WINDSTREAM HOLDINGS, INC.
Form 10-K
February 25, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2015

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ________________

Exact name of registrant as specified in its charter	State or other jurisdiction of incorporation or organization	Commission File Number	I.R.S. Employer Identification No.
Windstream Holdings, Inc.	Delaware	001-32422	46-2847717
Windstream Services, LLC	Delaware	001-36093	20-0792300

4001 Rodney Parham Road
Little Rock, Arkansas 72212
(Address of principal executive offices) (Zip Code)

(501) 748-7000
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.0001 par per share)	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
NONE
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Windstream Holdings, Inc. ¨ YES ý NO
Windstream Services, LLC ý YES ¨ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Windstream Holdings, Inc. ¨ YES ý NO
Windstream Services, LLC ¨ YES ý NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Windstream Holdings, Inc. ý YES ¨ NO
Windstream Services, LLC ý YES ¨ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Windstream Holdings, Inc. ý YES ¨ NO
Windstream Services, LLC ý YES ¨ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Windstream Holdings, Inc.	Large accelerated filer ý	Accelerated filer ¨
	Non-accelerated filer ¨	Smaller reporting company ¨
Windstream Services, LLC	Large accelerated filer ¨	Accelerated filer ¨
	Non-accelerated filer ý	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Windstream Holdings, Inc. ¨ YES ý NO
Windstream Services, LLC ¨ YES ý NO

Aggregate market value of voting stock held by non-affiliates as of June 30, 2015 - $664,073,650

As of February 22, 2016, 91,527,360 shares of common stock of Windstream Holdings, Inc. were outstanding. Windstream Holdings, Inc. holds a 100 percent interest in Windstream Services, LLC.

This Form 10-K is a combined annual report being filed separately by two registrants: Windstream Holdings, Inc. and Windstream Services, LLC. Windstream Services, LLC is a direct, wholly-owned subsidiary of Windstream Holdings, Inc. Accordingly, Windstream Services, LLC meets the conditions set forth in general instruction I(1)(a) and (b) of Form 10-K and is therefore filing this form with the reduced disclosure format. Unless the context indicates otherwise, the use of the terms "Windstream," "we," "us" or "our" shall refer to Windstream Holdings, Inc. and its subsidiaries, including Windstream Services, LLC, and the term "Windstream Services" shall refer to Windstream Services, LLC and its subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

Document	Incorporated Into
Proxy statement for the 2016 Annual Meeting of Stockholders	Part III

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Windstream Holdings, Inc.
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Form 10-K, Part I

Item 1. Business
THE COMPANY

Unless the context indicates otherwise, the terms "Windstream," "we," "us" or "our" refer to Windstream Holdings, Inc. and its subsidiaries, including Windstream Services, LLC, and the term "Windstream Services" refers to Windstream Services, LLC and its subsidiaries.

ORGANIZATIONAL STRUCTURE

Windstream Holdings, Inc. ("Windstream Holdings") is a publicly traded holding company and the parent of Windstream Services, LLC ("Windstream Services"), formerly Windstream Corporation. Windstream Holdings common stock trades on the Nasdaq Global Select Market ("NASDAQ") under the ticker symbol "WIN". Effective February 28, 2015, Windstream Corporation was converted to a limited liability company ("LLC"). Following the conversion, Windstream Holdings owns a 100 percent interest in Windstream Services. Windstream Services and its guarantor subsidiaries are the sole obligors of all outstanding debt obligations and, as a result, also 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 Services' debt agreements. The Windstream Holdings board of directors and officers oversee both companies.

OVERVIEW

We are a leading provider of advanced network communications and technology solutions for consumers, businesses, enterprise organizations and carrier partners across the United States. We provide data, cloud solutions, unified communications and managed services to small business and enterprise clients. We also offer bundled services, including broadband, security solutions, voice and digital television to consumers. We supply core transport solutions on a local and long-haul fiber-optic network spanning approximately 125,000, the sixth largest fiber network in the nation.

Our vision is to provide a best-in-class customer experience through a world-class network. Our "network first" strategy entails leveraging our existing infrastructure and investing in the latest technologies to create significant value for both our customers and our shareholders. We implemented a new business unit organizational structure focused on our core customer relationships to strengthen our ability to achieve our operational, strategic and financial goals. Our new structure segments our business operations around our four core customer groups: Consumer and Small Business - ILEC, Carrier, Enterprise, and Small Business - CLEC, as further defined below. This structure aligns all aspects of the customer relationship (sales, service delivery, and customer service) to improve accountability to the customer and sharpen our operational focus.

We differentiate our business customers between enterprise and small business primarily based on the monthly recurring revenue generated from the customer with enterprise customers comprising those relationships that generate $1,500 or more in monthly recurring revenue and small business customers comprising those relationships that generate less than $1,500 per month. Our small business customer base is further disaggregated between those customers located in service areas in which we are the incumbent local exchange carrier ("ILEC") and provide services over network facilities operated by us and those customers located in services areas in which we are a competitive local exchange carrier ("CLEC") and provide services over network facilities primarily leased from other carriers. Under our new organizational structure, we have combined our Consumer and Small Business ILEC operations due to similarities between these customers with respect to service offerings, marketing strategies and customer service delivery, as both of these businesses are focused on broadband revenue growth driven by our continued investment in our broadband network.

We have a focused operational strategy for each business with the overall objective to improve our consolidated operational and financial results and reach our goal of stabilizing and growing adjusted OIBDA, which is defined as operating income plus depreciation and amortization, adjusted to exclude the impact of restructuring charges, pension expense and share-based compensation.

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Our operational strategy for each of our business segments are as follows:
Presented below for each of our business segments is an overview and further discussion of our operating strategy, product and service offerings, sales and marketing efforts and the competitive landscape in which we operate.

CONSUMER AND SMALL BUSINESS - ILEC SEGMENT

The Consumer and Small Business - ILEC segment includes approximately 1.6 million residential and small business customers. This segment generated $1.6 billion in revenue and $935 million in segment income, or contribution margin, during 2015.

Strategy

Within Consumer and Small Business - ILEC, we are focused on expanding and enhancing our broadband capabilities to generate solid and sustainable cash flows.

We expect to grow revenue by continuing to increase broadband speeds and capacity throughout our territories. Project Excel, which began in late 2015, accelerates our plans to upgrade and modernize our broadband network by year-end 2016. This program upgrades our fiber-fed infrastructure with Very high-bit-rate Digital Subscriber Line Generation 2 (“VDSL2”) electronics to enable faster broadband speeds and enhances our backhaul capabilities to address future capacity demands and improve network reliability. Upon completion of Project Excel, 25 megabits per second (“Mbps”) speeds will be available to 54 percent of our broadband footprint and 50 Mbps speeds to 30 percent; which are very competitive offerings in our rural markets. These network upgrades will provide a great customer experience and, we believe will drive higher revenue per customer per month and allow us to increase market share.

We expect increases in real-time streaming video and traditional Internet usage to drive demand for faster broadband speeds and generate increased revenues as customers upgrade their services. We also sell value-added Internet services, such as security and online back-up, to leverage our broadband capabilities.

Services and Products

Our Consumer services primarily consist of high-speed Internet, traditional voice and video services. We are committed to providing high-speed broadband and additional value-added services to our consumer base, as well as bundling our service offerings to provide a comprehensive solution to meet our customers' needs at a competitive value.

Our Consumer broadband services are described further as follows:

- High-speed Internet access: We offer high-speed Internet access with speeds up to 100 Mbps.

- Internet security services: Our Security Suite offers customers critical Internet security services, including anti-virus protection, spyware blocking, file back up and restoration.

- Online backup services: Our online backup service allows consumers to back up and restore important files through the Internet. Additionally, our backup services provide consumers with the ability to store and share files on network-based storage devices. Files can be accessed from any computer with an Internet connection.

Consumer voice services include basic local telephone services, features and long-distance services. Features include call waiting, caller identification, call forwarding, as well as various other offerings. We also offer a variety of long distance plans, including rate plans based on minutes of use, flexible or unlimited long distance calling services.

We offer video services to consumers primarily through a relationship with Dish Network LLC ("Dish Network"). We also own and operate cable television franchises in some of our service areas. Our video offerings allow us to provide comprehensive bundled services to our consumer base, helping insulate our customers from competitors. Recently, we launched Kinetic, a complete video entertainment offering in our Lincoln, Nebraska and Lexington, Kentucky markets, with plans to launch in Sugar Land, Texas in the second quarter of 2016. We expect to roll out this new service to additional markets during the next few years.

We sell and lease certain equipment to support our consumer high-speed Internet and voice offerings, including broadband modems, home networking gateways and personal computers. We also sell home phones to support voice services.

To our small business customers, we offer a wide range of advanced Internet, voice, and web conferencing products. These services deliver high-speed Internet with competitive speeds, value added services to enhance business productivity and options to bundle services for a global business solution to meet our small business customer needs.

Our Small Business - ILEC services include:

- High-speed Internet access: We offer speeds up to 1 gigabits per second ("Gbps") with an option of high-speed Internet or a dedicated solution.

- Online backup: Our online backup solution is dedicated to keeping files safe, secure and easily accessible from any location. These services include hosting mission critical servers and computer systems with full redundant subsystems with the ability to set up scheduled backups.

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Remote IT: We provide a remote tech help service that provides remote support 24x7 and serves as a virtual information technology (“IT”) department without the high expense.

- Web and audio conferencing: We are able to connect businesses through our audio, web and event conferencing which enables quick and easy access to organizing, securing, attending and recording conferences all from a telephone keypad.

- Managed web design: We provide a professionally developed website design, whether it is a simple site or a complex store, to keep our small business customers competitive in today’s digital world.

- Web and E-mail hosting: With our web and e-mail hosting services, our small business - ILEC customers are in control of customizing and branding their own professional online presence. We provide the tools to quickly and efficiently develop a web presence that suits their business needs.

- Fax-to-e-mail: We offer the ability to leverage the advantage of mobility to send and receive faxes online from anywhere they can access their email or Internet. We also offer a Health Insurance Portability and Accountability Act ("HIPAA") compliant option to support our customers in the healthcare industry to maintain compliance with current health standards and regulations.

Small Business - ILEC voice services include a variety of line types available to serve customer needs. We offer a standard business local line, Centrex lines, key systems, private branch exchange ("PBX") lines, Voice over Internet Protocol ("VoIP") and complex phone systems. Additional options for our voice lines include long distance services, and several calling features including call waiting, call return, speed calling, caller ID, repeat dialing, three-way calling, rotary hunt, voice mail or rotary hunt voice mail. Our vast voice offerings provide customers a wide range of voice solutions that be fit our small business - ILEC customer voice needs.

Sales and Marketing

Our sales and marketing strategy is focused on driving top-line revenue growth through stabilizing broadband market share while deepening speed and value-added service penetration for each broadband connection. In our Consumer and Small Business - ILEC segment, our goal is to win and retain the household or business first and then expand the product participation by consulting on the appropriate speed or value-added service to enhance the experience. We employ the following principles to achieve these goals:

- Product enhancement: Faster Internet speeds and the launch of Kinetic deliver more value to customers while growing account revenue. These products not only improve the competitiveness of our offering but drive tangible value to the customer while improving the overall account revenue profile. For small businesses, higher speeds and incremental voice lines unlock increased discounts while increasing the value to the customer.

- Improved customer experience: Continued improvement in the customer experience for both small businesses and consumers is the key to improved retention that drives stabilized market share. We map the customer journey and target initiatives that improve the processes, systems, and policies that impact the manner in which customers interact with us and our products.

- Product simplification: We sell double and triple play bundle packages to customers at competitive price points, offering high-speed Internet voice and video services at a better value than when purchasing those services individually or from different providers. In the small business - ILEC space, we follow a similar bundling approach utilizing voice lines and broadband (dedicated or simple) as the bundle foundation.

