

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

In the Matter of the Joint Application of)
Consolidated Communications Holdings,)
Inc. (“CCHI”) and Condor Holdings LLC)
 (“Condor”) for Approval of the Proposed Ac-)
quisition of the Common Stock of CCHI by)
Condor, and the Resulting Transfer of Con-)
trol of Consolidated Communications of)
Kansas Company and Consolidated Commu-)
nications of Missouri Company to Condor)

Docket No. 24-CCHT-521-ACQ

TESTIMONY OF MICHAEL J. SHULTZ

**Senior Vice President, Regulatory and Public Policy
On behalf of**

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

1 **I. BACKGROUND AND QUALIFICATIONS.**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.**

3 A. My name is Michael J. Shultz, and my business address is 4008 Gibsonia Road, Gibsonia,
4 PA 15044.

5 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

6 A. I am employed by Consolidated Communications. My current position is Senior Vice Pres-
7 ident, Regulatory & Public Policy.

8 **Q. PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY PRIOR TO ASSUMING**
9 **YOUR CURRENT POSITION.**

10 A. I assumed my current position in January 2020. Prior to my promotion as a Senior Vice
11 President, I was Vice President, Regulatory & Public Policy since April 2004. I held the role of
12 Senior Director, Regulatory and Industry Affairs with TXU Communications from November
13 2002 to April 2004. From 1991 to 2002, I held positions of increasing responsibilities with Citizens
14 Communications (now Frontier Communications). The last position I held was Director, Federal
15 Regulatory & Compliance. Prior to joining Citizens Communications, I was with the consulting
16 firm John Staurulakis, Inc. (JSI) from 1985 to 1991.

17 **Q. WHAT ARE YOUR DUTIES AS SENIOR VICE PRESIDENT, REGULATORY &**
18 **PUBLIC POLICY?**

19 A. I am responsible for all of CCHI's regulatory and legislative strategy, advocacy, and regu-
20 latory compliance at the Federal, State, and local levels. In addition, I have responsibility for tar-
21 iffs, interconnection, industry relations, and settlements. Also, I currently serve on the Board of
22 Directors for the National Exchange Carrier Association, the Illinois Broadband & Telecommuni-
23 cations Association, and the Pennsylvania Telephone Association.

24 **Q. ON WHOSE BEHALF ARE YOU OFFERING THIS TESTIMONY?**

1 A. I am offering this testimony on behalf of CCHI and its two Kansas operating company
2 subsidiaries that provide public utility services as rural incumbent local exchange carriers
3 (“RLECs” and “ILECs”) in Kansas, Consolidated Communications of Kansas Company and Con-
4 solidated Communications of Missouri Company. For ease of reference, I will abbreviate these
5 company names as “Consolidated-Kansas” and “Consolidated-Missouri,” respectively, and refer
6 to them collectively as the “Kansas Operating Entities.”

7 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE COMMISSION?**

8 A. Yes, in Docket 17-SFLT-283-ACQ. In addition, I have testified in my professional capac-
9 ity in a variety of other contexts, including before public utilities commissions in California, Illi-
10 nois, Maine, Nebraska, New Hampshire, Texas, and Vermont.

11 **II. SUMMARY OF TESTIMONY.**

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

13 A. The purpose of my testimony is to provide background and support for the Joint Applica-
14 tion being filed contemporaneously with this testimony, through which CCHI, Consolidated-Kan-
15 sas, Consolidated-Missouri, and Condor Holdings LLC (“Condor,” and together with CCHI and
16 the Kansas Operating Entities, the “Applicants”) are seeking approval of a transfer of control of
17 the Kansas Operating Entities to Condor (the “Transaction”), through which Searchlight III CVL,
18 L.P. (“Searchlight III CVL”) will increase its existing interest in CCHI. I will describe the circum-
19 stances leading to the Transaction, and I will summarize the key points regarding the Agreement
20 and Plan of Merger (the “Agreement”) through which the Transaction will be effectuated. I will
21 explain why the Transaction is in the public interest, focusing on the benefits that CCHI expects
22 to flow to its operation, including those in Kansas, from consummating the Transaction. Finally, I
23 will describe the need for an expeditious resolution of this proceeding that approves the Applica-
24 tion by the end of June 2024.

