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*Counsel to the Debtors and Debtors in Possession*

**UNITED STATES BANKRUPTCY COURT**
**SOUTHERN DISTRICT OF NEW YORK**

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

# NOTICE OF FILING OF EXHIBITS TO THE DISCLOSURE STATEMENT RELATING TO THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF WINDSTREAM HOLDINGS, INC. ET AL., PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

**PLEASE TAKE NOTICE** that on April 1, 2020, the above-captioned debtors and debtors in possession (the "Debtors") filed the *Disclosure Statement Relating to the Joint Chapter 11 Plan of Reorganization of Windstream Holdings, Inc. et al., Pursuant to Chapter 11 of the Bankruptcy Code* [Docket No. 1632] (the "Disclosure Statement") with the United States Bankruptcy Court for the Southern District of New York.

**PLEASE TAKE FURTHER NOTICE THAT** the Debtors hereby file the following exhibits to the Disclosure Statement:

**Exhibit B** - Liquidation Analysis.
**Exhibit C** - Financial Projections
**Exhibit D** - Valuation Analysis

[1] The last four digits of Debtor Windstream Holdings, Inc.'s tax identification number are 7717. Due to the large number of Debtors in these chapter 11 cases, for which joint administration has been granted, a complete list of the debtor entities and the last four digits of their federal tax identification numbers is not provided herein. A complete list of such information may be obtained on the website of the Debtors' claims and noticing agent at http://www.kccllc.net/windstream. The location of the Debtors' service address for purposes of these chapter 11 cases is: 4001 North Rodney Parham Road, Little Rock, Arkansas 72212.

**PLEASE TAKE FURTHER NOTICE THAT** copies of the Disclosure Statement and all documents filed in these chapter 11 cases may be obtained free of charge by visiting the website of Kurtzman Carson Consultants LLC at http://www.kccllc.net/windstream. You may also obtain copies of any pleadings by visiting the Court's website at http://www.nysb.uscourts.gov in accordance with the procedures and fees set forth therein.

Dated: April 30, 2020
New York, New York

*/s/ Stephen E. Hessler, P.C.*

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# Exhibit B

## Liquidation Analysis

# EXHIBIT B

## Liquidation Analysis

### 1) Introduction

Often referred to as the "best interest of creditors" test, section 1129(a)(7) of the Bankruptcy Code[1] requires that the Bankruptcy Court find, as a condition to confirmation of the Plan, that each holder of an impaired Claim or Equity Interest must either (a) accept the Plan or (b) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such non-accepting holder would receive or retain if the Debtors' assets were to be liquidated under chapter 7 of the Bankruptcy Code on the Effective Date (the "Liquidation Analysis"). In determining whether the Best Interests Test has been met, the dollar amount that would be generated from a hypothetical liquidation of the Debtors' assets in a chapter 7 proceeding must be determined.

This liquidation analysis ("Liquidation Analysis") was prepared by the Debtors with assistance from their financial advisors, and represents the Debtors' best estimate of the cash proceeds, net of liquidation related costs, which would be available for distribution to the Holders of Claims and Interests if the Debtors were to be liquidated in chapter 7 cases that do not preserve the going concern value of the Debtors' estates.

To conduct the Liquidation Analysis, the Debtors and their advisors have:

- estimated the cash proceeds (the "Liquidation Proceeds") that a chapter 7 trustee (the "Trustee") would generate if each Debtor's chapter 11 case were converted to a chapter 7 case on the Liquidation Date and the assets of such Debtor's estate were liquidated or sold;

- determined the distribution (the "Liquidation Distribution") that each holder of a Claim or Interest would receive from the Liquidation Proceeds under the priority scheme dictated in chapter 7; and

- compared each holder's Liquidation Distribution to the estimated distribution under the Plan ("Plan Distribution") that such holders would receive if the Plan were confirmed and consummated.

As the Liquidation Analysis is a hypothetical analysis based on certain assumptions, certain aspects may vary from the Plan, as discussed in the Disclosure Statement, including asset values. The Liquidation Analysis is based upon certain estimates and assumptions discussed herein and in the Disclosure Statement, which should be read in conjunction with the Liquidation Analysis.

[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement, to which this Liquidation Analysis is attached as **Exhibit B** or the Plan attached to the Disclosure Statement as **Exhibit A**.

**THE INFORMATION SET FORTH IN THIS LIQUIDATION ANALYSIS IS PRELIMINARY AND IS SUBJECT TO MODIFICATION AND SUPPLEMENTATION BY THE DEBTORS AT ANY TIME UP TO THE CONFIRMATION HEARING. THERE CAN BE NO ASSURANCE THAT THE VALUES REFLECTED IN THE LIQUIDATION ANALYSIS WOULD BE REALIZED IF THE DEBTORS WERE, IN FACT, TO UNDERGO SUCH A LIQUIDATION UNDER CHAPTER 7, AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE ESTIMATED HERE.**

**2) Basis of Presentation**

The Liquidation Analysis has been prepared assuming that the Debtors' chapter 7 liquidation would commence on or about August 31, 2020 (the "Liquidation Date"), which is the assumed effective date of the Debtors' chapter 11 plan. The pro forma values referenced herein are projected as of August 31, 2020. The Debtors assume the Liquidation Date to be a reasonable proxy for the projected Effective Date of the Plan. The Liquidation Analysis was prepared on a legal entity basis for each Debtor, and summarized into a consolidated report.

The Liquidation Analysis represents an estimate of recovery values and percentages based on a hypothetical liquidation if a chapter 7 trustee were appointed by the Bankruptcy Court to convert assets into cash. The determination of the hypothetical proceeds from the liquidation of assets is a highly uncertain process involving the extensive use of estimates and assumptions that, although considered reasonable by the Debtors' management team and their advisors, are inherently subject to significant business, economic, and competitive uncertainties and contingencies beyond the control of the Debtors and their management team. The Liquidation Analysis should be read in conjunction with the assumptions, qualifications, and explanations set forth in the Disclosure Statement and the Plan in their entirety, as well as the notes and assumptions set forth below.

For liquidating legal entities, the Liquidation Analysis assumes a timeline in which:

I. As of the Effective Date, the Uniti Arrangement is deemed rejected and as a result the Debtors can no longer utilize the network assets subject to the Uniti Arrangement. The analysis assumes that the effectiveness of the Uniti Transactions (as defined in the Plan Support Agreement, [Docket No. 1533]) coincides with the effectiveness of a chapter 11 plan. Accordingly, Uniti is entitled to an unsecured rejection damages claim.

II. Certain portions of the Debtors' operations not reliant on property owned by Uniti (i.e., ILEC operations in states not contributed to Uniti ("Non-Uniti ILEC") and portions of the Enterprise/Wholesale segments) will be sold as a going concern. This assumes that the purchase price for the hypothetical asset sales would be agreed by December 31, 2020.

III. The liquidation of assets from all other operations (e.g., residual fixed assets, working capital, etc.). This is assumed to occur over 24 months following the Liquidation Date (the "Asset Sale Period").

The cessation of business in a liquidation is likely to trigger certain claims that otherwise would not exist under a Plan absent a liquidation. Examples of these kinds of claims include various potential employee claims (for such items as severance), pension termination claims, unpaid chapter 11 administrative claims, and unexpired lease rejection and guarantee claims. Some of these claims could be significant and may be entitled to priority in payment over general unsecured claims. The Liquidation Analysis also does not include estimates for the tax consequences, both federal and state, that may be triggered upon the liquidation and sale events of assets in the manner described above. Such tax consequences may be material. Finally, the Liquidation Analysis does not include recoveries resulting from any potential preference, fraudulent transfer, or other litigation or avoidance actions.

**3) Liquidation Process**

The Debtors' liquidation would be conducted pursuant to chapter 7 of the Bankruptcy Code, with the Trustee managing the bankruptcy estate (the "Estate") to maximize recovery in an expedited process. The Trustee's initial step would be to develop a liquidation plan to generate proceeds from the sale of entity specific assets for distribution to creditors. The three major components of the liquidation are as follows:

I. Generation of cash proceeds

- Sale of Non-Uniti ILEC portions of the Company. This assumes that Windstream's operations in states where property was not conveyed to Uniti in 2015 can continue and be sold to a third party.

