

Morgan Lewis

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December 13, 2016

VIA OVERNIGHT COURIER

Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602-8294

Re: Notification Regarding the Proposed *Pro Forma* Change in Indirect Ownership of PEG Bandwidth IL, LLC, CSL Kentucky System, LLC and Talk America Services, LLC

Dear Mr. Derouen:

On behalf of Communications Sales & Leasing, Inc. ("CS&L") and together with Talk America Services, LLC ("TAS"), CSL Kentucky System, LLC ("CSL-KY") and PEG Bandwidth IL, LLC ("PEG-IL") (together, "Licensees") (together with CS&L, the "Parties"), this letter advises the Commission of the proposed *pro forma* change in indirect ownership that will result in a change in the intermediate holding company structure between Licensees and CS&L, with no change in the ultimate owners of the company (the "*Pro Forma* Change"). Pursuant to the Orders issued in Admin. Case No. 359 on June 21, 1996 and Admin. Case No. 370 on January 8, 1998 and 807 KAR 5:011, Section 11, prior action by the Commission is not required for the transaction described herein. Accordingly, the Parties submit this letter for informational purposes.

Description of the Parties

CS&L (NASDAQ: CSAL), a Maryland corporation headquartered at 10802 Executive Center Drive, Benton Building, Suite 300, Little Rock, Arkansas 72211, is a publicly traded real estate investment trust that engages in the acquisition and construction of infrastructure in the telecommunications industry. Prior to April 24, 2015, CS&L was a wholly owned subsidiary of Windstream Services, LLC, a wholly-owned subsidiary of Windstream Holdings, Inc. (together with its subsidiaries, "Windstream"). On April 24, 2015, Windstream contributed to CS&L certain telecommunications network assets, in certain states, including fiber and copper networks and other real estate through a sale-lease back transaction, and then spun off CS&L to Windstream stockholders. CS&L (and its

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subsidiaries) now operates as an independent, publicly-traded company, and leases telecommunications network assets and property back to Windstream for the operation of Windstream's business. CS&L currently owns 4.2 million fiber strand miles, 86 wireless towers, and other property across dozens of states. Additional information on CS&L can be found at: www.cslreit.com/about/.

CS&L 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, California and Hawaii, many of which also hold authority from the Federal Communications Commission ("FCC") to provide domestic interstate and international telecommunications services. In Kentucky, CS&L's regulated subsidiaries hold the following authorizations:

1. PEG-IL is registered as a competitive local exchange carrier (Utility ID 5057210).
2. TAS is registered as a Competitive Local Exchange Carrier (Utility ID 5057190) and as a Long Distance Carrier (Utility ID 5179740).
3. CSL-KY is registered as a competitive local exchange carrier (Utility ID 5057240).

Exhibit A illustrates the current and post-*Pro Forma* Change corporate ownership structure of CS&L's regulated subsidiaries in Kentucky. After the *Pro Forma* Change is completed, the Parties will remain well-qualified to provide service to their customers, and their operations will continue to be overseen by the same well-qualified management team with substantial telecommunications experience and technical expertise.

Contacts

For the purposes of this filing, contacts are as follows:

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with a copy to:

Daniel Heard,
Executive Vice President – General Counsel
and Secretary
Communications Sales & Leasing, Inc.
10802 Executive Center Drive
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Little Rock, AR 72211
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Description of the Transaction

The proposed *Pro Forma* Change will involve the insertion of two new entities, "New LP LLC" and "New OP LP,"¹ in the ownership chain between CS&L and its current direct subsidiaries, CSL Capital, LLC, Uniti Holdings LP and Uniti Holdings GP, LLC (the "Current Subs"). Upon completion of the Pro Forma Change, New OP, LP will wholly own the Current Subs. CS&L will be general partner of New OP LP, with a 99% equity interest, while New LP LLC will be a limited partner of New OP LP, with initially a 1% equity interest. New LP LLC will be wholly owned by CS&L. Thus, the *Pro Forma* Change will not result in any changes to the ultimate ownership of the Licensees, which will remain with CS&L and their shareholders. Rather, the only change is that the Licensees will have new intermediary entities added between them and CS&L. After the *Pro Forma* Change is undertaken the Licensees will continue to conduct all of their operations as they are currently conducted.