Sales are made through various distribution channels giving new and existing customers choices in how to interact and experience our products and services. We offer customers the opportunity to order service and purchase a number of products designed to enhance our existing services, such as tablet computers, telephones and accessories at any of our 27 retail stores located in our local service areas. We augment these traditional channels with online sales, national agents, telephone and direct sales representatives. We utilize a similar multi-channel approach for our Small Business - ILEC sales focusing on a blend of local field sales teams and inbound/outbound call centers to serve this segment.

Competition

We experience competition for Consumer and Small Business - ILEC services. During 2015, consumer households served decreased by approximately 82,900, or 5 percent, consumer high-speed Internet customers decreased by approximately 36,500, or 3 percent, and small business - ILEC customers declined by approximately 13,400, or 8 percent. Sources of competition in our service areas include, but are not limited to, the following:

- Cable television companies: Cable television providers are aggressively offering high-speed Internet, voice and video services in the majority of our service areas. These services are typically bundled and offered to our customers at competitive prices. It is not unusual to see aggressive broadband pricing to win the household. For small business customers, cable providers leverage discounted TV and broadband pricing to win larger bundles of service.

- Wireless carriers: Wireless providers primarily compete for voice services in our markets. Consumers continue to disconnect voice service in favor of wireless service. In addition, wireless companies continue to expand their high-speed Internet offerings which does, in some instances, provide another alternative for customers, intensifying the level of competition in our markets.

- Communications carriers: We are required to lease our facilities and capacity to other communications carriers. These companies compete with us by providing voice and high-speed Internet services to both the consumer and small business - ILEC segment. Additionally, some of the more populated service areas are experiencing new-market entry by communications carriers who are building out their own network to compete for high-speed Internet services.

Approximately 17 percent of our footprint does not have a cable broadband provider. Our focus to upgrade our infrastructure and deploy premium Internet speeds in our Consumer and Small Business - ILEC markets will improve our competitive positioning and enable us to respond to demand and competitive pressure.

To retain and grow our Consumer and Small Business - ILEC customer base, we are committed to providing our customers with exceptional service by offering faster broadband speeds and value-added services, while also offering the convenience of bundling those services with voice and video services.

CARRIER SEGMENT

The Carrier segment leverages our nationwide network to provide 100 Gbps bandwidth and transport services to wholesale partners, including telecom companies, content providers, and cable and other network operators. The carrier business unit produced $688 million in annual revenue and $502 million in contribution margin in 2015.

Strategy

Our Carrier strategy is focused on expanding our network to drive sales. We currently operate the sixth largest fiber network in the nation with approximately 125,000 route miles of fiber. Our fiber network links common interconnection points in tier one locations to our tier two and three markets, enabling our customers to reach their end users through unique and diverse routes. With further expansion of our fiber transport network through capital investment, we are enhancing our ability to provide high bandwidth connectivity. In 2015, we made significant investments in our network, as we completed our fiber-to-the-tower deployments and expanded our 100 Gbps capable long haul express network by adding route miles and approximately 45 new access points.

We believe that we are well positioned to stabilize our carrier business through investment in our network, offering advanced products and solutions, targeting carrier and wholesale customers and controlling costs through our disciplined approach to capital and expense management.

We are also committed to expanding our carrier network to add new routes, connect existing routes and add new carrier access points to increase sales.

Services and Products

Carrier services provide network bandwidth to other telecommunications carriers and network operators. These include special access services, which provide access and network transport services to end users, and Ethernet and Wave transport up to 100 Gbps. Carrier services also include fiber-to-the-tower connections to support the growing wireless backhaul market. In addition, we offer wholesale voice and data carrier services to other communications providers and to larger-scale purchasers of network capacity.

Sales and marketing

Our sales and marketing efforts are designed to differentiate us from our competitors by providing a superior customer experience. Our sales and customer support staff are aligned to work closely with each customer to ensure that the customer's specific business needs are met. Whether servicing content providers, cable operators, data centers or other communication services providers who may not have sufficient transport network to support their immediate needs, our goal is to exceed customer expectations by providing personalized service and solutions.

Competition

The market for carrier services is highly competitive as continued merger and acquisition activity has resulted in fewer customers and intensified pricing pressure. To improve competitiveness and expand new sales opportunities, we have invested in our network to meet the growing demand for 10Gbps and 100Gbps bandwidth. Through network expansion and Ethernet upgrades, we are capable of providing access and transport services to major interconnection points with other networks and to rural markets, often providing unique and diverse routes. By providing a superior customer experience and advanced network technology, we believe we are well positioned to attract new business and increase market share.

ENTERPRISE SEGMENT

Our Enterprise segment provides advanced communications services to enterprise customers. During 2015, the Enterprise segment generated $2.1 billion in revenue and $241 million in contribution margin.

Strategy

The strategy for our Enterprise business is centered on growing revenue and increasing profitability. As one of the Country's largest network providers, our nationwide presence and broad portfolio of customized solutions provide enterprise customers with a unique service model. We target enterprise customers generating between $5,000 to $100,000 in monthly revenue. This competitive differentiation combined with an agile sales and service model has enabled us to increase market share and grow revenue in the 3-5% range.

We believe we can drive meaningful improvements in our Enterprise margins by focusing on profitable growth, increasing sales on our own network facilities to reduce third party network access costs and improving of efficiency with system and process enhancements. We made progress on this goal in 2015 by increasing margins from 10% in the first quarter to 15% in the fourth quarter and will make further improvements over the next 3 years.

Services and Products

Our Enterprise customers typically have more complex communications requirements and value our customized solution design process, personalized customer service and proactive managed service support. They subscribe to services such as multi-site networking, integrated VoIP and data services, Unified Communications as a Service ("UCaaS"), data center (cloud) connectivity, network security, managed network services, and other cloud services.

- Integrated voice and data services: Our integrated services deliver voice and data over a single connection, which helps our customers manage voice and data usage and related costs. These services are delivered over an Internet connection, as opposed to a traditional voice line, and can be managed through equipment at the customer premise or through hosted equipment options, both of which we are able to provide.

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- Multi-site networking: Our advanced network provides private, secure multi-site connections for large businesses with multiple locations. Our core growth networking growth products include multiprotocol label switching (“MPLS”), Ethernet - Local Area Network (“LAN”) and Wavelength connectivity solutions.

- UCaaS and hosted voice: Our robust UCaaS and hosted voice solution portfolio leverages the latest technology to enable our customers to improve productivity and avoid the upfront capital expense associated with costly PBX systems.

- Colocation and data center services: We offer traditional colocation services directly through our data centers and more advanced cloud computing, hosting and disaster recovery solutions through our reciprocal strategic partnerships. We will continue to make investments to expand our fiber network directly to other third party data center facilities.

- Managed services: We provide a breadth of managed services, for both our network and data center services, including managed Wide Area Network (“WAN”), managed LAN, managed network security, managed Internet and managed voice services that allow our customers information technology (“IT”) organizations to focus on other mission critical activities.

- High-speed Internet: We offer a range of high-speed broadband Internet access options providing reliable connections designed to help our customers reduce costs and boost productivity.

- Traditional Voice: Voice services consist of basic telephone services, including voice, long-distance and related features delivered over a traditional copper line.

In addition to the services offered above, we sell and lease customized communications equipment systems tailored specifically to our customers’ needs. We also offer ongoing maintenance plans to support those systems.

Sales and Marketing

Our sales and marketing team ensures we deliver on our brand promise to enable smart solutions and personalized service to our customers. Our Enterprise sales organization is extensive, including over 65 business sales offices throughout the United States with more than 1,000 sales employees focused on meeting the needs of our customers.

Sales and marketing activities are conducted through:

- the direct sales force, which accounts for the majority of our new sales;

- our dedicated account management team, who focus on pro-actively supporting, retaining and growing existing customers as their needs evolve over time;

- our indirect sales channel, which partners with third-party dealers who sell directly to customers; and

- third-party agents, who refer sales of our products and services to our direct sales force.

Competition

The market for enterprise customers is highly competitive. We believe we are well positioned to gain market share within the mid-size enterprise segment based upon our ability to leverage our national network to provide complex, customized solutions with personalized service.

Our primary competitors are other communications providers. These providers offer similar services, from traditional voice to advanced data and technology services using similar facilities and technologies as we do, and compete directly with us for customers of all sizes.

To compete most effectively in the middle market segment, we are focused on improving the customer experience and investing in our network and service offerings to provide our customers with the most technologically advanced solutions available. We believe that many of our largest competitors are focused primarily on serving the largest global enterprises and as a result are increasingly under-serving the middle market. Accordingly, we rely on scalable, customizable solutions and a service model tailored to the middle market to meet all of our customers’ communications needs.

SMALL BUSINESS - CLEC SEGMENT

Our Small Business CLEC segment consists of small business customers residing outside of our ILEC footprint. During 2015, this segment generated revenue of $559 million and contribution margin of $181 million.

Our Small Business - CLEC strategy is focused on retaining our most profitable customers, selling incremental services and locations to existing customers, targeting new sales in select markets, and managing customer-level profit margins to moderate revenue and contribution margin declines and maximize profitability. Operational efficiency and a highly disciplined sales and support model are cornerstones of our Small Business - CLEC strategy that should enable us to maximize cash flows generated from this business.

Products and services provided to our Small Business - CLEC customers include integrated voice and data services, advanced data and traditional voice and long distance services. We also offer on-line back-up, remote IT, managed web design, web hosting and various email services to small business customers in our CLEC footprint.

Similar to our Small Business - ILEC operations, we experience competition from cable television companies and other communications carriers in areas served by our Small Business - CLEC segment.

REGULATORY AND OTHER REVENUES

Regulatory and certain other operating revenues are derived from activities that are centrally-managed by us and, accordingly, these revenues are not included in any of our four segments presented above. Regulatory revenues include switched access revenues, federal and state Universal Service Fund (“USF”) revenues, Connect America Fund (“CAF”) support and funds received from the access recovery mechanism (“ARM”). Switched access revenues include usage sensitive revenues from long-distance companies and other local exchange carriers for access to our network in connection with the completion of long-distance calls, as well as reciprocal compensation received from wireless and other local connecting carriers for the use of our network facilities. We also receive compensation from wireless and other local exchange carriers for the use of our facilities.

USF revenues are government subsidies designed to partially offset the cost of providing wireline services in high-cost areas. CAF Phase II funding is administered by the Federal Communications Commission (“FCC”) for the purpose of expanding and supporting broadband service in rural areas and effectively replaces frozen USF support in those states in which we elected to receive the CAF Phase II funding, as further described below. The ARM is additional federal universal service support available to help mitigate revenue losses from intercarrier compensation reform not covered by the access recovery charge (“ARC”), a monthly charge assessed to customers established by the FCC.

On August 5, 2015, we notified the FCC of our acceptance of CAF Phase II support of approximately $175.0 million per year for a six year period to fund the deployment of voice and high-speed Internet capable infrastructures for approximately 400,000 eligible locations in 17 of the 18 states in which we are the incumbent provider, declining only the annual statewide funding in New Mexico because our projected cost to comply with the FCC's deployment requirements greatly exceeded the funding offer. The CAF Phase II support for the 17 states we accepted substantially replaces funding we received under the federal USF high-cost support program. We will be eligible to participate in a competitive bidding process for the CAF Phase II support in New Mexico, along with other interested eligible competitors under an auction process administered by the FCC, which is expected to be held during 2016. We will continue to receive annual USF support in New Mexico frozen at 2011 levels until the CAF Phase II competitive bidding process is completed.

Other operating revenues primarily consist of USF surcharges and other costs passed through to our customers, sales of communications equipment to third party contractors and revenues from other miscellaneous service offerings.

SIGNIFICANT CUSTOMERS

No single customer, or group of related customers, represented 10 percent or more of our operating revenues in 2015, 2014 or 2013.

SEASONALITY

Our business is not subject to significant seasonal fluctuations.

NETWORK

As further discussed below under “Material Dispositions”, in April 2015, we completed the spin-off of our fiber and copper networks and other real estate, into an independent, publicly traded real estate investment trust and entered into an agreement to leaseback the network assets. Following the spin-off, we exclusively operate a robust, flexible network allowing us to deliver advanced voice and data services. As of December 31, 2015, our network consists of approximately 125,000 miles of fiber optic plant in both our fiber backbone and local service areas and a combination of owned and leased facilities in our local markets.