1 **Q. IS YOUR TESTIMONY ALSO OFFERED ON BEHALF OF CONDOR?**

2 A. No, a different witness, Mr. Andrew Frey, is offering testimony on behalf of Condor. Mr.
3 Frey will also provide testimony in support of the Joint Application, focusing on the expertise and
4 financial resources that Condor will bring toward its anticipated new role as owner of CCHI and
5 the Kansas Operating Entities.

6 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

7 A. Following the background and summary sections that have already been presented, my
8 testimony is divided into four principal sections. First, I provide background facts regarding the
9 Kansas Operating Entities and identify the events leading to this Transaction. Second, I summarize
10 the principal terms of the Agreement that governs this Transaction. Third, I summarize the finan-
11 cial and operational benefits of the Transaction for the Kansas Operating Entities, highlighting the
12 ultimate benefits for ratepayers and the communities that the companies serve. As part of that
13 discussion, I discuss the Commission's merger standards and also highlight why the Transaction
14 will be transparent for Kansas consumers, with no adverse impacts on their day-to-day experience
15 with the Kansas Operating Entities. Fourth, I summarize the need for an expeditious resolution of
16 this matter. I also provide a brief conclusion.

17 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

18 A. This matter concerns a straightforward Transaction through which investment funds affil-
19 iated with Searchlight Capital Partners, L.P. ("Searchlight") and British Columbia Investment
20 Management Corporation ("BCI") will acquire CCHI, including its Kansas Operating Entities and
21 other subsidiaries of CCHI that operate throughout the country. The acquisition will be seamless,
22 preserving the Kansas operations, while shifting them to a new owner—Condor. This Transaction
23 presents an important opportunity for CCHI to infuse its operations, including the Kansas

1 Operating Entities, with additional access to investment capital that can stabilize its operations and
2 facilitate additional network enhancements for the benefit of consumers. There will be no adverse
3 impacts on consumers or the local communities from this Transaction. In fact, the Transaction will
4 strengthen the Kansas Operating Entities' financial positions and position the companies to en-
5 hance service quality, while preserving the day-to-day management and longstanding expertise
6 that the companies have successfully relied upon to serve customers in the State of Kansas.

7 **III. BACKGROUND REGARDING THE KANSAS OPERATING ENTITIES AND**
8 **EVENTS LEADING TO TRANSACTION.**

9 **Q. PLEASE DESCRIBE THE OPERATIONAL HISTORY OF THE KANSAS**
10 **OPERATING ENTITIES.**

11 A. CCHI is a major broadband and business communications provider serving consumers,
12 enterprise customers, and wireless and wireline carriers across rural and urban communities in a
13 twenty-two-state service area. Leveraging an advanced fiber network spanning approximately
14 59,000 fiber route miles, CCHI offers a wide range of communications solutions, including: high-
15 speed Internet access service, voice service, security services, managed services, cloud-based ser-
16 vices, and wholesale carrier solutions. Since its founding approximately 125 years ago, CCHI has
17 been dedicated to turning technology into solutions, connecting people and enriching how they
18 work and live, including in rural areas of Kansas. CCHI is the ultimate parent of the Kansas Op-
19 erating Entities.

20 Consolidated-Kansas, a Kansas corporation, is a RLEC and ILEC. Consolidated-Kansas,
21 formerly known as Sunflower Telephone Company ("Sunflower"), was acquired by CCHI from
22 FairPoint Communications, Inc. ("FairPoint"), along with FairPoint's other Kansas subsidiaries
23 (Bluestem Telephone Company, Inc. ("Bluestem"), FairPoint Communications Company of Mis-
24 souri, Inc., and ST Long Distance, Inc.) pursuant to an application approved by the Commission

1 on June 6, 2017. The service area of Sunflower was later expanded to include the exchanges of
2 Bluestem, and Bluestem's Certificate of Convenience and Authority was cancelled pursuant to a
3 Commission Order dated November 27, 2018. The Commission then approved Sunflower's name
4 change to Consolidated-Kansas in December 2018. Consolidated-Kansas provides service within
5 the following Kansas exchanges: Americus, Leoti, Sharon Springs, Cedar Point, Tribune, Wallace,
6 Saffordville, Marienthal, Weskan, and Jetmore.