See **Exhibit A** for a chart illustrating the pre- and post-*Pro Forma* Change Corporate Ownership Structure.

Public Interest Considerations

As a result of the *Pro Forma* Change, two new entities will be inserted into the ownership chain between Licensees and CS&L, with no change to the ultimate ownership of the Licensees. Given that the *Pro Forma* Change only involves inserting additional entities into the CS&L corporate structure, it is purely *pro forma* in nature, it will not result in any new owners of the Licensees other than those in existence immediately before the *Pro Forma* Change takes place, and it will not directly involve the Licensees themselves, or their operations.

The net effect of the *Pro Forma* Change will be simply to add two new entities to the Licensees' ownership chain. There will be no change in actual working control of the Licensees, no change in the membership of their boards of directors or in the management of their operations, and no change in Licensees' capital structures as a result of the *Pro Forma* Change. The *Pro Forma* Change will not affect employee headcount in the CS&L family of companies. The proposed change in CS&L's corporate ownership structure will provide the company with greater flexibility for future equity and debt transactions, which will increase its access to capital and benefit the Licensees and their customers. The Licensees will remain well-qualified to provide service to their customers, and their operations will continue to be overseen by their existing management teams. The telecommunications services provided by the Licensees and the rates, terms and conditions of those services will not change as a result of the *Pro Forma*

¹ The names and jurisdiction(s) of organization of these entities has not yet been determined. New LP LLC will be a limited liability company; and New OP LP will be a limited partnership.

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Change, and the Kentucky customers of the Licensees will not be affected in any way by the *Pro Forma* Change.

In sum, the *Pro Forma* Change will improve the company's access to debt and equity capital. This, in turn, will enable both the holding company and its operating subsidiaries to keep their cost of capital low. The Licensees will continue to have the same requisite managerial, technical and financial capabilities to provide quality communications services. The Kentucky customers of the Licensees will receive the same full range of products and services that they received prior to the *Pro Forma* Change at the same prices and under the same terms and conditions. All of the above facts demonstrate that the *Pro Forma* Change is in the public interest

* * * *

An original and four (4) copies of this notification letter are enclosed. Please date-stamp and return the extra copy in the envelope provided. This letter has also been filed via e-mail. Should you have any questions, please do not hesitate to contact us.