The fiber transport network we operate is fully integrated and allows us to offer a full suite of voice and advanced data services, including, but not limited to, multi-site networking, dedicated Internet and Ethernet solutions, high-speed Internet and VoIP services.

In certain territories, we serve business customers by leasing last-mile connections from other carriers. These connections link our business customers to our facilities-based network. In areas in which we operate last-mile facilities, we are able to connect to our customers directly. Through the last-mile facilities we operate, we are able to offer up to 100 Gbps of Ethernet managed services.

The local networks we operate consist of central office digital switches, routers, loop carriers and virtual and physical colocations interconnected primarily with fiber and copper facilities. A mix of fiber optic and copper facilities connect our customers with the core network.

Our network service areas as of December 31, 2015 are detailed in the map below

REGULATION

We are subject to regulatory oversight by the FCC for particular interstate matters and state public utility commissions (“PUCs”) for certain intrastate matters. We are also subject to various federal and state statutes that direct such regulations. We actively monitor and participate in proceedings at the FCC and PUCs and engage federal and state legislatures on matters of importance to us.

From time to time, federal and state legislation is introduced dealing with various matters that could affect our business. Most proposed legislation of this type never becomes law. It is difficult to predict what kind of legislation, if any, may be introduced and ultimately become law.

For additional information on these and other regulatory items, please refer to the “Regulatory Matters” section of Management’s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K.

DIVIDEND POLICY

We amended our certificate of incorporation to decrease the number of authorized shares of common stock from 1.0 billion to 166.7 million and enacted a one-for-six reverse stock split with respect to all of our outstanding shares of common stock which became effective on April 26, 2015. On January 15, 2016, we paid our previously declared quarterly dividend of $.15 per share. On February 10, 2016, we declared a cash dividend of $.15 per share on our common stock which is payable on April 15, 2016, to shareholders of record on March 31, 2016. Our dividend practice can be changed at any time at the discretion of our board of directors. Accordingly, we cannot assure you we will continue paying dividends at the current rate. See Item 1A, “Risk Factors,” for more information concerning our dividend practice.

MATERIAL ACQUISITIONS AND DISPOSITIONS

Acquisitions

On November 30, 2011, we acquired PAETEC Holding Corp. in an all stock transaction valued at approximately $2.4 billion. In this transaction, we added an attractive base of medium to large-sized business customers, approximately 36,700 fiber route miles, seven data centers, and an experienced sales force focused on serving enterprise-level customers.

Dispositions

Sale of Data Center Business - On December 18, 2015, we completed the sale of a substantial portion of our data center business to TierPoint LLC (“TierPoint”) for $575.0 million in cash. In the transaction, TierPoint acquired 14 of Windstream’s 27 data centers, including data centers located in Arkansas, Illinois, Massachusetts, North Carolina, Pennsylvania, and Tennessee. The remaining data centers retained by us are primarily shared colocation facilities. As part of the transaction, we established an ongoing reciprocal strategic partnership with TierPoint, allowing both companies to sell their respective products and services to each other’s prospective customers through referrals.

Spin-off of Certain Network and Real Estate Assets - On April 24, 2015, we completed the spin-off of certain telecommunications network assets, including our fiber and copper networks and other real estate, into an independent, publicly traded real estate investment trust. The spin-off also included substantially all of our consumer CLEC business. The telecommunications network assets consisted of copper cable and fiber optic cable lines, telephone poles, underground conduits, concrete pads, attachment hardware (e.g., bolts and lashings), pedestals, guy wires, anchors, signal repeaters, and central office land and buildings, with a net book value of approximately $2.5

billion at the time of spin-off. We requested and received a private letter ruling from the Internal Revenue Service on the qualification of the spin-off as a tax-free transaction and the designation of the telecommunications network assets as real estate.

Pursuant to the plan of distribution and immediately prior to the effective time of the spin-off, we contributed the telecommunications network assets and the consumer CLEC business to Communications Sales & Leasing, Inc. ("CS&L"), a wholly owned subsidiary of Windstream, in exchange for: (i) the issuance to Windstream of CS&L common stock of which 80.4 percent of the shares were distributed on a pro rata basis to Windstream's stockholders, (ii) cash payment to Windstream in the amount of $1.035 billion and (iii) the distribution by CS&L to Windstream of approximately $2.5 billion of CS&L debt securities. After giving effect to the interest in CS&L retained by Windstream, each Windstream Holdings shareholder received one share of CS&L for every five shares of Windstream Holdings common stock held as of the record date of April 10, 2015 in the form of a tax-free dividend. On April 24, 2015, following the completion of the spin-off, we transferred the CS&L Securities and cash to two investment banks, in exchange for approximately $2.5 billion of debt securities of Windstream Services held by the investment banks. On May 27, 2015, we completed the redemption of $850.0 million of Windstream Services unsecured notes using a portion of the $1.035 billion cash payment received from CS&L in the spin-off transaction.

As of the spin-off date, excluding restricted shares held by Windstream employees and directors, Windstream retained a passive ownership interest in approximately 19.6 percent of the common stock of CS&L. Windstream intends to use all of its shares of CS&L to retire additional Windstream Services debt within 18 to 24 months from the date of the spin-off, subject to market conditions.

MANAGEMENT

Staff at our headquarters and regional offices supervise, coordinate and assist subsidiaries in management activities including investor relations, acquisitions and dispositions, corporate planning, tax planning, cash and debt management, accounting, insurance, sales and marketing support, government affairs, legal matters, human resources and engineering services.

EMPLOYEES

At December 31, 2015, we had 12,326 employees, of which 1,533 employees are part of collective bargaining units. During 2015, we had no material work stoppages due to labor disputes with our unionized employees (see Item 1A, "Risk Factors").

MORE INFORMATION

Our web site address is www.windstream.com. We file with, or furnish to, the Securities and Exchange Commission (the "SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and amendments to those reports, as well as various other information. The public may read and copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. This information can also be found on the SEC website at www.sec.gov. In addition, we make available free of charge through the Investor Relations page on our web site our annual reports, quarterly reports, and current reports, and all amendments to any of those reports, as soon as reasonably practicable after providing such reports to the SEC. In addition, in the "Corporate Governance" section of the Investor Relations page on our web site, we make available our code of ethics, the Board of Directors' Amended and Restated Corporate Governance Board Guidelines, and the charters for our Audit, Compensation, and Governance Committees. We will provide to any stockholder a copy of the Code of Ethics, Governance Board Guidelines and the Committee charters, without charge, upon written request to Investor Relations, Windstream Holdings, Inc., 4001 Rodney Parham Road, Little Rock, Arkansas 72212.

FORWARD-LOOKING STATEMENTS

We claim the protection of the safe-harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for this Annual Report on Form 10-K. Forward-looking statements are subject to uncertainties that could cause actual future events and results to differ materially from those expressed in the forward-looking statements. Forward looking statements include, but are not limited to, statements about our expectation to return a portion of our cash flow to shareholders through our dividend, expectations regarding our "network first" strategy to improve financial performance and increase market share, expectations regarding revenue trends and growth, cost management, and improving margins in our business segments, growth in adjusted OBIDA, the amount that Windstream may reduce its debt by selling its equity stake in CS&L and its ability to improve its debt profile and reduce interest, expected levels of support from universal service funds or other government programs, expected rates of loss of consumer households served or inter-carrier compensation, expected increases in high-speed Internet and business data connections, including increasing availability of higher Internet speeds, expectations regarding expanding IPTV and 1 Gbps services to more locations and expanding our carrier network, our expected ability to fund operations, expected required contributions to our pension plan, the completion and benefits from network investments related to the Connect America Fund to fund the deployment of broadband services and forecasted capital expenditure amounts related to these investments, anticipated benefits of Project Excel, anticipated capital expenditures and certain debt maturities from cash flows from operations, and expected effective federal income tax rates. These and other forward-looking statements are based on estimates, projections, beliefs, and assumptions that we believe are reasonable but are not guarantees of future events and results. Actual future events and our results may differ materially from those expressed in these forward-looking statements as a result of a number of important factors.

Factors that could cause actual results to differ materially from those contemplated in our forward looking statements include, among others:

- further adverse changes in economic conditions in the markets served by us;
- the extent, timing and overall effects of competition in the communications business;
- our election to accept state-wide offers under the FCC's Connect America Fund, Phase 2, and the impact of such election on our future receipt of federal universal service funds and capital expenditures;
- the impact of new, emerging or competing technologies;
- for certain operations where we lease facilities from other carriers, adverse effects on the availability, quality of service, price of facilities and services provided by other carriers on which our services depend;
- unfavorable rulings by state public service commissions in proceedings regarding universal service funds, inter-carrier compensation or other matters that could reduce revenues or increase expenses;
- material changes in the communications industry that could adversely affect vendor relationships with equipment and network suppliers and customer relationships with wholesale customers;
- changes to our current dividend practice which is subject to our capital allocation policy and may be changed at any time at the discretion of our board of directors;
- our ability to make rent payments under the master lease to CS&L, which may be affected by results of operations, changes in our cash requirements, cash tax payment obligations, or overall financial position;

- unanticipated increases or other changes in our future cash requirements, whether caused by unanticipated increases in capital expenditures, increases in pension funding requirements, or otherwise;
- the availability and cost of financing in the corporate debt markets;
- the potential for adverse changes in the ratings given to our debt securities by nationally accredited ratings organizations;
- earnings on pension plan investments significantly below our expected long term rate of return for plan assets or a significant change in the discount rate or other actuarial assumptions;

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- unfavorable results of litigation or intellectual property infringement claims asserted against us;
- the risks associated with non-compliance by us with regulations or statutes applicable to government programs under which we receive material amounts of end user revenue and government subsidies, or non-compliance by us, our partners, or our subcontractors with any terms of our government contracts;
- the effects of federal and state legislation, and rules and regulations governing the communications industry;
- continued loss of consumer households served and consumer high-speed Internet customers;
- the impact of equipment failure, natural disasters or terrorist acts;
- the effects of work stoppages by our employees or employees of other communications companies on whom we rely for service; and
- those additional factors under “Risk Factors” in Item 1A of this Annual Report and in subsequent filings with the Securities and Exchange Commission at www.sec.gov.

In addition to these factors, actual future performance, outcomes and results may differ materially because of more general factors including, among others, general industry and market conditions and growth rates, economic conditions, and governmental and public policy changes.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing review of factors that could cause our actual results to differ materially from those contemplated in the forward-looking statements should be considered in connection with information regarding risks and uncertainties that may affect our future results included in this Management’s Discussion and Analysis of Financial Condition and Results of Operations and in our other filings with the Securities and Exchange Commission at www.sec.gov.

Item 1A. Risk Factors
Risks Relating to Our Business

The following discussion of “Risk Factors” identifies the most significant factors that may adversely affect our business, results of operations or financial position. This information should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included in this report. The following discussion of risks is not all-inclusive but is designed to highlight what we believe are important factors to consider when evaluating our business and expectations. These factors could cause our future results to differ materially from our historical results and from expectations reflected in forward-looking statements. Additionally, this discussion should not be construed as a listing of risks by order of potential magnitude or probability to occur.

Competition in our business markets could adversely affect our results of operations and financial condition.

We serve business customers in markets across the country, competing against other communications providers and cable television companies for business customers. Competition in our business markets could adversely affect growth in business revenues and ultimately have a material adverse impact on our results of operations and financial condition. If we are unable to compete effectively, we may be forced to lower prices or increase our sales and marketing expenses. In addition, we may need to continue to make significant capital expenditures to keep up with technological advances and offer competitive services. For additional information, see the risk factor “Rapid changes in technology could affect our ability to compete for business customers.”

In certain markets where we serve business customers, we lease significant amounts of network capacity to provide service to our customers. We lease these facilities from companies competing directly with us for business customers. For additional information, see the risk factor “In certain operating territories, we are dependent on other carriers to provide facilities which we use to provide service to our customers.”

