction Details**

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

diversifying its assets and tenants through future acquisitions.

Windstream anticipates that the REIT will raise approximately \$3.5 billion in new debt, which will be used to repay existing Windstream debt to effect the transaction. Windstream expects to retire approximately \$3.2 billion of debt as part of the transaction, resulting in the company deleveraging to 3.3 times debt to adjusted operating income before depreciation and amortization immediately at closing. The company's enhanced leverage profile and improved discretionary free cash flow will enable Windstream to invest more capital in strategic initiatives, better positioning Windstream for long-term growth.

The transaction will not result in significant operational changes at Windstream. The REIT will have approximately 25 employees. Tony Thomas, Windstream's chief financial officer, will become CEO of the REIT. Francis X. "Skip" Frantz, a Windstream director, will serve as chairman of the REIT's board.

"Tony has served Windstream well, and I would like to personally offer my gratitude for his many contributions over the last eight years," Gardner said. "I am confident that his experience and expertise will benefit the REIT while also providing important continuity and fostering a close working relationship between the two companies."

Thomas was appointed CFO in 2009. He previously served as controller for Windstream. He will continue to serve in his current role with Windstream while the company conducts a search for his successor.

"I am very excited about this new opportunity and believe that we will be able to drive additional value for shareholders and maximize benefits for customers operating as two distinct companies," Thomas said.

Frantz has been a director of Windstream since 2006 and was chairman of the board from July 2006 to February 2010. He is a former chairman of the United States Telecom Association and was previously executive vice president of external affairs, general counsel and secretary of Alltel Corp.

"I have known Skip for many years, and his extensive telecommunications experience has been a terrific asset to me personally and to Windstream as a whole," Gardner said. "His leadership has been integral throughout the transformation of Windstream, and he will bring significant expertise to the REIT."

Frantz will leave the Windstream board upon close of the transaction.

#### **Shareholder Distribution**

As part of this transaction, Windstream shareholders will retain their existing shares and receive shares in the REIT commensurate with their Windstream ownership.

#### **Dividend Practice**

Windstream plans to maintain its current dividend practice through the close of the transaction. Following the spinoff, the expected annual dividend per share in the aggregate for the two companies will be \$0.70 per current Windstream share, with Windstream expected to pay an annual dividend of \$0.10, while the REIT will have an annual dividend equivalent to \$0.60.

#### **Approvals and Anticipated Closing**

Windstream has received a private letter ruling from the Internal Revenue Service relating to certain tax matters regarding the tax-free nature of the spinoff and the qualification of the spunoff entity's assets as real property for REIT purposes.

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Completion of the proposed spinoff is contingent on receipt of regulatory approvals, final approval from the Windstream board of directors, execution of definitive documentation, and satisfaction of other customary conditions. No assurances can be given that such conditions will be satisfied or as to the timing of any regulatory action. Windstream may, at any time and for any reason until the proposed transaction is complete, abandon the spinoff or modify or change the terms of the spinoff.

Windstream anticipates that the spinoff would occur in the first quarter of 2015.

#### **Additional Information**

Bank of America Merrill Lynch and Stephens Inc. are serving as exclusive financial advisers to Windstream in the transaction. Bank of America Merrill Lynch and J.P. Morgan also are advising with respect to certain financing matters. Skadden, Arps, Slate, Meagher & Flom LLP is serving as legal adviser to Windstream.

#### **Conference Call**

Windstream will hold a conference call at 7:30 a.m. CDT today to review the transaction.

#### **To Access the Call:**

Interested parties can access the call by dialing 1-877-374-3977, conference ID 78117902, ten minutes prior to the start time.

#### **To Access the Call Replay:**

A replay of the call will be available beginning at 10:30 a.m. CDT today and ending at midnight on Aug. 5. The replay can be accessed by dialing 1-855-859-2056, conference ID 78117902.

#### **Webcast Information:**

The conference call also will be streamed live over the company's website at [www.windstream.com/investors](http://www.windstream.com/investors). Financial, statistical and other information related to the call will be posted on the site. A replay of the webcast will be available on the website beginning at 10:30 a.m. CDT today.

