Uniti MLA Executive Summary

November 15, 2021

Safe Harbor Statement

This presentation includes forward-looking statements that are subject to risks and uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as “will,” “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “target,” “forecast” and other words and terms of similar meaning.

Forward-looking statements include, but are not limited to, guidance regarding 2021 financial and certain operational trends and our ability to successfully execute our 2021 company priorities supporting the guidance; anticipated net Kinetic broadband subscriber growth and higher speeds, including 1 Gbps speed availability, along with speed expansion to more households and businesses within our service areas; network expansion opportunities generally and related to funding from various future broadband programs, public-private partnerships with government entities, and the Rural Digital Opportunity Fund; improved Enterprise contribution margin and acceleration of, and opportunities related to, Enterprise strategic sales and services; overall revenue growth and contribution margin trends in our business units; wholesale network, revenue, and customer expansion opportunities for 2021; statements concerning arrangements under the Master Leases with Uniti Group, Inc. (“Uniti”), including growth capital improvement reimbursements (“GCI”), net cash impacts related to GCI or settlement-related payments by Uniti to us over the initial term of the Master Leases, calculations and estimates of anticipated future rent if the Master Leases are renewed, along with the expected value and applicable depreciation of leased property at the start of, or for, any renewal terms of the Master Leases, and expectations concerning applicable operations and maintenance costs for the CLEC Master Lease at the time of, or for, any renewal terms of this separate lease; expectations regarding expense management activities, including interconnection and access expense, and the timing and benefit of such activities; and any other statements regarding plans, objectives, expectations and intentions and other statements that are not historical facts. These statements, along with other forward-looking statements regarding Windstream’s overall business outlook, are based on estimates, projections, beliefs, and assumptions that Windstream believes are reasonable but are not guarantees of future events, performance or results. Actual future events and results may differ materially from those expressed in these forward-looking statements as the result of a number of important factors.

Important factors that could cause actual results to differ materially from those indicated by such forward-looking statements include risks and uncertainties relating to current or future adverse economic, political or market conditions related to epidemics, pandemics, or other outbreaks of contagious diseases, including the current COVID-19 pandemic, and the impact of these conditions on our business operations and financial position, including the ability of our customers or our employees to conduct work in the normal course of business; risk and uncertainties relating to any continuing impact of our restructuring process on our ability to achieve our 2021 financial and operational goals and guidance parameters in light of the continuation of certain third party actions, claims or motions in the restructuring process or on appeal until the bankruptcy court docket is closed; disagreements with Uniti concerning applicable renewal rent or expenses associated with the CLEC Master Lease that could lead to appraisals or legal actions that result in unexpected outcomes for us; that the expected benefits of cost reduction and expense management activities are not realized or adversely affect our sales and operational activities or are otherwise disruptive to our business and personnel; further adverse changes in economic conditions in our markets unrelated to the COVID-19 pandemic; the impact of new, emerging, or competing technologies and our ability to utilize these technologies to provide services to our customers; general U.S. and worldwide economic conditions and related uncertainties; and the effect of any changes in federal or state governmental regulations or statutes. Windstream does not undertake any obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

Favorable Cash Payments To Uniti Through Initial Term With Significant Step Down Of Rent At Renewal

Initial Term: Uniti settlement and GCI payments result in lower cash transferred to Uniti through initial term than stated rent

- NPV of initial term @ 9%[(1)] of ~$3B or 4.5x stated gross rent

Renewal Rent: Renewal rent is calculated through set formula in Exhibit E of Master Lease Agreements (MLAs), the same formula used to calculate the $650M annual rent in the initial term starting 2015

- Original 2015 Fair Market Value (FMV) of Leased Assets was ~$7.5B, of which ~$4B or ~54% was Copper
- Majority of $4B copper network is being replaced with fiber through $1.75B GCI Program
- Over 50% of CLEC MLA assets transferred to Uniti as part of the settlement will be removed from CLEC MLA at renewal
  - In addition, Uniti will be responsible for pro rata share of CLEC network maintenance and operating costs in renewal periods. In total, adjustments expected to make current $120 million CLEC MLA payment a net cash inflow to Windstream at renewal
- Results in lower FMV in 2030 and leased asset base with longer useful life resulting in less depreciation and lower rent payments