Rapid changes in technology could affect our ability to compete for business customers.

The technology used to deliver communications services has changed rapidly in the past and will likely continue to do so in the future. If we are unable to keep up with such changes, we may not be able to offer competitive services to our business customers. This could adversely affect our ability to compete for business customers, which, in turn, would adversely affect our results of operations and financial condition.

In certain operating territories and/or at certain locations, we are dependent on other carriers to provide facilities that we use to provide service to our customers.

In certain markets and/or at certain locations, especially where we provide services to businesses, we may lease a significant portion of our network capacity from other carriers. These carriers may compete directly with us for customers. The prices for network services are contained in tariffs, interconnection agreements, and negotiated contracts. Terms, conditions and pricing for tariff network services may be changed, but they must be approved by the appropriate regulatory agency before they go into effect. For network service purchased pursuant to interconnection agreements, the rates, terms and conditions included therein are approved by state commissions while other network services, such as some high-capacity Ethernet services, may be obtained through commercial contracts subject to limited government oversight.

The availability and pricing of network services purchased via commercial agreements are subject to change without regulatory oversight. For interconnection agreement-based network services, if an agreement cannot be negotiated and we have to invoke binding arbitration by a state regulatory agency, that process is expensive, time consuming, and the results may not be favorable to us. In addition, rates for network services set forth above are susceptible to changes in the availability and pricing of the provider’s facilities and services. Furthermore, in the event a provider becomes legally entitled to deny or limit access to capacity (or already is, as is the case with respect to certain services) or if state commissions allow the providers to increase rates for tariffed or interconnection agreement-based rates, we may not be able to effectively compete. In addition, if the provider does not adequately maintain or timely install these facilities, despite legal obligations, our service to customers may be adversely affected. As a result of all these items, our competitive position, our operations, financial condition and operating results could be materially affected.

Increases in broadband usage may cause network capacity limitations, resulting in service disruptions or reduced capacity for customers.

Video streaming services and peer-to-peer file sharing applications use significantly more bandwidth than traditional Internet activity such as web browsing and email. As utilization rates and availability of these services continue to grow, our high-speed Internet customers may use much more bandwidth than in the past. If this occurs, we could be required to make significant capital expenditures to increase network capacity to avoid service disruptions or reduced capacity for customers.

Alternatively, we may choose to implement reasonable network management practices to reduce the network capacity available to bandwidth-intensive activities during certain times in market areas experiencing congestion, and these actions could negatively affect customer experience and increase customer churn.

While we believe demand for these services may drive high-speed Internet customers to pay for faster broadband speeds, we may not be able to recover the costs of the necessary network investments. This could result in an adverse impact to our results of operations and financial condition.

Disruptions and congestion in our networks and infrastructure may cause us to lose customers and incur additional expenses.

Our customers depend on reliable service over our network. Some of the risks to our network infrastructure include physical damage to lines, security breaches, capacity limitations, power surges or outages, software defects and disruptions beyond our control, such as natural disasters and acts of terrorism. From time to time in the ordinary course of business, we will experience disruptions in our service due to factors such as cable damage, inclement weather and service failures of our third party service providers. Additionally, we could face disruptions due to capacity limitations as a result of changes in our customers' high-speed Internet usage patterns. These patterns have changed in recent years, for example through the increased usage of video, resulting in a significant increase in the utilization of our network.

We could experience more significant disruptions in the future. Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers or incur additional expenses or capital expenditures. Such results could adversely affect our results of operations and financial condition.

The value of our retained interest in CS&L could be impacted by future sales or distributions of shares of CS&L common stock, which could make it difficult to liquidate some or all of our retained interest at favorable market prices.

In the spin-off, we retained a passive ownership interest in approximately 19.6 percent of CS&L common stock. We intend to use all of our shares of CS&L to retire additional Windstream Services debt within 18 to 24 months from the date of the spin-off, subject to market conditions. In addition, some of the holders of shares of CS&L common stock are index funds tied to stock or investment indices or are institutional investors bound by various investment guidelines. Companies are generally selected for investment indices, and in some cases selected by institutional investors, based on factors such as market capitalization, industry, trading liquidity and financial condition. CS&L common stock may not qualify for those investment indices and may not meet the investment guidelines of some institutional investors. Consequently, these index funds and institutional investors may have to sell some or all of our common stock they receive in the spin-off.

Any disposition by us or any other significant shareholder of CS&L of shares of CS&L common stock, or the perception in the market that such dispositions could occur, may cause the share price of CS&L common stock to fall. Any such decline could impair our ability to sell our shares of CS&L common stock in the future at favorable market prices, reduce the value of our retained interest in CS&L, and impact our plans to retire debt as planned in a debt for equity exchange.

A change in ownership may limit our ability to utilize our net operating loss carryforwards.

If Windstream experiences a 50% or greater change in ownership involving shareholders owning 5% or more of its stock, it could adversely impact Windstream’s ability to utilize its existing net operating loss carryforwards. The inability to utilize existing net operating loss carryforwards would significantly increase the amount of Windstream's annual cash taxes reducing the overall amount of cash available to be used in other areas of the business.

In September 2015, Windstream's board of directors adopted a shareholder rights plan (the "Rights Plan"), under which Windstream shareholders of record as of the close of business on September 28, 2015 received one preferred share purchase right for each share of common stock outstanding. The Rights Plan is designed to protect Windstream's net operating loss carryforwards from the effect of limitations under Section 382 of the Internal Revenue Code ("IRC"), if an ownership change should occur in the future. In general, an ownership change will occur when the percentage of Windstream's ownership by one or more "5-percent shareholders" (as defined under IRC Section 382) has increased by more than 50 percent at any time during the prior three years (calculated on a rolling basis). Pursuant to the Rights Plan, if a shareholder (or group) acquires beneficial ownership of 4.9 percent or more of the outstanding shares of Windstream's common stock without prior approval of our Board of Directors or without meeting certain customary exceptions, the rights would become exercisable and entitle shareholders (other than the acquiring shareholder or group) to purchase additional shares of Windstream at a significant discount and result in significant dilution in the economic interest and voting power of acquiring shareholder or group. Although the Rights Plan is intended to reduce the likelihood of an "ownership change" that could adversely affect us, there is no assurance that the restrictions on transferability in the Rights Plan will prevent all transfers that could result in such an "ownership change". The Rights Plan is subject to shareholder approval at the Company's Annual Meeting in May. If the shareholders do not approve the Rights Plan, it will result in termination of the Rights Plan on September 17, 2016.

If the spin-off, and certain related transactions, fails to qualify as a tax-free transaction for U.S. federal income tax purposes, we could be subject to significant tax liabilities and, in certain circumstances, we could be required to indemnify CS&L for material taxes pursuant to indemnification obligations that we entered into with CS&L.

We received a private letter ruling from the IRS (the "IRS Ruling") to the effect that, on the basis of certain facts presented and representations and assumptions, the spin-off will qualify as tax-free under Sections 355 and 368(a)(1)(D) of the Code. Although a private letter ruling generally is binding on the IRS, if the factual representations and assumptions made in the letter ruling request are untrue or incomplete in any material respect, then we will not be able to rely on the IRS Ruling. In addition, the IRS Ruling does not address certain requirements for tax-free treatment of the spin-off under Sections 355 and 368(a)(1)(D) of the Code and our use of CS&L indebtedness and common stock to retire certain of our indebtedness (the "debt exchanges"). Accordingly, the spin-off was conditioned upon the receipt of a tax opinion from our tax counsel with respect to the requirements on which the IRS did not rule, which concluded that such requirements also should be satisfied. The tax opinion was based on, among other things, the IRS Ruling, current law and certain representations and assumptions as to factual matters made by us and CS&L. Any change in currently applicable law, which may or may not be retroactive, or the failure of any factual representation or assumption to be true, correct and complete in all material respects, could adversely affect the conclusions reached in the tax opinion. In addition, the tax opinion is not binding on the IRS or the courts, and the IRS and/or the courts may not agree with the tax opinion. However, if the spin-off or the debt exchanges failed to qualify as tax free for U.S. federal income tax purposes, we may incur significant tax liabilities that could materially affect our business, financial condition and results of operations.

If the spin-off ultimately was determined to be taxable, then a shareholder that received shares of CS&L common stock in the spin-off would be treated as having received a distribution of property in an amount equal to the fair market value of such shares and could incur significant income tax liabilities. Such distribution would be taxable to such shareholder as a dividend to the extent of our current and accumulated earnings and profits (including earnings and profits resulting from the recognition of gain by us in the spin-off). Any amount that exceeded our earnings and profits would be treated first as a non-taxable return of capital to the extent of such shareholder's tax basis in its shares of our common stock with any remaining amount being taxed as a capital gain. In addition, if the spin-off were determined to be taxable, we would recognize taxable gain.

Under the terms of the tax matters agreement that we entered into with CS&L, CS&L is generally responsible for any taxes imposed on us that arise from the failure of the spin-off and the debt exchanges to qualify as tax-free for U.S. federal income tax purposes, within the meaning of Section 355 and Section 368(a)(1)(D) of the Code, as applicable, to the extent such failure to qualify is attributable to certain actions, events or transactions relating to CS&L's stock, indebtedness, assets or business, or a breach of the relevant representations or any covenants made by CS&L in the tax matters agreement, the materials submitted to the IRS in connection with the request for the IRS Ruling or the representations provided in connection with the tax opinion. CS&L's indemnification obligations to us are not limited by any maximum amount and such amounts could be substantial. If CS&L were required to indemnify us under the circumstances set forth in the tax matters agreement, CS&L may be subject to substantial liabilities and there can be no assurance that CS&L will be able to satisfy such indemnification obligations.

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In connection with the spin-off, CS&L will indemnify us and we will indemnify CS&L for certain liabilities. There can be no assurance that the indemnities from CS&L will be sufficient to insure us against the full amount of such liabilities, or that CS&L’s ability to satisfy its indemnification obligation will not be impaired in the future.
Pursuant to the separation and distribution agreement and other agreements that we entered into with CS&L in connection with the spin-off, CS&L agreed to indemnify us for certain liabilities, and we agreed to indemnify CS&L for certain liabilities. However, third parties might seek to hold us responsible for liabilities that CS&L agreed to retain, and there can be no assurance that CS&L will be able to fully satisfy its indemnification obligations under these agreements. Even if we ultimately succeed in recovering from CS&L any amounts for which we are held liable to a third party, we may be temporarily required to bear the losses while seeking recovery. In addition, indemnities that we may be required to provide to CS&L could be significant and could adversely affect our business.
We are required to pay rent under the master lease with CS&L, and our ability to do so could be adversely impaired by results of our operations, changes in our cash requirements and cash tax obligations, or overall financial position; conversely, payment of the rent could adversely affect our ability to fund our operations and growth and limit our ability to react to competitive and economic changes.
We are required to pay a portion of our cash flow from operations to CS&L pursuant to and subject to the terms and conditions of the master lease. Our ability to pay the rent owed to CS&L could be adversely impaired by results of our operations, changes in our cash obligations and requirements, or general financial position. Additionally, our obligation to pay rent could impair our ability to fund our own operations, raise capital, make acquisitions and otherwise respond to competitive and economic changes may be adversely affected, any of which could have a material adverse effect on our business, financial condition and results of operations.
Our failure to comply with the provisions of the master lease with CS&L could materially adversely affect our business, financial position, results of operations and liquidity.
We currently lease a significant portion of our telecommunications network assets, including our fiber and copper networks and other real estate, under the master lease with CS&L. Our failure to pay the rent or otherwise comply with the provisions of the master lease would result in an event of default regarding the master lease and also could result in a default under other agreements. Upon an event of default, remedies available to CS&L include terminating the master lease and requiring us to transfer the business operations we conduct at the leased assets so terminated (with limited exceptions) to a successor tenant for fair market value pursuant to a process set forth in the master lease and cooperate with CS&L to ensure that an operational facility is transferred to the successor tenant, dispossessing us from the leased assets, and/or collecting monetary damages for the breach (including rent acceleration), electing to leave the master lease in place and sue for rent and any other monetary damages, and seeking any and all other rights and remedies available under law or in equity. The exercise of such remedies could have a material adverse effect on our business, financial position, results of operations and liquidity.
Cyber security incidents could have a significant operational and financial impact.