Respectfully submitted,



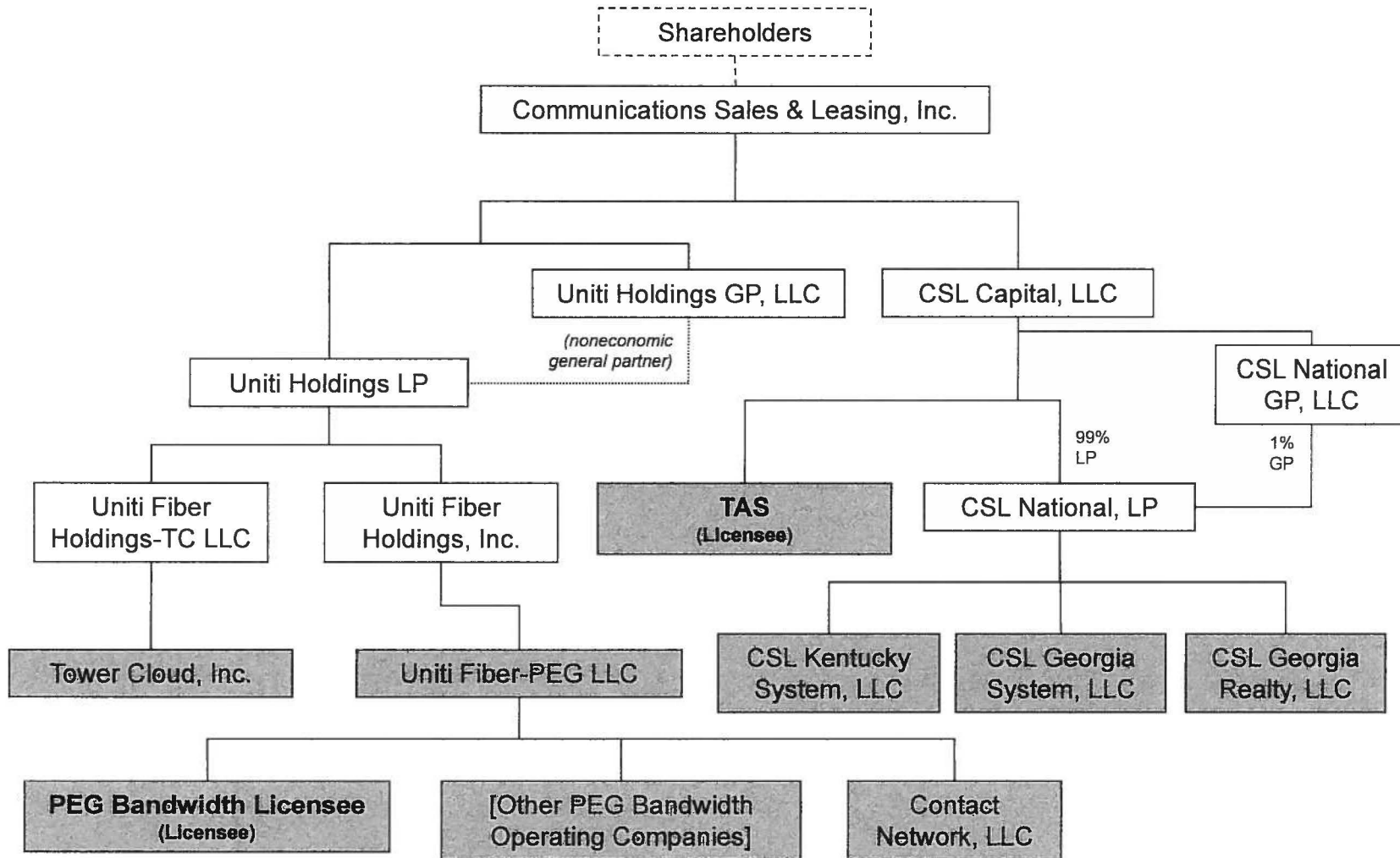
Ronald W. Del Sesto, Jr.
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Denise S. Wood

