



Rosemary Chiavetta, Secretary  
Pa. Public Utility Commission  
Commonwealth Keystone Building  
Second Floor - Room N201  
Harrisburg, PA 17120

**RECEIVED**

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Application of US LEC of Pennsylvania, LLC for approval to offer, render, furnish or supply telecommunications services to the public in the Commonwealth of Pennsylvania.

Dear Secretary Chiavetta:

Enclosed please find the application of US LEC of Pennsylvania, LLC for approval to expand its existing operating authority to include the territory of Commonwealth Telephone Company, LLC d/b/a Frontier Communications. If you have any questions, please contact me at (904) 624-1612.

Sincerely,

A handwritten signature in cursive script, appearing to read "Margaret D. Rubino".

Margaret Rubino  
Sr. Negotiator & Account Manager

cc: Office of Consumer Advocate  
Office of Small Business Advocate  
Office of Attorney General  
Joseph Starsick, Commonwealth Telephone Company, LLC

**Application of:**

US LEC of Pennsylvania, LLC, t/a US LEC of Pennsylvania, LLC,

for approval to offer, render, furnish or supply telecommunications services to the public in the Commonwealth of Pennsylvania.

1. **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and fax number of the Applicant.

US LEC of Pennsylvania, LLC  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211  
(704) 319-1000  
(501) 748-6890

Please identify any predecessors of the Applicant and provide other names under which the Applicant has operated within the preceding five years, including name, address, and telephone number.

US LEC of Pennsylvania Inc. d/b/a PAETEC Business Services  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211  
(704) 319-1000  
(501) 748-6890

2. **ATTORNEY:** The name, address, telephone number, and fax number of the Applicant's attorney.

Thomas, Niesen & Thomas, LLC  
Street Address: 212 Locust Street, Suite 500 | Harrisburg, PA 17101  
Mailing Address: P.O. Box 9500 | Harrisburg, PA 17108-9500  
Phone: 717.255.7600 | Fax: 717.236.8278

3. **CONTACTS:**

**RECEIVED**

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**A) APPLICATION:** The name, title, address, telephone number, and fax number of the person to whom questions about this application should be addressed.

Margaret Rubino  
Sr. Negotiator & Account Manager  
4001 N. Rodney Parham Road  
Little Rock, AR 72212  
(904) 624-1612 (p)  
(501) 748-6890 (f)

**B) PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY (PEMA):** The name, title, address, telephone number and FAX number of the person with whom contact should be made by PEMA (Pennsylvania Emergency Management Agency).

David Bull  
Director – Network Operations  
301 N. Main St.  
Greenville, SC 29601  
Phone: 864-331-7171  
Fax: 864-331-1230

**C) RESOLVING COMPLAINTS:** Name, address, telephone number, and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints and queries filed with the Public Utility Commission or other agencies.

Initial contact:

Mollie Chewning  
1720 Galleria Blvd.  
Charlotte, NC 28270  
(704) 814-2531 (p)  
(330) 425-0811 (f)

Alternate:

Windstream Communications  
1720 Galleria Blvd  
Charlotte NC 28270  
[customerassistance@windstream.com](mailto:customerassistance@windstream.com)  
(704) 814-2531 (p)  
(330) 425-0811 (f)

**4. FICTITIOUS NAME:**

- The Applicant will not be using a fictitious name.
- The Applicant will be using a fictitious name. Attach to the Application a copy of the Applicant's filing with the Commonwealth's Department of State pursuant to 54 Pa. C.S. §311, Form PA-953.

**5. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS:**

- The Applicant is a sole proprietor.
- The Applicant is a:

- General partnership
- Domestic limited partnership (15 Pa. C.S. §8511)
- \*Foreign limited partnership (15 Pa. C.S. §8582)
- Domestic registered limited liability partnership (15 Pa. C.S. §8201)
- \*Foreign registered limited liability general partnership (15 Pa. C.S. §8211)

\*Provide name and address of Corporate Registered Office Provider or Registered Office within PA.

Attach to the application the name and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

**Attach to the application proof of compliance with appropriate Department of State filing requirements as indicated above.**

- The Applicant is a:
  - Domestic corporation (15 Pa. C.S. §1306)
  - \*Foreign corporation (15 Pa. C.S. §4124)
  - Domestic limited liability company (15 Pa. C.S. §8913)
  - \*Foreign limited liability company (15 Pa. C.S. §8981)

\*Provide name and address of Corporate Registered Office Provider or Registered Office within PA.

C T Corporation System  
116 Pine Street  
Suite 320  
Harrisburg, PA 17101  
Phone: 717-234-6004

**Attach proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation or a Certificate of Organization.**

Proof of compliance and Articles of Organization are attached as Exhibit A.

**The Applicant is incorporated in the State of North Carolina.**

Give name and address of officers:

4001 N Rodney Parham Rd Little Rock, AR 72212

Title	Officers
President & Chief Executive Officer	Anthony W. Thomas
Chief Financial Officer & Treasurer	Robert E. Gunderman
Executive Vice President, Secretary & General Counsel	John P. Fletcher
President – Enterprise	James David Works
President – Consumer and SMB	David Redmond
President – Carrier	Michael Shippey
Senior Vice President – Government Affairs	Eric Einhorn
Senior Vice President – Carrier Relations	Mark Todd
Vice President – Controller & Financial Services	John C. Eichler
Executive Vice President – Chief Information Officer	Cynthia B. Nash
Vice President – Tax	Willis Kemp
Chief Human Resources Officer	Don Sain
Executive Vice President – Enterprise Sales	John A. Leach
Executive Vice President – Operations	Mark Faris
Executive Vice President – Engineering & Chief Technology Officer	Randy Nicklas
Vice President - Deputy General Counsel & Assistant Secretary	Kristi M. Moody
President – Integrated Solutions	Doug Derstine
Senior Vice President – Installation	Jeffrey Mark Sweeney
Senior Vice President – SMB Sales and Marketing	Sarah Day
Vice President – Law	Carol Keith
Vice President – Internal Audit & Chief Compliance Officer	Rodney Hawkins
Vice President – SMB Sales and Service	Leslie Harrell
Region Vice President	Barry Bishop
Region Vice President	Phillip Peterson
Director – Regulatory Reporting	Tim Loken
Director-Interconnection	S. Lynn Hughes

**6. AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:**

- The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.
- The Applicant has affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania. Name and address of the affiliates. State whether they are jurisdictional public utilities. Give docket numbers for the authority of such affiliates.

If the Applicant or an affiliate has predecessors who have done business within Pennsylvania, give name and address of the predecessors and state whether they were jurisdictional public utilities. Give the docket numbers for the authority of such predecessors.

Affiliates of the Applicant currently furnishing local exchange services in Pennsylvania and the associated docket numbers are below. The address for all affiliates is 4001 N. Rodney Parham Road, Little Rock, AR 72212.

Entity	Service	Docket No.
Cavalier Telephone Mid-Atlantic, LLC	IXC/CLEC	A-310838
Intellifiber Networks, Inc.	IXC/CLEC	A-311102
PAETEC Communications, Inc.	IXC/CLEC	A-310743
Talk America, Inc.	IXC/CLEC	A-310018
Windstream Buffalo Valley, Inc.	ILEC	A-310369
Windstream Communications, Inc.	CLEC/IXC	A-311402
Windstream Conestoga, Inc.	ILEC	A-310850
Windstream D&E Systems, Inc.	CLEC/IXC	A-310738
Windstream D&E, Inc.	ILEC	A-311050
Windstream KDL, Inc.	CLEC/IXC	A-311413
Windstream Pennsylvania, LLC	ILEC	A-312050

**7. AFFILIATES AND PREDECESSORS RENDERING PUBLIC UTILITY SERVICE OUTSIDE PENNSYLVANIA:**

The Applicant has no affiliates rendering or predecessors which rendered public utility service outside Pennsylvania.

The Applicant has affiliates rendering or predecessors which rendered public utility service outside Pennsylvania. Name and address of the affiliates and predecessors (please identify affiliates versus predecessors).

Entity	Affiliate or Predecessor
Cavalier Telephone Mid-Atlantic, LLC	Affiliate
Cavalier Telephone, LLC	Affiliate
Georgia Windstream, LLC	Affiliate
Intellifiber Networks, Inc.	Affiliate
LDMI Telecommunications, Inc.	Affiliate
McLeodUSA Telecommunications Services, LLC	Affiliate
Network Telephone Corp.	Affiliate
Oklahoma Windstream, LLC	Affiliate
PAETEC Communications of Virginia, Inc.	Affiliate
PAETEC Communications, Inc.	Affiliate
Talk America of Virginia, Inc.	Affiliate
Talk America, Inc.	Affiliate
Texas Windstream, Inc.	Affiliate
The Other Phone Company	Affiliate
US LEC Communications, LLC	Affiliate
US LEC of Alabama, LLC	Affiliate
US LEC of Florida, LLC	Affiliate
US LEC of Georgia, LLC	Affiliate

US LEC of Maryland, LLC	Affiliate
US LEC of North Carolina, LLC	Affiliate
US LEC of South Carolina, LLC	Affiliate
US LEC of Tennessee, LLC	Affiliate
US LEC of Virginia, LLC	Affiliate
Valor Telecommunications of Texas, LLC dba Windstream Communications Southwest	Affiliate
Windstream Accucomm Telecommunications, LLC	Affiliate
Windstream Alabama, LLC	Affiliate
Valor Telecommunications of Texas, LP dba Windstream Communications Southwest Long Distance, LP	Affiliate
Windstream Arkansas, LLC	Affiliate
Windstream Buffalo Valley, Inc.	Affiliate
Windstream Communications Kerrville, LLC	Affiliate
Windstream Communications Telecom, LLC	Affiliate
Windstream Communications, Inc.	Affiliate
Windstream Concord Telephone, Inc.	Affiliate
Windstream Conestoga, Inc.	Affiliate
Windstream D&E Systems, Inc.	Affiliate
Windstream D&E, Inc.	Affiliate
Windstream Direct, LLC	Affiliate
Windstream EN-TEL, LLC	Affiliate
Windstream Florida, Inc.	Affiliate
Windstream Georgia Communications, LLC	Affiliate
Windstream Georgia Telephone, LLC	Affiliate
Windstream Georgia, LLC	Affiliate
Windstream Iowa Communications, Inc.	Affiliate
Windstream Iowa-Comm, Inc.	Affiliate
Windstream IT-Comm, LLC	Affiliate
Windstream KDL, Inc.	Affiliate
Windstream KDL-VA, Inc.	Affiliate
Windstream Kentucky East, LLC	Affiliate
Windstream Kentucky West, LLC	Affiliate
Windstream Kerrville Long Distance, LLC	Affiliate
Windstream Knoxville Data Link, Inc.	Affiliate
Windstream Lakedale Link, Inc.	Affiliate
Windstream Lakedale, Inc.	Affiliate
Windstream Lexcom Communications, Inc.	Affiliate
Windstream Lexcom Long Distance, LLC	Affiliate
Windstream Mississippi, LLC	Affiliate
Windstream Missouri, Inc.	Affiliate
Windstream Montezuma, Inc.	Affiliate

Windstream Nebraska, Inc.	Affiliate
Windstream New York, Inc.	Affiliate
Windstream Norlight, Inc.	Affiliate
Windstream North Carolina, LLC	Affiliate
Windstream NorthStar, LLC	Affiliate
Windstream NTI, Inc.	Affiliate
Windstream NuVox Arkansas, Inc.	Affiliate
Windstream NuVox Illinois, Inc.	Affiliate
Windstream NuVox Indiana, Inc.	Affiliate
Windstream NuVox Kansas, Inc.	Affiliate
Windstream NuVox Missouri, Inc.	Affiliate
Windstream NuVox Ohio, Inc.	Affiliate
Windstream NuVox Oklahoma, Inc.	Affiliate
Windstream NuVox, Inc.	Affiliate
Windstream of the Midwest, Inc.	Affiliate
Windstream Ohio, Inc.	Affiliate
Windstream Oklahoma, LLC	Affiliate
Windstream Pennsylvania, LLC	Affiliate
Windstream South Carolina, LLC	Affiliate
Windstream Southwest Long Distance, LP	Affiliate
Windstream Standard, LLC	Affiliate
Windstream Sugar Land, Inc.	Affiliate
Windstream Systems of the Midwest, Inc.	Affiliate
Windstream Western Reserve, Inc.	Affiliate

**8. APPLICANT'S PRESENT OPERATIONS:** (Select and complete the appropriate statement)

- The applicant is not presently doing business in Pennsylvania as a public utility.
- The applicant is presently doing business in Pennsylvania as a:
  - Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
  - Interexchange Toll Facilities-based carrier, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)

- Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
- Competitive Local Exchange Carrier:
  - Facilities-Based
  - UNE-P
  - Data Only
  - Reseller
- Incumbent Local Exchange Carrier.
- Other (Identify).

9. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as:

- Interexchange Toll Reseller, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- Interexchange Toll Facilities-based carrier, InterLATA and/or IntraLATA, (e.g., MTS, 1+, 800, WATS, Travel and Debit Cards)
- Competitive Access Provider (dedicated point-to-point or multipoint service; voice or data)
- Competitive Local Exchange Carrier:
  - Facilities-based
  - UNE-P
  - Data Only
  - Reseller
- Incumbent Local Exchange Carrier
- Other (Identify).

10. **PROPOSED SERVICES:** Describe in detail the services which the Applicant proposes to offer. If proposing to provide more than one category in Item #9, clearly and separately delineate the services within each proposed operation. If proposing to operate as a facilities-based Competitive Local Exchange Carrier, provide a brief description of the Company's facilities.

The Applicant currently furnishes facilities-based local exchange services in the service territories of Verizon Pennsylvania LLC, Windstream Pennsylvania LLC, United Telephone Company of Pennsylvania d/b/a CenturyLink, Verizon North LLC, and Consolidated Communications of Pennsylvania Company. The Applicant will offer, render, furnish, and supply telecommunications services as a Competitive Local Exchange Carrier, to the public, within the service territory of Commonwealth Telephone Company, LLC d/b/a Frontier Communications.

11. **SERVICE AREA:** Describe the geographic service area in which the Applicant proposes to offer services. Clearly and separately delineate the service territory for each category listed in Item #9. For Competitive Local Exchange Carrier operations, you must name and serve the Incumbent Local Exchange Carriers in whose territory you request authority.

The Applicant proposes to offer services as a Competitive Local Exchange Carrier, to the public, within the service territory of Commonwealth Telephone Company, LLC d/b/a Frontier Communications.

12. **MARKET:** Describe the customer base to which the Applicant proposes to market its services. Clearly and separately delineate a market for each category listed in Item #9.

Applicant proposes to make local exchange telecommunications service available to business customers, thereby providing customers with the ability to originate and terminate local exchange calls and all other services associated with local exchange service.

13. **PROPOSED TARIFF(S):** Each category of proposed operations must have a separate and distinct proposed tariff setting forth the rates, rules and regulations of the Applicant. Every proposed tariff shall state on its cover page the nature of the proposed operations described therein, i.e., IXC Reseller, CLEC, CAP, or IXC Facilities-based. A copy of all proposed tariffs must be appended to each original and duplicate original and copy of Form 377.

Applicant's tariff for CLEC services in the service territory of Commonwealth Telephone Company, LLC d/b/a Frontier Communications will be substantially similar to its existing tariff for CLEC services in the service territory of Verizon Pennsylvania LLC. Upon approval by the PUC, US LEC of Pennsylvania, LLC's existing CLEC tariff in Pennsylvania will be updated to include the service areas located in the service territory of Commonwealth Telephone Company, LLC d/b/a Frontier Communications. Those proposed tariff changes are attached as Exhibit B. US LEC of Pennsylvania, LLC's existing CLEC tariff for Pennsylvania is voluminous, but it can be accessed from the website of the PUC or at <http://www.windstream.com/About-Us/PAETEC-Tariffs/>

14. **FINANCIAL:** *Attach the following to the Application:*

A general description of the Applicant's capitalization and, if applicable, its corporate stock structure;

Windstream Holdings, Inc. is a publicly traded company. US LEC Communications LLC is a wholly owned subsidiary of Windstream Holdings, Inc.

Current balance sheet, Income Statement, and Cash Flow Statement of Applicant or Affiliated Company, if relying on affiliate for financial security;

See Financial Statements attached hereto as Exhibit C.

A tentative operating balance sheet and a projected income statement for the first year of operation within the Commonwealth of Pennsylvania; provide the name, title, address, telephone number and fax number of the Applicant's custodian for its accounting records and supporting documentation; and indicate where the Applicant's accounting records and supporting documentation are, or will be, maintained.

If available, include bond rating, letters of credit, credit reports, insurance coverage and reports, and major contracts.

The Applicant currently furnishes facilities-based local exchange services in the service territory of Verizon Pennsylvania LLC. Pursuant to Commission Order, the Applicant enjoys a rebuttable presumption of managerial and financial fitness to provide the proposed services based on their current certification as a CLEC. *See Amended Application of Vanguard Telecom Corp. ...et al, Docket Nos. A-31021F0002, A-310621F003 (Order entered August 23, 2000).* The Applicant is currently providing Competitive Local Exchange Service in Pennsylvania. As such, information regarding the Applicant's income and other financial information in the Commonwealth is well-documented. Applicant respectfully requests that it be excused from providing a tentative operating balance sheet and projected income statement, as these figures are unavailable and would be wholly speculative. Instead, Applicant requests that the Commission consider the enclosed Consolidated Balance Sheet, Statement of Income, and Cash Flow Statement, attached hereto as Exhibit C and the Applicant's existing financial information on file with the Commission, including the Applicant's annual reports. The Applicant will provide any additional information as may be required by the Commission staff to evaluate this application.

**15. START DATE:** The Applicant proposes to begin offering services on or about April 1, 2015, or upon approval by the PUC.

**16. FURTHER DEVELOPMENTS:** Attach to the Application a statement of further developments, planned or contemplated, to which the present Application is preliminary or with which it forms a part, together with a reference to any related proceeding before the Commission.

No further developments are planned or contemplated.

17. **NOTICE:** Pursuant to 52 Pa. Code §5.14, you are required to serve a copy of the signed and verified Application, with attachments, on the below-listed parties, and file proof of such service with this Commission:

**Office of Consumer Advocate**  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923

**Office of Small Business Advocate**  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

**Office of Attorney General**  
Office of Consumer Protection  
Strawberry Square  
Harrisburg, PA 17120

***A certificate of service must be attached to the Application as proof of service that the Application has been served on the above-listed parties. A copy of any Competitive Local Exchange Carrier Application must also be served on any and/or all Incumbent Local Exchange Carrier(s) in the geographical area where the Applicant proposes to offer services.***

A certificate of service is attached as Exhibit D.

18. **FEDERAL TELECOMMUNICATIONS ACT OF 1996:** State whether the Applicant claims a particular status pursuant to the Federal Telecommunications Act of 1996. Provide supporting facts.

*Applicant does not claim a particular status pursuant to the Federal Telecommunications Act of 1996.*

19. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, limited to proceedings dealing with business operations in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

Neither the Applicant, nor its affiliates and/or predecessors, have not been convicted of a crime involving fraud or similar activity, nor has any person identified in this Application.

20. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.
21. **CESSATION:** The Applicant understands that if it plans to cease doing business within the Commonwealth of Pennsylvania, it is under a duty to request authority from the Commission for permission prior to ceasing business.

Applicant:

US LEC of Pennsylvania, LLC

By:

Margaret Rubino

Title:

Sr. Negotiator & Account

Manager

22. **AFFIDAVIT:** Attach to the Application an affidavit as follows:

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**AFFIDAVIT**

[Commonwealth/State] of Florida

County of Nassau

:  
:  
: ss.  
:

Margaret Rubino, Affiant, being duly [sworn/affirmed] according to law, deposes and says that:

Affiant is the Sr. Negotiator & Account Manager (Office of Affiant) of US LEC of Pennsylvania, LLC (Name of Applicant;)

That Affiant is authorized to and does make this affidavit for said corporation;

That US LEC of Pennsylvania, LLC, the Applicant herein, acknowledges that [he/she/it] may have an obligation to serve or to continue to serve the public by virtue of the Applicant commencing the rendering of service pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; with the Federal Telecommunications Act of 1996, signed February 6, 1996, or with other applicable statutes or regulations;

That US LEC of Pennsylvania, LLC, the Applicant herein, asserts that Affiant] possesses the requisite technical, managerial, and financial fitness to render public utility service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

**\*Next paragraph for CLEC Applicants ONLY (excluding data-only CLECS):**

That US LEC of Pennsylvania, LLC, the Applicant herein, asserts that Affiant has contacted the appropriate 911 Coordinator(s) via certified letter, from the list provided from the PUC website (<http://www.puc.state.pa.us>), and that arrangements are under way for the provisioning of emergency 911 service in each of the Counties/Cities where service is to be provided. The applicant certifies Affiant has attached a copy of the 911 Coordinator list indicating each 911 Coordinator contacted.

That the facts above set forth are true and correct] to the best of [Affiant knowledge, information and belief, and that Affiant expects said entity to be able to prove the same at any hearing thereof.

Margaret D. Rubino  
Signature of Affiant

Sworn and subscribed before me this 9<sup>th</sup> day of January, 2015.  
Month Year



Shannon Anderson  
Signature of official administering oath

My Commission expires July 11, 2017.

23. §1.36 Verification.

**Verification**

---

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

*I, Margaret Rubino, hereby state that the facts above set forth are true and correct (or are true and correct to the best of my knowledge, information and belief), and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).*

*1-9-15*  
Date

*Margaret D. Rubino*  
Signature



RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

# Exhibit A

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF STATE

DECEMBER 30, 2014

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

I DO HEREBY CERTIFY THAT,

**US LEC of Pennsylvania LLC**

is duly registered as a Foreign Limited Liability Company under the laws of the Commonwealth of Pennsylvania and remains subsisting so far as the records of this office show, as of the date herein.

I DO FURTHER CERTIFY THAT, This Subsistence Certificate shall not imply that all fees, taxes, and penalties owed to the Commonwealth of Pennsylvania are paid.



IN TESTIMONY WHEREOF, I have hereunto set my hand and caused the Seal of the Secretary's Office to be affixed, the day and year above written.

*Carol Aichele*

Secretary of the Commonwealth

SOSID: 0478079  
 Date Filed: 3/31/2008 4:07:00 PM  
 Effective: 4/1/2008  
 Elaine F. Marshall  
 North Carolina Secretary of State  
 C200809101186

State of North Carolina  
 Department of the Secretary of State

ARTICLES OF ORGANIZATION  
 INCLUDING ARTICLES OF CONVERSION

Pursuant to §§ 57C-2-21, 57C-9A-01 and 57C-9A-03 of the General Statutes of North Carolina, the undersigned converting business entity does hereby submit these Articles of Organization Including Articles of Conversion for the purpose of forming a limited liability company.

1. The name of the limited liability company is: US LEC of Pennsylvania LLC  
 The limited liability company is being formed pursuant to a conversion of another business entity.
2. The name of the converting business entity is US LEC of Pennsylvania Inc.  
 and the organization and internal affairs of the converting business entity are governed by the laws of the state or country of North Carolina  
 A plan of conversion has been approved by the converting business entity as required by law.
3. The converting business entity is a (*check one*):  domestic corporation;  foreign corporation;  foreign limited liability company;  domestic limited partnership;  foreign limited partnership;  domestic registered limited liability partnership;  foreign limited liability partnership; or  other partnership as defined in G.S. 59-36, whether or not formed under the laws of North Carolina.
4. If the limited liability company is to dissolve by a specific date, the latest date on which the limited liability company is to dissolve: (*If no date for dissolution is specified, there shall be no limit on the duration of the limited liability company.*) \_\_\_\_\_
5. The name and address of each person executing these articles of organization is as follows: (*State whether each person is executing these articles of organization in the capacity of a member, organizer or both*).  
Barney Stewart III, Organizer  
Powell Goldstein LLP  
301 South College Street, Suite 3700  
Charlotte, North Carolina 28202
6. The street address and county of the initial registered office of the limited liability company is:  
 Number and Street 225 Hillsborough Street  
 City, State, Zip Code Raleigh, North Carolina 27603 County Wake
7. The mailing address, *if different from the street address*, of the initial registered office is:  
 \_\_\_\_\_  
 \_\_\_\_\_
8. The name of the initial registered agent is: CT Corporation System

## 9. Principal office information: (Select either a or b.)

a.  The limited liability company has a principal office.

- The street address and county of the principal office of the limited liability company is:

Number and Street 900 Willowbrook Office ParkCity, State, Zip Code Fairport, New York 14450County Monroe

- The mailing address, *if different from the street address*, of the principal office of the limited liability company is: \_\_\_\_\_

b.  The limited liability company does not have a principal office.

## 10. Check one of the following:

 (i) **Member-managed LLC**: all members by virtue of their status as members shall be managers of this limited liability company. (ii) **Manager-managed LLC**: except as provided by N.C.G.S. Section 57C-3-20(a), the members of this limited liability company shall not be managers by virtue of their status as members.

## 11. Any other provisions which the limited liability company elects to include are attached.

## 12. These articles will be effective upon filing, unless a date and/or time is specified:

12:01 a.m., April 1, 2008This is the 28<sup>th</sup> day of March, 2008.


Signature

Barney Stewart III, Organizer

Type or Print Name and Title

## NOTES:

1. Filing fee is \$125. This document must be filed with the Secretary of State.

CORPORATIONS DIVISION  
(Revised January 2002)

P.O. BOX 29622

RALEIGH, NC 27626-0622  
(Form L-01A)

COMMONWEALTH OF PENNSYLVANIA

DEPARTMENT OF STATE

DECEMBER 30, 2014

TO ALL WHOM THESE PRESENTS SHALL COME, GREETING:

**US LEC of Pennsylvania LLC**

I, Carol Aichele, Secretary of the Commonwealth of Pennsylvania

do hereby certify that the foregoing and annexed is a true and correct  
copy of

Application for Registration filed on July 2, 2008

which appear of record in this department.



IN TESTIMONY WHEREOF, I have  
hereunto set my hand and caused  
the Seal of the Secretary's Office to  
be affixed, the day and year above  
written.

A handwritten signature in cursive script that reads "Carol Aichele".

Secretary of the Commonwealth

PENNSYLVANIA DEPARTMENT OF STATE  
CORPORATION BUREAU

Application for Registration - Foreign  
(15 Pa.C.S.)

- Registered Limited Liability General Partnership (§ 8211)  
 Registered Limited Liability Limited Partnership (§ 8211)  
 Limited Partnership (§ 8582)  
 Limited Liability Company (§ 8981)

Name \_\_\_\_\_  
Address **CT - COUNTER**  
City \_\_\_\_\_ State \_\_\_\_\_

Document will be returned to the  
name and address you enter to  
the left.

Commonwealth of Pennsylvania  
APPLICATION FOR REGISTRATION 4 Page(s)



Fee: \$250

In compliance with the requirements of the applicable provisions (relating to registration), the undersigned, desiring to register to do business in this Commonwealth, hereby states that:

1. The name to be registered is:  
US LEC of Pennsylvania LLC

2. (If the name set forth in paragraph 1 is not available for use in this Commonwealth, complete the following):

The name under which the limited liability company/limited liability partnership/limited partnership proposes to register and do business in this Commonwealth is:

3. The name of the jurisdiction under the laws of which it was organized and the date of its formation:

Jurisdiction: NC Date of Formation: 4-1-2008

4. The (a) address of its initial registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and street City State Zip County

(b) Name of Commercial Registered Office Provider County  
C T Corporation System Philadelphia

5. Check and complete one of the following:

The address of the office required to be maintained by it in the jurisdiction of its organization by the laws of that jurisdiction is:

Number and street	City	State	Zip

It is not required by the laws of its jurisdiction of organization to maintain an office therein and the address of its principal office is:

600 Willowbrook Office Park,	Fairport	NY	14450
Number and street	City	State	Zip

6. For Restricted Professional Limited Liability Company Only. Strike out if inapplicable: The company is a restricted professional company organized to render the following professional service(s):

---

**Limited Liability Partnership and Limited Partnership: Complete paragraphs 7 and 8**

7. The name and business address of each general partner.

Name	Business Address

8. The address of the office at which is kept a list of the names and addresses of the limited partners and their capital contribution is:

Number and street	City	State	Zip	County


The registered partnership hereby undertakes to keep those records until its registration to do business in the Commonwealth is canceled or withdrawn.

IN TESTIMONY WHEREOF, the undersigned has caused this Application for Registration to be signed by a duly authorized officer/member or manager thereof this

30<sup>th</sup> day of June, 2008

US LEC of Pennsylvania LLC

Name of Partnership/Company



Signature

Secretary

Title



SOSID: 0478079  
 Date Filed: 3/31/2008 4:07:00 PM  
 Effective: 4/1/2008  
 Elaine F. Marshall  
 North Carolina Secretary of State  
 C200809101186

State of North Carolina  
 Department of the Secretary of State

ARTICLES OF ORGANIZATION  
 INCLUDING ARTICLES OF CONVERSION

Pursuant to §§ 57C-2-21, 57C-9A-01 and 57C-9A-03 of the General Statutes of North Carolina, the undersigned converting business entity does hereby submit these Articles of Organization Including Articles of Conversion for the purpose of forming a limited liability company.