We store customers’ proprietary business information in our facilities through our colocation, managed services and cloud computing services. In addition, we maintain certain sensitive customer information in our financial and operating systems. While we have implemented data security polices and other internal controls to safeguard and protect against misuse or loss of this information, if their data were compromised through a cyber security incident, it could have a significant impact on our results of operations and financial condition. Additionally, we have implemented network and data security policies and other internal controls to safeguard and protect against malicious interference with our networks and information technology infrastructure and related systems and technology, as well as misappropriation of data and other malfeasance, but we cannot eliminate the risk associated with these types of occurrences. While we continue to adapt to new threats, increasing incidents of unsuccessful and successful “cyber attacks”, such as computer hacking, dissemination of computer viruses and denial of service attacks, as well as misappropriation of data, pose growing risks of a significant effect on our results of operations and financial condition and we cannot fully predict the evolution of such threats.

We cannot assure you we will continue paying dividends at the current rate.

Our board of directors maintains a current dividend practice for the payment of quarterly cash dividends at a rate of $0.15 per share of common stock. This practice can be changed at any time at the discretion of the board of directors, and our common stockholders should be aware that they have no contractual or other legal right to dividends. The amount of dividends we may distribute to stockholders is limited by restricted payment and leverage covenants in our credit facility and indentures, and, potentially, by terms of any future indebtedness that we may incur.

Any determination to pay cash dividends in the future is contingent on a variety of factors, including our financial condition, results of operations, and our board of directors' continuing determination that such dividends are in the best interests of our stockholders and in compliance with all applicable laws and agreements. Also, the other risk factors described in this section could materially reduce the cash available from operations or significantly increase our capital expenditure requirements, and these outcomes could cause sufficient funds not to be available to support continuing payment of a dividend. Accordingly, if our board of directors were to change the current dividend practice or reduce the amount of dividends, such change could have a material and adverse effect on the market price of our common stock.

We are subject to various forms of regulation from the Federal Communications Commission (“FCC”) and state regulatory commissions in the states in which we operate, which limit our pricing flexibility for regulated voice and high-speed Internet products, subject us to service quality, service reporting and other obligations and expose us to the reduction of revenue from changes to the universal service fund, the intercarrier compensation system, or access to interconnection with competitors’ facilities.

As of December 31, 2015, we had operating authority from each of the 48 states and the District of Columbia in which we conducted local service operations, and we are subject to various forms of regulation from the regulatory commissions in each of these areas as well as from the FCC. State regulatory commissions have jurisdiction over local and intrastate services including, to some extent, the rates that we charge and service quality standards. The FCC has primary jurisdiction over interstate services including the rates that we charge other telecommunications companies that use our network and other issues related to interstate service. In some circumstances, these regulations restrict our ability to adjust rates to reflect market conditions and may affect our ability to compete and respond to changing industry conditions.

Future revenues, costs, and capital investment in our wireline business could be adversely affected by material changes to or decisions regarding applicability of government requirements, including, but not limited to, changes in rules governing intercarrier compensation, state and federal USF support, competition policies, and other pricing and requirements. Federal and state communications laws and regulations may be amended in the future, and other laws and regulations may affect our business. In addition, certain laws and regulations applicable to us and our competitors may be, and have been, challenged in the courts and could be changed at any time. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes would have.
In addition, these regulations could create significant compliance costs for us. Delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses, and conditions imposed in connection with such approvals could adversely affect the rates that we are able to charge our customers. Our business also may be affected by legislation and regulation imposing new or greater obligations related to, for example, assisting law enforcement, bolstering homeland and cyber-security, protecting intellectual property rights of third parties, minimizing environmental impacts, protecting customer privacy, or addressing other issues that affect our business.

Our operations require substantial capital expenditures, and if funds for capital expenditures are not available when needed, this could affect our service to customers and our growth opportunities.

We require substantial capital to maintain our network, and our growth strategy will require significant capital investments for network enhancements and build-out. During 2015, we incurred $1,055.3 million in capital expenditures, and we expect to incur $800.0 million to $850.0 million in capital expenditures during 2016, excluding approximately $200.0 million in capital expenditures related to Project Excel, a capital program begun in late 2015 that accelerates our plans to upgrade our broadband network by the end of 2016 funded using a portion of the proceeds from the sale of the data center business. See Management's Discussion and Analysis of Financial Condition, Liquidity and Capital Resources in the Financial Supplement to this Annual Report on Form 10-K.

We use a significant portion of our cash generated from operations to pay dividends to stockholders, which could limit our ability to make the capital expenditures necessary to support our business needs and growth plans. We expect to be able to fund required capital expenditures from cash generated from operations. However, other risk factors described in this section could materially reduce cash available from operations or significantly increase our capital expenditure requirements. If this occurs, funds for capital expenditures may not be available when needed, which could affect our service to customers and our growth opportunities.

The level of returns on our pension plan investments and changes to the actuarial assumptions used to value our pension obligations could have a material effect on our earnings and result in material funding requirements to meet our pension obligations.

Our pension plan invests in marketable securities, including marketable debt and equity securities denominated in foreign currencies, which are exposed to changes in the financial markets. During 2015, the fair market value of these investments decreased from $1,042.0 million to $966.6 million primarily due to the return on assets held of $1.6 million, and routine benefit payments of $74.7 million. Returns generated on plan assets have historically funded a large portion of the benefits paid under our pension plan.

Funding requirements may increase as a result of a decline in the market value of plan assets, a decline in the interest rates used to calculate the present value of future plan obligations or government regulations that increase minimum funding requirements of the pension liability. We estimate that the long term rate of return on plan assets will be 7.0 percent, but returns below this estimate could significantly increase our contribution requirements, which could adversely affect our cash flows from operations. Also, reductions in discount rates and extensions of participant mortality rates directly increase our pension liability and expose us to greater funding obligations in the future. Our earnings reported under accounting principles generally accepted in the United States ("U.S. GAAP") may also be adversely affected due to our method of accounting for pension costs, whereby we immediately recognize gains and losses resulting from the return on plan assets as well as other changes in actuarial assumptions impacting our discount rate and mortality estimates.

Our substantial debt could adversely affect our cash flow and impair our ability to raise additional capital on favorable terms.

As of December 31, 2015, we had approximately $5,170.5 million long-term debt outstanding, including current maturities. We may also obtain additional long-term debt to meet future financing needs or to fund potential acquisitions, subject to certain restrictions under our existing indebtedness, which would increase our total debt. Our substantial amount of debt could have negative consequences to our business. For example, it could:

- Increase our vulnerability to general adverse economic and industry conditions;

- Require us to dedicate a substantial portion of cash flows from operations to interest and principal payments on outstanding debt, thereby limiting the availability of cash flow to fund future capital expenditures, working capital and other general corporate requirements;

- Limit our flexibility in planning for, or reacting to, changes in our business and the telecommunications industry;

- Place us at a competitive disadvantage compared with competitors that have less debt; and

- Limit our ability to borrow additional funds, even when necessary to maintain adequate liquidity.

In addition, our ability to borrow funds in the future will depend in part on the satisfaction of the covenants in our credit facility and its other debt agreements. If we are unable to satisfy the financial covenants contained in those agreements, or are unable to generate cash sufficient to make required debt payments, the lenders and other parties to those arrangements could accelerate the maturity of some or all of our outstanding indebtedness.

We may not generate sufficient cash flows from operations, or have future borrowings available under our credit facility or from other sources sufficient to enable us to make our debt payments or to fund dividends and other liquidity needs. We may not be able to refinance any of our debt, including our credit facility, on commercially reasonable terms or at all. If we are unable to make payments or refinance our debt, or obtain new financing under these circumstances, we would have to consider other options, such as selling assets, issuing additional equity or debt, or negotiating with our lenders to restructure the applicable debt. Our credit agreement and the indentures governing our senior notes may restrict, or market or business conditions may limit, our ability to do some of these things on favorable terms or at all.

As of February 22, 2016, Moody’s Investors Service (“Moody’s”), S&P and Fitch Ratings (“Fitch”) had granted Windstream the following senior secured, senior unsecured and corporate credit ratings:

Description	Moody’s	S&P	Fitch
Senior secured credit rating	Ba3	BB	BBB-
Senior unsecured credit rating	B2	B+	BB
Corporate credit rating	B1	B+	BB
Outlook	Stable	Stable	Stable

Factors that could affect our short and long-term credit ratings include, but are not limited to, a material decline in our operating results, increased debt levels relative to operating cash flows resulting from future acquisitions, increased capital expenditure requirements, or changes to our dividend policy. In addition, we are not currently paying down a significant amount of debt. If our credit ratings were to be downgraded from current levels, we might incur higher interest costs on future borrowings, and our access to the public capital markets could be adversely affected.

Tax legislation and administrative initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition.

We are frequently subject to routine audits by federal, state and local tax authorities. While we believe we have adequately provided for tax contingencies, these audits may result in tax liabilities that differ materially from what we have recognized in our consolidated financial statements.

Furthermore, legislators and regulators at all levels of government may from time to time change existing tax rules and regulations or enact new rules that could negatively impact our operating results and financial condition.

Competition in our consumer service areas could reduce our market share and adversely affect our results of operations and financial condition.

We face intense competitive pressures in our consumer service areas. If we continue to lose consumer households as we have historically, our results of operations and financial condition could be adversely affected. During 2015, our consumer households declined 5.4 percent.

Sources of competition include, but are not limited to, wireless companies, cable television companies and other communications carriers. Many of our competitors, especially wireless and cable television companies, have advantages over us, including substantially larger operational and financial resources, larger and more diverse networks, less stringent regulation and superior brand recognition. For additional discussion regarding competition, see “Competition” in Item 1.

Cable television companies have aggressively expanded in our consumer markets, offering voice and high-speed Internet services in addition to video services. Some of our customers have chosen to move to cable television providers for their voice, high-speed Internet and television bundles. Cable television companies are subject to less stringent regulations than our consumer operations. For more information, refer to the risk factor, “Our competitors, especially cable television companies, in our consumer markets are subject to less stringent industry regulations.”

Wireless competition has contributed to a reduction in our voice lines and generally has caused pricing pressure in the industry. Some customers have chosen to stop using traditional wireline phone service and instead rely solely on wireless service. We anticipate that this trend toward solely using wireless services will continue, particularly if wireless prices continue to decline and the quality of wireless services improves.

Competition in our consumer markets could affect our revenues and profitability in several ways, including accelerated consumer household loss, reductions by customers in usage-based services or shifts to less profitable services and a need to lower our prices or increase marketing expenses to stay competitive.

If we are prohibited from participating in government programs, our results of operations could be materially and adversely affected.

We are the recipient of a material amount of end user revenue and government funding under various government programs and also serve as a government contractor for services for various state, local and federal agencies. Our failure to comply with the complex government regulations and statutes applicable to the programs, or the terms of one or more of our government contracts, could result in our being suspended or disbarred from future government programs for a significant period of time or result in harm to our reputation with the government and possible restriction from future government activities. While we have implemented compliance programs and internal controls that are reasonably designed to prevent misconduct and non-compliance relating to the government programs and contracting, we cannot eliminate the risk that our employees, partners or subcontractors may independently engage in such activities.

If we are suspended or debarred from government programs, or if our government contracts are terminated for any reason, we could suffer a significant reduction in expected revenue which could have a material and adverse effect on our operating results.

New technologies may affect our ability to compete in our consumer markets.

Wireless companies are aggressively developing networks using next-generation data technologies, which are capable of delivering high-speed Internet service via wireless technology to a larger geographic footprint. If these technologies continue to expand in availability and reliability, they could become an effective alternative to our high-speed Internet services. In addition, cable operators may be able to take advantage of certain technology to deploy faster broadband speeds more rapidly than Windstream.