- Sale of portions of the Enterprise and Wholesale businesses. This assumes that approximately 30% of the Enterprise and Wholesale segments, can be maintained as a continuing operation and valued as a going concern. Additionally, the Enterprise and Wholesale valuations assume that all "over-the-top" product revenue (e.g., SD-WAN, UCaaS, etc.) and equipment sales will be monetized as part of the segment monetization(s).

- Liquidation of the remaining portion of assets not accompanying the going concern asset sales, such as: buildings, vehicles, circuits, switches, etc.

- Collection of working capital (*e.g.*, accounts receivable, inventory).

II. Costs related to the liquidation process, such as corporate support, personnel retention/severance costs, and trustee and professional fees.

III. Distribution of net proceeds generated from asset sales to claimants in accordance with the priority scheme under chapter 7 of the Bankruptcy Code.

**4) Distribution of Net Proceeds to Claimants**

Any available net proceeds would be allocated to Holders of Claims against, and Interests in, the Debtors in accordance with section 726 of the Bankruptcy Code—*i.e.*, the priority scheme applicable in a chapter 7 proceeding.

- ***Debtor in Possession Financing:*** The DIP loan made by Citibank as Agent to the Company, consisting of a $500 million term loan and a $500 million revolving credit facility, to the extent any amount is drawn.

- ***Chapter 11 Super Priority Intercompany Claims:*** claims related to outstanding balances as a result of postpetition intercompany transactions between Debtor entities.

- ***Secured Claims:*** claims arising under the Debtors' secured credit facilities, which include the First Lien Claims, Second Lien Claims, and the Midwest Notes Claims.

- ***Chapter 11 Administrative & Priority Claims:*** Including but not limited to claims as a result of (i) postpetition accounts payable & customer prepayments, (ii) prepetition income, sales, and use tax, (iii) postpetition taxes, (iv) contract rejection claims arising from contracts assumed postpetition but prior to the Liquidation Date, and (v) claims arising under section 503(b)(9) of the Bankruptcy Code.

- ***General Unsecured Claims:*** Including but not limited to (i) Unsecured Notes Claims, (ii) Uniti Arrangement rejection claims, (iii) contract rejection claims, (iv) pension termination claims, (v) prepetition trade payables, (vi) certain other legal and employee related claims, and (vii) prepetition intercompany payables.

**5) Conclusion**

The Debtors have determined, as summarized in the following analysis, upon the Effective Date, the Plan will provide all Holders of Claims and Interests with a recovery (if any) that is not less than what such holders would receive pursuant to a liquidation of the Debtors under chapter 7 of the Bankruptcy Code, and as such believe that the Plan satisfies the requirement of section 1129(a)(7) of the Bankruptcy Code.

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## Recovery Comparison

The following table compares estimated Plan versus Liquidation recoveries by Plan class:

| | Hypothetical Liquidation | Plan of Reorganization | Variance |
|---|---|---|---|
| **Recovery %** | | | |
| DIP | 100.0% | 100.0% | 0.0% |
| First Lien | 8.7% | 67.1% | -58.4% |
| Second Lien | 0.0% | 0.1% | -0.1% |
| Midwest Notes | 2.0% | 100.0% | -98.0% |
| Admin & Priority | 26.8% | 100.0% | -73.2% |
| Unsecured Notes | 0.0% | 0.1% | -0.1% |
| Unsecured Other (non-I/C, non-Debt) | 0.3% | 42.3% | -42.0% |
| Pension Termination(1) | 41.0% | N/A | N/A |

*(1) Considered a "control group" liability.*

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## Consolidated Debtor Waterfall

($ in millions)

| | Consolidated | Guarantors | Non-Guarantors | Notes |
|---|---|---|---|---|
| **Net Distributable Value Before Interco.** | **$ 1,587** | **$ 402** | **$ 1,185** | 1-14 |
| (+/-) Interco Receivable / (Payable) | | 803 | (803) | |
| **Net Distributable Value After Interco.** | **$ 1,587** | **$ 1,205** | **$ 382** | |
| **Total DIP Claims:** | **$ 930** | **$ 930** | **$ -** | 15 |
| **Est. DIP Recovery $** | **$ 930** | **$ 930** | **$ -** | |
| **Est. DIP Recovery %** | **100.0%** | **100.0%** | **n/a** | |
| **Net Est. Proceeds Available for Distribution** | **$ 657** | **$ 275** | **$ 382** | |
| **Total First Lien Claims:** | **$ 3,151** | **$ 3,151** | **$ -** | 16 |
| **Est. First Lien Recovery $** | **$ 273** | **$ 273** | **$ -** | |
| **Est. First Lien Recovery %** | **8.7%** | **8.7%** | **n/a** | |
| **Net Est. Proceeds Available for Distribution** | **$ 384** | **$ 2** | **$ 382** | |
| **Total Second Lien Claims:** | **$ 1,235** | **$ 1,235** | **$ -** | 16 |
| **Est. Second Lien Recovery $** | **$ -** | **$ -** | **$ -** | |
| **Est. Second Lien Recovery %** | **0.0%** | **0.0%** | **n/a** | |
| **Net Est. Proceeds Available for Distribution** | **$ 384** | **$ 2** | **$ 382** | |
| **Total Midwest Notes Claims:** | **$ 100** | **$ 100** | **$ -** | 16 |
| **Est. Midwest Notes Recovery $** | **$ 2** | **$ 2** | **$ -** | |
| **Est. Midwest Notes Recovery %** | **2.0%** | **2.0%** | **n/a** | |
| **Net Est. Proceeds Available for Distribution** | **$ 382** | **$ -** | **$ 382** | |
| **Total Administrative Claims:** | **$ 647** | **$ 132** | **$ 515** | 17 |
| **Est. Administrative Recovery $** | **$ 180** | **$ -** | **$ 180** | |
| **Est. Administrative Recovery %** | **27.8%** | **0.0%** | **34.9%** | |
| **Net Est. Proceeds Available for Distribution** | **$ 203** | **$ -** | **$ 203** | |
| **Total Priority Claims:** | **$ 110** | **$ 68** | **$ 42** | 17 |
| **Est. Priority Recovery $** | **$ 23** | **$ -** | **$ 23** | |
| **Est. Priority Recovery %** | **20.7%** | **0.0%** | **53.9%** | |
| **Net Est. Proceeds Available for Distribution** | **$ 180** | **$ -** | **$ 180** | |
| **Total Unsecured Claims:** | **$ 233,220** | **$ 116,351** | **$ 117,295** | 18 |
| **Est. Unsecured Recovery $** | **$ 180** | **$ -** | **$ 180** | |
| **Est. Unsecured Recovery %** | **0.1%** | **0.0%** | **0.2%** | |

## Notes to the Consolidated Debtor Waterfall

- The Liquidation Analysis is based on the liquidation of individual legal entities. The consolidated waterfall shown in this analysis is based on an aggregation of the individual Debtor liquidation claims and recoveries.

## Notes to the Liquidation Analysis

- The Liquidation Analysis considers the Debtors entering chapter 7 on August 31, 2020, assumed to be a reasonable proxy for the projected Effective Date.

- The Liquidation Analysis is based on the liquidation of individual legal entities. The consolidated waterfall shown in this analysis is based on an aggregation of the individual Debtor liquidation claims and recoveries.

- The Liquidation Analysis assumes that the Uniti Arrangement is rejected on the Liquidation Date and that the Debtor no longer has access to the network provided by Uniti.

## Gross Liquidation Proceeds

| Summary of Gross Distributable Value | | | | |
|---|---|---|---|---|
| ($ in millions) | Low | Mid | High | Note |
| Non-Uniti ILEC | $ 944 | $ 996 | $ 1,049 | 1 |
| Enterprise | 484 | 587 | 689 | 2 |
| Wholesale | 165 | 178 | 190 | 2 |
| Other[1] | 122 | 264 | 434 | 3,4 |
| Cash | 77 | 77 | 77 | 5 |
| Operating Cash Flow During Wind-Down | 17 | 17 | 18 | 6 |
| **Total** | **$ 1,808** | **$ 2,119** | **$ 2,457** | |

(1) includes Communication Assets, Working Capital, and other montetizable assets.