#### **About Windstream**

Windstream (Nasdaq: WIN), a FORTUNE 500 and S&P 500 company, is a leading provider of advanced network communications, including cloud computing and managed services, to businesses nationwide. The company also offers broadband, phone and digital TV services to consumers primarily in rural areas. For more information, visit [www.windstream.com](http://www.windstream.com).

#### **Cautionary Statement Regarding Forward-Looking Statements**

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to,

statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company. Such

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statements are based on estimates, projections, beliefs and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in Windstream's forward-looking statements include, among others:

- risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spinoff, and the diversion of management's attention from regular business concerns;
- our ability to receive, or delays in obtaining, the regulatory approvals required to complete the spinoff; and
- those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

Windstream undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause Windstream's actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect Windstream's future results included in other filings by Windstream with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

-end-

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**Investor Contact:**

Mary Michaels, 501-748-7578  
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EX-99.2.3 finalinvestorpresentatio.htm INVESTOR PRESENTATION

Exhibit 99.2



## Windstream to Spin Off Selected Assets into Publicly Traded REIT

July 29, 2014

1

## Safe Harbor



### Safe Harbor Statement

Windstream claims the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the completion of the transaction, the expected benefits of the transaction, the expected financial attributes of the new Windstream and the REIT including the initial rent amount, the pro forma dividend and leverage ratio for each company, and the illustrative trading multiples and values for each company discussed herein. Such statements are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events and results. Actual future events and results of Windstream may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in Windstream's forward-looking statements include, among others: (i) risks related to the anticipated timing of the proposed separation, the expected tax treatment of the proposed transaction, the ability of each of Windstream (post-spin) and the new REIT to conduct and expand their respective businesses following the proposed spin off, and the diversion of management's attention from regular business concerns; (ii) our ability to receive, or delays in obtaining, the regulatory approvals required to complete the spin off; and (iii) those additional factors under "Risk Factors" in Item 1A of Part I of Windstream's Annual Report on Form 10-K for the year ended December 31, 2013, and in subsequent filings with the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov).

## Windstream Participants



**Jeff Gardner**

Chief Executive Officer, Windstream

**Tony Thomas**

Chief Financial Officer, Windstream

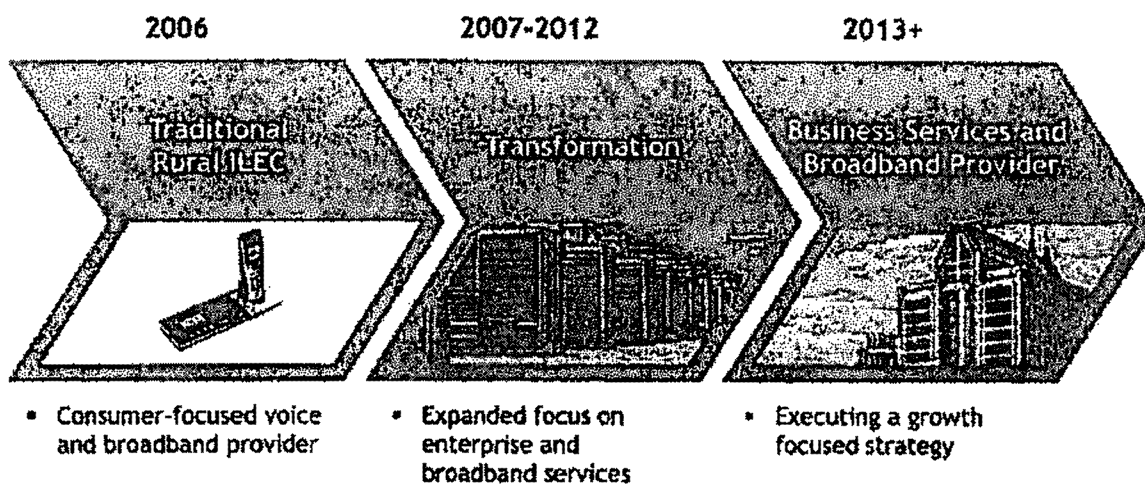
**Bob Gunderman**

SVP & Treasurer, Windstream

Throughout this presentation:

- "Windstream" or "WIN" refers to Windstream Holdings, Inc. (existing entity)
- "REIT" refers to the proposed newly formed, publicly traded real estate investment trust to be spun-off to WIN shareholders