In addition to broadband technology, evolving voice technologies, such as over-the-top VoIP, may effectively compete with voice and long-distance services in our consumer markets.

These and other new and evolving technologies could result in greater competition for our voice and high-speed Internet services. If we cannot develop new services and products to keep pace with technological advances, or if such services and products are not widely embraced by our customers, our results of operations could be adversely affected.

Competitors, especially cable television companies, in our consumer markets are subject to less stringent industry regulations, which could result in voice line and revenues losses in the future.

Cable television companies are generally subject to less stringent regulations than our consumer operations. Cable voice offerings and others are subject to fewer service quality and reporting requirements than our consumer operations, and their rates are generally not subject to regulation, unlike our consumer voice services. Our consumer areas also may be subject to “carrier of last resort” obligations, which generally obligate us to provide basic voice services to any person within our service area regardless of the profitability of the customer. Our competitors in these areas are not subject to such requirements.

Because of these regulatory disparities, we have less flexibility in our consumer markets than our competitors. This could result in accelerated voice line and revenue losses in the future.

Different interpretation and/or implementation of certain sections contained in the FCC's Intercarrier Compensation and Universal Service reform order could result in additional access revenue reductions.

The FCC's reform order adopted in 2011 provides that intrastate traffic that originates in VoIP format and is delivered by long distance carriers to us for termination will be assessed interstate access charges. During 2012, we coordinated with long distance carriers to transition to these reduced interstate access rates, and this transition resulted in further reductions on July 2, 2013.

In a subsequent order, the FCC determined that intrastate traffic we originate through the traditional telephone network and deliver to a customer served under a VoIP platform would be subject to interstate access charges beginning on July 1, 2014. As a result, we incurred additional access revenue reductions beginning on July 1, 2014. While we have petitioned the FCC to create a recovery mechanism, it has not yet done so. We expect additional reductions in intrastate originating access revenue as carriers report higher VoIP factors, but we cannot predict the impact at this time or whether some or all of the impact will be offset by an FCC recovery mechanism.

In 2015, we received approximately 6 percent of our revenues from state and federal USF, and any material adverse regulatory developments with respect to these funds could adversely affect our financial and operating condition.

We receive state and federal USF revenues to support the high cost of providing affordable telecommunications services in rural markets. Such support payments constituted approximately 6 percent of our revenues for the year ended December 31, 2015. Pending regulatory proceedings to reform state and federal USF programs and our implementation of those reforms could, depending on the outcome, materially reduce our USF revenues.

The FCC is implementing the Connect America Fund, which was adopted in 2011 and includes a short-term ("CAF Phase I") and a longer-term ("CAF Phase II") framework. Windstream has elected to participate in both programs. To obtain the available funding, which is greater than the amount Windstream received from the legacy federal universal service program, Windstream has committed to offer broadband to a certain number of locations at specified speeds in particular portions of its service areas. This will require substantial capital investment and large scale construction by Windstream in rural and hard-to-serve geography. Costs of either Phase could exceed estimates by a material amount. The scale and scope of the network buildout to meet the obligations is challenging and complex. If Windstream is not able to fulfill its commitments, it would be required to return some funding and may be subject to additional penalties.

At the state level, the Public Utility Commission ("PUC") in Texas, which is our largest source of universal service funding, recently adopted a rule that allows a provider to avoid statutorily mandated support reductions beginning in 2017 if the provider can make a showing of financial need. Under the financial needs test adopted by the Texas PUC, a provider can petition for continued support under a two-step process that considers the level of competition and a provider's expenses. Texas state USF revenues were $59.5 million in 2015. On December 28, 2015, we filed a petition for our Texas affiliate's large company support; this petition will be considered by the Texas PUC in a contested proceeding. We also may file petitions next year for continuation of small company support.

We are required to make contributions to state and federal USF programs each year. Most state and federal regulations allow us to recover these contributions by including a surcharge on our customers' bills. If state and/or federal regulations change, and we become ineligible to receive support, such support is reduced, or we become unable to recover the amounts we contribute to the state and federal USF programs from our customers, our results of operations and financial condition would be directly and adversely affected.

We may need to defend ourselves against lawsuits or claims that we infringe upon the intellectual property rights of others.

From time to time, we receive notices from third parties, or we are named in lawsuits filed by third parties, claiming we have infringed or are infringing upon their intellectual property rights. We may receive similar notices or be involved in similar lawsuits in the future. In certain situations, we may have the ability to seek indemnification from our vendors regarding these lawsuits or claims. If we cannot enforce our indemnification rights or if our vendors lack the financial means to indemnify us, these claims may require us to expend significant time and money defending our alleged use of the affected technology, may require us to enter into licensing agreements requiring one-time or periodic royalty payments that we would not otherwise have to pay or may require us to pay damages. If we are required to take one or more of these actions, it may result in an adverse impact to our results of operations and financial condition. In addition, in responding to these claims, we may be required to stop selling or redesign one or more of our products or services, which could adversely affect the way we conduct our business.

Weak economic conditions may decrease demand for our services.

We could be affected by economic conditions and downturns in the economy, especially in regards to our business customers. Downturns in the economy in the markets we serve could cause our existing customers to reduce their purchases of our services and make it difficult for us to obtain new customers.

Our relationships with other communications companies are material to our operations and their financial difficulties may adversely affect us.

We originate and terminate calls for long distance and other voice carriers over our network in exchange for access charges. These access charges represent a significant portion of our revenues. Additionally, we are making significant capital investments to deploy fiber-to-the-tower and other network services in return for long-term revenue generating contracts. If these carriers go bankrupt or experience substantial financial difficulties and we are unable to timely collect payments from them, it may have a negative effect on our results of operations and financial condition.

Key suppliers may experience financial difficulties that may affect our operations.

Windstream purchases a significant amount of equipment from key suppliers to maintain, upgrade and enhance our network facilities and operations. Should these suppliers experience financial difficulties, their issues could adversely affect our business through increased prices to source purchases through alternative vendors or unanticipated delays in the delivery of equipment and services purchased.

Adverse developments in our relationship with our employees could adversely affect our business, our results of operations and financial condition.

As of December 31, 2015, we had 1,533 employees, or approximately 12 percent of all of our employees, covered by collective bargaining agreements. Our relationship with these unions generally has been satisfactory.

We are currently party to 23 collective bargaining agreements and one National Pension Agreement with several unions, which expire at various times. Of our existing collective bargaining agreements, nine agreements covering approximately 500 employees are due to expire in 2016. In addition, the national pension agreement covers approximately 500 employees. This agreement expired in 2010 but has been extended indefinitely, subject to the right of Windstream or the unions to terminate the agreement with 30 days notice. Historically, we have succeeded in negotiating new collective bargaining agreements without work stoppages; however, no assurances can be given that we will succeed in negotiating new collective bargaining agreements to replace the expiring ones without work stoppages. Increases in organizational activity or any future work stoppages could have a material adverse effect on our business, our results of operations and financial condition.

Item 1B. Unresolved Staff Comments

No reportable information under this item.

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Item 2. Properties

Our property, plant and equipment consists primarily of land and buildings, office and warehouse facilities, central office equipment, software, outside plant and related equipment. Outside communications plant includes aerial and underground cable, conduit, poles and wires. Central office equipment includes digital switches and peripheral equipment. As such, our properties do not provide a basis for description by character or location of principal units. All of our property is considered to be in good working condition and suitable for its intended purpose.

Our gross investment in property, by category, as of December 31, 2015, was as follows:

(Millions)	Assets Owned by Windstream	Assets Leased from CS&L (a)	Total
Land	$14.8	$28.6	$43.4
Building and improvements	290.8	314.1	604.9
Central office equipment	6,013.0	0.9	6,013.9
Outside communications plant	1,500.3	5,745.0	7,245.3
Furniture, vehicles and other equipment	1,655.6	4.6	1,660.2
Total	$9,474.5	$6,093.2	$15,567.7

(a) In connection with the spin-off (see Note3), Windstream Holdings entered into a long-term triple-net master lease with CS&L to lease back the telecommunications network assets. For financial reporting purposes, the transaction was accounted for as a failed spin-leaseback. As a result, the net book value of the network assets transferred to CS&L continue to be reported in our consolidated balance sheet.

Certain of our properties are pledged as collateral to secure long-term debt obligations of Windstream Services. The obligations under Windstream Services' senior secured credit facility are secured by liens on all of the personal property assets and the related operations of our subsidiaries who are guarantors of the senior secured credit facility.

Item 3. Legal Proceedings

On February 9, 2015, a putative stockholder filed a Shareholder Class Action Complaint in the Delaware Court of Chancery, captioned Doppelt v. Windstream Holdings, Inc., et al., C.A. No. 10629-VCN, against the Company and its Board of Directors. This complaint was accompanied by a motion for a preliminary injunction seeking to enjoin the spin-off. The Court, ruling from the bench on February 19, 2015 - the day before a special meeting of stockholders was scheduled to vote on a reverse stock split and amended governing documents (the "Proposals") - denied plaintiff's motion for a preliminary injunction, reasoning that much of the information sought by plaintiff had been disclosed in public filings available on the United States Securities and Exchange Commission’s website, the Windstream Board was in no way conflicted, and while approval of the Proposals would facilitate the spin-off, approval was not necessary to effect the spin-off. On March 16, 2015, plaintiff, joined by a second putative Windstream stockholder, filed an Amended Shareholder Class Action Complaint alleging breaches of fiduciary duty by the Company and its Board concerning Windstream's disclosures and seeking to rescind the spin-off and unspecified monetary damages. On February 5, 2016, the Court granted in part and denied in part defendants' motion to dismiss the amended complaint. The Court dismissed Windstream, and plaintiffs' demand to rescind the spin-off, but otherwise denied the motion.

In addition, numerous copyright holders represented by RightsCorp have asserted that our customers have utilized our services to allegedly illegally download and share alleged copyrighted material via peer-to-peer or “filesharing” programs. These holders maintain that Windstream is responsible for alleged infringement because after notification, Windstream did not shut off service to customers alleged to be repeat infringers, and, further, that Windstream may not claim safe harbor pursuant to the Digital Millennium Copyright Act of 1998.

We believe that we have valid defenses to both the lawsuit and the alleged infringement claim, and we plan to vigorously defend the pursuit of both matters. While the ultimate resolution of the matters is not currently predictable, if there are adverse rulings against Windstream in either of these two matters, either ruling could constitute a material adverse outcome on the future consolidated results of our income, cash flows, or financial condition.

We are party to various legal proceedings, including certain lawsuits claiming infringement of patents relating to various aspects of our business. In certain of the patent matters, other industry participants are also parties, and we may have claims of indemnification against vendors/suppliers. The ultimate resolution of these legal proceedings cannot be determined at this time. However, based on current circumstances, management does not believe such proceedings, individually or in the aggregate, will have a material adverse effect on the future consolidated results of our income, cash flows or financial condition.

Finally, management is currently not aware of any environmental matters, individually or in the aggregate, that would have a material adverse effect on our consolidated financial condition or results of our operations.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information, Holders and Dividends

(a) Our common stock is traded on the NASDAQ Global Select Market under the symbol "WIN." The following table reflects the range of high, low and closing prices of our common stock as reported by Dow Jones & Company, Inc. for each quarter in 2015 and 2014. The stock prices and dividends declared presented below have been adjusted for the one-for-six reverse stock split of our common stock effected on April 26, 2015:

Year	Quarter	High	Low	Close	Dividend Declared	
2015 (1)	4th	$7.76	$5.52	$6.44	$0.15	
	3rd	$8.09	$4.42	$6.14	$0.15	
	2nd	$50.82	$6.10	$6.38	$0.51	(2)
	1st	$53.94	$43.38	$44.40	$1.50	
2014 (1)	4th	$65.82	$49.32	$49.44	$1.50	
	3rd	$79.80	$58.98	$64.68	$1.50	
	2nd	$61.32	$49.44	$59.76	$1.50	
	1st	$50.70	$43.08	$49.44	$1.50	

(1) On April 24, 2015, we completed the spin-off of CS&L. The closing price of our common stock on April 24, 2015 was $46.98, and the opening price on April 27, 2015, the first trading date following consummation of the spin-off, was $11.72.