### Note 1 – Sale of Non-Uniti ILEC Operations

- Non-Uniti ILEC valuation is based on a multiple approach. Assumes a sale would be documented and executed by December 31, 2020.

- Key assumptions to the valuation include:

  – Ability to maintain consumer, small business, wholesale, and regulatory revenue within non-Uniti ILEC states post-conversion.

  – Assumes customer churn is elevated by 30 basis points versus the pre-conversion period in 2020.

  – Direct expenses include: Field Technicians, Broadband & OSP teams and associated benefits and taxes.

  – Assumes capital spend can remain at maintenance levels while operating the platform during the sale period.

  – Allocated expenses include full operational costs as if the business were run on a standalone basis.

### Note 2 – Sale of Certain Enterprise and Wholesale Operations

- The Enterprise and Wholesale portions of the business for sale have been valued utilizing a discounted cash flow ("DCF") methodology.

- Key assumptions to the valuation include:

- All customers operating exclusively within non-Uniti states can be monetized (19 states).

- A state with < 1% Uniti network route miles subject to the Uniti Arrangement is deemed non-Uniti.

- Assumes all "over the top" product revenue can be monetized with the connectivity replaced, if necessary, as well as all customers with ethernet-only connectivity.

- Does not assume any value for customers (or customer lists) within Uniti states nor multi-state customers with locations in Uniti states.

**Note 3 – Communication Assets**

- Represents liquidated discontinued fixed assets (primarily ILEC), net of recovery costs, in Uniti states (includes buildings, vehicles, circuits, switches, etc.).

- Assumes certain communication assets are sold within the secondary market at prevailing rates.

**Note 4 – Other Assets**

- Represents the collection of working capital (i.e., accounts receivable) and liquidation of other monetizable assets.

**Note 5 – Cash Balance at Rejection**

- Represents the total projected cash on the balance sheet as of the Liquidation Date.

**Note 6 – Operating Cash Flow During Wind-Down Period**

- Represents free cash flow generated by the Debtors throughout the Asset Sale Period. Assumes that all interconnect/access-related contracts are rejected as of the Liquidation Date, resulting in an increase to access expense (approximated using month-to-month/tariff pricing).

**Note 7 – Intercompany Receivables**

- Represents intercompany receivables from one Debtor legal entity to another Debtor legal entity in order to settle an intercompany claim in accordance with the absolute priority rule of the Bankruptcy Code.

## Net Distributable Value

| Gross to Net Distributable Value | | | | |
|---|---|---|---|---|
| ($ in millions) | Low | Mid | High | Note |
| Gross Distributable Value | $ 1,808 | $ 2,119 | $ 2,457 | |
| ( - ) Wind-Down Costs | (219) | (219) | (219) | 8 |
| ( - ) Retention Costs | (137) | (137) | (137) | 9 |
| ( - ) Severance Costs (incl. WARN) | (32) | (32) | (32) | 10 |
| ( - ) Professional Fees | (43) | (51) | (59) | 11 |
| ( - ) Trustee Fees | (18) | (21) | (25) | 12 |
| ( - ) Contract Cures | (65) | (72) | (79) | 13 |
| **Net Distributable Value** | **$ 1,295** | **$ 1,587** | **$ 1,907** | 14 |

### Note 8 – Wind-Down Costs

- Represents corporate support functions that would be required to wind-down the estate during the 12-month asset sale period and costs associated with maintaining a reduced workforce thereafter to wind-down the remaining operations and satisfy final liabilities of the Company. Additionally, wind-down costs incorporate an estimate of ~$30 million for the cash collateralization of letters of credit that are assumed to be required upon conversion.

### Note 9 – Retention Costs

- To maximize recoveries on remaining assets, minimize number of claims and generally oversee an orderly liquidation, the Trustee will need to continue to employ a substantial number of the Debtors' employees for the liquidation period.

- The assumptions contemplate a retention bonus of 75% and 25% of base salary for certain corporate employees and field employees, respectively.

### Note 10 – Severance Costs

- The Liquidation Analysis assumes that the Trustee would reduce employee headcount to a minimum staff from current levels over the 24-month liquidation timeframe. This includes all collectively bargained severance amounts to be paid in addition to all applicable obligations triggered by the Worker Adjustment and Retraining and Notification Act of 1988 ("WARN"). Further, all non-CBA severance programs are assumed to be terminated by the Board.

### Note 11 – Professional Fees

- Represents fees to professionals necessary to effectuate an orderly sale and liquidation of the Debtors.

- Assumes professional fees of 2.5% of Gross Distributable Value for the 12-month monetization period; fees could be significantly more or less depending on the complexity and length of the restructuring process.

**Note 12 – Chapter 7 Trustee Fees**

- Trustee fees necessary to facilitate the sale of the Debtors' businesses are assumed to represent 1% of available liquidation proceeds. These fees would be used for developing marketing materials and facilitating the solicitation process for the parties, in addition to general administrative expenses, such as the Trustee's compensation.

**Note 13 – Contract Cures**

- Represents amounts to cure contracts required to maintain the continuing operations of the go-forward business segments in order to maximize asset value in a hypothetical sale.

**Note 14 – Net Distributable Value Before Intercompany**

- Represents the full external liquidation value of the Debtors' assets before liquidation adjustments.

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# Claims and Claim Recoveries

## Note 15 – Chapter 11 Super Priority Postpetition Claims

| Summary of Superpriority Claims | | | |
|---|---|---|---|
| ($ in millions) | | | Note |
| **Superpriority DIP** | | | |
| DIP | $ | 930 | 15 |
| **Superpriority Other** | | | |
| Postpetition Intercompany | $ | 17,497 | 15 |

- Includes any outstanding amounts on the Debtor in Possession financing in the amount of $1 billion made by Citibank as Agent to the Company, consisting of a $500 million revolving credit facility and a $500 million term loan. Additionally assumes $30 million of estimated accrued and unpaid estate professional fees at the time of conversion pursuant to the Carve Out.[2]

- Represents claims related to outstanding balances as a result of postpetition intercompany transactions between Debtor entities.

## Note 16 – Secured Claims

| Summary of First Lien Claims | | | |
|---|---|---|---|
| ($ in millions) | | | Note |
| **First Lien Claims** | | | |
| Revolver | $ | 802 | 16 |
| Tranche B6 | | 1,181 | 16 |
| Tranche B7 | | 568 | 16 |
| 8.625% 2025 Notes | | 600 | 16 |
| Subtotal | $ | 3,151 | |

| Summary of Second Lien Claims | | | |
|---|---|---|---|
| ($ in millions) | | | Note |
| **Second Lien Claims** | | | |
| 10.500% 2024 Notes | $ | 422 | 16 |
| 9.000% 2025 Notes | | 813 | 16 |
| Subtotal | $ | 1,235 | |

| Summary of Midwest Note Claims | | | |
|---|---|---|---|
| ($ in millions) | | | Note |
| **Other Secured Claims** | | | |
| 6.75% Subsidiary Notes (Midwest) | $ | 100 | 16 |

[2]As defined in the *Final Order (A) Authorizing The Debtors To Obtain Postpetition Financing, (B) Authorizing The Debtors To Use Cash Collateral, (C) Granting Liens And Providing Superpriority Administrative Expense Status, (D) Granting Adequate Protection To The Prepetition Secured Parties, (E) Modifying The Automatic Stay, And (F) Granting Related Relief* [Docket No. 376].