## Where We've Come From



## Where We Are Today



### Strong business focus with advanced capabilities

#### Strong Enterprise Focused Capabilities



- Top 5 Fiber Network
- 2,000+ Enterprise Sales Force

#### National Footprint



- 48 States
- 86 Top markets

#### Business, Broadband Leader



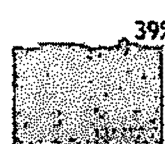
- 73% revenue in growth segments

#### Focus on Mid-Size Enterprises



- Advanced customized solutions

#### Stable Margins



- Disciplined expense management

#### Financially Strong



- -\$830M annual free cash flow

windstream.



WINDSTREAM COMMUNICATIONS, INC.



## Where We Are Today



### Strong business focus with advanced capabilities

#### Strong Enterprise Focused Capabilities



- Top 5 Fiber Network
- 2,000+ Enterprise Sales Force

#### National Footprint



- 48 States
- 86 Top markets

#### Business, Broadband Leader



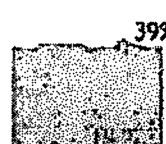
- 73% revenue in growth segments

#### Focus on Mid-Size Enterprises



- Advanced customized solutions

#### Stable Margins



- Disciplined expense management

#### Financially Strong



- ~\$830M annual free cash flow

windstream.

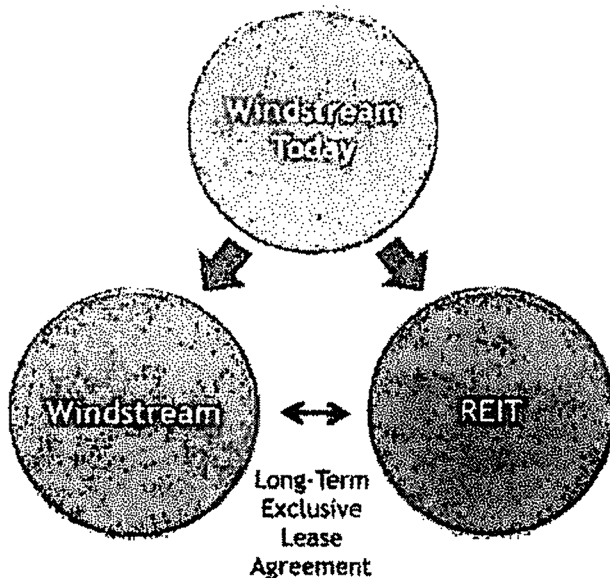


Windstream Communications, Inc.

## What We Are Announcing



Windstream plans to separate its business into two publicly traded, independent companies through a tax-free spinoff of selected network assets



- Windstream will spin off certain network assets (including fiber, copper, real estate and other fixed assets) into an independent, publicly traded real estate investment trust or "REIT"
- Windstream retains operational control of the network assets via a long-term "triple net" exclusive master lease agreement and will retain responsibility for meeting its existing regulatory obligations post transaction
- Windstream will retain the day-to-day role of providing advanced network communications services to businesses and consumers
- The REIT will become a new publicly traded real-estate investment trust that invests in telecom distribution system assets

## Why This Makes Sense



### Enables greater network investments

- Enhanced cash flow positions WIN to accelerate broadband investments, transition to an IP-centric network faster and deliver enhanced services to customers
- Increased investments drive growth, improve long-term competitiveness, and enable WIN to better meet customers' changing needs
- Capital project partnerships with Windstream will promote growth at the REIT

### Optimizes capital structure

- Decreases WIN indebtedness by \$3.2bn and reduces leverage to 3.3x OIBDA <sup>(1)</sup>
- The new REIT's capital structure is aligned with the REIT asset class with an attractive weighted average cost of capital
- Ability to pursue separate capital allocation policies
  - Initial aggregate dividend targeted at \$0.70 per share