Original 2015 FMV	(-) Copper Network	(+) GCI Program	(-) CLEC Removed	2030E FMV
~$7.5B	(~$3.5B)	$1.75B	(~$0.8B)	**~$4.9B**

1) *Aligned to discount rate on Uniti settlement payments.*
2) *Uniti prepaid FY22 settlement payments in 4Q21 for ~$93M.*

Initial Term Remaining Cash Transferred

(In Millions)	For the FYE 12/31							
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Gross MLA Rent	$ 669	$ 672	$ 676	$ 679	$ 682	$ 686	$ 689	$ 693
Settlement Payments[(2)]	(98)	(98)	(98)	(74)	-	-	-	-
GCI Reimbursement	(225)	(225)	(225)	(175)	(175)	(125)	(125)	(125)
GCI Rent	15	34	52	71	87	101	114	124
Net GCI Reimbursement	(210)	(191)	(173)	(104)	(88)	(24)	(11)	(1)
Net Cash Payments	**$ 361**	**$ 383**	**$ 405**	**$ 501**	**$ 594**	**$ 662**	**$ 678**	**$ 692**
Comparison To Stated Rent	***(308)***	***(289)***	***(271)***	***(178)***	***(88)***	***(24)***	***(11)***	***(1)***

Renewal Rent

	Exhibit E Rent Calculation	
	Initial Term	**Renewal Term**
Fair Lease Rate[(3)]	10.35%	8.00%
Term (Months)	180	60
Beginning Fair Market Value	$ 7,450	$ 4,900
Ending Residual Value	(2,465)	(4,083)
PV (FMV – Residual Value)	$ 4,985	$ 817
Annual Rent Payment	**$ 650**	**$ 197**
Remaining Useful Life[(4)]	22 Years	30 Years

Renewal Rent Sensitivity

		2030 Fair Market Value		
		$3,900	**$4,900**	**$5,900**
Useful Life	25 Years	$ 189	$ 237	$ 285
	30 Years	157	197	238
	35 Years	135	169	204

		2030 Fair Market Value		
		$3,900	**$4,900**	**$5,900**
Fair Lease Rate	7.0%	$ 154	$ 193	$ 232
	8.0%	157	197	238
	9.0%	161	202	243

3) *Renewal lease rate aligned to GCI rent rate.*
4) *Renewal leased asset remaining useful life aligned to Uniti 10-K fiber useful life.*

Master Lease (MLA) Key Terms: Growth Capital Improvements

Key Term	Summary of Key Term	MLA Reference(s)
Growth Capital Improvements (GCIs)	▪ Capital improvements consisting of long-term, value-accretive fiber and related assets made with respect to existing Leased Property ▪ For GCI that has a forecasted 9% or greater IRR, Landlord has no approval rights outside of verification that forecasted investments are Real Property Improvements or GCI. For GCI that has a forecasted IRR of less than 9%, each year Tenant can submit $60 million of GCI that does not require Landlord approval	Definition of "GCIs" Section 10.3
Tenant Capital Improvements (TCIs)	▪ Capital improvements to network that are not GCI; largely work done to existing copper network	Section 10.5
GCI Annual Limit	▪ Landlord shall fund up to $1.75 billion of GCI consistent with Annual GCI Limits ▪ Unfunded completed GCI or unused GCI Annual Limit will carryover into follow calendar years, provided that in no calendar year shall Landlord's total obligation to fund exceed $250 million	Section 10.2(a) Section 10.2(e)
Ability To Offset Rent	▪ Tenant has right to offset rent for unfunded GCI upon 30-day notice ▪ Tenant has right to offset rent for unfunded Cash Payments related to settlement *(refer to Settlement Agreement)*	Section 3.4
GCI Rent	▪ Equal to 8% beginning on one-year anniversary of GCI funding with 0.5% annual escalator ▪ GCI Rent will end at the end of the Initial Term	Section 10.2(d)