- Total Secured Claims include:
  - First Lien Secured Debt
  - Second Lien Secured Debt (inclusive of prepetition accrued interest given no adequate protection payments to this class)
  - Midwest Notes

## Note 17 – Chapter 11 Administrative & Priority Claims

**Summary of Administrative & Priority Claims**

| ($ in millions) | | | Note |
|---|---|---|---|
| **Administrative & Priority Claims** | | | |
| Administrative Claims | $ | 647 | 17 |
| Priority Claims | | 110 | 17 |
| Subtotal | $ | 756 | |

- Administrative & Priority Claims include:
  - **Postpetition Accounts Payable & Customer Prepayment**: Postpetition accounts payable related to vendors and certain customer disputes, as well as amounts collected from customers where services have not yet been performed, are assumed to be outstanding on day one of the wind-down. Trade accounts payable obligations incurred during the wind-down period are not included in this balance, as they are assumed to be paid in the ordinary course. Liabilities related to the hypothetically sold business segments assumed to transfer to buyer.
  - **Assumed Real Estate/Contract Claims:** Represents remaining obligations related to leases assumed on a postpetition basis, as well as unpaid cure amounts relating to contracts assumed prior to the Liquidation Date. These leases/contracts would be terminated in the event of a hypothetical liquidation.
  - **Claims arising under section 503(b)(9) of the Bankruptcy Code:** Represents claims related to goods delivered within 20 days of the petition date and not paid by the Debtors through vendor settlements prior to the wind-down.
  - **Postpetition Taxes:** Certain postpetition taxes related to income tax, transaction tax, property tax and payroll tax are assumed to be outstanding on day one of the wind-down. Tax obligations incurred during the wind-down period are not included in this balance, as they are assumed to be paid in the ordinary course. Liabilities related to the continuing operations assumed to transfer to buyer.
  - **Prepetition Income, Sales, and Use Tax**: The Debtors do not have the authority to pay prepetition income taxes and, as such, these amounts will remain unpaid as of day one of the wind-down. Furthermore, the Debtors have various outstanding disputes related to sales & use taxes arising from prepetition activity that will remain unpaid.

## Note 18 – General Unsecured Claims

| Summary of General Unsecured Claims | | | |
|---|---|---|---|
| ($ in millions) | | | Note |
| **General Unsecured Claims** | | | |
| First Lien Deficiency Claims | $ | 2,878 | 18 |
| Second Lien Deficiency Claims | | 1,235 | 18 |
| Other Secured Deficiency Claims | | 98 | 18 |
| Unsecured Notes | | 1,143 | 18 |
| Prepetition Intercompany Claims | | 225,328 | 18 |
| Other General Unsecured Claims | | 2,539 | 18 |
| **Total General Unsecured Claims** | **$** | **233,220** | |

- **Deficiency Claims:** Represents any portion of unpaid secured prepetition debt irrespective of partial recoveries at other legal entities, unless the secured prepetition debt is cumulatively paid in full across all guarantors.

- **Unsecured Notes:** Represents various unsecured notes and based on outstanding principle balance and accrued interest of notes maturing 2020 – 2024.

- **Prepetition Intercompany Payables:** Represents all prepetition intercompany payables per the Debtor's books and records**.**

- **Other General Unsecured Claims** include**:**

  – **Prepetition Accounts Payable Claims:** Represents estimated unpaid prepetition vendor claims as of the Liquidation Date.

  – **Contract Rejection Claims:** Represents costs associated with rejecting operating contracts, and purchase agreements for any business not sold as a going concern.

  – **Pension Termination:** In a rejection of the Uniti Arrangement, the Windstream pension plan would go through a distressed termination process, thereby ceding control/management to the Pension Benefit Guaranty Corporation ("PBGC"). This represents the claim asserted by the PBGC in a chapter 7 liquidation.

  – **Uniti Arrangement Rejection:** Represents the estimated rejection damages claim associated with rejecting the Uniti Arrangement.

  – **Legal Claims:** Represents estimates for ongoing litigation and legal-related liabilities.

## Note 19 – Equity Claims

- Residual equity value in a legal entity, if any, rolls up to its direct parent within the corporate organizational structure until it reaches a guarantor legal entity, where it is assumed to be prepetition secured debt collateral and therefore available to satisfy secured debt claims.

# <u>Exhibit C</u>

## Financial Projections

# Exhibit C

## FINANCIAL PROJECTIONS[1]

As a condition to Confirmation, the Bankruptcy Code requires, among other things, the Bankruptcy Court to find that Confirmation is not likely to be followed by either a liquidation or the need to further reorganize the Debtors (and together with their non-Debtor affiliates, the "Company"). In accordance with this condition and in order to assist each holder of a Claim in determining whether to vote to accept or reject the Plan, the Company's management team ("Management"), with the assistance of their advisors, developed financial projections (the "Financial Projections") to support the feasibility of the Plan.

The Financial Projections were prepared by Management and are based on a number of assumptions made by Management, within the bounds of their knowledge of their business and operations, with respect to the future performance of the Company's operations. Although management has prepared the Financial Projections in good faith and believes the assumptions to be reasonable, there can be no assurance that such assumptions will be realized.

The Financial Projections were not prepared with a view toward compliance with published guidelines of the United States Securities and Exchange Commission or guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. An independent auditor has not examined, compiled, or performed any procedures with respect to the prospective financial information contained in this Exhibit and, accordingly, it does not express an opinion or any other form of assurance on such information or its achievability. The Debtors' independent auditor assumes no responsibility for, and denies any association with, the prospective financial information.

***Safe Harbor Under the Private Securities Litigation Reform Act of 1995***

The Financial Projections contain certain statements that are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in the Financial Projections include the intent, belief, or current expectations of the Debtors and management with respect to the timing of, completion of, and scope of the current restructuring, Plan, Debtors' business plan, and market conditions, and the Debtors' future liquidity, as well as the assumptions upon which such statements are based. While the Debtors believe that the expectations are based upon reasonable assumptions within the bounds of their knowledge of their business and operations, parties-in-interest are cautioned that any such forward-looking statements are not guarantees of future performance, involve risks and uncertainties, and that actual results may differ materially from those contemplated by such forward-looking statements.

[1] Capitalized terms used but not otherwise defined herein have the meanings ascribed to them in the Disclosure Statement.

***Accounting Policies***

The Financial Projections have been prepared using accounting policies that are consistent with those applied in the Debtors' historical financial statements.

Upon emergence from chapter 11, the Reorganized Debtors will implement "fresh start" reporting pursuant to Accounting Standards Codification ("ASC") Topic 852, "Reorganization." The main principles of fresh start reporting require that the reorganization value of the emerging entity be allocated to all of the entity's assets and liabilities in accordance with the guidance in ASC Topic 805, "Business Combinations." Any portion of the reorganization value not attributable to specific tangible or identifiable intangible assets or liabilities of the emerging entity is required to be reported as goodwill. The Projections may not reflect all the adjustments necessary to implement fresh start reporting.

***Summary of Significant Assumptions***

The Debtors, with the assistance of various professionals, including their financial advisors, prepared the Financial Projections for 2020 to 2026. The Financial Projections are based on a number of assumptions with respect to the future performance of the Reorganized Debtors' operations. Although these Financial Projections have been prepared in good faith and are believed to be reasonable, it is important to note that the Debtors can provide no assurance that such assumptions will be realized. As described in detail in Article VIII of the Disclosure Statement, a variety of risk factors could affect the Reorganized Debtors' financial results and should be considered. The Financial Projections should be reviewed in conjunction with a review of these assumptions, including the qualifications and footnotes set forth herein.

***General Assumptions***

The Company operates on a calendar year and the Financial Projections assume that the Effective Date will be August 31, 2020 and that the Reorganized Debtors will continue to conduct operations substantially similar to their current businesses. In addition, the Financial Projections take into account the current market environment in which the Debtors compete, including many economic and financial forces that are beyond the control of the Debtors and management. The Debtors operate in the telecommunications industry, providing communications and technology solutions to customers. Products and services offered to small, mid-market and enterprise businesses and wholesale customers include integrated voice and data services, data transport services, multi-site networking services, cloud computing, colocation, security, and managed services. The Debtors also provide voice, high-speed Internet, video and security services to retail consumers in 18 states. Economic growth or slowdowns on a global, national or regional basis may impact the Reorganized Debtors' revenues and expenses. In addition, general trends or changing legislation within the telecommunication industry may impact performance.

The budget process is led by business unit financial planning leaders with input from the corporate Financial Planning & Analysis team. These financial planning leaders collaborate with relevant business owners to develop the operational and financial projections for each of the key drivers of the business. Key drivers include customer add/disconnect assumptions, pricing strategies, possible capital investments, known initiatives, and historical trends. These inputs are projected by segment and summarized into a consolidated financial view that is reviewed by the senior leadership team and, ultimately, the Board of Directors.