### Aligns strategic objectives

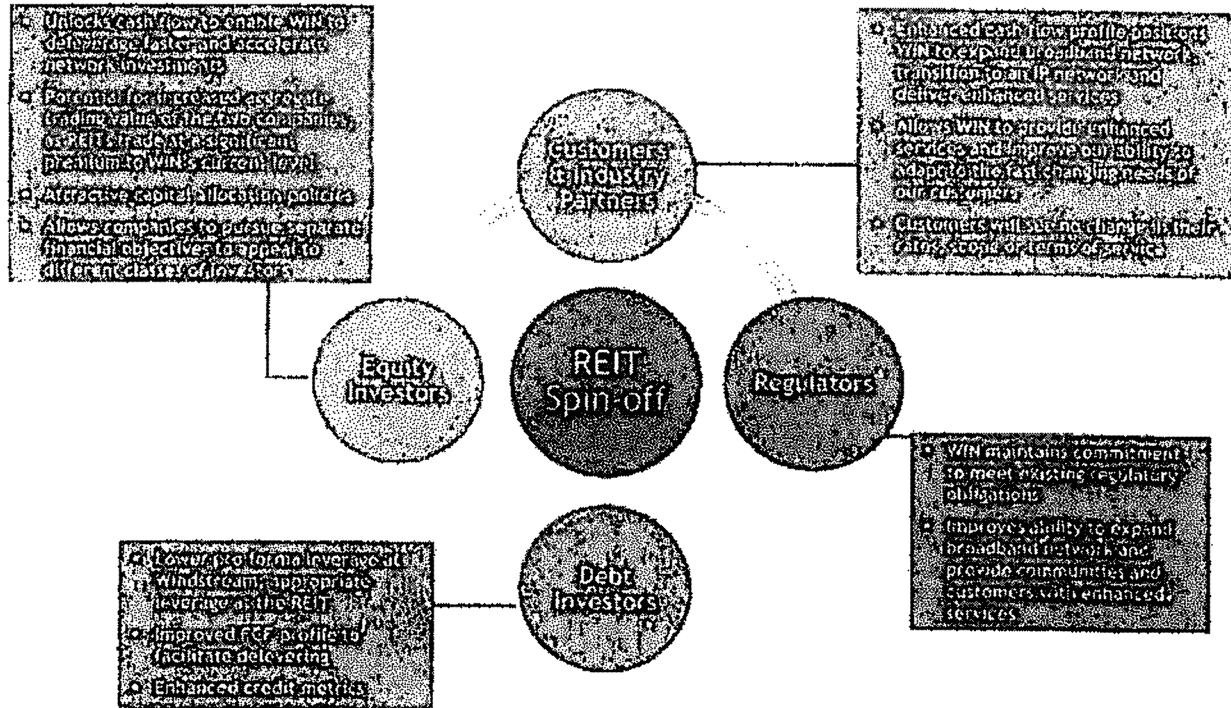
- Enables separate strategic objectives
  - Windstream: A growth-focused operating company
  - The REIT: A yield-focused real-estate investment trust
- Better positions WIN and the REIT to pursue growth through incremental capital investments and acquisitions

### Unlocks shareholder value

- Ability to evaluate each entity separately using valuation techniques aligned with each company's asset mix, business outlook, and strategic objectives
- Structure, combined with REIT dividend distribution requirements and single level tax treatment, allows each company to pursue attractive growth opportunities while creating value for shareholders

(1) FY14E Adjusted OIBDA equal to Wall St. consensus estimates.

## Transaction Benefits All Stakeholders



## Separation Creates Two Focused Businesses from One



### Windstream Investment Highlights

- Differentiated business model
  - Strong enterprise capabilities
  - Focused on mid-size business market
- Clear roadmap to sustainable growth
  - 73% of revenue in growth segments
- Solid free cash flow with strong and improving balance sheet
  - Flexibility to invest in growth initiatives and reduce leverage
  - Starting leverage of ~3.3x; target of 3.0x
- Experienced management team with proven track record

### REIT Investment Highlights

- Master lease with Windstream provides sustainable and predictable free cash flow
- Capital structure supports shareholder dividends and ability to delever over time
- Geographically diverse, high-quality assets
- Ability to grow and diversify both organically and through acquisition
- Smooth transition to independent company status by employing existing Windstream management talent

Growth-focused enterprise telecom services provider



Yield-oriented company returning significant cash to investors

## Transaction Mechanics



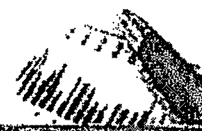
WIN received a Private Letter Ruling from the IRS with respect to the tax-free status of the separation and the qualification of certain assets as "REIT-able"