1. The name of the limited liability company is: US LEC of Pennsylvania LLC  
 The limited liability company is being formed pursuant to a conversion of another business entity.
2. The name of the converting business entity is US LEC of Pennsylvania Inc.  
 and the organization and internal affairs of the converting business entity are governed by the laws of the state or country of North Carolina  
 A plan of conversion has been approved by the converting business entity as required by law.
3. The converting business entity is a (*check one*):  domestic corporation;  foreign corporation;  foreign limited liability company;  domestic limited partnership;  foreign limited partnership;  domestic registered limited liability partnership;  foreign limited liability partnership; or  other partnership as defined in G.S. 59-36, whether or not formed under the laws of North Carolina.
4. If the limited liability company is to dissolve by a specific date, the latest date on which the limited liability company is to dissolve: (*If no date for dissolution is specified, there shall be no limit on the duration of the limited liability company.*) \_\_\_\_\_
5. The name and address of each person executing these articles of organization is as follows: (*State whether each person is executing these articles of organization in the capacity of a member, organizer or both.*)  
Berney Stewart III, Organizer  
Powell Goldstein LLP  
301 South College Street, Suite 3700  
Charlotte, North Carolina 28202
6. The street address and county of the initial registered office of the limited liability company is:  
 Number and Street 225 Hillsborough Street  
 City, State, Zip Code Raleigh, North Carolina 27603 County Wake
7. The mailing address, *if different from the street address*, of the initial registered office is:  
 \_\_\_\_\_  
 \_\_\_\_\_
8. The name of the initial registered agent is: CT Corporation System

## 9. Principal office information: (Select either a or b.)

a.  The limited liability company has a principal office.

- The street address and county of the principal office of the limited liability company is:

Number and Street 800 Willowbrook Office ParkCity, State, Zip Code Fairport, New York 14450County Monroe

- The mailing address, *if different from the street address*, of the principal office of the limited liability company is: \_\_\_\_\_

b.  The limited liability company does not have a principal office.


## 10. Check one of the following:

(i) *Member-managed LLC*: all members by virtue of their status as members shall be managers of this limited liability company.

(ii) *Manager-managed LLC*: except as provided by N.C.G.S. Section 57C-3-20(a), the members of this limited liability company shall not be managers by virtue of their status as members.

## 11. Any other provisions which the limited liability company elects to include are attached.

## 12. These articles will be effective upon filing, unless a date and/or time is specified:

12:01 a.m., April 1, 2008This is the 28~~th~~ day of March, 2008.


Signature

Barney Stewart III, Organizer

Type or Print Name and Title

## NOTES:

1. Filing fee is \$125. This document must be filed with the Secretary of State.  
CORPORATIONS DIVISION P.O. BOX 29622  
(Revised January 2002)

RALEIGH, NC 27626-0622  
(Form L-01A)

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

# Exhibit B

US LEC of Pennsylvania Inc.  
d/b/a PAETEC Business Services

Supplement # 35

Telephone - Pa P. U. C. No. 1

Preface

Seventeenth Revised Title Page

Competitive Local Exchange Carrier

Cancels Sixteenth Revised Title Page

**RECEIVED**

US LEC of Pennsylvania Inc.  
d/b/a PAETEC Business Services

JAN 22 2015

COMPETITIVE LOCAL EXCHANGE CARRIER TARIFF  
Facilities and Non-Facilities Based Service

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Regulations and Schedule of Charges within the Commonwealth of Pennsylvania  
for the service areas noted below

The Company will mirror the exchange area boundaries as stated in the tariffs of:

- WINDSTREAM PENNSYLVANIA, LLC Pa. P.U.C. No. 7
- Consolidated Communications of Pennsylvania Company Pa. P.U.C. No. 11
- United Telephone Company of Pennsylvania d/b/a CenturyLink P.U.C. No. 27
- Verizon North LLC Telephone Pa. P.U.C. No. 1, 3, 5, and 6
- Verizon Pennsylvania LLC. Telephone Pa. PUC No. 180A, 182, 182A, 185B and 185C
- Commonwealth Telephone Company d/b/a Frontier Communications  
Commonwealth Telephone Company P.U.C. No. 24

C

The Company's tariff is in concurrence with all applicable State and Federal Laws (including, but not limited to, 52 Pa. Code, 66 Pa. C.S. and the Telecommunications Act of 1934, as amended), and with the Commission's applicable Rules and Regulations and Orders. Any provisions contained in this Tariff that are inconsistent with the foregoing mentioned will be deemed inoperative and superseded.

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

US LEC of Pennsylvania Inc.  
d/b/a PAETEC Business Services

Supplement # 35

Telephone - Pa P. U. C. No. 1

Preface

Fifteenth Revised Page 0.1

Competitive Local Exchange Carrier

Cancels Fourteenth Revised Page 0.1

---

**SUPPLEMENT NO. 35 – TELEPHONE PA P.U.C NO. 1**

**LIST OF MODIFICATIONS**

<u>Section</u>	<u>Page</u>	<u>Page Revision #</u>	<u>Description</u>
Preface	Title	17	Updates Supplement Number; adds new ILEC for exchange area boundary concurrence
Preface	0.1	15	Updates "List of Modifications" page
Preface	2	33	Updates Check Sheet
Preface	4	10	Updates Check Sheet
10	10	3	Adds new available local exchange
10	13	1	Adds new available local exchange

---

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

US LEC of Pennsylvania Inc.  
d/b/a PAETEC Business Services

Supplement # 35

Telephone - Pa P. U. C. No. 1

Preface

Thirty-Third Revised Page 2

Competitive Local Exchange Carrier

Cancels Thirty-Second Revised Page 2

---

CHECK SHEET

The pages of this tariff are effective as of the date shown. The original and revised pages named below contain all changes from the original tariff and are in effect on the date shown.

<u>SECTION</u>	<u>PAGE</u>	<u>REVISION</u>	<u>SECTION</u>	<u>PAGE</u>	<u>REVISION</u>
Preface	Title	17 <sup>th</sup> *	2	12	Original
Preface	0.1	15 <sup>th</sup> *	2	13	Original
Preface	1	Original	2	14	Original
Preface	2	33 <sup>rd</sup> *	2	15	Original
Preface	3	13 <sup>th</sup>	2	16	Original
Preface	3.1	18 <sup>th</sup>	2	17	Original
Preface	4	10 <sup>th</sup> *	2	18	3 <sup>rd</sup>
Preface	5	Original	2	19	Original
Preface	6	9 <sup>th</sup>	2	20	Original
Preface	7	10 <sup>th</sup>	2	21	Original
Preface	8	Original	2	22	Original
Preface	9	Original	2	23	Original
Preface	10	Original	2	24	Original
1	1	Original	2	25	Original
1	2	Original	2	26	Original
1	3	Original	2	27	Original
1	4	Original	2	28	Original
1	5	Original	2	29	Original
2	1	Original	2	30	Original
2	2	Original	3	1	Original
2	3	Original	3	2	Original
2	4	Original	3	3	Original
2	5	Original	3	4	Original
2	6	Original			
2	7	Original			
2	8	Original			
2	9	Original			
2	10	Original			
2	11	Original			

---

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

CHECK SHEET

The pages of this tariff are effective as of the date shown. The original and revised pages named below contain all changes from the original tariff and are in effect on the date shown.

<u>SECTION</u>	<u>PAGE</u>	<u>REVISION</u>	<u>SECTION</u>	<u>PAGE</u>	<u>REVISION</u>
10	4	2 <sup>nd</sup>	11	15	Original
10	5	3 <sup>rd</sup>	11	16	Original
10	6	2 <sup>nd</sup>	11	17	Original
10	7	4 <sup>th</sup>	11	18	Original
10	8	2 <sup>nd</sup>	11	19	Original
10	9	3 <sup>rd</sup>	11	20	Original
10	10	3 <sup>rd</sup> *	11	21	Original
10	11	3 <sup>rd</sup>	11	22	Original
10	12	2 <sup>nd</sup>	11	23	Original
10	13	1 <sup>st</sup> *	11	24	Original
10	14	First	11	25	Original
10	15	2 <sup>nd</sup>	11	26	Original
10	16	3 <sup>rd</sup>	11	27	Original
10	17	2 <sup>nd</sup>	11	28	Original
10	18	2 <sup>nd</sup>	11	29	Original
10	19	3 <sup>rd</sup>	11	30	Original
10	20	Original	11	31	Original
10	21	Original	11	32	Original
			11	33	Original
11	1	Original	11	34	Original
11	2	Original	11	35	Original
11	3	Original	11	36	Original
11	4	Original	11	37	Original
11	5	Original	11	38	Original
11	6	Original	11	39	Original
11	7	Original	11	40	Original
11	8	Original	11	41	Original
11	9	Original			
11	10	Original			
11	11	Original			
11	12	Original			
11	13	Original			
11	14	Original			

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

---

SECTION 10 - SERVICE AREAS

10.1 Service Area (Cont'd):

<u>Originating Exchange</u>	<u>Local Calling Area</u>
Kutztown	Allentown, Fleetwood, Kempton, Kutztown, Reading, Topton
Lansdale	Center Point, Harleysville, Lansdale, Line Lexington, North Wales, Souderton
Latrobe	Blairsville, Derry, Greensburg, Kecksburg, Latrobe, Ligonier, New Alexandria
Leechburg	Appolo, Leechburg, New Kensington, Vandergrift
Leesport	Fleetwood, Hamburg, Leesport, Reading
Lewisberry	Harrisburg City Zone-1, Lewisberry, Mechanicsburg (Cumberland)
Line Lexington	Doylestown, Dublin, Harleysville, Lansdale, Line Lexington, North Wales, Perkasie, Souderton, Warrington
Marion Center	Indiana, Marion Center
Millvale (includes Sharpsburg)	Bellevue, Braddock, Carrick, Crafton, East Liberty, Fox Chapel, Glenshaw, Homestead, Millvale, Oakmont, Pittsburgh
McDonald	Burgettstown, Canonsburg, Imperial, McDonald, Midway, Oakdale, Bridgeville
McKeesport (Pt Z 10)	Bethel Park, Clairton, Elizabeth, Homestead, Irwin, McKeesport, Monroeville, Pleasant Hills
McMurray	Bethel Park, Bridgeville, Canonsburg, Finleyville, McMurray,
Meadville	Cambridge Springs, Cochranon, Conneaut Lake, Conneautville, Guys Mills, Linesville, Meadville, Sacertown, Townville
Mendenhall	Avondale, Chester Heights, Hockessin, DE, Kemblesville, Kennett Square, Landenberg, Lenape, Mendenhall, Unionville, West Chester, West Grove, Westtown, Wilmington, DE
Mercer	Blacktown, Fredonia, Grove City, Mercer, Sharon, Sharpsville, Wesley

C

---

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

---

SECTION 10 - SERVICE AREAS

10.1 Service Area (Cont'd):

<u>Originating Exchange</u>	<u>Local Calling Area</u>
Oxford	Avondale, Kemblesville, Kirkwood, Landenberg, Oxford, West Grove
Parker	Bruin, Callensburg, Eau Claire, Emlenton, Foxburg, Parker, Petrolia
Penn Hills (Pt Z 21)	Braddock, Export, Monroeville, Oakmont, Penn Hills
Pen Argyle	Bangor, Belvidere, Easton, Nazareth, Pen Argyle, Saylorsburg
Pennsburg	Bally, Green Lane, Pennsburg, Perkasio, Quakertown, Sassamansville, Souderton
Perkasie	Bedminster, Doylestown, Dublin, Green Lane, Harleysville, Lansdale, Line Lexington, Pennsburg, Perkasio, Plumsteadville, Quakertown, Schwenksville, Souderton
Perrysville (Pt Z 17)	Bellevue, Glenshaw, Perrysville, Wexford
Petrolia	Bruin, Butler, Chicora, North Washington, Parker, Petrolia
Philadelphia Zone 1*	Philadelphia Zones - 1, 2, 3, 4, 10, 11, 12, 13, 14, 17, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 37, 38, 39, 40, 41, 41, 42, 43, 44, 45.
Philadelphia Zone 2*	Philadelphia Zones - 1, 2, 3, 4, 10, 11, 12, 13, 14, 17, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 37, 38, 39, 40, 41, 41, 42, 43, 44, 45.
Philadelphia Zone 3*	Philadelphia Zones - 1, 2, 3, 4, 10, 11, 12, 13, 14, 17, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 37, 38, 39, 40, 41, 41, 42, 43, 44, 45.

C

\* Information marked with an asterisk originally appeared in Section 10, pages 1 through 7

---

Issued:

Effective:

Senior Manager, Regulatory Affairs  
6801 Morrison Boulevard  
Charlotte, North Carolina 28211

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

# Exhibit C

JAN 22 2015

**WINDSTREAM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the years ended December 31,

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

(Millions, except per share amounts)	2013	2012	2011
<b>Revenues and sales:</b>			
Service revenues:			
Business	\$ 3,663.4	\$ 3,611.4	\$ 2,098.0
Consumer	1,296.4	1,339.5	1,378.3
Wholesale	593.5	708.0	547.3
Other	222.2	249.4	129.4
Total service revenues	5,775.5	5,908.3	4,153.0
Product sales	212.6	231.2	126.6
Total revenues and sales	5,988.1	6,139.5	4,279.6
<b>Costs and expenses:</b>			
Cost of services (exclusive of depreciation and amortization included below)	2,492.1	2,692.2	1,691.1
Cost of products sold	183.9	206.6	105.1
Selling, general, and administrative	923.4	967.3	601.9
Depreciation and amortization	1,340.9	1,296.9	847.5
Merger and integration costs	29.2	65.4	69.8
Restructuring charges	9.6	27.2	1.3
Total costs and expenses	4,979.1	5,255.6	3,316.7
<b>Operating income</b>	1,009.0	883.9	962.9
Other (expense) income, net	(12.5)	4.6	(0.1)
(Loss) gain on early extinguishment of debt	(28.5)	1.9	(136.1)
Interest expense	(627.7)	(625.1)	(558.3)
Income from continuing operations before income taxes	340.3	265.3	268.4
Income taxes	105.3	98.2	99.4
Income from continuing operations	235.0	167.1	169.0
Discontinued operations	6.0	0.9	0.5
Net income	\$ 241.0	\$ 168.0	\$ 169.5
<b>Basic and diluted earnings per share:</b>			
From continuing operations	\$ .39	\$ .28	\$ .32
From discontinued operations	.01	—	—
Net income	\$ .40	\$ .28	\$ .32

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

**WINDSTREAM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31,

(Millions)	2013		2012		2011	
Net income	\$	241.0	\$	168.0	\$	169.5
Other comprehensive income:						
Interest rate swaps:						
Changes in designated interest rate swaps		28.2		(20.5)		(32.5)
Amortization of unrealized losses on de-designated interest rate swaps		35.9		45.4		49.0
Income tax expense		(24.5)		(9.5)		(6.3)
Unrealized holding gains on interest rate swaps		39.6		15.4		10.2
Postretirement and pension plans:						
Prior service credit arising during the period		0.9		1.4		37.6
Change in net actuarial gain (loss) for employee benefit plans		9.9		0.1		(2.1)
Plan curtailment		(31.8)		(9.6)		—
Amounts included in net periodic benefit cost:						
Amortization of net actuarial loss		1.7		2.3		1.0
Amortization of prior service credits		(8.7)		(11.9)		(10.8)
Income tax benefit (expense)		10.5		6.8		(9.9)
Change in postretirement and pension plans		(17.5)		(10.9)		15.8
Other comprehensive income	\$	22.1	\$	4.5	\$	26.0
Comprehensive income	\$	263.1	\$	172.5	\$	195.5

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

**WINDSTREAM HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**

December 31,

(Millions, except par value)

Assets	2013	2012
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 48.2	\$ 132.0
Restricted cash	9.7	26.5
Accounts receivable (less allowance for doubtful accounts of \$40.0 and \$42.6, respectively)	635.3	609.0
Inventories	67.7	75.0
Deferred income taxes	241.5	249.4
Prepaid income taxes	29.7	23.3
Prepaid expenses and other	152.7	179.6
Assets held for sale	—	15.7
<b>Total current assets</b>	<b>1,184.8</b>	<b>1,310.5</b>
Goodwill	4,331.4	4,331.4
Other intangibles, net	2,020.1	2,311.3
Net property, plant and equipment	5,702.6	5,861.8
Other assets	205.7	167.0
<b>Total Assets</b>	<b>\$ 13,444.6</b>	<b>\$ 13,982.0</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 85.0	\$ 866.0
Current portion of interest rate swaps	30.0	29.0
Accounts payable	385.9	363.7
Advance payments and customer deposits	223.5	219.6
Accrued dividends	151.1	148.9
Accrued taxes	104.2	104.3
Accrued interest	103.5	113.6
Other current liabilities	362.4	322.8
<b>Total current liabilities</b>	<b>1,445.6</b>	<b>2,167.9</b>
Long-term debt	8,622.2	8,099.8
Deferred income taxes	2,038.3	1,896.8
Other liabilities	498.3	712.7
<b>Total liabilities</b>	<b>12,604.4</b>	<b>12,877.2</b>
<b>Commitments and Contingencies (See Note 13)</b>		
<b>Shareholders' Equity:</b>		
Common stock, \$0.0001 par value, 1,000.0 shares authorized, 596.2 and 588.2 shares issued and outstanding, respectively	0.1	0.1
Additional paid-in capital	811.6	1,098.3
Accumulated other comprehensive income	28.5	6.4
Retained earnings	—	—
<b>Total shareholders' equity</b>	<b>840.2</b>	<b>1,104.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 13,444.6</b>	<b>\$ 13,982.0</b>

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

**WINDSTREAM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31,

(Millions)	2013	2012	2011
<b>Cash Provided from Operations:</b>			
Net income	\$ 241.0	\$ 168.0	\$ 169.5
<i>Adjustments to reconcile net income to net cash provided from operations:</i>			
Depreciation and amortization	1,341.5	1,297.6	847.5
Provision for doubtful accounts	63.5	59.4	48.5
Share-based compensation expense	44.9	43.2	24.1
Pension (income) expense	(115.3)	67.4	166.8
Deferred income taxes	134.8	79.0	173.8
Unamortized net (premium) discount on retired debt	(38.1)	(16.2)	21.2
Amortization of unrealized losses on de-designated interest rate swaps	35.9	45.4	49.0
Gain from sale of software business	(14.4)	—	—
Plan curtailment and other, net	(15.8)	(25.7)	(3.1)
<i>Changes in operating assets and liabilities, net</i>			
Accounts receivable	(46.4)	(75.8)	(64.3)
Income tax receivable	0.6	123.3	(124.1)
Prepaid income taxes	(7.0)	(7.1)	57.1
Prepaid expenses and other	(13.0)	(22.2)	(5.6)
Accounts payable	(21.0)	63.6	23.5
Accrued interest	(10.2)	(40.8)	(99.1)
Accrued taxes	(0.1)	(10.9)	0.7
Other current liabilities	(49.0)	36.5	(30.3)
Other liabilities	(9.2)	(5.8)	(3.5)
Other, net	(3.3)	(1.3)	(22.9)
Net cash provided from operations	1,519.4	1,777.6	1,228.8
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(841.0)	(1,101.2)	(702.0)
Broadband network expansion funded by stimulus grants	(36.1)	(105.4)	(21.7)
Cash acquired from PAETEC	—	—	71.4
Changes in restricted cash	16.8	(4.8)	(11.9)
Grant funds received for broadband stimulus projects	68.0	45.7	4.0
Grant funds received from Connect America Fund	60.7	—	—
Dispositions of software and energy businesses	30.0	6.1	—
Disposition of wireless assets	—	57.0	—
Other, net	(6.0)	0.9	8.0
Net cash used in investing activities	(707.6)	(1,101.7)	(652.2)
<b>Cash Flows from Financing Activities:</b>			
Dividends paid to shareholders	(593.6)	(588.0)	(509.6)
Repayment of debt and swaps	(5,161.0)	(2,054.5)	(4,780.3)
Proceeds of debt issuance	4,919.6	1,910.0	4,922.0
Debt issuance costs	(30.0)	(19.1)	(30.6)
Payment under capital lease obligations	(23.9)	(20.0)	(0.8)
Other, net	(6.7)	0.7	7.4
Net cash used in financing activities	(895.6)	(770.9)	(391.9)
(Decrease) increase in cash and cash equivalents	(83.8)	(95.0)	184.7
<b>Cash and Cash Equivalents:</b>			
Beginning of period	132.0	227.0	42.3
End of period	\$ 48.2	\$ 132.0	\$ 227.0
<b>Supplemental Cash Flow Disclosures:</b>			
Interest paid	\$ 609.4	\$ 671.5	\$ 601.9
Income taxes paid (refunded), net	\$ 5.7	\$ (100.7)	\$ (11.1)

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

**WINDSTREAM HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Millions, except per share amounts)	Common Stock and Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance at December 31, 2010	\$ 855.1	\$ (24.1)	\$ —	\$ 831.0
Net income	—	—	169.5	169.5
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	15.8	—	15.8
Amortization of unrealized losses on de-designated interest rate swaps	—	30.3	—	30.3
Changes in designated interest rate swaps	—	(20.1)	—	(20.1)
Comprehensive income	—	26.0	169.5	195.5
Share-based compensation expense	24.1	—	—	24.1
Stock options exercised	2.3	—	—	2.3
Stock issued to PAETEC shareholders (See Note 3)	842.0	—	—	842.0
Stock issued to qualified pension plan (See Note 8)	135.8	—	—	135.8
Taxes withheld on vested restricted stock and other	(4.4)	—	—	(4.4)
Dividends of \$1.00 per share declared to stockholders	(361.5)	—	(169.5)	(531.0)
Balance at December 31, 2011	\$ 1,493.4	\$ 1.9	\$ —	\$ 1,495.3
Net income	—	—	168.0	168.0
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	(10.9)	—	(10.9)
Amortization of unrealized losses on de-designated interest rate swaps	—	28.0	—	28.0
Changes in designated interest rate swaps	—	(12.6)	—	(12.6)
Comprehensive income	—	4.5	168.0	172.5
Share-based compensation expense	25.4	—	—	25.4
Stock options exercised	6.0	—	—	6.0
Taxes withheld on vested restricted stock and other	(5.6)	—	—	(5.6)
Dividends of \$1.00 per share declared to stockholders	(420.8)	—	(168.0)	(588.8)
Balance at December 31, 2012	\$ 1,098.4	\$ 6.4	\$ —	\$ 1,104.8
Net income	—	—	241.0	241.0
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	(17.5)	—	(17.5)
Amortization of unrealized losses on de-designated interest rate swaps	—	22.2	—	22.2
Changes in designated interest rate swaps	—	17.4	—	17.4
Comprehensive income	—	22.1	241.0	263.1
Share-based compensation expense	26.8	—	—	26.8
Stock options exercised	0.8	—	—	0.8
Stock issued to 401(k) plan (See Note 8)	20.4	—	—	20.4
Stock issued to qualified pension plan (See Note 8)	27.8	—	—	27.8
Taxes withheld on vested restricted stock and other	(8.0)	—	—	(8.0)
Dividends of \$1.00 per share declared to stockholders	(354.5)	—	(241.0)	(595.5)
Balance at December 31, 2013	\$ 811.7	\$ 28.5	\$ —	\$ 840.2

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

**WINDSTREAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME**

For the years ended December 31,

(Millions, except per share amounts)	2013	2012	2011
<b>Revenues and sales:</b>			
Service revenues:			
Business	\$ 3,663.4	\$ 3,611.4	\$ 2,098.0
Consumer	1,296.4	1,339.5	1,378.3
Wholesale	593.5	708.0	547.3
Other	222.2	249.4	129.4
Total service revenues	5,775.5	5,908.3	4,153.0
Product sales	212.6	231.2	126.6
Total revenues and sales	5,988.1	6,139.5	4,279.6
<b>Costs and expenses:</b>			
Cost of services (exclusive of depreciation and amortization included below)	2,492.1	2,692.2	1,691.1
Cost of products sold	183.9	206.6	105.1
Selling, general, and administrative	922.9	967.3	601.9
Depreciation and amortization	1,340.9	1,296.9	847.5
Merger and integration costs	29.2	65.4	69.8
Restructuring charges	9.6	27.2	1.3
Total costs and expenses	4,978.6	5,255.6	3,316.7
<b>Operating income</b>	1,009.5	883.9	962.9
Other (expense) income, net	(12.5)	4.6	(0.1)
(Loss) gain on early extinguishment of debt	(28.5)	1.9	(136.1)
Interest expense	(627.7)	(625.1)	(558.3)
Income from continuing operations before income taxes	340.8	265.3	268.4
Income taxes	105.5	98.2	99.4
Income from continuing operations	235.3	167.1	169.0
Discontinued operations	6.0	0.9	0.5
Net income	\$ 241.3	\$ 168.0	\$ 169.5

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

**WINDSTREAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the years ended December 31,

(Millions)	2013		2012		2011	
Net income	\$	241.3	\$	168.0	\$	169.5
Other comprehensive income:						
Interest rate swaps:						
Changes in designated interest rate swaps		28.2		(20.5)		(32.5)
Amortization of unrealized losses on de-designated interest rate swaps		35.9		45.4		49.0
Income tax expense		(24.5)		(9.5)		(6.3)
Unrealized holding gains on interest rate swaps		39.6		15.4		10.2
Postretirement and pension plans:						
Prior service credit arising during the period		0.9		1.4		37.6
Change in net actuarial gain (loss) for employee benefit plans		9.9		0.1		(2.1)
Plan curtailment		(31.8)		(9.6)		—
Amounts included in net periodic benefit cost:						
Amortization of net actuarial loss		1.7		2.3		1.0
Amortization of prior service credits		(8.7)		(11.9)		(10.8)
Income tax benefit (expense)		10.5		6.8		(9.9)
Change in postretirement and pension plans		(17.5)		(10.9)		15.8
Other comprehensive income	\$	22.1	\$	4.5	\$	26.0
Comprehensive income	\$	263.4	\$	172.5	\$	195.5

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

**WINDSTREAM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

December 31,

(Millions, except par value and number of shares)

<b>Assets</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 48.2	\$ 132.0
Restricted cash	9.7	26.5
Accounts receivable (less allowance for doubtful accounts of \$40.0 and \$42.6, respectively)	635.3	609.0
Inventories	67.7	75.0
Deferred income taxes	241.5	249.4
Prepaid income taxes	29.7	23.3
Prepaid expenses and other	152.7	179.6
Assets held for sale	—	15.7
<b>Total current assets</b>	<b>1,184.8</b>	<b>1,310.5</b>
Goodwill	4,331.4	4,331.4
Other intangibles, net	2,020.1	2,311.3
Net property, plant and equipment	5,702.6	5,861.8
Other assets	205.7	167.0
<b>Total Assets</b>	<b>\$ 13,444.6</b>	<b>\$ 13,982.0</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current Liabilities:</b>		
Current maturities of long-term debt	\$ 85.0	\$ 866.0
Current portion of interest rate swaps	30.0	29.0
Accounts payable	385.9	363.7
Payable to Windstream Holdings, Inc.	150.7	—
Advance payments and customer deposits	223.5	219.6
Accrued dividends	—	148.9
Accrued taxes	104.3	104.3
Accrued interest	103.5	113.6
Other current liabilities	362.4	322.8
<b>Total current liabilities</b>	<b>1,445.3</b>	<b>2,167.9</b>
Long-term debt	8,622.2	8,099.8
Deferred income taxes	2,038.3	1,896.8
Other liabilities	498.3	712.7
<b>Total liabilities</b>	<b>12,604.1</b>	<b>12,877.2</b>
<b>Commitments and Contingencies (See Note 13)</b>		
<b>Shareholders' Equity:</b>		
Common stock, 1,000 shares issued and outstanding (See Note 1)	—	—
Common stock, \$0.0001 par value, 1,000.0 shares authorized, 588.2 million shares issued and outstanding at December 31, 2012	—	0.1
Additional paid-in capital	812.0	1,098.3
Accumulated other comprehensive income	28.5	6.4
Retained earnings	—	—
<b>Total shareholders' equity</b>	<b>840.5</b>	<b>1,104.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 13,444.6</b>	<b>\$ 13,982.0</b>

