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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): May 4, 2016 (April 28, 2016)**

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**Communications Sales & Leasing, Inc.**  
(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-36708**  
(Commission  
File Number)

**46-5230630**  
(IRS Employer  
Identification No.)

**10802 Executive Center Drive**  
**Benton Building Suite 300**  
**Little Rock, Arkansas**  
(Address of principal executive offices)

**72211**  
(Zip Code)

**Registrant's telephone number, including area code: (501) 850-0820**

**Not Applicable**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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## **Item 1.01 Entry into a Material Definitive Agreement**

The disclosures set forth in Item 2.01 hereof are hereby incorporated by reference into this Item 1.01.

## **Item 2.01 Financial Statements and Exhibits**

On May 2, 2016 (the “Closing Date”), Communications Sales & Leasing, Inc., a Maryland corporation (“CS&L”) consummated the transactions contemplated by that certain Agreement and Plan of Merger, dated as of January 7, 2016 (the “Merger Agreement”), by and among CS&L, CSL Bandwidth Inc., a Delaware corporation and an indirect wholly owned subsidiary of CS&L (“Purchaser”), Penn Merger Sub, LLC, a Delaware limited liability company and wholly owned subsidiary of Purchaser (“Merger Sub”), PEG Bandwidth, LLC, a Delaware limited liability company (“PEG Bandwidth”), PEG Bandwidth Holdings, LLC, a Delaware limited liability company and the controlling equityholder of PEG Bandwidth (“PEG Holdings”), and PEG Holdings, in the capacity as representative of the equityholders of PEG Bandwidth.

Pursuant to the Merger Agreement, on the Closing Date, Merger Sub merged with and into PEG Bandwidth (the “Merger”), with PEG Bandwidth surviving as a wholly owned subsidiary of Purchaser. At the effective time of the Merger, the outstanding equity interests of PEG Bandwidth were converted into the right to receive a portion of the following aggregate merger consideration: (i) \$315,000,000 in cash (the “Cash Consideration”), (ii) 1,000,000 shares of the common stock, par value \$0.0001 of CS&L (the “Common Stock”) and (iii) 87,500 shares of 3.00% Series A Convertible Preferred Stock of CS&L (the “Convertible Preferred Stock”).

Pursuant to the terms of the Merger Agreement, the Common Stock and Convertible Preferred Stock issued in connection with the Merger were issued without registration under the Securities Act of 1933, as amended (the “Securities Act”), in reliance on the private offering exemption provided by Section 4(a)(2) thereof. Contemporaneously with the consummation of the Merger, CS&L and Peg Holdings, the only former equityholder of PEG Bandwidth that received Common Stock and Convertible Preferred Stock in the Merger, entered into a Stockholders’ Agreement and Registration Rights Agreement dated May 2, 2016 (the “Stockholders’ Agreement”).

The Stockholders’ Agreement provides PEG Holdings with certain rights, exercisable after the second anniversary of the Closing, to cause CS&L to register the Common Stock issued pursuant to the Merger Agreement, or issued upon conversion of the Convertible Preferred Stock, under the Securities Act, upon the demand by PEG Holdings and in connection with other offerings of CS&L Common Stock. Such registration rights are subject to certain customary limitations, including on the size of the offering, number of demand registrations exercisable per year and in relation to certain blackout periods.

The foregoing description of the Merger Agreement, the Stockholders’ Agreement and the transactions contemplated thereby does not purport to be complete and is subject to and qualified in its entirety by reference to the Merger Agreement, a copy of which is attached as Exhibit 2.1 to CS&L’s Current Report on Form 8-K filed with the Securities and Exchange Commission (“SEC”) on January 12, 2016 and incorporated by reference herein, and the Stockholders’ Agreement, a copy of which is filed as Exhibit 10.1 to this Current Report on Form 8-K and incorporated by reference herein.

## **Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant**

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In connection with the Merger, CS&L drew down approximately \$321,000,000 (the “Borrowing”) under its \$500 million revolving credit facility (the “Revolving Credit Facility”). The proceeds of the Borrowing, together with cash on hand, were used to: (i) pay all of the Cash Consideration payable for the Merger and (ii) pay other costs and expenses incurred in connection with the Merger. Following the draw down, CS&L has approximately \$179,000,000 of unutilized borrowing capacity under the Revolving Credit Facility. A summary of the material terms of the Revolving Credit Facility and borrowings thereunder is included in CS&L’s Current Report on Form 8-K filed with the SEC on April 27, 2015 and is incorporated herein by reference.

### **Item 3.03 Material Modification to Rights of Security Holders**

On April 28, 2016, CS&L filed with the State Department of Assessments and Taxation of the State of Maryland (“SDAT”) Articles Supplementary to CS&L’s Articles of Amendment and Restatement (the “Articles Supplementary”) designating 87,500 shares of CS&L’s authorized but unissued preferred stock, par value \$0.0001 per share, as shares of Convertible Preferred Stock, with the powers, designations, preferences and other rights as set forth therein. On April 29, 2016, CS&L filed with the SDAT Articles of Amendment to the Articles Supplementary to modify certain dates set forth therein to correspond with the Closing Date of the Merger. The Articles Supplementary, as so amended, are referred to herein as the “Articles Supplementary.”

As more fully described in the Articles Supplementary, the Convertible Preferred Stock ranks, with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolution or winding up of CS&L’s affairs, senior to all classes or series of CS&L Common Stock, and to any other class or series of CS&L shares expressly designated as ranking junior to the Convertible Preferred Stock.

As set forth in the Articles Supplementary, CS&L will pay cumulative dividends on each share of the Convertible Preferred Stock at a rate of 3.00% per annum on the initial liquidation preference of \$1,000 per share. Dividends will accrue and cumulate from the date of issuance and, to the extent that CS&L is legally permitted to pay dividends and its Board of Directors (the “Board”) declares a dividend payable, CS&L will pay dividends quarterly in cash.

Each share of Convertible Preferred Stock will automatically convert on May 1, 2024, if not earlier converted, repurchased or redeemed. Prior to June 1, 2019, the Convertible Preferred Stock will be convertible only upon the occurrence of specified events set forth in the Articles Supplementary. Thereafter, holders may convert their Convertible Preferred Stock at any time. CS&L will settle conversions of the Convertible Preferred Stock by paying or delivering, as the case may be, cash, Common Stock or a combination thereof, at its election. Upon any conversion, CS&L will deliver consideration per share of Convertible Preferred Stock worth the greater of the liquidation preference and the value of a number of shares of Common Stock equal to the conversion rate of 28.5714 shares of Common Stock (which is subject to adjustment for certain dilutive events). If, upon any conversion, CS&L elects to satisfy such conversion with shares of Common Stock (in whole or in part), the number of shares of Common Stock issuable by CS&L per share of Convertible Preferred Stock will be capped at 19.9% of CS&L’s outstanding share count as of the Closing Date, *divided by* the 87,500 shares of Convertible Preferred Stock issued (the “Share Cap”) and, in a mandatory conversion at maturity, CS&L must pay cash in respect of any shares of Common Stock not delivered as a result of the Share Cap.

If CS&L undergoes a change of control (as defined in the Articles Supplementary), holders may require CS&L to repurchase all or part of their Convertible Preferred Stock at a purchase price equal to 100% of the liquidation preference of the shares to be repurchased (payable in cash, Common Stock or a combination thereof, at CS&L’s election, subject to the Share Cap but with cash payable in lieu of any shares of Common Stock not delivered as a result of the Share Cap), *plus* an amount in cash equal to

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accumulated and unpaid dividends. In addition, in certain circumstances, CS&L may be required to increase the conversion rate for any Convertible Preferred Stock converted in connection with a make-whole fundamental change (as defined in the Articles Supplementary).

Prior to July 5, 2019, CS&L will not have the right to redeem the Convertible Preferred Stock. Thereafter, CS&L may redeem the Convertible Preferred Stock, in whole or in part, at a redemption price equal to 100% of the liquidation preference of the shares to be redeemed (payable in cash, Common Stock or a combination thereof, at CS&L's election, subject to the Share Cap but with cash payable in lieu of any shares of Common Stock not delivered as a result of the Share Cap), *plus* an amount in cash equal to accumulated and unpaid dividends.

Except as required by law or the Articles Supplementary, the holders of Convertible Preferred Stock have no voting rights (other than with respect to certain matters regarding the Convertible Preferred Stock). When dividends payable on the Convertible Preferred Stock have not been paid for an aggregate of six quarterly dividend periods or more, whether or not consecutive, the holders of the Convertible Preferred Stock will have the right to elect one additional member to CS&L's Board.

The foregoing description of the Articles Supplementary, does not purport to be complete and is subject to and qualified in its entirety by reference to the Articles Supplementary, a copy of which is attached as Exhibit 4.1 to this Current Report on Form 8-K and incorporated by reference herein.

**Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year**

The disclosures set forth in Item 3.03 hereof are hereby incorporated by reference into this Item 5.03.

**Item 9.01 Financial Statements and Exhibits**

(a) Financial statements of businesses acquired.

The audited consolidated financial statements of PEG Bandwidth, LLC as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 are filed as Exhibit 99.1 to Current Report on Form 8-K.

(b) Pro forma financial information.

CS&L's unaudited pro forma condensed combined financial statements as of and for the year ended December 31, 2015 giving effect to the acquisition of PEG Bandwidth, LLC are filed as Exhibit 99.2 hereto.

(d) The following exhibits are included with this Current Report:

<b>Exhibit No.</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of January 7, 2016, by and among Communications Sales & Leasing, Inc., CSL Bandwidth Inc., Penn Merger Sub, LLC, PEG Bandwidth, LLC, PEG Bandwidth Holdings, LLC and PEG Bandwidth Holdings, LLC as Unitholders' Representative (incorporated by reference to Exhibit 2.1 to CS&L's Current Report on Form 8-K dated and filed with the SEC as of January 12, 2016 (File No. 001-36708))

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- 4.1\* Articles Supplementary for 3.00% Series A Convertible Preferred Stock, as amended
- 10.1\* Stockholders' and Registration Rights Agreement dated May 2, 2016
- 23.1\* Consent of Independent Registered Public Accounting Firm
- 99.1\* PEG Bandwidth, LLC Audited Consolidated Financial Statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015
- 99.2\* Unaudited Pro Forma Condensed Combined Financial Statements of Communications Sales & Leasing, Inc. as of and for the year ended December 31, 2015

\* Filed herewith.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 4, 2016

COMMUNICATIONS SALES & LEASING, INC.

By: /s/ Daniel L. Heard

Name: Daniel L. Heard

Title: Executive Vice President – General  
Counsel and Secretary

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## EXHIBIT INDEX

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99.2*	Unaudited Pro Forma Condensed Combined Financial Statements of Communications Sales & Leasing, Inc. as of and for the year ended December 31, 2015

\* Filed herewith.

## COMMUNICATIONS SALES &amp; LEASING, INC.

ARTICLES SUPPLEMENTARY ESTABLISHING AND FIXING THE  
PREFERENCES, RIGHTS AND LIMITATIONS OF  
3.00% SERIES A CONVERTIBLE PREFERRED STOCK

Communications Sales & Leasing, Inc., a Maryland corporation (the “**Corporation**”), hereby certifies to the State Department of Assessments and Taxation of Maryland (the “**SDAT**”) that:

**FIRST:** Pursuant to the authority conferred upon the Board of Directors of the Corporation (the “**Board of Directors**”) by Article Five of the charter of the Corporation (the “**Charter**”) and Section 2-208 of the Maryland General Corporation Law (the “**MGCL**”), the Board of Directors (a) has reclassified and designated 87,500 shares of the authorized but unissued Preferred Stock of the Corporation, par value \$0.0001 per share (the “**Preferred Stock**”) as a series of Preferred Stock designated as “3.00% Series A Convertible Preferred Stock”, with the following preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption and (b) has authorized the filing of these Articles Supplementary (the “**Articles Supplementary**”) with the SDAT containing the information determined by the Board of Directors.

**SECOND:** The preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption as established by the Board of Directors for the 3.00% Series A Convertible Preferred Stock which, upon any restatement of the Charter, shall become part of Article Five of the Charter (or any successor provision thereto), with any necessary or appropriate renumbering or relettering of the sections or subsections hereof, are as follows:

**SECTION 1. *Designation and Number of Shares.*** Pursuant to the Charter, a series of Preferred Stock, designated as the “3.00% Series A Convertible Preferred Stock” (the “**Convertible Preferred Stock**”), is hereby established. The par value of the Convertible Preferred Stock is \$0.0001 per share. The number of shares of Convertible Preferred Stock constituting such series shall be 87,500. Such number of shares may be decreased by resolution of the Board of Directors, subject to the terms and conditions hereof; *provided* that no decrease shall reduce the number of shares of the Convertible Preferred Stock to a number less than the number of shares then outstanding. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Charter.

**SECTION 2. *General Matters; Ranking.*** Each share of the Convertible Preferred Stock shall be identical in all respects to every other share of the Convertible Preferred Stock. The Convertible Preferred Stock, with respect to dividend rights and rights upon the liquidation, winding-up or dissolution of the Corporation, shall rank (i) senior to all Junior Stock, (ii) on a parity with all Parity Preferred Stock and (iii) junior to all Senior Stock and the Corporation’s existing and future indebtedness.

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**“Additional Cash Change of Control Amount”** means, for each share of Convertible Preferred Stock to be repurchased pursuant to Section 15, accumulated and unpaid dividends thereon (irrespective of whether such dividends have been declared), if any, to, but excluding, the Change of Control Settlement Date (unless the Change of Control Settlement Date falls after a Regular Record Date for a declared dividend but on or prior to the Dividend Payment Date to which such Regular Record Date relates, in which case the Corporation shall instead pay the full amount of such declared dividend to Holders of record as of such Regular Record Date, and the Additional Cash Change of Control Amount shall not include such amount in respect of such declared dividend).

**“Additional Cash Redemption Amount”** means, for each share of Convertible Preferred Stock to be redeemed pursuant to Section 6(a), accumulated and unpaid dividends (irrespective of whether such dividends have been declared), if any, to, but excluding, the Redemption Settlement Date (unless the Redemption Settlement Date falls after a Regular Record Date for a declared dividend but on or prior to the immediately succeeding Dividend Payment Date, in which case such declared dividend will be paid to the Holder of record of such share on such Regular Record Date, and the Additional Cash Redemption Amount will not include such amount in respect of such declared dividend).

**“Additional Shares”** shall have the meaning set forth in Section 8(d).

**“Agent Members”** shall have the meaning set forth in Section 23(b)(ii).

**“Articles Supplementary”** shall have the meaning set forth in the recitals.

**“Average VWAP”** per share of the Common Stock over a specified period means the arithmetic average of the VWAPs per share of the Common Stock for each Trading Day in such period. Whenever any provision of these Articles Supplementary requires the Corporation or the Board of Directors (including any authorized committee thereof) to calculate the VWAP per share of Common Stock over a span of multiple days, the Board of Directors (or an authorized committee thereof) shall make appropriate adjustments to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date or expiration date, as the case may be, of the event occurs, at any time during the period when the VWAPs are to be calculated.

**“Board of Directors”** shall have the meaning set forth in the recitals.

**“Business Day”** means any day other than a Saturday or Sunday or other day on which commercial banks in New York City are authorized or required by law or executive order to close.

**“Bylaws”** means the Amended and Restated Bylaws of the Corporation, as they may be further amended or restated from time to time.

“**Capital Stock**” means, for any entity, any and all shares, interests or other equivalents of or interests in (however designated) stock issued by that entity and does not include convertible or exchangeable debt securities.

“**Cash Settlement**” shall have the meaning set forth in Section 8(c).

“**Change of Control**” means the occurrence of any of the following:

(1) the Corporation consolidates with, or merges with or into, another Person, or the Corporation, directly or indirectly, sells, leases or transfers all or substantially all of the properties or assets of the Corporation and its Restricted Subsidiaries, taken as a whole (other than by way of merger or consolidation), in one or a series of related transactions, or any Person consolidates with, or merges with or into, the Corporation, in any such event other than pursuant to a transaction (a “**Permitted Holdco Transaction**”) in which the Persons that beneficially owned the shares of the Voting Stock of the Corporation or any direct or indirect parent of the Corporation immediately prior to such transaction beneficially own at least a majority of the total voting power of all outstanding Voting Stock (other than Disqualified Stock) of the surviving or transferee Person;

(2) the Corporation becomes aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) the acquisition by any Person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act), including any group acting for the purpose of acquiring, holding or disposing of securities (within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision), in a single transaction or in a related series of transactions, by way of merger, consolidation or other business combination or purchase, of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act, or any successor provision) of more than 50% of the total voting power of the Voting Stock of the Corporation (directly or through the acquisition of voting power of Voting Stock of any direct or indirect parent company of the Corporation);

(3) the approval of any plan or proposal for the winding up or liquidation of the Corporation or CSL National (which, for the avoidance of doubt, shall not include any transaction permitted under Section 5.01 of the Notes Indenture as in effect on January 6, 2016); or

(4) (i) the Corporation ceases to (A) at any time that CSL National is a limited liability company or partnership, either be the sole general partner or managing member of, or wholly own and control, directly or indirectly, the sole general partner or managing member of, CSL National, in each case to the extent applicable or (B) at any time that CSL National is a corporation, beneficially own, directly or indirectly, greater than 50% of the total voting power of the Equity Interests of CSL National, (ii) the Corporation ceases to beneficially own, directly or indirectly, 100% of the Equity Interests of CSL National GP, LLC or (iii) the Corporation ceases to beneficially own, directly or indirectly, 100% of the Equity Interests of CSL Capital, LLC; *provided* that subclause (iii) of this clause (4) will not apply following any merger, consolidation or other business combination of CSL Capital, LLC with or into the Corporation as permitted under the Notes Indenture as in effect on January 6, 2016.

For purposes of this definition, (x) any direct or indirect holding company of the Corporation shall not itself be considered a “Person” or “group” for purposes of clause (2) above; *provided* that no “Person” or “group” beneficially owns, directly or indirectly, more than 50% of the total voting power of the Voting Stock of such holding company, (y) for the avoidance of doubt, any Permitted Holdco Transaction shall not constitute a “Change of Control” pursuant to any clause of this definition and (z) the defined terms “Person”, “Restricted Subsidiaries”, “Voting Stock”, “Disqualified Stock” and “Equity Interests” shall have the meanings as defined in the Notes Indenture as in effect as of January 6, 2016.

“**Change of Control Cash Settlement**” shall have the meaning set forth in Section 15(c)(i).

“**Change of Control Combination Settlement**” shall have the meaning set forth in Section 15(c)(i).

“**Change of Control Corporation Notice**” shall have the meaning set forth in Section 15(a)(iii).

“**Change of Control Physical Settlement**” shall have the meaning set forth in Section 15(c)(i).

“**Change of Control Repurchase**” shall have the meaning set forth in Section 15(a)(i).

“**Change of Control Repurchase Date**” shall have the meaning set forth in Section 15(a)(i).

“**Change of Control Repurchase Notice**” shall have the meaning set forth in Section 15(a)(ii)(A).

“**Change of Control Repurchase Price**” means, for each share of Convertible Preferred Stock to be repurchased pursuant to Section 15, 100% of the Liquidation Preference of such share.

“**Change of Control Settlement Date**” means, with respect to any Change of Control Repurchase, (i) if the Corporation elects Change of Control Cash Settlement for such Change of Control Repurchase, the relevant Change of Control Repurchase Date or (ii) if the Corporation elects (or is deemed to have elected) any other Settlement Method for such Change of Control Repurchase, the third Business Day immediately following the last Trading Day of the relevant Observation Period.

“**Charter**” shall have the meaning set forth in the recitals.

“**Clause A Distribution**” shall have the meaning set forth in Section 13(c).

“**Clause B Distribution**” shall have the meaning set forth in Section 13(c).

“**Clause C Distribution**” shall have the meaning set forth in Section 13(c).

“**close of business**” means 5:00 p.m., New York City time.

“**Code**” means the U.S. Internal Revenue Code of 1986, as amended.

“**Combination Settlement**” shall have the meaning set forth in Section 8(c).

“**Common Stock**” means the common stock, par value \$0.0001 per share, of the Corporation, subject to Section 14.

“**Conversion and Dividend Disbursing Agent**” means Wells Fargo Bank, National Association, the Corporation’s duly appointed conversion and dividend disbursing agent for the Convertible Preferred Stock, and any successor appointed under Section 16.

“**Conversion Date**” means each of the last Trading Day of the Final Observation Period (in respect of any Mandatory Conversion) and any Optional Conversion Date (in respect of an Optional Conversion).

“**Conversion Obligation**” means the amount and kind of consideration due upon an Optional Conversion or a Mandatory Conversion as described in Section 8.

“**Conversion Rate**” means, initially, 28.5714 shares of Common Stock per share of Convertible Preferred Stock, subject to adjustment as provided in Section 8(d) and Section 13.

“**Convertible Preferred Stock**” shall have the meaning set forth in Section 1.

“**Corporation**” shall have the meaning set forth in the recitals.

“**CSL National**” means CSL National, LP (together with its successors and assigns).

“**Daily Conversion Value**” means, for each of the consecutive Trading Days during the relevant Observation Period, the product of (a) one *divided by* the number of Trading Days in such Observation Period, (b) the Conversion Rate on such Trading Day and (c) the VWAP for such Trading Day.

“**Daily Measurement Value**” means the Specified Dollar Amount (if any), *divided by* the number of Trading Days in the relevant Observation Period.

“**Daily Settlement Amount**,” for each of the consecutive Trading Days during the relevant Observation Period, shall consist of:

(a) cash in an amount equal to the lesser of (i) the Daily Measurement Value and (ii) the Daily Conversion Value on such Trading Day; and

(b) if the Daily Conversion Value on such Trading Day exceeds the Daily Measurement Value, a number of shares of Common Stock equal to (i) the difference between the Daily Conversion Value and the Daily Measurement Value, *divided by* (ii) the VWAP for such Trading Day.

“**Depository**” means DTC or its nominee or any successor appointed by the Corporation.

“**Distributed Property**” shall have the meaning set forth in Section 13(c).

“**Dividend Amount**” shall have the meaning set forth in Section 4(a).

“**Dividend Conversion Period**” means the period from, and including, the Dividend Payment Date as of which dividends on the Convertible Preferred Stock have not been declared and paid (or have been declared but a sum sufficient for payment thereof has not been set aside for the benefit of the Record Holders thereof on the applicable Regular Record Date) for the equivalent of four consecutive Dividend Periods (including, for the avoidance of doubt, the Dividend Period beginning on, and including, the Initial Issue Date and ending on, but excluding, August 1, 2016) to, and including, the date on which all such dividends have been paid.

“**Dividend Payment Date**” means February 1, May 1, August 1 and November 1 of each year commencing on August 1, 2016 to, and including, the Scheduled Mandatory Conversion Date.

“**Dividend Period**” means the period from, and including, a Dividend Payment Date to, but excluding, the next Dividend Payment Date, except that the initial Dividend Period shall commence on, and include, the Initial Issue Date and shall end on, but exclude, August 1, 2016.

“**DTC**” means The Depository Trust Corporation.

“**Effective Date**” shall have the meaning set forth in Section 8(d)(iii), except that, as used in Section 13, “**Effective Date**” means the first date on which shares of the Common Stock trade on the applicable exchange or in the applicable market, regular way, reflecting the relevant share split or share combination, as applicable.

“**Exchange Act**” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“**Ex-Dividend Date**” means, with respect to any issuance, dividend or distribution, the first date on which shares of the Common Stock trade on the applicable exchange or in the applicable market, regular way, without the right to receive the issuance, dividend or distribution in question, from the Corporation or, if applicable, from the seller of Common Stock on such exchange or market (in the form of due bills or otherwise) as determined by such exchange or market.

“**Final Observation Period**” means the 20 consecutive Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding the Scheduled Mandatory Conversion Date.

“**Final Settlement Method Election Date**” means March 1, 2024.

“**First Conversion Date**” means June 1, 2019.

“**Global Preferred Shares**” shall have the meaning set forth in Section 23(b).

“**Holder**” means each person in whose name shares of the Convertible Preferred Stock are registered, who shall be treated by the Corporation and the Registrar as the absolute owner of those shares of Convertible Preferred Stock for the purpose of making payment and settling conversions and for all other purposes.

“**Initial Issue Date**” shall mean the Closing Date (as defined in the Agreement and Plan of Merger, dated as of January 7, 2016, by and among the Corporation, CSL Bandwidth Inc., Penn Merger Sub, LLC, PEG Bandwidth, LLC and PEG Bandwidth Holdings, LLC).

“**Junior Stock**” means (i) the Common Stock and (ii) each other class or series of capital stock of the Corporation established after the Initial Issue Date, the terms of which do not expressly provide that such class or series ranks either (x) senior to the Convertible Preferred Stock as to priority of payment of dividends and other distributions or rights upon voluntary or involuntary liquidation, winding-up or dissolution or (y) on a parity with the Convertible Preferred Stock as to priority of payment of dividends and other distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution.

“**Liquidation Amount**” shall have the meaning set forth in Section 5(a).

“**Liquidation Dividend Amount**” shall have the meaning set forth in Section 5(a).

“**Liquidation Preference**” means, as to the Convertible Preferred Stock, \$1,000 per share.

“**Make-Whole Fundamental Change**” means (i) any transaction or event that constitutes a Change of Control pursuant to clause (1) or (2) of the definition of Change of Control (as defined above, but without regard to the exceptions for Permitted Holdco Transactions); *provided* that a transaction or transactions shall not constitute a Make-Whole Fundamental Change if at least 90% of the consideration received or to be received by the common stockholders of the Corporation, excluding cash payments for fractional shares and cash payments made pursuant to dissenters’ appraisal rights, in connection with such transaction or transactions consists of shares of common stock, ordinary shares or depositary receipts representing common equity interests, in each case, that are listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) or will be so listed or quoted when issued or exchanged in connection with such transaction or transactions and as a result of such transaction or transactions the Convertible Preferred Stock becomes convertible into such consideration, excluding cash payments for fractional shares and cash payments made pursuant to dissenters’ appraisal rights (subject to the provisions of Section 8(c)) or (ii) the Common Stock (or other common stock, ordinary shares or depositary receipts representing common equity interests underlying the Convertible Preferred Stock) ceases to be listed or quoted on any of the The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors).

“**Make-Whole Fundamental Change Conversion Period**” shall have the meaning set forth in Section 8(d)(i).

“**Mandatory Conversion**” shall have the meaning set forth in Section 8(b).

**“Mandatory Conversion Date”** means the third Business Day immediately following the last Trading Day of the Final Observation Period.

**“Market Disruption Event”** means (a) a failure by the primary U.S. national or regional securities exchange or market on which the Common Stock is listed or admitted for trading to open for trading during its regular trading session or (b) the occurrence or existence prior to 1:00 p.m. New York City time, on any Scheduled Trading Day for the Common Stock for more than one half-hour period in the aggregate during regular trading hours of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant stock exchange or otherwise) in the Common Stock or in any options contracts or futures contracts relating to the Common Stock.

**“NASDAQ Share Cap”** means, initially, 330.9634 shares of Common Stock per share of Convertible Preferred Stock; *provided* that the NASDAQ Share Cap shall be subject to adjustment in the same manner and at the same time as the Conversion Rate in connection with any transaction or event described in Section 13(a), (b), (c), (d) or (e).

**“Nonpayment”** shall have the meaning set forth in Section 7(b).

**“Nonpayment Remedy”** shall have the meaning set forth in Section 7(b)(iii).

**“Notes Indenture”** means the Indenture, dated as of April 24, 2015, among the Corporation and CSL Capital, LLC, as issuers, the guarantors named therein, and Wells Fargo Bank, National Association, as trustee, governing the 8.25% Senior Notes due 2023.

**“Observation Period”** means (x) with respect to any share of Convertible Preferred Stock surrendered for Optional Conversion or subject to Mandatory Conversion, (i) subject to clause (ii), if the relevant Conversion Date occurs prior to the Final Settlement Method Election Date, the five consecutive Trading Day period beginning on, and including, the third Trading Day immediately succeeding such Conversion Date; (ii) subject to clause (iii), if the relevant Conversion Date occurs on or after the date of the Corporation’s issuance of a Redemption Notice with respect to the Convertible Preferred Stock pursuant to Section 6(b) and prior to the relevant Redemption Date, the 20 consecutive Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding such Redemption Date; and (iii) if the relevant Conversion Date occurs on or after the Final Settlement Method Election Date (including in respect of any Mandatory Conversion), the Final Observation Period, (y) with respect to the redemption of any share of Convertible Preferred Stock subject to Optional Redemption, the 20 consecutive Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding the relevant Redemption Date, and (z) with respect to the repurchase of any share of Convertible Preferred Stock subject to Change of Control Repurchase, the 20 consecutive Trading Days beginning on, and including, the 23rd Scheduled Trading Day immediately preceding the relevant Change of Control Repurchase Date.

**“Officer”** means the Chief Executive Officer, the Chief Financial Officer, the Chairman of the Board, any Executive Vice President or any Senior Vice President of the Corporation.

**“Officer’s Certificate”** means a certificate of the Corporation, signed by any duly authorized Officer of the Corporation.

“**open of business**” means 9:00 a.m., New York City time.

“**Optional Conversion**” shall have the meaning set forth in Section 8(a).

“**Optional Conversion Date**” shall have the meaning set forth in Section 10(b).

“**Optional Redemption**” shall have the meaning set forth in Section 6(a).

“**Parity Preferred Stock**” means any class or series of capital stock of the Corporation established after the Initial Issue Date, the terms of which expressly provide that such class or series shall rank on a parity with the Convertible Preferred Stock as to the priority of payment of dividends and other distributions and rights upon voluntary or involuntary liquidation, winding-up or dissolution.

“**Permitted Holdco Transaction**” shall have the meaning set forth in the definition of “Change of Control” in this Section 3.

“**Person**” means any individual, partnership, firm, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature.

“**Physical Settlement**” shall have the meaning set forth in Section 8(c).

“**Preferred Stock**” shall have the meaning set forth in the recitals.

“**Preferred Stock Director**” shall have the meaning set forth in Section 7(b).

“**Record Date**” means, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock (or other applicable security) have the right to receive any cash, securities or other property or in which the Common Stock (or such other security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of the Common Stock (or such other security) entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors (or an authorized committee thereof), by statute, by the Charter (including these Articles Supplementary), by the Bylaws or otherwise).

“**Record Holder**” means, with respect to any Dividend Payment Date, a Holder of record of the Convertible Preferred Stock as such Holder appears on the stock register of the Corporation at the close of business on the related Regular Record Date.

“**Redemption Cash Settlement**” shall have the meaning set forth in Section 6(d).

“**Redemption Combination Settlement**” shall have the meaning set forth in Section 6(d).

“**Redemption Date**” shall have the meaning set forth in Section 6(b).

“**Redemption Notice**” shall have the meaning set forth in Section 6(b).

**“Redemption Physical Settlement”** shall have the meaning set forth in Section 6(d).

**“Redemption Price”** means, for each share of Convertible Preferred Stock to be redeemed pursuant to Section 6(a), 100% of the Liquidation Preference of such share.

**“Redemption Settlement Date”** means, with respect to any Optional Redemption, (i) if the Corporation elects Redemption Cash Settlement for such Optional Redemption, the relevant Redemption Date or, (ii) if the Corporation elects (or is deemed to have elected) any other Settlement Method for such Optional Redemption, the third Business Day immediately following the last Trading Day of the relevant Observation Period.

**“Reference Property”** shall have the meaning set forth in Section 14(a).

**“Registrar”** shall initially mean Wells Fargo Bank, National Association, the Corporation’s duly appointed registrar for the Convertible Preferred Stock and any successor appointed under Section 16.

**“Regular Record Date”** means, with respect to any Dividend Payment Date, the January 15, April 15, July 15 or October 15, as the case may be, immediately preceding the applicable February 1, May 1, August 1 or November 1 Dividend Payment Date, respectively. These Regular Record Dates shall apply regardless of whether a particular Regular Record Date is a Business Day.

**“REIT”** means a real estate investment trust qualified and taxed under Sections 856 through 860 of the Code.

**“Reorganization Event”** shall have the meaning set forth in Section 14(a).

**“Rule 144”** means Rule 144 as promulgated under the Securities Act.

**“Scheduled Mandatory Conversion Date”** means May 1, 2024.

**“Scheduled Trading Day”** means a day that is scheduled to be a Trading Day.

**“SEC”** means the U.S. Securities and Exchange Commission.

**“Securities Act”** means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

**“Senior Stock”** means each class or series of capital stock of the Corporation established after the Initial Issue Date, the terms of which expressly provide that such class or series shall rank senior to the Convertible Preferred Stock as to priority of payment of dividends and other distributions or rights upon voluntary or involuntary liquidation, winding-up or dissolution.