Transaction Structure	<ul style="list-style-type: none"> <li>▪ Tax-free spin off of REIT to Windstream shareholders</li> </ul>
Indebtedness	<ul style="list-style-type: none"> <li>▪ Windstream to reduce total indebtedness by ~\$3.2B <sup>(1)</sup> <ul style="list-style-type: none"> <li>– Windstream to retire additional \$2.2B of debt via debt-for-debt exchange</li> <li>– The REIT to distribute \$1.2B in cash to Windstream to fund debt retirement</li> </ul> </li> <li>▪ The REIT to raise approximately \$3.5B in new debt</li> </ul>
Shareholder Distribution	<ul style="list-style-type: none"> <li>▪ WIN shareholders will retain shares of Windstream Holdings and receive shares of the REIT commensurate with their WIN ownership</li> </ul>
Dividend Practice	<ul style="list-style-type: none"> <li>▪ The REIT will distribute at least 90% of its annual taxable income as dividends</li> <li>▪ Expected aggregate annual dividend target of \$0.70 per current share           <ul style="list-style-type: none"> <li>– WIN dividend of \$0.10 per share <sup>(2)</sup></li> <li>– REIT dividend of \$0.60 per share, assuming a 1 for 1 exchange ratio <sup>(3)</sup></li> </ul> </li> </ul>

<sup>(1)</sup> Net of estimated transaction expenses and financing fees.

<sup>(2)</sup> WIN plans to maintain its current dividend practice through the close of the transaction.

<sup>(3)</sup> The final exchange ratio is subject to change. The REIT's dividend is expected to be the equivalent of a \$0.60 annual dividend per WIN share.



## Windstream Business Snapshot



<b>Company Objectives</b>	<ul style="list-style-type: none"> <li>▪ Be a leading provider of advanced communications services to businesses nationwide</li> <li>▪ Provide broadband, phone &amp; digital TV services to consumers</li> <li>▪ Pursue new growth opportunities to adapt to the rapidly changing telecom landscape</li> </ul>
<b>Operations</b>	<ul style="list-style-type: none"> <li>▪ Business locations/customers: 606k/388k</li> <li>▪ Consumer connections: 3.3M, mostly rural</li> <li>▪ Locations: 150 offices in 48 states</li> <li>▪ Employees: ~13k</li> </ul>
<b>CEO &amp; Chairman</b>	<ul style="list-style-type: none"> <li>▪ Jeff Hinson, Chairman</li> <li>▪ Jeff Gardner, CEO</li> </ul>
<b>Financial Considerations</b>	<ul style="list-style-type: none"> <li>▪ Pro forma revenue: ~\$6B</li> <li>▪ Expected pro forma net leverage: ~3.3x (down from 3.8x)</li> <li>▪ Leverage target: 3.0x</li> <li>▪ Targeted capex intensity: 13-15%</li> <li>▪ Expected dividend: \$0.10 per share</li> <li>▪ Expected payout ratio: 15-20%</li> </ul>



## Accelerate Growth Investments and Enhance Services



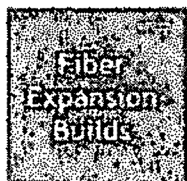
Incremental capex enables WIN to accelerate broadband investments, make a faster transition to an IP network and pursue additional growth opportunities



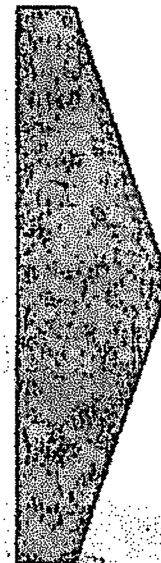
- Accelerate fiber deployment within our broadband network, providing faster broadband speeds and an improved user experience
  - Expand 10 Mbps Internet speeds to over 80% of consumers and 24 Mbps to over 30%



- Incremental investment enables faster IP transition providing enhanced revenue opportunities, capacity and margins



- Investments in additional success-based fiber expansion drive revenue and provide ancillary benefits to greater network