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

Table of Contents

**WINDSTREAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended December 31,

(Millions)	2013	2012	2011
<b>Cash Provided from Operations:</b>			
Net income	\$ 241.3	\$ 168.0	\$ 169.5
Adjustments to reconcile net income to net cash provided from operations:			
Depreciation and amortization	1,341.5	1,297.6	847.5
Provision for doubtful accounts	63.5	59.4	48.5
Share-based compensation expense	44.9	43.2	24.1
Pension (income) expense	(115.3)	67.4	166.8
Deferred income taxes	134.8	79.0	173.8
Unamortized net (premium) discount on retired debt	(38.1)	(16.2)	21.2
Amortization of unrealized losses on de-designated interest rate swaps	35.9	45.4	49.0
Gain from sale of software business	(14.4)	—	—
Plan curtailment and other, net	(15.8)	(25.7)	(3.1)
Changes in operating assets and liabilities, net			
Accounts receivable	(46.4)	(75.8)	(64.3)
Income tax receivable	0.6	123.3	(124.1)
Prepaid income taxes	(7.0)	(7.1)	57.1
Prepaid expenses and other	(13.0)	(22.2)	(5.6)
Accounts payable	(21.0)	63.6	23.5
Accrued interest	(10.2)	(40.8)	(99.1)
Accrued taxes	—	(10.9)	0.7
Other current liabilities	(49.0)	36.5	(30.3)
Other liabilities	(9.2)	(5.8)	(3.5)
Other, net	(3.3)	(1.3)	(22.9)
Net cash provided from operations	1,519.8	1,777.6	1,228.8
<b>Cash Flows from Investing Activities:</b>			
Additions to property, plant and equipment	(841.0)	(1,101.2)	(702.0)
Broadband network expansion funded by stimulus grants	(36.1)	(105.4)	(21.7)
Cash acquired from PAETEC	—	—	71.4
Changes in restricted cash	16.8	(4.8)	(11.9)
Grant funds received for broadband stimulus projects	68.0	45.7	4.0
Grant funds received from Connect America Fund	60.7	—	—
Dispositions of software and energy businesses	30.0	6.1	—
Disposition of wireless assets	—	57.0	—
Other, net	(6.0)	0.9	8.0
Net cash used in investing activities	(707.6)	(1,101.7)	(652.2)
<b>Cash Flows from Financing Activities:</b>			
Dividends paid to shareholders	(444.6)	(588.0)	(509.6)
Distributions to Windstream Holdings, Inc.	(149.4)	—	—
Repayment of debt and swaps	(5,161.0)	(2,054.5)	(4,780.3)
Proceeds of debt issuance	4,919.6	1,910.0	4,922.0
Debt issuance costs	(30.0)	(19.1)	(30.6)
Payment under capital lease obligations	(23.9)	(20.0)	(0.8)
Other, net	(6.7)	0.7	7.4
Net cash used in financing activities	(896.0)	(770.9)	(391.9)
(Decrease) increase in cash and cash equivalents	(83.8)	(95.0)	184.7
<b>Cash and Cash Equivalents:</b>			
Beginning of period	132.0	227.0	42.3
End of period	\$ 48.2	\$ 132.0	\$ 227.0
<b>Supplemental Cash Flow Disclosures:</b>			
Interest paid	\$ 609.4	\$ 671.5	\$ 601.9
Income taxes paid (refunded), net	\$ 5.7	\$ (100.7)	\$ (11.1)

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



**WINDSTREAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

(Millions, except per share amounts)	Common Stock and Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance at December 31, 2010	\$ 855.1	\$ (24.1)	\$ —	\$ 831.0
Net income	—	—	169.5	169.5
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	15.8	—	15.8
Amortization of unrealized losses on de-designated interest rate swaps	—	30.3	—	30.3
Changes in designated interest rate swaps	—	(20.1)	—	(20.1)
Comprehensive income	—	26.0	169.5	195.5
Share-based compensation expense	24.1	—	—	24.1
Stock options exercised	2.3	—	—	2.3
Stock issued to PAETEC shareholders (See Note 3)	842.0	—	—	842.0
Stock issued to qualified pension plan (See Note 8)	135.8	—	—	135.8
Taxes withheld on vested restricted stock and other	(4.4)	—	—	(4.4)
Dividends of \$1.00 per share declared to stockholders	(361.5)	—	(169.5)	(531.0)
Balance at December 31, 2011	\$ 1,493.4	\$ 1.9	\$ —	\$ 1,495.3
Net income	—	—	168.0	168.0
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	(10.9)	—	(10.9)
Amortization of unrealized losses on de-designated interest rate swaps	—	28.0	—	28.0
Changes in designated interest rate swaps	—	(12.6)	—	(12.6)
Comprehensive income	—	4.5	168.0	172.5
Share-based compensation expense	25.4	—	—	25.4
Stock options exercised	6.0	—	—	6.0
Taxes withheld on vested restricted stock and other	(5.6)	—	—	(5.6)
Dividends of \$1.00 per share declared to stockholders	(420.8)	—	(168.0)	(588.8)
Balance at December 31, 2012	\$ 1,098.4	\$ 6.4	\$ —	\$ 1,104.8
Net income	—	—	241.3	241.3
Other comprehensive income, net of tax:				
Change in postretirement and pension plans	—	(17.5)	—	(17.5)
Amortization of unrealized losses on de-designated interest rate swaps	—	22.2	—	22.2
Changes in designated interest rate swaps	—	17.4	—	17.4
Comprehensive income	—	22.1	241.3	263.4
Share-based compensation expense	26.8	—	—	26.8
Stock options exercised	0.8	—	—	0.8
Stock issued to 401(k) plan (See Note 8)	20.4	—	—	20.4
Stock issued to qualified pension plan (See Note 8)	27.8	—	—	27.8
Taxes withheld on vested restricted stock and other	(8.0)	—	—	(8.0)
Distributions payable to Windstream Holdings, Inc.	(149.5)	—	(149.3)	(298.8)
Dividends of \$0.50 per share declared to stockholders	(204.7)	—	(92.0)	(296.7)
Balance at December 31, 2013	\$ 812.0	\$ 28.5	\$ —	\$ 840.5

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. Background and Basis for Presentation:**

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

**Change in Organizational Structure** – On August 30, 2013, through the creation of a new holding company structure (the "Holding Company Formation"), Windstream Corporation ("Windstream Corp.") became a wholly-owned subsidiary of a new publicly traded parent company, Windstream Holdings, Inc. ("Windstream Holdings"). As the reorganization occurred at the parent company level, the remainder of our subsidiaries, operations and customers were not affected. Therefore, the operations of Windstream Corp. are the same as the operations of Windstream Holdings as of December 31, 2013. Accordingly, the historical financial statements reflect the effect of the Holding Company Formation for all periods presented.

The Holding Company Formation was effected through the merger of Windstream Corp. with and into WIN Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Windstream Holdings, with Windstream Corp. surviving the merger and becoming a direct, wholly-owned subsidiary of Windstream Holdings. At the effective time of the merger, each share of Windstream Corp. common stock, par value \$0.0001 per share, issued and outstanding was automatically converted into and was deemed exchanged for one share of Windstream Holdings common stock, par value \$0.0001 per share, having the same rights, powers, preferences, qualifications, limitations and restrictions as the Windstream Corp. common stock being converted and exchanged. As a result of the Holding Company Formation, Windstream Holdings common stock replaced the Windstream Corp. common stock on the Nasdaq Global Select Market and on September 3, 2013, began trading under the ticker symbol "WIN." Windstream Corp. common stock, consisting of 1,000 shares outstanding, all of which are held by Windstream Holdings, no longer trades on any stock market.

At the effective time of the merger, all unvested time-based and performance-based restricted stock and restricted stock units and all unexercised and unexpired options and warrants to purchase Windstream Corp. common stock then outstanding under Windstream Corp.'s equity compensation plans and any other equity incentive plans of Windstream Corp. then in existence which allows for the purchase, grant or issuance of Windstream Corp. common stock, whether or not then exercisable, were assumed by Windstream Holdings. Each restricted share, restricted stock unit, option or warrant assumed by Windstream Holdings under the Holding Company Formation will continue to have, and be subject to, the same terms and conditions as set forth in the applicable equity compensation plan and the applicable agreements thereunder immediately prior to the effective time of the merger.

Following the Holding Company Formation, Windstream Corp. and its guarantor subsidiaries remained the sole obligors on its outstanding debt obligations and, as a result will continue to file periodic reports with the Securities and Exchange Commission ("SEC"). Windstream Holdings is not a guarantor of nor subject to the restrictive covenants included in any of Windstream Corp.'s debt agreements. The existing Windstream Corp. board of directors and officers oversee both companies.

**Description of Business** – We are a leading provider of advanced communications and technology solutions, including managed services and cloud computing, to businesses nationwide. In addition to business services, we offer broadband, voice and video services to consumers in primarily rural markets. We have operations in 48 states and the District of Columbia, a local and long-haul fiber network spanning approximately 118,000 miles, a robust business sales division and 26 data centers offering managed services and cloud computing.

Business service revenues include revenues from integrated voice and data services, advanced data, traditional voice and long-distance services to enterprise and small-business customers, and revenues from other carriers for special access circuits and fiber connections. Consumer service revenues are generated from the provision of high-speed Internet, voice and video services to consumers. Wholesale service revenues include switched access revenues, Universal Service Fund ("USF") revenues and voice and data services sold on a wholesale basis. Other service revenues include USF surcharge revenues, revenues from software, other miscellaneous services and consumer revenues generated in markets where we lease the connection to the customer premise. We no longer offer new consumer service in those areas.

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

**1. Background and Basis for Presentation, Continued:**

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

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

**2. Summary of Significant Accounting Policies and Changes:**

**Significant Accounting Policies**

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

Business Segments – We are organized based on the services and products that we offer. Our chief operating decision maker assesses performance and allocates resources based on our consolidated results of operations. Under this organizational and reporting structure, our operations consist of one reportable segment. See the accompanying consolidated statements of income for additional information regarding the types of revenue our business generates.

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

Restricted Cash – Restricted cash consists of cash restricted for uses other than current operations. We have placed cash into pledged deposit accounts for our share of committed spend on construction contracts currently under review by the Rural Utilities Service ("RUS"), part of the United States Department of Agriculture, for broadband stimulus grants. Changes in the restricted cash balances are reflected as cash inflows or outflows in the investing activities section of the statement of cash flows. Additionally, in connection with the acquisition of PAETEC Holding Corp. ("PAETEC"), we assumed responsibility for letter of credit agreements between PAETEC and their financial institution. These letter of credit agreements, which require cash collateral, relate to contracts entered into by PAETEC in the normal course of business. There was no restricted cash remaining at December 31, 2013 associated with these letters of credit compared to approximately \$1.5 million of restricted cash at December 31, 2012.

Accounts Receivable – Accounts receivable consist principally of trade receivables from customers and are generally unsecured and due within 30 days. Expected credit losses related to trade accounts receivable are recorded as an allowance for doubtful accounts in the consolidated balance sheets. In establishing the allowance for doubtful accounts, we consider a number of factors, including historical collection experience, aging of the accounts receivable balances, current economic conditions and a specific customer's ability to meet its financial obligations. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts. Concentration of credit risk with respect to accounts receivable is limited because a large number of geographically diverse customers make up our customer base. Due to varying customer billing cycle cut-off, we must estimate service revenues earned but not yet billed at the end of each reporting period. Included in accounts receivable are unbilled receivables related to communications services and product sales of \$46.3 million and \$48.5 million at December 31, 2013 and 2012, respectively.

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

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

Prepaid Expenses and Other Current Assets— Prepaid expenses and other current assets consist of prepaid services, rent, insurance, maintenance contracts and refundable deposits. Prepayments are expensed on a straight-line basis over the corresponding life of the underlying agreements.

Broadband Stimulus Grants— Capital expenditures related to the broadband stimulus grants are initially recorded to construction in progress. A receivable totaling 75 percent of the gross spend, representing the expected reimbursement from the RUS is recorded during the same period, offsetting the amounts recorded in construction in progress. The resulting balance sheet presentation reflects our 25 percent investment in these assets in property, plant and equipment. Once an asset is placed into service, depreciation is calculated and recorded based on our 25 percent investment in the equipment. Initial outflows to purchase stimulus-related assets are reflected in the investing activities section of the accompanying consolidated cash flows statement. Grant funds received from the RUS are shown as inflows in the investing activities section of the accompanying consolidated statement of cash flows.

Connect America Fund Support— In conjunction with reforming USF, the Federal Communications Commission ("FCC") established the Connect America Fund ("CAF") which provides incremental support to broadband service providers. We have been authorized to receive \$75.2 million in CAF support for upgrades and new deployments of broadband service to unserved and underserved locations. Pursuant to commitments we made with the FCC, we will match, on at least a dollar-for-dollar basis, the total amount of CAF support we receive. As of December 31, 2013, we have received \$60.7 million of our current authorized allotment of CAF support of which \$20.7 million and \$40.0 million has been recorded in other current liabilities and other liabilities, respectively in the accompanying consolidated balance sheet. As construction projects which will utilize CAF support are initiated, a portion of the CAF support, received will be reclassified from other liabilities as an offset to construction in progress to effectively reduce the capitalized cost of the constructed asset. For each construction dollar we spend, an equal amount will be transferred from other liabilities to construction in progress to reflect our dollar-for-dollar matching requirement. CAF support received has been presented as cash inflows in the investing activities section of the consolidated statement of cash flows.

Assets Held For Sale— On December 5, 2013, we completed the sale of Pinnacle Software Company ("Pinnacle"), a software company acquired in conjunction with the acquisition of PAETEC. As a result, \$15.7 million of assets and \$4.5 million of liabilities of the software business were reclassified to assets held for sale and liabilities related to assets held for sale, respectively, and are presented in assets held for sale and other current liabilities, respectively, in the accompanying consolidated balance sheet as of December 31, 2012. The results of our software business are reported as discontinued operations for all periods presented. See Note 15 for further discussion of discontinued operations.

On February 22, 2012 and March 30, 2012, we completed the sales of wireless assets acquired from D&E Communications, Inc. ("D&E") and Iowa Telecommunications Services, Inc. ("Iowa Telecom"), respectively. In connection with these sales, we received gross proceeds of approximately \$57.0 million and recognized a gain of \$5.2 million, net of transaction fees.

Goodwill and Other Intangible Assets— Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets has been recorded as goodwill.

In accordance with authoritative guidance, goodwill is to be assigned to a company's reporting units and tested for impairment at least annually using a consistent measurement date, which for us is January 1<sup>st</sup> of each year. Goodwill is tested at the reporting unit level. A reporting unit is an operating segment or one level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit for which discrete financial information is available and our executive management team regularly reviews the operating results of that component. Additionally, components of an operating segment can be combined as a single reporting unit if the components have similar economic characteristics. As of January 1, 2013, we determined that we had one reporting unit to test for impairment, which included all of our operations. We assessed impairment of our goodwill based upon step one of the authoritative guidance by evaluating the carrying value of our shareholders' equity against the current fair market value of our outstanding equity, which was estimated to be equal to our current market capitalization plus a control premium of 20.0 percent. This premium was estimated through a review of recent market observable transactions involving telecommunications companies. As of January 1, 2013, the fair market value of our equity, both including and excluding the control premium, exceed its carrying value, and accordingly, goodwill was considered not impaired and step two of the impairment test was unnecessary.

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

During the fourth quarter of 2013, in connection with the disposal of our software business and changes in certain management responsibilities, we reassessed our reporting unit structure and determined that, as of the date of reassessment of November 30, 2013, we had five reporting units, including the software business sold on December 5, 2013. The reporting units are not separate legal entities with discrete financial statements. Certain assets and liabilities utilized in or relating to multiple reporting units have been allocated to the reporting units using reasonable and consistent allocation methodologies. Certain corporate-level assets and liabilities were not allocated and are included in a separate corporate reporting unit. Goodwill has been assigned to the non-corporate reporting units using a relative fair value allocation approach. Immediately prior to this change in our reporting unit structure and assignment of goodwill to the reporting units, we determined that no impairment of goodwill existed as of November 30, 2013. For purposes of our annual goodwill impairment test, we will continue to use January 1<sup>st</sup> of each year as the measurement date.

We estimated the fair value of our reporting units using an income approach or discounted cash flow model supplemented with a market approach. The income approach is based on the present value of projected cash flows and a terminal value, which represents the expected normalized cash flows of the reporting unit beyond the cash flows from the discrete projection period of five years. We discounted the estimated cash flows for each of the reporting units using a rate that represents a market participant's weighted average cost of capital commensurate with the reporting unit's underlying business operations. Results of the income approach were corroborated with estimated fair values derived from a market approach, which primarily included the use of comparable multiples of publicly traded companies operating in businesses similar to ours. We also reconciled the estimated fair value of our reporting units to our total market capitalization.

Other intangible assets arising from business combinations such as franchise rights, customer lists, and cable franchise rights are initially recorded at estimated fair value. We amortize customer lists using the sum-of-the-digits method over an estimated life or 9 to 15 years. All other intangible assets are amortized using a straight-line method over the estimated useful lives.

**Net Property, Plant and Equipment** – Property, plant and equipment are stated at original cost, less accumulated depreciation. Property, plant and equipment consists of central office equipment, office and warehouse facilities, outside communications plant, customer premise equipment, furniture, fixtures, vehicles, machinery, other equipment and software to support the business units in the distribution of telecommunications products. The costs of additions, replacements, substantial improvements and extension of the network to the customer premise, including related labor costs, are capitalized, while the costs of maintenance and repairs are expensed as incurred. Depreciation expense amounted to \$1,049.7 million, \$955.6 million, and \$626.9 million in 2013, 2012 and 2011, respectively.

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

(Millions)	Depreciable Lives	2013	2012
Land		\$ 44.7	\$ 46.3
Building and improvements	3-40 years	644.5	649.4
Central office equipment	3-40 years	5,563.7	5,276.0
Outside communications plant	7-47 years	6,630.7	6,256.2
Furniture, vehicles and other equipment	3-23 years	1,431.2	1,269.7
Construction in progress		312.6	329.2
		14,627.4	13,826.8
Less accumulated depreciation		(8,924.8)	(7,965.0)
Net property, plant and equipment		\$ 5,702.6	\$ 5,861.8

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

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

The RUS will have a retained security interest in the assets funded by the broadband stimulus grants over their economic life, which varies by grant for periods up to 23 years. In the event of default of terms of the agreement, the RUS could exercise the rights under its retained security interest to gain control and ownership of these assets. In addition, in the event of a proposed change in control of Windstream, the acquiring party would need to receive approval from the RUS prior to consummating the proposed transaction, for which pre-approval will not be reasonably withheld.

We capitalize interest in connection with the acquisition or construction of plant assets. Capitalized interest is included in the cost of the asset with a corresponding reduction in interest expense. Capitalized interest amounted to \$7.9 million, \$10.9 million and \$6.8 million in 2013, 2012 and 2011, respectively.

**Asset Retirement Obligations** – We recognize asset retirement obligations in accordance with authoritative guidance on accounting for asset retirement obligations and conditional asset retirement obligations, which requires recognition of a liability for the fair value of an asset retirement obligation if the amount can be reasonably estimated. Our asset retirement obligations include legal obligations to remediate the asbestos in certain buildings if we exit them, to properly dispose of our chemically-treated telephone poles at the time they are removed from service and to restore certain leased properties to their previous condition upon exit from the lease. These asset retirement obligations totaled \$52.3 million and \$51.4 million as of December 31, 2013 and 2012, respectively, and are included in other liabilities in the accompanying consolidated balance sheets.

**Derivative Instruments** – Windstream Corp. enters into interest rate swap agreements to mitigate the interest rate risk inherent in its variable rate senior secured credit facility. Derivative instruments are accounted for in accordance with authoritative guidance for recognition, measurement and disclosures about derivative instruments and hedging activities, including when a derivative or other financial instrument can be designated as a hedge. This guidance requires recognition of all derivative instruments at fair value, and accounting for the changes in fair value depends on whether the derivative has been designated as, qualifies as and is effective as a hedge. Changes in fair value of the effective portions of cash flow hedges are recorded as a component of other comprehensive income in the current period. Any ineffective portion of the hedges is recognized in earnings in the current period. Cash flows from hedging activities are included in the same category as the items being hedged, which is primarily financing activities.

**Revenue Recognition** – Service revenues are primarily derived from providing access to or usage of our networks and facilities. Service revenues are recognized over the period that the corresponding services are rendered to customers. Revenues derived from other telecommunications services, including interconnection, long distance and enhanced service revenues are recognized monthly as services are provided. Revenue from sales of indefeasible rights to use fiber optic network facilities ("IRUs") and the related telecommunications network maintenance arrangements is generally recognized over the term of the related lease or contract. Sales of communications products including customer premise equipment and modems are recognized when products are delivered to and accepted by customers. Fees assessed to customers for service activation are deferred upon service activation and recognized as service revenue on a straight-line basis over the expected life of the customer relationship in accordance with authoritative guidance on multiple element arrangements. Certain costs associated with activating such services are deferred and recognized as an operating expense over the same period.

**Advertising** – Advertising costs are expensed as incurred. Advertising expense totaled \$79.3 million, \$99.5 million, and \$67.8 million in 2013, 2012 and 2011.

**Share-Based Compensation** – In accordance with authoritative guidance on share-based compensation, we value all time-based awards to employees at fair value on the date of the grant, and recognize that value as compensation expense over the period that each award vests. Performance-based awards are valued at fair value at the end of each reporting period until final performance targets are set. Share-based compensation expense for performance-based awards is recognized when it is probable and estimable as measured against performance metrics. Share-based compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statements of income.

**Pension Benefits** – We recognize changes in the fair value of plan assets and actuarial gains and losses due to actual experience differing from actuarial assumptions, as a component of net periodic benefit (income) expense in the fourth quarter in the year in which the gains and losses occur, and if applicable in any quarter in which an interim remeasurement is required. The remaining components of pension expense, primarily service and interest costs and assumed return on plan assets, are recognized ratably on a quarterly basis.

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

**Operating Leases**— Certain of our operating lease agreements include scheduled rent escalations during the initial lease term and/or during succeeding optional renewal periods. We account for these operating leases in accordance with authoritative guidance for operating leases with non-level rent payments. Accordingly, the scheduled increases in rent expense are recognized on a straight-line basis over the initial lease term and those renewal periods that are reasonably assured. The difference between rent expense and rent paid is recorded as deferred rent and is included in other liabilities in the accompanying consolidated balance sheets. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the lease term, including renewal option periods that are reasonably assured.

**Income Taxes**— We account for income taxes in accordance with guidance on accounting for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax balances are adjusted to reflect tax rates based on currently enacted tax laws, which will be in effect in the years in which the temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period of the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized. In addition, we adopted authoritative guidance which addresses uncertainty in tax positions and clarifies the accounting for income taxes by prescribing a minimum recognition threshold that the income tax positions must achieve before being recognized in the financial statements.

**Earnings Per Share**— We compute basic earnings per share by dividing net income applicable to common shares by the weighted average number of common shares outstanding during each period. Our non-vested restricted shares containing a non-forfeitable right to receive dividends on a one-to-one per share ratio to common shares are considered participating securities, and the impact is included in the computation of earnings per share pursuant to the two-class method. Calculations of earnings per share under the two-class method exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities. The related participating securities are similarly excluded from the denominator.

Diluted earnings per share are computed by dividing net income applicable to common shares by the weighted average number of common shares adjusted to include the effect of potentially dilutive securities. Potentially dilutive securities include incremental shares issuable upon exercise of outstanding stock options and warrants. Options and warrants granted in conjunction with the acquisition of PAETEC are included in the computation of diluted earnings per share using the treasury stock method. Diluted earnings per share exclude all potentially dilutive securities if their effect is anti-dilutive.

We also issue performance-based restricted stock units as part of our share-based compensation plan. These restricted stock units contain a forfeitable right to receive dividends. Because dividends attributable to these shares are forfeited if the vesting provisions are not met, they are considered non-participating restricted shares and are not dilutive under the two class method until the performance conditions have been satisfied. The 2013 performance conditions for the outstanding restricted stock units have been satisfied.

Options to purchase shares of stock issuable under stock-based compensation plans that were excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price of our common stock and, therefore, the effect would be anti-dilutive, totaled approximately 1.0 million shares for each of the years ended December 31, 2013, 2012 and 2011, respectively.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

A reconciliation of net income and number of shares used in computing basic and diluted earnings per share was as follows for the years ended December 31:

(Millions, except per share amounts)	2013	2012	2011
<b>Basic and diluted earnings per share:</b>			
Numerator:			
Income from continuing operations	\$ 235.0	\$ 167.1	\$ 169.0
Income from continuing operations allocable to participating securities	(4.1)	(3.6)	(3.4)
Adjusted income from continuing operations attributable to common shares	230.9	163.5	165.6
Income from discontinued operations	6.0	0.9	0.5
Income from discontinued operations allocable to participating securities	—	—	—
Adjusted income from discontinued operations attributable to common shares	6.0	0.9	0.5
Net income attributable to common shares	\$ 236.9	\$ 164.4	\$ 166.1
Denominator:			
Basic shares outstanding			
Weighted average basic shares outstanding	593.2	588.0	516.4
Weighted average participating securities	(3.9)	(3.5)	(3.7)
Weighted average shares outstanding for basic earnings per share	589.3	584.5	512.7
Diluted shares outstanding			
Weighted average shares outstanding for basic earnings per share	589.3	584.5	512.7
Effect of dilutive stock options	0.4	1.8	0.3
Weighted average shares outstanding for diluted earnings per share	589.7	586.3	513.0
<b>Basic and diluted earnings per share:</b>			
From continuing operations	\$.39	\$.28	\$.32
From discontinued operations	.01	—	—
Net income	\$.40	\$.28	\$.32

**Change in Accounting Estimate**

The calculation of depreciation and amortization expense is based on the estimated economic useful lives of the underlying property, plant and equipment and finite-lived intangible assets. We periodically obtain updated depreciation studies to evaluate whether certain useful lives remain appropriate in accordance with authoritative guidance. With the assistance of outside expertise, we completed analyses of the depreciable lives of assets held for certain subsidiaries during the year 2012. Based on those results, we implemented new depreciation rates resulting in a net increase to depreciation of \$59.1 million and a net decrease in net income of \$36.5 million or \$0.06 per share for the year ended December 31, 2012.

**Recently Adopted Accounting Standards**

**Balance Sheet Offsetting** – Effective January 1, 2013, we adopted authoritative guidance related to balance sheet offsetting. This guidance requires enhanced disclosures for financial instruments and derivative instruments that are subject to an enforceable master netting arrangement. Other than the additional disclosure requirements, the adoption of these changes had no impact on our consolidated financial statements. See Note 6 for the required disclosures.

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

**Comprehensive Income** – Effective January 1, 2013, we adopted authoritative guidance requiring additional disclosure of the effect of significant reclassifications out of accumulated other comprehensive income in the respective line items in our consolidated statements of income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income in the same reporting period, an entity is required to cross-reference other disclosures required under U.S. GAAP that provide additional detail about those amounts. Other than the additional disclosure requirements, the adoption of these changes had no impact on our consolidated financial statements. See Note 11 for the required disclosures.

**Recently Issued Authoritative Guidance**

There were no accounting pronouncements recently issued that had or are expected to have a material impact on our consolidated financial statements.

**3. Acquisitions:**

On November 30, 2011, we completed the acquisition of PAETEC in an all-stock transaction valued at approximately \$2.4 billion. PAETEC shareholders received 0.460 shares of our stock for each PAETEC share owned at closing. We issued 70.0 million shares and assumed equity awards shares for a total transaction value of \$842.0 million, based on our closing stock price on November 30, 2011, and the fair value of the equity awards assumed. We also assumed PAETEC's debt, net of cash acquired, of approximately \$1,591.3 million, which includes a net premium of \$113.9 million based on the fair value of the debt on November 30, 2011 and bank debt of \$99.5 million that was repaid on December 1, 2011. The PAETEC transaction enhances our capabilities in strategic growth areas, including Internet protocol ("IP") based services, cloud computing and managed services. This transaction significantly advances our strategy to drive top-line revenue growth by expanding our focus on business and fiber transport services.

The following table summarizes the final fair values of the assets acquired and liabilities assumed for PAETEC.

(Millions)	Final Allocation
<b>Fair value of assets acquired:</b>	
Cash and other current assets	\$ 240.8
Accounts receivable	227.5
Property, plant and equipment	875.7
Goodwill	653.3
Customer lists (a)	830.0
Trade names and other (b)	15.0
Deferred income taxes on acquired assets	162.8
Other assets	8.4
<b>Total assets acquired</b>	<b>3,013.5</b>
<b>Fair value of liabilities assumed:</b>	
Current maturities of long-term debt and capital lease obligations	(19.0)
Other current liabilities	(453.5)
Long-term debt and capital lease obligations	(1,643.7)
Other liabilities	(55.3)
<b>Total liabilities assumed</b>	<b>(2,171.5)</b>
<b>Common stock issued to PAETEC shareholders</b>	<b>\$ 842.0</b>

(a) Customer lists are amortized using the sum-of-years digit methodology over an estimated useful life of ten years.

