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NORTH DAKOTA
PUBLIC SERVICE COMMISSION

October 2, 2014

Via Overnight Delivery

Darrell Nitschke, Executive Secretary
North Dakota Public Service Commission
600 E. Boulevard Ave.
Dept. 408
Bismarck, ND 58505-0480

Re: Notification Regarding a *Pro Forma* Intra-Corporate Transaction

Dear Mr. Nitschke:

Windstream Holdings, Inc. ("Windstream"), McLeodUSA Telecommunications Services, LLC, PAETEC Communications, Inc., Windstream KDL, Inc., Windstream Norlight, Inc., Windstream NTI, Inc. (the "Windstream Licensees" or "Windstream Companies"); Communications Sales and Leasing, Inc. ("CSL"), Talk America Services, LLC ("TAS") (Windstream, the Windstream Licensees, CSL and TAS collectively, the "Parties"), by their undersigned counsel, hereby notify the North Dakota Public Service Commission ("Commission") of a *pro forma* intra-corporate transaction in which the Windstream Licenses intend to transfer ownership of certain of their assets to CSL or one of its wholly owned direct or indirect subsidiaries, and for CSL to lease those assets back on an exclusive, long-term basis (the "Transaction"). The proposed Transaction will comprise only of intra-company *pro forma* transfers insofar as the ultimate shareholders of the Windstream Licensees and CSL at the time of the Transaction will be the same.

As part of the Transaction, the Windstream Licensees will also transfer their residential local and long distance customers to TAS. Written notice will be provided to all of the affected customers. TAS, a subsidiary of CSL, will submit an application (the "Certification Application") for a certificate to operate in North Dakota as a competitive local exchange and long distance carrier in order to provide intrastate service to the residential customers being assigned as part of the Transaction. It is the Parties' understanding that approval is not required for the *pro forma* Transaction described herein. Accordingly, the Parties submit this letter for informational purposes to assure the continuing accuracy of the Commission's records.

The Parties

Windstream, a Delaware corporation headquartered at 4001 Rodney Parham Road, Little Rock, Arkansas 72212, is a publicly traded (Nasdaq: WIN) S&P 500 diversified communications and entertainment company. Windstream's subsidiaries provide local and long distance telephone services, data hosting services, broadband and high-speed data services and video services to customers throughout the United States. Together,

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Notice regarding certain Pro Forma Intra-Company Transactions
McLeodUSA Telecommunications Services, L.L.C.
Russel Blau

Windstream's operations currently have approximately 3.4 million connections (*i.e.*, voice lines, high-speed Internet lines, digital television customers) and approximately $6 billion in annual revenues. More information about Windstream and its operations can be found at www.windstream.com/about. Windstream does not provide telecommunications services in its own right. It owns and operates a number of licensed telecommunications providers in all states and the District of Columbia, except Alaska, many of which also hold authority from the FCC to provide domestic interstate and international telecommunications services.

In North Dakota, Windstream's regulated subsidiaries hold the following authorizations:

1. McLeodUSA Telecommunications Services, LLC is registered to provide local exchange and interexchange telecommunications services.

2. PAETEC Communications, Inc. is registered to provide interexchange telecommunications services.

3. Windstream KDL, Inc. is registered to provide local exchange and interexchange telecommunications services.

4. Windstream Norlight, Inc. is registered to provide local exchange and interexchange telecommunications services.

5. Windstream NTI, Inc. is registered to provide local exchange and interexchange telecommunications services.

TAS, a Delaware limited liability company, is a newly created subsidiary of CSL. TAS is separately seeking authority in the Certificate Application to become a provider of local exchange and interexchange service. Its immediate parent, CSL, is currently a Windstream subsidiary, but will be spun-off to become a separate, publicly traded company (as described below). Upon receipt of necessary regulatory commission certificates to operate as a telecommunications service provider and after notice to customers, the residential customers of the Windstream Licensees will be assigned to TAS, which will provide their telecommunications services pursuant to its new certificate.

Overview of Transaction

Windstream is planning an intra-corporate transaction (the "Transaction") in which its business will be divided into two independent units: an operating unit that will continue to provide telecommunications and related services, and a real estate investment trust unit that will hold title to certain distribution plant assets (the "Subject Assets"), and will lease those assets exclusively to the Windstream Companies on a long term basis. Under the Transaction, the Subject Assets of the Windstream Companies, including copper, fiber, real estate and other network assets, will be transferred to CSL, a newly established corporation, and CSL will lease them back to Windstream on a long term basis for the exclusive use and benefit of the Windstream Companies. CSL will elect to operate as a

Real Estate Investment Trust ("REIT"), and both CSL and Windstream will thereafter be independent publicly traded companies whose stock will trade independently of the other.

Once TAS has obtained the requisite regulatory commission certifications to operate as a competitive local exchange and interexchange carrier in North Dakota and other states, and following notice to affected customers, the residential local and long distance customers of the Windstream Licensees will be transferred to TAS. The Windstream Licensees will retain all of their business customers, and will also retain their existing certifications in North Dakota and other states in order to continue providing services to those customers.