**“Separation Event”** shall have the meaning set forth in Section 13(n).

**“Settlement Amount”** means the cash, shares of Common Stock or combination of cash and shares of Common Stock due in respect of the Conversion Obligation, the Redemption Price

or the Change of Control Repurchase Price, as applicable, with respect to any conversion, redemption or repurchase, as the case may be, of Convertible Preferred Stock.

**“Settlement Method”** means, with respect to (i) any conversion of Convertible Preferred Stock, Physical Settlement, Cash Settlement or Combination Settlement, as elected (or deemed to have been elected) by the Corporation, (ii) any redemption of Convertible Preferred Stock, Redemption Physical Settlement, Redemption Cash Settlement or Redemption Combination Settlement, as elected (or deemed to have been elected) by the Corporation, and (iii) any repurchase of Convertible Preferred Stock, Change of Control Physical Settlement, Change of Control Cash Settlement or Change of Control Combination Settlement, as elected (or deemed to have been elected) by the Corporation.

**“Settlement Notice”** shall have the meaning set forth in Section 8(c)(iii).

**“Share Dilution Amount”** means the increase in the number of diluted shares outstanding (determined in accordance with generally accepted accounting principles in the United States, and as measured from the Initial Issue Date) resulting from the grant, vesting or exercise of equity-based compensation to employees, directors or consultants and equitably adjusted for any stock split, stock dividend, reverse stock split, reclassification or similar transaction.

**“Specified Dollar Amount”** means (i) the maximum cash amount per share of Convertible Preferred Stock to be received upon conversion as specified in the Settlement Notice related to any converted shares of Convertible Preferred Stock, (ii) the cash amount per share of Convertible Preferred Stock to be received in respect of the Redemption Price upon an Optional Redemption for which Redemption Combination Settlement applies as specified (or deemed to be specified) in the Redemption Notice for such Optional Redemption or (iii) the cash amount per share of Convertible Preferred Stock to be received in respect of the Change of Control Repurchase Price with respect to a Change of Control Repurchase for which Change of Control Combination Settlement applies as specified (or deemed to be specified) in the Change of Control Corporation Notice for such Change of Control Repurchase, as the case may be.

**“Spin-Off”** shall have the meaning set forth in Section 13(c).

**“Stockholder’s and Registration Rights Agreement”** means the Stockholder’s and Registration Rights Agreement dated as of the Initial Issue Date by and among the Corporation, PEG Bandwidth Holdings, LLC and the other parties thereto.

**“Stock Ownership Limit”** means each of the Aggregate Stock Ownership Limit (as defined in the Charter, as such definition may be amended from time to time) and the Common Stock Ownership Limit (as defined in the Charter, as such definition may be amended from time to time).

**“Stock Price”** shall have the meaning set forth in Section 8(d)(iii).

**“Subsidiary”** means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of capital stock or other interests (including partnership interests) entitled (without regard to the

occurrence of any contingency) to vote in the election of directors, managers, general partners or trustees thereof is at the time owned or controlled, directly or indirectly, by (i) such Person; (ii) such Person and one or more Subsidiaries of such Person; or (iii) one or more Subsidiaries of such Person.

“**Trading Day**” means a day on which (x) there is no Market Disruption Event and (y) trading in the Common Stock generally occurs (and at least one share of the Common Stock has traded) on The NASDAQ Global Select Market or, if the Common Stock is not then listed on The NASDAQ Global Select Market, on the principal other U.S. national or regional securities exchange on which the Common Stock is then listed or, if the Common Stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which the Common Stock is then listed or admitted for trading, except that if the Common Stock is not so listed or admitted for trading, “**Trading Day**” means a Business Day.

“**Transfer Agent**” shall initially mean Wells Fargo Bank, National Association, the Corporation’s duly appointed transfer agent for the Convertible Preferred Stock and any successor appointed under Section 16.

“**Trigger Event**” shall have the meaning set forth in Section 13(c).

“**unit of Reference Property**” shall have the meaning set forth in Section 14(a).

“**Valuation Period**” shall have the meaning set forth in Section 13(c).

“**Voting Preferred Stock**” means any class or series of Preferred Stock, other than the Convertible Preferred Stock, ranking on parity with the Convertible Preferred Stock as to dividends and the distribution of assets upon liquidation, dissolution or winding up and upon which voting rights like those set forth in Section 7 have been conferred and are exercisable.

“**VWAP**” per share of Common Stock on any Trading Day means the per share volume-weighted average price as displayed on Bloomberg page “CSAL <Equity> AQR” (or its equivalent successor if such page is not available) in respect of the period from 9:30 a.m. to 4:00 p.m., New York City time, on such Trading Day; or, if such price is not available, “**VWAP**” means the market value per share of Common Stock on such Trading Day as determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained by the Corporation for this purpose. The “**VWAP**” shall be determined without regard to after-hours trading or any other trading outside of the regular trading session trading hours.

SECTION 4. *Dividends.* (a) *Rate.* Subject to the rights of holders of any class or series of capital stock ranking senior to the Convertible Preferred Stock with respect to priority of payment of dividends, Holders shall be entitled to receive, when, as and if declared by the Board of Directors (or an authorized committee thereof) out of funds of the Corporation legally available therefor, cumulative dividends at the rate per annum of 3.00% on the Liquidation Preference per share of Convertible Preferred Stock (equivalent to \$30.00 per annum per share (the “**Dividend Amount**”)), payable in cash. No dividends upon shares of the Convertible Preferred Stock shall be authorized by the Board of Directors or declared by the Corporation or paid or set apart by the Corporation at such times as such authorization, declaration, payment or

setting apart for payment shall be restricted or prohibited by law. Declared dividends on the Convertible Preferred Stock shall be payable quarterly on each Dividend Payment Date at such annual rate, and dividends shall accumulate from the most recent date as to which dividends shall have been paid or, if no dividends have been paid, from the Initial Issue Date, whether or not in any Dividend Period or Dividend Periods there have been funds legally available for the payment of such dividends. Declared dividends shall be payable on the relevant Dividend Payment Date to Record Holders at the close of business on the immediately preceding Regular Record Date, whether or not the shares of Convertible Preferred Stock held by such Record Holders on such Regular Record Date are converted, redeemed or repurchased after such Regular Record Date. Shares of Convertible Preferred Stock surrendered for Optional Conversion pursuant to Section 8(a) during the period from the close of business on any Regular Record Date to the open of business on the immediately following Dividend Payment Date must be accompanied by funds equal to the amount of dividends payable on such Dividend Payment Date on the Convertible Preferred Stock so converted; *provided* that no such payment shall be required (1) if the Corporation has specified a Redemption Date that is after a Regular Record Date and on or prior to the Business Day immediately following the corresponding Dividend Payment Date; (2) if the Corporation has specified a Change of Control Repurchase Date that is after a Regular Record Date and on or prior to the Business Day immediately following the corresponding Dividend Payment Date; or (3) for any Optional Conversion following the Regular Record Date immediately prior to the Mandatory Conversion Date and on or prior to the Business Day immediately preceding the Scheduled Mandatory Conversion Date. If a Dividend Payment Date is not a Business Day, payment shall be made on the next succeeding Business Day, without any interest or other payment in lieu of interest accruing with respect to this delay.

The amount of dividends payable on each share of Convertible Preferred Stock for each full Dividend Period (after the initial Dividend Period) shall be computed by dividing the Dividend Amount by four. Dividends payable on the Convertible Preferred Stock for the initial Dividend Period and any partial Dividend Period shall be computed based upon the number of days elapsed during such period over a 360-day year (consisting of twelve 30-day months). Accumulated dividends shall accrue interest per annum at the rate at which dividends accumulate on the Convertible Preferred Stock if they are paid subsequent to the applicable Dividend Payment Date, from, and including, such Dividend Payment Date to, but excluding, the date on which such dividends shall have been paid by the Corporation, payable in cash out of funds legally available for the payment of such amounts.

No dividend shall be declared or paid upon, or any sum of cash set apart for the payment of dividends upon, any outstanding share of Convertible Preferred Stock with respect to any Dividend Period unless all dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends upon, all outstanding shares of Convertible Preferred Stock.

Holders shall not be entitled to any dividends on the Convertible Preferred Stock in excess of full cumulative dividends.

Dividends on any share of Convertible Preferred Stock converted to Common Stock shall cease to accumulate on the Mandatory Conversion Date, any Optional Conversion Date, any Change of Control Settlement Date or any Redemption Settlement Date, as applicable.

(b)

*Priority of Dividends.* So long as any share of the Convertible Preferred Stock remains outstanding, no dividend or distribution shall be declared or paid on Common Stock or any other shares of Junior Stock, and no Common Stock or other Junior Stock shall be, directly or indirectly, purchased, redeemed or otherwise acquired for consideration by the Corporation or any of its Subsidiaries unless all accumulated and unpaid dividends for all preceding Dividend Periods have been declared and paid upon, or a sufficient sum of cash has been set apart for the payment of such dividends upon, all outstanding shares of Convertible Preferred Stock. The foregoing limitation shall not apply to (i) a dividend payable on any Common Stock or other Junior Stock in shares of any Common Stock or other Junior Stock, (ii) the acquisition of shares of any Common Stock or other Junior Stock in exchange for, or through application of the proceeds of the sale of, shares of any Common Stock or other Junior Stock; (iii) purchases of fractional interests in shares of any Common Stock or other Junior Stock pursuant to the conversion or exchange provisions of such shares of other Junior Stock or any securities exchangeable for or convertible into such shares of Common Stock or other Junior Stock; (iv) purchases of shares of any Common Stock or other Junior Stock pursuant to a contractually binding requirement to purchase such shares existing prior to the Dividend Period preceding the date of such purchase, including pursuant to a contractually binding share repurchase plan (*provided* that all accumulated and unpaid dividends have been declared or paid for (x) the Dividend Period during which such binding requirement was entered into and (y) all prior Dividend Periods); (v) redemptions, purchases or other acquisitions of shares of Common Stock or other Junior Stock in connection with (1) any employee contract, employee benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors in the ordinary course of business, including, without limitation, purchases of shares in lieu of tax withholding, the forfeiture of unvested shares of restricted stock or share withholdings upon exercise, delivery or vesting of equity awards granted to officers, directors and employees and purchases of shares to offset the Share Dilution Amount pursuant to a publicly announced repurchase plan (*provided* that any purchases to offset the Share Dilution Amount shall in no event exceed the Share Dilution Amount) or (2) purchases of fractional interests in shares of Common Stock pursuant to a publicly announced dividend reinvestment plan; (vi) any dividends or distributions of rights or Common Stock or other Junior Stock in connection with a stockholders' rights plan or any redemption or repurchase of rights pursuant to any stockholders' rights plan; (vii) the acquisition by the Corporation or any of its Subsidiaries of record ownership in Common Stock or other Junior Stock for the beneficial ownership of any other persons (other than the Corporation or any of its Subsidiaries), including as trustees or custodians or as the result of the acquisition of another company that already was the owner of record or beneficial owner of such stock; (viii) any payments, by way of dividends or otherwise, made by the Corporation's Subsidiaries to the Corporation or to other Subsidiaries of the Corporation; (ix) the exchange or conversion of Junior Stock for or into other Junior Stock; and (x) the acquisition or redemption of Common Stock or other Junior Stock solely to the extent necessary to preserve the Corporation's status as a REIT for federal income tax purposes.

When dividends on shares of Convertible Preferred Stock have not been paid in full on any Dividend Payment Date or declared and a sum sufficient for payment thereof has not been set aside for the benefit of the Record Holders thereof on the applicable Regular Record Date, no dividends may be declared or paid on any Parity Preferred Stock (other than dividends or distributions in the form of Parity Preferred Stock and Junior Stock and cash solely in lieu of

fractional shares in connection with such dividend or distribution) unless dividends are declared on the Convertible Preferred Stock such that the respective amounts of such dividends declared on the Convertible Preferred Stock and each such other class or series of Parity Preferred Stock shall bear the same ratio to each other as all accumulated and unpaid dividends per share on the shares of the Convertible Preferred Stock and such class or series of Parity Preferred Stock (subject to their having been declared by the Board of Directors (or an authorized committee thereof) out of legally available funds) bear to each other, in proportion to their respective liquidation preferences; *provided* that any unpaid dividends will continue to accumulate.

Subject to the foregoing, and not otherwise, such dividends (payable in cash, securities or other property) as may be determined by the Board of Directors (or an authorized committee thereof) may be declared and paid on any securities, including Common Stock and other Junior Stock, from time to time out of any funds legally available for such payment, and Holders shall not be entitled to participate in any such dividends.

(c) *Method of Payment of Dividends.* Any declared dividend on the Convertible Preferred Stock, whether or not for a current Dividend Period or any prior Dividend Period, shall be paid by the Corporation in cash.

SECTION 5. *Liquidation, Dissolution or Winding Up.* (a) In the event of any liquidation, winding-up or dissolution of the Corporation, whether voluntary or involuntary, each Holder shall be entitled to receive the greater of (x) the Liquidation Preference per share of Convertible Preferred Stock and (y) the amount such Holder would have received had such Holder, immediately prior to such liquidation, winding-up or dissolution, converted each share of Convertible Preferred Stock into Common Stock (without regard to the NASDAQ Share Cap) (such greater amount, the “**Liquidation Amount**”), *plus* an amount (the “**Liquidation Dividend Amount**”) equal to accumulated and unpaid dividends on such shares to, but excluding, the date fixed for liquidation, winding-up or dissolution to be paid out of the assets of the Corporation available for distribution to its stockholders, after satisfaction of liabilities owed to the Corporation’s creditors and holders of any Senior Stock and before any payment or distribution is made to holders of any Junior Stock, including, without limitation, Common Stock.

(b) Neither the sale (for cash, shares of stock, securities or other consideration) of all or substantially all of the assets or business of the Corporation (other than in connection with the liquidation, winding-up or dissolution of the Corporation), nor the merger or consolidation of the Corporation into or with any other Person, shall be deemed to be a voluntary or involuntary liquidation, winding-up or dissolution of the Corporation for the purposes of this Section 5.

(c) If, upon the voluntary or involuntary liquidation, winding-up or dissolution of the Corporation, the amounts payable with respect to (1) the Liquidation Amount *plus* the Liquidation Dividend Amount of the Convertible Preferred Stock and (2) the liquidation preference of, and the amount of accumulated and unpaid dividends to, but excluding, the date fixed for liquidation, dissolution or winding up, on, all Parity Preferred Stock are not paid in full, the Holders and all holders of any Parity Preferred Stock shall share equally and ratably in any distribution of the Corporation’s assets in proportion to the respective liquidation preferences and amounts equal to the accumulated and unpaid dividends to which they are entitled.

(d) After the payment to any Holder of the full amount of the Liquidation Amount and the Liquidation Dividend Amount for each of such Holder's shares of Convertible Preferred Stock, such Holder as such shall have no right or claim to any of the remaining assets of the Corporation in respect of such Holder's shares of Convertible Preferred Stock.

(e) In determining whether a distribution (other than upon voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation) by dividend, redemption or other acquisition of shares of stock of the Corporation or otherwise is permitted under the MGCL, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of Holders of the Convertible Preferred Stock.

SECTION 6. *Optional Redemption.* (a) Notwithstanding anything herein to the contrary, the Corporation may redeem the Convertible Preferred Stock (each, an "**Optional Redemption**") on or after July 5, 2019 and prior to the Final Settlement Method Election Date, in whole or in part, at the Redemption Price, payable as described in Section 6(d), *plus* an additional amount equal to the Additional Cash Redemption Amount, payable in cash out of funds legally available for the payment of such distributions. No distribution by redemption or other acquisition of shares of Convertible Preferred Stock may be made unless permitted under the provisions of the MGCL pertaining to distributions. Any such Optional Redemption in part shall be for an integral number of shares of Convertible Preferred Stock.

(b) (i) In case the Corporation exercises its Optional Redemption right to redeem all or, as the case may be, any part of the Convertible Preferred Stock pursuant to Section 6(a), it shall fix a date for redemption (each, a "**Redemption Date**") and it shall deliver a notice of such Optional Redemption (a "**Redemption Notice**") not less than 45 nor more than 60 calendar days prior to the Redemption Date to each Holder. In the case of shares of Convertible Preferred Stock in definitive, certificated form, such notice shall be by first class mail to each Holder or, in the case of Global Preferred Shares, such notice shall be delivered in accordance with the applicable procedures of the Depository. The Redemption Date must be a Business Day and shall not be on or after the Final Settlement Method Election Date.

(ii) The Redemption Notice, if delivered in the manner herein provided, shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. In any case, failure to give such Redemption Notice in the manner herein provided or any defect in the Redemption Notice to any Holder shall not affect the validity of the proceedings for the redemption of any Convertible Preferred Stock of any other Holder.

(iii) Each Redemption Notice shall specify:

- (A) the Redemption Date;
- (B) the Redemption Price and the Settlement Method therefor, and the Additional Cash Redemption Amount, if any;
- (C) that on the Redemption Settlement Date, the Redemption Price and any Additional Cash Redemption Amount will become due and payable

upon each share of Convertible Preferred Stock, and that dividends on the Convertible Preferred Stock to be redeemed shall cease to accrue on and after the Redemption Settlement Date;

(D) (1) that Holders may surrender their Convertible Preferred Stock for conversion at any time on or after the First Conversion Date prior to the close of business on the Scheduled Trading Day immediately preceding the Redemption Date; (2) the procedures a converting Holder must follow to convert its Convertible Preferred Stock; and (3) the Conversion Rate and, if applicable, the number of Additional Shares added to the Conversion Rate in accordance with Section 8(d); and

(E) in case the Convertible Preferred Stock is to be redeemed in part only, the number of shares of Convertible Preferred Stock to be redeemed.

A Redemption Notice shall be irrevocable.

(iv) If fewer than all of the outstanding shares of Convertible Preferred Stock are to be redeemed pursuant to Section 6(a), the Transfer Agent shall select the shares of Convertible Preferred Stock to be redeemed (which such number shall be an integer) by lot, on a *pro rata* basis or by another method the Transfer Agent considers to be fair and appropriate (or as required by the procedures of the Depositary, if applicable). If any Convertible Preferred Stock selected for partial redemption is submitted for conversion in part after such selection, the shares of Convertible Preferred Stock submitted for conversion shall be deemed (so far as may be possible) to be the portion selected for redemption.

(v) On and after the Redemption Settlement Date, upon surrender of a share certificate representing any Convertible Preferred Stock redeemed in part, the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing a number of shares of Convertible Preferred Stock equal to the unredeemed portion thereof, or, if the Convertible Preferred Stock is held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Convertible Preferred Stock represented by the global certificate by making a notation on Schedule I attached to the global certificate.

(c) If any Redemption Notice has been given in respect of any Convertible Preferred Stock in accordance with Section 6(b), the Convertible Preferred Stock to be redeemed shall become due and payable on the Redemption Settlement Date at the place or places stated in the Redemption Notice and at the applicable Redemption Price, together with any Additional Cash Redemption Amount. As of the Redemption Settlement Date, (i) the Convertible Preferred Stock to be redeemed will cease to be outstanding, (ii) dividends will cease to accumulate on the Convertible Preferred Stock to be redeemed and (iii) all other rights of the Holders in respect of the Convertible Preferred Stock to be redeemed will terminate (other than the right to receive the Redemption Price and any Additional Cash Redemption Amount).

(d) Upon any Optional Redemption of any share of Convertible Preferred Stock, the Corporation shall pay or deliver, as the case may be, to the Holder of such share, in respect of each share being redeemed, cash (“**Redemption Cash Settlement**”), shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Redemption Physical Settlement**”) or a combination of cash and shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Redemption Combination Settlement**”), at its election, as set forth in this Section 6(d), in satisfaction of the Redemption Price for such share.

(i) All redemptions in connection with any Redemption Notice shall be settled using the same Settlement Method.

(ii) The Corporation may elect a Settlement Method in respect of each Optional Redemption in the Redemption Notice for such Optional Redemption, which election shall be binding on the Corporation. If the Corporation does not specify a Settlement Method in the relevant Redemption Notice, the Corporation shall no longer have the right to elect Redemption Physical Settlement or Redemption Combination Settlement and the Corporation shall be deemed to have elected Redemption Cash Settlement in respect of the Redemption Price. In the case of an election of Redemption Combination Settlement, the relevant Redemption Notice shall specify the Specified Dollar Amount per share of Convertible Preferred Stock, which shall be less than the Liquidation Preference per share of Convertible Preferred Stock. If the Corporation delivers a Redemption Notice electing Redemption Combination Settlement in respect of the Redemption Price but does not specify a Specified Dollar Amount per share of Convertible Preferred Stock in such Redemption Notice, the Specified Dollar Amount per share of Convertible Preferred Stock shall be deemed to be \$0, and the provisions of Section 6(d)(iii)(A) shall apply as if the Corporation elected Redemption Physical Settlement in such Redemption Notice.

(iii) The Settlement Amount with respect to any Optional Redemption of Convertible Preferred Stock shall be computed as follows:

(A) If the Corporation elects to satisfy the Redemption Price in respect of such Optional Redemption by Redemption Physical Settlement, the Corporation shall deliver to the relevant Holder in respect of each share of Convertible Preferred Stock being redeemed a number of shares of Common Stock equal to the Redemption Price per share of Convertible Preferred Stock *divided by* the Average VWAP per share of the Common Stock over the related Observation Period; *provided* that the number of shares of Common Stock issued upon Optional Redemption of each share of Convertible Preferred Stock shall not exceed the NASDAQ Share Cap and, if the application of the NASDAQ Share Cap results in the Corporation delivering fewer shares of Common Stock upon any Optional Redemption of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Optional Redemption of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Redemption Price

per share of Convertible Preferred Stock, *minus* (y) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided further* that any payment of cash pursuant to this Section 6(d)(iii)(A) shall be made out of funds legally available for such distribution.

(B) if the Corporation elects (or is deemed to have elected) to satisfy the Redemption Price in respect of such Optional Redemption by Redemption Cash Settlement, the Corporation shall pay to the relevant Holder in respect of each share of Convertible Preferred Stock being redeemed cash out of funds legally available for such distribution in an amount equal to the Redemption Price per share of Convertible Preferred Stock; and

(C) if the Corporation elects to satisfy the Redemption Price in respect of such Optional Redemption by Redemption Combination Settlement, the Corporation shall pay or deliver, as the case may be, in respect of each share of Convertible Preferred Stock being redeemed, a Settlement Amount equal to an amount of cash equal to the Specified Dollar Amount in respect of such Optional Redemption and a number of shares of Common Stock equal to the quotient of (I) the Redemption Price per share, *minus* such Specified Dollar Amount, *divided by* (II) the Average VWAP per share of the Common Stock over the related Observation Period; *provided* that the number of shares of Common Stock issued upon Optional Redemption of each share of Convertible Preferred Stock shall not exceed the NASDAQ Share Cap and, if the application of the NASDAQ Share Cap results in the Corporation delivering fewer shares of Common Stock upon any Optional Redemption of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Optional Redemption of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Redemption Price per share of Convertible Preferred Stock, *minus* (y) the sum of (1) the Specified Dollar Amount and (2) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided further* that any payment of cash pursuant to this Section 6(d)(iii)(C) shall be made out of funds legally available for such distribution.

(e) The Corporation shall pay or deliver, as the case may be, the consideration due in respect of any Optional Redemption on the relevant Redemption Settlement Date. A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of any Common Stock in respect of an Optional Redemption, but such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of any Common Stock in a name other than the name of such Holder. The Transfer Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Transfer Agent receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. A certificate representing the shares of Common Stock, if any, issuable upon Optional Redemption shall be issued and delivered to the Holder of the share of Convertible

Preferred Stock being redeemed or, if the Convertible Preferred Stock being redeemed is in book-entry form, the Corporation may elect to deliver the shares of Common Stock issuable upon Optional Redemption, if any, to the Holder of the share of Convertible Preferred Stock being redeemed through book-entry transfer, including through the facilities of the Depository.

The person or persons entitled to receive the shares of Common Stock issuable upon Optional Redemption, if any, shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the last Trading Day of the relevant Observation Period. Except as set forth in Section 13(c) and Section 13(d), prior to the close of business on the last Trading Day of the relevant Observation Period, the shares of Common Stock, if any, issuable upon Optional Redemption of any shares of Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such shares of Common Stock (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding shares of Convertible Preferred Stock.

In the event that a Holder shall not by written notice designate the name in which any shares of Common Stock to be issued upon Optional Redemption of such Convertible Preferred Stock should be registered or, if applicable, the address to which the certificate or certificates representing such shares of Common Stock should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such shares of Common Stock to the address of such Holder shown on the records of the Corporation.

(f) No sinking fund is provided for the Convertible Preferred Stock.

#### SECTION 7. *Voting Rights.*

(a) *General.* Holders shall not have any voting rights except as set forth in this Section 7 or as otherwise from time to time specifically required by Maryland law.

(b) *Right to Elect Director Upon Nonpayment.* Whenever dividends on any shares of Convertible Preferred Stock have not been declared and paid (or have been declared but a sum sufficient for payment thereof has not been set aside for the benefit of the Record Holders thereof on the applicable Regular Record Date) for the equivalent of six or more Dividend Periods (including, for the avoidance of doubt, the Dividend Period beginning on, and including, the Initial Issue Date and ending on, but excluding, August 1, 2016), whether or not for consecutive Dividend Periods (a “**Nonpayment**”), the Holders, voting together as a single class with holders of any and all other series of Voting Preferred Stock then outstanding, shall be entitled at the Corporation’s next special or annual meeting of stockholders to elect one additional member of the Board of Directors (the “**Preferred Stock Director**”) to fill the newly created directorship described in this Section 7(b); *provided* that the Preferred Stock Director meet the director qualifications set forth in the Bylaws as in effect on the Initial Issue Date; *provided further* that the election of any such director will not cause the Corporation to violate the corporate governance requirements of The NASDAQ Stock Market (or the principal other exchange or automated quotation system on which the Corporation’s securities may be listed or quoted); and *provided further* that the Board of Directors shall at no time include more than one director

elected by the Holders and the holders of all other series of Voting Preferred Stock as contemplated by this Section 7(b). In the event of a Nonpayment, the following provisions shall apply:

(i) The number of directors then constituting the Board of Directors shall be increased by one (by the Board of Directors by a resolution in accordance with Section 1(a) of Article Six of the Charter) and, subject to applicable law, the new director shall be elected at the next annual meeting of stockholders or at a special meeting of stockholders called by the Corporation's Secretary at the request of the holders of record of at least 20% of the shares of Convertible Preferred Stock or of any other series of Voting Preferred Stock (*provided* that, in the case of a special meeting, such request is received at least 90 calendar days before the date requested for the special meeting). The Preferred Stock Director will stand for reelection annually at each subsequent annual meeting, so long as the Holders continue to have such voting rights.

(ii) Any request to call a special meeting for the initial election of the Preferred Stock Director after a Nonpayment shall be made by written notice, signed by the requisite holders of Convertible Preferred Stock or Voting Preferred Stock then outstanding, and delivered to the Corporation in such manner as provided for in Section 18 below, or as may otherwise be required by law.

(iii) If and when all accumulated and unpaid dividends on the Convertible Preferred Stock have been paid in full, or declared and a sum sufficient for such payment thereof shall have been set aside (a "**Nonpayment Remedy**"), the Holders shall immediately and, without any further action by the Corporation, be divested of the voting rights described in this Section 7(b), subject to the reversion of such rights in the event of each subsequent Nonpayment. If such voting rights for the Holders and all other holders of Voting Preferred Stock shall have terminated, the term of office of any Preferred Stock Director so elected shall immediately terminate and the number of directors on the Board of Directors shall automatically decrease by one at such time.

(iv) Any Preferred Stock Director may be removed at any time without cause by the holders of record of a majority of the outstanding shares of the Convertible Preferred Stock and any Voting Preferred Stock then outstanding (voting together as a single class) when they have the voting rights described in this Section 7(b). In the event that a Nonpayment shall have occurred and there has not been a Nonpayment Remedy, any vacancy in the office of the Preferred Stock Director (other than prior to the initial election of a Preferred Stock Director after a Nonpayment) may be filled by a vote of the holders of record of a majority of the outstanding shares of the Convertible Preferred Stock and any other shares of Voting Preferred Stock then outstanding (voting together as a single class) when they have the voting rights described in this Section 7(b); *provided* that the filling of each vacancy will not cause the Corporation to violate its Bylaws as in effect on the Initial Issue Date or the corporate governance requirements of The NASDAQ Stock Market (or the principal other exchange or automated quotation system on which the Corporation's securities may be listed or quoted). Any such vote of holders of the Convertible Preferred Stock and any Voting Preferred Stock to remove, or to fill a vacancy in the office of, the Preferred Stock Director may be taken only at a special

meeting of stockholders of the Corporation, called as provided above for an initial election of a Preferred Stock Director after a Nonpayment (*provided* that such request is received at least 90 calendar days before the date requested for the special meeting). The Preferred Stock Director shall be entitled to one vote on any matter that shall come before the Board of Directors for a vote. The Preferred Stock Director elected at any special meeting of stockholders of the Corporation shall hold office until the next annual meeting of the stockholders of the Corporation if such office shall not have previously terminated and such Preferred Stock Director shall not have been removed from such office, in each case, as above provided.

For the avoidance of doubt, nothing in the terms of the Convertible Preferred Stock or in these Articles Supplementary shall preclude any issuance by the Corporation of a series of Voting Preferred Stock that is entitled to elect two Preferred Stock Directors in the event of a Nonpayment. If any such series of Voting Preferred Stock is issued, the Holders of the Convertible Preferred Stock, voting together as a single class with holders of any and all other series of Voting Preferred Stock then outstanding, shall be entitled to elect one Preferred Stock Director as provided in this Section 7(b), and holders of any and all other such series of Voting Preferred Stock that are entitled to elect two Preferred Stock Directors in the event of a Nonpayment shall separately elect one other Preferred Stock Director, without the vote of the Holders of the Convertible Preferred Stock.

(c) *Other Voting Rights.* So long as any shares of Convertible Preferred Stock are outstanding, in addition to any other vote or consent of stockholders required by law or by the Charter, the affirmative vote or consent of the Holders of at least two-thirds of the outstanding shares of Convertible Preferred Stock given in person or by proxy, either by written consent without a meeting or by vote at any meeting called for the purpose, shall be necessary for effecting or validating:

(i) any amendment or alteration of these Articles Supplementary or the Charter so as to authorize, create, determine, reclassify or designate, or increase the authorized amount of, any class or series of Senior Stock; *provided* that no such vote or consent shall be necessary for any such amendment or alteration in connection with such an authorization, creation, determination, designation or increase, in each case, in an amount of such Senior Stock with a liquidation preference not in excess of \$200,000, solely to the extent such authorization, creation, determination, designation or increase is necessary or advisable to satisfy the requirements to qualify as a REIT;

(ii) any amendment, alteration or repeal of any provision of the Charter (including these Articles Supplementary) that would materially and adversely affect any preference, conversion or other right, voting power, restriction, limitation as to dividends, qualification or term or condition of redemption of the Convertible Preferred Stock; or

(iii) any consummation of a binding share exchange or reclassification involving the Convertible Preferred Stock, or of a merger or consolidation of the Corporation with or into another Person unless, in each case (x) (1) the shares of Convertible Preferred Stock remain outstanding and are not amended in any respect or (2) the shares of Convertible Preferred Stock are converted into or exchanged for

preference securities of the surviving or resulting entity, its ultimate parent or the Corporation's ultimate parent, and (y) in the case of clause (x)(2) above, such preference securities have such preferences, conversion and other rights (including repurchase rights), voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption, taken as a whole, as are not materially less favorable to the holders thereof than the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of the Convertible Preferred Stock immediately prior to such consummation, taken as a whole;

*provided*, however, that for all purposes of this Section 7(c), neither (1) any increase in the amount of the Corporation's authorized but unissued shares of Preferred Stock nor (2) the creation and issuance, or an increase in the authorized or issued amount, of any other series of Parity Preferred Stock or Junior Stock, shall be deemed to adversely affect the special rights, preferences, privileges or voting powers, of the Convertible Preferred Stock, and shall not require the affirmative vote or consent of Holders.

(d) *Change of Name, Other Designation or Par Value.* Without the consent or action of the Holders, so long as such action is made pursuant to an amendment to the Corporation's Charter duly adopted in accordance with Maryland law, and does not change the preferences, conversion or other rights (including repurchase rights), voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the Convertible Preferred Stock, a majority of the entire Board of Directors may change the name or other designation or the par value of such stock of the Corporation.

(e) Prior to the close of business on the last Trading Day of the relevant Observation Period the shares of Common Stock issuable upon conversion, redemption or repurchase, as the case may be, of the Convertible Preferred Stock shall not be deemed to be outstanding and Holders shall have no voting rights with respect to such shares of Common Stock by virtue of holding the Convertible Preferred Stock, including the right to vote such shares of Common Stock on any amendment to the Corporation's Charter or these Articles Supplementary that would adversely affect the rights of holders of the Common Stock.