(2) On April 24, 2015, we made a cash distribution of $.3954 per share (or $.0659 per share on a pre-spin-off/pre-reverse split basis) to our stockholders of record on April 10, 2015. On May 5, 2015, we declared a cash dividend of $.1104 per share on our common stock, which is equivalent of a prorated per share quarterly dividend for the period beginning April 25, 2015 and ending June 30, 2015, which was payable on July 15, 2015 to shareholders of record on June 30, 2015.

As of February 22, 2016, the approximate number of holders of common stock, including an estimate for those holding shares in street name, was 284,493.

For a discussion of certain restrictions on our ability to pay dividends under Windstream Services' debt instruments, see Management's Discussion and Analysis of Financial Condition and Results of Operations, Financial Condition, Liquidity and Capital Resources in the Financial Supplement to this Annual Report on Form 10-K.

(b) Not applicable.

(c) Not applicable.

Stock Performance

Set forth below is a line graph showing comparisons of annual stockholder returns since December 31, 2010. The graph includes the total cumulative stockholder returns on our common stock, and comparative returns on the S&P 500 Stock Index and the S&P Telecom Index. The S&P Telecom Index consists of the following companies: AT&T Inc., CenturyLink, Inc., Crown Castle International Corp., Frontier Communications Corp., Sprint Communications, Inc., T-Mobile US, Inc., Verizon Communications Inc., Windstream Holdings, Inc. The graph and table below provide the cumulative change of $100.00 invested on December 31, 2010, including reinvestment of dividends, for the periods indicated.

Total Cumulative Shareholder Returns

	2010	2011	2012	2013	2014	2015
Windstream	$100.00	$91.29	$71.21	$77.60	$89.23	$54.87
S&P 500	$100.00	$102.11	$118.43	$156.77	$178.22	$180.66
S&P Telecom	$100.00	$106.27	$125.72	$140.14	$144.33	$149.24

Notes to Comparative Shareholder Return:

- On April 24, 2015, Windstream completed the spin-off and distribution of CS&L. As a result, Windstream Holdings shareholders received one share of CS&L common stock for every five shares of Windstream Holdings common stock owned. The return calculation for 2015 assumes that the dollar value of the CS&L shares distributed in connection with the spin-off was reinvested in Windstream Holdings common stock on April 27, 2015. The dollar value of the CS&L shares distributed is based on a price per share of CS&L of $28.60, which was the closing price of CS&L in the “when issued” market on April 24, 2015. The dollar value of the CS&L shares distributed was assumed to be reinvested at a price per share of Windstream Holdings common stock of $10.61, which was the closing price on April 27, 2015.

Notes to Comparative Shareholder Return, Continued:

- The comparative shareholder return chart is presented in accordance with SEC rules, which treats the CS&L distribution as a dividend that is reinvested back into Windstream Holdings common stock. We believe a more accurate view of shareholder return would treat the distribution of CS&L shares as a one-time, special cash distribution that is not reinvested back into Windstream Holdings common stock. Under this methodology, Windstream Holdings' total shareholder return would have been (11) percent during 2015, and the ending value of the investment in Windstream would have been $79.39 versus $54.87 reflected in the chart.

The foregoing performance graph contained in Item 5 shall not be deemed to be soliciting material or be filed with the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

Securities Authorized for Issuance Under Equity Compensation Plans

Under our share-based compensation plans, we may issue restricted stock and other equity securities to directors, officers and other key employees. The maximum number of shares available for issuance under the Windstream 2006 Amended and Restated Equity Incentive Plan is 9.1 million shares and under the PAETEC Holding Corp. 2011 Omnibus Incentive Plan is approximately 0.4 million shares.

The following table sets forth information about our equity compensation plans as of December 31, 2015:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights [a]	Weighted-average exercise price of outstanding options, warrants and rights [b]	Number of securities remaining available for future issuance under equity compensation plans [c] (excluding securities reflected in column [a])	
Equity compensation plans not approved by security holders	1,150,712	$8.62	395,350	(1)
Equity compensation plans approved by security holders	—	—	9,088,011	(2)
Total	1,150,712	$8.62	9,483,361	

(1) Includes shares available under the Amended and Restated PAETEC Holding Corp. 2011 Omnibus Incentive Plan.
(2) The Amended and Restated Windstream 2006 Equity Incentive Plan.

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Unregistered Sales of Equity Securities and Use of Proceeds

On August 5, 2015, our board of directors authorized a stock repurchase program of up to $75.0 million to be completed by December 31, 2016. Under the repurchase plan, we may repurchase shares, from time to time, on the open market. Information associated with this plan for the fourth quarter of 2015 is included in the following table:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Dollar Value that May Yet Be Purchased Under the Plan (Millions)
October 1 - 30, 2015	—	—	—	$55.0
November 1 - 30, 2015	2,310,143	5.89	2,307,076	$41.4
December 1 - 31, 2015	2,064,514	6.23	2,015,034	$28.8
Total	4,374,657	$6.05	4,322,110	

(1) Includes 52,547 shares that were not part of our publicly announced share repurchase program. These shares represent shares which were withheld for tax payments due upon the vesting of employee restricted stock awards, and do not reduce the dollar value that may yet be purchased under our publicly announced share repurchase program. We intend to continue to satisfy statutory minimum tax withholding obligations in connection with the vesting of outstanding restricted stock through the withholding of shares.

Item 6. Selected Financial Data

For information pertaining to our Selected Financial Data, refer to page F-33 of the Financial Supplement, which is incorporated by reference herein.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

For information pertaining to Management’s Discussion and Analysis of our Financial Condition and Results of our Operations, refer to pages F-2 to F-32 of the Financial Supplement, which is incorporated by reference herein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information pertaining to our market risk disclosures, refer to page F-27 of the Financial Supplement, which is incorporated by reference herein.

Item 8. Financial Statements and Supplementary Data

For information pertaining to our Financial Statements and Supplementary Data, refer to pages F-39 to F-99 of the Financial Supplement, which is incorporated by reference herein.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The term “disclosure controls and procedures” (defined in Exchange Act Rule 13a-15(e)) refers to the controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 (the “Exchange Act”) is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Windstream Holdings’ and Windstream Services’ disclosure controls and procedures as of the end of the period covered by these annual reports (the “Evaluation Date”). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, such disclosure controls and procedures were effective.

(b) Management’s report on internal control over financial reporting.

Management’s Report on Internal Control Over Financial Reporting, which appears on page F-36 of the Financial Supplement, is incorporated by reference herein.

(c) Changes in internal control over financial reporting.

The term “internal control over financial reporting” (defined in Exchange Act Rule 13a-15(f)) refers to the process designed by, or under the supervision of, our principal executive and principal financial officers, or persons performing similar functions, and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

1. Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

2. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

3. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated any changes in Windstream Holdings’ and Windstream Services’ internal control over financial reporting that occurred during the period covered by these annual reports, and they have concluded that there were no changes to our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

No reportable information under this item.

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Item 10. Directors, Executive Officers, and Corporate Governance

For information pertaining to our Directors refer to "Proposal No. 1 – Election of Directors" in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference. For information pertaining to the Audit Committee financial expert and corporate governance refer to "Board and Board Committee Matters" in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference. For information pertaining to the Audit Committee, refer to "Audit Committee Report" in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

Our executive officers as of December 31, 2015, were as follows:

Name	Business Experience	Age
Anthony W. Thomas	President and Chief Executive Officer of Windstream since December 12, 2014; Chief Financial Officer of Windstream from August 2013 to December 2014; Chief Financial Officer and Treasurer of Windstream from May 2012 to August 2013; Chief Financial Officer of Windstream from August 2009 to May 2012; Controller of Windstream from July 2006 to August 2009.	44
Robert E. Gunderman	Chief Financial Officer of Windstream since June 2015; Chief Financial Officer and Treasurer of Windstream from December 12, 2014 to June 2015; Senior Vice President - Financial Planning and Treasurer of Windstream from August 2013 to December 2014; Senior Vice President - Financial Planning and Treasury of Windstream from June 2012 to August 2013; Vice President - Financial Planning of Windstream from August 2008 to June 2012.	43
John P. Fletcher	Executive Vice President and General Counsel of Windstream since January 2015; Executive Vice President, General Counsel and Secretary of Windstream from July 2006 to January 2015.	50
James David Works, Jr.	President - Enterprise of Windstream since December 12, 2014; Executive Vice President and Chief Human Resources Officer of Windstream from February 2012 to December 2014; Senior Vice President and President, Talent and Human Capital Services of Sears Holdings Corp. from September 2009 to January 2012.	48
John C. Eichler	Vice President and Controller of Windstream since August 10, 2009; Vice President of Internal Audit from July 2006 to August 2009.	44

We have a code of ethics that applies to all employees and members of the Board of Directors. Our code of ethics, referred to as the "Working with Integrity" guidelines, is posted on the Investor Relations page on our web site (www.windstream.com) under "Corporate Governance". We will disclose in the "Corporate Governance" section of the Investor Relations page on our web site amendments and waivers with respect to the Code of Ethics that would otherwise be required to be disclosed under Item 5.05 of Form 8-K. We will provide to any stockholder a copy of the foregoing information, without charge, upon written request to Investor Relations, Windstream, 4001 Rodney Parham Road, Little Rock, Arkansas 72212.

For information regarding compliance with Section 16(a) of the Exchange Act, refer to "Section 16 (a) Beneficial Ownership Reporting Compliance" in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

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Item 11. Executive Compensation

For information pertaining to Executive Compensation, refer to “Compensation Discussion and Analysis” in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information pertaining to beneficial ownership of our securities and director independence, refer to “Security Ownership of Directors and Executive Officers”, “Security Ownership of Certain Beneficial Owners” and “Board and Board Committee Matters” in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which are incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For information pertaining to Certain Relationships and Related Transactions, refer to “Relationships and Certain Related Transactions” in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

For information pertaining to fees paid to our principal accountant and the Audit Committee’s pre-approval policy and procedures with respect to such fees, refer to “Audit and Non-Audit Fees” in our Proxy Statement for our 2016 Annual Meeting of Stockholders, which is incorporated herein by reference.