(b) Trade names were amortized on a straight-line basis over an estimated useful life of one year. Other intangibles, which includes internally developed software, are amortized on a straight-line basis over an estimated useful life of three years.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Acquisitions, Continued:**

Supplemental Pro Forma Information (Unaudited) – PAETEC Acquisition - The amounts of PAETEC's revenue and net loss included in our consolidated statements of income for the year ended December 31, 2011, and the proforma revenue and net income from continuing operations of the combined entity for the year ended December 31, 2011 had the acquisition occurred January 1, 2010, were as follows:

(Millions)	Revenue	Net (Loss) Income from Continuing Operations
Actual from November 30, 2011 through December 31, 2011	\$ 181.2	\$ (4.2)
Supplemental pro forma for the year ended December 31, 2011	\$ 6,170.1	\$ 115.0

The pro forma information presents our historical results adjusted to include PAETEC, with the results prior to the merger closing date adjusted to include the pro forma effect of the elimination of transactions between us and PAETEC, the adjustment to revenue to align revenue policies, the adjustment to amortization expense associated with the estimated acquired fair value of intangible assets, the impact of merger and integration expenses related to the acquisition and the impact of tax benefits from PAETEC's loss from operations.

The pro forma results are presented for illustrative purposes only and do not reflect either the realization of potential cost savings or any related integration costs. These pro forma results do not purport to be indicative of the results that would have actually been obtained if the merger had occurred as of the date indicated, nor do the pro forma results intend to be a projection of results that may be obtained in the future.

We conducted appraisals necessary to assess the fair values of the assets acquired and liabilities assumed and the amount of goodwill recognized as of the acquisition date for PAETEC. The accompanying consolidated financial statements reflect our combined operations with PAETEC for the periods following the acquisition date. Employee severance and transaction costs incurred in conjunction with the acquisition were expensed to merger and integration expense in the accompanying consolidated statements of income (see Note 10).

The cost of the acquisition was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date, with amounts exceeding fair value recognized as goodwill. Goodwill associated with this acquisition was attributable to the PAETEC workforce and expected synergies. Approximately \$38.7 million of goodwill associated with the acquisition of PAETEC is expected to be deductible for tax purposes.

The fair values of the assets acquired and liabilities assumed were determined using income, cost, and market approaches. Identified intangible assets, consisting primarily of customer lists, were valued primarily on the basis of the present value of future cash flows, which is an income approach. Significant assumptions utilized in the income approach were based on our specific information and projections, which are not observable in the market and are thus considered Level 3 measurements as defined by authoritative guidance. The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was used as appropriate for property, plant and equipment. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation. The fair value of the long-term debt and related interest rate swap agreements assumed were determined based on quoted prices for the repayment of these instruments.

The PAETEC credit facility was valued based on the expected redemption cost, while the remaining bonds were valued based on market value. Equity consideration was based on the closing price of our common stock on November 30, 2011. Consideration related to assumed restricted stock units was calculated based on the closing price of our common stock on November 30, 2011, net of the portion of the fair value attributable to future vesting requirements. Consideration related to assumed stock options was calculated based on the fair value of the new Windstream stock options issued as of November 30, 2011, net of the portion of the fair value attributable to future vesting requirements. The fair value of these stock option awards was calculated using the Hull-White II Lattice model based on assumptions determined as of November 30, 2011. The amount allocated to unearned compensation cost for awards subject to future service requirements was calculated based on the fair value of such awards at the acquisition date and will be recognized as compensation cost over the remaining future service period.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4. Goodwill and Other Intangible Assets:**

Goodwill represents the excess of cost over the fair value of net identifiable tangible and intangible assets acquired through various business combinations. The cost of acquired entities at the date of the acquisition is allocated to identifiable assets, and the excess of the total purchase price over the amounts assigned to identifiable assets has been recorded as goodwill.

As of January 1, 2013, we determined we had one reporting unit to test for impairment and completed our annual impairment review of goodwill in accordance with authoritative guidance and determined that no write-down in the carrying value was required as of that date. As previously discussed in Note 2, we reassessed our reporting unit structure as of November 30, 2013. Following the disposition of the software business on December 5, 2013, for purposes of performing our annual goodwill impairment test beginning January 1, 2014, we will have four reporting units, including a corporate reporting unit. In conjunction with the reassessment of our reporting unit structure, we assigned goodwill to the reporting units using a relative fair value method.

Intangible assets were as follows at December 31:

(Millions)	2013			2012		
	Gross Cost	Accumulated Amortization	Net Carrying Value	Gross Cost	Accumulated Amortization	Net Carrying Value
Franchise rights	\$ 1,285.1	\$ (200.4)	\$ 1,084.7	\$ 1,285.1	\$ (157.6)	\$ 1,127.5
Customer lists	1,914.0	(991.9)	922.1	1,914.0	(747.6)	1,166.4
Cable franchise rights	39.8	(27.0)	12.8	39.8	(25.9)	13.9
Other	37.9	(37.4)	0.5	37.9	(34.4)	3.5
Balance	\$ 3,276.8	\$ (1,256.7)	\$ 2,020.1	\$ 3,276.8	\$ (965.5)	\$ 2,311.3

Intangible asset amortization methodology and useful lives were as follows as of December 31, 2013 :

Intangible Assets	Amortization Methodology	Estimated Useful Life
Franchise rights	straight-line	30 years
Customer lists	sum of years digits	9 - 15 years
Cable franchise rights	straight-line	15 years
Other	straight-line	1 - 3 years

Amortization expense for intangible assets subject to amortization was \$291.2 million , \$342.0 million and \$220.6 million in 2013 , 2012 and 2011 , respectively. Amortization expense for intangible assets subject to amortization estimated as of December 31, 2013 was as follows for the years ended December 31:

Year	(Millions)
2014	\$ 256.2
2015	223.0
2016	185.0
2017	157.1
2018	130.2
Thereafter	1,068.6
Total	\$ 2,020.1

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5. Long-term Debt and Capital Lease Obligations:**

Windstream Holdings has no direct debt obligations. All debt, including the facilities described below, have been incurred by Windstream Corp. and its subsidiaries. Windstream Holdings is neither a guarantor of nor subject to the restrictive covenants imposed by such debt.

Long-term debt was as follows at December 31:

(Millions)	2013	2012
<b>Issued by Windstream Corp.:</b>		
Senior secured credit facility, Tranche A2 – variable rates, due July 17, 2013	\$ —	\$ 19.5
Senior secured credit facility, Tranche A3 – variable rates, due December 30, 2016	387.3	408.8
Senior secured credit facility, Tranche A4 – variable rates, due August 8, 2017	277.5	292.5
Senior secured credit facility, Tranche B – variable rates, due July 17, 2013	—	280.9
Senior secured credit facility, Tranche B2 – variable rates, due December 17, 2015	—	1,042.9
Senior secured credit facility, Tranche B3 – variable rates, due August 8, 2019	—	597.0
Senior secured credit facility, Tranche B4 – variable rates, due January 23, 2020	1,331.6	—
Senior secured credit facility, Tranche B5 – variable rates, due August 8, 2019	590.0	—
Senior secured credit facility, Revolving line of credit – variable rates, due December 17, 2015	590.0	—
<b>Debentures and notes, without collateral:</b>		
2013 Notes – 8.125%, due August 1, 2013	—	800.0
2017 Notes – 7.875%, due November 1, 2017	1,100.0	1,100.0
2018 Notes – 8.125%, due September 1, 2018	400.0	400.0
2019 Notes – 7.000%, due March 15, 2019	—	500.0
2020 Notes – 7.750%, due October 15, 2020	700.0	700.0
2021 Notes – 7.750%, due October 1, 2021	950.0	450.0
2022 Notes – 7.500%, due June 1, 2022	500.0	500.0
2023 Notes – 7.500%, due April 1, 2023	600.0	600.0
2023 Notes – 6.375%, due August 1, 2023	700.0	—
<b>Issued by subsidiaries of the Company:</b>		
Windstream Holdings of the Midwest, Inc. – 6.75%, due April 1, 2028	100.0	100.0
Cinergy Communications Company – 6.58%, due January 1, 2022	2.0	2.1
PAETEC 2017 Notes – 8.875%, due June 30, 2017	—	650.0
<b>Debentures and notes, without collateral:</b>		
Windstream Georgia Communications LLC – 6.50%, due November 15, 2013	—	10.0
PAETEC 2018 Notes – 9.875%, due December 1, 2018	450.0	450.0
Premium on long-term debt, net	28.8	62.1
	<u>8,707.2</u>	<u>8,965.8</u>
Less current maturities	(85.0)	(866.0)
<b>Total long-term debt</b>	<b>\$ 8,622.2</b>	<b>\$ 8,099.8</b>
Weighted average interest rate	7.0%	7.0%
Weighted maturity	6.1 years	5.4 years

**5. Long-term Debt and Capital Lease Obligations, Continued:**

**Senior Secured Credit Facilities**

On December 6, 2013, Windstream Corp. incurred new borrowings of \$590.0 million under Tranche B5 of the senior secured credit facility due August 8, 2019. The proceeds along with available cash on hand were used to repay \$592.5 million of borrowings, plus accrued interest, that were outstanding under Tranche B3 of the senior secured credit facility, which were also due on August 8, 2019. Debt issuance costs associated with the new borrowings were \$4.6 million which were charged to interest expense in the fourth quarter of 2013 in accordance with debt modification accounting.

On January 23, 2013, Windstream Corp. incurred new borrowings of \$1,345.0 million under Tranche B4 of the senior secured credit facility due January 23, 2020; the proceeds of which were used to repay \$19.5 million of Tranche A2 and \$280.9 million of Tranche B due in July 2013 and \$1,042.9 million of Tranche B2 of the senior secured credit facility due in December 2015, plus accrued interest. Debt issuance costs associated with the new borrowings were \$11.9 million. Of this amount, \$5.7 million was recorded in other assets in the consolidated balance sheet and will be amortized into interest expense over the life of the borrowings. The remaining \$6.2 million of debt issuance costs were charged to interest expense in the first quarter of 2013 in accordance with debt modification accounting.

Effective August 8, 2012, Windstream Corp. incurred new borrowings of \$300.0 million of Tranche A4 senior secured credit facilities due August 8, 2017 and \$600.0 million of Tranche B3 senior secured credit facilities due August 8, 2019. The additional term loan proceeds were used to repay Windstream Corp.'s revolver borrowings and for general corporate purposes, thereby creating sufficient liquidity to repay the 2013 debt maturities. Debt issuance costs associated with the new borrowings were \$16.6 million, which were recorded in other assets in the accompanying consolidated balance sheet and will be amortized into interest expense over the life of the borrowings.

Effective February 23, 2012, Windstream Corp. amended and restated \$150.4 million of the Tranche A2 senior secured credit facilities outstanding to Tranche A3 and extended the maturity to December 30, 2016. In addition, Windstream Corp. incurred new borrowings of \$280.0 million of Tranche A3 senior secured credit facilities, which will also be due December 30, 2016. Debt issuance costs associated with the new borrowings were \$1.8 million and were recorded in other assets in the accompanying consolidated balance sheet and will be amortized into interest expense over the life of the borrowings.

**Revolving line of credit** - Windstream Corp. borrowed \$1,770.0 million under the revolving line of credit in Windstream Corp.'s senior secured credit facility and later repaid \$1,180.0 million during 2013. Letters of credit are deducted in determining the total amount available for borrowing under the revolving line of credit. Accordingly, the total amount outstanding under the letters of credit and the indebtedness incurred under the revolving line of credit may not exceed \$1,250.0 million. Considering letters of credit of \$16.8 million, the amount available for borrowing under the revolving line of credit was \$643.2 million at December 31, 2013.

The variable interest rate on the revolving line of credit ranged from 2.42 percent to 4.50 percent, and the weighted average rate on amounts outstanding was 2.60 percent during 2013, as compared to variable interest rates during 2012 which ranged from 2.47 percent to 4.50 percent with a weighted average rate on amounts outstanding of 2.53 percent. The revolving line of credit will expire December 17, 2015.

**Debentures and Notes Issued in 2013**

**2021 Notes** - On August 26, 2013, Windstream Corp. completed the private placement of \$500.0 million in aggregate principal amount of 7.750 percent senior unsecured notes due October 1, 2021, at an issue price of 103.500 percent to yield 7.171 percent ("the 2021 Notes"). Interest is paid semi-annually. The notes had terms substantially identical to the terms of the existing 7.750 percent senior notes due 2021, but were issued under a separate indenture. During the fourth quarter of 2013 pursuant to a registration rights agreement, the notes were exchanged for additional 7.750 percent senior notes due 2021 issued under the indenture governing the existing notes. For financial reporting purposes, both the newly issued and existing 7.750 percent senior notes due 2021 are collectively referred to as the "2021 Notes". Debt issuance costs associated with the new borrowings were \$10.1 million, which were recorded in other assets in the accompanying consolidated balance sheet and will be amortized into interest expense over the life of the borrowings.

**5. Long-term Debt and Capital Lease Obligations, Continued:**

**2023 Notes** - On January 23, 2013, Windstream Corp. completed the private placement of \$700.0 million in aggregate principal amount of 6.375 percent senior unsecured notes due August 1, 2023, at an issue price at par to yield 6.375 percent ("the 2023 Notes"). Interest is paid semi-annually. Debt issuance costs associated with the new borrowings were \$13.9 million, which were recorded in other assets in the accompanying consolidated balance sheet and will be amortized into interest expense over the life of the borrowings.

**Debentures and Notes Repaid in 2013 and 2012**

**2013 Notes** - On August 1, 2013, Windstream Corp. repaid at maturity all of the outstanding \$800.0 million aggregate principal amount of these senior unsecured notes utilizing available borrowings under the revolving line of credit.

**2019 Notes** - On August 12, 2013, Windstream Corp. announced a tender offer to purchase for cash all of the outstanding \$500.0 million aggregate principal amount of 7.000 percent senior unsecured notes due March 15, 2019 ("2019 Notes"). Prior to the expiration of the tender offer, approximately \$431.2 million of the 2019 Notes had been tendered. On September 25, 2013, the redemption of the remaining \$68.8 million outstanding principal amount was settled. Proceeds from the issuance of the 2021 Notes, together with available cash, were used to pay the consideration for the tender offer and to redeem the outstanding 2019 Notes, along with related fees and expenses.

**PAETEC 2017 Notes** - In connection with our acquisition of PAETEC on November 30, 2011, Windstream Corp. assumed \$650.0 million of 8.875 percent notes due June 30, 2017 ("PAETEC 2017 Notes") Interest was payable semi-annually. On January 8, 2013, Windstream Corp. announced a tender offer to purchase for cash any and all of the outstanding \$650.0 million aggregate principal amount of PAETEC 2017 Notes. Prior to the expiration of the tender offer, approximately \$588.5 million of the PAETEC 2017 Notes had been tendered. On February 25, 2013, the redemption of the remaining \$61.5 million outstanding principal amount was settled. Proceeds from the issuance of the 2023 Notes, together with available cash, were used to pay the consideration for the tender offer and to redeem all of the outstanding PAETEC 2017 Notes, along with related fees and expenses.

**PAETEC 2015 Notes** - In connection with our acquisition of PAETEC on November 30, 2011, Windstream Corp. also assumed the 9.500 percent notes due July 15, 2015 ("PAETEC 2015 Notes") with an aggregate principal amount of \$300.0 million with interest payable semi-annually. During the first quarter of 2012, Windstream Corp. retired all \$300.0 million of the outstanding PAETEC 2015 Notes. The redemption was funded using borrowings from Windstream Corp.'s revolving line of credit.

Windstream Corp. may call certain debentures and notes at various premiums on early redemption. These debentures and notes are the 2018 Notes, 2020 Notes, 2021 Notes, 2022 Notes, both series of 2023 Notes and the PAETEC 2018 Notes. In addition, Windstream Corp. may call debt issued by Windstream Holdings of the Midwest, Inc. at various premiums on early redemption.

**Premium on Long-term Debt, Net of Discounts**

The premium on long-term debt, net of discounts is primarily due to the debt issuance premium recorded on the debt acquired in the PAETEC acquisition and the August 26, 2013 private placement of the additional 2021 Notes partially offset by the net discount recorded on certain debt obligations listed in the table above. The premium and discount balances are amortized using the interest method over the life of the related debt instrument.

**Debt Compliance**

The terms of Windstream Corp.'s credit facility and indentures include customary covenants that, among other things, require maintenance of certain financial ratios and restrict Windstream Corp.'s ability to incur additional indebtedness. These financial ratios include a maximum leverage ratio of 4.5 to 1.0 and a minimum interest coverage ratio of 2.75 to 1.0. In addition, the covenants include restrictions on dividend and certain other types of payments. The terms of the indentures assumed in connection with the acquisition of PAETEC include restrictions on the ability of the subsidiary to incur additional indebtedness, including a maximum leverage ratio, with the most restrictive being 4.75 to 1.0. As of December 31, 2013, Windstream Corp. was in compliance with all of these covenants.

**5. Long-term Debt and Capital Lease Obligations, Continued:**

In addition, certain of Windstream Corp.'s debt agreements contain various covenants and restrictions specific to the subsidiary that is the legal counterparty to the agreement. Under Windstream Corp.'s long-term debt agreements, acceleration of principal payments would occur upon payment default, violation of debt covenants not cured within 30 days, a change in control including a person or group obtaining 50 percent or more of Windstream Corp.'s outstanding voting stock, or breach of certain other conditions set forth in the borrowing agreements. Windstream Corp. and its subsidiaries were in compliance with these covenants as of December 31, 2013 .

Maturities for long-term debt outstanding as of December 31, 2013 , excluding unamortized net premium, were as follows for the years ended December 31:

Year	(Millions)
2014	\$ 85.0
2015	682.5
2016	350.7
2017	1,314.5
2018	869.5
Thereafter	5,376.2
<b>Total</b>	<b>\$ 8,678.4</b>

**(Loss) Gain on Extinguishment of Debt**

During the third quarter of 2013, Windstream Corp. retired all \$500.0 million of the outstanding 2019 Notes using proceeds from the private placement of the 2021 Notes. During the first quarter of 2013, Windstream Corp. also retired all \$650.0 million of the outstanding PAETEC 2017 Notes. The PAETEC 2017 Notes were repurchased using proceeds from the issuance of the 2023 Notes. Windstream Corp. also amended its senior secured credit facility including issuance of Tranche B4, the proceeds of which were used to repay Tranche A2, Tranche B and Tranche B2 during the first quarter of 2013 . The retirements and a portion of the credit facility amendment were accounted for under the extinguishment method of accounting, and as a result, Windstream Corp. recognized losses on extinguishment of debt of \$28.5 million during 2013 .

During the first quarter of 2012, Windstream Corp. retired all \$300.0 million of the outstanding PAETEC 2015 Notes. The PAETEC 2015 Notes were purchased using borrowings under Windstream Corp.'s revolving line of credit. The retirement was accounted for under the extinguishment method, and as a result Windstream Corp. recognized a gain on extinguishment of debt of \$1.9 million during the twelve months ended December 31, 2012.

During 2011, Windstream Corp. purchased all \$1,746.0 million of the 2016 Notes and all \$400.0 million of the Valor Notes. These transactions were financed with proceeds from the issuance of the 2020 Notes, the 2021 Notes, the 2023 Notes and borrowings from Windstream Corp.'s revolving line of credit. As a result of these transactions, Windstream Corp. was able to extend the existing debt maturities and lower interest rates. The retirements were accounted for under the extinguishment method, and as a result Windstream Corp. recognized a loss on extinguishment of debt of \$136.1 million during 2011.

5. Long-term Debt and Capital Lease Obligations, Continued:

The (loss) gain on extinguishment of debt was as follows for the years ended December 31 :

(Millions)	2013	2012	2011
<b>2019 Notes:</b>			
Premium on early redemption	\$ (13.6)	\$ —	\$ —
Third-party fees for early redemption	(0.5)	—	—
Unamortized debt issuance costs on original issuance	(0.6)	—	—
Loss on early extinguishment for 2019 Notes	(14.7)	—	—
<b>Senior secured credit facility:</b>			
Unamortized debt issuance costs on original issuance	(2.5)	—	—
Loss on early extinguishment for senior secured credit facility	(2.5)	—	—
<b>PAETEC 2017 Notes:</b>			
Premium on early redemption	(51.5)	—	—
Third-party fees for early redemption	(1.0)	—	—
Unamortized premium on original issuance	41.2	—	—
Loss on early extinguishment for PAETEC 2017 Notes	(11.3)	—	—
<b>PAETEC 2015 Notes:</b>			
Premium on early redemption	—	(14.3)	—
Unamortized premium on original issuance	—	16.2	—
Gain on early extinguishment for PAETEC 2015 Notes	—	1.9	—
<b>2016 Notes:</b>			
Premium on early redemption	—	—	(101.2)
Unamortized discount on original issuance	—	—	(26.6)
Third-party fees for early redemption	—	—	(3.0)
Unamortized debt issuance costs on original issuance	—	—	(1.1)
Loss on early extinguishment for 2016 Notes	—	—	(131.9)
<b>Valor Notes:</b>			
Premium on early redemption	—	—	(10.3)
Third-party fees for early redemption	—	—	(0.4)
Unamortized premium on original issuance	—	—	6.5
Loss on early extinguishment for Valor Notes	—	—	(4.2)
<b>Total (loss) gain on early extinguishment of debt</b>	<b>\$ (28.5)</b>	<b>\$ 1.9</b>	<b>\$ (136.1)</b>

**Capital Lease Obligations**

We lease facilities and equipment for use in our operations. These facilities and equipment are included in outside communications plant in property, plant and equipment in the accompanying consolidated balance sheets. Lease agreements that include a bargain purchase option, transfer of ownership, contractual lease term equal to or greater than 75 percent of the remaining estimated economic life of the leased facilities or equipment or minimum lease payments equal to or greater than 90 percent of the fair value of the leased facilities or equipment are accounted for as capital leases in accordance with authoritative guidance for capital leases. These capital lease obligations are included in the accompanying consolidated balance sheets within other liabilities and other current liabilities. During 2013, we acquired equipment under capital leases of \$72.4 million. We did not acquire any equipment under capital leases during the years ended December 31, 2012 and 2011.

**5. Long-term Debt and Capital Lease Obligations, Continued:**

Future minimum lease payments under capital lease obligations were as follows for the years ended December 31:

Year	(Millions)
2014	\$ 29.7
2015	28.7
2016	19.7
2017	4.9
2018	0.5
Thereafter	2.4
Total future payments	85.9
Less: Amounts representing interest	6.7
Present value of minimum lease payments	\$ 79.2

**Interest Expense**

Interest expense was as follows for the years ended December 31:

(Millions)	2013	2012	2011
Interest expense related to long-term debt	\$ 584.7	\$ 576.4	\$ 500.0
Impacts of interest rate swaps	48.0	56.4	64.8
Interest on capital leases and other	2.9	3.2	0.3
Less capitalized interest expense	(7.9)	(10.9)	(6.8)
Total interest expense	\$ 627.7	\$ 625.1	\$ 558.3

**6. Derivatives:**

Windstream Corp. enters into interest rate swap agreements to mitigate the interest rate risk inherent in its variable rate senior secured credit facility. Derivative instruments are accounted for in accordance with authoritative guidance for recognition, measurement and disclosures about derivative instruments and hedging activities, including when a derivative or other financial instrument can be designated as a hedge. This guidance requires recognition of all derivative instruments at fair value, and accounting for the changes in fair value depends on whether the derivative has been designated as, qualifies as and is effective as a hedge. Changes in fair value of the effective portions of cash flow hedges are recorded as a component of other comprehensive income in the current period. Any ineffective portion of the hedges is recognized in earnings in the current period.

In 2006, Windstream Corp. entered into four pay fixed, receive variable interest rate swap agreements to serve as cash flow hedges of the interest rate risk inherent in our senior secured credit facilities. Windstream Corp. renegotiated the four interest rate swap agreements on December 3, 2010, and again on August 21, 2012, each time lowering the fixed interest rate paid and extending the maturity.

As a result of the August 21, 2012 transaction, Windstream Corp. reduced its fixed rate paid from 4.553 percent to 3.391 percent effective October 17, 2012. The fixed interest rate paid includes a component which serves to settle the liability existing on Windstream Corp. swaps at the time of the transaction. The variable rate received resets on the seventeenth day of each month to the one-month London Interbank Offered Rate ("LIBOR"). The swaps had a notional value of \$900.0 million as of December 31, 2013, where it will remain until maturity on October 17, 2019.

On May 31, 2013, Windstream Corp. entered into six new pay fixed, receive variable interest rate swap agreements, designated as cash flow hedges of the previously unhedged interest rate risk inherent in its senior secured credit facilities. These swaps have a fixed notional value of \$750.0 million and mature on June 17, 2016. The fixed rate paid ranges from 1.026 to 1.040 percent plus a fixed spread of 2.750 percent. The variable rate received resets on the seventeenth day of each month to the one-month LIBOR subject to a minimum rate of 0.750 percent.

**6. Derivatives, Continued:**

The current swaps are designated as cash flow hedges of the benchmark LIBOR interest rate risk created by the variable rate cash flows paid on Windstream Corp.'s senior secured credit facilities, which have varying maturity dates from December 30, 2016 to January 23, 2020. The swaps are hedging probable variable cash flows which extend up to four years beyond the maturity of certain components of the variable rate debt. Consistent with past practice, Windstream Corp. expects to extend or otherwise replace these components of its debt with variable rate debt.

All derivative instruments are recognized at fair value in the accompanying consolidated balance sheets as either assets or liabilities, depending on the rights or obligations under the related contracts.

Set forth below is information related to our interest rate swap agreements:

(Millions, except for percentages)	2013	2012	2011
<i>Designated portion, measured at fair value</i>			
Other current liabilities	\$ 30.0	\$ 29.0	\$ 30.5
Other non-current liabilities	\$ 41.8	\$ 91.2	\$ 88.7
Accumulated other comprehensive income (loss)	\$ 28.2	\$ (14.7)	\$ (26.9)
<i>De-designated portion, unamortized value</i>			
Accumulated other comprehensive loss	\$ (24.7)	\$ (45.9)	\$ (58.6)
Weighted average fixed rate paid	3.57%	4.26%	4.60%
Variable rate received	0.16%	0.21%	0.40%

Derivatives are assessed for effectiveness each quarter and any ineffectiveness is recognized in other (expense) income, net in the accompanying consolidated statements of income. Ineffectiveness of Windstream Corp.'s cash flow hedges amounted to \$1.6 million, \$(7.5) million and \$(5.2) million for the years ended December 31, 2013, 2012 and 2011, respectively.

Windstream Corp.'s original four swaps are off-market swaps, meaning they contain an embedded financing element, which the swap counterparties recover through an incremental charge in the fixed rate over what would be charged for an on-market swap. As such, a portion of the cash payment on the swaps represents the rate that Windstream Corp. would pay on a hypothetical on-market interest rate swap and is recognized in interest expense. The remaining portion represents the repayment of the embedded financing element and reduces the swap liability.

All or a portion of the change in fair value of Windstream Corp.'s interest rate swap agreements recorded in accumulated other comprehensive income may be recognized in earnings in certain situations. If Windstream Corp. extinguishes all of its variable rate debt, or a portion of its variable rate debt such that the variable rate interest received on Windstream Corp.'s swaps exceeds the variable rate interest paid on its debt, all or a portion of the change in fair value of the swaps would be recognized in earnings. In addition, the change in fair value of the swaps may be recognized in earnings if Windstream Corp. determines it is no longer probable that it will have future variable rate cash flows to hedge against or if a swap agreement is terminated prior to maturity. Windstream Corp. has assessed the counterparty risk and determined that no substantial risk of default exists as of December 31, 2013. Each counterparty is a bank with a current credit rating at or above A.

Windstream Corp. expects to recognize losses of \$9.8 million, net of taxes, in interest expense in the next twelve months related to the unamortized value of the de-designated portion of interest rate swap agreements at December 31, 2013. Payments on the swaps are presented in the financing activities section of the accompanying consolidated statements of cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Derivatives, Continued:

Changes in the value of these derivative instruments were as follows for the years ended December 31:

(Millions)		2013		2012		2011
Changes in fair value of effective portion, net of tax (a)	\$	17.4	\$	(12.6)	\$	(20.1)
Amortization of unrealized losses on de-designated interest rate swaps, net of tax (a)	\$	22.2	\$	28.0	\$	30.3

(a) Included as a component of other comprehensive income and will be reclassified into earnings as the hedged transaction affects earnings.

The agreements with each of the derivative counterparties contain cross-default provisions, whereby if Windstream Corp. were to default on certain indebtedness, it could also be declared in default on its derivative obligations and may be required to net settle any outstanding derivative liability positions with its counterparties. In addition, certain of the agreements with the counterparties contain provisions where if a specified event or condition, such as a merger, occurs that materially changes Windstream Corp.'s creditworthiness in an adverse manner, Windstream Corp. may be required to fully collateralize its derivative obligations. At December 31, 2013, Windstream Corp. had not posted any collateral related to its interest rate swap agreements.

**Balance Sheet Offsetting**

Windstream Corp. is party to master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions, with counterparties. For financial statement presentation purposes, Windstream Corp. does not offset assets and liabilities under these arrangements.