***Risk Factors***

The Financial Projections are subject to inherent risks and uncertainties, most of which are difficult to predict and many of which are beyond the Debtors' management team's control. Many factors could cause actual results, performance, or achievements to differ materially from any future results, performance, or achievements expressed or implied by these forward-looking statements. Accordingly, the Financial Projections should be reviewed in conjunction with a review of the risk factors set forth in Article VIII of the Disclosure Statement and the assumptions described herein.

***Projected Statements of Operations***

"Adjusted OIBDAR" is defined as operating income before depreciation and amortization and goodwill impairment, adjusted to exclude straight-line expense under the contractual arrangement with Uniti, merger, integration and other costs, restructuring charges, share-based compensation and certain other costs. Adjusted OIBDAR is a key measure of the Company's operational performance, and management, including the chief operating decision-maker, uses Adjusted OIBDAR consistently for all purposes, including internal reporting, the evaluation of business objectives, opportunities and performance, and the determination of management compensation. Adjusted OIBDAR is not a measure of financial performance under Generally Accepted Accounting Principles ("GAAP") and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

"Segments" The Company's business operations primarily consist of three segments: (i) Kinetic, (ii) Enterprise and (iii) Wholesale.

**Windstream**
**Projected Statement of Operations (Unaudited)**

| | Fiscal Year Ending 12/31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *($s in Millions)* | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| ***Revenue*** | | | | | | | | |
| Enterprise | $ 2,679 | $ 2,304 | $ 2,053 | $ 1,915 | $ 1,849 | $ 1,804 | $ 1,784 | $ 1,779 |
| Kinetic | 2,075 | 2,047 | 2,039 | 2,062 | 2,115 | 2,161 | 2,204 | 2,252 |
| Wholesale | 362 | 333 | 308 | 286 | 272 | 262 | 256 | 250 |
| **Total Revenue** | **$ 5,115** | **$ 4,684** | **$ 4,401** | **$ 4,262** | **$ 4,237** | **$ 4,227** | **$ 4,244** | **$ 4,281** |
| *YoY Growth* | *(7.7)%* | *(8.4)%* | *(6.1)%* | *(3.1)%* | *(0.6)%* | *(0.2)%* | *0.4%* | *0.9%* |
| **Cash Expenses** | | | | | | | | |
| Interconnect | 1,213 | 1,026 | 881 | 801 | 753 | 716 | 694 | 678 |
| Other Cash Expenses | 2,160 | 2,026 | 1,888 | 1,861 | 1,832 | 1,808 | 1,794 | 1,794 |
| **Total Cash Expenses** | **$ 3,372** | **$ 3,052** | **$ 2,769** | **$ 2,662** | **$ 2,585** | **$ 2,524** | **$ 2,488** | **$ 2,472** |
| **Adj. OIBDAR** | **$ 1,743** | **$ 1,632** | **$ 1,631** | **$ 1,600** | **$ 1,652** | **$ 1,703** | **$ 1,757** | **$ 1,809** |
| *YoY Growth* | *(5.6)%* | *(6.4)%* | *(0.0)%* | *(1.9)%* | *3.3%* | *3.1%* | *3.2%* | *3.0%* |
| *Margin %* | *34.1%* | *34.8%* | *37.1%* | *37.5%* | *39.0%* | *40.3%* | *41.4%* | *42.3%* |
| Pro Forma Adjustments | (41) | (34) | (32) | (31) | (32) | (32) | (33) | (33) |
| **Pro Forma Adj. OIBDAR** | **$ 1,702** | **$ 1,598** | **$ 1,599** | **$ 1,569** | **$ 1,620** | **$ 1,671** | **$ 1,724** | **$ 1,776** |
| *YoY Growth* | *(6.4)%* | *(6.1)%* | *0.1%* | *(1.9)%* | *3.3%* | *3.1%* | *3.2%* | *3.0%* |
| *Margin %* | *33.3%* | *34.1%* | *36.3%* | *36.8%* | *38.2%* | *39.5%* | *40.6%* | *41.5%* |
| ***Memo - Pro Forma Revenue:*** | | | | | | | | |
| *Enterprise* | *$ 2,679* | *$ 2,304* | *$ 2,053* | *$ 1,915* | *$ 1,849* | *$ 1,804* | *$ 1,784* | *$ 1,779* |
| *Kinetic* | *2,075* | *2,047* | *2,039* | *2,062* | *2,115* | *2,161* | *2,204* | *2,252* |
| *Wholesale* | *321* | *299* | *276* | *254* | *241* | *230* | *223* | *217* |
| ***Total*** | ***$ 5,074*** | ***$ 4,650*** | ***$ 4,368*** | ***$ 4,231*** | ***$ 4,205*** | ***$ 4,195*** | ***$ 4,212*** | ***$ 4,248*** |

## Notes to Projected Statement of Operations

### *Revenue*

Enterprise

Enterprise recurring revenue remains challenged in the near-term, although the rate of decline improves in 2022 due to increased sales enabled by the Company's strategic product set featuring SD-WAN and Unified Communications as a Service ("UCaaS"), in addition to lower churn as a result of strategic customer conversions and renewal activity.

Kinetic

Kinetic revenue is classified into the following five categories: (i) Consumer, (ii) Small Business, (iii) Wholesale (in-territory), (iv) Regulatory & Other, and (v) Product Sales. In terms of revenue contribution, the Consumer, Small Business, Wholesale, and Regulatory & Other revenues in 2019 consisted of $1,155 million (56%), $311 million (15%), $211 million (10%), $354 million (17%), and $43 million (2%), respectively. Consumer revenue transitions to growth driven by accelerated high-speed internet growth behind investments in network upgrades (*e.g.*, 1GB expansion). Small Business revenue improves to growth driven by incremental network investments, as well as improved productivity within the sales and marketing organization.

Wholesale

CLEC revenue continues to decline in the long term, as customers accelerate their transition away from legacy TDM products. This decline in legacy revenues is partially offset by continued positive activity within strategic fiber solutions (*e.g.*, Wavelength services, Fiber to the Tower).

***Operating Expenses***

Enterprise

In order to mitigate top-line deterioration in the Enterprise business, the Company has initiated cost take-out efforts, primarily focused on reducing legacy TDM network costs (*i.e.*, interconnect expense).

Kinetic

The Financial Projections assume overall Kinetic expenses decline by 0.2% in 2020, and remain relatively flat thereafter. Kinetic expense as a percent of revenue is forecast to decrease slightly from 42.7% in 2019 to 40.0% in 2026.

To support increased 1GB sales efforts in the Consumer and Small Business areas of Kinetic, staff group expenses are forecast to increase due to investments in Sales & Marketing and Field Ops.

Wholesale

Similar to the Enterprise segment, interconnect expense is forecast to decline due to cost reduction efforts, while most managed expenses within the Wholesale segment are forecast to remain flat.

***Pro Forma Adjustments and Other Notes***

Pro Forma adjustments reflect the removal of revenue associated with the Windstream dark fiber IRU contracts and the Acquired Assets (as defined in Exhibit D of the Plan Support Agreement), which will be sold to Uniti.

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**Windstream**
**Projected Pro Forma Consolidated Balance Sheet at Emergence (Unaudited)**