**Increases  
Profitable  
Growth  
Opportunities**



## The REIT's Pro Forma Business Snapshot



Company Objectives	<ul style="list-style-type: none"> <li>Invest in geographically diverse telecom distribution system assets, including fiber, copper, real estate, and other related fixed assets</li> <li>Improve asset diversification through strategic investment and acquisition of adjacent telecommunications infrastructure over time</li> <li>Return income to investors through regular dividend distributions</li> </ul>
Operations	<ul style="list-style-type: none"> <li>Anchor tenant: Windstream</li> <li>Future customers: Other carriers and telecommunications services providers</li> <li>Growth strategy: Success-based capital investments and rent escalators</li> <li>Employees: ~25</li> </ul>
CEO & Chairman	<ul style="list-style-type: none"> <li>Skip Frantz, Chairman</li> <li>Tony Thomas, CEO</li> </ul>
Financial Considerations	<ul style="list-style-type: none"> <li>Initial lease revenue: ~\$650M <sup>(1)</sup></li> <li>Expected pro forma net leverage: ~5.4x</li> <li>Expected dividend: \$0.60 per share</li> <li>Expected payout ratio: ~75%</li> </ul>



(1) The REIT will also receive Windstream's residential CLEC business.

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## The REIT's Paths to Achieving Long-Term Growth



Windstream Partnership	Rent Escalation	<ul style="list-style-type: none"> <li>Grow the Windstream annual lease payment through annual lease escalation after year 3</li> </ul>
	Investing for Growth	<ul style="list-style-type: none"> <li>Partner with Windstream to invest in projects that will result in incremental revenue for the REIT through higher annual lease payments                             <ul style="list-style-type: none"> <li>Provides Windstream attractive financing option by helping fund capital investments through the REIT's lower cost of capital</li> </ul> </li> </ul>
Independent Growth	Sale Leaseback Transactions	<ul style="list-style-type: none"> <li>Provides tenant diversification and added scale to the REIT over time</li> <li>Substantial existing telecom assets that qualify as real property</li> <li>Various transaction structures available</li> </ul>
	Asset Diversification	<ul style="list-style-type: none"> <li>Expand through related investments in adjacent telecom markets</li> </ul>

Flexible balance sheet and additional leverage capacity will help support the REIT's growth strategy

## Separation Creates Significant Value



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

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

Notes: For illustrative purposes only and not intended to predict future share prices of New Windstream or the REIT. The REIT's indicative share price and dividend per share assumes a 1:1 exchange ratio. Assumes \$650M lease payment from Windstream to the REIT and pay down of ~\$1.2B of debt at Windstream. Excludes transfer of consumer CLEC business.

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

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

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

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

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## Key Next Steps



- 3Q14

- File regulatory approval documentation with various regulatory authorities
  - Transaction will require regulatory approval from multiple state Public Utility Commissions
- Prepare spinoff agreements and SEC filings (including pro forma financial statements for each company)

- 4Q14

- File Form 10 with the SEC
- Begin executing financing transactions

- 1Q15

- Finalize definitive documentation
- Distribution made after Form 10 declared effective and regulatory approval process completed
- The REIT to commence operations as a publicly traded real-estate investment trust

## Summary



- Transaction unlocks meaningful value for shareholders
- Benefits equity and debt investors: Additional cash flow generated from this structure will accelerate debt pay down, enable greater reinvestment into the business and provide increased strategic and financial flexibility
- Windstream will be better positioned to focus on growth through attractive expansion projects, while the REIT's strong and stable cash flow will support an attractive dividend
- New capital structures provide increased strategic flexibility and allow each company to optimize its own priorities and opportunities
- Experienced management team will enhance transaction execution and ensure seamless operation for our customers