The following table presents the liabilities subject to an enforceable master netting arrangement as of December 31, 2013 and December 31, 2012. As of December 31, 2013 and December 31, 2012, all swap agreements with counterparties were in a liability position and, accordingly, there were no assets to be recognized in the consolidated balance sheets.

Information pertaining to derivative liabilities was as follows:

(Millions)	Gross Amount of Recognized Liabilities	Net Amount of Liabilities presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets		
			Financial Instruments	Cash Collateral Received	Net Amount
December 31, 2013:					
Derivatives	\$ 71.8	\$ 71.8	\$ —	\$ —	\$ 71.8
December 31, 2012:					
Derivatives	\$ 120.2	\$ 120.2	\$ —	\$ —	\$ 120.2

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Fair Value Measurements:

Fair value of financial and non-financial assets and liabilities is defined as an exit price, representing the amount that would be received to sell an asset or transfer a liability in an orderly transaction between market participants. Authoritative guidance defines the following three tier hierarchy for assessing the inputs used in fair value measurements:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Observable inputs other than quoted prices in active markets for identical assets or liabilities
- Level 3 – Unobservable inputs

The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority is given to unobservable inputs (level 3 measurement). Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Our non-financial assets and liabilities, including property, plant and equipment, goodwill, intangible assets and asset retirement obligations, are measured at fair value on a non-recurring basis. No event occurred during the year ended December 31, 2013 requiring these non-financial assets and liabilities to be subsequently recognized at fair value.

Our financial instruments consist primarily of cash and cash equivalents, restricted cash, accounts receivable, income tax receivable, accounts payable, long-term debt, and interest rate swaps. The carrying amount of cash, restricted cash, accounts receivable, income tax receivable and accounts payable was estimated by management to approximate fair value due to the relatively short period of time to maturity for those instruments. Cash equivalents, long-term debt and interest rate swaps are measured at fair value on a recurring basis. Cash equivalents were not significant as of December 31, 2013 or 2012.

The fair values of interest rate swaps and long-term debt were determined using the following inputs at December 31:

(Millions)	2013	2012
Recorded at Fair Value in the Financial Statements:		
Derivatives:		
Interest rate swap liabilities - Level 2	\$ (71.8)	\$ (120.2)
Not Recorded at Fair Value in the Financial Statements: (a)		
Long-term debt, including current maturities - Level 1	\$ 3,738.2	\$ 3,273.5
Long-term debt, including current maturities - Level 2	5,270.0	6,140.5
	\$ 9,008.2	\$ 9,414.0

(a) Recognized at carrying value of \$8,707.2 million and \$8,965.8 million in long-term debt, including current maturities, in the accompanying consolidated balance sheets as of December 31, 2013 and 2012, respectively.

The fair values of interest rate swaps are determined based on the present value of expected future cash flows using observable, quoted LIBOR swap rates for the full term of the swaps and also incorporate credit valuation adjustments to appropriately reflect both Windstream Corp.'s own non-performance risk and non-performance risk of the respective counterparties. As of December 31, 2013 and 2012, the fair values of the interest rate swaps were reduced by \$2.6 million and \$16.1 million, respectively, to reflect non-performance risk.

The fair value of the corporate bonds was calculated based on quoted market prices of the specific issuances in an active market when available. The fair value of the other debt obligations were estimated based on appropriate market interest rates applied to the debt instruments. In calculating the fair value of the Windstream Holdings of the Midwest, Inc. notes, an appropriate market price of similar instruments in an active market considering credit quality, non-performance risk and maturity of the instrument was used.

We do not have any assets or liabilities measured at fair value using significant unobservable inputs (Level 3). We recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no transfers within the fair value hierarchy during the year ended December 31, 2013.

**8. Employee Benefit Plans and Postretirement Benefits:**

We maintain a non-contributory qualified defined benefit pension plan. Future benefit accruals for all eligible nonbargaining employees covered by the pension plan have ceased. We also maintain supplemental executive retirement plans that provide unfunded, non-qualified supplemental retirement benefits to a select group of management employees. Additionally, we provide postretirement healthcare and life insurance benefits for eligible employees. Employees share in, and we fund, the costs of these plans as benefits are paid.

The components of pension benefit (income) expense (including provision for executive retirement agreements) and postretirement benefits income were as follows for the years ended December 31:

(Millions)	Pension Benefits			Postretirement Benefits		
	2013	2012	2011	2013	2012	2011
Benefits earned during the year	\$ 10.5	\$ 10.0	\$ 9.3	\$ —	\$ 0.1	\$ 0.2
Interest cost on benefit obligation	52.5	58.0	60.7	1.4	1.8	3.4
Net actuarial (gain) loss	(110.4)	72.5	167.9	—	—	—
Amortization of net actuarial loss	—	—	—	1.7	2.3	1.0
Amortization of prior service credit	(0.1)	(0.1)	(0.1)	(8.6)	(11.8)	(10.7)
Plan curtailments	—	—	—	(32.2)	(9.6)	(14.7)
Expected return on plan assets	(67.8)	(73.0)	(71.0)	—	—	—
Net periodic benefit (income) expense	\$ (115.3)	\$ 67.4	\$ 166.8	\$ (37.7)	\$ (17.2)	\$ (20.8)

During 2013, we made changes to our postretirement medical plan, eliminating medical and prescription drug subsidies for certain active and retired participants effective August 1, 2013, October 1, 2013 or January 1, 2014. As a result, we remeasured the plan and recognized curtailment gains totaling \$32.2 million, of which \$24.1 million was recognized in cost of services expenses and \$8.1 million was recognized in selling, general and administrative expenses, with offsetting effects recorded as reductions in accumulated other comprehensive income of \$31.8 million and other liabilities of \$0.4 million.

During 2012, we also made changes to our postretirement medical plan, eliminating medical and prescription drug subsidies for certain active and retired participants effective January 1, 2014. As a result, we remeasured the plan and recognized a curtailment gain of \$9.6 million, of which \$7.4 million was recognized in cost of services expenses and \$2.2 million was recognized in selling, general, and administrative expenses, with an offsetting reduction in accumulated other comprehensive income.

During 2011, we communicated the elimination of retiree basic life insurance benefits for certain participants of our plans effective January 1, 2012. As a result of this change, we remeasured the plan and recorded a curtailment gain of \$14.7 million, of which \$11.2 million was recorded in cost of services and \$3.5 million in selling, general and administrative expenses.

We recognize actuarial gains and losses for pension benefits as a component of net periodic benefit expense (income) in the year in which the gains and losses occur. In determining our annual postretirement benefits cost, we amortize unrecognized actuarial gains and losses exceeding 10.0 percent of the projected benefit obligation over the lesser of 10 years or the average remaining service life of active employees. We do not amortize unrecognized actuarial gains and losses below the 10.0 percent corridor.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Benefit Plans and Postretirement Benefits, Continued:

A summary of plan assets, projected benefit obligation and funded status of the plans (including executive retirement agreements) were as follows at December 31:

(Millions)	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Fair value of plan assets at beginning of year	\$ 999.0	\$ 948.9	\$ 0.2	\$ 0.2
Actual return on plan assets	10.8	120.7	0.1	—
Employer contributions	28.5	0.7	1.9	3.7
Participant contributions	—	—	1.5	1.8
Benefits paid (a)	(78.6)	(71.3)	(3.4)	(5.5)
Fair value of plan assets at end of year	\$ 959.7	\$ 999.0	\$ 0.3	\$ 0.2
Projected benefit obligation at beginning of year	\$ 1,400.1	\$ 1,282.9	\$ 42.4	\$ 45.9
Interest cost on projected benefit obligations	52.5	58.0	1.4	1.8
Service costs	10.5	10.0	—	0.1
Participant contributions	—	—	1.5	1.8
Plan amendments (b) (c)	—	—	(0.8)	(1.4)
Actuarial (gain) loss	(173.9)	120.5	(9.7)	(0.3)
Benefits paid (a)	(78.6)	(71.3)	(3.4)	(5.5)
Projected benefit obligation at end of year	\$ 1,210.6	\$ 1,400.1	\$ 31.4	\$ 42.4
Plan assets less than projected benefit obligation recognized in the consolidated balance sheet:				
Current liabilities	\$ (83.8)	\$ (20.7)	\$ (2.6)	\$ (3.1)
Noncurrent liabilities	(167.1)	(380.4)	(28.5)	(39.1)
Funded status recognized in the consolidated balance sheets	\$ (250.9)	\$ (401.1)	\$ (31.1)	\$ (42.2)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial loss	\$ —	\$ —	\$ (2.6)	\$ (14.1)
Prior service credits	0.6	0.7	44.9	84.9
Net amount recognized in accumulated other comprehensive income	\$ 0.6	\$ 0.7	\$ 42.3	\$ 70.8

- (a) During 2013 and 2012, pension benefits paid from Windstream's assets totaled \$0.8 million and \$0.7 million, respectively. All postretirement benefits in both years were paid from Windstream's assets.
- (b) During 2013, we made changes to our postretirement medical plan, eliminating medical and prescription drug subsidies for certain active and retired participants effective January 1, 2014, August 1, 2013 or October 1, 2013. In remeasuring the postretirement obligations to reflect these changes, updated assumptions as of March 28, 2013, June 1, 2013 and September 30, 2013 were used. Key assumptions updated included the discount rate, which was 3.75 percent, 4.01 percent and 4.46 percent for the three remeasurement dates, respectively. The discount rates were selected based on a hypothetical yield curve incorporating high-quality corporate bonds with various maturities adjusted to reflect the timing of our expected benefit payments.
- (c) During 2012, we also made changes to our postretirement medical plan, eliminating medical and prescription drug subsidies for certain active and retired participants effective January 1, 2014. In remeasuring the postretirement obligations to reflect this amendment, updated assumptions as of June 29, 2012 were used. During the remeasurement, we updated key assumptions, including the discount rate, which decreased from 3.97 percent to 3.80 percent. The discount rate was selected based on a hypothetical yield curve incorporating high-quality corporate bonds with various maturities adjusted to reflect the timing of our expected benefit payments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Benefit Plans and Postretirement Benefits, Continued:

Estimated amounts to be amortized from accumulated other comprehensive income into net periodic benefit (income) expense in 2014, including executive retirement agreements, are as follows:

(Millions)	Pension Benefits	Postretirement Benefits
Net actuarial loss	\$ —	\$ 0.1
Prior service credits	\$ (0.1)	\$ (6.9)

The accumulated benefit obligation of our pension plan and executive retirement agreements, was \$1,193.0 million, \$1,375.8 million and \$1,243.6 million at December 31, 2013, 2012 and 2011, respectively.

**Assumptions** – Actuarial assumptions used to calculate pension and postretirement benefits (income) expense were as follows for the years ended December 31:

(Millions)	Pension Benefits			Postretirement Benefits		
	2013	2012	2011	2013	2012	2011
Discount rate	3.85%	4.64%	5.31%	3.87%	4.58%	5.11%
Expected return on plan assets	7.00%	8.00%	8.00%	7.00%	8.00%	8.00%
Rate of compensation increase	2.00%	4.17%	3.44%	—%	—%	—%

Actuarial assumptions used to calculate the projected benefit obligations were as follows at December 31:

	Pension Benefits		Postretirement Benefits	
	2013	2012	2013	2012
Discount rate	5.01%	3.85%	4.99%	3.87%
Expected return on plan assets	7.00%	7.00%	7.00%	7.00%
Rate of compensation increase	2.00%	2.00%	—	—%

In developing the expected long-term rate of return assumption, we considered the plan's historical rate of return, as well as input from our investment advisors. Projected returns on qualified pension plan assets were based on broad equity and bond indices and include a targeted asset allocation of 24.0 percent to equities, 59.0 percent to fixed income securities, and 17.0 percent to alternative investments, with an aggregate expected long-term rate of return of approximately 7.0 percent.

Information regarding the healthcare cost trend rate was as follows for the years ended December 31:

	2013	2012
Healthcare cost trend rate assumed for next year	8.00%	9.00%
Rate that the cost trend ultimately declines to	5.00%	5.00%
Year that the rate reaches the terminal rate	2020	2019

For the year ended December 31, 2013, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit cost by approximately \$0.1 million, while a one percent decrease in the rate would reduce the postretirement benefit cost by approximately \$0.1 million. As of December 31, 2013, a one percent increase in the assumed healthcare cost trend rate would increase the postretirement benefit obligation by approximately \$3.0 million, while a one percent decrease in the rate would reduce the postretirement benefit obligation by approximately \$2.4 million.

**8. Employee Benefit Plans and Postretirement Benefits, Continued:**

Plan Assets – Our pension plan assets are allocated to asset categories based on the specific strategy employed by the asset’s investment manager. The asset allocation for our pension plan by asset category was as follows for the years ended December 31:

Asset Category	Target Allocation		Percentage of Plan Assets	
	2014		2013	2012
Equity securities	17.7%	- 29.7%	27.7%	44.2%
Fixed income securities	22.0%	- 44.0%	52.4%	33.8%
Alternative investments	10.5%	- 20.5%	15.0%	4.4%
Money market and other short-term interest bearing securities	0.0%	- 4.0%	4.9%	17.6%
			100.0%	100.0%

We utilize a third party to assist in evaluating the allocation of the total assets in the pension trust, taking into consideration the pension liabilities and funded status of the pension plan. Assets are managed utilizing a Liability Driven Investment ("LDI") approach, meaning that assets are managed within a risk management framework which addresses the need to generate incremental returns in the context of an appropriate level of risk, based on plan liability profiles and changes in funded status. The return objectives are to satisfy funding obligations when and as prescribed by law and to keep pace with the growth of the pension plan liabilities. Given the long time horizon for paying out benefits and our strong financial condition, the pension plan can accept an average level of risk relative to other similar plans. The liquidity needs of the pension plan are manageable given that lump sum payments are not available to most participants.

Equity securities include stocks of both large and small capitalization domestic and international companies. Equity securities are expected to provide both diversification and long-term real asset growth. Domestic equities may include modest holdings of non-U.S. equities, purchased by domestic equity managers as long as they are traded in the U.S and denominated in U.S. dollars and both active and passive (index) investment strategies. International equities provide a broad exposure to return opportunities and investment characteristics associated with the world equity markets outside the U.S. The pension plan’s equity holdings are diversified by investment style, market capitalization, market or region, and economic sector.

Fixed income securities include securities issued by the U.S. Government and other governmental agencies, asset-backed securities and debt securities issued by domestic and international entities. These securities are expected to provide diversification benefits, and are expected to reduce asset volatility and pension funding volatility, and a stable source of income.

Alternative investments may include hedge funds and hedge fund of funds, commodities, both private and public real estate and private equity investments. In addition to attractive diversification benefits, the alternative investments are expected to provide both income and capital appreciation.

Investments in money market and other short-term interest bearing securities are maintained to provide liquidity for benefit payments with protection of principal being the primary objective.

The pension plan is permitted to make investments in our common stock. On September 13, 2013, we contributed 3.3 million shares of our common stock to the pension plan to fund our remaining 2013 funding obligation and a portion of our expected 2014 funding obligation. At the time of this contribution, the shares had an appraised value of approximately \$27.8 million, as determined by a third party valuation firm. We made no contribution to the pension plan in 2012. During 2011, we contributed 10.8 million shares of our common stock to the pension plan to meet our 2011 and 2012 expected obligations. The shares had an appraised value of approximately \$135.8 million, and were subsequently sold by the pension plan for approximately \$133.5 million.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8. Employee Benefit Plans and Postretirement Benefits, Continued:**

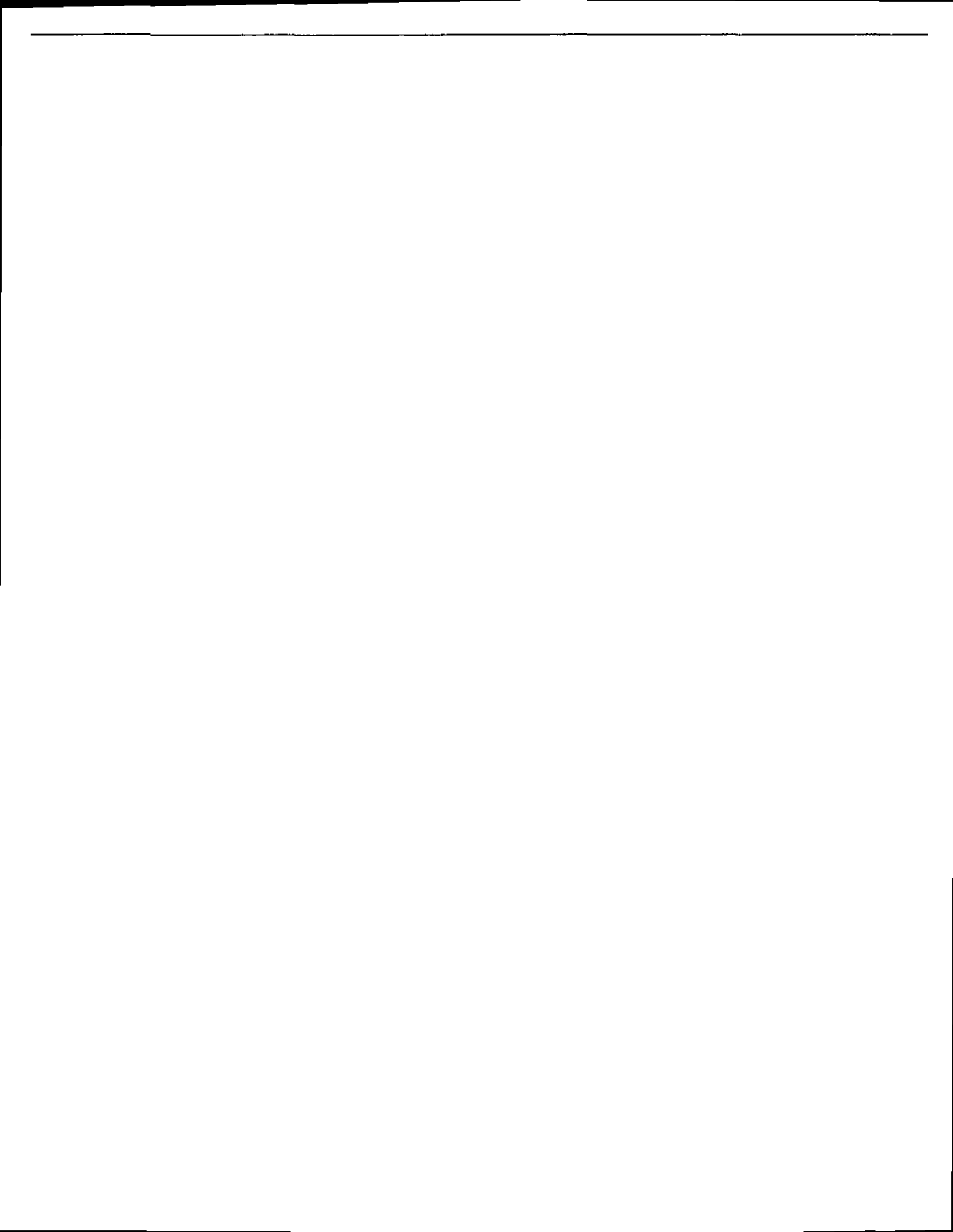
The fair values of our pension plan assets were determined using the following inputs as of December 31, 2013 :

(Millions)	Fair Value	Quoted Price in	Significant	Significant
		Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs
		Level 1	Level 2	Level 3
Money market funds (a)	\$ 37.0	\$ —	\$ 37.0	\$ —
Guaranteed annuity contract (b)	1.9	—	—	1.9
Common collective trust funds (c)	383.1	—	383.1	—
Government and agency securities (d)	234.4	—	234.4	—
Corporate bonds and asset backed securities (d)	94.5	—	94.5	—
Domestic equities (d)	69.4	69.3	—	0.1
Windstream common stock (d)	26.3	26.3	—	—
International equities (d)	24.1	24.1	—	—
Derivative financial instruments (e)	(25.1)	0.1	(25.2)	—
Hedge fund of funds (f)	60.2	—	—	60.2
Real estate and private equity funds (g)	52.8	—	—	52.8
Other (h)	1.1	1.1	—	—
<b>Total investments</b>	<b>\$ 959.7</b>	<b>\$ 120.9</b>	<b>\$ 723.8</b>	<b>\$ 115.0</b>
Dividends and interest receivable	3.9			
Pending trades	(3.9)			
<b>Total plan assets</b>	<b>\$ 959.7</b>			

The fair values of our pension plan assets were determined using the following inputs as of December 31, 2012 :

(Millions)	Fair Value	Quoted Price in	Significant	Significant
		Active Markets for Identical Assets	Other Observable Inputs	Unobservable Inputs
		Level 1	Level 2	Level 3
Money market funds (a)	\$ 280.2	\$ —	\$ 280.2	\$ —
Guaranteed annuity contract (b)	2.3	—	—	2.3
Common collective trust funds (c)	81.7	—	81.7	—
Government and agency securities (d)	141.6	—	141.6	—
Corporate bonds and asset backed securities (d)	92.5	—	92.5	—
Domestic equities (d)	273.4	272.7	0.6	0.1
International equities (d)	84.0	84.0	—	—
Derivative financial instruments (e)	(0.1)	—	(0.1)	—
Real estate and private equity funds (g)	44.4	—	—	44.4
Other (h)	2.1	2.1	—	—
<b>Total investments</b>	<b>\$ 1,002.1</b>	<b>\$ 358.8</b>	<b>\$ 596.5</b>	<b>\$ 46.8</b>
Dividends and interest receivable	3.4			
Pending trades	(6.5)			
<b>Total plan assets</b>	<b>\$ 999.0</b>			

(a) Valued based on the fair value of the underlying assets of the fund as determined by the fund manager on the last business day of the year. The underlying assets are mostly comprised of certificates of deposit, time deposits and commercial paper valued at amortized cost.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Employee Benefit Plans and Postretirement Benefits, Continued:

- (b) Based on the value of the underlying contracts adjusted to market value, which recognizes that either long-term assets would have to be sold before contract maturity or new contributions by other contract holders would have to be exchanged for funds being transferred, precluding these contributions from being invested at their current rate of return.
- (c) Valued based on the net asset value of the fund as reported by the fund manager on the last business day of the Plan year. The underlying assets are mostly comprised of publicly traded equity securities and fixed income securities. These securities are valued at the official closing price of, or the last reported sale prices as of the close of business or, in the absence of any sales, at the latest available bid price.
- (d) Valued based on quoted market prices on the last day of the Plan year. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotes or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using best estimates, including unobservable input.
- (e) Derivative financial instruments consist primarily of swaps and are valued at fair value based on models that reflect the contractual terms of the instruments. Inputs include primarily observable market information, such as swap curves, benchmark yields, rating updates and interdealer broker quotes at the end of the Plan year.
- (f) Hedge funds of funds hold a portfolio of other investment funds instead of directly investing in specific securities, commodities or other financial instruments. The funds are valued based on the net asset value of the fund as determined by the fund manager on the last business day of the Plan year. The net asset value is derived from the fair value of each underlying fund comprising the hedge fund of funds.
- (g) The real estate fund is valued based on the net asset value of the fund on the last business day of the Plan year. The net asset value is derived from the fair value of the underlying net assets of the fund. Private equity funds consist of investments in limited partnerships and are valued based on the Plan's capital account balance at year end as reported in the audited financial statements of the partnership.
- (h) Other investments include warrants, interest bearing cash and investments in foreign currency. These investments are valued at their quoted market price on the last day of the Plan year.

The following is a reconciliation of the beginning and ending balances of pension plan assets that are measured at fair value using significant unobservable inputs:

(Millions)	Domestic equities	Hedge fund of funds	Real estate and private equity funds	Guaranteed annuity contract	Total
Balance at December 31, 2011	\$ 0.1	\$ —	\$ 35.1 (a)	\$ 2.8	\$ 38.0
Actual gain on plan assets still held at reporting date	—	—	2.7	0.1	2.8
Purchases and sales	—	—	6.6	(0.6)	6.0
Transfers in and/or out of level 3	—	—	—	—	—
Balance at December 31, 2012	0.1	—	44.4	2.3	46.8
Actual gain on plan assets still held at reporting date	—	2.7	4.3	0.2	7.2
Purchases and sales	—	57.5	4.1	(0.6)	61.0
Transfers in and/or out of level 3	—	—	—	—	—
Balance at December 31, 2013	\$ 0.1	\$ 60.2	\$ 52.8	\$ 1.9	\$ 115.0

(a) Amount reflects the correction of an immaterial error for an investment previously reported as level 2 that should have been reported as level 3.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period. There were no transfers in or out of levels 1, 2, or 3 for the years ended December 31, 2013 and 2012.

**8. Employee Benefit Plans and Postretirement Benefits, Continued:**

There have been no significant changes in the methodology used to value investments from prior year. The valuation methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the valuation methods are consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Estimated Future Employer Contributions and Benefit Payments – Estimated future employer contributions, benefit payments, including executive retirement agreements, are as follows as of December 31, 2013 :

(Millions)	Pension Benefits	Postretirement Benefits
Expected employer contributions in 2014	\$ 83.8	\$ 2.6
Expected benefit payments:		
2014	\$ 78.1	\$ 2.6
2015	77.4	2.6
2016	78.3	2.5
2017	80.9	2.4
2018	81.7	2.3
2019-2023	421.6	8.9

The 2014 expected employer contribution for pension benefits consists of 0.8 million necessary to fund the expected benefit payments related to the unfunded supplemental executive retirement pension plans and approximately \$83.0 million in contributions to the pension plan to meet our remaining 2014 funding obligations and to avoid certain benefit restrictions. We intend to fund this contribution using cash, Windstream common stock or other assets, or a combination thereof.

Employee Savings Plan – We also sponsor an employee savings plan under section 401(k) of the Internal Revenue Code, which covers substantially all salaried employees and certain bargaining unit employees. Employees may elect to contribute to the plan a portion of their eligible pretax compensation up to certain limits as specified by the plans and by the Internal Revenue Service. Windstream matches up to a maximum of 4.0 percent of employee pretax contributions for employees contributing at least 5.0 percent. Our matching contribution is funded annually. We expect to make the 2013 contribution in Windstream stock during the first half of 2014. We contributed \$20.4 million of our common stock to the plan for the 2012 annual matching contribution during the first quarter of 2013. We recorded expense of \$18.1 million, \$17.8 million and \$13.7 million in 2013, 2012 and 2011, respectively, related to the employee savings plan, which was included in cost of services and selling, general and administrative in the accompanying consolidated statements of income. Expense related to our matching contribution made or expected to be made in Windstream stock is included in share-based compensation in the accompanying consolidated statements of cash flows.

**9. Share-Based Compensation Plans:**

Under the Amended and Restated 2006 Equity Incentive Plan (the "Incentive Plan"), we may issue a maximum of 20.0 million equity stock awards in the form of restricted stock, restricted stock units, stock appreciation rights or stock options. Restricted stock, restricted stock units and stock appreciation rights were limited to 18.5 million of the total awards issuable under the Incentive Plan. As of December 31, 2013, the Incentive Plan had remaining capacity of 4.8 million awards, of which 3.3 million were issuable in the form of restricted stock, restricted stock units or stock appreciation rights. As of December 31, 2013, we had additional remaining capacity of 2.6 million awards from a similar equity incentive plan acquired in the PAETEC acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Share-Based Compensation Plans, Continued:

**Restricted Stock and Restricted Stock Unit Activity** - During 2013, 2012 and 2011, our Board of Directors approved grants of restricted stock and restricted stock units to officers, executives, non-employee directors and certain management employees. These grants include the standard annual grants to this employee and director group as a key component of their annual incentive compensation plan and one-time grants. On April 12, 2013, a one-time grant, totaling 125,125 shares, was provided as a retention incentive for select members of management. On February 8, 2011, a one-time grant, totaling 237,989 shares of restricted stock, was approved to provide a retention incentive to the CEO and select members of management. In 2011, we began issuing performance-based restricted stock units to executive officers rather than performance-based restricted shares.

Each recipient of the performance-based restricted stock units may vest in a number of shares from zero to 150.0 percent of their award based on attainment of certain operating targets, some of which are indexed to the performance of Standard & Poor's 500 Stock Index, over a three-year period.

The vesting periods and grant date fair value for restricted stock and restricted stock units issued was as follows for the years ended December 31:

(Thousands)	2013	2012	2011
	Common Shares	Common Shares	Common Shares
Vest ratably over remaining service period, up to four years (a)	—	—	886.3
Vest ratably over a three-year service period	2,254.0	1,543.7	1,024.0
Vest ratably over a two-year service period	68.4	—	—
Vest variably over a three-year service period	186.1	54.7	—
Vest contingently over a three-year performance period	786.7	723.5	522.9
Vest three years from date of grant, service based	—	4.0	388.5
Vest one year from date of grant, service based (b)	81.5	51.4	48.6
Total granted	3,376.7	2,377.3	2,870.3
Grant date fair value (Millions)	\$ 32.6	\$ 29.4	\$ 36.3

(a) In conjunction with the acquisition of PAETEC, we granted 886,300 restricted stock units to former PAETEC employees to replace outstanding, unvested PAETEC restricted stock units held by these same employees as of acquisition date. The vesting provisions of the original grants were retained. Each recipient is entitled to one restricted share per restricted stock unit.