| | Pro Forma Balance Sheet at Emergence | | | | |
|---|---|---|---|---|---|
| | Pre-Effective | Adjustments | | Emergence | |
| *($s in Millions)* | Estimated | Restructuring | Fresh Start | Pro Forma | ***Notes*** |
| **Assets** | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | $ 77 | $ 63 | $ - | $ 141 | (a) |
| Restricted Cash | 8 | 50 | - | 58 | (b) |
| Accounts Receivable | 558 | - | - | 558 | |
| Inventories | 35 | - | - | 35 | |
| Other Current Assets | 221 | - | - | 221 | |
| Total Current Assets | $ 899 | $ 113 | $ - | $ 1,012 | |
| Long Term Assets: | | | | | |
| Goodwill | $ 61 | $ - | $ - | $ 61 | |
| Other Intangibles, net | 992 | - | - | 992 | |
| Net Property, Plant, and Equipment | 3,746 | - | - | 3,746 | |
| Operating Lease Right-of-Use Assets | 3,857 | - | - | 3,857 | |
| Other Assets | 82 | - | - | 82 | |
| Fresh Start Adjustment | - | - | (1,201) | (1,201) | (c) |
| **Total Assets** | **$ 9,637** | **$ 113** | **$ (1,201)** | **$ 8,550** | |
| **Liabilities & Shareholders' Equity** | | | | | |
| Current Liabilities: | | | | | |
| DIP | $ 900 | $ (900) | $ - | $ - | (d) |
| Current Maturities of LT Debt | - | 21 | - | 21 | (e) |
| Accounts Payable | 282 | (27) | - | 255 | (f) |
| Advance Payments and Customer Deposits | 141 | - | - | 141 | |
| Accrued Taxes | 61 | - | - | 61 | |
| Accrued Interest | - | - | - | - | |
| Other Current Liabilities | 223 | 310 | - | 534 | (b), (g) |
| Total Current Liabilities | $ 1,607 | $ (596) | $ - | $ 1,011 | |
| Long Term Liabilities: | | | | | |
| LSTC | $ 10,353 | $ (10,353) | $ - | $ - | (h) |
| Long Term Debt | - | 2,074 | - | 2,074 | (e) |
| Other Liabilities | 21 | 4,194 | - | 4,216 | (g) |
| **Total Liabilities** | **$ 11,981** | **$ (4,682)** | **$ -** | **$ 7,300** | |
| **Total Shareholders' Equity** | **$ (2,344)** | **$ 4,795** | **$ (1,201)** | **$ 1,250** | (i) |
| **Total Liabilities and Shareholders' Equity** | **$ 9,637** | **$ 113** | **$ (1,201)** | **$ 8,550** | |

***Notes to Projected Pro Forma Consolidated Balance Sheet***

The pro forma balance sheet adjustments contained herein account for (i) the reorganization and related adjustments pursuant to the Plan and (ii) the estimated impact from the implementation of fresh start accounting pursuant to ASC Topic 852, "Reorganization."

The Debtors have not yet completed their fresh start reporting analysis. However, for purposes of preliminary fresh start reporting, the Financial Projections incorporate estimates of the effect of fresh start reporting which are based upon a stipulated Equity Value of $1.25 billion (assuming no Flex Adjustment). The reorganized value ultimately used by the Debtors in implementing fresh start reporting may differ from this estimate. Likewise, the Debtors' allocation of the reorganized value to individual assets and liabilities is based upon preliminary estimates that are subject to change upon the formal implementation of fresh start reporting and could result in material differences to the allocated values included in these Financial Projections. For purposes of estimating the impact of fresh start accounting, the Debtors' have assumed that the book value of all of their assets approximates fair market value. Reorganization value that differs from liabilities and tangible assets is shown as a change in the "Fresh Start Adjustment." The Debtors have not estimated the change in deferred tax assets or liabilities that may result from the reorganization.

(a) Reflects the funding of the Reorganized Debtors' Minimum Cash Balance and payments pursuant to the Plan.

(b) Reflects the funding of the Non-Obligor General Unsecured Claims Reserve and Obligor Claims Reserve.

(c) The projected change in the book value of the Reorganized Debtors' assets, to be allocated via fresh start accounting.

(d) Reflects the paydown of any amounts outstanding under the DIP Facilities.

(e) Assumed indebtedness outstanding on the exit term loan (assumes no Flex Adjustment), net of debt issuance costs.

(f) Reflects payment of accrued professional fees associated with the reorganization.

(g) Represents the reinstatement of certain accounting liabilities from LSTC.

(h) All prepetition debt and liabilities subject to compromise will be settled in accordance with the terms of the Plan.

(i) Represents the net gain from completion of the reorganization, as well as adjustments to the equity value of the Reorganized Debtors.

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# Windstream
# Projected Consolidated Balance Sheet (Unaudited)

| ($s in Millions) | Fiscal Year Ending 12/31, 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current Assets: | | | | | | | |
| Cash and Cash Equivalents | $ 174 | $ 203 | $ 249 | $ 287 | $ 371 | $ 399 | $ 566 |
| Restricted Cash | 58 | 8 | 8 | 8 | 8 | 8 | 8 |
| Accounts Receivable | 544 | 517 | 506 | 503 | 502 | 504 | 508 |
| Inventories | 30 | 23 | 22 | 22 | 22 | 22 | 22 |
| Other Current Assets | 188 | 179 | 175 | 174 | 174 | 174 | 176 |
| Total Current Assets | $ 993 | $ 930 | $ 959 | $ 993 | $ 1,077 | $ 1,107 | $ 1,280 |
| Long Term Assets: | | | | | | | |
| Goodwill | $ 61 | $ 61 | $ 61 | $ 61 | $ 61 | $ 61 | $ 61 |
| Other Intangibles, net | 948 | 847 | 776 | 718 | 664 | 617 | 573 |
| Net Property, Plant, and Equipment | 3,765 | 4,007 | 4,281 | 4,555 | 4,770 | 4,937 | 4,947 |
| Operating Lease Right-of-Use Assets | 3,785 | 3,522 | 3,243 | 2,944 | 2,618 | 2,253 | 1,840 |
| Other Assets | 82 | 82 | 82 | 82 | 82 | 82 | 82 |
| Fresh Start Adjustment | (1,201) | (1,201) | (1,201) | (1,201) | (1,201) | (1,201) | (1,201) |
| **Total Assets** | **$ 8,434** | **$ 8,249** | **$ 8,203** | **$ 8,153** | **$ 8,072** | **$ 7,856** | **$ 7,583** |
| **Liabilities & Shareholders' Equity** | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts Payable | $ 242 | $ 219 | $ 210 | $ 214 | $ 212 | $ 211 | $ 212 |
| Current Maturities of LT Debt | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Advance Payments and Customer Deposits | 132 | 126 | 123 | 122 | 122 | 122 | 123 |
| Accrued Taxes | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Accrued Interest | 13 | 13 | 13 | 13 | 13 | 13 | 12 |
| Other Current Liabilities | 520 | 478 | 497 | 526 | 568 | 620 | 681 |
| Total Current Liabilities | $ 987 | $ 916 | $ 924 | $ 955 | $ 995 | $ 1,046 | $ 1,109 |
| Long Term Liabilities: | | | | | | | |
| Long Term Debt | $ 2,070 | $ 2,055 | $ 2,040 | $ 2,026 | $ 2,011 | $ 1,996 | $ 1,981 |
| Other Liabilities | 4,118 | 3,816 | 3,491 | 3,137 | 2,747 | 2,307 | 1,807 |
| **Total Liabilities** | **$ 7,176** | **$ 6,786** | **$ 6,455** | **$ 6,117** | **$ 5,752** | **$ 5,349** | **$ 4,897** |
| **Total Shareholders' Equity** | **$ 1,258** | **$ 1,463** | **$ 1,748** | **$ 2,036** | **$ 2,319** | **$ 2,507** | **$ 2,686** |
| **Total Liabilities and Shareholders' Equity** | **$ 8,434** | **$ 8,249** | **$ 8,203** | **$ 8,153** | **$ 8,072** | **$ 7,856** | **$ 7,583** |

# Windstream
# Projected Consolidated Free Cash Flow (Unaudited)

| ($s in Millions) | Sep-Dec 2020 | For the FYE 12/31, 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| **PF Adj. OIBDAR** | **$ 522** | **$ 1,599** | **$ 1,569** | **$ 1,620** | **$ 1,671** | **$ 1,724** | **$ 1,776** |
| *YoY Growth* | *n./a.* | *0.1%* | *(1.9)%* | *3.3%* | *3.1%* | *3.2%* | *3.0%* |
| Capex | (284) | (947) | (894) | (949) | (935) | (930) | (780) |
| **Simple Free Cash Flow** | **$ 238** | **$ 652** | **$ 675** | **$ 671** | **$ 735** | **$ 794** | **$ 996** |
| Working Capital | 23 | 2 | 1 | 6 | (1) | (2) | (3) |
| Pension Cash Contributions | (36) | (33) | (30) | (27) | (21) | (20) | (20) |
| Capital Leases | (8) | (28) | (28) | (31) | (30) | (30) | (30) |
| Restructuring & Other | (8) | (20) | (20) | (10) | (10) | (10) | (10) |
| **Unlevered Free Cash Flow** | **$ 210** | **$ 573** | **$ 597** | **$ 609** | **$ 673** | **$ 731** | **$ 934** |
| Uniti Payments (net of GCI reimb.) | (179) | (460) | (467) | (485) | (502) | (574) | (588) |
| Uniti Cash Transfer | 49 | 98 | 98 | 98 | 98 | 49 | - |
| **Unlevered FCF After Uniti** | **$ 80** | **$ 211** | **$ 229** | **$ 222** | **$ 269** | **$ 207** | **$ 345** |
| Debt Amortization | (5) | (21) | (21) | (21) | (21) | (21) | (21) |
| Cash Interest | (39) | (156) | (158) | (158) | (158) | (154) | (152) |
| Taxes | (2) | (5) | (5) | (5) | (5) | (5) | (5) |
| **Levered Free Cash Flow** | **$ 33** | **$ 30** | **$ 46** | **$ 38** | **$ 85** | **$ 27** | **$ 167** |