The Windstream Companies' operations and provision of service will not change as a result of the Transaction. The Windstream Licensees will continue to provide the same services to their business customers, at the same rates, and pursuant to the same tariffs and under the same names, as they do now. Upon the certification of TAS and the assignment of the residential customers to it, TAS will provide the same high quality service that the Windstream Licensees do today.

Aside from a change in the name of their telecommunications provider, this residential customer base transfer will be virtually invisible to the 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 filed tariff, TAS will adopt the tariffs of the Windstream Licensees or file tariffs that incorporate such rates, terms and conditions of service. 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.

TAS will initially operate as a reseller of the Windstream Licensees' local exchange and interexchange services. Accordingly, in the Certificate Application TAS seeks certification to be a resold competitive local exchange and resold interexchange telecommunications service provider in North Dakota. The customer transfer to TAS will not be consummated until TAS has received all required regulatory authorizations to provide interstate and intrastate telecommunications services and has complied with FCC and state requirements for notice to the affected customers. Attached hereto as **Exhibit A** is a sample notice that would be provided to the Windstream Licensees' customers at least 30 days prior to the transfer to TAS.

The assignment of customers to TAS will not take place until after the consummation of the *pro forma* Transaction in which its parent, CSL, will be spun-off from Windstream and operate as a separate publicly-traded company, initially with the same shareholders that own Windstream. Accordingly, at the time that the customers are assigned and TAS begins operation under a new certificate, it will no longer be an indirect subsidiary of Windstream, although its ultimate shareholder owners will be the same as Windstream's shareholders.

Public Interest Considerations

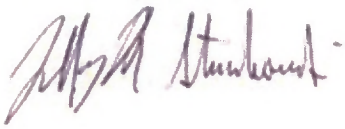
The Parties submit that the Transaction including the customer assignment is consistent with the public interest. The Windstream Companies operate in an industry that has been and continues to be subject to rapid technological advances, evolving consumer preferences, and dynamic change. The public convenience and necessity require that the Parties increase their efficiencies and lower their costs by means of efforts like the Transaction so that they can continue to provide the full range of advanced high quality services to residential and business customers.

The Windstream Licensees' customers will receive the same high quality local exchange and long distance service as they do today, subject to the same rules, regulations, and applicable tariffs. The Transaction will not affect the Windstream Licensees' service quality obligations or tariffs. Further, any subsequent end user rate changes will continue to be governed by the same rules and procedures as they are today, and the terms and prices for existing wholesale services under applicable tariffs or agreements will remain unchanged as a result of this Transaction. Consequently, for the reasons stated above, the transfer of customers to be undertaken as part of the Transaction is consistent with the public convenience and necessity and is in the public interest.

The Parties request that the Commission associate this notice with the TAS Certificate Application, and approve its request for authority to operate as a competitive local exchange and interexchange service provider.

An original and ten (10) copies of this letter are enclosed for filing. Should you have any questions concerning this filing, please do not hesitate to contact the undersigned.

Respectfully submitted,



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Counsel for the Parties

Exhibit A

Sample Customer Transfer Notice

Dear Valued Customer,

Windstream Communications, Inc. and certain its affiliates ("Windstream") are divesting certain of its local exchange residential markets to Talk America Services, LLC ("Talk America"). As a result of the transaction, your local and long distance service will transfer from Windstream to Talk America on or about January 30, 2015.

Rest assured you will continue to receive the high-quality service you have come to expect. They will be no change in your current plan, rates, features, terms and conditions of your service or customer service contracts. Also, there will be no charges associated with transferring your service to Talk America and no action is required by you during this transfer.

As a customer, you have a choice in carriers for your communications services. If you choose to select another provider, you should contact that carrier immediately to ensure that your services are transferred before January 30, 2015. Keep in mind, if you change carriers, you may have to pay a transfer charge.

Under Federal Communications Commission rules, any restriction or "freezes" you may have placed on your account to block changes to your preferred local and/or long distance carrier will be removed as part of the transfer process. If you wish to reinstate such restrictions, please contact us at 1-800- XXX-XXXX.

Customer service is the foundation of our business. Please let us know how we can work with you to meet your needs. If you have any questions or complaints before, during, and after the transition of your service to Talk America, do not hesitate to contact us at 1-800-XXX-XXXX.

Be sure to look for more information from us during the upcoming months. We are excited about serving you and look forward to providing you with the same high-quality, innovative products and services in the future.

Sincerely,

Talk America Services, LLC

DRAFT

Verification

VERIFICATION

STATE OF ARKANSAS §
§
COUNTY OF PULASKI §

I, John P. Fletcher, state that I am the Executive Vice President, Secretary and General Counsel of Windstream Holdings, Inc.; that I am authorized to make this Verification on behalf of TAS and the Windstream Companies; that the foregoing filing was prepared under my direction and supervision; and that the contents are true and correct to the best of my knowledge, information, and belief.

John P. Fletcher
Executive Vice President, Secretary and General Counsel
Windstream Holdings, Inc.

Sworn and subscribed before me this 17 day of September, 2014.

Notary public

FELICIA DAVIS
Pulaski County
My Commission Expires
June 24, 2015

My commission expires _____

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