(b) Represents restricted stock granted to non-employee directors.

For performance based restricted stock units granted in 2013 the operating targets for the first vesting period were approved by the Board of Directors in February 2013. For the performance based restricted stock granted in 2012, the operating targets for the first and second vesting period were approved by the Board of Directors in February 2012 and 2013, respectively. For performance based restricted stock granted in 2011, the operating targets for the first, second and third vesting period were approved by the Board of Directors in February 2011, 2012 and 2013, respectively. For 2013 and measurement periods prior, each of the operating targets were met by the end of their respective measurement periods.

Restricted stock and restricted stock unit activity for the year ended December 31, 2013 was as follows:

	(Thousands) Underlying Number of Shares	Weighted Average Fair Value
Non-vested at December 31, 2012	4,274.4	\$ 12.24
Granted	3,376.7	\$ 9.66
Vested	(2,031.6)	\$ 11.92
Forfeited	(360.0)	\$ 11.56
Non-vested at December 31, 2013	5,259.5	\$ 10.75

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. Share-Based Compensation Plans, Continued:

At December 31, 2013, unrecognized compensation expense totaled \$35.8 million and is expected to be recognized over the weighted average vesting period of 1.3 years. Unrecognized compensation expense is included in additional paid-in capital in the accompanying consolidated balance sheets and statements of shareholders' equity. The total fair value of shares vested during 2013, 2012 and 2011 was \$24.2 million, \$22.7 million and \$15.5 million, respectively. Share-based compensation expense recognized for restricted stock and restricted stock units was \$26.7 million, \$25.2 million and \$24.0 million for 2013, 2012 and 2011, respectively.

**Stock Option Activity** - In conjunction with the acquisition of PAETEC, we issued 3,933,230 stock options to former PAETEC employees to replace outstanding PAETEC stock options held by these same employees as of the acquisition date. The exercise price of the options granted was 0.460 shares of the exercise price on the original issuances. All other terms of the original options, including the vesting provisions, were retained. The contractual term of the options granted is ten years from the original issuance date. Awards generally vest ratably over a three- or four-year service period. No other stock options have been granted by us during the three year period ended December 31, 2013.

The following table summarizes stock option activity for the year ended December 31, 2013:

	(Thousands) Number of Shares Underlying Options	Weighted Average Exercise Price	(Years) Weighted Average Remaining Contractual Life	(Millions) Aggregate Intrinsic Value
Outstanding at December 31, 2012	1,829.2	\$ 11.93		
Granted	—	\$ —		
Exercised	(124.1)	\$ 5.66		
Canceled	(208.4)	\$ 13.63		
Forfeited	(32.3)	\$ 8.68		
Outstanding at December 31, 2013	1,464.4	\$ 12.29	3.9	\$ 1.1
Vested or expected to vest at December 31, 2013	1,409.6	\$ 12.43	3.8	\$ 1.1
Exercisable at December 31, 2013	1,373.1	\$ 12.53	3.7	\$ 1.1

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (the difference between the closing sale price of Windstream's common stock as reported on the Nasdaq Global Select Market on December 31, 2013 and the option exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders if all option holders had exercised their options on December 31, 2013. This amount changes based on the fair market value of Windstream's common stock. The aggregate intrinsic value of options exercised during the year ended December 31, 2013 was approximately \$0.3 million.

Total compensation expense related to stock options granted was approximately \$0.1 million, \$0.2 million, and \$0.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The following table summarizes stock option information as of December 31, 2013:

Range of Exercise Prices	Options Outstanding		Options Exercisable	
	(Thousands) Number of Options	Weighted Average Exercise Price	(Thousands) Number of Options	Weighted Average Exercise Price
\$1.96-\$4.70	227.4	\$ 4.11	227.4	\$ 4.11
\$4.71-\$8.30	334.1	\$ 7.30	278.9	\$ 7.12
\$8.31-\$14.00	392.3	\$ 10.62	356.2	\$ 10.72
\$14.01-\$29.27	510.6	\$ 20.49	510.6	\$ 20.49
	1,464.4	\$ 12.29	1,373.1	\$ 12.53

As of December 31, 2013, there was less than \$0.1 million of unrecognized share-based compensation expense related to unvested stock options granted which will be recognized in 2014.

**10. Merger, Integration and Restructuring Charges:**

We incur a significant amount of costs to complete a merger or acquisition and integrate its operations into our business, which are presented as merger and integration expense in our consolidated results of operations. These costs include transaction costs, such as accounting, legal and broker fees; severance and related costs; IT and network conversion; rebranding; and consulting fees. The 2011 acquisition of PAETEC and 2010 acquisitions of NuVox Inc. ("NuVox"), Iowa Telecom, Q-Comm Corporation ("Q-Comm") and Hosted Solutions Acquisitions, LLC ("Hosted Solutions"), (collectively known as the "Acquired Companies"), account for the merger and integration costs incurred for the periods presented.

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

On May 31, 2012, we announced that we were undertaking a review of our existing management structure with the intent of improving the efficiency of our decision-making processes, ensuring our management structure is as simple and as responsive to customers as possible and positioning ourselves for continued success. We eliminated approximately 350 management positions as part of the restructuring. The restructuring was completed in the third quarter of 2012 resulting in severance related costs of \$22.4 million .

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

(Millions)	2013	2012	2011
Merger and integration costs			
Transaction costs associated with acquisitions	\$ —	\$ 7.1	\$ 40.7
Employee related transition costs	7.8	20.3	22.3
Information technology conversion costs	9.5	6.1	5.7
Rebranding, consulting and other costs	11.9	31.9	1.1
Total merger and integration costs	29.2	65.4	69.8
Restructuring charges	9.6	27.2	1.3
Total merger, integration and restructuring charges	\$ 38.8	\$ 92.6	\$ 71.1

Merger, integration and restructuring charges decreased net income \$24.3 million , \$58.2 million and \$44.1 million for the years ended December 31, 2013 , 2012 and 2011 , respectively, after giving consideration to tax benefits on deductible items.

The following is a summary of the activity related to the liabilities associated with our merger, integration and restructuring charges at December 31:

(Millions)	2013	2012
Balance, beginning of period	\$ 20.1	\$ 12.9
Merger, integration and restructuring charges	38.8	92.6
Cash outlays during the period	(44.9)	(85.4)
Balance, end of period	\$ 14.0	\$ 20.1

As of December 31, 2013 , unpaid merger, integration and restructuring liabilities consisted of \$0.6 million primarily associated with the restructuring initiatives and \$13.4 million related to merger and integration activities. Payments of these liabilities will be funded through operating cash flows.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11. Accumulated Other Comprehensive Income:**

Accumulated other comprehensive income balances, net of tax, were as follows for the years ended December 31:

(Millions)	2013	2012	2011
Pension and postretirement plans	\$ 26.4	\$ 43.9	\$ 54.7
Unrealized holding gains (losses) on interest rate swaps			
Designated portion	17.4	(9.1)	(16.6)
De-designated portion	(15.3)	(28.4)	(36.2)
Accumulated other comprehensive income	\$ 28.5	\$ 6.4	\$ 1.9

Changes in accumulated other comprehensive income balances, net of tax, were as follows:

(Millions)	Gains (Losses) on Interest Rate Swaps	Pension and Postretirement Plans	Total
Balance at December 31, 2012	\$ (37.5)	\$ 43.9	\$ 6.4
Other comprehensive income before reclassifications	17.4	6.6	24.0
Amounts reclassified from other accumulated comprehensive income (a)	22.2	(24.1)	(1.9)
Balance at December 31, 2013	\$ 2.1	\$ 26.4	\$ 28.5

(a) See separate table below for details about these reclassifications.

Reclassifications out of accumulated other comprehensive income were as follows for the year ended December 31, 2013:

Details about Accumulated Other Comprehensive Income Components	(Millions) Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Consolidated Statements of Income
<b>Losses on interest rate swaps:</b>		
Amortization of unrealized losses on de-designated interest rate swaps	\$ 35.9	Interest expense
	35.9	Income from continuing operations before income taxes
	(13.7)	Income taxes
	22.2	Net income
<b>Pension and postretirement plans:</b>		
Plan curtailments	(31.8) (a)	
Amortization of net actuarial loss	1.7 (a)	
Amortization of prior service credits	(8.7) (a)	
	(38.8)	Income from continuing operations before income taxes
	14.7	Income taxes
	(24.1)	Net income
<b>Total reclassifications for the period, net of tax</b>	\$ (1.9)	Net income

(a) These accumulated other comprehensive income components are included in the computation of net periodic benefit (income) expense. See Note 8 for additional details.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**12. Income Taxes:**

Income tax expense was as follows for the years ended December 31:

(Millions)	2013	2012	2011
Current:			
Federal	\$ (27.0)	\$ 6.2	\$ (97.8)
State	(2.5)	13.0	23.4
	<u>(29.5)</u>	<u>19.2</u>	<u>(74.4)</u>
Deferred:			
Federal	104.0	84.0	180.2
State	30.8	(5.0)	(6.4)
	<u>134.8</u>	<u>79.0</u>	<u>173.8</u>
Income tax expense	\$ 105.3	\$ 98.2	\$ 99.4

Deferred income tax expense for all three years primarily resulted from temporary differences between depreciation and amortization expense for income tax purposes and depreciation and amortization expense recorded in the accompanying consolidated financial statements. Goodwill is not amortized for financial statement purposes in accordance with authoritative guidance on goodwill and other intangible assets.

Differences between the federal income tax statutory rates and effective income tax rates, which include both federal and state income taxes, were as follows for the years ended December 31:

	2013	2012	2011
Statutory federal income tax rate	35.0 %	35.0%	35.0 %
Increase (decrease)			
State income taxes, net of federal benefit	3.3	2.0	2.0
Adjust deferred taxes for state net operating loss carryforward	(0.1)	—	1.9
Acquisition costs	—	—	(0.5)
Tax refund interest	—	—	(0.5)
Valuation allowance	(0.3)	—	—
Income tax reserves	(5.4)	—	—
Research and development credit	(2.2)	—	—
Other items, net	0.6	0.1	(0.9)
Effective income tax rate	30.9 %	37.1%	37.0 %

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information:**

Debentures and notes, without collateral, issued by Windstream Corporation

In connection with the issuance of the 7.875 percent senior notes due November 1, 2017, the 8.125 percent senior notes due September 1, 2018, the 7.750 percent senior notes due October 15, 2020, the 7.750 percent senior notes due October 1, 2021, the 7.500 percent senior notes due June 1, 2022, the 7.500 percent senior notes due April 1, 2023 and the 6.375 percent senior notes due August 1, 2023 ("the guaranteed notes"), certain of Windstream Corp.'s wholly-owned subsidiaries (the "Guarantors"), provide guarantees of those debentures. These guarantees are full and unconditional, subject to certain customary release provisions, as well as joint and several. All personal property assets and related operations of the Guarantors are pledged as collateral on the senior secured credit facilities of Windstream Corp. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Windstream Corp. The remaining subsidiaries of Windstream Corp. (the "Non-Guarantors") are not guarantors of the guaranteed notes. Following the acquisitions of acquired businesses, the guaranteed notes were amended to include certain subsidiaries of the acquired businesses as guarantors. Windstream Holdings is not a guarantor of any Windstream Corp. debt instruments.

The following information presents condensed consolidated and combined statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011, condensed consolidated balance sheets as of December 31, 2013 and 2012, and condensed consolidated and combined statements of cash flows for the years ended December 31, 2013, 2012 and 2011 of the Windstream Corp., the Guarantors and the Non-Guarantors. Investments consist of investments in net assets of subsidiaries held by Windstream Corp. and other subsidiaries, and have been presented using the equity method of accounting.

**Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2013**

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ —	\$ 1,050.7	\$ 4,755.2	\$ (30.4)	\$ 5,775.5
Product sales	—	54.4	158.2	—	212.6
Total revenues and sales	—	1,105.1	4,913.4	(30.4)	5,988.1
<b>Costs and expenses:</b>					
Cost of services	—	337.6	2,180.1	(25.6)	2,492.1
Cost of products sold	—	53.7	130.2	—	183.9
Selling, general and administrative	—	59.2	868.5	(4.8)	922.9
Depreciation and amortization	—	317.3	1,023.6	—	1,340.9
Merger and integration costs	—	—	29.2	—	29.2
Restructuring charges	—	1.6	8.0	—	9.6
Total costs and expenses	—	769.4	4,239.6	(30.4)	4,978.6
<b>Operating income</b>	—	335.7	673.8	—	1,009.5
Earnings from consolidated subsidiaries	500.0	44.0	5.0	(549.0)	—
Other income (expense), net	2.0	167.1	(181.6)	—	(12.5)
Loss on early extinguishment of debt	(17.2)	—	(11.3)	—	(28.5)
Intercompany interest income (expense)	154.1	(95.4)	(58.7)	—	—
Interest expense	(584.6)	(5.8)	(37.3)	—	(627.7)
Income from continuing operations before income taxes	54.3	445.6	389.9	(549.0)	340.8
Income tax (benefit) expense	(187.0)	145.5	147.0	—	105.5
Income from continuing operations	241.3	300.1	242.9	(549.0)	235.3
Discontinued operations	—	—	6.0	—	6.0
Net income	\$ 241.3	\$ 300.1	\$ 248.9	\$ (549.0)	\$ 241.3
Comprehensive income	\$ 263.4	\$ 300.1	\$ 248.9	\$ (549.0)	\$ 263.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2012

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ —	\$ 1,080.6	\$ 4,853.1	\$ (25.4)	\$ 5,908.3
Product sales	—	73.0	158.2	—	231.2
Total revenues and sales	—	1,153.6	5,011.3	(25.4)	6,139.5
<b>Costs and expenses:</b>					
Cost of services	—	374.3	2,335.0	(17.1)	2,692.2
Cost of products sold	—	71.9	134.7	—	206.6
Selling, general and administrative	—	84.7	890.9	(8.3)	967.3
Depreciation and amortization	—	315.2	981.7	—	1,296.9
Merger and integration costs	—	—	65.4	—	65.4
Restructuring charges	—	4.3	22.9	—	27.2
Total costs and expenses	—	850.4	4,430.6	(25.4)	5,255.6
<b>Operating income</b>	—	303.2	580.7	—	883.9
Earnings from consolidated subsidiaries	404.9	38.9	4.4	(448.2)	—
Other (expense) income, net	(6.8)	185.8	(174.4)	—	4.6
Gain on early extinguishment of debt	—	—	1.9	—	1.9
Intercompany interest income (expense)	152.8	(98.9)	(53.9)	—	—
Interest expense	(540.9)	(5.4)	(78.8)	—	(625.1)
Income from continuing operations before income taxes	10.0	423.6	279.9	(448.2)	265.3
Income tax (benefit) expense	(158.0)	143.4	112.8	—	98.2
Income from continuing operations	168.0	280.2	167.1	(448.2)	167.1
Discontinued operations	—	—	0.9	—	0.9
Net income	\$ 168.0	\$ 280.2	\$ 168.0	\$ (448.2)	\$ 168.0
Comprehensive income	\$ 172.5	\$ 280.2	\$ 168.0	\$ (448.2)	\$ 172.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2011

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>					
Service revenues	\$ —	\$ 1,084.5	\$ 3,090.4	\$ (21.9)	\$ 4,153.0
Product sales	—	61.2	65.4	—	126.6
Total revenues and sales	—	1,145.7	3,155.8	(21.9)	4,279.6
<b>Costs and expenses:</b>					
Cost of services	—	375.2	1,328.2	(12.3)	1,691.1
Cost of products sold	—	55.8	49.3	—	105.1
Selling, general and administrative	—	102.7	508.8	(9.6)	601.9
Depreciation and amortization	—	320.3	527.2	—	847.5
Merger and integration costs	—	—	69.8	—	69.8
Restructuring charges	—	0.3	1.0	—	1.3
Total costs and expenses	—	854.3	2,484.3	(21.9)	3,316.7
<b>Operating income</b>	—	291.4	671.5	—	962.9
Earnings (losses) from consolidated subsidiaries	477.7	(1.2)	4.7	(481.2)	—
Other (expense) income, net	(3.8)	179.7	(176.0)	—	(0.1)
Loss on early extinguishment of debt	(136.1)	—	—	—	(136.1)
Intercompany interest income (expense)	167.2	(104.8)	(62.4)	—	—
Interest expense	(547.3)	(5.2)	(5.8)	—	(558.3)
(Loss) income from continuing operations before income taxes	(42.3)	359.9	432.0	(481.2)	268.4
Income tax (benefit) expense	(211.8)	113.9	197.3	—	99.4
Income from continuing operations	169.5	246.0	234.7	(481.2)	169.0
Discontinued operations	—	—	0.5	—	0.5
Net income	\$ 169.5	\$ 246.0	\$ 235.2	\$ (481.2)	\$ 169.5
Comprehensive income	\$ 195.5	\$ 246.0	\$ 235.2	\$ (481.2)	\$ 195.5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

**Condensed Consolidated Balance Sheet  
As of December 31, 2013**

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 13.7	\$ 4.1	\$ 30.4	\$ —	\$ 48.2
Restricted cash	9.7	—	—	—	9.7
Accounts receivable (less allowance for doubtful accounts of \$40.0)	—	117.6	517.7	—	635.3
Notes receivable - affiliate	—	4.8	—	(4.8)	—
Affiliates receivable, net	—	719.9	2,114.3	(2,834.2)	—
Inventories	—	49.8	17.9	—	67.7
Deferred income taxes	201.9	22.9	16.7	—	241.5
Prepaid income taxes	29.7	—	—	—	29.7
Prepaid expenses and other	5.6	20.8	126.3	—	152.7
<b>Total current assets</b>	<b>260.6</b>	<b>939.9</b>	<b>2,823.3</b>	<b>(2,839.0)</b>	<b>1,184.8</b>
Investments in consolidated subsidiaries	12,064.6	1,319.3	296.0	(13,679.9)	—
Notes receivable - affiliate	—	321.3	—	(321.3)	—
Goodwill	—	2,475.1	1,856.3	—	4,331.4
Other intangibles, net	—	1,042.6	977.5	—	2,020.1
Net property, plant and equipment	7.6	1,398.2	4,296.8	—	5,702.6
Other assets	115.3	20.0	70.4	—	205.7
<b>Total Assets</b>	<b>\$ 12,448.1</b>	<b>\$ 7,516.4</b>	<b>\$ 10,320.3</b>	<b>\$ (16,840.2)</b>	<b>\$ 13,444.6</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities:</b>					
Current maturities of long-term debt	\$ 84.9	\$ —	\$ 0.1	\$ —	\$ 85.0
Current portion of interest rate swaps	30.0	—	—	—	30.0
Accounts payable	1.3	56.4	328.2	—	385.9
Affiliates payable, net	2,984.9	—	—	(2,834.2)	150.7
Notes payable - affiliate	—	—	4.8	(4.8)	—
Advance payments and customer deposits	—	17.4	206.1	—	223.5
Accrued taxes	0.2	34.0	70.1	—	104.3
Accrued interest	95.4	1.8	6.3	—	103.5
Other current liabilities	38.1	18.6	305.7	—	362.4
<b>Total current liabilities</b>	<b>3,234.8</b>	<b>128.2</b>	<b>921.3</b>	<b>(2,839.0)</b>	<b>1,445.3</b>
Long-term debt	8,044.9	99.6	477.7	—	8,622.2
Notes payable - affiliate	—	—	321.3	(321.3)	—
Deferred income taxes	268.5	935.0	834.8	—	2,038.3
Other liabilities	59.4	32.2	406.7	—	498.3
<b>Total liabilities</b>	<b>11,607.6</b>	<b>1,195.0</b>	<b>2,961.8</b>	<b>(3,160.3)</b>	<b>12,604.1</b>
<b>Commitments and Contingencies (See Note 13)</b>					
<b>Shareholders' Equity:</b>					
Common stock	—	40.8	83.1	(123.9)	—
Additional paid-in capital	812.0	5,083.4	4,004.0	(9,087.4)	812.0
Accumulated other comprehensive income	28.5	7.6	19.2	(26.8)	28.5
Retained earnings	—	1,189.6	3,252.2	(4,441.8)	—
<b>Total shareholders' equity</b>	<b>840.5</b>	<b>6,321.4</b>	<b>7,358.5</b>	<b>(13,679.9)</b>	<b>840.5</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,448.1</b>	<b>\$ 7,516.4</b>	<b>\$ 10,320.3</b>	<b>\$ (16,840.2)</b>	<b>\$ 13,444.6</b>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

**Condensed Consolidated Balance Sheet  
As of December 31, 2012**

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 57.5	\$ 19.8	\$ 54.7	\$ —	\$ 132.0
Restricted cash	25.0	—	1.5	—	26.5
Accounts receivable (less allowance for doubtful accounts of \$42.6)	—	111.6	497.4	—	609.0
Notes receivable - affiliate	—	4.8	—	(4.8)	—
Affiliates receivable, net	—	299.4	2,507.2	(2,806.6)	—
Inventories	—	56.9	18.1	—	75.0
Deferred income taxes	170.3	22.9	56.2	—	249.4
Prepaid income taxes	23.3	—	—	—	23.3
Prepaid expenses and other	4.4	29.5	145.7	—	179.6
Assets held for sale	—	—	15.7	—	15.7
<b>Total current assets</b>	<b>280.5</b>	<b>544.9</b>	<b>3,296.5</b>	<b>(2,811.4)</b>	<b>1,310.5</b>
Investments in consolidated subsidiaries	11,814.4	1,275.6	304.6	(13,394.6)	—
Notes receivable - affiliate	—	324.9	—	(324.9)	—
Goodwill	—	2,475.1	1,856.3	—	4,331.4
Other intangibles, net	—	1,156.8	1,154.5	—	2,311.3
Net property, plant and equipment	7.6	1,451.5	4,402.7	—	5,861.8
Other assets	103.1	17.5	46.4	—	167.0
<b>Total Assets</b>	<b>\$ 12,205.6</b>	<b>\$ 7,246.3</b>	<b>\$ 11,061.0</b>	<b>\$ (16,530.9)</b>	<b>\$ 13,982.0</b>
<b>Liabilities and Shareholders' Equity</b>					
<b>Current Liabilities:</b>					
Current maturities of long-term debt	\$ 856.0	\$ —	\$ 10.0	\$ —	\$ 866.0
Current portion of interest rate swaps	29.0	—	—	—	29.0
Accounts payable	1.0	51.1	311.6	—	363.7
Affiliates payable, net	2,806.6	—	—	(2,806.6)	—
Notes payable - affiliate	—	—	4.8	(4.8)	—
Advance payments and customer deposits	—	15.7	203.9	—	219.6
Accrued dividends	148.9	—	—	—	148.9
Accrued taxes	0.2	35.2	68.9	—	104.3
Accrued interest	107.2	1.7	4.7	—	113.6
Other current liabilities	42.7	17.8	262.3	—	322.8
<b>Total current liabilities</b>	<b>3,991.6</b>	<b>121.5</b>	<b>866.2</b>	<b>(2,811.4)</b>	<b>2,167.9</b>
Long-term debt	6,823.2	99.6	1,177.0	—	8,099.8
Notes payable - affiliate	—	—	324.9	(324.9)	—
Deferred income taxes	175.1	922.7	799.0	—	1,896.8
Other liabilities	110.9	29.8	572.0	—	712.7
<b>Total liabilities</b>	<b>11,100.8</b>	<b>1,173.6</b>	<b>3,739.1</b>	<b>(3,136.3)</b>	<b>12,877.2</b>
<b>Commitments and Contingencies (See Note 13)</b>					
<b>Shareholders' Equity:</b>					
Common stock	0.1	40.8	83.1	(123.9)	0.1
Additional paid-in capital	1,098.3	5,083.4	4,004.0	(9,087.4)	1,098.3
Accumulated other comprehensive income	6.4	8.0	36.7	(44.7)	6.4
Retained earnings	—	940.5	3,198.1	(4,138.6)	—
<b>Total shareholders' equity</b>	<b>1,104.8</b>	<b>6,072.7</b>	<b>7,321.9</b>	<b>(13,394.6)</b>	<b>1,104.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,205.6</b>	<b>\$ 7,246.3</b>	<b>\$ 11,061.0</b>	<b>\$ (16,530.9)</b>	<b>\$ 13,982.0</b>

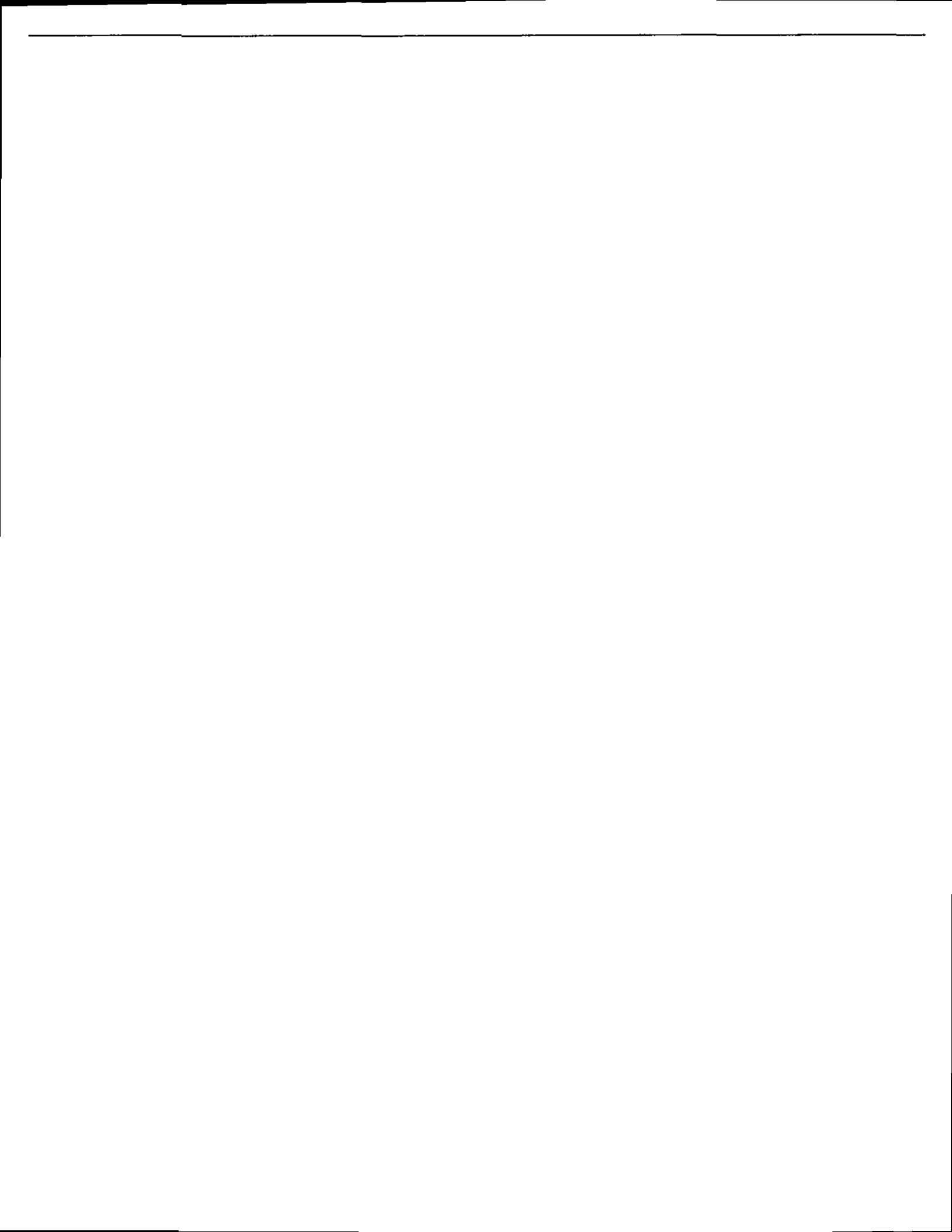


NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2013

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 241.3	\$ 300.1	\$ 248.9	\$ (549.0)	\$ 241.3
Adjustments to reconcile net income to net cash provided from operations:					
Depreciation and amortization	—	317.3	1,024.2	—	1,341.5
Provision for doubtful accounts	—	11.0	52.5	—	63.5
Equity in earnings from subsidiaries	(500.0)	(44.0)	(5.0)	549.0	—
Share-based compensation expense	—	7.1	37.8	—	44.9
Pension income	—	(17.8)	(97.5)	—	(115.3)
Deferred income taxes	36.2	12.2	86.4	—	134.8
Unamortized net discount (premium) on retired debt	3.1	—	(41.2)	—	(38.1)
Amortization of unrealized losses on de-designated interest rate swaps	35.9	—	—	—	35.9
Gain from sale of software business	—	—	(14.4)	—	(14.4)
Plan curtailment and other, net	27.5	(3.1)	(40.2)	—	(15.8)
Changes in operating assets and liabilities, net	(24.1)	14.9	(149.3)	—	(158.5)
Net cash (used in) provided from operations	(180.1)	597.7	1,102.2	—	1,519.8
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	—	(153.5)	(687.5)	—	(841.0)
Broadband network expansion funded by stimulus grants	—	(4.9)	(31.2)	—	(36.1)
Changes in restricted cash	15.3	—	1.5	—	16.8
Grant funds received for broadband stimulus projects	68.0	—	—	—	68.0
Grant funds received from Connect America Fund	—	21.9	38.8	—	60.7
Disposition of software business	—	—	30.0	—	30.0
Other, net	—	—	(6.0)	—	(6.0)
Net cash provided from (used in) investing activities	83.3	(136.5)	(654.4)	—	(707.6)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid to shareholders	(444.6)	—	—	—	(444.6)
Distributions to Windstream Holdings	(0.4)	—	(149.0)	—	(149.4)
Repayment of debt and swaps	(4,500.9)	—	(660.1)	—	(5,161.0)
Proceeds of debt issuance	4,919.6	—	—	—	4,919.6
Debt issuance costs	(30.0)	—	—	—	(30.0)
Intercompany transactions, net	116.0	(480.5)	364.5	—	—
Payment under capital lease obligations	—	—	(23.9)	—	(23.9)
Other, net	(6.7)	3.6	(3.6)	—	(6.7)
Net cash provided from (used in) financing activities	53.0	(476.9)	(472.1)	—	(896.0)
Decrease in cash and cash equivalents	(43.8)	(15.7)	(24.3)	—	(83.8)
<b>Cash and Cash Equivalents:</b>					
Beginning of period	57.5	19.8	54.7	—	132.0
End of period	\$ 13.7	\$ 4.1	\$ 30.4	\$ —	\$ 48.2



