

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

| | | | |
|------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------|-----------------------------|
| 1 Issuer's name | | 2 Issuer's employer identification number (EIN) | |
| COMMUNICATIONS SALES & LEASING, INC. | | 46-5230630 | |
| 3 Name of contact for additional information | 4 Telephone No. of contact | 5 Email address of contact | |
| MARK WALLACE | (501) 850-0820 | MARK.WALLACE@CSLREIT.COM | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact | | 7 City, town, or post office, state, and Zip code of contact | |
| 10802 EXECUTIVE CENTER DRIVE, BENTON BUILDING SUITE 300 | | LITTLE ROCK, AR 72211 | |
| 8 Date of action | | 9 Classification and description | |
| 01/15/2016, 04/15/2016, 7/15/2016, 10/14/2016 | | COMMON STOCK | |
| 10 CUSIP number | 11 Serial number(s) | 12 Ticker symbol | 13 Account number(s) |
| 20341J104 | N/A | CSAL | N/A |

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ Communications Sales & Leasing, Inc. ("CS&L") made cash distributions to its common stockholders during 2016 as follows:

| | |
|------------------|----------------|
| January 15, 2016 | \$0.6000/share |
| April 15, 2016 | \$0.6000/share |
| July 15, 2016 | \$0.6000/share |
| October 14, 2016 | \$0.6000/share |

A portion of each distribution constitutes a return of capital.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ 45.238% of each distribution paid during 2016, as shown below, is to be treated as return of capital. The portion of the distributions that constitute a return of capital will decrease the shareholder's basis in their CS&L shares.

| Date of Distribution | Distribution per share | Return of Capital per share |
|----------------------|------------------------|-----------------------------|
| January 15, 2016 | \$0.6000 | \$0.2714 |
| April 15, 2016 | \$0.6000 | \$0.2714 |
| July 15, 2016 | \$0.6000 | \$0.2714 |
| October 14, 2016 | \$0.6000 | \$0.2714 |

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ Distributions made during 2016 were in excess of current and accumulated earnings and profits. The amount that exceeds earnings and profits is considered a return of capital.

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ IRC Section 301(c)(2) provides that the portion of a distribution which is not a dividend (as defined in IRC Section 316) shall be applied against and reduce the adjusted basis of the stock.

18 Can any resulting loss be recognized? ▶ No loss will be recognized on the distributions made during the 2016 tax year.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The changes being reported here impact distributions that were made during the calendar year 2016; consequently, the reportable year is 2016. Stockholders should consult with their Tax Advisor to determine how they should treat the return of capital portion of the distributions they received during 2016 as it relates to their individual circumstances.

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature ▶ _____ Date ▶ _____

Print your name ▶ Mark Wallace Title ▶ _____

| | | | | | |
|-------------------------------|-------------------------------------------------|--------------------------------|------|-------------------------------------------------------------------------|------|
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed | PTIN |
| | <u>Brooke Sikes</u> | | | | |
| | Firm's name ▶ <u>Ernst & Young U.S. LLP</u> | Firm's EIN ▶ <u>34-6565596</u> | | Firm's address ▶ <u>2323 Victory Avenue, Suite 2000 Dallas TX 75219</u> | |
| | | | | Phone no. <u>214-969-8000</u> | |