Counsel to the Parties

EXHIBIT A

Pre- and Post-*Pro Forma* Change Corporate Ownership Charts

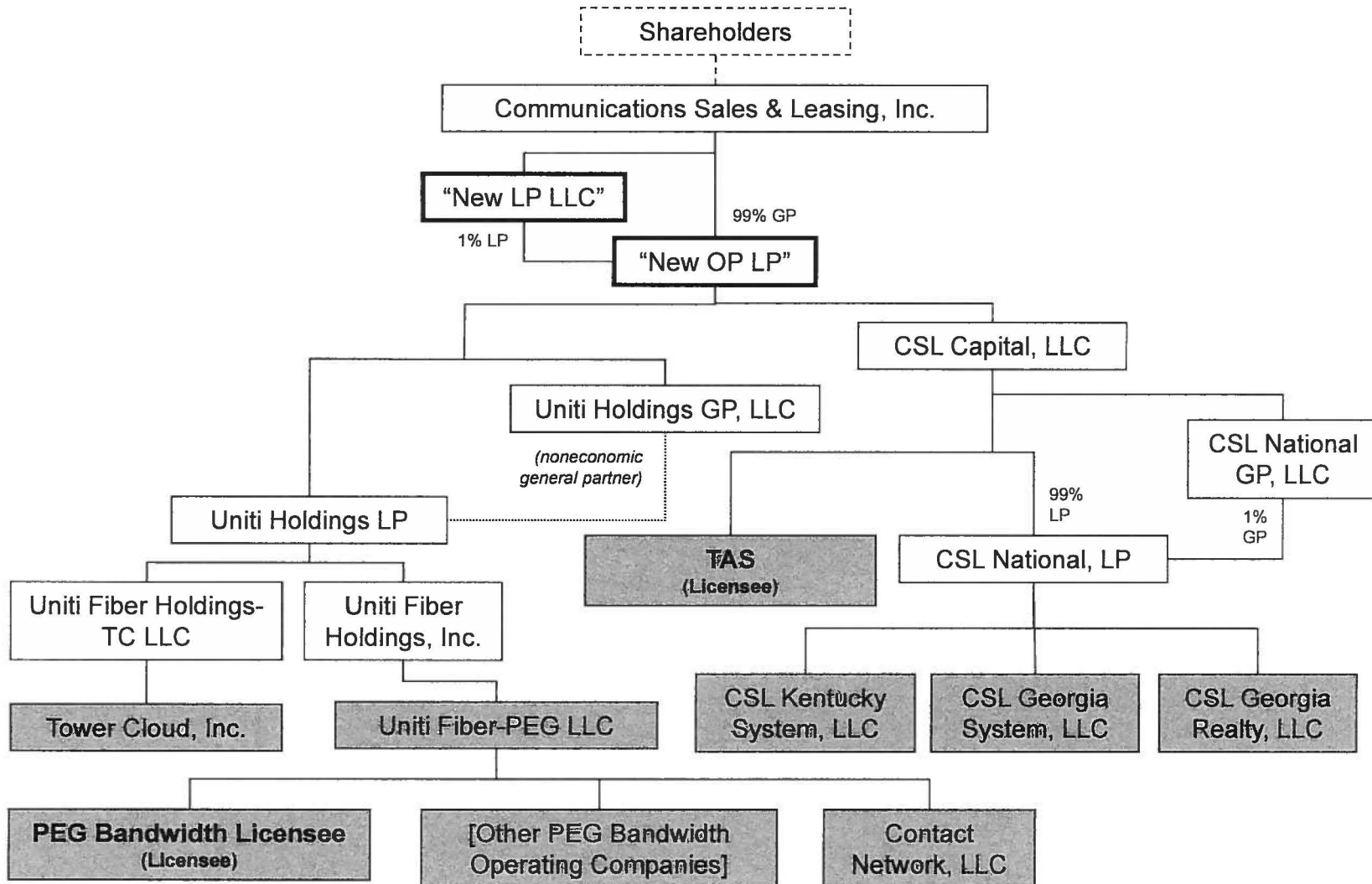
Pre-Pro Forma Transaction Organizational Structure



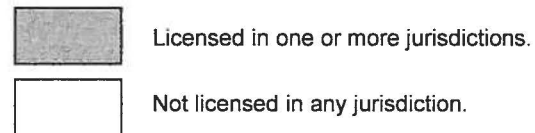
Unless otherwise indicated all ownership percentages are 100%.

- Licensed in one or more jurisdictions.
- Not licensed in any jurisdiction.

Post-Pro Forma Transaction Organizational Structure



Unless otherwise indicated all ownership percentages are 100%.



Verification

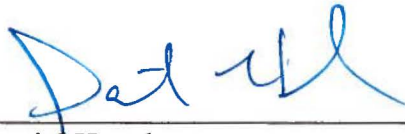
STATE OF ARKANSAS

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PULASKI COUNTY


VERIFICATION

I, Daniel Heard, hereby declare that I am Executive Vice President - General Counsel and Secretary of Communications Sales & Leasing, Inc. (the "Company"); that I am authorized to make this Verification on behalf of the Company and its subsidiaries; that the foregoing filing was prepared under my direction and supervision; that I am familiar with the facts set forth in the foregoing filing; and that, with respect to the Company and its subsidiaries, the contents of that filing are true and correct to the best of my knowledge, information, and belief.



Daniel Heard
Executive Vice President – General Counsel and Secretary
Communications Sales & Leasing, Inc.
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Subscribed and sworn to me this 9 day of November, 2016.



Notary Public