(f) For purposes of Section 7(b), whether a plurality, majority or other portion of the Convertible Preferred Stock and any other Voting Preferred Stock have been voted in favor of any matter shall be determined by reference to the respective liquidation preference amounts of the Convertible Preferred Stock and such other Voting Preferred Stock voted. At any meeting at which the Holders are entitled to elect a Preferred Stock Director, the holders of record of a majority of the shares of the Convertible Preferred Stock and any Voting Preferred Stock then outstanding (voting together as a single class), present in person or represented by proxy, shall constitute a quorum and the vote of the holders of record of a majority of the shares of the Convertible Preferred Stock and any Voting Preferred Stock then outstanding (voting together as a single class) so present or represented by proxy at any such meeting at which there shall be a quorum shall be sufficient to elect the Preferred Stock Director.

(g) The number of votes that each share of Convertible Preferred Stock and any Voting Preferred Stock participating in the votes described in Section 7(b) shall have shall be in proportion to the liquidation preference of such share.

(h) *Procedures for Voting and Consents.* The rules and procedures for calling and conducting any meeting of the Holders (including, without limitation, the fixing of a record date in connection therewith), the solicitation and use of proxies at such a meeting, the obtaining of written consents and any other procedural aspect or matter with regard to such a meeting or such consents shall be governed by any rules the Board of Directors, in its discretion, may adopt from time to time, which rules and procedures shall conform to the requirements of the Charter, the Bylaws, applicable law and the rules of any national securities exchange or other trading facility on which the Convertible Preferred Stock is listed or traded at the time.

#### SECTION 8. *Conversion of Convertible Preferred Stock.*

(a) *Conversion Privilege.* (i) Holders shall have the right to convert their shares of Convertible Preferred Stock, in whole or in part (but in no event less than one share of Convertible Preferred Stock), at any time on or after the First Conversion Date and prior to the close of business on the Business Day immediately preceding the Scheduled Mandatory Conversion Date (“**Optional Conversion**”), as described in this Section 8 and subject to satisfaction of the conversion procedures set forth in Section 10, in each case, for the amount and kind of consideration as described in this Section 8; *provided* that an Optional Conversion may be effected prior to the First Conversion Date (x) in accordance with Section 8(d) or Section 15(a)(i) and (y) during any Dividend Conversion Period.

(ii) Upon any Optional Conversion of any shares of the Convertible Preferred Stock, the Corporation shall make no payment or allowance for accumulated and unpaid dividends on such shares of the Convertible Preferred Stock.

(b) *Mandatory Conversion on the Mandatory Conversion Date.* Each share of Convertible Preferred Stock shall automatically convert (unless previously converted at the option of the Holder (x) in accordance with Section 8(a), Section 8(d) or Section 15(a)(i) or (y) during any Dividend Conversion Period, repurchased at the option of the Holder in accordance with Section 15 or redeemed by the Corporation pursuant to Section 6) on the Mandatory Conversion Date (“**Mandatory Conversion**”), as described in this Section 8, in each case, for the amount and kind of consideration as described in this Section 8, *plus* an additional amount equal to accumulated and unpaid dividends (irrespective of whether such dividends have been declared) payable in cash out of funds legally available for payment of such distributions to, but excluding, the Mandatory Conversion Date. For the avoidance of doubt the phrase “Conversion Obligation” in respect of a Mandatory Conversion shall not include any such amount in respect of accumulated and unpaid dividends due upon a Mandatory Conversion.

(c) *Settlement Upon Conversion.* Subject to this Section 8(c), and Section 14, upon conversion of any share of Convertible Preferred Stock, the Corporation shall pay or deliver, as the case may be, to the converting Holder, in respect of each share being converted, cash (“**Cash Settlement**”), shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Physical Settlement**”)

or a combination of cash and shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Combination Settlement**”), at its election, as set forth in this Section 8(c), in satisfaction of its Conversion Obligation.

(i) All conversions for which the relevant Conversion Date occurs on or after the Final Settlement Method Election Date, and all conversions for which the relevant Conversion Date occurs after the Corporation’s issuance of a Redemption Notice with respect to the Convertible Preferred Stock and prior to the related Redemption Date, shall be settled using the same Settlement Method.

(ii) Except for any conversions for which the relevant Conversion Date occurs after the Corporation’s issuance of a Redemption Notice with respect to the Convertible Preferred Stock but prior to the related Redemption Date, and any conversions for which the relevant Conversion Date occurs on or after the Final Settlement Method Election Date, the Corporation shall use the same Settlement Method for all conversions with the same Conversion Date, but the Corporation shall not have any obligation to use the same Settlement Method with respect to conversions with different Conversion Dates.

(iii) If, in respect of any Conversion Date (or one of the periods described in the third immediately succeeding set of parentheses, as the case may be), the Corporation elects to deliver a notice (the “**Settlement Notice**”) of the relevant Settlement Method in respect of such Conversion Date (or such period, as the case may be), the Corporation shall deliver such Settlement Notice to converting Holders no later than the close of business on the second Trading Day immediately following the relevant Conversion Date (or, in the case of any conversions for which the relevant Conversion Date occurs (x) after the date of issuance of a Redemption Notice with respect to the Convertible Preferred Stock and prior to the related Redemption Date, in such Redemption Notice or (y) on or after the Final Settlement Method Election Date, no later than the Final Settlement Method Election Date). If the Corporation does not elect a Settlement Method prior to the deadline set forth in the immediately preceding sentence, the Corporation shall no longer have the right to elect Cash Settlement or Physical Settlement and the Corporation shall be deemed to have elected Combination Settlement in respect of its Conversion Obligation, and the Specified Dollar Amount per share of Convertible Preferred Stock shall be equal to the Liquidation Preference per share. Such Settlement Notice shall specify the relevant Settlement Method, and in the case of an election of Combination Settlement, the relevant Settlement Notice shall indicate the Specified Dollar Amount per share of Convertible Preferred Stock. If the Corporation delivers a Settlement Notice electing Combination Settlement in respect of its Conversion Obligation but does not indicate a Specified Dollar Amount per share of Convertible Preferred Stock in such Settlement Notice, the Specified Dollar Amount per share of Convertible Preferred Stock shall be deemed to be the Liquidation Preference per share.

(iv) The Settlement Amount with respect to any conversion of Convertible Preferred Stock shall be computed as follows:

(A) If the Corporation elects to satisfy its Conversion Obligation in respect of such conversion by Physical Settlement, the Corporation shall deliver to the converting Holder in respect of each share of Convertible Preferred Stock being converted a number of shares of Common Stock equal to the greater of (x) the Conversion Rate in effect on the Conversion Date and (y) the Liquidation Preference per share *divided by* the Average VWAP per share of the Common Stock for the related Observation Period; *provided* that the number of shares of Common Stock issued upon the conversion of each share of Convertible Preferred Stock pursuant to this Section 8(c)(iv)(A)(y) shall not exceed the NASDAQ Share Cap. If the application of the NASDAQ Share Cap results in the Corporation delivering fewer shares of Common Stock upon any Mandatory Conversion of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Mandatory Conversion of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Liquidation Preference per share of Convertible Preferred Stock, *minus* (y) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided* that any payment of cash pursuant to this Section 8(c)(iv)(A) shall be made out of funds legally available for such distribution.

(B) if the Corporation elects to satisfy its Conversion Obligation in respect of such conversion by Cash Settlement, the Corporation shall pay to the converting Holder in respect of each share of Convertible Preferred Stock being converted cash out of funds legally available for such distribution in an amount equal to the greater of (x) the sum of the Daily Conversion Values for each of the consecutive Trading Days during the related Observation Period and (y) the Liquidation Preference per share; and

(C) if the Corporation elects (or is deemed to have elected) to satisfy its Conversion Obligation in respect of such conversion by Combination Settlement, the Corporation shall pay or deliver, as the case may be, in respect of each share of Convertible Preferred Stock being converted, a Settlement Amount equal to (x) the sum of the Daily Settlement Amounts for each of the consecutive Trading Days during the related Observation Period or (y) if such sum is less than the Liquidation Preference per share (with each share of Common Stock included in such Daily Settlement Amounts valued for this purpose at the Average VWAP per share of the Common Stock for the related Observation Period), an amount of cash equal to the lesser of the Liquidation Preference per share and the Specified Dollar Amount, and, if the Specified Dollar Amount is less than the Liquidation Preference per share, a number of shares of Common Stock equal to the quotient of (I) the Liquidation Preference per share, *minus* the Specified Dollar Amount, *divided by* (II) the Average VWAP per share of the Common Stock for the relevant Observation Period; *provided* that the number of

shares of Common Stock issued upon the conversion of each share of Convertible Preferred Stock pursuant to this Section 8(c)(iv)(C)(y) shall not exceed the NASDAQ Share Cap. If the application of the NASDAQ Share Cap results in the Corporation delivering fewer shares of Common Stock upon any Mandatory Conversion of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Mandatory Conversion of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Liquidation Preference per share of Convertible Preferred Stock, *minus* (y) the sum of (1) the Specified Dollar Amount and (2) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided further* that any payment of cash pursuant to this Section 8(c)(iv)(C) shall be made out of funds legally available for such distribution.

(v) The Daily Settlement Amounts (if applicable) and the Daily Conversion Values (if applicable) shall be determined by the Corporation promptly following the last day of the Observation Period. Promptly after such determination of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering any fractional share of Common Stock, the Corporation shall notify the Conversion and Dividend Disbursing Agent of the Daily Settlement Amounts or the Daily Conversion Values, as the case may be, and the amount of cash payable in lieu of delivering fractional shares of Common Stock. The Conversion and Dividend Disbursing Agent shall have no responsibility for any such determination.

(d) *Make-Whole Fundamental Change Conversion.* (i) If a Make-Whole Fundamental Change occurs or becomes effective prior to the Scheduled Mandatory Conversion Date, a Holder may elect to effect an Optional Conversion of its Convertible Preferred Stock in connection with such Make-Whole Fundamental Change, regardless of whether such Optional Conversion is effected prior to the First Conversion Date. In such event, the Corporation shall, under the circumstances described below, increase the Conversion Rate for the shares of Convertible Preferred Stock so surrendered for Optional Conversion by a number of additional shares of Common Stock (the “**Additional Shares**”), as described below. An Optional Conversion shall be deemed for these purposes to be “in connection with” such Make-Whole Fundamental Change if the relevant notice of conversion is received by the Conversion and Dividend Disbursing Agent from, and including, the Effective Date of the Make-Whole Fundamental Change up to, and including, the Business Day immediately prior to the related Change of Control Repurchase Date (or, in the case of a Make-Whole Fundamental Change that would have been a Change of Control but for the exceptions from clause (1) of such definition for Permitted Holdco Transactions, the 35th Trading Day immediately following the Effective Date of such Make-Whole Fundamental Change) (such period, the “**Make-Whole Fundamental Change Conversion Period**”). For the avoidance of doubt, an Optional Conversion in connection with a Make-Whole Fundamental Change may be effected prior to the First Conversion Date.

(ii) Upon surrender of Convertible Preferred Stock for Optional Conversion in connection with a Make-Whole Fundamental Change pursuant to Section 8(d), the

Corporation shall, at its option, satisfy the related Conversion Obligation by Physical Settlement, Cash Settlement or Combination Settlement in accordance with Section 8(c); *provided, however*, that if, at the effective time of a Make-Whole Fundamental Change the Reference Property following such Make-Whole Fundamental Change is composed entirely of cash, for any Optional Conversion in connection with such Make-Whole Fundamental Change, the Conversion Obligation shall be calculated based on the Stock Price paid in the transaction and shall be deemed to be an amount of cash per share of converted Convertible Preferred Stock equal to the greater of (x) the Conversion Rate (including any adjustment for Additional Shares), *multiplied* by such Stock Price and (y) the Liquidation Preference per share. In such event, the Conversion Obligation shall be paid to Holders in cash on the third Business Day following the Optional Conversion Date. The Corporation shall notify the Holders of the anticipated Effective Date of any Make-Whole Fundamental Change on or before the twentieth calendar day prior to the anticipated Effective Date or, if such prior notice is not practicable, no later than two Business Days after such Effective Date; *provided* that the Corporation shall not be obligated to give such notice prior to the Business Day immediately succeeding the Corporation's public announcement of the relevant event causing such Make-Whole Fundamental Change; *provided further* that any delay in providing such notice past such Effective Date shall increase the period of time during which a conversion will be deemed to be "in connection with" such Make-Whole Fundamental Change by an equal amount of days. Such notice shall state (A) the event causing the Make-Whole Fundamental Change, (B) the anticipated or actual Effective Date, as the case may be, of the Make-Whole Fundamental Change, (C) the anticipated or actual Make-Whole Fundamental Change Conversion Period, as the case may be, (D) the applicable Conversion Rate and the relevant number of Additional Shares and (E) the instructions a Holder must follow to effect an Optional Conversion in connection with such Make-Whole Fundamental Change.

(iii) The number of Additional Shares, if any, by which the Conversion Rate shall be increased shall be determined by reference to the table below, based on the date on which the Make-Whole Fundamental Change occurs or becomes effective (the "**Effective Date**") and the price (the "**Stock Price**") paid (or deemed to be paid) per share of the Common Stock in the Make-Whole Fundamental Change. If the holders of the Common Stock receive in exchange for their Common Stock only cash in a Make-Whole Fundamental Change, the Stock Price shall be the cash amount paid per share. Otherwise, the Stock Price shall be the Average VWAP per share of the Common Stock for the five Trading Day period ending on, and including, the Trading Day immediately preceding the Effective Date of the Make-Whole Fundamental Change. The Board of Directors (or an authorized committee thereof) shall in good faith make appropriate adjustments to the Stock Price, in its good faith determination, to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date (as such term is used in Section 13) or expiration date of the event occurs during such five consecutive Trading Day period.

(iv) The Stock Prices set forth in the column headings of the table below shall be adjusted as of any date on which the Conversion Rate is otherwise adjusted. The

adjusted Stock Prices shall equal the Stock Prices applicable immediately prior to such adjustment, *multiplied by a fraction, the numerator of which is the Conversion Rate immediately prior to such adjustment giving rise to the Stock Price adjustment and the denominator of which is the Conversion Rate as so adjusted.* The number of Additional Shares set forth in the table below shall be adjusted in the same manner and at the same time as the Conversion Rate as set forth in Section 13.

(v) The following table sets forth the number of Additional Shares of Common Stock by which the Conversion Rate shall be increased per share of Convertible Preferred Stock pursuant to this Section 8(d) for each Stock Price and Effective Date set forth below:

Effective Date	Stock Price						
	\$19.79	\$22.50	\$25.00	\$27.50	\$30.00	\$32.50	\$35.00
Initial Issue Date	21.9591	15.8730	11.4286	7.7922	4.7619	2.1978	0.0000
May 1, 2017	21.9591	15.8730	11.4286	7.7922	4.7619	2.1978	0.0000
May 1, 2018	21.9591	15.8730	11.4286	7.7922	4.7619	2.1978	0.0000
July 5, 2019	21.9591	15.8730	11.4286	7.7922	4.7619	2.1978	0.0000

The exact Stock Prices and Effective Dates may not be set forth in the table above, in which case:

(A) if the Stock Price is between two Stock Prices in the table above or the Effective Date is between two Effective Dates in the table, the number of Additional Shares shall be determined by a straight-line interpolation between the number of Additional Shares set forth for the higher and lower Stock Prices and the earlier and later Effective Dates, as applicable, based on a 365-day year or a 366-day year, as the case may be;

(B) if the Stock Price is greater than \$35.00 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above pursuant to subsection (iv) above), no Additional Shares shall be added to the Conversion Rate; and

(C) if the Stock Price is less than \$19.79 per share (subject to adjustment in the same manner as the Stock Prices set forth in the column headings of the table above pursuant to subsection (iv) above), no Additional Shares shall be added to the Conversion Rate.

Notwithstanding the foregoing, in no event shall the Conversion Rate per share of Convertible Preferred Stock exceed 50.5305 shares of Common Stock, subject to adjustment in the same manner as the Conversion Rate pursuant to Section 13.

(vi) Nothing in this Section 8(d) shall prevent an adjustment to the Conversion Rate pursuant to Section 13 in respect of a Make-Whole Fundamental Change.

SECTION 10. *Conversion Procedures.* (a) Pursuant to Section 8(b), on the Mandatory Conversion Date, any outstanding shares of Convertible Preferred Stock shall automatically convert in accordance with Section 8(b). The Person or Persons entitled to receive any shares of Common Stock issuable on the Mandatory Conversion Date shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the last Trading Day of the Final Observation Period. Except as provided under Section 13(c) and Section 13(d), prior to the close of business on the last Trading Day of the Final Observation Period, the shares of Common Stock issuable upon Mandatory Conversion of the Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such shares of Common Stock (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding the Convertible Preferred Stock.

(b) To effect an Optional Conversion pursuant to Section 8, a Holder who

(i) holds a beneficial interest in a Global Preferred Share must deliver to DTC the appropriate instruction form for conversion pursuant to DTC's conversion program and, if required, pay (x) all applicable transfer or similar taxes or duties, if any, and (y) funds equal to dividends payable, if any, on the next Dividend Payment Date pursuant to Section 4(a); or

(ii) holds shares of Convertible Preferred Stock in definitive, certificated form must:

(A) complete and manually sign the conversion notice on the back of the Convertible Preferred Stock certificate or a facsimile of such conversion notice;

(B) deliver the completed conversion notice and the certificated shares of Convertible Preferred Stock to be converted to the Conversion and Dividend Disbursing Agent;

(C) if required, furnish appropriate endorsements and transfer documents; and

(D) if required, pay (x) all applicable transfer or similar taxes or duties, if any, and (y) funds equal to dividends payable, if any, on the next Dividend Payment Date pursuant to Section 4(a).

The Optional Conversion shall be effective on the date on which a Holder has satisfied the foregoing requirements (the "**Optional Conversion Date**"). Except as set forth in Section 8(d) and Section 14(a), the Corporation shall pay or deliver, as the case may be, the consideration due in respect of the Conversion Obligation for any Optional Conversion on the third Business Day immediately following the last Trading Day of the relevant Observation Period. A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of any Common Stock if such Holder exercises its conversion rights, but

such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of any Common Stock in a name other than the name of such Holder. The Transfer Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Transfer Agent receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. A certificate representing the shares of Common Stock, if any, issuable upon conversion shall be issued and delivered to the converting Holder or, if the Convertible Preferred Stock being converted is in book-entry form, the Corporation may elect to deliver the shares of Common Stock issuable upon conversion, if any, to the converting Holder through book-entry transfer, including through the facilities of the Depository.

The person or persons entitled to receive the shares of Common Stock issuable upon Optional Conversion, if any, shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the last Trading Day of the relevant Observation Period. Except as set forth in Section 13(c) and Section 13(d), prior to the close of business on the last Trading Day of the relevant Observation Period, the shares of Common Stock, if any, issuable upon Optional Conversion of any shares of Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such shares of Common Stock (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding shares of Convertible Preferred Stock.

In the event that an Optional Conversion is effected with respect to shares of Convertible Preferred Stock representing less than all the shares of Convertible Preferred Stock held by a Holder, upon such Optional Conversion the Corporation shall execute and instruct the Registrar and Transfer Agent to countersign and deliver to the Holder thereof, at the expense of the Corporation, a certificate evidencing the shares of Convertible Preferred Stock as to which Optional Conversion was not effected, or, if the Convertible Preferred Stock is held in book-entry form, the Corporation shall cause the Transfer Agent and Registrar to reduce the number of shares of Convertible Preferred Stock represented by the global certificate by making a notation on Schedule I attached to the global certificate.

No Optional Conversion with respect to any share of Convertible Preferred Stock may be effected by a Holder thereof if such Holder has also delivered a Change of Control Repurchase Notice to the Corporation in respect of such share of Preferred Stock and has not validly withdrawn such Change of Control Repurchase Notice in accordance with Section 15(b).

(c) In the event that a Holder shall not by written notice designate the name in which any shares of Common Stock to be issued upon conversion of such Convertible Preferred Stock should be registered or, if applicable, the address to which the certificate or certificates representing such shares of Common Stock should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such shares of Common Stock to the address of such Holder shown on the records of the Corporation.

(d) Shares of Convertible Preferred Stock shall cease to be outstanding on the applicable Optional Conversion Date or Mandatory Conversion Date, subject to the right of Holders of such shares to receive the cash payable and/or the shares of Common Stock issuable upon conversion of such shares of Convertible Preferred Stock to which they are entitled pursuant to Section 8, *plus*, in the case of a Mandatory Conversion, accumulated and unpaid dividends (irrespective of whether such dividends have been declared) payable in cash out of funds legally available for payment of such dividends to, but excluding, the Mandatory Conversion Date.

SECTION 11. *Reservation of Common Stock.* (a) The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock or shares of Common Stock held in the treasury of the Corporation, solely for issuance upon the conversion, redemption or repurchase of shares of Convertible Preferred Stock as herein provided, free from any preemptive or other similar rights, a number of shares of Common Stock equal to the NASDAQ Share Cap *multiplied by* the number of shares of Convertible Preferred Stock.

(b) Notwithstanding the foregoing, the Corporation shall be entitled to deliver upon any conversion, redemption or repurchase of shares of Convertible Preferred Stock, as herein provided, shares of Common Stock reacquired and held in the treasury of the Corporation (in lieu of the issuance of authorized and unissued shares of Common Stock), so long as any such treasury shares are free and clear of all liens, charges, security interests or encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(c) All shares of Common Stock delivered upon any conversion, redemption or repurchase of the Convertible Preferred Stock shall be duly authorized, validly issued, fully paid and non-assessable, free and clear of all liens, claims, security interests and other encumbrances (other than liens, charges, security interests and other encumbrances created by the Holders).

(d) Subject to the Stockholder's and Registration Rights Agreement, prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Convertible Preferred Stock, the Corporation shall use reasonable best efforts to comply with all U.S. federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority; *provided* that this Section 11(d) shall not obligate the Corporation to register the offer and sale of such securities under the Securities Act or any other applicable securities laws.

(e) Subject to the Stockholder's and Registration Rights Agreement, the Corporation hereby covenants and agrees that, if at any time the Common Stock shall be listed on the NASDAQ Global Select Market or any other national securities exchange or automated quotation system, the Corporation shall, if permitted by the rules of such exchange or automated quotation system, list and keep listed, so long as the Common Stock shall be so listed on such exchange or automated quotation system, all Common Stock issuable upon conversion, redemption or repurchase of the Convertible Preferred Stock; *provided, however*, that if the rules of such exchange or automated quotation system permit the Corporation to defer the listing of such Common Stock until the first conversion, redemption or repurchase of Convertible Preferred Stock in accordance with the provisions hereof, the Corporation covenants to list such Common Stock issuable upon the first conversion, redemption or repurchase of the Convertible

Preferred Stock in accordance with the requirements of such exchange or automated quotation system at such time.

SECTION 12. *Fractional Shares.* (a) No fractional shares of Common Stock shall be issued as a result of any conversion, redemption or repurchase of shares of Convertible Preferred Stock.

(b) In lieu of any fractional share of Common Stock otherwise issuable in respect of the aggregate number of shares of Convertible Preferred Stock that are redeemed pursuant to Section 6, converted pursuant to Section 8 or repurchased pursuant to Section 15, as the case may be, the Corporation shall pay an amount in cash (computed to the nearest cent) equal to the product of (i) that same fraction and (ii) the VWAP per share of the Common Stock on the last Trading Day of the relevant Observation Period.

(c) If more than one share of the Convertible Preferred Stock is surrendered for conversion, redemption or repurchase at one time by or for the same Holder, the number of full shares of Common Stock issuable upon conversion, redemption or repurchase thereof, as the case may be, shall be computed on the basis of the aggregate number of shares of the Convertible Preferred Stock so surrendered.

SECTION 13. *Adjustments to the Conversion Rate.* The Conversion Rate shall be adjusted from time to time by the Corporation if any of the following events occurs, except that the Corporation shall not make any adjustments to the Conversion Rate if Holders of the Convertible Preferred Stock participate (other than in the case of (x) a share split or share combination or (y) a tender or exchange offer), at the same time and upon the same terms as holders of the Common Stock and solely as a result of holding the Convertible Preferred Stock, in any of the transactions described in this Section 13, without having to convert their Convertible Preferred Stock, as if they held a number of shares of Common Stock equal to the Conversion Rate, *multiplied by* the number of shares of Convertible Preferred Stock held by such Holder.

(a) If the Corporation exclusively issues shares of Common Stock as a dividend or distribution on shares of the Common Stock (other than any shares of Common Stock constituting all or a portion of any regular, quarterly dividend), or if the Corporation effects a share split or share combination, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{OS'}{OS_0}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date of such dividend or distribution, or immediately prior to the open of business on the Effective Date of such share split or share combination, as applicable;

- CR' =the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date or Effective Date;
- OS0 =the number of shares of Common Stock outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date; and
- OS' =the number of shares of Common Stock outstanding immediately after giving effect to such dividend, distribution, share split or share combination.

Any adjustment made under this Section 13(a) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution, or immediately after the open of business on the Effective Date for such share split or share combination, as applicable. If any dividend or distribution of the type described in this Section 13(a) is declared but not so paid or made, the Conversion Rate shall be immediately readjusted, effective as of the date the Board of Directors (or an authorized committee thereof) determines not to pay such dividend or distribution, to the Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) If the Corporation issues to all or substantially all holders of the Common Stock any rights, options or warrants (other than in connection with the adoption or implementation of a shareholder rights plan) entitling them, for a period of not more than 45 calendar days after the date of such issuance, to subscribe for or purchase shares of the Common Stock at a price per share that is less than the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

- CR0 =the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such issuance;
- CR' =the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;
- OS0 =the number of shares of Common Stock outstanding immediately prior to the open of business on such Ex-Dividend Date;
- X =the total number of shares of Common Stock issuable pursuant to such rights, options or warrants; and
- Y =the number of shares of Common Stock equal to the aggregate price payable to exercise such rights, options or warrants, *divided by* the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period ending on, and

including, the Trading Day immediately preceding the date of announcement of the issuance of such rights, options or warrants.

Any increase made under this Section 13(b) shall be made successively whenever any such rights, options or warrants are issued and shall become effective immediately after the open of business on the Ex-Dividend Date for such issuance. To the extent that shares of the Common Stock are not delivered pursuant to such rights, options or warrants upon the exercise of such rights, options or warrants, or if any such rights, options or warrants are not exercised prior to their expiration, the Conversion Rate shall be decreased to the Conversion Rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights, options or warrants are not so issued, the Conversion Rate shall be decreased, effective as of the date the Board of Directors (or an authorized committee thereof) determines not to issue such rights, options or warrants, to the Conversion Rate that would then be in effect if such Ex-Dividend Date for such issuance had not occurred.

For purposes of this Section 13(b), in determining whether any rights, options or warrants entitle the holders to subscribe for or purchase shares of the Common Stock at less than such Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the date of announcement of such issuance, and in determining the aggregate offering price payable to exercise such rights, options or warrants, there shall be taken into account any consideration received by the Corporation for such rights, options or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board of Directors (or an authorized committee thereof) in good faith.

(c) If the Corporation distributes shares of its Capital Stock, evidences of its indebtedness, securities, other assets or property of the Corporation or rights, options or warrants to acquire its Capital Stock or other securities, to all or substantially all holders of the Common Stock, excluding (i) dividends, distributions or issuances as to which an adjustment was effected pursuant to Section 13(a) or Section 13(b), (ii) dividends or distributions paid exclusively in cash as to which the provisions set forth in Section 13(d) shall apply, (iii) dividends or distributions of Common Stock constituting all or a portion of any regular, quarterly dividend, (iv) dividends or distributions of Reference Property in exchange for Common Stock in connection with any Reorganization Event, (v) except as otherwise provided in Section 13(n) upon the occurrence of a Separation Event, the adoption or implementation of a shareholder rights plan, and (vi) Spin-Offs as to which the provisions set forth below in this Section 13(c) shall apply (any of such shares of Capital Stock, evidences of indebtedness, other assets or property or rights, options or warrants to acquire Capital Stock or other securities, the “**Distributed Property**”), then the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

CR0	=the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such distribution;
CR'	=the Conversion Rate in effect immediately after the open of business on such Ex-Dividend Date;
SP0	=the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution; and
FMV	=the fair market value (as determined by the Board of Directors (or an authorized committee thereof) in good faith) of the Distributed Property applicable to one share of the Common Stock on the Ex-Dividend Date for such distribution.

Any increase made under the portion of this Section 13(c) above shall become effective immediately after the open of business on the Ex-Dividend Date for such distribution. If such distribution is not so paid or made, the Conversion Rate shall be decreased, effective as of the date the Board of Directors (or an authorized committee thereof) determines not to proceed with such distribution, to the Conversion Rate that would then be in effect if such distribution had not been declared. Notwithstanding the foregoing, if “FMV” (as defined above) is equal to or greater than “SP0” (as defined above), in lieu of the foregoing increase, each Holder of a share of Convertible Preferred Stock shall receive, in respect of each such share, at the same time and upon the same terms as holders of the Common Stock receive the Distributed Property, the amount and kind of Distributed Property such Holder would have received if such Holder owned a number of shares of Common Stock equal to the Conversion Rate in effect on the Ex-Dividend Date for the distribution. If the Corporation determines the “FMV” (as defined above) of any distribution for purposes of this Section 13(c) by reference to the actual or when-issued trading market for any securities, it may (but need not) in doing so consider the prices in such market over the same period used in computing the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period ending on, and including, the Trading Day immediately preceding the Ex-Dividend Date for such distribution.

With respect to an adjustment pursuant to this Section 13(c) where there has been a payment of a dividend or other distribution on the Common Stock of shares of Capital Stock of any class or series, or similar equity interest, of or relating to a Subsidiary or other business unit of the Corporation, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a “**Spin-Off**”), the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

CR0	=the Conversion Rate in effect immediately prior to the end of the Valuation Period;
CR'	=the Conversion Rate in effect immediately after the end of the Valuation Period;

FMV0 =the Average VWAP per share of the Capital Stock or similar equity interest distributed to holders of the Common Stock applicable to one share of the Common Stock (determined by reference to the definition of VWAP as if references therein to (x) Common Stock were to such Capital Stock or similar equity interest and (y) the Bloomberg page “CSAL <Equity> AQR” were to the equivalent Bloomberg page for such Capital Stock or similar equity interest) for the 10 consecutive Trading Day period after, and including, the Ex-Dividend Date of the Spin-Off (the “**Valuation Period**”); and

MP0 =the Average VWAP per share of the Common Stock for the Valuation Period.

The increase to the Conversion Rate under the preceding paragraph shall occur on the last Trading Day of the Valuation Period; *provided* that in respect of any conversion of Convertible Preferred Stock, for any Trading Day that falls within the relevant Observation Period for such conversion and within the Valuation Period, references in the portion of this Section 13(c) related to Spin-Offs to 10 Trading Days shall be deemed to be replaced with such lesser number of Trading Days as have elapsed between the Ex-Dividend Date of such Spin-Off and such Trading Day in determining the Conversion Rate as of such Trading Day. If the Ex-Dividend Date of the Spin-Off is after the 10th Trading Day immediately preceding, and including, the end of any Observation Period in respect of a conversion of Convertible Preferred Stock, references in the preceding paragraph to 10 Trading Days will be deemed to be replaced, solely in respect of that conversion of Convertible Preferred Stock, with such lesser number of Trading Days as have elapsed from, and including, the Ex-Dividend Date for the Spin-Off to, and including, the last Trading Day of such Observation Period.

For purposes of this Section 13(c) (and subject in all respect to Section 13(n)), rights, options or warrants distributed by the Corporation to all holders of the Common Stock entitling them to subscribe for or purchase shares of the Corporation’s Capital Stock, including Common Stock (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (“**Trigger Event**”): (i) are deemed to be transferred with such shares of the Common Stock; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Common Stock, shall be deemed not to have been distributed for purposes of this Section 13(c) (and no adjustment to the Conversion Rate under this Section 13(c) will be required) until the occurrence of the earliest Trigger Event, whereupon such rights, options or warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Rate shall be made under this Section 13(c). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the Initial Issue Date, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Ex-Dividend Date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants shall be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any Trigger Event or other event (of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Rate under this Section 13(c) was made, (1) in the case of any such rights, options or

warrants that shall all have been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the Conversion Rate shall be readjusted as if such rights, options or warrants had not been issued and (y) the Conversion Rate shall then again be readjusted to give effect to such distribution, deemed distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of Common Stock with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of Common Stock as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Rate shall be readjusted as if such rights, options and warrants had not been issued.

For purposes of Section 13(a), Section 13(b) and this Section 13(c), if any dividend or distribution to which this Section 13(c) is applicable also includes one or both of:

(A) a dividend or distribution of shares of Common Stock to which Section 13(a) is applicable (the “**Clause A Distribution**”); or

(B) a dividend or distribution of rights, options or warrants to which Section 13(b) is applicable (the “**Clause B Distribution**”),

then, in either case, (1) such dividend or distribution, other than the Clause A Distribution and the Clause B Distribution, shall be deemed to be a dividend or distribution to which this Section 13(c) is applicable (the “**Clause C Distribution**”) and any Conversion Rate adjustment required by this Section 13(c) with respect to such Clause C Distribution shall then be made, and (2) the Clause A Distribution and Clause B Distribution shall be deemed to immediately follow the Clause C Distribution and any Conversion Rate adjustment required by Section 13(a) and Section 13(b) with respect thereto shall then be made, except that, if determined by the Corporation (I) the “Ex-Dividend Date” of the Clause A Distribution and the Clause B Distribution shall be deemed to be the Ex-Dividend Date of the Clause C Distribution and (II) any shares of Common Stock included in the Clause A Distribution or Clause B Distribution shall be deemed not to be “outstanding immediately prior to the open of business on such Ex-Dividend Date or Effective Date” within the meaning of Section 13(a) or “outstanding immediately prior to the open of business on such Ex-Dividend Date” within the meaning of Section 13(b).

(d) If any cash dividend or distribution (other than any cash payment constituting all or a portion of any regular, quarterly dividend) is made to all or substantially all holders of the Common Stock, the Conversion Rate shall be adjusted based on the following formula:

$$CR' = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where,

CR<sub>0</sub> = the Conversion Rate in effect immediately prior to the open of business on the Ex-Dividend Date for such dividend or distribution;

- CR' =the Conversion Rate in effect immediately after the open of business on the Ex-Dividend Date for such dividend or distribution;
- SP0 =the Average VWAP per share of the Common Stock for the five consecutive Trading Day period ending on the Trading Day immediately preceding the Ex-Dividend Date for such dividend or distribution; and
- C =the amount in cash per share the Corporation distributes to all or substantially all holders of the Common Stock.

Any increase pursuant to this Section 13(d) shall become effective immediately after the open of business on the Ex-Dividend Date for such dividend or distribution. If such dividend or distribution is not so paid, the Conversion Rate shall be decreased, effective as of the date the Board of Directors (or an authorized committee thereof) determines not to make or pay such dividend or distribution, to be the Conversion Rate that would then be in effect if such dividend or distribution had not been declared. Notwithstanding the foregoing, if “C” (as defined above) is equal to or greater than “SP0” (as defined above), in lieu of the foregoing increase, each Holder of a share of Convertible Preferred Stock shall receive, for each such share, at the same time and upon the same terms as holders of shares of the Common Stock, the amount of cash that such Holder would have received if such Holder owned a number of shares of Common Stock equal to the Conversion Rate on the Ex-Dividend Date for such cash dividend or distribution.

(e) If the Corporation or any of its Subsidiaries make a payment in respect of a tender or exchange offer for the Common Stock, other than an odd lot tender offer, to the extent that the cash and value of any other consideration included in the payment per share of the Common Stock exceeds the average of the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the Conversion Rate shall be increased based on the following formula:

$$CR' = CR_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP'}$$

where,

- CR0 =the Conversion Rate in effect immediately prior to the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- CR' =the Conversion Rate in effect immediately after the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires;
- AC =the aggregate value of all cash and the fair market value of any other consideration (as determined by the Board of Directors (or an authorized committee thereof) in good faith) paid or payable for shares of Common Stock purchased in such tender or exchange offer;

- OS0 =the number of shares of Common Stock outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all shares of Common Stock accepted for purchase or exchange in such tender or exchange offer);
- OS' =the number of shares of Common Stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all shares of Common Stock accepted for purchase or exchange in such tender or exchange offer); and
- SP' =the Average VWAP per share of the Common Stock for the 10 consecutive Trading Day period commencing on, and including, the Trading Day next succeeding the date such tender or exchange offer expires.

The increase to the Conversion Rate under this Section 13(e) shall occur at the close of business on the 10th Trading Day immediately following, and including, the Trading Day next succeeding the date such tender or exchange offer expires; *provided* that in respect of any conversion of Convertible Preferred Stock, for any Trading Day that falls within the relevant Observation Period for such conversion and within the 10 Trading Days immediately following, and including, the Trading Day next succeeding the expiration date of any tender or exchange offer, references in this Section 13(e) with respect to 10 Trading Days shall be deemed replaced with such lesser number of Trading Days as have elapsed between the expiration date of such tender or exchange offer and such Trading Day in determining the Conversion Rate as of such Trading Day. In addition, if the Trading Day next succeeding the date such tender or exchange offer expires is after the 10th Trading Day immediately preceding, and including, the end of any Observation Period in respect of a conversion of Convertible Preferred Stock, references in the preceding paragraph to 10 Trading Days shall be deemed to be replaced, solely in respect of that conversion of Convertible Preferred Stock, with such lesser number of Trading Days as have elapsed from, and including, the Trading Day next succeeding the date such tender or exchange offer expires to, and including, the last Trading Day of such Observation Period.

(f) Notwithstanding this Section 13 or any other provision of these Articles Supplementary or the Convertible Preferred Stock, if a Conversion Rate adjustment becomes effective on any Ex-Dividend Date, and a Holder that has converted its Convertible Preferred Stock on or after such Ex-Dividend Date and on or prior to the related Record Date would be treated as the record holder of the shares of Common Stock as of the related Conversion Date as described under Section 10 based on an adjusted Conversion Rate for such Ex-Dividend Date, then, notwithstanding the Conversion Rate adjustment provisions in this Section 13, the Conversion Rate adjustment relating to such Ex-Dividend Date shall not be made for such converting Holder. Instead, such Holder shall be treated as if such Holder were the record owner of the shares of Common Stock on an unadjusted basis and participate in the related dividend, distribution or other event giving rise to such adjustment.

(g) Except as stated herein, the Corporation shall not adjust the Conversion Rate for the issuance of shares of the Common Stock or any securities convertible into or exchangeable for shares of the Common Stock or the right to purchase shares of the Common Stock or such convertible or exchangeable securities.

(h) In addition to those adjustments required by clauses (a), (b), (c), (d) and (e) of this Section 13, and subject to the applicable rules of any exchange on which any of the Corporation's securities are then listed, the Corporation from time to time may increase the Conversion Rate by any amount for a period of at least 20 Business Days if the Corporation in good faith determines that such increase would be in the Corporation's best interest. In addition, subject to the applicable rules of any exchange on which any of the Corporation's securities are then listed, the Corporation may (but is not required to) increase the Conversion Rate to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock in connection with a dividend or distribution of shares of Common Stock (or rights to acquire shares of Common Stock) or similar event. Whenever the Conversion Rate is increased pursuant to either of the preceding two sentences, the Corporation shall mail to the Holder of each share of Convertible Preferred Stock a notice of the increase at least 15 days prior to the date the increased Conversion Rate takes effect, and such notice shall state the increased Conversion Rate and the period during which it will be in effect.

(i) Notwithstanding anything to the contrary in this Section 13, the Conversion Rate shall not be adjusted:

(i) upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Corporation's securities and the investment of additional optional amounts in shares of Common Stock under any plan;

(ii) upon the issuance of any shares of Common Stock or options or rights to purchase those shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Corporation or any of the Corporation's Subsidiaries;

(iii) upon the issuance of any shares of the Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described in clause (ii) of this subsection and outstanding as of the Initial Issue Date;

(iv) upon the repurchase of any shares of Common Stock pursuant to an open-market repurchase program or other buy-back transaction that is not a tender offer or exchange offer of the nature described in Section 13(e);

(v) solely for a change in the par value of the Common Stock;

(vi) upon any dividend or distribution on the Common Stock that is a regular, quarterly dividend, whether payable in cash, shares of Common Stock or a combination of cash and shares of Common Stock (including at the election of a holder of the Common Stock); or

(vii) for accumulated and unpaid dividends, if any.

(j) All calculations and other determinations under this Section 13 shall be made by the Board of Directors (or an authorized committee thereof) and shall be made to the nearest one-ten thousandth (1/10,000th) of a share of Common Stock. The Corporation shall not adjust the

Conversion Rate pursuant to this Section 13 unless the adjustment would result in a change of at least 1% in the then-effective Conversion Rate. However, the Corporation shall carry forward any adjustment that it would otherwise have had to make and take that adjustment into account in any subsequent adjustment. Notwithstanding the foregoing, all such carried-forward adjustments shall be made with respect to the Convertible Preferred Stock (i) in connection with any subsequent adjustment to the Conversion Rate of at least 1% and (ii) on each Trading Day of any Observation Period related to the conversion of Convertible Preferred Stock.

(k) Whenever the Conversion Rate is adjusted as herein provided, the Corporation shall promptly prepare a notice of such adjustment of the Conversion Rate setting forth the adjusted Conversion Rate (including any adjustment to the table set forth in Section 8(d)(v)), the method of calculation thereof in reasonable detail and the date on which each adjustment becomes effective and shall mail (or, in respect of any Global Preferred Shares, deliver in accordance with the applicable procedures of the Depository) such notice of such adjustment of the Conversion Rate to each Holder in the manner set forth in Section 18. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(l) For purposes of this Section 13, the number of shares of Common Stock at any time outstanding shall not include shares of Common Stock held in the treasury of the Corporation so long as the Corporation does not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation, but shall include shares of Common Stock issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock.

(m) Whenever any provision of these Articles Supplementary requires the Corporation to calculate the Average VWAPs, the Daily Conversion Values or the Daily Settlement Amounts over a span of multiple days (including an Observation Period and the period for determining the Stock Price for purposes of a Make-Whole Fundamental Change), the Board of Directors (or an authorized committee thereof) shall in good faith make appropriate adjustments to each to account for any adjustment to the Conversion Rate that becomes effective, or any event requiring an adjustment to the Conversion Rate where the Ex-Dividend Date, Effective Date or expiration date, as the case may be, of the event occurs, at any time during the period when the Average VWAPs, Daily Conversion Values or the Daily Settlement Amounts are to be calculated.

(n) If the Corporation has a stockholder rights plan in effect upon conversion of the Convertible Preferred Stock, each share of Common Stock, if any, issued upon such conversion shall be entitled to receive the appropriate number of rights, if any, and the certificates representing the Common Stock issued upon such conversion shall bear such legends, if any, in each case as may be provided by the terms of any such stockholder rights plan, as the same may be amended from time to time. However, if, prior to any conversion of Convertible Preferred Stock, the rights have separated from the shares of Common Stock in accordance with the provisions of the applicable stockholder rights plan (a “**Separation Event**”), the Conversion Rate shall be adjusted at the time of separation as if the Corporation distributed to all or substantially all holders of the Common Stock Distributed Property as provided in Section 13(c), subject to readjustment in the event of the expiration, termination or redemption of such rights.

(o) Notwithstanding anything to the contrary herein, the Corporation may delay the settlement of any conversion of the Convertible Preferred Stock to the extent necessary to calculate the amount of consideration due upon conversion in connection with any adjustment of the Conversion Rate pursuant to this Section 13 (including, for the avoidance of doubt, to calculate any readjustment of the Conversion Rate pursuant to this Section 13), and, in respect of any such delay, the Corporation shall be deemed not to have breached its obligation to deliver the consideration due upon conversion by the date specified in Section 10(b).

SECTION 14. *Reorganization Events.*

(a) In the case of:

(i) any recapitalization, reclassification or change of the Common Stock (other than changes resulting from a subdivision or combination),

(ii) any consolidation, merger, combination or similar transaction involving the Corporation,

(iii) any sale, lease or other transfer to a third party of the consolidated assets of the Corporation and the Corporation's Subsidiaries substantially as an entirety or

(iv) any statutory share exchange,

in each case, as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities, other property or assets (including cash or any combination thereof) (any such event, a "**Reorganization Event**"), then, at and after the effective time of such Reorganization Event, the right to convert each share of Convertible Preferred Stock at the Conversion Rate shall be changed into a right to convert such share into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of shares of Common Stock equal to the Conversion Rate immediately prior to such Reorganization Event would have owned or been entitled to receive (the "**Reference Property**," with each "**unit of Reference Property**" meaning the kind and amount of Reference Property that a holder of one share of Common Stock is entitled to receive) upon such Reorganization Event; *provided, however*, that at and after the effective time of the Reorganization Event (A) the Corporation shall continue to have the right to determine the form of consideration to be paid or delivered, as the case may be, upon redemption of the Convertible Preferred Stock in accordance with Section 6(d), conversion of Convertible Preferred Stock in accordance with Section 8(c), or repurchase of the Convertible Preferred Stock in accordance with Section 15(c)(i), and all amounts paid or delivered, as the case may be, shall be determined in accordance with Section 6(d)(iii), Section 8(c)(iv) or Section 15(c)(i)(C), as the case may be, and (B) (I) any amount payable in cash upon redemption of the Convertible Preferred Stock in accordance with Section 6(d), conversion of the Convertible Preferred Stock in accordance with Section 8(c), or repurchase of the Convertible Preferred Stock in accordance with Section 15(c)(i), shall continue to be payable in cash as determined in Section 6(d)(iii)(B), Section 8(c)(iv)(B) or Section 15(c)(i)(C)(2), as the case may be, (II) any shares of Common Stock that the Corporation would have been required to deliver upon redemption of the Convertible Preferred Stock in accordance with Section 6(d), conversion of the Convertible Preferred Stock

in accordance with Section 8(c), or repurchase of the Convertible Preferred Stock in accordance with Section 15(c)(i), shall instead be deliverable in the amount and type of Reference Property that a holder of that number of shares of Common Stock would have been entitled to receive in such Reorganization Event and (III) the VWAP shall be calculated based on the value of a unit of Reference Property.

If the Reorganization Event causes the Common Stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), then (i) the Reference Property into which the Convertible Preferred Stock will be convertible or with which the Corporation may satisfy its obligation with respect to any Redemption Price or Change of Control Repurchase Price, as applicable, shall be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of Common Stock that affirmatively make such an election or (y) if no holders of Common Stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of Common Stock, and (ii) the unit of Reference Property for purposes of the immediately preceding paragraph shall refer to the consideration referred to in clause (i) attributable to one share of Common Stock. If the holders of the Common Stock receive only cash in such Reorganization Event, then for all conversions for which the relevant Conversion Date occurs after the effective date of such Reorganization Event (A) the consideration due upon conversion of share of Convertible Preferred Stock shall be solely cash in an amount equal to the greater of (x) the Liquidation Preference per share and (y) the Conversion Rate in effect on the Conversion Date (as may be increased by any Additional Shares pursuant to Section 8(d)), *multiplied* by the price paid per share of Common Stock in such Reorganization Event and (B) the Corporation shall satisfy the Conversion Obligation by paying cash to converting Holders on the third Business Day immediately following the relevant Conversion Date. The Corporation shall notify Holders of such weighted average as soon as practicable after such determination is made.

(b) The above provisions of this Section shall similarly apply to successive Reorganization Events and the provisions of this Section shall apply to any Reference Property.

(c) The Corporation (or any successor thereto) shall, as soon as reasonably practicable (but in any event within 20 calendar days) after the occurrence of any Reorganization Event, provide written notice to the Holders of such occurrence and of the kind and amount of the stock, other securities, other property or assets that constitute the Reference Property. Failure to deliver such notice shall not affect the operation of this Section 14.

(d) The Corporation shall not enter into or consummate any transaction or become a party to any agreement, in each case, with respect to any transaction that would constitute a Reorganization Event unless its terms are consistent with the provisions of Section 14(a).

#### SECTION 15. *Repurchase of Convertible Preferred Stock at Option of Holders Upon a Change of Control.*

(a) *Repurchase at Option of Holders Upon a Change of Control.* (i) If a Change of Control occurs at any time, each Holder shall have the right, at such Holder's option, to require the Corporation to repurchase (a "**Change of Control Repurchase**") all or any integral number

of such Holder's shares of Convertible Preferred Stock on the date (the "**Change of Control Repurchase Date**") specified by the Corporation that is not less than 20 Business Days or more than 35 Business Days following the date of the Change of Control Corporation Notice, at the Change of Control Repurchase Price, payable as described in Section 15(c)(i), *plus* an additional amount equal to the Additional Cash Change of Control Amount, payable in cash out of funds legally available for the payment of such distributions. The Change of Control Repurchase Date shall be subject to postponement to comply with applicable law. Upon the occurrence of a Change of Control, a Holder shall also have the right, at such Holder's option, to effect an Optional Conversion of its Convertible Preferred Stock pursuant to Section 8(a) in connection with such Change of Control, regardless of whether such Optional Conversion is effected prior to the First Conversion Date. An Optional Conversion shall be deemed for these purposes to be "in connection with" such Change of Control if the relevant notice of conversion is received by the Conversion and Dividend Disbursing Agent from, and including, the date of the Change of Control Corporation Notice up to, and including, the Business Day immediately prior to the Change of Control Repurchase Date.

(ii) Repurchases of Convertible Preferred Stock under this Section 15(a) shall be made, at the option of the Holder thereof, upon:

(A) delivery to the Conversion and Dividend Disbursing Agent by a Holder of a duly completed notice (the "**Change of Control Repurchase Notice**") in the form set forth in the form of stock certificate attached hereto as Exhibit A, if the shares of Convertible Preferred Stock are in definitive, certificated form, or in compliance with the Depositary's procedures for surrendering interests in Global Preferred Shares, if the shares of Convertible Preferred Stock are Global Preferred Shares, in each case on or before the close of business on the Business Day immediately preceding the Change of Control Repurchase Date; and

(B) delivery of the shares of Convertible Preferred Stock, if such shares are in definitive, certificated form, to the Conversion and Dividend Disbursing Agent at any time after delivery of the Change of Control Repurchase Notice (together with all necessary endorsements for transfer) at the office of the Conversion and Dividend Disbursing Agent, or book-entry transfer of the shares of Convertible Preferred Stock, if such shares are Global Preferred Shares, in compliance with the procedures of the Depositary, in each case such delivery being a condition to receipt by the Holder of the Change of Control Repurchase Price therefor.

The Change of Control Repurchase Notice in respect of any Convertible Preferred Stock to be repurchased shall state:

(A) in the case of definitive, certificated shares, the certificate numbers of the shares to be delivered for repurchase;

(B) the number of shares to be repurchased, which must be an integer; and

(C) that the shares are to be repurchased by the Corporation pursuant to the applicable provisions of these Articles Supplementary,

*provided, however*, that if the shares are Global Preferred Shares, the Change of Control Repurchase Notice must comply with appropriate Depositary procedures.

Notwithstanding anything herein to the contrary, any Holder delivering to the Conversion and Dividend Disbursing Agent the Change of Control Repurchase Notice contemplated by this Section 15(a)(ii) shall have the right to withdraw, in whole or in part, such Change of Control Repurchase Notice at any time prior to the close of business on the Business Day immediately preceding the Change of Control Repurchase Date by delivery of a written notice of withdrawal to the Conversion and Dividend Disbursing Agent in accordance with Section 15(b).

The Conversion and Dividend Disbursing Agent shall promptly notify the Corporation of the receipt by it of any Change of Control Repurchase Notice or written notice of withdrawal thereof.

(iii) On or before the 20th calendar day after the occurrence of the effective date of a Change of Control, the Corporation shall provide to all Holders and the Transfer Agent and Conversion and Dividend Disbursing Agent (in the case of a Conversion and Dividend Disbursing Agent other than the Transfer Agent) a notice (the “**Change of Control Corporation Notice**”) of the occurrence of the effective date of the Change of Control and of the repurchase right at the option of the Holders arising as a result thereof. In the case of shares of Convertible Preferred Stock in definitive, certificated form, such notice shall be by first class mail to each Holder in accordance with Section 18 or, in the case of Global Preferred Shares, such notice shall be delivered in accordance with the applicable procedures of the Depositary. Each Change of Control Corporation Notice shall specify:

- (A) the events causing the Change of Control;
- (B) the effective date of the Change of Control;
- (C) the last date on which a Holder may exercise the repurchase right pursuant to this Section 15;
- (D) the Change of Control Repurchase Price and the Settlement Method therefor, and the Additional Cash Change of Control Amount, if any;
- (E) the Change of Control Repurchase Date;
- (F) the name and address of the Transfer Agent and the Conversion and Dividend Disbursing Agent, if applicable;
- (G) if applicable, the Conversion Rate and any adjustments to the Conversion Rate (including the method of calculation thereof in reasonable detail);

(H) the procedures that Holders must follow to require the Corporation to repurchase their shares of Convertible Preferred Stock; and

(I) (1) that Holders may surrender their Convertible Preferred Stock for conversion at any time from, and including, the date of the Change of Control Corporation Notice up to, and including, the Business Day immediately prior to the Change of Control Repurchase Date; (2) the procedures a converting Holder must follow to convert its Convertible Preferred Stock in connection with such Change of Control; (3) the Conversion Rate and, if applicable, the number of Additional Shares added to the Conversion Rate in accordance with Section 8(d); and (4) that the shares of Convertible Preferred Stock with respect to which a Change of Control Repurchase Notice has been delivered by a Holder may be converted only if the Holder withdraws the Change of Control Repurchase Notice in accordance with the terms hereof.

No failure of the Corporation to give the foregoing notices and no defect therein shall limit the Holders' repurchase rights or affect the validity of the proceedings for the repurchase of Convertible Preferred Stock pursuant to this Section 15(a).

(iv) To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 15 relating to the Corporation's obligation to repurchase the Convertible Preferred Stock upon a Change of Control, the Corporation shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under such provisions of this Section 15 by virtue of such conflict.

(v) Notwithstanding the foregoing, the Corporation shall not be required to purchase, or to make an offer to purchase, any shares of Convertible Preferred Stock upon a Change of Control if a third party makes such an offer in the same manner, at the same time and otherwise in compliance with the requirements for an offer made by the Corporation as set forth in this Section 15 and such third party purchases all shares of Convertible Preferred Stock properly surrendered and not validly withdrawn under its offer for cash and otherwise in the same manner, at the same time and otherwise in compliance with the requirements for an offer made by the Corporation as set forth in this Section 15.

(b) *Withdrawal of Change of Control Repurchase Notice.* A Change of Control Repurchase Notice may be withdrawn (in whole or in part) by means of a written notice of withdrawal delivered to the office of the Conversion and Dividend Disbursing Agent in accordance with this Section 15(b) at any time prior to the close of business on the Business Day immediately preceding the Change of Control Repurchase Date, specifying:

(i) the number of shares of Convertible Preferred Stock with respect to which such notice of withdrawal is being submitted,

(ii) if definitive, certificated shares have been issued, the certificate number of the shares in respect of which such notice of withdrawal is being submitted, and

(iii) the number of shares of Convertible Preferred Stock, if any, of such Convertible Preferred Stock that remains subject to the original Change of Control Repurchase Notice, which number of shares must be an integer,

*provided, however*, that if the shares of Convertible Preferred Stock are Global Preferred Shares, the notice must comply with appropriate procedures of the Depositary.

(c) *Satisfaction of Change of Control Repurchase Price and Additional Cash Change of Control Amount.*

(i) Upon any Change of Control Repurchase of any share of Convertible Preferred Stock, the Corporation shall pay or deliver, as the case may be, to the Holder of such share, in respect of each share being repurchased, cash (“**Change of Control Cash Settlement**”), shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Change of Control Physical Settlement**”) or a combination of cash and shares of Common Stock, together with cash, if applicable, in lieu of delivering any fractional share of Common Stock in accordance with Section 12 (“**Change of Control Combination Settlement**”), at its election, as set forth in this Section 15(c), in satisfaction of the Change of Control Repurchase Price for such share.

(A) All Change of Control Repurchases in connection with any Change of Control Corporation Notice shall be settled using the same Settlement Method.

(B) The Corporation may elect a Settlement Method in respect of each Change of Control Repurchase Date in the Change of Control Corporation Notice for such Change of Control, which election shall be binding on the Corporation. If the Corporation does not specify a Settlement Method in the relevant Change of Control Corporation Notice, the Corporation shall no longer have the right to elect Change of Control Physical Settlement or Change of Control Combination Settlement and the Corporation shall be deemed to have elected Change of Control Cash Settlement in respect of the Change of Control Repurchase Price. In the case of an election of Change of Control Combination Settlement, the relevant Change of Control Corporation Notice shall specify the Specified Dollar Amount per share of Convertible Preferred Stock, which shall be less than the Liquidation Preference per share. If the Corporation delivers a Change of Control Corporation Notice electing Change of Control Combination Settlement in respect of the Change of Control Repurchase Price but does not specify a Specified Dollar Amount per share of Convertible Preferred Stock in such Change of Control Corporation Notice, the Specified Dollar Amount per share of Convertible Preferred Stock shall be deemed to be \$0, and the provisions of Section 15(c)(i)(C)(1) shall apply as if the Corporation elected Change of Control Physical Settlement in such Change of Control Corporation Notice.

(C) The Settlement Amount with respect to any Change of Control Repurchase of Convertible Preferred Stock shall be computed as follows:

(1) If the Corporation elects to satisfy the Change of Control Repurchase Price in respect of such Change of Control Repurchase by Change of Control Physical Settlement, the Corporation shall deliver to the relevant Holder in respect of each share of Convertible Preferred Stock being repurchased a number of shares of Common Stock equal to the Change of Control Repurchase Price per share of Convertible Preferred Stock *divided by* the Average VWAP per share of the Common Stock over the related Observation Period; *provided* that the number of shares of Common Stock issued upon a Change of Control Repurchase of each share of Convertible Preferred Stock shall not exceed the NASDAQ Share Cap and, if the application of the NASDAQ Share Cap results in the Corporation delivering fewer shares of Common Stock upon any Change of Control Repurchase of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Change of Control Repurchase of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Change of Control Repurchase Price per share of Convertible Preferred Stock, *minus* (y) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided further* that any payment of cash pursuant to this Section 15(c)(i)(C)(1) shall be made out of funds legally available for such distribution.

(2) if the Corporation elects (or is deemed to have elected) to satisfy the Change of Control Repurchase Price in respect of such Change of Control Repurchase by Change of Control Cash Settlement, the Corporation shall pay to the relevant Holder in respect of each share of Convertible Preferred Stock being repurchased cash out of funds legally available for such distribution in an amount equal to the Change of Control Repurchase Price per share of Convertible Preferred Stock; and

(3) if the Corporation elects to satisfy the Change of Control Repurchase Price in respect of such Change of Control Repurchase by Change of Control Combination Settlement, the Corporation shall pay or deliver, as the case may be, in respect of each share of Convertible Preferred Stock being repurchased, a Settlement Amount equal to an amount of cash equal to the Specified Dollar Amount in respect of such Change of Control Repurchase and a number of shares of Common Stock equal to the quotient of (I) the Change of Control Repurchase Price per share, *minus* such Specified Dollar Amount, *divided by* (II) the Average VWAP per share of the Common Stock over the related Observation Period; *provided* that the number of shares of Common Stock issued upon a Change of Control Repurchase of each share of Convertible Preferred Stock shall not exceed the NASDAQ Share Cap and, if the application of the NASDAQ Share Cap

results in the Corporation delivering fewer shares of Common Stock upon any Change of Control Repurchase of any share of Convertible Preferred Stock than otherwise required, the Corporation shall pay an additional amount in cash in respect of such Change of Control Repurchase of such share of Convertible Preferred Stock equal to such shortfall (which shall be equal to (x) the Change of Control Repurchase Price per share of Convertible Preferred Stock, *minus* (y) the sum of (1) the Specified Dollar Amount and (2) the product of a number of shares of Common Stock equal to the NASDAQ Share Cap, *multiplied by* the Average VWAP per share of the Common Stock over the related Observation Period); *provided further* that any payment of cash pursuant to this Section 15(c)(i)(C)(3) shall be made out of funds legally available for such distribution.

(ii) Subject to receipt of funds and/or shares of Common Stock, as applicable, and/or shares of Convertible Preferred Stock by the Conversion and Dividend Disbursing Agent, payment for shares surrendered for repurchase (and not withdrawn prior to the close of business on the Business Day immediately preceding the Change of Control Repurchase Date) will be made on the later of (x) the relevant Change of Control Settlement Date (*provided* the Holder has satisfied the conditions in Section 15(a)) and (y) the time of book-entry transfer or the delivery of such share to the Conversion and Dividend Disbursing Agent by the Holder thereof in the manner required by Section 15(a). A Holder shall not be required to pay any transfer or similar taxes or duties relating to the issuance or delivery of any Common Stock in respect of a Change of Control Repurchase, but such Holder shall be required to pay any transfer or similar tax or duty that may be payable relating to any transfer involved in the issuance or delivery of any Common Stock in a name other than the name of such Holder. The Transfer Agent may refuse to deliver the certificates representing the shares of Common Stock being issued in a name other than the Holder's name until the Transfer Agent receives a sum sufficient to pay any tax that is due by such Holder in accordance with the immediately preceding sentence. A certificate representing the shares of Common Stock, if any, issuable upon a Change of Control Repurchase shall be issued and delivered to the Holder of the share of Convertible Preferred Stock being repurchased or, if the Convertible Preferred Stock being repurchased is in book-entry form, the Corporation may elect to deliver the shares of Common Stock issuable upon Change of Control Repurchase, if any, to the Holder of the share of Convertible Preferred Stock being repurchased through book-entry transfer, including through the facilities of the Depository. Any cash payable on the Change of Control Settlement Date shall be paid by mailing checks for the amount payable to the Holders of shares of Convertible Preferred Stock entitled thereto; *provided, however*, that payments to the Depository shall be made by wire transfer of immediately available funds to the account of the Depository or its nominee.

The person or persons entitled to receive the shares of Common Stock issuable upon a Change of Control Repurchase, if any, shall be treated for all purposes as the record holder(s) of such shares of Common Stock as of the close of business on the last Trading Day of the relevant Observation Period. Except as set forth in Section 13(c) and Section 13(d), prior to the close of business on the last Trading Day of the relevant Observation Period, the shares of Common

Stock, if any, issuable upon a Change of Control Repurchase of any shares of Convertible Preferred Stock shall not be deemed to be outstanding for any purpose, and Holders shall have no rights with respect to such shares of Common Stock (including voting rights, rights to respond to tender offers for the Common Stock and rights to receive any dividends or other distributions on the Common Stock) by virtue of holding shares of Convertible Preferred Stock.

In the event that a Holder shall not by written notice designate the name in which any shares of Common Stock to be issued upon Change of Control Repurchase of such Convertible Preferred Stock should be registered or, if applicable, the address to which the certificate or certificates representing such shares of Common Stock should be sent, the Corporation shall be entitled to register such shares, and make such payment, in the name of the Holder as shown on the records of the Corporation and, if applicable, to send the certificate or certificates representing such shares of Common Stock to the address of such Holder shown on the records of the Corporation.

(iii) Upon surrender of a certificate representing a number of shares of Convertible Preferred Stock greater than the number of shares to be repurchased pursuant to Section 15(a), the Corporation shall execute and the Transfer Agent shall countersign and deliver to the Holder a new certificate for a number of shares of Convertible Preferred Stock equal to the unreurchased portion of the certificate surrendered.

SECTION 16. *Transfer Agent, Registrar, and Conversion and Dividend Disbursing Agent.* The duly appointed Transfer Agent, Registrar and Conversion and Dividend Disbursing Agent for the Convertible Preferred Stock shall be Wells Fargo Bank, National Association. The Corporation may, in its sole discretion, remove the Transfer Agent, Registrar or Conversion and Dividend Disbursing Agent in accordance with the agreement between the Corporation and the Transfer Agent, Registrar or Conversion and Dividend Disbursing Agent, as the case may be; *provided* that if the Corporation removes Wells Fargo Bank, National Association, the Corporation shall appoint a successor transfer agent, registrar or conversion and dividend disbursing agent, as the case may be, who shall accept such appointment prior to the effectiveness of such removal. Upon any such removal or appointment, the Corporation shall send notice thereof by first-class mail, postage prepaid, to the Holders or, in respect of any Global Preferred Shares, in accordance with the applicable procedures of the Depository.

SECTION 17. *Record Holders.* To the fullest extent permitted by applicable law, the Corporation and the Transfer Agent may deem and treat the Holder of any shares of Convertible Preferred Stock as the true and lawful owner thereof for all purposes.

SECTION 18. *Notices.* All notices or communications in respect of the Convertible Preferred Stock shall be sufficiently given if given in writing and delivered in person or by first class mail, postage prepaid, or if given in such other manner as may be permitted in these Articles Supplementary, in the Charter or the Bylaws and by applicable law. Notwithstanding the foregoing, if the shares of Convertible Preferred Stock are represented by Global Preferred Shares, such notices shall be given to the Holders in any manner permitted by DTC or any similar facility used for the settlement of transactions in the Convertible Preferred Stock.

SECTION 19. *No Preemptive Rights.* The Holders shall have no preemptive or preferential rights to purchase or subscribe to any stock, obligations, warrants or other securities of the Corporation of any class.

SECTION 20. *Other Rights.* The shares of the Convertible Preferred Stock shall not have any preferences, conversion or other rights (including, but not limited to, any relative, participating, optional or other special rights), voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption thereof, other than as set forth herein or in the Charter or as provided by applicable law.

SECTION 21. *Stock Certificates.*

(a) Shares of Convertible Preferred Stock shall initially be represented by stock certificates substantially in the form set forth as Exhibit A hereto.

(b) Stock certificates representing shares of the Convertible Preferred Stock shall be signed by an authorized Officer of the Corporation and attested by the Secretary, any assistant secretary, the Treasurer or any assistant treasurer, in accordance with the Bylaws and applicable Maryland law, by manual or facsimile signature.

(c) A stock certificate representing shares of the Convertible Preferred Stock shall not be valid until manually countersigned by an authorized signatory of the Transfer Agent and Registrar. Each stock certificate representing shares of the Convertible Preferred Stock shall be dated the date of its countersignature.

(d) If any Officer of the Corporation who has signed a stock certificate no longer holds that office at the time the Transfer Agent and Registrar countersigns the stock certificate, the stock certificate shall be valid nonetheless.

(e) The Corporation may, at its option, issue shares of Convertible Preferred Stock without certificates under the circumstances specified in Section 23.

SECTION 22. *Replacement Certificates.*

(a) If physical certificates are issued, and any of the Convertible Preferred Stock certificates shall be mutilated, lost, stolen or destroyed, the Corporation shall, at the expense of the Holder, issue, in exchange and in substitution for and upon cancellation of the mutilated Convertible Preferred Stock certificate, or in lieu of and substitution for the Convertible Preferred Stock certificate lost, stolen or destroyed, a new Convertible Preferred Stock certificate of like tenor and representing an equivalent Liquidation Preference of shares of Convertible Preferred Stock, but only upon receipt of evidence of such loss, theft or destruction of such Convertible Preferred Stock certificate and indemnity, if requested, reasonably satisfactory to the Corporation and the Transfer Agent.

(b) The Corporation is not required to issue any certificate representing the Convertible Preferred Stock on or after the Mandatory Conversion Date. In lieu of the delivery of a replacement certificate following the Mandatory Conversion Date, the Transfer Agent, upon delivery of the evidence and indemnity described above, shall deliver the shares of Common

Stock issuable and/or cash deliverable pursuant to the terms of the Convertible Preferred Stock formerly evidenced by the certificate.

SECTION 23. *Form of Convertible Preferred Stock.*

(a) The Convertible Preferred Stock shall initially be issued in definitive, certificated form, registered in the name of the Holder specified on the face of the certificate evidencing such Convertible Preferred Stock. No definitive, certificated Convertible Preferred Stock may be exchanged for Global Preferred Shares unless and until the transfer restrictions described in Section 24 and in the restrictive legend on the face of such Convertible Preferred Stock no longer apply to such Convertible Preferred Stock.

(b) (i) Subject to Section 23(a), the Convertible Preferred Stock may be issued in global form (“**Global Preferred Shares**”) eligible for book-entry settlement with the Depository, represented by one or more stock certificates in global form registered in the name of the Depository or a nominee of the Depository bearing the form of global securities legend set forth in Exhibit A. The aggregate number of shares of Convertible Preferred Stock represented by each stock certificate representing Global Preferred Shares may from time to time be increased or decreased by a notation by the Registrar and Transfer Agent on Schedule I attached to the stock certificate.

(ii) Members of, or participants in, the Depository (“**Agent Members**”) shall have no rights under these Articles Supplementary, with respect to any Global Preferred Shares, and the Depository shall be treated by the Corporation, the Registrar and any agent of the Corporation or the Registrar as the absolute owner of the Convertible Preferred Stock. Notwithstanding the foregoing, nothing herein shall prevent the Corporation, the Registrar or any agent of the Corporation or the Registrar from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of the Depository governing the exercise of the rights of a holder of a beneficial interest in any shares of Convertible Preferred Stock. The Holders may grant proxies or otherwise authorize any Person to take any action that a Holder is entitled to take pursuant to the Convertible Preferred Stock, these Articles Supplementary or the Charter.

(iii) Transfers of a Global Preferred Share shall be limited to transfers of such Global Preferred Share in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor’s nominee.

(iv) If DTC is at any time unwilling or unable to continue as Depository for the Global Preferred Shares or DTC ceases to be registered as a “clearing agency” under the Exchange Act, and in either case a successor Depository is not appointed by the Corporation within 90 days, the Corporation shall issue certificated shares in exchange for the Global Preferred Shares. In any such case, the Global Preferred Shares shall be exchanged in whole for definitive stock certificates, in substantially the form attached hereto as Exhibit A, representing an equal aggregate Liquidation Preference. Such

definitive stock certificates shall be registered in the name or names of the Person or Persons specified by DTC in a written instrument to the Registrar.

SECTION 24. *Transfer Restrictions.*

(a) Each share of Convertible Preferred Stock (and every security issued in exchange therefor or substitution thereof, except any shares of Common Stock issued upon conversion, redemption or repurchase thereof) shall not be transferred except in compliance with the Stockholder's and Registration Rights Agreement, and each Holder of Convertible Preferred Stock, by such Holder's acceptance of such Convertible Preferred Stock, shall be deemed to be bound by such restriction on transfer. Each stock certificate evidencing the Convertible Preferred Stock (and every security issued in exchange therefor or substitution thereof, except any shares of Common Stock issued upon conversion, redemption or repurchase thereof, which shall bear the legend set forth in Section 24(b), if applicable) shall bear a legend in substantially the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY NON-U.S. OR STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCKHOLDER'S AND REGISTRATION RIGHTS AGREEMENT DATED AS OF THE INITIAL ISSUE DATE, AS AMENDED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM COMMUNICATIONS, SALES & LEASING, INC. (THE "**CORPORATION**") OR ANY SUCCESSOR THERETO, AND THIS SECURITY MAY NOT BE VOTED OR OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND OWNERSHIP OF SHARES AS SET FORTH IN ARTICLE SEVEN OF THE CHARTER OF THE CORPORATION, AS SUPPLEMENTED BY SECTION 24 OF THE ARTICLES SUPPLEMENTARY THAT HAVE BEEN FILED IN RESPECT TO THE CLASS OF PREFERRED STOCK OF WHICH SUCH SHARES ARE A PART.

The Convertible Preferred Stock shall be issued with a restricted CUSIP number.

(b) (i) If any shares of Common Stock are issued upon conversion, redemption or repurchase of any Convertible Preferred Stock, then any stock certificate representing such shares of Common Stock shall bear a legend in substantially the following form (unless such Common Stock has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer, or pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, or unless otherwise agreed by the Corporation with written notice thereof to the Transfer Agent and Registrar and the transfer agent for the Common Stock (if other than the Transfer Agent or Registrar)):

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE ACQUIRER AGREES FOR THE BENEFIT OF COMMUNICATIONS SALES & LEASING, INC. (THE “CORPORATION”) THAT IT WILL NOT OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY OR ANY BENEFICIAL INTEREST HEREIN EXCEPT:

- (A) TO THE CORPORATION OR ANY SUBSIDIARY THEREOF, OR
- (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BECOME EFFECTIVE UNDER THE SECURITIES ACT, OR
- (C) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

PRIOR TO THE REGISTRATION OF ANY TRANSFER IN ACCORDANCE WITH CLAUSE (C) ABOVE, THE CORPORATION AND THE TRANSFER AGENT FOR THE CORPORATION’S COMMON STOCK RESERVE THE RIGHT TO REQUIRE THE DELIVERY OF SUCH LEGAL OPINIONS, CERTIFICATIONS OR OTHER EVIDENCE AS MAY REASONABLY BE REQUIRED IN ORDER TO DETERMINE THAT THE PROPOSED TRANSFER IS BEING MADE IN COMPLIANCE WITH THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. NO REPRESENTATION IS MADE AS TO THE AVAILABILITY OF ANY EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT.

Any such Common Stock (i) that has been transferred pursuant to a registration statement that has become or been declared effective under the Securities Act and that continues to be effective at the time of such transfer or (ii) that has been sold pursuant to the exemption from registration provided by Rule 144 or any similar provision then in force under the Securities Act, may, upon surrender of the certificates representing such shares of Common Stock for exchange in accordance with the procedures of the transfer agent for the Common Stock, be exchanged for a new certificate or certificates for a like aggregate number of shares of Common Stock, which shall not bear the restrictive legend required by this Section 24(b).

(c) As used in this Section 24, the term “**transfer**” encompasses any sale, pledge, transfer or other disposition whatsoever of any Convertible Preferred Stock or Common Stock issued upon conversion, redemption or repurchase thereof, as the case may be.

SECTION 25. *Provisions Relating To Ownership Limit And Transfer Restrictions.* The acquisition and ownership of Convertible Preferred Stock are subject to the provisions and limitations relating to ownership and transfer restrictions in the Charter, as amended from time to time. To the extent that the provisions of these Articles Supplementary conflict in any respect with the provisions and limitations relating to ownership and transfer restrictions in the Charter,

as amended from time to time, such provisions and limitations relating to ownership and transfer restrictions in the Charter, as amended from time to time, shall prevail. Without limiting the foregoing, no Holder of Convertible Preferred Stock shall be entitled to receive Common Stock following any conversion, redemption or repurchase of such Convertible Preferred Stock to the extent that receipt of such Common Stock would cause such Holder to exceed any Stock Ownership Limit or violate any of the other restrictions on ownership or transfer contained in the Charter, as amended from time to time, and the Corporation shall not deliver such shares of Common Stock until permitted by this Section 25. If any delivery of Common Stock owed to a Holder upon conversion, redemption or repurchase of the Convertible Preferred Stock is not made, in whole or in part, as a result of a Stock Ownership Limit or any violation of the other restrictions on ownership or transfer contained in the Charter, as amended from time to time, the Corporation's obligation to make such delivery shall not be extinguished and the Corporation shall deliver such Common Stock as promptly as practicable after any such Holder (i) gives notice and satisfactory evidence to the Corporation that such delivery would not result in (x) it exceeding any Stock Ownership Limit or (y) any violation of the other restrictions on ownership or transfer contained in the Charter, as amended from time to time, as applicable, or (ii) to the extent contemplated by the Charter, as amended from time to time, obtains a suitable Excepted Holder Limit (as defined in the Charter as the same may be amended from time to time) from the Board of Directors (or an authorized committee thereof); *provided, however*, that in the event any transfer of shares of Common Stock or other event would result in a Holder beneficially owning shares of Capital Stock in excess of a Stock Ownership Limit or in any violation of the other restrictions on ownership or transfer contained in the Charter, as amended from time to time, or would result in the Corporation's disqualification as a REIT for federal income tax purposes, the foregoing shall not prevent such shares of Common Stock from being automatically transferred to a trust for the benefit of a charitable organization selected by the Board of Directors (or an authorized committee thereof) or limit the authority of the Board of Directors (or an authorized committee thereof) to take such other actions pursuant to the Charter, as amended from time to time, in order to ensure that the Corporation remains qualified as a REIT for federal income tax purposes.

SECTION 26. *Miscellaneous.* (a) The Corporation shall pay any and all stock transfer and documentary stamp taxes that may be payable in respect of any issuance or delivery of shares of Convertible Preferred Stock or shares of Common Stock or other securities issued on account of Convertible Preferred Stock pursuant hereto or certificates representing such shares or securities. The Corporation shall not, however, be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of shares of Common Stock or other securities in a name other than that in which the shares of Convertible Preferred Stock with respect to which such shares or other securities are issued or delivered were registered, and shall not be required to make any such issuance or delivery unless and until the Person otherwise entitled to such issuance or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid or is not payable.

(b) The Liquidation Preference and the Dividend Amount each shall be subject to equitable adjustment whenever there shall occur a stock split, combination, reclassification or other similar event involving the Convertible Preferred Stock. Such adjustments shall be

determined in good faith by the Corporation and submitted by the Corporation to the Transfer Agent.

(c) All shares of Convertible Preferred Stock redeemed, repurchased or otherwise acquired in any manner by the Corporation shall be retired and shall be restored to the status of authorized but unissued Preferred Stock, without designation as to series or class.

THIRD: The 3.00% Series A Convertible Preferred Stock has been re-classified and designated by the Board of Directors under the authority contained in the Charter.

FOURTH: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

FIFTH: The undersigned acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties of perjury.

[FORM OF FACE OF CONVERTIBLE PREFERRED STOCK CERTIFICATE]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY NON-U.S. OR STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCKHOLDER'S AND REGISTRATION RIGHTS AGREEMENT DATED AS OF THE INITIAL ISSUE DATE, AS AMENDED FROM TIME TO TIME, COPIES OF WHICH MAY BE OBTAINED UPON REQUEST FROM COMMUNICATIONS, SALES & LEASING, INC. (THE "**CORPORATION**") OR ANY SUCCESSOR THERETO, AND THIS SECURITY MAY NOT BE VOTED OR OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE THEREWITH.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND OWNERSHIP OF SHARES AS SET FORTH IN ARTICLE SEVEN OF THE CHARTER OF THE CORPORATION, AS SUPPLEMENTED BY SECTION 24 OF THE ARTICLES SUPPLEMENTARY THAT HAVE BEEN FILED IN RESPECT TO THE CLASS OF PREFERRED STOCK OF WHICH SUCH SHARES ARE A PART.

[INCLUDE FOR GLOBAL PREFERRED SHARES]

[UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), TO THE CORPORATION OR THE TRANSFER AGENT NAMED ON THE FACE OF THIS CERTIFICATE, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO. HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE.]

Certificate Number [ ]

[Initial]<sup>1</sup> Number of Shares of Convertible Preferred Stock [ ]

CUSIP [ ]  
ISIN [ ]

**COMMUNICATIONS SALES & LEASING, INC.**

3.00% Series A Convertible Preferred Stock  
(par value \$0.0001 per share)  
(Liquidation Preference as specified below)

COMMUNICATIONS SALES & LEASING, INC., a Maryland corporation (the “**Corporation**”), hereby certifies that [ ] (the “**Holder**”), is the registered owner of [ ]<sup>2</sup>[the number shown on Schedule I hereto of]<sup>3</sup> fully paid and non-assessable shares of the Corporation’s designated 3.00% Series A Convertible Preferred Stock, with a par value of \$0.0001 per share and a Liquidation Preference of \$1,000.00 per share (the “**Convertible Preferred Stock**”). The shares of Convertible Preferred Stock are transferable in accordance with the terms of the Articles Supplementary (as defined below) on the books and records of the Registrar, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Convertible Preferred Stock represented hereby are and shall in all respects be subject to the provisions of the Articles Supplementary establishing the 3.00% Series A Convertible Preferred Stock of Communications Sales & Leasing, Inc. dated April 28, 2016 as the same may be amended from time to time (the “**Articles Supplementary**”). Capitalized terms used herein but not defined shall have the meaning given them in the Articles Supplementary. The Corporation will provide a copy of the Articles Supplementary to the Holder without charge upon written request to the Corporation at its principal place of business. In the case of any conflict between this Certificate and the Articles Supplementary, the provisions of the Articles Supplementary shall control and govern.

Reference is hereby made to the provisions of the Convertible Preferred Stock set forth on the reverse hereof and in the Articles Supplementary, which provisions shall for all purposes have the same effect as if set forth at this place.

Upon receipt of this executed certificate, the Holder is bound by the Articles Supplementary and is entitled to the benefits thereunder.

- 
- 1 **Include for Global Preferred Shares.**
  - 2 **Include for certificated shares.**
  - 3 **Include for Global Preferred Shares.**

Unless the Transfer Agent and Registrar have properly countersigned, these shares of Convertible Preferred Stock shall not be entitled to any benefit under the Articles Supplementary or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, this certificate has been executed on behalf of the Corporation by an Officer of the Corporation and attested this [ ] of [ ] [ ].

**ATTEST:**

**COMMUNICATIONS SALES & LEASING, INC.**

\_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

COUNTERSIGNATURE

These are shares of Convertible Preferred Stock referred to in the within-mentioned Articles Supplementary.

Dated: [\_\_\_\_], [\_\_\_\_]

Wells Fargo Bank, National Association, as Registrar and  
Transfer Agent

By: \_\_\_\_\_

Name:

Title:

[FORM OF REVERSE OF CERTIFICATE FOR CONVERTIBLE PREFERRED STOCK]

Cumulative dividends on each share of Convertible Preferred Stock shall be payable at the applicable rate provided in the Articles Supplementary.

The shares of Convertible Preferred Stock shall be convertible in the manner and accordance with the terms set forth in the Articles Supplementary.

The Corporation shall furnish without charge to each Holder who so requests a summary of the authority of the Board of Directors to determine variations for future series within a class of stock and the designations, limitations, preferences and relative, participating, optional or other special rights of each class or series of share capital issued by the Corporation and the qualifications, limitations or restrictions of such preferences and/or rights.

NOTICE OF CONVERSION

(To be Executed by the Holder  
in order to Convert the Convertible Preferred Stock)

The undersigned hereby irrevocably elects to convert (the “**Conversion**”) [\_\_\_\_\_] shares of 3.00% Series A Convertible Preferred Stock (the “**Convertible Preferred Stock**”), of Communications Sales & Leasing, Inc. (hereinafter called the “**Corporation**”), represented by stock certificate No(s). [\_\_\_\_\_] (the “**Convertible Preferred Stock Certificates**”), into cash, common stock, par value \$0.0001 per share, of the Corporation (the “**Common Stock**”) or a combination of cash and Common Stock, at the Corporation’s election, according to the conditions of the Articles Supplementary establishing the Convertible Preferred Stock (the “**Articles Supplementary**”), as of the date written below. If Common Stock is to be issued in the name of a person other than the undersigned, the undersigned shall pay all transfer taxes payable with respect thereto, if any. Any amount required to be paid to the undersigned on account of dividends accompanies this Convertible Preferred Stock Certificate. Each Convertible Preferred Stock Certificate (or evidence of loss, theft or destruction thereof) is attached hereto.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in or pursuant to the Articles Supplementary.

Date of Conversion:

Number of Shares of Convertible Preferred Stock to be Converted: \*

Signature:

Name:

Address:\*\*

Fax No.:

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\* The Corporation is not required to issue Common Stock until the original Convertible Preferred Stock Certificate(s) (or evidence of loss, theft or destruction thereof) to be converted are received by the Corporation or the Conversion and Dividend Disbursing Agent.

\*\* Address where Common Stock and any other payments or certificates shall be sent by the Corporation.

To: Wells Fargo Bank, National Association  
1110 Centre Point Curve, Suite 101  
Mendota Heights, MN 55120-4101

The undersigned registered owner of [ ] shares of 3.00% Series A Convertible Preferred Stock (the “**Convertible Preferred Stock**”) of Communications Sales & Leasing, Inc. (hereinafter called the “**Corporation**”), represented by stock certificate No(s). [ ] (the “**Convertible Preferred Stock Certificates**”) hereby acknowledges receipt of a notice from the Corporation as to the occurrence of a Change of Control with respect to the Corporation and specifying the Change of Control Repurchase Date and requests and instructs the Corporation to pay or deliver, as the case may be, to the registered holder hereof in accordance with Section 15 of the Articles Supplementary establishing the Convertible Preferred Stock (the “**Articles Supplementary**”) (1) the consideration due as determined in Section 15(c) in respect of the entire Liquidation Preference of the shares of Convertible Preferred Stock represented by the Convertible Preferred Stock Certificates, or the integral portion thereof below designated, and (2) the Additional Cash Change of Control Amount (if any) in cash out of funds legally available for the payment of such dividends. Capitalized terms used herein but not defined shall have the meanings ascribed to such terms in the Articles Supplementary.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature(s)

\_\_\_\_\_  
Social Security or Other Taxpayer  
Identification Number

Number of shares of Convertible Preferred Stock to be repaid (if less than all): \_\_\_\_\_

NOTICE: The above signature(s) of the Holder(s) hereof must correspond with the name as written upon the face of the Convertible Preferred Stock Certificates in every particular without alteration or enlargement or any change whatever.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers the shares of Convertible Preferred Stock evidenced hereby to:

(Insert assignee's social security or taxpayer identification number, if any)

(Insert address and zip code of assignee)

and irrevocably appoints:

as agent to transfer the shares of Convertible Preferred Stock evidenced hereby on the books of the Transfer Agent. The agent may substitute another to act for him or her.

In connection with any transfer of the shares of Convertible Preferred Stock evidenced hereby, the undersigned confirms that such shares are being transferred in compliance with the restrictions on transfer as set forth in the Stockholder's and Registration Rights Agreement dated as of the Initial Issue Date, as amended from time to time, by and among Communications Sales & Leasing, Inc., PEG Bandwidth Holdings, LLC and the other parties thereto.

Date:

Signature:

(Sign exactly as your name appears on the other side of this Certificate)

Signature Guarantee:

(Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Transfer Agent, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Transfer Agent in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.)



**STOCKHOLDERS' AND REGISTRATION RIGHTS AGREEMENT**

dated as of

May 2, 2016

by and among

**COMMUNICATIONS SALES & LEASING, INC.,**

**PEG BANDWIDTH HOLDINGS, LLC,**

and

the other Unitholders set forth on Schedule A hereto

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Schedule A -- Unitholders

## STOCKHOLDERS' AND REGISTRATION RIGHTS AGREEMENT

This STOCKHOLDERS' AND REGISTRATION RIGHTS AGREEMENT (this "**Agreement**") dated as of this 2nd day of May, 2016 is made and entered into by and among Communications Sales & Leasing, Inc., a Maryland corporation ("**CS&L**"), PEG Bandwidth Holdings, LLC, a Delaware limited liability company ("**PEG Holdings**") and the other Unitholders (as defined in the Merger Agreement (as defined below)) set forth on Schedule A (collectively, with PEG Holdings, the "**Stockholders**").

### RECITALS:

WHEREAS, this Agreement is entered into in connection with the closing (the "**Closing**") of the transactions contemplated by the Merger Agreement, dated as of January 6, 2016 (the "**Merger Agreement**"), by and among CS&L, CSL Bandwidth Inc., a Delaware corporation and an indirect wholly owned Subsidiary (as defined in the Merger Agreement) of CS&L ("**Purchaser**"), Penn Merger Sub, LLC, a Delaware limited liability company and wholly owned Subsidiary (as defined in the Merger Agreement) of Purchaser, PEG Bandwidth, LLC, a Delaware limited liability company, and PEG Holdings, in its own capacity and in its capacity as the Unitholders' Representative thereunder;

WHEREAS, at the Closing, each of the Stockholders received Convertible Preferred Stock and Common Stock (each as defined below); and

WHEREAS, the parties hereto desire to enter into this Agreement to establish certain arrangements with respect to ownership of Convertible Preferred Stock and Common Stock and certain other matters related thereto.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

### ARTICLE 1 DEFINITIONS

Section 1.01. *Definitions.* (a) Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed to them in the Merger Agreement

(b) As used in this Agreement, the following terms shall have the following meanings:

"**Adverse Disclosure**" means public disclosure of material non-public information that, in the Board's good faith judgment, after consultation with counsel to CS&L, (i) would be required to be made in any Registration Statement filed with the SEC by CS&L and (ii) CS&L has a *bona fide* business purpose for not disclosing publicly.

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“**Affiliate**” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person; *provided* that (i) no securityholder of CS&L shall be deemed an Affiliate of any other securityholder solely by reason of any investment in CS&L and (ii) CS&L, its Subsidiaries and any of CS&L’s other controlled Affiliates shall not be deemed an Affiliate of any Stockholder Party. For purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “**controlling**” and “**controlled**” have correlative meanings.

“**AP**” means Associated Partners, L.P., a Guernsey limited partnership.

“**Beneficial Owner**” or “**Beneficially Own**” has the meaning given in Rule 13d-3 under the Exchange Act and a Person’s beneficial ownership of securities of any Person will be calculated in accordance with the provisions of that Rule, except that for purposes of determining beneficial ownership, no Person will be deemed to beneficially own any security solely as a result of that Person’s execution of this Agreement.

“**Board**” means the board of directors of CS&L.

“**Business Day**” means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York, or Little Rock, Arkansas, are authorized or required by Applicable Law to close.

“**Common Stock**” means CS&L’s common stock, par value \$0.0001 per share.

“**Convertible Preferred Stock**” means the convertible preferred stock of CS&L, par value [\$0.0001] per share, with the terms set forth on the Certificate of Designations, issued at Closing.

“**Equity Securities**” means (i) the Common Stock, (ii) the Convertible Preferred Stock, (iii) securities convertible into or exchangeable for Common Stock, (iv) any other equity or equity-linked security issued by CS&L and (v) options, warrants or other rights to acquire any of the foregoing.

“**Exchange Act**” means the U.S. Securities Exchange Act of 1934 and any successor thereto.

“**FINRA**” means the Financial Industry Regulatory Authority.

“**Governmental Authority**” means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority (including self-regulatory authorities), department, court, agency or official, including any political subdivision thereof.

**“Permitted Transferee”** means any of a Stockholder’s controlled Affiliates or, in the case of PEG Holdings, any Affiliate of PEG Holdings so long as such Affiliate is a controlled Affiliate of AP.

**“Person”** means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority.

**“Prospectus”** means the prospectus included in any Registration Statement (including any free writing prospectus), all amendments and supplements to such prospectus, including post-effective amendments, and all other material incorporated by reference in such prospectus.

**“Public Offering”** means an underwritten public offering of Registrable Securities pursuant to an effective Registration Statement under the Securities Act, other than pursuant to a Registration Statement on Form S-4, Form S-8 or any similar or successor form.

**“Registrable Securities”** means (a) the Common Stock received by a Stockholder Party pursuant to the Merger Agreement and any Common Stock issued upon redemption, repurchase, conversion or any other physical settlement of the Convertible Preferred Stock received by a Stockholder Party pursuant to the Certificate of Designations, and (b) any other securities issued or issuable with respect to any of the securities described in clause (a) above by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation, amalgamation and other reorganization; *provided* that the term “Registrable Securities” shall exclude any security (i) the offering and sale of which has been registered effectively under the Securities Act and which has been sold in accordance with an effective Registration Statement, (ii) that has been sold by a Stockholder Party in a transaction or transactions exempt from the registration and prospectus delivery requirements of the Securities Act under Section 4(a)(1) thereof (including transactions pursuant to Rule 144) and CS&L has delivered a new certificate or other evidence of ownership for such security not bearing the legend required pursuant to this Agreement and such security is not subject to any stop-transfer order or other restriction on transfer or (iii) that is eligible for sale by a Stockholder Party without limitation as to volume or manner of sale pursuant to Rule 144.

**“Registration Expenses”** means any and all expenses incident to the performance of or compliance with any registration of Registrable Securities pursuant to this Agreement, including all (i) registration and filing fees, and all other fees and expenses payable in connection with the listing of securities on any securities exchange or automated interdealer quotation system, (ii) fees and expenses of compliance with any securities or “blue sky” laws (including reasonable fees and disbursements of counsel in connection with “blue sky” qualifications of the securities registered), (iii) expenses in connection with the preparation, printing, mailing and delivery of any Registration Statements, Prospectuses and other documents in connection therewith and any amendments or supplements thereto, (iv) security engraving and printing expenses, (v)

internal expenses of CS&L (including all salaries and expenses of its officers and employees performing legal or accounting duties), (vi) reasonable fees and disbursements of counsel for CS&L and customary fees and expenses for independent certified public accountants retained by CS&L (including the expenses relating to any comfort letters or costs associated with the delivery by independent certified public accountants of any “cold comfort” letters requested pursuant to Section 3.04(h)), (vii) reasonable fees and expenses of any special experts retained by CS&L in connection with such registration, (viii) reasonable fees, out-of-pocket costs and expenses of the Stockholder Parties, including one counsel for all of the Stockholder Parties participating in the offering selected by the Stockholder Parties holding the majority of the Registrable Securities to be sold for the account of all Registering Investors, (ix) costs of printing and producing any “blue sky” or legal investment memoranda and any other documents in connection with the offering of the Registrable Securities, (x) transfer agents’ and registrars’ fees and expenses and the fees and expenses of any other agent or trustee appointed in connection with such offering and (xi) expenses relating to any analyst or investor presentations or any “road shows” undertaken in connection with the registration, marketing or selling of the Registrable Securities. For the avoidance of doubt, no Selling Expenses shall be considered Registration Expenses.

“**Registration Statement**” means any registration statement of CS&L filed with, or to be filed with, the SEC under the rules and regulations promulgated under the Securities Act, including the related Prospectus, amendments and supplements to such registration statement, including pre- and post-effective amendments, and all exhibits attached to or incorporated in and all other material incorporated by reference in such registration statement.

“**Required Registration Date**” means (i) the second anniversary of the Closing and (ii) prior to the second anniversary of the Closing, each date on which the obligations and restrictions contained in the Lock-Up Agreement dated as of the date hereof between CS&L and PEG Holdings (regardless whether such agreement is in effect on such date) first terminate or are suspended (or would have terminated or been suspended) pursuant to Section 4 thereof.

“**Securities Act**” means the U.S. Securities Act of 1933 and any successor thereto.

“**Selling Expenses**” shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the sale of the Registrable Securities being registered by the Stockholder Parties.

“**Stockholder Parties**” means, to the extent each holds Registrable Securities, each Stockholder and those of its Permitted Transferees that have executed and delivered to CS&L a joinder to this Agreement as contemplated by Section 4.04.

“**Subsidiary**” means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions (of, if there are no such voting

securities or voting interests, of which at least a majority of the equity interests) is directly or indirectly owned or controlled by such Person. Unless context otherwise requires, the term Subsidiary as used in this Agreement shall relate to Subsidiaries of CS&L.

“**Transfer**” (including the terms “**Transferring**” and “**Transferred**”) means, directly or indirectly (including by the direct or indirect transfer of the equity of a holding company or parent company), in one transaction or a series of related transactions, to sell, transfer, assign, pledge, or similarly dispose of or hypothecate, either voluntarily or involuntarily, or to enter into any contract, option or other arrangement or understanding with respect to the sale, transfer, assignment, pledge or similar disposition or hypothecation of, any Equity Securities Beneficially Owned by a Person or any interest in any Equity Securities Beneficially Owned by a Person (including any arrangement to provide another Person the economic performance of all or any portion of such Equity Securities (including by means of any option, swap, forward or other contract or arrangement the value of which is linked in whole or in part to the value of such Equity Securities)).

“**Voting Securities**” means, at any time, any class of Equity Securities that are then entitled to vote generally in the election of Directors.

(c) Each of the following terms is defined in the Section set forth opposite such term:

<b><u>Term</u></b>	<b><u>Section</u></b>
Agreement	Preamble
Closing	Recital
CS&L	Preamble
CS&L Public Sale	3.02(a)
Demand	3.01(d)
e-mail	4.01
Effectiveness Date	3.01(a)
Indemnified Party	3.06
Indemnifying Party	3.06
Inspectors	3.04(g)
Loss or Losses	3.05(a)
Maximum Offering Size	3.01(g)
Merger Agreement	Recital
Piggyback Registration	3.02(a)
Purchaser	Recitals
Registering Investors	3.01(d)
Registration Request	3.01(d)
Regular Self Suspension	3.01(c)
Requesting Investor	3.01(d)
SEC	3.01(a)
Shelf Period	3.01(b)
Shelf Registration Statement	3.01(a)

<u>Term</u>	<u>Section</u>
Shelf Suspension	3.01(c)
Unusual Shelf Suspension	3.01(c)
Windstream	3.01(g)(iii)
Windstream Registration Rights Agreement	3.01(g)(iii)

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections and Schedules are to Articles, Sections and Schedules of this Agreement unless otherwise specified. All Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. The word “will” shall be construed to have the same meaning and effect as the word “shall.” The word “or” when used in this Agreement is not exclusive. References to any Applicable Law shall be deemed to refer to such Applicable Law as amended from time to time and to any rules or regulations promulgated thereunder. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. The parties have participated jointly in the negotiation and drafting of this Agreement and each has been represented by counsel of its choosing and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

## ARTICLE 2

### TRANSFER RESTRICTIONS AND OTHER COVENANTS

Section 2.01. *Restrictions on Transfers of Equity Securities.* (a) The Stockholder Parties and their transferees shall be entitled to Transfer Equity Securities so long as such Transfer complies in all respects with the Securities Act, and any other applicable securities or “blue sky” laws.

(b) In furtherance of the foregoing, it is understood and agreed that no Equity Securities may be Transferred (or offered to be Transferred) except (i) pursuant to the registration provisions of the Securities Act and applicable securities or “blue sky” laws,

or (ii) in any Transfer for which registration under the Securities Act and applicable securities or “blue sky” laws is not required; *provided* that, unless waived by CS&L, CS&L receives a legal opinion in form and substance reasonably acceptable to CS&L, as well as such other documentation requested by CS&L, that registration under such laws is not required in connection with such Transfer (or offer to Transfer).

(c) Any attempt to Transfer any Equity Securities not in compliance with this Agreement shall be null and void, and CS&L shall not, and shall cause any transfer agent not to, give any effect in CS&L’s stock records to such attempted Transfer.

Section 2.02. *Legend.* (a) The Stockholder Parties agree that all certificates or other instruments representing Equity Securities subject to this Agreement will bear a legend in substantially the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR ANY NON-U.S. OR STATE SECURITIES LAWS AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE THEREWITH.

(b) If any such Equity Securities cease to be subject to any and all restrictions on Transfer set forth in this Agreement, CS&L, upon the written request of the holder thereof, shall issue to such holder a new certificate evidencing such Equity Securities without the legend required by Section 2.02(a) endorsed thereon. Following the effective date of any registration statement pursuant to which Equity Securities are registered for resale, CS&L shall, as soon as reasonably practicable, deliver or cause to be delivered to the holder of such Equity Securities certificates representing such Equity Securities that are free from all restrictive legends, and cause all stop transfer or similar instructions or restrictions relating to such Equity Securities to be terminated or removed.

Section 2.03. *Inconsistent Agreements.* Each Stockholder Party represents and agrees that it has not and shall not, and its Permitted Transferees have not and shall not, (i) grant any proxy with respect to Equity Securities, (ii) enter into or agree to be bound by any voting trust or agreement with respect to Equity Securities or (iii) enter into any agreement or arrangement of any kind with any Person, in each case if any such proxy, voting trust, agreement or arrangement is inconsistent with the provisions of, or for the purpose or with the effect of denying or reducing the rights of any party to, this Agreement.

### ARTICLE 3 REGISTRATION RIGHTS

Section 3.01. *Shelf Registration.* (a) On or prior to the Required Registration Date, CS&L shall file with the Securities and Exchange Commission (the “SEC”) a registration statement on Form S-3 (which shall be an automatic shelf registration statement (as defined in Rule 405 under the Securities Act) if CS&L is then a well-known

seasoned issuer (as defined in Rule 405 under the Securities Act)) (a “**Shelf Registration Statement**”) relating to the offer and sale of all Registrable Securities by the Stockholder Parties from time to time in accordance with the methods of distribution elected by the Stockholder Parties and set forth in the Shelf Registration Statement, and, if applicable, shall use its reasonable best efforts to cause such Shelf Registration Statement to become effective under the Securities Act as promptly as practicable thereafter (the “**Effectiveness Deadline**”).

(b) CS&L shall use its reasonable best efforts to keep such Shelf Registration Statement continuously effective under the Securities Act in order to permit the Prospectus forming a part thereof to be usable by the Stockholder Parties until the date as of which there are no Registrable Securities outstanding (such period, the “**Shelf Period**”). If CS&L does not pay the filing fee covering the Registrable Securities at the time the Shelf Registration Statement is filed, CS&L agrees to pay such fee at such time or times as the Registrable Securities are to be offered. If the Shelf Registration Statement has been outstanding for at least three (3) years and any Registrable Securities remain outstanding, at the end of the third year CS&L shall refile a Shelf Registration Statement covering the Registrable Securities. If, at any time when CS&L is required to re-evaluate its status as a well-known seasoned issuer, CS&L determines that it is not a well-known seasoned issuer, CS&L shall use its reasonable best efforts to post-effectively amend such Shelf Registration Statement to a Registration Statement on Form S-3, or refile the Shelf Registration Statement on Form S-3 or, if such form is not available, Form S-1 and keep such Registration Statement effective during the Shelf Period.

(c) If the continued use of such Shelf Registration Statement at any time would require CS&L to make an Adverse Disclosure, CS&L may, upon giving at least ten days’ prior written notice of such action to each Stockholder Party, suspend use of the Shelf Registration Statement (a “**Unusual Shelf Suspension**”); *provided* that CS&L shall not be permitted to exercise an Unusual Shelf Suspension (i) more than two times during any twelve-month period and (ii) for a period exceeding 30 days on any one occasion. In addition, CS&L may, upon giving at least ten days’ prior written notice to each Stockholder Party, suspend the use of the Shelf Registration Statement during the regular quarterly period during which directors and officers of CS&L are not permitted to trade under the insider trading policy of CS&L then in effect until the expiration of such quarterly period (a “**Regular Shelf Suspension**,” together with an Unusual Shelf Suspension, a “**Shelf Suspension**”); *provided* that the right of CS&L to cause a Shelf Suspension shall not be applicable to holders of Registrable Securities for more than a total of 120 days during any twelve-month period. In the case of a Shelf Suspension, the Stockholder Parties agree to suspend use of the applicable Prospectus in connection with any sale or purchase of, or offer to sell or purchase, Registrable Securities, upon receipt of the notice referred to above. CS&L shall immediately notify each Stockholder Party upon the termination of any Shelf Suspension, amend or supplement the Prospectus, if necessary, so it does not contain any untrue statement or omission and furnish to each Stockholder Party such numbers of copies of the Prospectus as so amended or supplemented as such Stockholder Party may reasonably request. CS&L shall, if necessary, supplement or make amendments to the Shelf Registration Statement, if

required by the registration form used by CS&L for the Shelf Registration or by the instructions applicable to such registration form or by the Securities Act.

(d) Following the Required Registration Date, if CS&L shall receive a request (a “**Registration Request**”) from the Stockholder Parties holding the majority of the Registrable Securities (the “**Requesting Investor**”) that CS&L effect an underwritten offering of all or any portion of the Stockholder Parties’ Registrable Securities (all such Stockholder Parties together with the Requesting Investor, as well as any Stockholder Parties participating in a Piggyback Registration pursuant to Section 3.02, the “**Registering Investors**”), then CS&L shall use its reasonable best efforts to effect promptly the offering and sale under an effective Registration Statement of (each such registration shall be referred to herein as a “**Demand**”) all Registrable Securities which the Requesting Investor has requested to offer and sell under this Section 3.01; *provided* that subject to Section 3.01(c) and Section 3.01(e), (1) CS&L shall not be obligated to effect more than two Demands in any calendar year and (2) CS&L shall not be obligated to effect a Demand unless the aggregate proceeds expected to be received from the sale of the Registrable Securities requested to be included in such Demand equals or exceeds \$25,000,000; *provided* that, if the aggregate proceeds expected to be received from the sale of all Registrable Securities outstanding are less than such amount, the amount of Registrable Securities requested to be included in such Demand shall be all of the outstanding Registrable Securities.

(e) At any time prior to the launch of the offering relating to a Demand, the Requesting Investor may revoke its Registration Request, without liability to any of the other Registering Investors, by providing a notice to CS&L revoking such Registration Request. A request so revoked shall be considered to be a Demand unless (i) such revocation arose out of the fault of CS&L (in which case CS&L shall be obligated to pay all Registration Expenses in connection with such revoked request), or (ii) the Requesting Investor reimburses CS&L for all Registration Expenses of such revoked request.

(f) Unless the Requesting Investor elects to reimburse CS&L for Registration Expenses as described in Section 3.01(e) above, CS&L shall be liable for and pay all Registration Expenses in connection with any Demand, regardless of whether such registration is effected, and in connection with a Shelf Registration.

(g) If the managing underwriter advises CS&L and the Registering Investors that, in its view, the number of shares of Registrable Securities requested to be included in such registration (including any securities that CS&L proposes to be included that are not Registrable Securities) exceeds the largest number of shares that can be sold without having an adverse effect on such offering, including the price at which such shares can be sold (the “**Maximum Offering Size**”), CS&L shall include in such registration, in the priority listed below, up to the Maximum Offering Size:

(i) *first*, all Registrable Securities requested to be registered by the Registering Investors (allocated, if necessary for the offering not to exceed the Maximum Offering Size, *pro rata* among such Registering Investors on the basis

of the relative number of shares of Registrable Securities so requested to be included in such registration by each such Registering Investor);

(ii) *second*, any Equity Securities proposed to be registered by CS&L;

(iii) *third*, all Equity Securities held by Windstream Holdings, Inc. (“**Windstream**”) or its Affiliates and registered under that certain Stockholder’s and Registration Rights Agreement by and between Windstream Services, LLC and CS&L (the “**Windstream Registration Rights Agreement**”); and

(iv) *fourth*, any Equity Securities proposed to be registered for the account of any other Persons, with such priorities among them as CS&L shall determine;

*provided that*, if such registration involves a Public Offering, CS&L, Windstream and all other Persons registering Equity Securities in connection therewith must sell their Equity Securities to the underwriters selected as provided in Section 3.04(f)(ii) on the same terms and conditions as apply to the Registering Investors.

(h) Notwithstanding the foregoing, it is agreed and understood that the Stockholder Parties shall not be entitled to exercise a Demand Registration if substantially simultaneously therewith Windstream or its Affiliates has exercised their “Demand Registration” rights under the Windstream Registration Rights Agreement, in which case Section 3.02 shall apply.

Section 3.02. *Piggyback Registration.* (a) If following the Required Registration Date, CS&L proposes file a Registration Statement pursuant to such Registration Statement with respect to any offering of Equity Securities for its own account and/or for the account of any Person (other than (i) a registration under Section 3.01, (ii) a registration pursuant to a Registration Statement on Form S-8 or on Form S-4 or similar form that relates to a transaction subject to Rule 145 under the Securities Act, (iii) in connection with any dividend reinvestment or similar plan, (iv) for the sole purpose of offering Equity Securities to another entity or its security holders in connection with the acquisition of assets or securities of such entity or any similar transaction or (v) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered) (each, a “**CS&L Public Sale**”), then, as soon as practicable but in any event not less than 15 days prior to the anticipated filing date of the Registration Statement, CS&L shall give written notice of such proposed filing to each Stockholder Party, which notice shall set forth such Stockholder Party’s rights under this Section 3.02 and shall offer such Stockholder Party the opportunity to include in the offering subject to such Registration Statement the number of Registrable Securities of the same class or series as those proposed to be registered as such Stockholder Party may request in writing (a “**Piggyback Registration**”), subject to the provisions of Section 3.02(b). CS&L shall use its reasonable best efforts to include in the offering subject to such Registration Statement with respect to a CS&L Public Sale all Registrable Securities that are requested to be included therein within five Business Days after the receipt of any such notice; *provided*

that (i) if such registration involves a Public Offering, all such Registering Investors must sell their Registrable Securities to the underwriters selected as provided in Section 3.04(f)(i) on the same terms and conditions as apply to CS&L, and (ii) if, at any time after giving notice of its intention to register any Equity Securities pursuant to this Section 3.02(a) and prior to the effective date of the Registration Statement filed in connection with such registration, CS&L shall determine for any reason not to register such securities, CS&L shall give notice to all such Registering Investors and, thereupon, shall be relieved of its obligation to register any Registrable Securities in connection with such registration.

(b) If a Piggyback Registration involves a Public Offering (other than a Demand, in which case the provisions with respect to priority of inclusion in such offering set forth in Section 3.01(g) shall apply) and the managing underwriter advises CS&L that, in its view, the number of shares of Common Stock or other Equity Securities that CS&L and the Registering Investors intend to include in such registration exceeds the Maximum Offering Size, CS&L shall include in such registration, in the following priority, up to the Maximum Offering Size:

(i) *first*, those Equity Securities proposed to be registered for the account of CS&L and any other Persons (other than CS&L's executive officers and directors) for whom CS&L is effecting the registration, as the case may be, as would not cause the offering to exceed the Maximum Offering Size;

(ii) *second*, to the extent Windstream and its Affiliates under the Windstream Registration Rights Agreement are not the requesting party, those Equity Securities requested to be included in such Registration by Windstream and its Affiliates under the Windstream Registration Rights Agreement as would not cause the offering to exceed the Maximum Offering Size (allocated, if necessary for the offering not to exceed the Maximum Offering Size, *pro rata* among such holders on the basis of the relative number of shares of Registrable Securities so requested to be included in such registration by each such holder);

(iii) *third*, the number of securities of executive officers and directors of CS&L for whom CS&L is effecting the registration, as the case may be, with such number to be allocated *pro rata* among the executive officers and directors pursuant to the Windstream Registration Rights Agreement;

(iv) *fourth*, all Registrable Securities requested to be included in such registration by any Registering Investor (allocated, if necessary for the offering not to exceed the Maximum Offering Size, *pro rata* among such Registering Investors on the basis of the relative number of shares of Registrable Securities so requested to be included in such registration by each such Registering Investor); and

(v) *fifth*, any securities proposed to be registered for the account of any other Persons with such priorities among them as CS&L shall determine.

(c) No registration effected under this Section 3.02 shall relieve CS&L of its obligations to effect a registration to the extent required by Section 3.01. CS&L shall be liable for and pay all Registration Expenses in connection with any Piggyback Registration, regardless of whether such registration is effected.

Section 3.03. *Lock-Up Agreements.* If any registration of Registrable Securities shall be effected in connection with a Public Offering, neither CS&L nor any Stockholder Party shall effect any public sale or distribution, including any sale pursuant to Rule 144, of any Equity Securities (except as part of such Public Offering) during the 90-day period beginning 14 days prior to the offering date and ending 90 days after the offering date, unless CS&L and the lead managing underwriter shall mutually agree to a shorter period.

Section 3.04. *Registration Procedures.* In connection with CS&L's registration obligations under Sections 3.01 and 3.02, subject to the provisions of such Sections, CS&L shall effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and, in connection therewith:

(a) CS&L shall as expeditiously as possible prepare and file with the SEC a Registration Statement on any form for which CS&L then qualifies or that counsel for CS&L shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance with the intended method of distribution thereof, and cause such filed Registration Statement to become and remain effective.

(b) Prior to filing a Registration Statement (including any Prospectus or amendment or supplement thereto), CS&L shall, if requested, furnish to each Registering Investor and each underwriter, if any, of the Registrable Securities covered by such Registration Statement copies of such Registration Statement as proposed to be filed, and thereafter CS&L shall furnish to such Registering Investor and underwriter, if any, such number of copies of such Registration Statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the Prospectus included in such Registration Statement (including each preliminary Prospectus and any summary Prospectus) and any other Prospectus filed under Rule 424 or Rule 430A under the Securities Act and such other documents as such Registering Investor or such underwriter may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such Registering Investor. CS&L shall give the Registering Investor on whose behalf such Registrable Securities are to be registered, the underwriter in a Public Offering and their respective counsel and accountants the opportunity to participate in the preparation of any Registration Statement or Prospectus, or any amendment or supplement thereto. Each Registering Investor shall have the right to request that CS&L modify any information contained in such Registration Statement or Prospectus, or any amendment and supplement thereto, pertaining to such Registering Investor, and CS&L shall use its reasonable best efforts to comply with such request; *provided, however*, that CS&L shall not have any obligation to modify any information if CS&L reasonably expects that so doing would cause the Registration Statement to contain an untrue statement of a material fact or omit to state

any material fact required to be stated therein or necessary to make the statements therein not misleading.

(c) After the filing of the Registration Statement, CS&L shall (i) cause the related Prospectus to be supplemented by any required Prospectus supplement, and, as so supplemented, to be filed pursuant to Rule 424 under the Securities Act, (ii) comply with the provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by such Registration Statement during the applicable period in accordance with the intended methods of disposition by the Registering Investors thereof set forth in such Registration Statement and (iii) promptly notify each Registering Investor of any stop order issued or threatened by the SEC or any state securities commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(d) CS&L shall (i) register or qualify the Registrable Securities covered by such Registration Statement under such other securities or “blue sky” laws of such jurisdictions in the United States as any Registering Investor reasonably (in light of such Registering Investor’s intended plan of distribution) requests and (ii) cause such Registrable Securities to be registered with or approved by such other Governmental Authorities as may be necessary by virtue of the business and operations of CS&L and do any and all other acts and things that may be reasonably necessary or advisable to enable such Registering Investor to consummate the disposition of the Registrable Securities owned by such Registering Investor; *provided* that CS&L shall not be required to (A) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3.04(d), (B) subject itself to taxation in any such jurisdiction, (C) consent to general service of process in any such jurisdiction or (D) cause any Registrable Securities to be registered in any jurisdiction where it is reasonably unlikely that the proceeds of sales of such Registrable Securities in such jurisdiction will exceed the registration costs.

(e) CS&L shall immediately notify each Registering Investor with respect to Registrable Securities covered by such Registration Statement, at any time when a Prospectus relating thereto is required to be delivered under the Securities Act, of the occurrence of an event requiring the preparation of a supplement or amendment to such Prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such Prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly prepare and make available to each Registering Investor and file with the SEC any such supplement or amendment.

(f) (i) CS&L shall have the right, in its sole discretion, to select an underwriter or underwriters in connection with any Public Offering pursuant to Section 3.02 and (ii) the Requesting Investor shall have the right, in its sole discretion, to select an underwriter or underwriters in connection with any Public Offering pursuant to Section 3.01; *provided, however*, that such underwriter or underwriters shall be nationally recognized investment banking firms and, in the case of clause (ii), reasonably acceptable to CS&L. In connection with any Public Offering, CS&L shall enter into customary agreements

(including an underwriting agreement in customary form) and take all other actions as are required in order to expedite or facilitate the disposition of such Registrable Securities in any such Public Offering, including the engagement of a “qualified independent underwriter” in connection with the qualification of the underwriting arrangements with FINRA.

(g) CS&L shall make available for inspection by any Registering Investor and any underwriter participating in any disposition pursuant to a Registration Statement being filed by CS&L pursuant to this Section 3.04 and any attorney, accountant or other professional retained by any such Registering Investor or underwriter (collectively, the “**Inspectors**”), all financial and other records, pertinent corporate documents and properties of CS&L and its Subsidiaries as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause CS&L’s officers, directors, employees and independent accountants to supply all information reasonably requested by any Inspectors in connection with such Registration Statement; *provided* that any access by any Registering Investor, underwriter or other Inspector to information furnished pursuant to this Section 3.04(g) shall be subject to a customary confidentiality obligation.

(h) In connection with any Public Offering of Registrable Securities, CS&L shall enter into such customary agreements and take all such other actions in connection therewith (including those requested by a majority in interest of the Registering Investors) in order to expedite or facilitate the disposition of such Registrable Securities, and in such connection, (i) to the extent possible make such representations and warranties to the underwriters of such Registrable Securities with respect to the business of CS&L and its Subsidiaries, the Registration Statement, Prospectus and documents incorporated by reference or deemed incorporated by reference, if any, with respect to such underwritten offering, in each case, in form, substance and scope as are customarily made by issuers to underwriters in similar underwritten offerings and confirm the same if and when requested, (ii) provide indemnities to the effect and to the extent provided in Section 3.05, (iii) obtain opinions of counsel to CS&L and “10b-5” letters (which counsel and opinions and letters, in form, scope and substance, shall be reasonably satisfactory to the underwriters and their counsel) addressed to each underwriter of Registrable Securities and, in the case of legal opinions only, each Registering Investor, covering the matters customarily covered in opinions and “10b-5” letters requested in similar underwritten offerings, (iv) obtain “cold comfort” letters dated as of the pricing date and the closing date for such offering of Registrable Securities from the independent certified public accountants of CS&L (and, if necessary, any other certified public accountant of any Subsidiary of CS&L, or of any business acquired by CS&L for which financial statements and financial data are or are required to be included in the Registration Statement) addressed to each underwriter of Registrable Securities and each Registering Investor, such letters to be in customary form and covering matters of the type customarily covered in “cold comfort” letters in connection with similar underwritten offerings, (v) deliver such documents and certificates as may be reasonably requested by the underwriters, and which are customarily delivered in similar underwritten offerings, to evidence the continued validity of the representations and warranties of CS&L made pursuant to clause (i) above and to evidence compliance with any customary conditions

contained in an underwriting agreement and (vi) cause its senior management to participate in “road shows” and other information meetings organized by the underwriters.

(i) CS&L may require each Registering Investor promptly to furnish in writing to CS&L such information regarding the distribution of the Registrable Securities as CS&L may from time to time reasonably request and such other information as may be legally required in connection with such registration.

(j) Each Registering Investor agrees that, upon receipt of any notice from CS&L of the happening of any event of the kind described in Section 3.04(e), such Registering Investor shall forthwith discontinue disposition of Registrable Securities pursuant to the Registration Statement covering such Registrable Securities until such Registering Investor’s receipt of the copies of the supplemented or amended Prospectus contemplated by Section 3.04(e), and, if so directed by CS&L, such Registering Investor shall deliver to CS&L all copies, other than any permanent file copies then in such Registering Investor’s possession, of the most recent Prospectus covering such Registrable Securities at the time of receipt of such notice. If CS&L shall give such notice, CS&L shall extend the period during which such Registration Statement shall be maintained effective (including the period referred to in Section 3.04(a)) by the number of days during the period from and including the date of the giving of notice pursuant to Section 3.04(e) to the date when CS&L shall make available to each such Registering Investor a Prospectus supplemented or amended to conform with the requirements of Section 3.04(e).

(k) CS&L shall list all Registrable Securities covered by such Registration Statement on any securities exchange or quotation system on which any similar securities of CS&L are then listed or traded.

(l) CS&L shall cooperate with any Registering Investor and any underwriter participating in any disposition pursuant to a Registration Statement being filed by CS&L pursuant to this Section 3.04 and their respective counsel in connection with any filings required to be made with FINRA.

(m) Each Registering Investor agrees that in connection with any offering pursuant to this Agreement, except as provided by CS&L, it will not prepare or use or refer to, any “free writing prospectus” (as defined in Rule 405 of the Securities Act) without the prior written authorization of CS&L (which authorization shall not be unreasonably withheld), and will not distribute any written materials in connection with the offer or sale of the Registrable Securities pursuant to any Registration Statement hereunder other than the Registration Statement, the related Prospectus and any such free writing prospectus so authorized.

#### Section 3.05. Indemnification.

(a) CS&L agrees to indemnify and hold harmless, to the full extent permitted by law, each Registering Investor, its officers, directors, agents, advisors, employees and

each Person, if any, who controls (within the meaning of the Section 15 of the Securities Act or Section 20 of the Exchange Act) such Registering Investor from and against any and all losses, claims, damages, liabilities (or actions or proceedings in respect thereof, whether or not such indemnified party is a party thereto) and expenses (including reasonable costs of investigation and legal expenses) (each, a “Loss” and collectively “Losses”) arising out of or based upon:

(i) any untrue or alleged untrue statement of a material fact contained or incorporated by reference in any Registration Statement under which the offering and sale of such Registrable Securities was registered under the Securities Act (including any final or preliminary Prospectus contained therein or any amendment thereof or supplement thereto or any documents incorporated by reference therein); or

(ii) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading;

*provided*, that with respect to any untrue statement or omission or alleged untrue statement or omission made in any Prospectus, the indemnity agreement contained in this paragraph shall not apply to the extent that any such liability results from or arises out of (A) the fact that a current copy of a Prospectus was not sent or given to the Person asserting any such liability at or prior to the written confirmation of the sale of the Registrable Securities if CS&L had provided such Prospectus to the Registering Investor and it was the responsibility of such Registering Investor or its agents to provide such Person with a copy of the Prospectus and such copy of the Prospectus would have cured the defect giving rise to such liability, (B) the use of any Prospectus by or on behalf of any Registering Investor after CS&L has notified such Person (x) that such Prospectus contains or incorporates by reference an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (y) that a stop order has been issued by the SEC with respect to a Registration Statement or (z) that a Shelf Suspension has occurred, or (C) information furnished in writing by such Registering Investor or on such Registering Investor’s behalf, in either case for use in the applicable Registration Statement or Prospectus. CS&L also agrees to indemnify any underwriters of Registrable Securities, their officers, directors, agents, advisors, employees and each Person, if any, who controls (within the meaning of the Section 15 of the Securities Act or Section 20 of the Exchange Act) such underwriter on substantially the same basis as that of the indemnification of the Registering Investors pursuant to this Section 3.05(a).

(b) Each Registering Investor agrees (severally and not jointly) to indemnify and hold harmless, to the fullest extent permitted by law, CS&L, its directors, officers, agents, advisors, employees and each Person, if any, who controls (within the meaning of Section 15 of the Securities Act) CS&L from and against any and all Losses arising out of or based upon information furnished in writing by such Registering Investor or on such

Registering Investor's behalf to CS&L, in either case for use in a Registration Statement, Prospectus or related filing.

(c) Each Registering Investor also agrees to indemnify any underwriters of Registrable Securities, their officers, directors, agents, advisors, employees and each Person, if any, who controls (within the meaning of the Section 15 of the Securities Act or Section 20 of the Exchange Act) such underwriter on substantially the same basis as that of the indemnification of CS&L pursuant to this Section 3.05(b). No Registering Investor shall be liable under this Section 3.05(b) for any Losses in excess of the net proceeds realized by such Registering Investor in the sale of Registrable Securities of such Registering Investor to which such Losses relate.

(d) If for any reason the indemnification provided for in Section 3.05(a) or Section 3.05(b) is unavailable to an Indemnified Party (as defined below) or insufficient to hold such Person harmless as contemplated by Section 3.05(a) or Section 3.05(b), then the Indemnifying Party (as defined below) in lieu of indemnifying such Indemnified Party thereunder, shall contribute to the amount paid or payable by the Indemnified Party as a result of such Loss in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party on the one hand and the Indemnified Party on the other hand. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Indemnifying Party or the Indemnified Party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. For the avoidance of doubt, the establishment of such relative fault, and any disagreements or disputes relating thereto, shall be subject to Section 4.06. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

Section 3.06. *Conduct of Indemnification Proceedings.* If any proceeding (including any investigation by any Governmental Authority) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 3.05, such Person (an "**Indemnified Party**") shall promptly notify the Person against whom such indemnity may be sought (the "**Indemnifying Party**") in writing and the Indemnifying Party shall assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnified Party, and shall assume the payment of all reasonable fees and expenses; *provided* that the failure of any Indemnified Party to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is actually prejudiced by such failure. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel, (ii) in the reasonable judgment of such Indemnified Party, representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) if counsel chosen by the Indemnifying Party requests a conflict waiver or other waiver from the Indemnified Party with respect to such matter. It is understood that, in connection with

any proceeding or related proceedings in the same jurisdiction, the Indemnifying Party shall not be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any Losses (to the extent stated above) by reason of such settlement or judgment. Without the prior written consent of the Indemnified Party, no Indemnifying Party shall effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding and does not include any statement as to or any admission of fault, culpability or a failure to act by or on behalf of any Indemnified Person.

Section 3.07. *Participation in Public Offering.* No Stockholder Party may participate in any Public Offering hereunder unless such Stockholder Party (a) agrees to sell its Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements, (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and the provisions of this Agreement in respect of registration rights and (c) agrees to pay all Selling Expenses related to the sale of the Registrable Securities.

Section 3.08. *Windstream Registration Rights Agreement.* The rights granted to Stockholder Parties hereunder are subject in all respects to the rights granted to Windstream and its Affiliates under the Windstream Registration Rights Agreement. Notwithstanding anything to the contrary in this Agreement, the rights so granted to the Stockholder Parties hereunder shall not limit or restrict the rights of Windstream or its Affiliates under the Windstream Registration Rights Agreement.

#### ARTICLE 4 MISCELLANEOUS

Section 4.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail (“**e-mail**”) transmission) and shall be given:

if to CS&L, to:

Communications Sales & Leasing, Inc  
10802 Executive Center Drive  
Benton Building, Suite 300

Little Rock, AR 72211  
Attention: Daniel L. Heard  
E-mail: Daniel.Heard@cslreit.com

with a copy to:

Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017  
Attention: Michael Kaplan  
H. Oliver Smith  
Facsimile No.: (212) 701-5111  
(212) 701-5636  
E-mail: michael.kaplan@davispolk.com  
oliver.smith@davispolk.com

if to the Stockholder Parties to:

Associated Partners, L.P.  
c/o Associated Partners GP Limited  
3 Bala Plaza East, Suite 502  
Bala Cynwyd, Pennsylvania 19004  
Attention: Scott Bruce  
Facsimile No.: (610) 660-4920  
E-mail: SBruce@agrp.com

with copies to:

Jay Birnbaum, Esquire  
8004 Split Oak Drive  
Bethesda, Maryland 20817  
Tel. No.: (301) 469-4930  
E-mail: JBirnbaum@agrp.com

Cravath Swaine & Moore LLP  
Worldwide Plaza  
825 Eighth Avenue  
New York, New York 10014  
Attention: Thomas E. Dunn  
Facsimile No.: (212) 474-3700  
E-mail: tdunn@cravath.com

or, in each case, to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 4:00 p.m. in the place of receipt and such day is a

Business Day. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding business day in the place of receipt.

Section 4.02. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(a) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

Section 4.03. *Expenses.* Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

Section 4.04. *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto; *provided, further*, that any Stockholder Party may assign its rights, interests and obligations under this Agreement, in whole or in part, to one or more Permitted Transferees that execute a joinder to this Agreement in form and substance reasonably satisfactory to CS&L.

Section 4.05. *Governing Law.* This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, without regard to the conflicts of law rules of such state.

Section 4.06. *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the Delaware Chancery Court or, if such court shall not have jurisdiction, any federal court located in the State of Delaware or other Delaware state court, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of Delaware, and each of the parties hereby irrevocably consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process

on such party as provided in Section 4.01 shall be deemed effective service of process on such party.

Section 4.07. *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 4.08. *Counterparts; Effectiveness; Third Party Beneficiaries.* This Agreement may be signed in any number of counterparts (including by electronic means), each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by each other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). No provision of this Agreement is intended to confer any rights, benefits, remedies, obligations, or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

Section 4.09. *Entire Agreement.* This Agreement and the Lockup Agreements entered into between the Stockholder Parties and CS&L constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

Section 4.10. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 4.11. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in the courts set forth in Section 4.06, in addition to any other remedy to which they are entitled at law or in equity.

Section 4.12. *Termination.* This Agreement shall terminate with respect to each Stockholder Party at the time at which such Stockholder Party ceases to own any Equity Securities, except that such termination shall not affect (a) the rights perfected or the

obligations incurred by such Stockholder Party under this Agreement prior to such termination (including any liability for breach of this Agreement), (b) the obligations expressly stated to survive termination hereof, (c) Section 4.05 and (d) this Article 4.

Section 4.13. *Relationship to Lockup Agreement.* To the extent that any provision of this Agreement conflicts with any obligation of any Stockholder Party under its Lockup Agreement, the terms of this Agreement shall control.

*[The remainder of this page has been left blank intentionally.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their authorized representatives as of the date first above written.

PEG BANDWIDTH HOLDINGS, LLC

By: /s/ Scott Bruce  
Name: Scott Bruce  
Title: Secretary

COMMUNICATIONS SALES & LEASING, INC

By: /s/ Kenneth Gunderman  
Name: Kenneth Gunderman  
Title: President and Chief Executive Officer

*[Signature Page to Stockholder's and Registration Rights Agreement]*

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Unitholders

None.

**Consent of Independent Auditors**

We consent to the incorporation by reference in the registration statement (No. 333-203591) on Form S-8 of Communications Sales & Leasing, Inc. of our report dated March 2, 2016, with respect to the consolidated balance sheets of PEG Bandwidth, LLC and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in redeemable equity and members' deficit, and cash flows for each of the years in the three-year period ended December 31, 2015, which report appears in this Current Report on Form 8-K of Communications Sales & Leasing, Inc. dated May 4, 2016.

/s/ KPMG LLP  
Philadelphia, Pennsylvania  
May 4, 2016

PEG BANDWIDTH, LLC AND SUBSIDIARIES

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## Report of Independent Registered Public Accounting Firm

To The Members PEG Bandwidth, LLC:

We have audited the accompanying consolidated financial statements of PEG Bandwidth, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in redeemable equity and members' deficit, and cash flows for each of the years in the three-year period ended December 31, 2015, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PEG Bandwidth, LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2015, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP  
Philadelphia, Pennsylvania  
March 2, 2016

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## PEG BANDWIDTH, LLC AND SUBSIDIARIES.

## Consolidated Balance Sheets

December 31, 2015 and 2014

(Dollar amounts in thousands)

Assets	2015	2014
<b>Current assets:</b>		
Cash	\$ 4,754	\$ 4,592
Accounts receivable, net	5,205	4,636
Prepaid expenses	2,853	3,036
Other current assets	69	37
Total current assets	12,881	12,301
Property and equipment, at cost	368,448	326,336
Accumulated depreciation	(69,787)	(39,567)
Property and equipment, net	298,661	286,769
Intangible assets, net	1,714	2,031
Prepaid expenses and other long-term assets	2,304	3,729
Deferred financing costs of Parent, net	3,011	4,083
Total Assets	\$ 318,571	\$ 308,913
<b>Liabilities, Redeemable Equity and Members' Deficit</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,307	\$ 8,697
Accounts payable, related parties	-	63
Accrued compensation and benefits	2,509	1,941
Accrued interest, loan payable to Parent	939	863
Accrued taxes	1,287	813
Other accrued liabilities	1,472	709
Current portion of capital lease obligations	1,720	2,952
Current portion of deferred revenue	4,980	4,645
Total current liabilities	16,214	20,683
Capital lease obligations	39,176	36,659
Loan payable to Parent (note 6)	204,249	137,900
Deferred revenue	10,847	12,079
Other long-term liabilities	4,047	3,027
Total liabilities	274,533	210,348
<b>Commitments and contingencies (note 13)</b>		
<b>Redeemable equity:</b>		
Redeemable preferred units, 391,000,000 units authorized, 376,882,763 units issued and outstanding at December 31, 2015 and 2014	158,273	179,765
<b>Members' deficit:</b>		
Class B common units, 80,000,000 units authorized, 40,717,007 units issued and outstanding at December 31, 2015 and 2014	-	-
Class C common units, 800,000,000 units authorized, 372,574,965 units issued and outstanding at December 31, 2015 and 2014	-	-
Contributed capital	1,754	960
Accumulated deficit	(115,989)	(82,160)
Total members' deficit	(114,235)	(81,200)
<b>Total liabilities, redeemable equity and members' deficit</b>	<b>\$ 318,571</b>	<b>\$ 308,913</b>

See accompanying notes to consolidated financial statements.

**PEG BANDWIDTH, LLC AND SUBSIDIARIES.**  
**Consolidated Statements of Operations**  
**December 31, 2015, 2014 and 2013**  
**(Dollar amounts in thousands)**

	2015	2014	2013
Service revenues	\$ 76,143	\$ 57,339	\$ 32,895
Operating expenses:			
Cost of services (excluding depreciation, amortization and accretion)	31,128	29,509	15,534
Selling, general, and administrative	14,415	13,908	11,512
Depreciation, amortization and accretion	30,888	22,961	11,306
Asset impairment charges and losses on disposals	733	386	-
Lease exit loss (gain), net	(114)	627	-
Total operating expenses	<u>77,050</u>	<u>67,391</u>	<u>38,352</u>
Operating loss	(907)	(10,052)	(5,457)
Interest expense, loan from Parent	(17,428)	(13,014)	(7,978)
Amortization of deferred financing costs and debt discount	(1,520)	(2,017)	(2,100)
Interest expense, other	(3,554)	(2,546)	(701)
Interest income	88	-	-
Loss on debt extinguishment	-	(1,996)	-
Net loss	<u>(23,321)</u>	<u>(29,625)</u>	<u>(16,236)</u>
Accretion of preferred units to redemption value	(10,508)	(11,058)	(6,923)
Net loss applicable to common unitholders	<u>\$ (33,829)</u>	<u>\$ (40,683)</u>	<u>\$ (23,159)</u>

See accompanying notes to consolidated financial statements.

**PEG BANDWIDTH, LLC AND SUBSIDIARIES.**  
**Consolidated Statements of Changes in Redeemable Equity and Member's Deficit**  
**December 31, 2015, 2014 and 2013**  
**(Dollar amounts in thousands)**

	Redeemable preferred units		Class B common units		Class C common units		Contributed capital	Accumulated deficit	Total members' deficit
	Units	Amount	Units	Amount	Units	Amount			
Balance at January 1, 2013	298,288	\$ 98,344	40,717	\$ -	311,492	\$ -	\$ -	\$ (18,318)	\$ (18,318)
Units issued	53,955	40,020	-	-	61,083	-	-	-	-
Reclassification of share-based compensation liability to equity upon award modifications	-	-	-	-	-	-	239	-	239
Share-based compensation expense	-	-	-	-	-	-	206	-	206
Net loss	-	-	-	-	-	-	-	(16,236)	(16,236)
Accretion of preferred units to redemption value	-	6,923	-	-	-	-	-	(6,923)	(6,923)
Balance at December 31, 2013	352,243	145,287	40,717	-	372,575	-	445	(41,477)	(41,032)
Units issued	24,640	23,420	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-	-	515	-	515
Net loss	-	-	-	-	-	-	-	(29,625)	(29,625)
Accretion of preferred units to redemption value	-	11,058	-	-	-	-	-	(11,058)	(11,058)
Balance at December 31, 2014	376,883	179,765	40,717	-	372,575	-	960	(82,160)	(81,200)
Units issued	-	-	-	-	-	-	-	-	-
Share-based compensation expense	-	-	-	-	-	-	794	-	794
Distribution of cumulative return	-	(32,000)	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(23,321)	(23,321)
Accretion of preferred units to redemption value	-	10,508	-	-	-	-	-	(10,508)	(10,508)
Balance at December 31, 2015	<u>376,883</u>	<u>\$ 158,273</u>	<u>40,717</u>	<u>\$ -</u>	<u>372,575</u>	<u>\$ -</u>	<u>\$ 1,754</u>	<u>\$ (115,989)</u>	<u>\$ (114,235)</u>

See accompanying notes to consolidated financial statements.

**PEG BANDWIDTH, LLC AND SUBSIDIARIES.**  
**Consolidated Statements of Cash Flows**  
**December 31, 2015, 2014 and 2013**  
**(Dollar amounts in thousands)**

	2015	2014	2013
<b>Cash flows from operating activities:</b>			
Net loss	\$ (23,321)	\$ (29,625)	\$ (16,236)
<b>Adjustments to reconcile net loss to net cash provided by (used in) operating activities:</b>			
Depreciation, amortization and accretion	30,888	22,961	11,306
Amortization of deferred financing costs and debt discount	1,520	2,017	2,100
Share-based compensation expense	794	515	289
Asset impairment charges and losses on disposals	733	386	-
Lease exit loss (gain), net	(114)	627	-
Provision for doubtful accounts	307	60	-
Loss on debt extinguishment	-	1,996	-
<b>Changes in operating assets and liabilities (net of effects of business acquisition):</b>			
Accounts receivable, net	(876)	938	2,098
Prepaid expenses and other assets	1,566	(138)	(3,359)
Accounts payable	(1,250)	(392)	(2,011)
Accrued liabilities and other	2,484	1,537	1,804
Deferred revenue	(1,677)	459	2,860
Net cash provided by (used in) operating activities	<u>11,054</u>	<u>1,341</u>	<u>(1,149)</u>
<b>Cash flows from investing activities:</b>			
Cash paid to acquire business, net of cash acquired	-	-	(20,294)
Purchases of property and equipment	(41,124)	(65,926)	(81,650)
Proceeds from disposals of assets	90	-	-
Purchases of intangible assets	(15)	(85)	(234)
Net cash used in investing activities	<u>(41,049)</u>	<u>(66,011)</u>	<u>(102,178)</u>
<b>Cash flows from financing activities:</b>			
Borrowings under Parent Loan Agreement	65,901	54,961	73,243
Principal payments under capital lease obligations	(3,744)	(10,406)	(10,503)
Debt issuance costs	-	(2,697)	-
Contributed capital	-	23,420	40,020
Distribution of cumulative return	(32,000)	-	-
Net cash provided by financing activities	<u>30,157</u>	<u>65,278</u>	<u>102,760</u>
Net increase (decrease) in cash	162	608	(567)
Cash at beginning of year	4,592	3,984	4,551
Cash at end of year	<u>\$ 4,754</u>	<u>\$ 4,592</u>	<u>\$ 3,984</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest, net of capitalized interest	\$ 22,433	\$ 15,974	\$ 8,654
<b>Supplemental disclosure of noncash investing and financing activities:</b>			
Property and equipment acquired but not yet paid	\$ -	\$ -	\$ 4,837
Property and equipment acquired under capital leases	5,029	34,145	23,351

See accompanying notes to consolidated financial statements.

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015 and 2014**

**(1) Organization and Operations**

PEG Bandwidth, LLC (the Company), a limited liability company organized in the state of Delaware, is a provider of fiber infrastructure solutions that primarily serve the needs of wireless operators and broadband customers. All operations are conducted through the Company and its subsidiaries, all of which are wholly owned. The Company is controlled by PEG Bandwidth Holdings, LLC (Holdings or Parent), which is wholly owned by AP PEG Bandwidth Investments, LLC, a subsidiary of Associated Partners L.P. (Associated). As of December 31, 2015, Holding's ownership interest in the Company was 90.1% and certain current and former Company employees held equity units totaling 9.9%.

The Company's services primarily consist of providing backhaul services in several key markets by utilizing its expertise, network assets, and supplier partner relationships to design, construct and operate high-capacity fiber and microwave Ethernet networks. Backhaul is the transport of voice, video, and data traffic from a wireless carrier's mobile base station, or cell site, to its mobile switching center or other exchange point where the traffic is then switched onto a wireline telecommunications network. Ethernet is the most widely used standard for connecting high-capacity mobile data networks. The Company's backhaul services, which comprised a majority of the Company's 2015 revenues, provide wireless carriers a long-term solution for their increasing demand for backhaul capacity while giving them increased availability and reliability. The Company's nonbackhaul services are provided primarily through a subsidiary, Contact Network LLC d/b/a InLine (Contact Network or InLine), and primarily include broadband services to businesses, government entities, educational institutions, and other telecommunication carriers. InLine was acquired on July 31, 2013 and is further described in note 3.

**(2) Summary of Significant Accounting Policies****(a) Basis of Presentation**

The consolidated financial statements present the accounts of the Company and its subsidiaries. All intercompany transactions have been eliminated in consolidation. Unless otherwise indicated, references to 2015, 2014 and 2013 are to the Company's years ended December 31, 2015, 2014 and 2013, respectively.

**(b) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions, which may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The Company evaluates these estimates and judgments on an ongoing basis, and the estimates are based on experience, current and expected future conditions, third-party evaluations, and various other assumptions that the Company believes are reasonable under the circumstances. The results of estimates form the basis for making judgments about the carrying amounts of assets and liabilities, as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. Actual results may differ from these estimates under different assumptions or conditions.

**(c) Revenue Recognition**

The Company recognizes revenues when (1) persuasive evidence of an arrangement exists, (2) the services have been provided to the customer, (3) the sales price is fixed or determinable, and (4) the collection of the sales price is reasonably assured. Services provided to the Company's customers are pursuant to contractual fee-based arrangements, which generally provide for recurring fees charged for the use of designated portions of the Company's network and typically range for a period of three to ten years. The Company's revenue arrangements often include upfront fees charged to the customer for the cost of establishing the necessary components of the Company's network prior to the commencement of use by the customer. Fees charged to customers for the recurring use of the Company's network are recognized during the related periods of service. Upfront fees that are billed in

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advance of providing services are deferred until such time the customer accepts the Company's network and then are recognized as service revenues ratably over a period in which substantive services required under the revenue arrangement are expected to be performed, which is the initial term of the arrangement.

Revenues associated with broadband construction services performed for customers under construction contracts are recognized on the percentage-of-completion basis. Historically, revenues recognized under construction contracts have not been material.

**(d) Concentrations of Risk**

Financial instruments that potentially subject the Company to concentrations of risk consist primarily of cash and accounts receivables. As of December 31, 2015, cash consisted primarily of checking accounts held at large publicly traded financial institutions that are considered highly creditworthy.

Three customers accounted for 79%, 74% and 83% of revenues in 2015, 2014 and 2013, respectively. Four customers accounted for 73% and 90% of the Company's accounts receivable as of December 31, 2015 and 2014, respectively. Although the Company has expanded its customer base during 2015, the Company considers the concentration of customers to be a business risk in the event that any customer decides to discontinue its relationship with the Company or in the event that a customer faces financial difficulties and would be unable to pay amounts due. Failure to maintain key customer relationships, through future contract renewals, could have a material adverse effect on the Company's results of operations, financial condition, and cash flows.

**(e) Accounts Receivable, Net**

Accounts receivable are recorded at the invoiced amount, which does not bear interest. The Company evaluates the collectability of its accounts receivable considering a variety of factors. The Company typically does not require collateral. When the Company becomes aware of a specific customer's inability to meet its financial obligations, the Company records a specific reserve for bad debt to reduce the related accounts receivable to the amount the Company reasonably believes is collectible. When appropriate, the Company also records reserves for bad debts for all other customers based on a variety of factors including the length of time the receivable is past due, the financial health of the customer, macroeconomic considerations, and historical experience. If circumstances related to specific customers change, the Company adjusts its estimates of the recoverability of receivables as needed. Included in selling, general and administrative expenses in the years ended December 31, 2015 and 2014 were provisions for doubtful accounts of \$307 and \$60, respectively; no provision was recorded in 2013. As of December 31, 2015 and 2014, the allowance for doubtful accounts that reduced the carrying amount of accounts receivable in the consolidated balance sheets was \$298 and \$60, respectively.

**(f) Property and Equipment and Lease Transactions**

Property and equipment is stated at cost, net of accumulated depreciation. The Company capitalizes costs incurred in bringing network and equipment to an operational state, including all activities directly associated with the acquisition, construction, and installation of the related assets it owns. The Company also enters into leasing arrangements providing for the long-term use of constructed fiber that is then integrated into the Company's network infrastructure. For each lease that qualifies as a capital lease, the present value of the lease payments, which may include both periodic lease payments over the term of the lease as well as upfront payments to the lessor, is capitalized at the inception of the lease and included in property and equipment. Depreciation of property and equipment, which includes amortization of capital lease assets and leasehold improvements, is computed utilizing the straight-line method at rates based upon the estimated useful lives of the various classes of assets. The useful lives of the Company's assets are as follows:

- Backhaul network assets are depreciated over an estimated useful life of 7 to 20 years.

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- Equipment, computers, and furniture used in the Company's operations are depreciated over an estimated useful life of 3 to 7 years.
- Computer software is depreciated over an estimated useful life of 3 to 5 years.
- Leasehold improvements are amortized over the shorter of the original lease term, if applicable, or their estimated useful lives, which is 7 years.
- Property under capital leases are amortized over the shorter of the original lease term, if applicable, or their estimated useful lives, which is 20 years.

Additions, renewals and improvements are capitalized, while maintenance and repairs are expensed. Upon the sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. The carrying value of property and equipment will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the estimated undiscounted future cash flows expected to result from the use and eventual disposition of the asset group is less than the carrying amount of the asset group, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset. Construction in process may be impaired when projects are abandoned or terminated. The Company reviewed the carrying values of its property and equipment and did not identify any events or circumstances indicating that the carrying amounts of the assets were not recoverable.

The Company capitalizes a portion of the interest costs it incurs for assets that require a period of time to get them ready for their intended use. The amount of interest that is capitalized is based on the average accumulated expenditures made during the period involved in bringing the assets comprising a network to an operational state at the Company's weighted average interest rate during the respective accounting period.

The expenses associated with operating leases are recognized in rent expense, which, depending on the leased property, may be included in either cost of services or selling, general, and administrative expenses. Rent increases that are scheduled in the Company's operating leases, as well as upfront payments made thereunder, are recognized in rent expense on a straight-line basis over the applicable lease term, including any anticipated renewals. As of the date in which property being leased by the Company under an operating lease ceases to be utilized, the Company recognizes a loss and corresponding liability for the discontinued use of the leased property at its fair value, based on the present value of the remaining lease rental payments related to the unused leased property reduced by estimated sublease rental payments that the Company expects it could reasonably obtain. The liability accretes as a result of the passage of time and related accretion expense is recognized over the remaining term of the lease in the consolidated statement of operations.

**(g) Intangible Assets**

Intangible assets with finite useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The Company reviewed the carrying values of its intangible assets and did not identify any events or circumstances indicating that the carrying amounts of the assets were not recoverable.

**(h) Deferred Financing Costs and Debt Discounts**

Costs incurred to issue debt pursuant to the CORP Agreement, as described in note 6, are capitalized and presented in deferred financing costs net of accumulated amortization in the consolidated balance sheet. The receipt of proceeds from any debt issuance that is less than the debt's face amount results in the recognition of a debt discount. The related debt is presented net of unamortized discount in the consolidated balance sheet. Deferred financing costs and debt discounts are amortized over the term of the underlying obligations and this amortization is included in interest expense.

**(i) Asset Retirement Obligations**

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The Company records obligations to perform asset retirement activities, primarily including requirements to remove equipment from leased space or customer sites as required under the terms of the related lease and customer agreements. The fair value of the liability for asset retirement obligations, which represents the net present value of the estimated expected future cash outlay, is recognized in the period in which it is incurred and the fair value of the liability can reasonably be estimated. The liability accretes as a result of the passage of time and related accretion expense is recognized in the consolidated statement of operations. The associated asset retirement costs are capitalized as an additional carrying amount of the related long-lived asset and depreciated over the asset's useful life. As of December 31, 2015 and 2014, the Company's asset retirement obligation was \$591 and \$152, respectively, and was included in other long-term liabilities in the consolidated balance sheet.

**(j) Share-Based Compensation**

For all share-based payment transactions, the Company recognizes the cost of awarded equity instruments based on each instrument's fair value over the period during which the award's recipient is required to provide service in exchange for the award. The terms of awards are evaluated to ascertain whether the arrangement shall result in classifying the award either to equity, based on the grant date fair value, or to a liability, based on the award's fair value at each balance sheet date. The Company records expense to the appropriate classifications in the consolidated statement of operations based on the classification in which the related recipient's payroll costs are recorded.

**(k) Income Taxes**

The Company is organized as a limited liability company (LLC) and is treated as a partnership for income tax reporting purposes. In accordance with applicable income tax regulations, taxable income or loss of the Company is required to be reported in the tax returns of the Company's members in accordance with the limited liability company agreement among the members. The Company's wholly owned subsidiaries are treated as disregarded entities for income tax purposes under the provisions of the Internal Revenue Code and applicable Treasury Regulations. Accordingly, no federal or state income tax provision is recognized in the consolidated statement of operations.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits and penalties in interest expense on the accompanying consolidated statements of operations. There were no material uncertain tax positions as of December 31, 2015 and 2014.

**(l) Fair Value Measurements**

Any measurement of the fair value of an asset or liability is based on the price that would be received to sell the asset or the price to transfer the liability in an orderly transaction between market participants as of the relevant measurement date. Generally, valuation techniques used to determine fair value are dependent upon assumptions that market participants would use in pricing the asset or liability, referred to as inputs to the valuation technique. Inputs generally range from market data from independent sources (i.e., observable inputs) to data based on assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances (i.e., unobservable inputs). Correspondingly, each input can be categorized as being one of the following three levels comprising the fair value hierarchy:

Level 1 – Quoted prices in active markets for identical instruments;

Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

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Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**(m) Recent Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. ASU 2014-09 will supersede and replace nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance. The guidance is effective for the Company for annual reporting periods beginning in 2018. The Company is evaluating ASU 2014-09 and has not yet determined what, if any, effect ASU 2014-09 will have on its results of operations or financial condition.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern. ASU 2014-15 requires management of all entities to evaluate whether there are conditions and events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the financial statements are issued, and to make certain disclosures if it concludes that substantial doubt exists or when its plans alleviate substantial doubt about the entity's ability to continue as a going concern. ASU 2014-15 is effective for the Company for annual reporting periods beginning in 2016. The Company is currently evaluating the impact of the adoption of ASU 2014-15 on its financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 specifies that debt issuance costs related to a note shall be reported in the balance sheet as a direct reduction from the face amount of the note. ASU 2015-03 is effective for the Company for annual reporting periods beginning in 2016. The Company does not believe the adoption of ASU 2015-03 will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which revises the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases. The new lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for the Company beginning on January 1, 2020 and should be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Company has not yet determined what the effects of adopting this ASU will be on its consolidated financial statements.

**(3) Business Acquisition**

On July 31, 2013, the Company acquired 100% of the outstanding common shares of Contact Network, Inc. d/b/a InLine for cash consideration of approximately \$20.6 million (InLine Acquisition). InLine primarily provides broadband services in Mississippi and Alabama to businesses, government entities, educational institutions, and other telecommunication carriers over InLine's constructed fiber-optic network, and to a lesser extent performs broadband construction services for customers under construction contracts. Upon consummation of the acquisition, Contact Network was converted into a limited liability company. Acquisition costs, consisting principally of legal fees, totaled \$40 and were recorded in selling, general, and administrative expenses in the consolidated statement of operations for the year ended December 31, 2013.

The InLine Acquisition was accounted for as a business combination for which generally accepted accounting principles require the acquisition method of accounting be used in recognizing the transaction in the Company's consolidated financial statements. Accordingly, the assets acquired and the liabilities assumed in the InLine Acquisition were recognized at their respective fair values as of the date control was obtained (Acquisition Date), which was July 31, 2013. The results of InLine's operations have been included in the consolidated financial statements since the Acquisition Date.

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Prior to the InLine Acquisition, the Company's property and equipment included a capital lease asset associated with an arrangement that granted the Company an indefeasible right to use certain InLine fiber-optic strands in the Company's network for a 20-year period. As a consequence of the InLine Acquisition, the Company effectively settled this lease arrangement, resulting in the Company's recognition of ownership in the fiber-optic strands in the Company's network assets, as disclosed in note 4, and relieving both the Company and InLine of their respective obligations under the arrangement. Accordingly, the effective settlement of the capital lease was recognized at the net carrying amount of the arrangement of \$4,283, which approximated its fair value and thereby increased the Company's network assets in property and equipment.

As of the Acquisition Date, the assets acquired and liabilities assumed in the InLine Acquisition were identified and measured at fair value, as presented in the following table:

Acquisition consideration:		
Cash	\$	20,575
Recognized amounts of assets acquired and liabilities assumed:		
Cash	\$	281
Accounts receivable		4,054
Prepaid expenses		36
Property and equipment		21,272
Intangible assets		561
Accounts payable and accrued liabilities		(1,541)
Uncompleted construction contracts liability		(313)
Deferred revenue		(3,775)
Net assets acquired	\$	<u>20,575</u>

As of the Acquisition Date, the fair value of InLine's constructed network infrastructure was approximately 90% of the amount recognized for property and equipment and primarily included in-service underground and aerial fiber, fixed network equipment, and related structures and fixtures providing shelter and access. The fair value of property and equipment was measured primarily using a cost-based approach, which involves establishing a gross replacement or reproduction cost of the asset and then depreciating this value to reflect the loss in value from any cause in comparison with a new asset of like-kind, resulting from physical deterioration, functional obsolescence, and economic obsolescence.

The intangible assets identified in the InLine Acquisition consisted of acquired customer relationships and the InLine trade name, the fair values of which were \$458 and \$103, respectively. The acquired customer relationships generally involve long-term contractual revenue arrangements to provide broadband services over InLine's network on a long-term basis, subject to renewals. The fair value of the customer relationship asset was measured using an income-based valuation methodology, which utilized inputs primarily consisting of projections of the components of future operating cash flows attributable to the InLine's customers as adjusted for anticipated attrition. The fair value of the trade name asset was measured using the relief from royalty method, also an income-based valuation methodology. The inputs to the valuation techniques utilized in determining fair value of the intangible assets were from sources the Company's management believes were the best available. The acquired customer relationships and trade name were determined to be finite-lived intangible assets with economic useful lives of 15 years and 3 years, respectively, the periods over which each asset is being amortized to expense on a straight-line basis.

As of the Acquisition Date, the fair value of the trade receivables approximated the gross contractual amounts of the receivables and the estimated amount not expected to be collected was not material. A significant majority of the recognized amount of trade receivables included billings made in July 2013 under revenue arrangements with educational and governmental agencies that covered billing periods matching the agencies' fiscal year, which began on July 1, 2013 and ends on June 30, 2014. Accordingly, as of the Acquisition Date, the Company assumed the obligation to perform

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under these arrangements for the remainder of this period and has recognized the associated liability as deferred revenue, which totaled approximately \$3.2 million and is being amortized into income over each arrangement's billing period.

As of the Acquisition Date, InLine was a party to an agreement consummated in 2012, which granted a customer an indefeasible right to use certain fiber-optic strands included within InLine's network in exchange for an upfront payment to InLine. As the agreement imposed a continuing legal obligation, a liability of \$550 was recognized in deferred revenue, the fair value of which was based upon management's assessment of the cost of the network encumbered as a consequence of the agreement, as well as future costs to be incurred in connection with the Company's continuing legal obligation under the agreement plus a reasonable profit margin. The deferred revenue is being amortized into income over the term of the agreement, which was approximately 18 years as of Acquisition Date.

Shortly before the Acquisition Date, InLine commenced construction activities pursuant to the requirements under certain construction contracts and made progress billings to the customer that, as a percentage of each contract's total contract consideration, was higher than the actual progress measured as of the Acquisition Date. Accordingly, the recognized amount of the InLine uncompleted construction contracts was a liability, measured as the excess of the progress billings made over the costs incurred plus the expected profit thereon. In the periods after the Acquisition Date, measurements of the progress under these contracts have been made, resulting in adjustments to this liability and impacting income in such periods through the contracts' completion dates, all of which occurred in 2015.

**(4) Property and Equipment, Net**

Property and equipment, net consisted of the following:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Network assets	\$ 277,571	\$ 236,010
Property under capital leases	71,552	66,523
Equipment, computers and furniture	7,288	6,703
Computer software	3,268	2,239
Leasehold improvements	871	871
Construction in progress	7,898	13,990
	<u>368,448</u>	<u>326,336</u>
Accumulated depreciation	(69,787)	(39,567)
Property and equipment, net	<u>\$ 298,661</u>	<u>\$ 286,769</u>

Depreciation expense was \$26,586, \$19,985 and \$9,738 in 2015, 2014 and 2013, respectively. Included in depreciation, amortization and accretion expense in the consolidated statements of operations in 2015, 2014 and 2013 was amortization of capital lease assets of \$3,844, \$2,588 and \$1,293, respectively. Included in accumulated depreciation as of December 31, 2015 and 2014 was accumulated amortization of capital lease assets of \$7,918 and \$4,067, respectively. During the years ended December 31, 2014 and 2013, the Company's total interest cost incurred was \$19,063 and \$12,486, respectively, of which \$718 and \$1,369, respectively, was capitalized in property and equipment. In 2015, no interest cost was capitalized.

During 2015 and 2014, the Company reclassified the carrying amounts of certain equipment, previously included in property and equipment, net, as assets held for sale. Evaluation of the equipment's utility resulted in an assessment of the equipment's lack of usefulness in the Company's network infrastructure, both in its current state and relative to any anticipated future network designs. The Company has marketed and sold some of this equipment and plans to continue to market the equipment for sale to other network providers or to brokers who deal in sales of such equipment. The aggregate carrying amount of the equipment was written down to its fair value, resulting in the recognition of an impairment charges of \$573 and \$386 in the consolidated statements of operations in 2015 and 2014, respectively; no

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impairment charges were incurred during 2013. As of December 31, 2015 and 2014, the carrying amounts of assets held for sale, which is included in other long-term assets in the consolidated balance sheets, were \$117 and \$128, respectively.

The determination of the fair value of the equipment was based on inputs that were classified in relation to the fair value hierarchy as Level 3 inputs (i.e., unobservable inputs), which included historical data of prices received by sellers of the same equipment models, or equipment similar in nature to the equipment held for sale, by reference to transactions occurring in markets that involved equipment sales to market participants similar to those in which the Company intends to solicit. Costs to sell the equipment are not expected to be material and were not included in the determination of the impairment charge.

**(5) Intangible Assets, Net**

Intangible assets, net consisted of the following:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Finite-lived assets:		
Customer relationships	\$ 2,547	\$ 2,547
Trade name	103	103
Licenses	597	582
Gross carry amount	3,247	3,232
Accumulated amortization	(1,533)	(1,201)
Intangible assets, net	<u>\$ 1,714</u>	<u>\$ 2,031</u>

Amortization expense was \$332, \$327 and \$264 for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, the intangible asset amortization expense to be recognized for each of the succeeding five years was as follows:

Year ending December 31:

2016	\$ 319
2017	299
2018	299
2019	299
2020	125
Thereafter	373
Total	<u>\$ 1,714</u>

**(6) Debt**

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Parent Loan Agreement:		
Loan payable	\$ 205,418	\$ 139,516
Less unamortized debt discount	(1,169)	(1,616)
Long-term, carrying amount	<u>\$ 204,249</u>	<u>\$ 137,900</u>

**(a) Holdings Financing Transactions**

Prior to August 12, 2014, Holdings, along with AP WIP International Holdings, LLC, AP WIP Holdings, LLC and AP Tower Holdings, LLC, each of which also are controlled by Associated, was a party to a \$250,000 loan and

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security agreement (2012 Loan Agreement) with an administrative agent, certain banks and other financial institutions. On August 12, 2014, all principal, interest, and other amounts due under the 2012 Loan Agreement were repaid as part of a refinancing transaction (Refinancing Transaction) that terminated the 2012 Loan Agreement and established a \$350,000 loan and security agreement (CORP Agreement). The parties, all of which are related parties, include Holdings, AP Tower Holdings, LLC and AP WIP International Holdings, LLC (individually, a Borrower) along with certain banks and other financial institutions (collectively, the Lenders). Separately, AP WIP Holdings, LLC entered into a \$115,000 Loan Agreement (DWIP Agreement).

Upon execution of the CORP Agreement, an initial installment was funded totaling \$225,000, net of a discount of \$2,625, and was utilized primarily to repay the Borrowers' aggregate principal amount due under the 2012 Loan Agreement of \$189,613. The remaining principal owed by AP WIP Holdings, LLC, totaling \$60,387, was repaid separately, utilizing the funding under the DWIP Agreement. Holding's portion of the principal repayment to settle its obligation under the 2012 Loan Agreement was \$160,144.

As Holdings has no operations, all funding either disbursed under 2012 Loan Agreement or the CORP Agreement to Holdings was for the sole purpose of financing the Company's operations. Accordingly, Holdings and the Company are parties to a loan agreement (Parent Loan Agreement), pursuant to which the Company may request and receive funding in the form of borrowings and which obligates the Company to make monthly interest payments to Holdings in an amount equal to all interest and fees due under the CORP Agreement. Additionally, the establishment of the Parent Loan Agreement required the Company to fund the payment of all financing costs associated with the 2012 Loan Agreement and the Refinancing Transaction that resulted in the origination of the CORP Agreement. Subject to the Company's financing needs, Holdings may utilize funding under the CORP Agreement for the purpose of making loans to the affiliated companies controlled by Associated. Interest earned by Holdings on loans to affiliated companies reduces the Company's loan payable to Holdings and related interest costs under the Parent Loan Agreement.

**(b) CORP Agreement and Parent Loan Agreement**

Under the terms of the CORP Agreement, Holdings and each of its affiliates named above are individual Borrowers and the lending syndicate includes an administrative agent and certain financial institutions (collectively, the Lenders). Associated Partners, L.P. (Guarantor) controls each Borrower and is a guarantor of the loan and its guarantee is secured by its indirect equity interests in the Borrowers. AP Service Company, LLC (Servicer), a wholly owned subsidiary of the Guarantor, is the Servicer under the CORP Agreement.

Funding under the CORP Agreement included the initial installment of \$225,000 that was funded as part of the Refinancing Transaction on August 12, 2014 and two additional installments, each in amounts up to \$62,500. On December 15, 2014, a portion of the second installment in the amount of \$30,000 was funded and the remaining \$32,500 was funded in February 2015. During June 2015, the final installment of \$62,500 was disbursed. Borrowings under the CORP Agreement are funded into an escrow account controlled by a collateral agent, the proceeds of which are disbursed to a Borrower only after certain conditions in the CORP Agreement are met. Accordingly, Holdings can request and receive loan advances against the escrow account up to amounts of Holding's borrowing base and subject to compliance with all covenants in the CORP Agreement. The Holding's borrowing base is the product of a defined lending multiple applied to the Company's eligible customer contracts or sites, as defined in the CORP Agreement. Under the Parent Loan Agreement, the Company can request and receive loan advances from Holdings, the amounts of which are determined based on the current operating needs of the Company. Any undisbursed funds from loan advances under the CORP Agreement remain under the control of Holdings and, subject to projections of the Company's liquidity needs, may be loaned to affiliated companies controlled by Associated.

Under the CORP Agreement, interest is payable monthly on borrowings at a rate equal to the one-month London Interbank Offered Rate, commonly referred to as LIBOR, plus 6.25%, which as of December 31, 2015 was 6.58%. Fees ranging from 0.8% to 2.0% of the \$350,000 loan amount are payable to the Lenders and Servicer of the loan,

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as applicable. Each Borrower's interest expense is based on their pro rata share of total incurred interest and fees due under the CORP Agreement and, previously, under the 2012 Agreement. Under the Parent Loan Agreement, all interest and fees incurred under the CORP Agreement and 2012 Agreement are payable by the Company and therefore, included in the Company's interest expense under Parent Loan Agreement in the consolidated statements of operations, totaling \$18,955, \$14,022 and \$9,685 for the years ended December 31, 2015, 2014 and 2013, respectively. Interest earned on loans made by Holding to affiliated companies controlled by Associated reduces the loan payable to Holdings under the Parent Loan Agreement and interest expense. Interest earned on loans to affiliated companies was \$1,527, \$768 and \$338 for the years ended December 31, 2015, 2014 and 2013, respectively.

The loan under the CORP Agreement matures on August 10, 2018 (subject to a one year extension if the Borrowers so elect), at which time all outstanding principal balances shall be repaid. Principal balances under the CORP Agreement may be prepaid in whole on any date with a prepayment premium equal to 2.0% of the prepayment loan amount only if the loan is repaid prior to eighteen months of the closing date (August 12, 2014). Accordingly, all outstanding balances due under the Parent Loan Agreement shall be repaid to Holdings on August 10, 2018 or, in the event a loan prepayment under the CORP Agreement is scheduled to occur, paid on such date Holdings requires prepayment to be made.

Under the CORP Agreement, the Borrowers and the Guarantor are subject to restrictive covenants relating to, among others, future indebtedness, capital lease obligations and transfer of control of the Borrowers by Guarantor, and the Borrowers must also meet financial covenants and ratios relating to interest coverage, loan advances to gross property, plant, and equipment, minimum contributed equity, net debt to qualifying equity (in each case, includes certain financial results of AP WIP Holdings, LLC, as defined in the CORP Agreement). Beginning with the three months ended June 30, 2015, the Borrowers combined with AP WIP Holdings, LLC must achieve certain aggregate minimum EBITDA levels as defined in the CORP Agreement. The Borrowers can cure up to two covenant breaches associated with failures to maintain the required minimum EBITDA levels by making a prepayment equal to the shortfall, funded by cash equity contributions to the Borrowers. Accordingly, any prepayment required under the CORP Agreement to be made by Holdings or the other Borrowers could have the impact of reducing the availability of future borrowings under the CORP Agreement and, therefore could reduce availability to the Company under the Parent Loan Agreement. The Company, as an obligor under the CORP Agreement, also must comply with certain restrictive covenants of the CORP Agreement, as applicable. The Company must maintain a ratio of recurring cost of service to recurring revenue not to exceed a defined threshold in the CORP Agreement. As of December 31, 2015, the Company was in compliance with all covenants associated with the CORP Agreement as such covenants were applicable to the Company.

The Borrowers are not jointly liable for loan amounts of other Borrowers. Each Borrower's obligations under the CORP Agreement are secured only by such Borrower's assets, such Borrower's equity in its subsidiaries and the equity held in such Borrower and its parent entity. An event of a default for any Borrower does not constitute an event of default for other Borrowers and generally can be cured by the Guarantor pursuant to the terms of the CORP Agreement. However, an uncured event of default by the Guarantor, including the failure of the Guarantor to perform on its guarantee in the case of a failure of any Borrower to comply with its CORP Agreement obligations, will be an event of default for all Borrowers, whereupon the loans for all Borrowers will be immediately due and payable.

**(c) Financing Fees and Costs**

Under the Parent Loan Agreement, the Company was required to fund the payment of all financing costs associated with the 2012 Loan Agreement and the Refinancing Transaction that resulted in the origination of the CORP Agreement. The Refinancing Transaction involved settlements of obligations to all lending parties under and extinguishment of the 2012 Loan Agreement, though certain lending parties thereunder entered into the CORP Agreement, effectively exchanging debt instruments. With respect to the lenders exchanging debt instruments, it

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015 and 2014 - Continued**

was determined that the terms of the CORP Agreement were not substantially different than those contained in the 2012 Loan Agreement. Accordingly, the exchange of debt associated with each of these lenders was accounted for as a modification and, therefore, Holding's portion of the fees paid to these lenders by the Company in connection with the CORP Agreement, totaling \$2,326, were recorded in deferred financing fees and third party costs of \$481 attributable to the exchanged debt amounts were included in interest expense in the consolidated statement of operations in 2014.

The establishment of the CORP Agreement also involved the addition of lenders that were not creditors under the 2012 Loan Agreement. The aggregate costs and fees incurred to establish the CORP Agreement that were not attributable to aforementioned exchange of debt instruments were recorded in deferred financing fees and totaled \$371. Costs and fees were allocated to each Borrower based upon each Borrower's pro rata share of their future anticipated borrowings.

As certain lenders under the 2012 Loan Agreement did not become parties under the CORP Agreement, their respective unamortized deferred financing fee amounts of \$942, as of the Refinancing Transaction date, were written off and were included in the loss on debt extinguishment in the Company's consolidated statement of operations in 2014. Additionally, prepayment fees paid to these lenders in connection with the Refinancing Transaction, totaling \$1,054, were also recognized in the loss on debt extinguishment.

Amortization of deferred financing costs, included in interest expense in the consolidated statements of operations, were \$1,072, \$1,844 and \$2,100, in the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015 and 2014, accumulated amortization of deferred financing costs of the Company was \$3,907 and \$2,835, respectively.

**(d) Discount on Debt Issuance**

The initial installment under the CORP Agreement was disbursed net of an issuance discount of \$2,625, the portion of which allocated to Holdings was \$1,789. Accordingly, the initial disbursement of funding under the Parent Loan Agreement was made net of this discount. Amortization of the debt discount, included in interest expense in the consolidated statements of operations, was \$448 and \$173 for the years ended December 31, 2015 and 2014, respectively.

**(7) Leases**

The Company leases various components of its backhaul network, primarily comprising tower space for microwave equipment, certain fiber optic lines and office space under noncancelable operating lease agreements that expire through 2025 and contain renewal options. Rent expense under operating leases was \$10,521, \$9,169 and \$4,446 in 2015, 2014 and 2013, respectively. Rent expense included in cost of services in the accompanying consolidated statements of operations was \$10,001, \$8,657 and \$4,196 in 2015, 2014 and 2013, respectively, with the remainder included in selling, general, and administrative expenses. As of December 31, 2015 and 2014, \$3,094 and \$2,299, respectively, was included in other long-term liabilities as deferred rent associated with operating leases that contained future rent escalation provisions. As of December 31, 2015 and 2014, prepaid rent totaling \$663 and \$677, respectively, were included in other assets and represented the unamortized portion of upfront payments made under operating lease agreements.

As a consequence of network design changes made during the course of construction of the Company's backhaul network, usage of tower space provided under certain operating leases ceased during 2015 and 2014, resulting in the Company's exit from the leased spaces. Accordingly, the Company recognized lease exit losses of \$378 and \$627 in 2015 and 2014 for the fair value of the obligation associated with the remaining rental payments due under these leases. The Company is not permitted to sublease tower space under these arrangements, precluding the use of sublease rents to offset the Company's remaining lease commitments in the determination of this obligation. The Company, however, has negotiated settlements of its obligations under certain of the operating leases in which space had been exited, resulting in gains upon

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
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**December 31, 2015 and 2014 - Continued**

lease settlements in 2015, totaling \$492. The activity associated with the lease loss liability, presented in other long-term liabilities, was as follows for the years ended December 31, 2015 and 2014:

	<b>Lease Loss Liability</b>
Balance, as of January 1, 2014	\$ -
Loss recognized for discontinued use of leased property	627
Accretion – due to passage of time	45
Rental payments	(120)
Other	13
Balance, as of December 31, 2014	565
Loss recognized for discontinued use of leased property	378
Gains on settlements of lease obligations	(492)
Accretion – due to passage of time	66
Rental payments	(201)
Other	46
Balance, as of December 31, 2015	<u>\$ 362</u>

As of December 31, 2015, the approximate future annual minimum lease payments for all noncancelable operating leases were as follows:

Year ending December 31:		
2016	\$	8,792
2017		7,995
2018		6,250
2019		3,892
2020		2,092
Thereafter		1,382
Total	<u>\$</u>	<u>30,403</u>

As of December 31, 2015, the Company's capital lease obligations primarily consisted of liabilities associated with agreements that provided for the right to use certain fiber optic lines under noncancelable agreements, the initial terms of which expire through 2035. Capital lease obligations recognized in the consolidated balance sheet are stated at the present value of the minimum lease payments. As of December 31, 2015, approximate future annual minimum lease payments required under noncancelable capital lease agreements and the present value of these payments were as follows:

Year ending December 31:		
2016	\$	6,134
2017		5,040
2018		5,069
2019		5,089
2020		5,089
Thereafter		57,096
Total minimum lease payments		83,517
Less amount representing interest		(42,621)
Present value of minimum lease payments	<u>\$</u>	<u>40,896</u>

## **(8) Capital Structure**

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015 and 2014 - Continued**

The Company is authorized to issue six classes of equity units, representing the membership interests in the Company, including preferred units that are redeemable at the option of the holder (note 9). During 2014 and 2013, Holdings contributed capital to the Company, totaling \$23,420 and \$40,040, respectively, in exchange for preferred units and Class C common units, thereby establishing a 90.1% controlling interest in the Company. The value attributable to the Class C common units was insignificant.

All outstanding preferred units and Class C common units are held by Holdings. Class B common units are held by current and former members of the Company's management and are available for issuance pursuant to the Company's Equity Incentive Plan (note 10). For any matter in which a vote or consent of the Company's members is required, the vote or consent of (i) the members holding a majority of the then outstanding preferred units (voting together as a single class) and (ii) the members holding a majority of the then outstanding common units (voting together as a single class) shall be sufficient and necessary to approve such matter. Generally, a member, manager or officer of the Company shall not be liable, responsible or accountable for damages or otherwise, with respect to matters or actions relating to the Company or any of its subsidiaries.

**(9) Redeemable Preferred Units**

Each preferred unit is redeemable at the option of the holder, has a one-time liquidation preference and includes a preferred return at an annual rate of 7% that accumulates on the unit's face amount. As of December 31, 2015 and 2014, the cumulative return on all preferred units was \$34,832 and \$24,324, respectively. During 2015, a distribution of \$32,000 of the cumulative return was paid to Holdings. As of December 31, 2015 and 2014, the liquidation preference and redemption values of the preferred units, in the aggregate, were \$160,892 and \$182,384, respectively. In 2013, capital contributions were made net of equity transaction costs of \$2,619. Accordingly, the carrying amount of preferred units in the consolidated balance sheets is presented at the aggregate amount of such units' redemption value, net of the transaction costs.

**(10) Share-based Compensation**

In May 2010, the Company adopted the Equity Incentive Plan (the Plan) for the benefit of certain eligible employees. At the recommendation of the Company's management and subject to the approval of the Company's board of managers, the Plan generally provides that the Company may issue equity units and options to purchase equity units to the Plan participants, up to a maximum of 13,816,000 Class B common units. Options expire after ten years and vest annually on the anniversary of the grant date, generally over a four-year period. Post-exercise, equity units held by a participant are subject to repurchase by the Company at a price equal to the equity unit's then fair market value.

The activity for the Company's option awards was as follows for the year ended December 31, 2015:

	<b>Number of Options</b>	<b>Weighted-average exercise price</b>
Outstanding options, as of January 1, 2015	10,989,014	\$ 0.51
Options granted	370,000	0.20
Options exercised	-	-
Options forfeited	(387,000)	0.44
Options canceled	(190,000)	0.40
Outstanding options, as of December 31, 2015	<u>10,782,014</u>	<u>\$ 0.30</u>
Exercisable options, as of December 31, 2015	<u>3,659,007</u>	<u>\$ 0.33</u>

All option grants made prior to 2013 were classified as liability awards through June 27, 2013, for which measurements of the fair value of each award had been made as of each balance sheet date and the related expense was recognized in the Company's consolidated statements of operations. Effective June 27, 2013, all grants classified as liability awards, which

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
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**December 31, 2015 and 2014 - Continued**

were held by 20 participants, were amended to provide for a sufficient period of time post-exercise of an option for the Plan participant to be subject to the risks and rewards of equity ownership, prior to any repurchase of the Participant's equity units by the Company. The award's modification resulted in the reclassification of the carrying amount of the share-based payment liability as of the modification date, totaling \$239, to members' equity in the consolidated balance sheet. During 2015, the exercise price of 6.6 million options, all of which were held by one participant, was modified from \$0.54 per option to \$0.20 per option and resulted in incremental share-based compensation cost of \$356, of which \$138 was recognized in 2015.

The share-based compensation expense recognized for all awards was \$794, \$515 and \$289 for 2015, 2014 and 2013, respectively. The amount included in selling, general, and administrative expenses in the accompanying consolidated statements of operations was \$758, \$494 and \$259 for 2015, 2014 and 2013, respectively, with the remainder included within cost of services. As of December 31, 2015, unrecognized share-based compensation expense was \$1,346, which is expected to be recognized over a weighted average period of approximately 1.9 years, and the weighted average remaining contractual term of the outstanding and exercisable option awards was approximately 7.9 years and 7.5 years, respectively.

In determining the fair value of each option award, the Company uses the Black-Scholes model, which involves the determination of assumptions that become inputs into the model. The primary inputs include the fair value of the underlying equity unit on the valuation date, expected volatility, expected term of the option, risk-free interest rate, and dividend yield. As the Company's equity units underlying the options have no trading history since first issued in 2010, the Company lacks the necessary history to estimate expected volatility based on the historical volatility of its equity units. Accordingly, the Company's expected volatility is based on the average volatilities of otherwise similar public entities. Despite lacking data regarding historical exercise behavior, the Company's estimate of the expected term of an option projects the period of time that an option is expected to remain outstanding prior to its exercise, factoring in the vesting period, contractual life of the option and post-vesting employment termination behavior. The risk-free interest rate is the implied yield available as of an option's grant date based on U.S. Treasury zero-coupon issues with a remaining term equal to the option's expected term. As the Company is restricted from paying dividends to equity unit shareholders, the dividend yield is assumed to be zero.

The weighted average grant-date fair value of options granted during 2015 and 2014 was \$0.07 and \$0.23 per option, respectively. The following table presents the significant assumptions, determined on a weighted-average basis, used in calculating the fair value of the Company's option awards during 2015, 2014 and 2013:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Risk-free interest rate	1.9%	2.1%	1.5%
Expected volatility	32%	42%	45%
Expected term	6.25 years	6.25 years	6.25 years

#### **(11) Related-Party Transactions**

The Company leases office space on a month-to-month basis and purchases information technology and administrative services from an affiliate of Associated. The Company's expense for such services was included in selling, general, and administrative expenses in the consolidated statements of operations and was \$170, \$181 and \$218 in 2015, 2014 and 2013, respectively.

As of December 31, 2014, the Company owed amounts totaling \$63 to the Servicer for financing fees apportioned to the Company by the Servicer under the CORP Agreement described in note 6. During 2013, charges for legal fees associated with the 2012 Loan Agreement, totaling \$10, were apportioned to the Company by the Servicer and were paid in full during 2014. The payable amounts as of December 31, 2014 were recognized in the consolidated balance sheets as accounts payable, related parties.

#### **(12) Fair Value of Financial Instruments**

**PEG BANDWIDTH, LLC AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2015 and 2014 - Continued**

As of December 31, 2015 and 2014, the carrying amounts of cash, accounts receivable, note receivable, accounts payable, and accrued liabilities approximate fair value due to the short-term nature of these instruments. As of December 31, 2015 and 2014, the carrying amounts of the Company's loan payable to Parent and capital lease obligations approximated its fair value, as the obligations bear interest at rates currently available for debt with similar maturities and collateral requirements.

**(13) Commitments and Contingencies**

During 2015, the Company entered into binding fiber lease agreements that had not commenced as of December 31, 2015 and require the Company to make upfront payments to the lessors on or around the lease commencement date. As of December 31, 2015, upfront payments that are expected to be paid to the lessors under these agreements during 2016 totaled approximately \$548.

As of December 31, 2015, the Company had an outstanding letter of credit, primarily to collateralize a surety bond securing the Company's performance under contracts with a vendor. The letter of credit arrangement's contractual amount was \$50 and required the Company to maintain an equivalent amount of cash collateral in an account at a financial institution, which was classified as other long-term assets in the consolidated balance sheet.

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

**(14) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through March 2, 2016, the date at which the consolidated financial statements were available to be issued.

On January 7, 2016, the Company and Holdings entered into a definitive merger agreement (the Agreement) with a wholly owned subsidiary of Communications Sales & Leasing, Inc. (CS&L) providing for the acquisition of all outstanding equity units of the Company for an aggregate purchase price of approximately \$409 million, subject to adjustments to be determined upon the effective date of the merger. The aggregate consideration to be paid to Holdings and its unitholders will consist of cash consideration of \$315 million and the issuances of 1 million shares of the common stock of CS&L and 87,500 shares of convertible preferred stock of CS&L. As a condition of the Agreement, all obligations of the Company under the Parent Loan Agreement and Holding's obligations under the CORP Agreement (note 6) must be satisfied as of the effective date of the merger. The transaction is subject to customary closing conditions and is expected to close during the first half of 2016.

**Communications Sales & Leasing, Inc.’s  
Unaudited Pro Forma Combined Financial Data**

The following unaudited pro forma consolidated financial statements presents Communications Sales & Leasing, Inc.’s (“CS&L” or the “Company”) unaudited pro forma combined balance sheet and unaudited pro forma combined statement of income as of and for the year ending December 31, 2015. These statements have been derived from the historical audited consolidated financial statements of CS&L for the period from April 24, 2015 to December 31, 2015, the historical audited financial statement of the Consumer Competitive Local Exchange Carrier Business (the “Consumer CLEC Business”) for the period from January 1, 2015 to April 24, 2015, both of which were included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 7, 2016, and the historical audited financial statements of PEG Bandwidth, LLC (“PEG”), which are included elsewhere in this Form 8-K.

The following unaudited pro forma combined financial statements give effect to the acquisition of PEG and the related transactions, including: (i) revolving credit facility borrowings and related interest expense to fund the cash portion of the purchase consideration, (ii) issuance of 1 million shares of the Company’s common stock, \$0.0001 par value (“Common Stock”), for purchase consideration, and (iii) issuance of 87,500 shares of the Company’s 3% Series A Convertible Preferred Stock (the “Convertible Preferred Stock”) for purchase consideration. The unaudited pro forma combined financial statements also give effect to our spin-off from Windstream and the related transactions for the period prior to the spin-off from Windstream Holdings, Inc. (“Windstream Holdings” and together with its consolidated subsidiaries “Windstream”) on April 24, 2015, including: (iv) the transfer of the Distribution Systems (as defined below) from Windstream to CS&L, (v) rental income associated with the Master Lease between CS&L and Windstream, (vi) transport, provisioning and repair services with the Wholesale Agreement between CS&L and Windstream, (vii) billing and collection services with the Master Services Agreement between CS&L and Windstream, and (viii) the issuance of \$3.65 billion of long-term debt. The unaudited pro forma combined statement of income assumes the spin-off from Windstream and the purchase of PEG occurred on January 1, 2015, and the unaudited pro forma combined balance sheet assumes the purchase of PEG occurred on December 31, 2015.

The pro forma adjustments are based on currently available information and assumptions we believe are reasonable, factually supportable, directly attributable to the spin-off from Windstream and the acquisition of PEG, and for the purposes of the pro forma combined statement of income, are expected to have a continuing impact on us.

Our unaudited pro forma combined financial statements were prepared in accordance with Article 11 of Regulation S-X, using the assumptions set forth in the notes to our unaudited pro forma combined financial statements. The following unaudited pro forma combined financial statements are presented for illustrative purposes only and do not purport to reflect the results we may achieve in future periods or the historical results that would have been obtained had the spin off from Windstream or acquisition of PEG occurred on January 1, 2015 or as of December 31, 2015, as the case may be. Our unaudited pro forma combined financial statements also do not give effect to the potential impact of final purchase accounting adjustments, current financial conditions, any anticipated synergies, operating efficiencies, costs savings, or integration costs that may result from the transactions described above.

Our unaudited pro forma combined financial statements are derived from, and should be read in conjunction with the historical financial statements of CS&L, the Consumer CLEC Business and PEG and accompanying notes filed with the SEC or included elsewhere in this Form 8-K.

**Communications Sales & Leasing, Inc.**  
**Unaudited Pro Forma Combined Balance Sheet**  
**As of December 31, 2015**

(Thousands, except par value)	Historical		Pro Forma Adjustments	Pro Forma Combined
	CS&L	PEG Bandwidth LLC		
<b>Assets:</b>				
Net real estate investments	\$ 2,372,651	\$ -	\$ -	\$ 2,372,651
Network and other property, net	-	298,661	5,799 (A)	304,460
Cash and cash equivalents	142,498	4,754	6,000 (D)	153,252
Accounts receivable, net	2,083	5,205	-	7,288
Intangible assets, net	10,530	1,714	33,786 (A)	46,030
Straight-line rent receivable	11,795	-	-	11,795
Goodwill	-	-	127,138 (A)	127,138
Other assets	3,079	8,237	(3,011) (B)	8,305
<b>Total Assets</b>	<b>\$ 2,542,636</b>	<b>\$ 318,571</b>	<b>\$ 169,712</b>	<b>\$ 3,030,919</b>
<b>Liabilities and Shareholders' Deficit:</b>				
Accounts payable, accrued expenses and other liabilities	\$ 10,409	\$ 12,622	\$ -	\$ 23,031
Accrued interest payable	24,440	939	(939) (C)	24,440
Deferred revenue	67,817	15,827	-	83,644
Derivative liability	5,427	-	-	5,427
Dividends payable	90,507	-	-	90,507
Deferred income taxes	5,714	-	-	5,714
Capital lease obligations	-	40,896	-	40,896
Notes and other debt	3,505,228	204,249	116,751 (D)	3,826,228
Total liabilities	3,709,542	274,533	115,812	4,099,887
Convertible preferred stock, \$87,500 liquidation value	-	-	74,708 (E)	74,708
Redeemable Equity	-	158,273	(158,273) (F)	-
Common Stock	15	-	-	15
Additional paid-in capital	1,392	1,754	21,476 (G)	24,622
Accumulated other comprehensive loss	(5,427)	-	-	(5,427)
Distributions in excess of accumulated earnings	(1,162,886)	(115,989)	115,989 (H)	(1,162,886)
Total shareholders' deficit	(1,166,906)	(114,235)	137,465	(1,143,676)
<b>Total Liabilities and Shareholders' Deficit</b>	<b>\$ 2,542,636</b>	<b>\$ 318,571</b>	<b>\$ 169,712</b>	<b>\$ 3,030,919</b>

See accompanying Notes to the Unaudited Pro Forma Combined Financial Data

**Communications Sales & Leasing, Inc.**  
**Unaudited Pro Forma Statement of Income**  
**Year Ended December 31, 2015**

(Thousands, except per share data)	Historical			Pro Forma CS&L Adjustments	Historical		Pro Forma Adjustments	Pro Forma Combined
	CS&L April 24 - December 31, 2015	Consumer CLEC January 1 - April 24, 2015			PEG Bandwidth LLC			
<b>Revenues:</b>								
Rental revenues	\$ 458,614	\$ -	\$ 209,424 (I)	\$ -	\$ -	\$ -	\$ 668,038	
Service revenues	-	-	-	76,143	-	-	76,143	
Consumer CLEC	17,700	10,149	-	-	-	-	27,849	
Total revenues	<u>476,314</u>	<u>10,149</u>	<u>209,424</u>	<u>76,143</u>	<u>-</u>	<u>-</u>	<u>772,030</u>	
<b>Costs and Expenses:</b>								
Interest expense	181,797	-	82,548 (J)	22,414	(11,083) (O)	-	275,676	
Depreciation and amortization	238,748	1,283	108,400 (K)	30,888	1,950 (P)	-	381,269	
General and administrative expense	11,208	22	5,026 (L)	14,415	(758) (Q)	-	29,913	
Operating expenses	13,743	5,552	2,328 (M)	31,128	(36) (Q)	-	52,715	
Other expenses, net	-	-	-	619	-	-	619	
Acquisition and transaction related costs	5,210	-	-	-	(3,137) (R)	-	2,073	
Total costs and expenses	<u>450,706</u>	<u>6,857</u>	<u>198,302</u>	<u>99,464</u>	<u>(13,064)</u>	<u>-</u>	<u>742,265</u>	
<b>Income before income taxes</b>	25,608	3,292	11,122	(23,321)	13,064	-	29,765	
Income tax expense	738	-	463 (N)	-	-	-	1,201	
<b>Net income</b>	24,870	3,292	10,659	(23,321)	13,064	-	28,564	
Participating securities' share in earnings	(1,152)	-	-	-	-	-	(1,152)	
Accretion of preferred units to redemption value	-	-	-	(10,508)	10,508 (S)	-	-	
Preferred stock dividends	-	-	-	-	(2,625) (T)	-	(2,625)	
Accretion of preferred stock to liquidation value	-	-	-	-	(4,041) (U)	-	(4,041)	
<b>Net income applicable to common shareholders</b>	<u>\$ 23,718</u>	<u>\$ 3,292</u>	<u>\$ 10,659</u>	<u>\$ (33,829)</u>	<u>\$ 16,906</u>	<u>\$ -</u>	<u>\$ 20,746</u>	
<b>Earnings per common share:</b>								
Basic	<u>\$ 0.16</u>						<u>\$ 0.14</u>	
Diluted	<u>\$ 0.16</u>						<u>\$ 0.14</u>	
<b>Weighted-average number of common shares outstanding</b>								
Basic	<u>149,835</u>				<u>1,000 (V)</u>		<u>150,835</u>	
Diluted	<u>149,835</u>				<u>1,000 (V)</u>		<u>150,835</u>	

See accompanying Notes to the Unaudited Pro Forma Combined Financial Data

**Basis of Presentation**

On April 24, 2015, in connection with the separation and spin-off of CS&L from Windstream Holdings, Inc. (“Windstream Holdings” and together with its consolidated subsidiaries “Windstream”), Windstream contributed certain telecommunications network assets, including fiber and copper networks and other real estate (the “Distribution Systems”) and the Consumer CLEC Business, a small consumer competitive local exchange carrier business to CS&L in exchange for cash, shares of common stock of CS&L and certain indebtedness of CS&L (the “Spin-Off”).

On May 2, 2016, CS&L completed its previously announced acquisition of PEG Bandwidth, LLC. As a result of the acquisition, PEG Bandwidth, LLC is a wholly-owned subsidiary of CS&L. The unaudited pro forma combined financial statements give effect to the Spin-Off, acquisition of PEG, and the related transactions discussed above.

**Consideration Transferred**

The acquisition has been accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification 805, Business Combinations (“ASC 805”), which requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values, with any excess of the purchase price over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Additionally, ASC 805 establishes that the common stock issued to effect the acquisition be measured at the closing date of the transaction at the then-current market price.

The fair value of the consideration transferred is as follows:

	(Thousands)
Cash transferred <sup>(1)</sup>	\$ 315,000
Fair value of CS&L Series A Convertible Preferred Stock issued <sup>(2)</sup>	74,708
Fair value of CS&L common stock issued <sup>(3)</sup>	23,230
Total value of consideration transferred	<u>\$ 412,938</u>

- (1) The cash transferred of \$315 million was funded through the draw down on CS&L’s revolving credit facility.
- (2) The liquidation value of our Series A Convertible Preferred Stock is \$87.5 million. The fair value was estimated using an income approach framework, including valuing the conversion feature using a Black-Scholes model.
- (3) The fair value of the CS&L common shares of \$23.2 million was calculated by multiplying the 1 million CS&L common shares by \$23.23, the closing trading price of CS&L common stock on April 29, 2016.

**Preliminary Purchase Price Allocation**

The following is a summary of the preliminary estimated fair values of the net assets acquired:

**Communications Sales & Leasing, Inc.**  
**Notes to Unaudited Pro Forma Combined Financial Data - Continued**

	(Thousands)
Network and other property	\$ 304,460
Cash and cash equivalents	4,754
Accounts receivable	5,205
Other assets	5,226
Trade name	12,500
Customer relationships	23,000
Accounts payable, accrued expenses and other liabilities	(12,622)
Deferred revenue	(15,827)
Capital lease obligations	(40,896)
Net assets acquired	<u>\$ 285,800</u>
Goodwill	<u>\$ 127,138</u>

The purchase price allocation is considered preliminary and is subject to revision when the valuations of property, plant and equipment, and intangible assets are finalized upon receipt of the final valuation report from a third party valuation expert for these assets.

**Pro Forma Adjustments**

- (A) To reflect preliminary purchase accounting adjustments as noted in the schedule above.
- (B) To reflect removal of deferred financing costs related to PEG's loan payable to its parent.
- (C) To reflect removal of accrued interest expense related to PEG's loan payable to its parent.
- (D) To reflect the borrowings under CS&L's revolving credit facility to fund the cash portion of the purchase consideration, offset by the retirement of PEG's loan payable to its parent, computed as follows:

	(Thousands)
CS&L revolving credit facility	\$ 321,000
PEG loan payable to parent	(204,249)
Net increase in notes and other debt	<u>\$ 116,751</u>

The difference in the amount borrowed on the facility and cash consideration paid in partial consideration for the acquisition of PEG is reflected as an increase to cash on the balance sheet.

- (E) To reflect the fair value of the Convertible Preferred stock, with a liquidation value of \$87.5 million, and the impact of the issuance of 1 million shares of Common Stock as purchase consideration for the acquisition of PEG.
- (F) To reflect the removal of PEG's redeemable equity.
- (G) The adjustment to additional paid-in capital includes the impact of the issuance of 1 million shares of the Company's common stock, which had a closing price of \$23.23 as of April 29, 2016.

	(Thousands)
Remove PEG's additional paid-in capital	\$ (1,754)
Issuance of 1 million shares of CS&L common stock	23,230

**Communications Sales & Leasing, Inc.**  
**Notes to Unaudited Pro Forma Combined Financial Data - Continued**

Net increase in additional paid-in capital	\$	21,476
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- (H) To reflect the removal of PEG's distributions in excess of accumulated earnings.
- (I) To reflect rental income associated with the Master Lease with Windstream Holdings for the period from January 1, 2015 to the Spin-Off, recognized on a straight-line basis to include the effects of base rent escalations over the initial term of the Master Lease.
- (J) To reflect interest expense for the period January 1, 2015 to the Spin-Off on the \$3.65 billion of long-term debt issued in connection with the Spin-Off. Interest expense for the period was computed as follows:

	(Thousands)	
Senior secured term loan B – variable rate	\$	41,372
Senior secured notes – 6.00%		7,600
Senior unsecured notes – 8.25%		28,999
Amortization of debt discounts and debt costs		4,577
Net increase in interest expense	\$	82,548

All of CS&L's variable rate debt has been fixed through interest rate swaps, with a weighted-average fixed rate of 6.105%. Therefore, the interest expense on the senior secured term loan B takes into account the impact of these interest rate swaps.

- (K) To reflect depreciation expense for the period January 1, 2015 to the Spin-Off, related to the Distribution System assets transferred to CS&L by Windstream.
- (L) To reflect general and administrative expense of CS&L from January 1, 2015 to the Spin-Off.
- (M) To adjust CLEC operating expense to reflect the removal of interconnection costs incurred by the Consumer CLEC business for the period January 1, 2015 to the Spin-Off, offset by costs incurred under the Wholesale Master Services Agreement between CS&L and Windstream Holdings, pursuant to which Windstream Holdings and its affiliates provide CS&L network transport services for the Consumer CLEC business.
- (N) To reflect federal and state income tax expense related to the operations of our leasing business and Consumer CLEC business for the period January 1 to the Spin-Off.
- (O) To reflect the adjustment to interest expense related to the draw on the revolving credit facility, offset by removal of interest expense related to PEG's loan from parent, calculated as follow:

	(Thousands)	
Revolving credit facility (Libor + 2.25%)	\$	7,865
Remove PEG interest expense on loan from parent		(17,428)
Remove PEG amortization of deferred financing costs and debt discount		(1,520)
Net adjustment to interest expense	\$	(11,083)

**Communications Sales & Leasing, Inc.****Notes to Unaudited Pro Forma Combined Financial Data - Continued**

For the purposes of the unaudited pro forma combined financial statements, we have assumed LIBOR as the average monthly 1-month LIBOR rate during 2015, or 0.20%

- (P) To reflect impact on depreciation and amortization of step-up in net assets acquired.
- (Q) To reflect removal of PEG stock-based compensation expense, as all PEG stock-based awards were cancelled at closing in accordance with the purchase agreement.
- (R) To remove acquisition and transaction costs directly attributable to the acquisition of PEG.
- (S) To remove the impact of the accretion of PEG preferred units to their redemption value, as CS&L acquired 100% of the interests in PEG.
- (T) To reflect preferred stock dividends related to the issuance of 87,500 shares of Convertible Preferred Stock, with a liquidation preference of \$87.5 million.
- (U) To reflect accretion of the estimated fair value of the Convertible Preferred Stock issued in partial consideration for the acquisition of PEG to its liquidation value. The difference is amortized, using the effective interest rate method, over the expected term of the Convertible Preferred Stock, which is estimated at 3 years.

	(Thousands)
Liquidation value	\$ 87,500
Estimated fair value	74,708
Accretion of preferred stock to liquidation value	<u>\$ 4,041</u>

Based on the estimated fair value of the Convertible Preferred stock, the accretion was calculated assuming a 5.41% effective interest rate.

- (V) To reflect the issuance of 1 million shares of Common Stock in partial consideration for the acquisition of PEG.