Master Lease (MLA) Key Terms: Renewal Rent

Key Term	Summary of Key Term	MLA Reference(s)
Renewal Terms	▪ Tenant may extend all, or part, of Leased Property for four separate Renewal Terms of five years each	Section 1.4
Renewal Rent Formula	▪ Fair Market Rental = PMT(rate, nper, pv, [fv], [type]) – rate = Fair Lease Rate – nper = Renewal Term – pv = Fair Market Value – Residual Value – fv = 0 – type = 1 (lease payment due at beginning of period)	Exhibit E
Determination Of Inputs To Renewal Formula	▪ Renewal Rent shall be determined consistent with the valuation analysis performed for the Initial Term ▪ If the parties do not agree upon the amount of Renewal Rent, Landlord and Tenant each select an independent appraiser meeting predetermined qualifications ▪ In addition to providing recommendation for total Fair Market Rental, Appraiser to provide recommendations for Fair Market Value, Residual Value, remaining economic life and Fair Lease Rate by Appraised Facility	Exhibit E Section 41.14(a)
Renewal Rent Dispute Resolution Process	▪ Appraiser for Landlord and Tenant deliver their opinions regarding the Renewal Rent ▪ If the appraisers arrive at Renewal Rent amounts that are within 10% of the lesser Rent amount, the Renewal Rent shall be the average of the two amounts ▪ If the two appraisers arrive at Renewal Rent amounts that differ by greater than 10%, an independent third appraiser will select one of the two Renewal Rents proposed by the first two appraisers without any modification ▪ The decision of the third appraiser binds both parties	Section 41.14(b) Section 41.14(c)
CLEC MLA Key Renewal Terms	▪ CLEC MLA Renewal Rent excludes Reversion Strands transferred to Uniti as part of the 2020 Settlement agreement ▪ At renewal, Landlord to enter into market rate maintenance agreement with Tenant. In addition, Landlord to reimburse Tenant for Landlord’s pro rata share of all triple net costs and expenses of operating and maintaining CLEC network based on strand utilization by Landlord and Tenant	*Refer to CLEC MLA* “Renewal Rent” (C) Section 1.1(e)

Master Lease (MLA) Key Terms: Termination Provisions of MLAs

Key Term	Summary of Key Term	MLA Reference(s)
Termination Overview	▪ Upon (i) Tenant's election not to extend any Leased Facility at renewal, (ii) the expiration of the final Renewal Term in 2050, or (iii) Landlord's termination of the Master Lease due to Event of Default of Tenant, Tenant shall transfer the Tenant's Communications Assets of such Affected Facility to the designated Successor Tenant. Consideration to be negotiated Fair Market Value or determined through competitive auction process outlined in Section 36.2	Section 36.1(a)
Determination of Successor Lessee and Communications Assets FMV	▪ First, Successor Tenant Rent determined through appraisal process using formula set forth in Exhibit E ▪ After Successor Tenant Rent determined, a pool of qualified potential Successor Tenants bid for the Communications Assets after considering the determined Successor Tenant Rent. Communications Assets FMV is determined to be highest price a bidder would agree to pay for the Communications Assets ▪ Landlord to enter a lease with Qualified Successor Tenant on substantially the same terms and conditions of existing Master Lease except the term shall be ten years and the Rent shall be the Successor Tenant Rent	Section 36.2(a)
Potential Successor Tenants	▪ Landlord to select three (one of which will be Landlord) and Tenant to select four Qualified Successor Tenants (for a total of up to seven potential bidders) ▪ Qualified Successor Tenants must meet the criteria established for a Discretionary Transferee	Section 36.2(b)
Communication Assets	▪ With respect to an Affected Facility, the business operations conducted by Tenant including the license to operate, the Electronics and such other equipment owned by Tenant and used in the operations, any customer relationships that are served by the Affected Facility that can no longer be supported, and, if requested by the Successor Tenant, all employees that are primarily dedicated to the support, maintenance or operation of the Affected Facility	Definition of "Communications Assets"