***Notes to Consolidated Free Cash Flow***

***Capital Expenditures***

Total capital expenditures are forecast to increase from ~$879 million in 2019 to ~$947 million in 2021, though declines to ~$780 million by the end of the projection period. The primary reason for the increase in capital expenditures during the projection period is to significantly expand network speed (*e.g.*, 1GB expansion program) through increased investments in fiber to the premises ("FTTP") and fixed wireless infrastructure.

<u>Kinetic</u>

The Financial Projections assume that Kinetic capital expenditures increase by 12.2% in 2020, and remain elevated through 2025 until declining by 27.1% in 2026.

Kinetic capital expenditures are forecast to increase significantly due to FTTP and Fixed Wireless expansion to provide 1GB services across more of the Company's footprint, as well as to meet RDOF speed requirements.

<u>Enterprise</u>

The Financial Projections assume that Enterprise capital expenditures increase by 11.4% in 2021, and 10.3% in 2022; however, capital spend is forecast to decline in the out years of the forecast through 2026.

The projected increase in capital expenditures is primarily due to "success-based" programs vis-à-vis incremental sales and legacy-to-strategic product conversion activity.

<u>Wholesale</u>

The Financial Projections assume that Wholesale capital expenditures decrease by 7.5% in 2020, and remain flat thereafter. Total Wholesale capital expenditures are forecast to decrease modestly from $27 million in 2019 to $25 million in 2021, with the majority of capital spend relating to "success-based" opportunities.

***Working Capital***

The Financial Projections assume the Reorganized Debtors' working capital accounts, including accounts receivable, inventory, accounts payable and others, continue to perform according to the historical relationships with respect to revenue and expense activity. Additionally, incorporates the funding of the Non-Obligor General Unsecured Claims Reserve and Obligor Claims Reserve as of the Effective Date, which is assumed to be paid out in 2021.

***Pension Contributions***

The Financial Projections assume that the prepetition pension plan is reinstated as of the Effective Date, and the Reorganized Debtors continue to make cash contributions to the plan to comply with funding requirements.

***Uniti Disbursements/Receipts***

The Financial Projections include the disbursements (rent under the ILEC and CLEC leases, GCI Rent, interest under the Equipment Loan Program) and receipts (GCI reimbursement, funding under the Equipment Loan Program, the Purchase Amount, and the Cash Payments) detailed in the Uniti Term Sheet (Exhibit D of the Plan Support Agreement). The Company is currently determining how they will record the various transactions contemplated by the Uniti Term Sheet pursuant to GAAP. The accounting used herein is preliminary; the actual accounting for these transactions could vary materially from what is presented.

***Debt Amortization and Cash Interest***

The Financial Projections assume 1% annual amortization and 7% all-in cash interest expense on the New Exit Facility Term Loan (paid quarterly). Additionally, the projections include commitment and LC fees payable under the exit revolving credit facility (including the letter of credit sub-facility).

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# **Exhibit D**

## Valuation Analysis

## Valuation Analysis

THE INFORMATION CONTAINED HEREIN IS NOT A PREDICTION OR GUARANTEE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED PURSUANT TO THE PLAN. THE INFORMATION IS PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING ADEQUATE INFORMATION UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS AGAINST THE DEBTORS OR ANY OF THEIR AFFILIATES.

Solely for the purposes of the Plan and the Disclosure Statement, PJT Partners LP ("PJT"), as restructuring advisors to the Debtors, has estimated a range of total enterprise value ("Enterprise Value") and implied equity value ("Equity Value") for the Reorganized Debtors pro forma for the transactions contemplated by the Plan (the "Valuation Analysis"). The Valuation Analysis is based on financial and other information provided by the Debtors' management, as well as the Financial Projections attached to the Disclosure Statement as Exhibit C, and information provided by other sources. The Valuation Analysis is as of April 28, 2020, with an assumed Effective Date in August 2020. The Valuation Analysis utilizes market data as of April 27, 2020. On March 6, 2020 the Debtors filed the Uniti 9019 Motion seeking approval to enter into the Uniti Settlement. The Valuation Analysis assumes that the Uniti Settlement is approved by the Bankruptcy Court and the Enterprise Value presented herein includes the value associated with the Uniti Settlement. The valuation estimates set forth herein represent valuation analyses of the Reorganized Debtors generally based on the application of customary valuation techniques to the extent deemed appropriate by PJT.

In preparing its valuation, PJT performed a variety of financial analyses and considered a variety of factors, including a (a) discounted cash flow analysis; (b) comparable companies analysis; (c) precedent transactions analysis; and (d) the Plan Equity Value, including the 37.5% discount upon which the Backstop Parties have committed to backstop the Rights Offering. The preparation of a valuation analysis is a complex analytical process involving subjective determinations about which methodologies of financial analysis are most appropriate and relevant and the application of those methodologies to particular facts and circumstances in a manner that is not readily susceptible to summary description.

Based on the aforementioned analyses, and other information described herein and solely for purposes of the Plan, the estimated range of Enterprise Value of the Reorganized Debtors, collectively, as of April 28, 2020, is approximately $3,500 million to approximately $4,000 million (with the mid-point of such range being $3,750 million).

In addition, based on the estimated range of Enterprise Value of the Reorganized Debtors and other information described herein and solely for purposes of the Plan, PJT estimated a potential range of total Equity Value of the Reorganized Debtors, which consists of the Enterprise Value, less funded indebtedness, less other long-term liabilities, plus balance sheet cash on the assumed Effective Date. PJT has assumed that the Reorganized Debtors will have a pro forma cash balance of approximately $75.0 million as of the Effective Date and funded indebtedness of

Capitalized terms not defined herein have the meaning ascribed in the Plan or the Disclosure Statement.

$2,150 million, $31 million of capital leases, and $234 million of pension obligations on a tax affected basis. As discussed further in the Plan, the Requisite Backstop Parties, in consultation with the Debtors, may exercise the Flex Adjustment, which would result in an incremental $350 million of debt at emergence.

Based upon the estimated range of Enterprise Value of the Reorganized Debtors of between $3,500 million and $4,000 million described above, and assuming net debt of $2,340 million without the Flex Adjustment, PJT estimated that the potential range of Equity Value for the Reorganized Debtors, as of an assumed Effective Date in August 2020, is between approximately $1,160 million and approximately $1,660 million (with the mid-point of such range being $1,410 million). Assuming the Requisite Backstop Parties in consultation with the Debtors exercise the Flex Adjustment, which would result in net debt of $2,690 million, PJT estimated that the potential range of Equity Value for the Reorganized Debtors, as of an assumed Effective Date in August 2020, is between approximately $810 million and approximately $1,310 million (with the mid-point of such range being $1,060 million).

For purposes of the Valuation Analysis, PJT assumed that no material changes that would affect estimated value occur between the date of filing of the Disclosure Statement and the assumed Effective Date. PJT's Valuation Analysis does not constitute an opinion as to the fairness from a financial point of view of the consideration to be received or paid under the Plan, of the terms and provisions of the Plan, or with respect to any other matters.