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Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this report:

Financial Statements:

1. Our Consolidated Financial Statements are included in the Financial Supplement, which is incorporated by reference herein:

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WINDSTREAM HOLDINGS, INC.	WINDSTREAM SERVICES, LLC
(Registrant)	(Registrant)

By /s/ Anthony W. Thomas Date: February 25, 2016
Anthony W. Thomas, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/ Robert E. Gunderman Date: February 25, 2016
Robert E. Gunderman, Chief Financial Officer (Principal Financial Officer)

By /s/ Anthony W. Thomas February 25, 2016
Anthony W. Thomas, President and Chief Executive Officer

By /s/ John C. Eichler February 25, 2016
John C. Eichler, Vice President and Controller (Principal Accounting Officer)

*Carol B. Armitage, Director

*Samuel E. Beall, III, Director

Jeannie Diefenderfer, Director

*Jeffrey T. Hinson, Director

*Judy K. Jones, Director

*William G. LaPerch, Director

Larry Laque, Director

*William A. Montgomery, Director

*Michael G. Stoltz, Director

*Alan L. Wells, Director

By /s/ Kristi M. Moody
* (Kristi M. Moody,
Attorney-in-fact)

February 25, 2016

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WINDSTREAM HOLDINGS, INC.
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF
THE REGISTRANT (PARENT COMPANY)

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Millions)	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014	For the period of August 30, 2013 (date of formation) to December 31, 2013
Operating revenues:			
Leasing income from subsidiaries	$446.0	$—	$—
Total operating revenues	446.0	—	—
Costs and expenses:			
Selling, general and administrative	2.0	2.3	0.5
Depreciation expense	239.7	—	—
Total costs and expenses	241.7	2.3	0.5
Operating income (loss)	204.3	(2.3)	(0.5)
Interest expense on long-term lease obligation with CS&L	(351.6)	—	—
Loss before income taxes and equity in subsidiaries	(147.3)	(2.3)	(0.5)
Income tax benefit	(57.0)	(0.9)	(0.2)
Loss before equity in subsidiaries	(90.3)	(1.4)	(0.3)
Equity earnings (losses) from subsidiaries	117.7	(38.1)	137.6
Net income (loss)	$27.4	$(39.5)	$137.3
Comprehensive (loss) income	$(269.1)	$(55.9)	$134.4

See Notes to Condensed Financial Information (Parent Company) and Notes to Consolidated Financial Statements of Windstream Holdings, Inc. and Subsidiaries included in the Financial Supplement

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WINDSTREAM HOLDINGS, INC.
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF
THE REGISTRANT (PARENT COMPANY)

BALANCE SHEETS
(Millions, except par value)

Assets	2015	2014
Current Assets:		
Distributions receivable from Windstream Services	$15.1	$152.4
Total current assets	15.1	152.4
Investment and affiliate related balances	2,009.5	224.8
Net property, plant and equipment	2,301.3	—
Deferred income taxes	1,076.0	—
Total Assets	$5,401.9	$377.2
Liabilities and Shareholders’ Equity		
Current liabilities:		
Accrued dividends	$15.1	$152.4
Current portion of long-term lease obligation	152.7	—
Total current liabilities	167.8	152.4
Long-term lease obligation	4,927.7	—
Total liabilities	5,095.5	152.4
Shareholders’ Equity:		
Common stock, $0.0001 par value, 166.7 shares authorized, 96.7 and 100.5 shares issued and outstanding	—	—
Additional paid-in capital	602.9	252.2
Accumulated other comprehensive (loss) income	(284.4)	12.1
Accumulated deficit	(12.1)	(39.5)
Total shareholders’ equity	306.4	224.8
Total Liabilities and Shareholders’ Equity	$5,401.9	$377.2

See Notes to Condensed Financial Information (Parent Company) and Notes to Consolidated Financial Statements of Windstream Holdings, Inc. and Subsidiaries included in the Financial Supplement

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WINDSTREAM HOLDINGS, INC.
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF
THE REGISTRANT (PARENT COMPANY)

STATEMENTS OF CASH FLOWS

(Millions)	For the Year Ended December 31, 2015	For the Year Ended December 31, 2014	For the period of August 30, 2013 (date of formation) to December 31, 2013
Cash Provided from Operations:			
Net income (loss)	$27.4	$(39.5)	$137.3
Adjustments to reconcile net income (loss) to net cash provided from operations:			
Equity (earnings) losses from subsidiaries	(117.7)	38.1	(137.6)
Depreciation expense	239.7	—	—
Deferred income taxes	(56.2)	—	—
Changes in operating assets and liabilities, net:			
Other current assets	—	—	(0.1)
Net cash provided from (used in) operating activities	93.2	(1.4)	(0.4)
Cash Flows from Investing Activities:			
Additions to property, plant and equipment	(43.1)	—	—
Net cash used in investing activities	(43.1)	—	—
Cash Flows from Financing Activities:			
Distributions from Windstream Services	416.6	603.6	149.4
Funding received from CS&L	43.1	—	—
Dividends paid to shareholders	(369.2)	(602.2)	(149.0)
Stock repurchases	(46.2)	—	—
Payments under long-term lease obligation	(94.4)	—	—
Net cash (used in) provided from financing activities	(50.1)	1.4	0.4
Change in cash and cash equivalents	—	—	—
Cash and Cash Equivalents:			
Beginning of period	—	—	—
End of period	$—	$—	$—

See Notes to Condensed Financial Information (Parent Company) and Notes to Consolidated Financial Statements of Windstream Holdings, Inc. and Subsidiaries included in the Financial Supplement

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WINDSTREAM HOLDINGS, INC.
SCHEDULE I - CONDENSED FINANCIAL INFORMATION OF
THE REGISTRANT (PARENT COMPANY)

Background and Basis of Presentation: Notwithstanding the accounting treatment for the spin-off transaction as further discussed below, following its formation on August 30, 2013, Windstream Holdings, Inc. (“Windstream Holdings”) has no material assets or operations other than its ownership in Windstream Services, LLC (“Windstream Services”), formerly Windstream Corporation, and its subsidiaries. Effective February 28, 2015, Windstream Corporation was converted to a limited liability company. Following the conversion Windstream Holdings owns a 100 percent interest in Windstream Services.

On April 24, 2015, Windstream Holdings completed the spin-off of certain telecommunications network assets and other real estate, into an independent, publicly traded real estate investment trust, Communications Sales & Leasing, Inc. (“CS&L”). Immediately prior to the effective time of the spin-off, Windstream Services and its subsidiaries contributed the network assets to Windstream Holdings for distribution to CS&L. The telecommunications network assets consisted of copper cable and fiber optic cable lines, telephone poles, underground conduits, concrete pads, attachment hardware (e.g., bolts and lashings), pedestals, guy wires, anchors, signal repeaters, and central office land and buildings, with a net book value of approximately $2.5 billion at the time of spin-off. Following the spin-off transaction, on April 24, 2015, Windstream Holdings entered into a long-term triple-net master lease with CS&L to lease back the telecommunications network assets. Due to various forms of continuing involvement, including Windstream Services or its subsidiaries, retaining bare legal title (but not beneficial ownership) to the various easements, permits and pole attachments related to the telecommunications network assets, the transaction was accounted for as a failed spin-leaseback for financial reporting purposes. As a result, the accompanying condensed parent company financial statements include the telecommunications network assets and other real estate assets, the long-term lease obligation associated with the master lease and the related deferred income taxes. As the master lease was entered into by Windstream Holdings for the direct benefit of Windstream Services and its subsidiaries, Windstream Services is also deemed to have continuing involvement due to retaining its regulatory obligations associated with operating the telecommunications network assets. Accordingly, the effects of the failed spin-leaseback transaction have also been reflected in the standalone consolidated financial statements of Windstream Services (collectively referred to as “CS&L spin transactions”).

Certain covenants within Windstream Services’ senior secured credit facility may restrict its ability to distribute funds to Windstream Holdings in the form of dividends, loans or advances. Accordingly, these condensed financial statements of Windstream Holdings have been presented on a “Parent Only” basis. Under this basis of presentation, Windstream Holdings’ investment in its consolidated subsidiaries are presented under the equity method of accounting. Amounts reflected in these condensed parent company financial statements for investment and affiliated related balances and equity earnings from subsidiaries have been adjusted to account for the effects of the telecommunications network assets, long-term lease obligation, depreciation expense, principal and interest payments on the long-term lease obligation and related income tax effects that are also included in the net income and equity of Windstream Services. Equity income (losses) from subsidiaries for 2015 includes $89.1 million of intercompany income related to the CS&L spin transactions.

On April 24, 2015, Windstream Holdings amended its certificate of incorporation to decrease the number of authorized shares of common stock from 1.0 billion to 166.7 million and enacted a one-for-six reverse stock split with respect to all outstanding shares of common stock which became effective April 26, 2015. Share data of Windstream Holdings has been retrospectively adjusted to reflect the decrease in authorized shares and the reverse stock split.

The condensed parent company financial statements should be read in conjunction with the consolidated financial statements and notes of Windstream Holdings and subsidiaries included in the Financial Supplement to this Annual Report on Form 10-K.

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WINDSTREAM HOLDINGS, INC.
WINDSTREAM SERVICES, LLC
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
(Millions)

Column A	Column B	Column C				Column D		Column E
		Additions						
Description	Balance at Beginning of Period	Charged to Cost and Expenses		Charged to Other Accounts		Deductions		Balance at End of Period
Allowance for doubtful accounts, customers and others:								
For the years ended:								
December 31, 2015	$43.4	$47.1		$—		$57.4	(a)	$33.1
December 31, 2014	$40.0	$54.8		$—		$51.4	(a)	$43.4
December 31, 2013	$42.6	$63.5		$—		$66.1	(a)	$40.0
Valuation allowance for deferred tax assets:								
For the years ended:								
December 31, 2015	$94.9	$3.8		$75.4	(b)	$26.2	(c)	$147.9
December 31, 2014	$84.9	$10.0		$—		$—		$94.9
December 31, 2013	$85.9	$7.1		$—		$8.1	(d)	$84.9
Accrued liabilities related to merger, integration and restructuring charges:								
For the years ended:								
December 31, 2015	$11.2	$115.7	(e)	$—		$121.8	(h)	$5.1
December 31, 2014	$14.0	$76.3	(f)	$—		$79.1	(h)	$11.2
December 31, 2013	$20.1	$38.8	(g)	$—		$44.9	(h)	$14.0

Notes:

(a) Accounts charged off net of recoveries of amounts previously written off.

(b) Reflects adjustment to valuation allowances on net operating loss carryforwards due to the effects of the REIT spin-off, which was charged to additional paid-in capital.

(c) Reduction of valuation allowances on net operating loss carryforwards due to the effects of the reorganization of certain subsidiaries to limited liability companies completed during the first quarter of 2015.

(d) Reversal of valuation allowances on net operating loss carryforwards realized due to the sale of Pinnacle Software Company and on capital loss carryforwards realized as a result of capital gains recognized.

(e) Costs primarily consist of charges incurred related to the REIT spin-off, the sale of our data center business and charges related to a network optimization project designed to consolidate traffic onto network facilities operated by us and reduce the usage of other carriers' networks, including service areas acquired in the PAETEC acquisition. Restructuring charges primarily include severance and other employee benefit costs resulting from workforce reductions completed during the year and costs incurred related to a special shareholder meeting.

(f) Costs primarily consist of charges for various information technology conversions, consulting fees and other expenses incurred related to the REIT spin-off and severance and other employee benefit costs resulting from workforce reductions completed during the year.

(g) Costs primarily represent charges related to information technology conversions and network efficiency projects.

(h) Represents cash outlays for merger, integration and restructuring costs.

See Note 10, “Merger, Integration and Restructuring Charges”, to the consolidated financial statements on page F-82 in the Financial Supplement, which is incorporated herein by reference, for additional information regarding the merger, integration and restructuring charges recorded by us in 2015, 2014 and 2013.

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EXHIBIT INDEX

Number and Name		
2.1	Agreement and Plan of Merger, dated August 29, 2013, by and among Windstream Corporation, Windstream Holdings, Inc., and WIN Merger Sub, Inc. (incorporated herein by reference to Exhibit 2.1 to Windstream Holdings, Inc.'s Form 8-K dated August 30, 2013).	*
2.2	Separation and Distribution Agreement, dated as of March 26, 2015, by and among Windstream Holdings, Inc., Windstream Services, LLC and Communications Sales & Leasing, Inc. (incorporated herein by reference to Exhibit 2.1 to Windstream Holdings, Inc's and Windstream Services, LLC's Form 8-K dated March 26, 2015).	*
3.1	Amended and Restated Certificate of Incorporation of Windstream Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to Windstream Holdings, Inc.'s Form 8-K dated August 30, 2013).	*
3.2	Certificate of Amendment to Windstream Holdings, Inc.'s Restated Certificate of Incorporation, filed with the Secretary of State of the State of Delaware on April 24, 2015 and effective on April 26, 2015 (incorporated herein by reference to Exhibit 3.1 to Windstream Holdings, Inc.'s Form 8-K dated April 27, 2015).	*
3.3	Amended and Restated Bylaws of Windstream Holdings, Inc. (incorporated herein by reference to Exhibit 3.2 to Windstream Holdings, Inc.'s Form 8-K dated August 30, 2013).	*
3.4	Second Amended and Restated Bylaws of Windstream Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to Windstream Holdings, Inc.'s Form 8-K dated February 14, 2014).	*
3.5	Third Amended and Restated Bylaws of Windstream Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to Windstream Holdings, Inc.'s Form 8-K dated November 19, 2015).	*
3.6	Amended and Restated Certificate of Incorporation of Windstream Corporation (incorporated	