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2012

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 168.0	\$ 280.2	\$ 168.0	\$ (448.2)	\$ 168.0
Adjustments to reconcile net income to net cash provided from operations:					
Depreciation and amortization	—	315.2	982.4	—	1,297.6
Provision for doubtful accounts	—	11.6	47.8	—	59.4
Equity in earnings from subsidiaries	(404.9)	(38.9)	(4.4)	448.2	—
Share-based compensation expense	—	7.9	35.3	—	43.2
Pension expense	—	10.2	57.2	—	67.4
Deferred income taxes	54.6	(18.4)	42.8	—	79.0
Unamortized net premium on retired debt	—	—	(16.2)	—	(16.2)
Amortization of unrealized losses on de-designated interest rate swaps	45.4	—	—	—	45.4
Plan curtailment and other, net	22.3	(12.0)	(36.0)	—	(25.7)
Changes in operating assets and liabilities, net	275.3	(105.8)	(110.0)	—	59.5
Net cash provided from operations	160.7	450.0	1,166.9	—	1,777.6
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	—	(206.2)	(895.0)	—	(1,101.2)
Broadband network expansion funded by stimulus grants	—	(23.4)	(82.0)	—	(105.4)
Changes in restricted cash	(13.2)	—	8.4	—	(4.8)
Grant funds received for broadband stimulus projects	45.7	—	—	—	45.7
Disposition of wireless assets	—	57.0	—	—	57.0
Disposition of energy business	—	—	6.1	—	6.1
Other, net	—	2.8	(1.9)	—	0.9
Net cash provided from (used in) investing activities	32.5	(169.8)	(964.4)	—	(1,101.7)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid to shareholders	(588.0)	—	—	—	(588.0)
Repayment of debt and swaps	(1,744.4)	—	(310.1)	—	(2,054.5)
Proceeds of debt issuance	1,910.0	—	—	—	1,910.0
Debt issuance costs	(19.1)	—	—	—	(19.1)
Intercompany transactions, net	189.7	(270.3)	80.6	—	—
Payment under capital lease obligations	—	(0.8)	(19.2)	—	(20.0)
Other, net	0.7	3.6	(3.6)	—	0.7
Net cash used in financing activities	(251.1)	(267.5)	(252.3)	—	(770.9)
(Decrease) increase in cash and cash equivalents	(57.9)	12.7	(49.8)	—	(95.0)
<b>Cash and Cash Equivalents:</b>					
Beginning of period	115.4	7.1	104.5	—	227.0
End of period	\$ 57.5	\$ 19.8	\$ 54.7	\$ —	\$ 132.0

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

**Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2011**

(Millions)	Windstream Corp.	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>					
Net income	\$ 169.5	\$ 246.0	\$ 235.2	\$ (481.2)	\$ 169.5
Adjustments to reconcile net income to net cash provided from operations:					
Depreciation and amortization	—	320.3	527.2	—	847.5
Provision for doubtful accounts	—	11.3	37.2	—	48.5
Equity in (earnings) losses from subsidiaries	(477.7)	1.2	(4.7)	481.2	—
Share-based compensation expense	—	5.6	18.5	—	24.1
Pension expense	—	23.4	143.4	—	166.8
Deferred income taxes	10.3	19.8	143.7	—	173.8
Unamortized net discount on retired debt	21.2	—	—	—	21.2
Amortization of unrealized losses on de-designated interest rate swaps	49.0	—	—	—	49.0
Plan curtailment and other, net	18.6	(3.0)	(18.7)	—	(3.1)
Changes in operating assets and liabilities, net	(316.2)	42.8	4.9	—	(268.5)
Net cash (used in) provided from operations	(525.3)	667.4	1,086.7	—	1,228.8
<b>Cash Flows from Investing Activities:</b>					
Additions to property, plant and equipment	—	(206.4)	(495.6)	—	(702.0)
Broadband network expansion funded by stimulus grants	—	(5.2)	(16.5)	—	(21.7)
Cash acquired from PAETEC	—	—	71.4	—	71.4
Changes in restricted cash	(11.9)	—	—	—	(11.9)
Grant funds received for broadband stimulus projects	4.0	—	—	—	4.0
Other, net	1.8	5.7	0.5	—	8.0
Net cash used in investing activities	(6.1)	(205.9)	(440.2)	—	(652.2)
<b>Cash Flows from Financing Activities:</b>					
Dividends paid to shareholders	(509.6)	—	—	—	(509.6)
Repayment of debt and swaps	(4,670.7)	—	(109.6)	—	(4,780.3)
Proceeds of debt issuance	4,922.0	—	—	—	4,922.0
Debt issuance costs	(30.6)	—	—	—	(30.6)
Intercompany transactions, net	933.3	(474.8)	(458.5)	—	—
Payment under capital lease obligations	—	(0.7)	(0.1)	—	(0.8)
Other, net	(1.7)	12.7	(3.6)	—	7.4
Net cash provided from (used in) financing activities	642.7	(462.8)	(571.8)	—	(391.9)
Increase (decrease) in cash and cash equivalents	111.3	(1.3)	74.7	—	184.7
<b>Cash and Cash Equivalents:</b>					
Beginning of period	4.1	8.4	29.8	—	42.3
End of period	\$ 115.4	\$ 7.1	\$ 104.5	\$ —	\$ 227.0

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

Debentures and notes, issued by PAETEC Holding Corporation

In connection with the acquisition of PAETEC on November 30, 2011, Windstream Corp. (the "Parent") acquired the PAETEC 2018 Notes ("the guaranteed notes"). Windstream Corp. and all former wholly-owned subsidiaries of PAETEC (the "Guarantors") provide guarantees of those debentures. These guarantees are full and unconditional, subject to certain customary release provisions, as well as joint and several. Certain Guarantors may be subject to restrictions on their ability to distribute earnings to Windstream Corp.. The remaining subsidiaries (the "Non-Guarantors") of Windstream Corp. are not guarantors of these guaranteed notes.

The following information presents condensed consolidated and combined statements of comprehensive income for the years ended December 31, 2013, 2012 and 2011, condensed consolidated balance sheets as of December 31, 2013 and 2012, and condensed consolidated and combined statements of cash flows for the years ended December 31, 2013, 2012 and 2011 of Windstream Corp., the Guarantors and the Non-Guarantors. Investments consist of investments in net assets of subsidiaries held by Windstream Corp. and other subsidiaries, and have been presented using the equity method of accounting.

**Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2013**

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>						
Service revenues	\$ —	\$ —	\$ 1,940.7	\$ 3,841.9	\$ (7.1)	\$ 5,775.5
Product sales	—	—	140.2	74.5	(2.1)	212.6
Total revenues and sales	—	—	2,080.9	3,916.4	(9.2)	5,988.1
<b>Costs and expenses:</b>						
Cost of services	—	—	1,166.1	1,329.2	(3.2)	2,492.1
Cost of products sold	—	—	111.1	75.3	(2.5)	183.9
Selling, general and administrative	—	—	521.5	403.5	(2.1)	922.9
Depreciation and amortization	—	—	396.7	944.2	—	1,340.9
Merger and integration costs	—	—	(0.4)	29.6	—	29.2
Restructuring charges	—	—	3.4	6.2	—	9.6
Total costs and expenses	—	—	2,198.4	2,788.0	(7.8)	4,978.6
<b>Operating (loss) income</b>	—	—	(117.5)	1,128.4	(1.4)	1,009.5
Earnings (losses) from consolidated subsidiaries	500.0	(66.4)	(0.2)	0.3	(433.7)	—
Other income (expense), net	2.0	—	0.9	(15.4)	—	(12.5)
Loss on early extinguishment of debt	(17.2)	(11.3)	—	—	—	(28.5)
Intercompany interest income (expense)	154.1	—	—	(154.1)	—	—
Interest (expense) income	(584.6)	(40.9)	0.2	(2.4)	—	(627.7)
Income (loss) from continuing operations before income taxes	54.3	(118.6)	(116.6)	956.8	(435.1)	340.8
Income tax (benefit) expense	(187.0)	(19.3)	(36.9)	348.4	0.3	105.5
Income (loss) from continuing operations	241.3	(99.3)	(79.7)	608.4	(435.4)	235.3
Discontinued operations	—	—	6.0	—	—	6.0
Net income (loss)	\$ 241.3	\$ (99.3)	\$ (73.7)	\$ 608.4	\$ (435.4)	\$ 241.3
Comprehensive income (loss)	\$ 263.4	\$ (99.3)	\$ (73.7)	\$ 608.4	\$ (435.4)	\$ 263.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2012

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>						
Service revenues	\$ —	\$ —	\$ 1,977.7	\$ 3,938.6	\$ (8.0)	\$ 5,908.3
Product sales	—	—	120.2	111.0	—	231.2
Total revenues and sales	—	—	2,097.9	4,049.6	(8.0)	6,139.5
<b>Costs and expenses:</b>						
Cost of services	—	—	1,162.4	1,533.4	(3.6)	2,692.2
Cost of products sold	—	—	99.9	106.7	—	206.6
Selling, general and administrative	—	—	473.0	495.3	(1.0)	967.3
Depreciation and amortization	—	—	370.9	926.0	—	1,296.9
Merger and integration costs	—	—	0.5	64.9	—	65.4
Restructuring charges	—	—	9.4	17.8	—	27.2
Total costs and expenses	—	—	2,116.1	3,144.1	(4.6)	5,255.6
<b>Operating (loss) income</b>	—	—	(18.2)	905.5	(3.4)	883.9
Earnings (losses) from consolidated subsidiaries	404.9	(6.7)	6.3	(0.5)	(404.0)	—
Other (expense) income, net	(6.8)	—	0.3	11.1	—	4.6
Gain on early extinguishment of debt	—	1.9	—	—	—	1.9
Intercompany interest income (expense)	152.8	—	—	(152.8)	—	—
Interest (expense) income	(540.9)	(84.2)	(1.2)	1.2	—	(625.1)
Income (loss) from continuing operations before income taxes	10.0	(89.0)	(12.8)	764.5	(407.4)	265.3
Income tax (benefit) expense	(158.0)	(30.8)	(7.7)	296.0	(1.3)	98.2
Income (loss) from continuing operations	168.0	(58.2)	(5.1)	468.5	(406.1)	167.1
Discontinued operations	—	—	0.9	—	—	0.9
Net income (loss)	\$ 168.0	\$ (58.2)	\$ (4.2)	\$ 468.5	\$ (406.1)	\$ 168.0
Comprehensive income (loss)	\$ 172.5	\$ (58.2)	\$ (4.2)	\$ 468.5	\$ (406.1)	\$ 172.5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2011

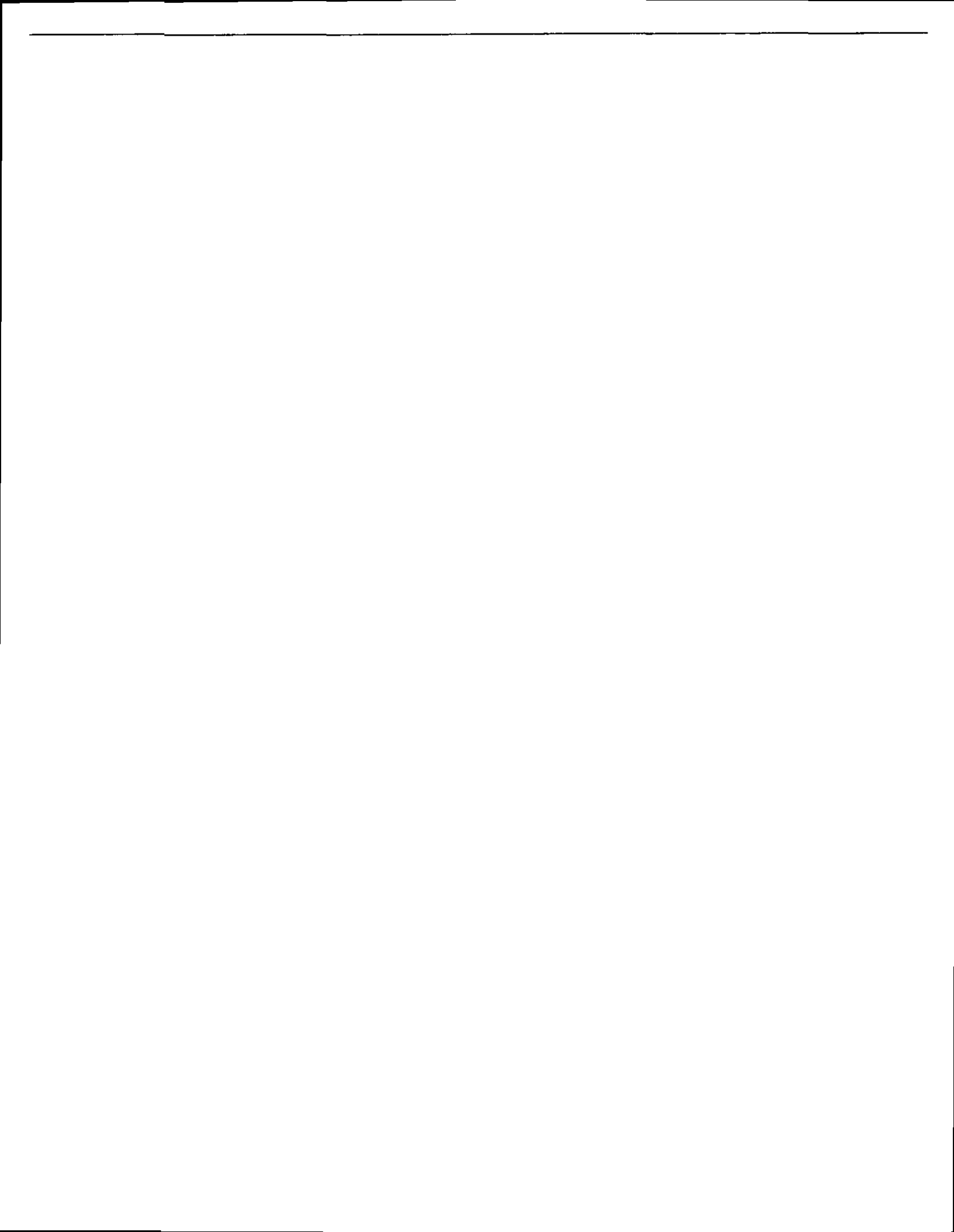
(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Revenues and sales:</b>						
Service revenues	\$ —	\$ —	\$ 164.2	\$ 3,990.0	\$ (1.2)	\$ 4,153.0
Product sales	—	—	16.2	110.4	—	126.6
Total revenues and sales	—	—	180.4	4,100.4	(1.2)	4,279.6
<b>Costs and expenses:</b>						
Cost of services	—	—	93.2	1,599.1	(1.2)	1,691.1
Cost of products sold	—	—	12.8	92.3	—	105.1
Selling, general and administrative	—	—	39.6	562.3	—	601.9
Depreciation and amortization	—	—	28.8	818.7	—	847.5
Merger and integration costs	—	—	3.9	65.9	—	69.8
Restructuring charges	—	—	—	1.3	—	1.3
Total costs and expenses	—	—	178.3	3,139.6	(1.2)	3,316.7
<b>Operating income</b>	—	—	2.1	960.8	—	962.9
Earnings (losses) from consolidated subsidiaries	477.7	1.4	(5.9)	1.9	(475.1)	—
Other (expense) income, net	(3.8)	—	—	3.7	—	(0.1)
Loss on early extinguishment of debt	(136.1)	—	—	—	—	(136.1)
Intercompany interest income (expense)	167.2	(2.0)	2.0	(167.2)	—	—
Interest expense	(547.3)	(8.6)	(0.1)	(2.3)	—	(558.3)
(Loss) income from continuing operations before income taxes	(42.3)	(9.2)	(1.9)	796.9	(475.1)	268.4
Income tax (benefit) expense	(211.8)	(4.5)	1.9	313.8	—	99.4
Income (loss) from continuing operations	169.5	(4.7)	(3.8)	483.1	(475.1)	169.0
Discontinued operations	—	—	0.5	—	—	0.5
Net income (loss)	\$ 169.5	\$ (4.7)	\$ (3.3)	\$ 483.1	\$ (475.1)	\$ 169.5
Comprehensive income (loss)	\$ 195.5	\$ (4.7)	\$ (3.3)	\$ 483.1	\$ (475.1)	\$ 195.5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

**Condensed Consolidated Balance Sheet  
As of December 31, 2013**

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non- Guarantors	Eliminations	Consolidated
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 13.7	\$ —	\$ 7.8	\$ 26.7	\$ —	\$ 48.2
Restricted cash	9.7	—	—	—	—	9.7
Accounts receivable (less allowance for doubtful accounts of \$40.0)	—	—	251.0	384.5	(0.2)	635.3
Affiliates receivable, net	—	374.3	—	3,896.4	(4,270.7)	—
Inventories	—	—	10.6	57.1	—	67.7
Deferred income taxes	201.9	—	—	76.7	(37.1)	241.5
Prepaid income taxes	29.7	0.1	—	—	(0.1)	29.7
Prepaid expenses and other	5.6	—	29.9	116.0	1.2	152.7
<b>Total current assets</b>	<b>260.6</b>	<b>374.4</b>	<b>299.3</b>	<b>4,557.4</b>	<b>(4,306.9)</b>	<b>1,184.8</b>
Investments in consolidated subsidiaries	12,064.6	—	0.1	—	(12,064.7)	—
Goodwill	—	643.8	—	3,687.6	—	4,331.4
Other intangibles, net	—	—	533.6	1,486.5	—	2,020.1
Net property, plant and equipment	7.6	—	799.3	4,895.7	—	5,702.6
Deferred income taxes	—	219.0	31.0	—	(250.0)	—
Other assets	115.3	—	16.2	74.2	—	205.7
<b>Total Assets</b>	<b>\$ 12,448.1</b>	<b>\$ 1,237.2</b>	<b>\$ 1,679.5</b>	<b>\$ 14,701.4</b>	<b>\$ (16,621.6)</b>	<b>\$ 13,444.6</b>
<b>Liabilities and Shareholders' Equity</b>						
<b>Current Liabilities:</b>						
Current maturities of long-term debt	\$ 84.9	\$ —	\$ —	\$ 0.1	\$ —	\$ 85.0
Current portion of interest rate swaps	30.0	—	—	—	—	30.0
Accounts payable	1.3	—	85.9	298.7	—	385.9
Affiliates payable, net	2,984.9	—	1,431.7	—	(4,265.9)	150.7
Advance payments and customer deposits	—	—	77.7	145.8	—	223.5
Accrued taxes	0.2	—	24.5	79.3	0.3	104.3
Accrued interest	95.4	3.7	2.3	2.1	—	103.5
Other current liabilities	38.1	4.0	87.1	270.5	(37.3)	362.4
<b>Total current liabilities</b>	<b>3,234.8</b>	<b>7.7</b>	<b>1,709.2</b>	<b>796.5</b>	<b>(4,302.9)</b>	<b>1,445.3</b>
Long-term debt	8,044.9	475.8	—	101.5	—	8,622.2
Deferred income taxes	268.5	—	—	2,019.8	(250.0)	2,038.3
Accumulated losses in excess of investments in consolidated subsidiaries	—	71.8	—	—	(71.8)	—
Other liabilities	59.4	2.3	51.6	385.0	—	498.3
<b>Total liabilities</b>	<b>11,607.6</b>	<b>557.6</b>	<b>1,760.8</b>	<b>3,302.8</b>	<b>(4,624.7)</b>	<b>12,604.1</b>
<b>Commitments and Contingencies</b>						
<i>(See Note 13)</i>						
<b>Shareholders' Equity:</b>						
Common stock	—	—	—	70.3	(70.3)	—
Additional paid-in capital	812.0	842.0	—	6,918.5	(7,760.5)	812.0
Accumulated other comprehensive income	28.5	—	—	32.9	(32.9)	28.5
Accumulated (deficit) retained earnings	—	(162.4)	(81.3)	4,376.9	(4,133.2)	—
<b>Total shareholders' equity</b>	<b>840.5</b>	<b>679.6</b>	<b>(81.3)</b>	<b>11,398.6</b>	<b>(11,996.9)</b>	<b>840.5</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,448.1</b>	<b>\$ 1,237.2</b>	<b>\$ 1,679.5</b>	<b>\$ 14,701.4</b>	<b>\$ (16,621.6)</b>	<b>\$ 13,444.6</b>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Balance Sheet  
As of December 31, 2012

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Assets</b>						
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 57.5	\$ —	\$ 26.5	\$ 48.0	\$ —	\$ 132.0
Restricted cash	25.0	—	1.5	—	—	26.5
Accounts receivable (less allowance for doubtful accounts of \$42.6)	—	—	243.6	365.4	—	609.0
Affiliates receivable, net	—	1,080.2	—	3,253.3	(4,333.5)	—
Inventories	—	—	10.0	65.0	—	75.0
Deferred income taxes	170.3	—	6.2	76.7	(3.8)	249.4
Prepaid income taxes	23.3	—	—	—	—	23.3
Prepaid expenses and other	4.4	—	24.2	151.0	—	179.6
Assets held for sale	—	—	15.7	—	—	15.7
<b>Total current assets</b>	<b>280.5</b>	<b>1,080.2</b>	<b>327.7</b>	<b>3,959.4</b>	<b>(4,337.3)</b>	<b>1,310.5</b>
Investments in consolidated subsidiaries	11,814.4	—	0.4	—	(11,814.8)	—
Goodwill	—	643.8	—	3,687.6	—	4,331.4
Other intangibles, net	—	—	668.9	1,642.4	—	2,311.3
Net property, plant and equipment	7.6	—	877.3	4,976.9	—	5,861.8
Deferred income taxes	—	246.4	—	—	(246.4)	—
Other assets	103.1	—	13.1	50.8	—	167.0
<b>Total Assets</b>	<b>\$ 12,205.6</b>	<b>\$ 1,970.4</b>	<b>\$ 1,887.4</b>	<b>\$ 14,317.1</b>	<b>\$ (16,398.5)</b>	<b>\$ 13,982.0</b>
<b>Liabilities and Shareholders' Equity</b>						
<b>Current Liabilities:</b>						
Current maturities of long-term debt	\$ 856.0	\$ —	\$ —	\$ 10.0	\$ —	\$ 866.0
Current portion of interest rate swaps	29.0	—	—	—	—	29.0
Accounts payable	1.0	—	83.4	279.3	—	363.7
Affiliates payable, net	2,806.6	—	1,525.0	—	(4,331.6)	—
Advance payments and customer deposits	—	—	74.0	145.6	—	219.6
Accrued dividends	148.9	—	—	—	—	148.9
Accrued taxes	0.2	—	33.6	70.1	0.4	104.3
Accrued interest	107.2	3.9	0.8	1.7	—	113.6
Other current liabilities	42.7	3.8	81.9	198.2	(3.8)	322.8
<b>Total current liabilities</b>	<b>3,991.6</b>	<b>7.7</b>	<b>1,798.7</b>	<b>704.9</b>	<b>(4,335.0)</b>	<b>2,167.9</b>
Long-term debt	6,823.2	1,175.0	—	101.6	—	8,099.8
Deferred income taxes	175.1	—	33.1	1,935.0	(246.4)	1,896.8
Accumulated losses in excess of investments in consolidated subsidiaries	—	5.3	—	—	(5.3)	—
Other liabilities	110.9	3.4	63.1	535.3	—	712.7
<b>Total liabilities</b>	<b>11,100.8</b>	<b>1,191.4</b>	<b>1,894.9</b>	<b>3,276.8</b>	<b>(4,586.7)</b>	<b>12,877.2</b>
<b>Commitments and Contingencies</b> (See Note 13)						
<b>Shareholders' Equity:</b>						
Common stock	0.1	—	—	70.3	(70.3)	0.1
Additional paid-in capital	1,098.3	842.0	—	6,918.5	(7,760.5)	1,098.3
Accumulated other comprehensive income	6.4	—	—	50.8	(50.8)	6.4
Accumulated (deficit) retained earnings	—	(63.0)	(7.5)	4,000.7	(3,930.2)	—
<b>Total shareholders' equity</b>	<b>1,104.8</b>	<b>779.0</b>	<b>(7.5)</b>	<b>11,040.3</b>	<b>(11,811.8)</b>	<b>1,104.8</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 12,205.6</b>	<b>\$ 1,970.4</b>	<b>\$ 1,887.4</b>	<b>\$ 14,317.1</b>	<b>\$ (16,398.5)</b>	<b>\$ 13,982.0</b>



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2013

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>						
Net income (loss)	\$ 241.3	\$ (99.3)	\$ (73.7)	\$ 608.4	\$ (435.4)	\$ 241.3
Adjustments to reconcile net income to net cash provided from operations:						
Depreciation and amortization	—	—	397.3	944.2	—	1,341.5
Provision for doubtful accounts	—	—	17.7	45.8	—	63.5
Equity in (earnings) losses from subsidiaries	(500.0)	66.4	0.2	(0.3)	433.7	—
Share-based compensation expense	—	—	16.6	28.3	—	44.9
Pension income	—	—	—	(115.3)	—	(115.3)
Deferred income taxes	36.2	27.4	(24.4)	95.6	—	134.8
Unamortized net discount (premium) on retired debt	3.1	(41.2)	—	—	—	(38.1)
Amortization of unrealized losses on de-designated interest rate swaps	35.9	—	—	—	—	35.9
Gain from sale of software business	—	—	(14.4)	—	—	(14.4)
Plan curtailment and other, net	27.5	(8.0)	(3.2)	(32.1)	—	(15.8)
Changes in operating assets and liabilities, net	(24.1)	(1.3)	(62.6)	(70.5)	—	(158.5)
Net cash (used in) provided from operations	(180.1)	(56.0)	253.5	1,504.1	(1.7)	1,519.8
<b>Cash Flows from Investing Activities:</b>						
Additions to property, plant and equipment	—	—	(161.2)	(679.8)	—	(841.0)
Broadband network expansion funded by stimulus grants	—	—	—	(36.1)	—	(36.1)
Changes in restricted cash	15.3	—	1.5	—	—	16.8
Grant funds received for broadband stimulus projects	68.0	—	—	—	—	68.0
Grant funds received from Connect America Fund	—	—	—	60.7	—	60.7
Disposition of software business	—	—	30.0	—	—	30.0
Other, net	—	—	—	(6.0)	—	(6.0)
Net cash provided from (used in) investing activities	83.3	—	(129.7)	(661.2)	—	(707.6)
<b>Cash Flows from Financing Activities:</b>						
Dividends paid to shareholders	(444.6)	—	—	—	—	(444.6)
Distributions to Windstream Holdings	(0.4)	—	(149.0)	—	—	(149.4)
Repayment of debt and swaps	(4,500.9)	(650.0)	—	(10.1)	—	(5,161.0)
Proceeds of debt issuance	4,919.6	—	—	—	—	4,919.6
Debt issuance costs	(30.0)	—	—	—	—	(30.0)
Intercompany transactions, net	116.0	706.0	21.4	(845.1)	1.7	—
Payment under capital lease obligations	—	—	(14.9)	(9.0)	—	(23.9)
Other, net	(6.7)	—	—	—	—	(6.7)
Net cash provided from (used in) financing activities	53.0	56.0	(142.5)	(864.2)	1.7	(896.0)
Decrease in cash and cash equivalents	(43.8)	—	(18.7)	(21.3)	—	(83.8)
<b>Cash and Cash Equivalents:</b>						
Beginning of period	57.5	—	26.5	48.0	—	132.0
End of period	\$ 13.7	\$ —	\$ 7.8	\$ 26.7	\$ —	\$ 48.2

