

Communications
Workers of America
AFL-CIO, CLC

501 Third Street, N.W.
Washington, D.C. 20001-2797
(202) 434-1305 ~ Phone
(202) 434-1308 ~ Fax

Lisa Bolton, Vice President
Telecommunications & Technologies



VIA E-MAIL

WIN-003A

February 21, 2019

To: All Windstream Local Presidents and Staff

Re: Statement Regarding Windstream and Aurelius

Please see the attached statement. We appreciate the assistance from our Research Department and Legal Department.

We will keep you updated and share further information as we receive it.

LB:wrc
opeiu-2, afl-cio

Windstream and Aurelius Capital Management Court Case – Implications for CWA Members

The recent court decision in the Windstream/Aurelius Capital Management case demonstrates how both the notorious hedge fund Aurelius Capital Management and Windstream executives played fast and loose with Windstream assets, putting their greed before the interests of communities and employees.

On Friday February 15, 2019 the hedge fund Aurelius Capital Management received a favorable court decision in its lawsuit against Windstream. The U.S. District Court found that Windstream violated debt covenants when it spun off its plant and equipment into a real estate investment trust (REIT) in 2015. Consequently, the court found that Aurelius is entitled to an immediate repayment of \$310 million plus accrued interest. This could trigger a default on the entirety of Windstream's accumulated debt of \$5.8 billion. This far exceeds current cash available.

Windstream said that it will appeal the decision, and a final decision may not come for years. The appeal would require the company to post a bond of at least the amount owed Aurelius (and perhaps other bondholders), thereby subtracting that amount from the company. The judge ordered Aurelius to confer with other parties and report back on February 25. Losing the appeal would likely result in bankruptcy.

CWA condemns both parties to this lawsuit. Aurelius is a "vulture fund" that preys on companies by buying discounted debt and then demanding full repayment. After Hurricane Maria, Aurelius and other hedge funds bought Puerto Rican debt at reduced prices and then demanded full payment afterwards. Aurelius did the same with Argentina, buying debt on the cheap, and (using the threat of sanctions from international monetary authorities) demanded (and received) full payment. **This is all about financial engineering – it is not about investing in a company to enable it to improve service to communities.**

At the same time, Windstream executives clearly played fast and loose with company assets with its financial engineering in 2014-15 when it created the REIT. It compounded that misjudgment in 2017 when it refinanced part of these 6.375% Senior Notes. Judge Jesse M. Furman concluded that the company's financial maneuvers and its court arguments were "too cute by half."

In the worst case scenario of bankruptcy, any subsequent reorganization of the company would depend on continued operations. The future success of Windstream depends on the provision of services to customers and investment in the network. Windstream employees need to be alert to management attempts to "reduce costs" since the real blame for this predicament rests with management itself. Worker pensions will be fully protected by the Pension Benefit Guarantee Corporation. **Workers should not have to pay for the mistakes of greedy executives.**

Likewise, CWA members should support non-union Windstream employees in gaining a voice for themselves through CWA. These workers have no contract and thus no protections against the whims of management to take it out on the workers. Together we are stronger.

If Windstream is forced into bankruptcy, CWA locals should be ready to file "first day" claims. CWA has retained the law firm Saul Ewing Arnstein & Lehr LLP to advise the union. This is the same law firm that assisted CWA in successfully navigating the Avaya bankruptcy in 2017-18.