## Appendix

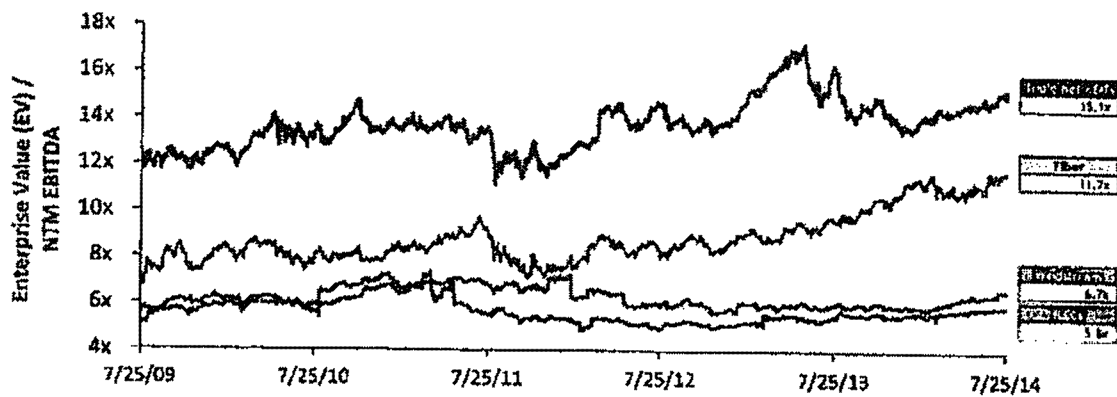


## Historical Valuation of REITs versus WIN Peers



Triple Net REITs have historically traded at significant premiums to WIN and its peers

Average During	WIN	HECO	Fiber	Triple Net REITs
Current Multiple:	6.7x	5.8x	11.7x	15.1x
Last 1 Year:	6.1x	5.7x	10.8x	14.4x
Last 2 Years:	6.0x	5.5x	9.8x	14.6x
Last 3 Years:	6.2x	5.4x	9.3x	14.1x
Last 5 Years:	6.3x	5.7x	8.8x	13.7x



Sources: FORTIS.

Note: Triple Net REITs average EV / NTM EBITDA includes O, OFR, NNN, GLP, EPR, LXP, NPIV, NNN, SARA, LTC and GTY.

Note: Fiber average EV / NTM EBITDA includes ALSX, HCOM, FRP, CHSL, CBB, WIN, FTR and CTL.

Note: WIN average EV / NTM EBITDA includes CCO, TWTC and LVT.

## Lease Key Terms

<b>Lease Structure</b>	<ul style="list-style-type: none"> <li>• Exclusive "triple net" Master Lease between Windstream Holdings ("Windstream") and the REIT</li> <li>• Under the triple net lease structure, Windstream will be responsible for maintenance capex, property taxes, insurance and other costs associated with the operation and maintenance of the assets including without limitation, permits and pole agreements, 3rd party leases, licenses and regulatory fees</li> </ul>
<b>Term and Termination</b>	<ul style="list-style-type: none"> <li>• 15 years, with up to four 5-year extensions at Windstream's option</li> <li>• Causes for termination by lessor include lease payment default, bankruptcy and/or loss of relevant authorization permits</li> <li>• Provisions for orderly auction-based transition to new operator at the end of the term if not extended</li> </ul>
<b>Rent</b>	<ul style="list-style-type: none"> <li>• \$650M <sup>(1)</sup> annual rental rate (excluding additions from capex), paid in equal monthly installments</li> <li>• Rate is fixed for 3 years; thereafter, the rate increases on an annual basis at a rent escalator of 0.5%</li> </ul>
<b>Rights Conveyed</b>	<ul style="list-style-type: none"> <li>• Lease will convey upon Windstream, for the express benefit of its operating subsidiaries, exclusive rights to access and affix telecommunications electronics, switching or other equipment to the REIT's assets for the provision, routing and delivery of voice, data and other communication services</li> <li>• In exchange for consideration paid, Windstream's exclusive usage rights include the right to provide communications services or sub-lease access to the REIT's assets. Any such services will be operated and administered by Windstream for its sole benefit</li> </ul>
<b>Capital Expenditures</b>	<ul style="list-style-type: none"> <li>• Windstream will be required to maintain properties consistent with industry standards, in good repair</li> <li>• Capitalization rate of REIT funded investments will be 8.125% for first 2 years and a floating rate based on the REIT's cost of capital thereafter</li> </ul>

(1) Final rent amount to be determined following the final appraisal of the leased property.

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EX-99.3 4 factsheetfinal.htm FACT SHEET

# WINDSTREAM TO SPIN OFF ASSETS INTO PUBLICLY TRADED REIT



windstream

Windstream is a leading provider of advanced network communications services. The company is currently in the process of spinning off its fiber optic assets into a publicly traded REIT. This transaction is expected to create value for shareholders by providing a more focused investment opportunity in the fiber optic market.