---

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**14. Supplemental Guarantor Information, Continued:**

**Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2012**

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>						
Net income (loss)	\$ 168.0	\$ (58.2)	\$ (4.2)	\$ 468.5	\$ (406.1)	\$ 168.0
Adjustments to reconcile net income to net cash provided from operations:						
Depreciation and amortization	—	—	371.6	926.0	—	1,297.6
Provision for doubtful accounts	—	—	11.5	47.9	—	59.4
Equity in (earnings) losses from subsidiaries	(404.9)	6.7	(6.3)	0.5	404.0	—
Share-based compensation expense	—	—	10.9	32.3	—	43.2
Pension expense	—	—	—	67.4	—	67.4
Deferred income taxes	54.6	27.8	34.7	(38.1)	—	79.0
Unamortized net premium on retired debt	—	(16.2)	—	—	—	(16.2)
Amortization of unrealized losses on de-designated interest rate swaps	45.4	—	—	—	—	45.4
Plan curtailment and other, net	22.3	(20.5)	0.3	(27.8)	—	(25.7)
Changes in operating assets and liabilities, net	275.3	(41.2)	(143.1)	(31.5)	—	59.5
Net cash provided from (used in) operations	160.7	(101.6)	275.4	1,445.2	(2.1)	1,777.6
<b>Cash Flows from Investing Activities:</b>						
Additions to property, plant and equipment	—	—	(208.5)	(892.7)	—	(1,101.2)
Broadband network expansion funded by stimulus grants	—	—	—	(105.4)	—	(105.4)
Changes in restricted cash	(13.2)	—	8.4	—	—	(4.8)
Grant funds received for broadband stimulus projects	45.7	—	—	—	—	45.7
Disposition of wireless assets	—	—	—	57.0	—	57.0
Disposition of energy business	—	—	6.1	—	—	6.1
Other, net	—	—	(1.9)	2.8	—	0.9
Net cash used in (provided from) investing activities	32.5	—	(195.9)	(938.3)	—	(1,101.7)
<b>Cash Flows from Financing Activities:</b>						
Dividends paid to shareholders	(588.0)	—	—	—	—	(588.0)
Repayment of debt and swaps	(1,744.4)	(300.0)	—	(10.1)	—	(2,054.5)
Proceeds of debt issuance	1,910.0	—	—	—	—	1,910.0
Debt issuance costs	(19.1)	—	—	—	—	(19.1)
Intercompany transactions, net	189.7	401.6	(97.3)	(496.1)	2.1	—
Payment under capital lease obligations	—	—	(19.2)	(0.8)	—	(20.0)
Other, net	0.7	—	—	—	—	0.7
Net cash (used in) provided from financing activities	(251.1)	101.6	(116.5)	(507.0)	2.1	(770.9)
Decrease in cash and cash equivalents	(57.9)	—	(37.0)	(0.1)	—	(95.0)
<b>Cash and Cash Equivalents:</b>						
Beginning of period	115.4	—	63.5	48.1	—	227.0
End of period	\$ 57.5	\$ —	\$ 26.5	\$ 48.0	\$ —	\$ 132.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. Supplemental Guarantor Information, Continued:

Condensed Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2011

(Millions)	Windstream Corp.	PAETEC Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
<b>Cash Provided from Operations:</b>						
Net income (loss)	\$ 169.5	\$ (4.7)	\$ (3.3)	\$ 483.1	\$ (475.1)	\$ 169.5
Adjustments to reconcile net income to net cash provided from operations:						
Depreciation and amortization	—	—	28.8	818.7	—	847.5
Provision for doubtful accounts	—	—	1.4	47.1	—	48.5
Equity in (earnings) losses from subsidiaries	(477.7)	(1.4)	5.9	(1.9)	475.1	—
Share-based compensation expense	—	—	0.2	23.9	—	24.1
Pension expense	—	—	—	166.8	—	166.8
Deferred income taxes	10.3	—	(8.3)	171.8	—	173.8
Unamortized net discount on retired debt	21.2	—	—	—	—	21.2
Amortization of unrealized losses on de-designated interest rate swaps	49.0	—	—	—	—	49.0
Plan curtailment and other, net	18.6	(2.2)	—	(19.5)	—	(3.1)
Changes in operating assets and liabilities, net	(316.2)	(13.6)	(39.4)	100.7	—	(268.5)
Net cash (used in) provided from operations	(525.3)	(21.9)	(14.7)	1,790.7	—	1,228.8
<b>Cash Flows from Investing Activities:</b>						
Additions to property, plant and equipment	—	—	(9.0)	(693.0)	—	(702.0)
Broadband network expansion funded by stimulus grants	—	—	—	(21.7)	—	(21.7)
Cash acquired from PAETEC	—	—	71.4	—	—	71.4
Changes in restricted cash	(11.9)	—	—	—	—	(11.9)
Grant funds received for broadband stimulus projects	4.0	—	—	—	—	4.0
Other, net	1.8	0.6	(0.8)	6.4	—	8.0
Net cash (used in) provided from investing activities	(6.1)	0.6	61.6	(708.3)	—	(652.2)
<b>Cash Flows from Financing Activities:</b>						
Dividends paid to shareholders	(509.6)	—	—	—	—	(509.6)
Repayment of debt and swaps	(4,670.7)	(99.5)	—	(10.1)	—	(4,780.3)
Proceeds of debt issuance	4,922.0	—	—	—	—	4,922.0
Debt issuance costs	(30.6)	—	—	—	—	(30.6)
Intercompany transactions, net	933.3	120.8	16.6	(1,070.7)	—	—
Payment under capital lease obligations	—	—	—	(0.8)	—	(0.8)
Other, net	(1.7)	—	—	9.1	—	7.4
Net cash provided from (used in) financing activities	642.7	21.3	16.6	(1,072.5)	—	(391.9)
Increase in cash and cash equivalents	111.3	—	63.5	9.9	—	184.7
<b>Cash and Cash Equivalents:</b>						
Beginning of period	4.1	—	—	38.2	—	42.3
End of period	\$ 115.4	\$ —	\$ 63.5	\$ 48.1	\$ —	\$ 227.0

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**15. Discontinued Operations:**

On December 5, 2013, we completed the sale of Pinnacle, a software business acquired as part of the PAETEC acquisition, for \$30.0 million in cash. Pinnacle provided comprehensive solutions for supporting the full lifecycle of information technology and telecommunications services. On June 15, 2012, we completed for \$6.1 million in cash the sale of the energy business also acquired as part of the PAETEC acquisition, which sold electricity to business and residential customers, primarily in certain geographic regions in New York state, as a competitive electricity supplier. There was no gain or loss realized on the sale of the energy business.

The following table summarizes the results of the software and energy businesses which have been separately presented as discontinued operations in the accompanying consolidated statements of income for the years ended December 31:

(Millions)	2013	2012	2011
Revenues and sales	\$ 16.9	\$ 29.7	\$ 4.2
Operating income from discontinued operations	1.4	3.1	0.5
Gain on sale of discontinued operations	14.4	—	—
Income before tax from discontinued operations	15.8	3.1	0.5
Income tax expense	9.8	2.2	—
Net income from discontinued operations	\$ 6.0	\$ 0.9	\$ 0.5

The following table summarizes the assets and liabilities of the software business that are classified as held for sale in the accompanying consolidated balance sheet as of December 31, 2012:

(Millions)	
Current assets	\$ 5.3
Goodwill	9.5
Other assets	0.9
Total assets held for sale	\$ 15.7
Current liabilities	\$ 4.5
Total liabilities related to assets held for sale	\$ 4.5

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**16. Quarterly Financial Information – (Unaudited):**

(Millions, except per share amounts)	For the Year Ended December 31, 2013				
	Total	4th	3rd	2nd	1st
Revenues and sales	\$ 5,988.1	\$ 1,491.3	\$ 1,498.6	\$ 1,501.7	\$ 1,496.5
Operating income	\$ 1,009.0	\$ 326.5	\$ 219.6	\$ 227.0	\$ 235.9
Net income	\$ 241.0	\$ 118.4	\$ 30.6	\$ 39.7	\$ 52.3
Basic and diluted earnings per share: (a)					
Net income	\$ .40	\$ .20	\$ .05	\$ .06	\$ .09

(Millions, except per share amounts)	For the Year Ended December 31, 2012				
	Total	4th	3rd	2nd	1st
Revenues and sales	\$ 6,139.5	\$ 1,534.1	\$ 1,541.0	\$ 1,530.3	\$ 1,534.1
Operating income	\$ 883.9	\$ 171.2	\$ 235.8	\$ 232.5	\$ 244.4
Net income	\$ 168.0	\$ 10.1	\$ 46.6	\$ 50.9	\$ 60.4
Basic and diluted earnings per share: (a)					
Net income	\$ .28	\$ .02	\$ .08	\$ .09	\$ .10

- (a) Quarterly earnings per share amounts may not add to full-year earnings per share amounts due to the difference in weighted-average common shares for the quarters compared to the weighted-average common shares for the year.

Significant events affecting our historical operating trends in the quarterly periods were as follows:

- As discussed in Note 8, we recognize actuarial gains and losses for pension benefits as a component of net periodic benefit (income) expense in the fourth quarter of each year, unless an earlier measurement date is required. Results of operations for the fourth quarter of 2013 and 2012 include pretax actuarial (gains) and losses related to pension benefits of \$(110.4) million and \$72.5 million or an after-tax (benefit) charge of \$(71.1) million and \$42.4 million, respectively.

**17. Subsequent Events:**

On February 12, 2014, we declared a dividend of 25 cents per share on our common stock, which is payable on April 15, 2014 to shareholders of record on March 31, 2014.

On February 21, 2014, we announced that we are reducing our workforce to increase operational efficiency. As a result, we expect to eliminate approximately 400 positions by March 3, 2014, with about 175 of the eliminated positions resulting from a voluntary separation initiative. We anticipate incurring pre-tax restructuring charges of approximately \$9.0 million to \$10.0 million during the first quarter of 2014, primarily associated with severance and other related costs. The workforce reduction is expected to result in annualized savings of approximately \$20.0 million.

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

# Exhibit E



**Adams**

John Eline

230 Greenmyer Lane  
Gettysburg, PA 17325-2313

Phone 7173348603  
Fax 7173341822  
Email jeline@adamscounty.us

**Allegheny**

Gary Thomas

400 North Lexington Street, Suite 200  
Pittsburgh, PA 15208

Phone 4124731412  
Fax 4124732623  
Email gthomas@county.allegheny.pa.us

**Allentown**

Mike Hilbert

1304 Fairview Street  
Allentown, PA 18102

Phone 6104377771  
Fax 6104378718  
Email Michael.Hilbert@Allentowpa.gov

**Armstrong**

Ronald Baustert

131 Armsdale Road  
Kittanning, PA 16201

Phone 7245483225  
Fax 7245483243  
Email rdbaustert@co.armstrong.pa.us

**Beaver**

Wesley Hill

351 14th Street  
Ambridge, PA 15003

Phone 7247751700  
Fax 7242663783  
Email whill@beavercountypa.gov

**Bedford**

Pam Corley

200 South Juliana Street  
Bedford, PA 15522

Phone 8146239528  
Fax 8146230799  
Email pcorley@bedfordcountypa.org

**Berks**

Ms. Wanda Keener

Directlink Technologies Center  
2561 Bernville Rd  
Reading, PA 19605

Phone (610) 236-8231 (610) 655-  
Fax 4972  
Email wkeener@countyofberks.com

**Bethlehem**

Robert Haffner

10 East Church Street  
Bethlehem, PA 18018-6025

Phone 6108657161  
Fax 6108652462  
Email rhaffner@bethlehem-pa.gov

**RECEIVED**

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU



## Blair

---

Mark Taylor

615 4th Street  
Altoona, PA 16602

Phone 8149405905  
Fax 8149405907  
Email mtaylor911@atlanticbbs.net

## Bradford

---

Robert Repasky

22 Burgert Drive  
Towanda, PA 18848

Phone 5702659101  
Fax 5702652407  
Email repaskyr@bradfordco.org

## Bucks

---

Peter Ference

911 Freedom Way  
Ivyland, PA 18974

Phone 2153285151  
Fax 2153486689  
Email pference@co.bucks.pa.us

## Butler

---

Robert McLafferty

120 McCune Drive  
Butler, PA 16001-6388

Phone 7242845211  
Fax 7242856388  
Email rmclaffe@co.butler.pa.us

## Cambria

---

Robbin Melnyk

401 Candlelight Drive, Suite 100  
Ebensburg, PA 15931

Phone 8144722050  
Fax 8144721439  
Email rmelnyk@co.cambria.pa.us

## Cameron

---

Laura Narby

20 East 5th Street  
Emporium, PA 15834

Phone 8144869368  
Fax 8144869393  
Email camoes2@cameroncountypa.com

## Carbon

---

Gary Williams

1264 Emergency Lane  
Nesquehoning, PA 18240

Phone 5703253298  
Fax 5703259121  
Email cc911dir@ptd.net

## Centre

---

Dale Neff

420 Holmes Street  
Bellefonte, PA 16827

Phone 8143556800  
Fax 8143556776  
Email dineff@centrecountypa.gov



## Chester

---

**Robert Kagel**

Government Service Center  
601 Westtown Road, Suite 12  
West Chester, PA 19380-0990

**Phone** 6103445000  
**Fax** 6103445050  
**Email** rkagel@chesco.org

## Clarion

---

**Vern Smith**

421 Madison Road  
Clarion, PA 16214

**Phone** 8142266631  
**Fax** 8142264294  
**Email** vsmith@oes.clarion.pa.us

## Clearfield

---

**Debra Archer**

911 Leonard Street  
Clearfield, PA 16830-3245

**Phone** 8147655357  
**Fax** 8147689920  
**Email** darcher@clearfield911.com

## Clinton

---

**Kevin Fanning**

311 Frederick Street, Suite A  
Lock Haven, PA 17745

**Phone** 5708934090  
**Fax** 5708934047  
**Email** kfanning@clintoncountypa.com

## Columbia

---

**Fred Hunsinger**

26 West First Street  
Bloomsburg, PA 17815

**Phone** 5703895731  
**Fax** 5707842975  
**Email** fhunsinger@columbiapa.org

## Crawford

---

**Kevin Nicholson**

903 Diamond Park  
Meadville, PA 16335

**Phone** 8143732530  
**Fax** 8147242563  
**Email** knicholson@co.crawford.pa.us

## Cumberland

---

**Robert Shively**

1 Public Safety Drive  
Carlisle, PA 17013

**Phone** 7172182901  
**Fax** 7172406406  
**Email** rshively@ccpa.net

## Dauphin

---

**Gregory Kline**

911 Gibson Boulevard  
Steelton, PA 17113-1899

**Phone** 7175586800  
**Fax** 7175586850  
**Email** gkline@dauphinc.org



**Delaware**

---

Eleanor Smith

201 West Front Street  
Media, PA 19063

Phone 6108915400  
Fax 6108915401  
Email [smithe@co.delaware.pa.us](mailto:smithe@co.delaware.pa.us)

**Elk**

---

Sherri Lovett

PO Box 448  
Ridgway, PA 15853

Phone 8147764600  
Fax 8147721697  
Email [slovett@elkoes.com](mailto:slovett@elkoes.com)

**Erie**

---

John Grappy

2880 Flower Road  
Erie, PA 16509

Phone 8144517911  
Fax 8144517930  
Email [jgrappy@eriecountygov.org](mailto:jgrappy@eriecountygov.org)

**Fayette**

---

L. Guy Napolillo

24 East Main Street, 4th Floor  
Uniontown, PA 15401

Phone 7244301277  
Fax 7244301281  
Email [gnapolillo@fcema.org](mailto:gnapolillo@fcema.org)

**Forest**

---

Curt Kiefer

526 Elm Street, Box 3  
Tionesta, PA 16353

Phone 8147552995  
Fax 8147558837  
Email [ckiefer@co.forest.pa.us](mailto:ckiefer@co.forest.pa.us)

**Franklin**

---

Bryan Stevenson

390 New York Avenue  
Chambersburg, PA 17201

Phone 7172642813  
Fax 7172672813  
Email [bstevenson@franklincountypa.gov](mailto:bstevenson@franklincountypa.gov)

**Fulton**

---

Ruth Strait

219 North 2nd Street, Suite 106  
McConnellsburg, PA 17233

Phone 7174853201  
Fax 7174853767  
Email [emassist@co.fulton.pa.us](mailto:emassist@co.fulton.pa.us)

**Greene**

---

Jeff Rhodes

55 West Greene Street  
Waynesburg, PA 15370-8070

Phone 7248525205  
Fax 7246275342  
Email [jrhodes@co.greene.pa.us](mailto:jrhodes@co.greene.pa.us)



**Huntingdon**

---

Gilbert Dick

530 Washington Street  
Huntingdon, PA 16652

Phone 8146433960  
Fax 8146432644  
Email amedemt@yahoo.com

**Indiana**

---

Linda Artman

85 Haven Drive  
Indiana, PA 15701

Phone 7243499300  
Fax 7244653868  
Email lartman@indianacounty.org

**Jefferson**

---

Christopher Clark

560 Service Center Road  
Brookville, PA 15825

Phone 8148494009  
Fax 8148491689  
Email cclark@jeffersoncountypa.com

**Juniata**

---

Allen Weaver

11 North 3rd Street  
Mifflintown, PA 17059

Phone 7174367730  
Fax 7174367733  
Email aweaver@juniataco.org

**Lackawanna**

---

David Hahn

30 Valley View Business Park  
Jessup, PA 18434

Phone 5703077301  
Fax 5703077321  
Email hahnd@lackawannacounty.org

**Lancaster**

---

Michael Weaver

PO Box 487  
Manheim, PA 17545-0487

Phone 7176641100  
Fax 7176641126  
Email mweaver@lcwc911.us

**Lawrence**

---

Jeff Parish

110 East Lincoln Avenue  
New Castle, PA 16101

Phone 7246564927  
Fax 7246521835  
Email jparish@co.lawrence.pa.us

**Lebanon**

---

John Wilson

400 South 8th Street, Room 12  
Lebanon, PA 17042

Phone 7172727621  
Fax 7172729509  
Email john@lebanonema.org



**Lehigh**

---

Laurie Bailey

640 West Hamilton Street, 10th Floor  
Allentown, PA 18101

Phone 6107824651  
Fax 6107824659  
Email [lauriebailey@lehighcounty.org](mailto:lauriebailey@lehighcounty.org)

**Luzerne**

---

Fred Rosencrans

100 Young Street  
Hanover Township, PA 18706

Phone 5708263058  
Fax 5708263056  
Email [Fred.Rosencrans@Luzernecounty.org](mailto:Fred.Rosencrans@Luzernecounty.org)

**Lycoming**

---

Sandra Holdren

542 County Farm Road, Suite 101  
Montoursville, PA 17754

Phone 5704334461  
Fax 5704334220  
Email [sholdren@lyco.org](mailto:sholdren@lyco.org)

**McKean**

---

Andrew Johnson

17175 State Route 6  
Smethport, PA 16749

Phone 8148875070  
Fax 8148874910  
Email [amjohnson@mckeancountypa.org](mailto:amjohnson@mckeancountypa.org)

**Mercer**

---

Frank Jannetti, Jr.

205 South Erie Street  
Mercer, PA 16137-1501

Phone 7246626100  
Fax 7246626145  
Email [fjannetti@mcc.co.mercer.pa.us](mailto:fjannetti@mcc.co.mercer.pa.us)

**Mifflin**

---

Philip Lucas

20 North Wayne Street  
Lewistown, PA 17044

Phone 7172489645  
Fax 7172480300  
Email [PLucas@co.mifflin.pa.us](mailto:PLucas@co.mifflin.pa.us)

**Monroe**

---

Gary Hoffman

100 Gypsum Road, Suite 201  
Stroudsburg, PA 18360

Phone 5709924500  
Fax 5704028890  
Email [ghoffman@monroeco911.com](mailto:ghoffman@monroeco911.com)

**Montgomery**

---

Thomas Sullivan

50 Eagleville Road  
Eagleville, PA 19403

Phone 6106316506  
Fax 6106316539  
Email [tsulliva@montcopa.org](mailto:tsulliva@montcopa.org)



**Montour**

---

Walter Peters, III

30 Woodbine Lane  
Danville, PA 17821

Phone 5702713047  
Fax 5702044907  
Email wpeters@montourco.org

**Northampton**

---

Ronald Hulsizer

County of Northampton Division of Emergency Management Services  
100 Gracedale Avenue  
Nazareth, PA 18064-8894

Phone 6107463194  
Fax 6107463199  
Email rhulsizer@ncem-pa.org

**Northumberland**

---

William Brown

911 Greenough Street, Suite 2  
Sunbury, PA 17801

Phone 5709884441  
Fax 5709884546  
Email Bill.Brown@norrycopa.net

**Perry**

---

Thomas Bell

PO Box 37  
New Bloomfield, PA 17068

Phone 7175822131  
Fax 7175827320  
Email tbell@perryco.org

**Philadelphia**

---

Raymond Hayling

Office of Innovation and Technology  
1234 Market Street, Suite 1850  
Philadelphia, PA 19107

Phone 2156868204  
Fax 2156868258  
Email raymond.hayling@phila.gov

**Pike**

---

J. Bernard Swartwood

135 Pike County Blvd.  
Lords Valley, PA 18428

Phone 5702963465  
Fax 5702963550  
Email 911@pikepa.org

**Potter**

---

Julie Sitkowski

20 Mockingbird Lane  
Coudersport, PA 16915

Phone 8142748900  
Fax 8142748901  
Email jsitkowski@pottercountypa.net

**Schuylkill**

---

Scott Krater

435 North Centre Street  
Pottsville, PA 17901

Phone 5706219911  
Fax 5706219999  
Email skrater@co.schuylkill.pa.us



**Snyder**

---

**Chad Aucker**

30 Universal Road  
Selinsgrove, PA 17870

**Phone** 5703720535  
**Fax** 5703745151  
**Email** caucker@snydercounty.org

**Somerset**

---

**David Fox**

111 East Union Street  
Somerset, PA 15501

**Phone** 8144451525  
**Fax** 8144431090  
**Email** dfox@co.somerset.pa.us

**Sullivan**

---

**Jason Dickinson**

PO Box 157  
Laporte, PA 18626

**Phone** 5709465010  
**Fax** 5709464122  
**Email** jdickinsonr@sullivancodes.org

**Susquehanna**

---

**Arthur Donato**

County Office Building  
81 Public Avenue  
Montrose, PA 18801

**Phone** 5702784600  
**Fax** 5702789269  
**Email** adonato@susq911.com

**Tioga**

---

**David Cohick**

118 Main Street  
Wellsboro, PA 16901

**Phone** 5707249110  
**Fax** 5707246819  
**Email** dcohick@tiogacountypa.us

**Union**

---

**Lisa James**

155 North 15th Street  
Lewisburg, PA 17837

**Phone** 5705248810  
**Fax** 5705248818  
**Email** ljames@unionco.org

**Venango**

---

**Mark Seigworth**

1052 Grandview Road  
Oil City, PA 16301

**Phone** 8146770325  
**Fax** 814677459  
**Email** mseigworth@co.venango.pa.us

**Warren**

---

**Todd Lake**

100 Dillon Drive, Suite 203  
Youngsville, PA 16371

**Phone** 8145632220  
**Fax** 8145639438  
**Email** tlake@warren-county.net



## Washington

---

Jeffrey Yates

100 West Beau Street, C-1  
Washington, PA 15301

**Phone** 7242286911  
**Fax** 7242234706  
**Email** yatesj@co.washington.pa.us

**York**

---

Cindy Dietz

120 Davies Drive  
York, PA 17402

**Phone** 7178402911  
**Fax** 7178407553  
**Email** cadietz@ycdes.org

## Wayne

---

Marty Hedgelon

43 Volunteer Drive  
Honesdale, PA 18431

**Phone** 5702539458  
**Fax** 5702532943  
**Email** mhedgelon@co.wayne.pa.us

## Westmoreland

---

Timothy Hallam

911 Public Safety Road  
Greensburg, PA 15601

**Phone** 7246007319  
**Fax** 7246007317  
**Email** thallam@co.westmoreland.pa.us

## Wyoming

---

Jeff Porter

PO Box 738  
Tunkhannock, PA 18657

**Phone** 5708367524  
**Fax** 5709962066  
**Email** jporter@wycopa911.org

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

# Exhibit D

CERTIFICATE OF SERVICE

Application of US LEC of Pennsylvania, LLC, :  
for approval to offer, render, furnish or supply :  
telecommunications services to the public in :  
the Commonwealth of Pennsylvania :

I hereby certify that I have this day served a true copy of the foregoing document, Application Form for Approval of Authority to Offer, Render, Furnish, or Supply Telecommunications Services to the Public in the Commonwealth of Pennsylvania, in accordance with the requirements of 52 Pa. Code Section 1.54 in the manner and upon the persons listed below:

Dated this 20th day of January 2015.

SERVICE BY FIRST CLASS MAIL

Commonwealth Telephone Company  
Joseph Starsick  
1500 Maccorkle Ave SE  
Charleston, WV 25396

Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101-1923


Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

Office of Attorney General  
Office of Consumer Protection  
Strawberry Square  
Harrisburg, PA 17120

RECEIVED

JAN 22 2015

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

  
\_\_\_\_\_  
Margaret Rubino  
Sr. Negotiator & Account Manager  
US LEC of Pennsylvania, LLC  
Email: [margaret.rubino@windstream.com](mailto:margaret.rubino@windstream.com)



U.S. POSTAGE  
PAID  
KINGSPORT, TN  
37863  
JAN 22 2015  
AMOUNT

\$31.45  
99015250-89

1007

FOR DOMESTIC AND INTERNATIONAL USE



EK299017736US

6, secretary



PRIORITY  
\* MAIL \*  
EXPRESS™

WHEN USED INTERNATIONALLY,  
A CUSTOMS DECLARATION  
LABEL MAY BE REQUIRED.



EK299017736US

External Carrier: EXPRESS  
Floor: PUC  
Agency: PUC

To: PUC



CMPC

WRITE FIRMLY TO MAKE ALL COPIES LEGIBLE.

**CUSTOMER USE ONLY**

FROM: (PLEASE PRINT) *Wood* PHONE ( )  
*279*  
*K...*

PAYMENT BY ACCOUNT (if applicable)  
USPS

DELIVERY OPTIONS (Customer Use Only)  
 SIGNATURE REQUIRED *Note: The mailer must check the "Signature Required" box if the mailer: 1) Requires the addressee's signature; OR 2) Purchases additional insurance; OR 3) Purchases COD service; OR 4) Purchases Return Receipt service. If the box is not checked, the Postal Service will leave the item in the addressee's mail receptacle or other secure location without attempting to obtain the addressee's signature on delivery.*  
Delivery Options  
 No Saturday Delivery (delivered next business day)  
 Sunday/Holiday Delivery Required (additional fee, where available)  
 10:30 AM Delivery Required (additional fee, where available)  
*\*Refer to USPS.com® or local Post Office™ for availability.*

TO: (PLEASE PRINT) *...* PHONE ( )  
*...*

ZIP - 4\* (U.S. ADDRESSES ONLY)  
*...*

For pickup or USPS Tracking™, visit USPS.com or call 800-222-1811.  
 \$100.00 Insurance Included.

**ORIGIN (POSTAL SERVICE USE ONLY)**

1-Day  2-Day  Military  DPO

PO ZIP Code <i>37663</i>	Scheduled Delivery Date (MM/DD/YYYY) <i>01/23/15</i>	Postage <i>\$31.45</i>	
Date Accepted (MM/DD/YYYY) <i>01-22-15</i>	Scheduled Delivery Time <input type="checkbox"/> 10:30 AM <input type="checkbox"/> 3:00 PM <input checked="" type="checkbox"/> 12 NOON	Insurance Fee \$	COD Fee \$
Time Accepted <i>11:28</i>	<input type="checkbox"/> AM <input type="checkbox"/> PM	Return Receipt Fee \$	Live Animal Transportation Fee \$
Weight <i>1.4</i> lbs. <i>4</i> oz.	<input type="checkbox"/> Flat Rate	Sunday/Holiday Premium Fee \$	Total Postage & Fees <i>\$31.45</i>

Acceptance Employee Initials *...*

**DELIVERY (POSTAL SERVICE USE ONLY)**

Delivery Attempt (MM/DD/YYYY)	Time <input type="checkbox"/> AM <input type="checkbox"/> PM	Employee Signature
Delivery Attempt (MM/DD/YYYY)	Time <input type="checkbox"/> AM <input type="checkbox"/> PM	Employee Signature

LABEL 11-B, JANUARY 2014 PSN 7690-02-000-9996 3-ADDRESSEE COPY

\* Money Back Guarantee to U.S., select APO/FPO/DPO, and select International