7 Consolidated-Missouri, a Missouri corporation, is also an RLEC and ILEC. Consolidated-
8 Missouri was formerly FairPoint Communications Missouri, Inc. and changed its name pursuant
9 to an order approved by the Commission in December 2018. Consolidated-Missouri provides ser-
10 vice to the Cleveland and Drexel exchanges in Kansas.

11 In addition to the Kansas Operating Entities, Consolidated Communications Enterprise
12 Services, Inc. ("CCES"), a Delaware corporation and indirect subsidiary of CCHI, operates as an
13 interexchange carrier in Kansas and is a telecommunications carrier pursuant to K.S.A. 66
14 1,187(m). CCES has been subject to the jurisdiction of this Commission since July 1, 2012, when
15 it acquired SureWest and its Kansas City area competitive local exchange operations. The opera-
16 tions of ST Long Distance, Inc. were moved under the CCES name following a 2018 internal
17 reorganization. CCES now provides interexchange service to eighteen exchanges in Kansas. As
18 an interexchange carrier, no approval of the transfer of indirect control with respect to CCES is
19 required. Accordingly, the Joint Application is being submitted for notice purposes with respect to
20 the transfer of indirect control of CCES.

21 **Q. WHAT IS THE CURRENT STRUCTURE THROUGH WHICH THE KANSAS**
22 **OPERATING ENTITIES ARE OWNED?**

1 A. A current corporate organizational chart reflecting the Kansas Operating Entities' owner-
2 ship pre- and post-Transaction is provided as Exhibit A to the Joint Application. CCHI serves as
3 the ultimate parent company for each of these entities, and CCHI's direct subsidiary Consolidated
4 Communications, Inc. ("CCI") will continue its role in directing operations of its subsidiaries,
5 including the Kansas Operating Entities.

6 CCHI is a publicly held Delaware corporation located at 121 South 17th Street, Mattoon,
7 IL. CCHI's operating subsidiaries currently provide integrated voice, data, and video communica-
8 tions services to consumers, businesses, and carriers in areas of Alabama, California, Colorado,
9 Florida, Georgia, Illinois, Iowa, Kansas, Maine, Massachusetts, Minnesota, Missouri, New Hamp-
10 shire, New York, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Texas, Vermont,
11 Washington,¹ and Wisconsin.

12 Because CCHI is a publicly traded company listed on the NASDAQ, its ownership shifts
13 daily as shares are bought and sold. Condor's immediate parent company, Searchlight III CVL,
14 L.P. ("Searchlight III CVL"), currently owns approximately 33.8% of CCHI's common stock and
15 100 percent of CCHI's Series A preferred stock.

16 **Q. WHAT WERE THE CIRCUMSTANCES THAT LED TO THE PROPOSED**
17 **TRANSACTION?**

18 A. In 2021, Searchlight III CVL completed an acquisition of approximately 39 million shares
19 of CCHI common stock and approximately 434,000 shares of Series A preferred stock through a

¹ Consolidated is in the process of selling its subsidiaries that operate in the state of Washington, with applications pending before the Federal Communications Commission. *See Application of Consolidated Communications, Inc. et al., for Authority Pursuant to Section 214 of the Communications Act of 1934, as Amended, and Sections 63.04 and 63.24 of the Commission's Rules to Transfer Control of Domestic and International Section 214 Carriers*, WC Docket No. 23-263, ICFS File No. T/C-20230801-00096, ULS File No. 0010669858 (filed Aug. 1, 2023).

1 two-stage investment transaction approved by shareholders and regulatory agencies. Upon com-
2 pleting the transaction in 2021, