Windstream Holdings, Inc. (“Windstream”, “we”, or “our”) would like to comment on U.S. Securities and Exchange Commission (“SEC”) Release No. 33-10526, Financial Disclosures About Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities, which proposes amendments to the financial statement disclosure requirements for guarantors and issuers of guaranteed registered securities under SEC Regulation S-X Rule 3-10. Our comments discussed below are based on our experience with preparing Rule 3-10 financial statements since Windstream’s inception in 2006, as well as, our interpretation of the proposed changes.

We fully support the SEC’s efforts to improve the usefulness of supplemental guarantor information provided to investors and to grant targeted relief to financial statement preparers by reducing the volume of guarantor information to be disclosed in a registrant’s Form 10-Q and Form 10-K filings, including the requirement to only provide selected balance sheet and income statement information, as well as removing the requirements to provide cash flow information and comparative prior period information. We believe these changes will allow investors in guaranteed securities to supplement their review of a registrant’s financial statements by having access to material incremental financial information that otherwise is not disclosed in a registrant’s financial statements, while significantly reducing the time and cost incurred by registrants in preparing the guarantor financial information. In Windstream’s case, our 2017 Annual Report on Form 10-K included 9 pages of Rule 3-10 disclosures, even though our compliance with the terms of our credit facility and indentures is measured based on consolidated financial statement amounts and not any guarantor financial information. Over the past 12 years of presenting guarantor financial information in our Form 10-Q and Form 10-K filings, we have received very few inquiries from equity or debt investors or analysts regarding these disclosures, indicating that investors are focused on our consolidated results of operations, cash flows and financial position and not that of our guarantor subsidiaries. Additionally, in conjunction with our two most recent debt refinancing transactions completed in the fourth quarter of 2017 and third quarter of 2018, purchasers of our new first and second lien notes issued under Rule 144A of the Securities Act only requested that the amounts of revenue, operating income, assets and liabilities of our guarantor subsidiaries be disclosed in the respective offering memorandums, which substantially aligns with the proposed disclosure requirements in SEC Release No. 33-10526. Furthermore, the underwriters associated with these debt offerings only requested that Windstream’s independent auditors provide comfort on the guarantor amounts disclosed in the offering memorandums and did not request comfort on any other guarantor financial information included in our historical Form 10-Q and Form 10-K filings. Accordingly, we believe the volume of the guarantor financial information required to be presented under existing rules has resulted in onerous and unnecessary disclosure that has generally been disregarded by investors and analysts.
Compliance with the existing Rule 3-10 financial statement disclosure requirements is time-consuming and creates additional complexity in preparing our Form 10-Q and Form 10-K filings. We estimate that the existing Rule 3-10 disclosure requirements add approximately one week of additional time to the preparation of our quarterly and annual SEC filings. Furthermore, the existing and proposed rules requiring the guarantor financial information to be audited results in additional costs (e.g., external audit fees, internal control documentation and testing) over an area of financial reporting and disclosure for which there is limited reliance or scrutiny from investors and analysts. Accordingly, we ask the SEC to consider further amending the guarantor financial information disclosure requirements to allow for presentation of the required disclosures in the MD&A section of the Form 10-Q and Form 10-K filings, in certain instances, such as when a registrant’s compliance with financial covenants under its debt agreements is based solely on consolidated financial information. We believe providing for this alternative presentation within MD&A rather than requiring disclosure in the footnotes to the financial statements is a reasonable accommodation in those instances where the guarantor financial information is supplemental in nature and is not the basis for measuring a registrant’s compliance with its debt covenants. Additionally, we believe that including the guarantor financial information in MD&A results in placement of the supplemental information in a relevant location of a registrant’s Form 10-Q and Form 10-K filings to better assist investors in evaluating the liquidity of the company upon liquidation and in a format that is easier to understand (i.e. a few line items of information as opposed to 9 pages of consolidating schedules).

Finally, we ask the SEC to consider adopting the amended disclosure requirements outlined in SEC Release No. 33-10526 as soon as administratively possible to improve the conciseness of the guarantor financial information presented by focusing the disclosures to only material balance sheet and income statement captions and amounts and to reduce the time and cost incurred by preparers in complying with Regulation S-X Rule 3-10. If the proposed relief will not be granted in time to be applicable to calendar-year 2018 annual Form 10-K filings, we request that the SEC implement temporary relief measures until such final rules are adopted.

Sincerely,

John C. Eichler
Senior Vice President and Controller