THE VALUATION ANALYSIS REFLECTS WORK PERFORMED BY PJT ON THE BASIS OF INFORMATION IN RESPECT OF THE BUSINESSES AND ASSETS OF THE DEBTORS AVAILABLE TO PJT AS OF APRIL 28, 2020. IT SHOULD BE UNDERSTOOD THAT, ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY HAVE AFFECTED OR AFFECT PJT'S CONCLUSIONS, PJT DOES NOT HAVE ANY OBLIGATION TO UPDATE, REVISE, OR REAFFIRM ITS VALUATION ANALYSIS AND DOES NOT INTEND TO DO SO.

PJT DID NOT INDEPENDENTLY VERIFY THE FINANCIAL PROJECTIONS OR OTHER INFORMATION THAT PJT USED IN THE VALUATION ANALYSIS, AND NO INDEPENDENT VALUATIONS OR APPRAISALS OF THE DEBTORS OR THEIR ASSETS WERE SOUGHT OR OBTAINED IN CONNECTION THEREWITH. THE VALUATION ANALYSIS WAS DEVELOPED SOLELY FOR PURPOSES OF THE PLAN AND THE ANALYSIS OF POTENTIAL RELATIVE RECOVERIES TO CREDITORS THEREUNDER. THE VALUATION ANALYSIS REFLECTS THE APPLICATION OF VARIOUS VALUATION TECHNIQUES, DOES NOT PURPORT TO BE AN OPINION AND DOES NOT PURPORT TO REFLECT OR CONSTITUTE AN APPRAISAL, LIQUIDATION VALUE, OR ESTIMATE OF THE ACTUAL MARKET VALUE THAT MAY BE REALIZED THROUGH THE SALE OF ANY SECURITIES TO BE ISSUED OR ASSETS TO BE SOLD PURSUANT TO THE PLAN, WHICH MAY BE SIGNIFICANTLY DIFFERENT THAN THE AMOUNTS SET FORTH IN THE VALUATION ANALYSIS.

THE VALUE OF AN OPERATING BUSINESS IS SUBJECT TO NUMEROUS UNCERTAINTIES AND CONTINGENCIES THAT ARE DIFFICULT TO PREDICT AND WILL FLUCTUATE WITH CHANGES IN FACTORS AFFECTING THE FINANCIAL

CONDITION AND PROSPECTS OF SUCH A BUSINESS. AS A RESULT, THE VALUATION ANALYSIS IS NOT NECESSARILY INDICATIVE OF ACTUAL OUTCOMES, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE SET FORTH HEREIN. BECAUSE SUCH ESTIMATES ARE INHERENTLY SUBJECT TO UNCERTAINTIES, NEITHER THE DEBTORS, PJT, NOR ANY OTHER PERSON ASSUMES RESPONSIBILITY FOR THEIR ACCURACY. IN ADDITION, THE POTENTIAL VALUATION OF NEWLY ISSUED FUNDED DEBT AND SECURITIES IS SUBJECT TO ADDITIONAL UNCERTAINTIES AND CONTINGENCIES, ALL OF WHICH ARE DIFFICULT TO PREDICT. ACTUAL MARKET PRICES OF SUCH FUNDED DEBT AND SECURITIES AT ISSUANCE WILL DEPEND UPON, AMONG OTHER THINGS, PREVAILING INTEREST RATES, CONDITIONS IN THE FINANCIAL MARKETS, THE ANTICIPATED INITIAL FUNDED DEBT AND SECURITIES HOLDINGS OF PREPETITION CREDITORS, SOME OF WHICH MAY PREFER TO LIQUIDATE THEIR INVESTMENT RATHER THAN HOLD IT ON A LONG-TERM BASIS, THE POTENTIALLY DILUTIVE IMPACT OF CERTAIN EVENTS, INCLUDING THE ISSUANCE OF EQUITY SECURITIES PURSUANT TO THE MANAGEMENT INCENTIVE PLAN, AND OTHER FACTORS THAT GENERALLY INFLUENCE THE PRICES OF FUNDED DEBT.

Management of the Debtors advised PJT that the Financial Projections were reasonably prepared in good faith and on a basis reflecting the Debtors' best estimates and judgments as to the future operating and financial performance of the Reorganized Debtors. If the business performs at levels below or above those set forth in the Financial Projections such performance may have a materially negative or positive impact, respectively, on the valuation of the Reorganized Debtors and the Enterprise Value thereof.

In preparing the Valuation Analysis, PJT: (a) reviewed certain historical financial information of the Debtors for recent years and interim periods; (b) reviewed certain financial and operating data of the Debtors, including the Financial Projections; (c) discussed the Debtors' operations and future prospects with the Debtors' senior management team and third-party advisors; (d) reviewed certain publicly available financial data for, and considered the market value of, public companies that PJT deemed generally relevant in analyzing the value of the Reorganized Debtors; (e) reviewed certain publicly available data for, and considered the market values implied therefrom, recent transactions in the telecommunications industry involving companies comparable in certain respects to the Reorganized Debtors; (f) considered certain economic and industry information that PJT deemed generally relevant to the Reorganized Debtors; (g) considered market feedback received to-date; and (h) conducted such other studies, analyses, inquiries, and investigations as PJT deemed appropriate. PJT assumed and relied on the accuracy and completeness of all financial and other information furnished to it by the Debtors' management and other parties as well as publicly available information.

The Valuation Analysis does not constitute a recommendation to any holder of Allowed Claims, or any other person as to how such person should vote or otherwise act with respect to the Plan. PJT has not been requested to, and does not express any view as to, the potential trading value of the Reorganized Debtors' funded debt and securities on issuance or at any other time.

For purposes of this Valuation Analysis, because the application of certain tax rules cannot be determined until after the Effective Date (as discussed in greater detail in <u>Article XII</u> of the

Disclosure Statement), PJT utilized certain simplifying assumptions with respect to the tax attributes of the Reorganized Debtors. In particular, PJT: (a) assumed that no net operating loss carryforwards ("NOLs") would survive the application of the cancellation of indebtedness rules; (b) utilized historic depreciation and amortization schedules without taking into account any reduction in the tax basis of the Reorganized Debtors' assets that may occur pursuant to the Restructuring Transactions; (c) assumed that the Reorganized Debtors will claim "bonus depreciation" with respect to certain capital expenditures; and (d) assumed that certain laws with respect to the deductibility of interest expense and bonus depreciation will not change. The Valuation Analysis does not otherwise evaluate the tax implications of the Plan, including either a Recapitalization Transaction or NewCo Transaction (each as defined in Article XII of the Disclosure Statement), on the Reorganized Debtors' projections. Further, PJT did not estimate the value of any potential tax attributes that may survive the Restructuring Transactions, including NOLs or carryforwards under section 163(j) of the Internal Revenue Code. Any changes to the assumptions on the availability of tax attributes, the amount of the Reorganized Debtors' tax basis, or the impact of cancellation of indebtedness income on the Reorganized Debtors' projections could materially impact the conclusions reached in the Valuation Analysis

THE SUMMARY SET FORTH ABOVE DOES NOT PURPORT TO BE A COMPLETE DESCRIPTION OF THE VALUATION ANALYSIS PERFORMED BY PJT. THE PREPARATION OF A VALUATION ANALYSIS INVOLVES VARIOUS DETERMINATIONS AS TO THE MOST APPROPRIATE AND RELEVANT METHODS OF FINANCIAL ANALYSIS AND THE APPLICATION OF THESE METHODS IN THE PARTICULAR CIRCUMSTANCES AND, THEREFORE, SUCH AN ANALYSIS IS NOT READILY SUITABLE TO SUMMARY DESCRIPTION. THE VALUATION ANALYSIS PERFORMED BY PJT IS NOT NECESSARILY INDICATIVE OF ACTUAL VALUES OR FUTURE RESULTS, WHICH MAY BE SIGNIFICANTLY MORE OR LESS FAVORABLE THAN THOSE DESCRIBED HEREIN.

PJT IS ACTING AS RESTRUCTURING ADVISORS TO THE DEBTORS, AND HAS NOT AND, WILL NOT BE RESPONSIBLE FOR, AND HAS NOT AND WILL NOT PROVIDE ANY TAX, ACCOUNTING, ACTUARIAL, LEGAL, OR OTHER SPECIALIST ADVICE TO THE DEBTORS OR ANY OTHER PARTY IN CONNECTION WITH THE DEBTORS' CHAPTER 11 CASES, THE PLAN OR OTHERWISE.