## REIT

The REIT will own and operate a portfolio of fiber optic assets, including fiber optic networks, fiber optic equipment, and fiber optic services. The REIT will be a publicly traded company, providing investors with a new investment opportunity in the fiber optic market.

**Windstream Details**  
Advanced network  
communications service provider



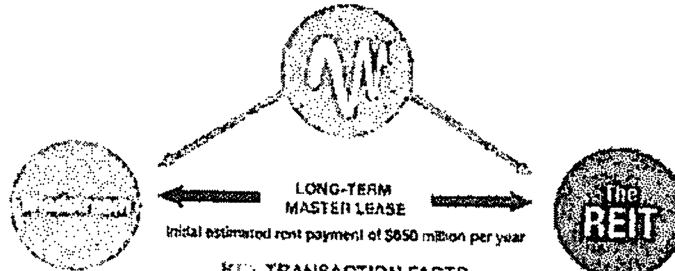
**Management**  
Jeffrey T. Hinson  
Board Chairman  
Jeff Gardner  
President & CEO



**Employees**  
13,000



**Stock symbol**  
WIN



## REIT TRANSACTION FACTS

### Operational

- Windstream will be the REIT's anchor tenant and will lease the assets to operate and maintain the network; over time, the REIT will have strong growth opportunities through lease escalation, capital investment and acquisitions
- No changes will be made to customers' service as a result of the transaction
- Windstream will continue to have sole responsibility for meeting its existing regulatory obligations

### Financial

- Provides attractive aggregate dividend of \$.70, with majority paid by the REIT
- The REIT will raise approximately \$3.5 billion in new debt to repay existing Windstream debt; Windstream will deleverage immediately to 3.3x
- Combination of REIT distribution requirements and single-level tax treatment leads to additional value for shareholders

**REIT Details**  
Certain assets, including fiber,  
copper and other fixed assets



**Management**  
Francis X. "Skip" Frantz  
Board Chairman  
Tony Thomas  
CEO



**Employees**  
~25



**Stock symbol**  
TRD

## POWER OF FIBER



Windstream continues its transformation into an advanced communications and technology services company



Roughly two-thirds of capital invested directed toward growth initiatives to enhance network capabilities



Windstream has the 5th largest fiber network in the U.S.



Capital efficient, high cash flow business model



Windstream has elevated business services and consumer broadband to 73% of the company's total revenue

## CORE BENEFITS



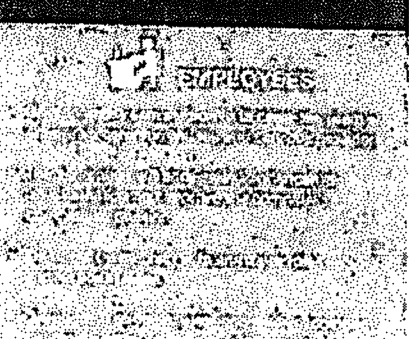
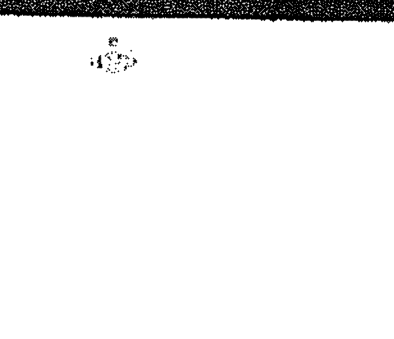
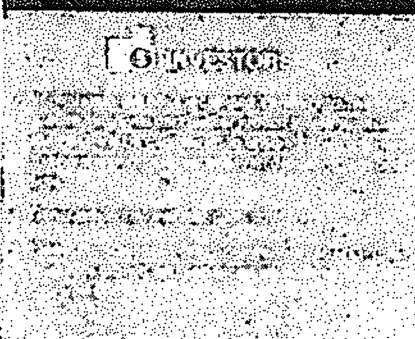
Windstream will continue to invest in its fiber optic network, providing a strong foundation for growth and value creation.



Windstream will continue to invest in its fiber optic network, providing a strong foundation for growth and value creation.



Windstream will continue to invest in its fiber optic network, providing a strong foundation for growth and value creation.



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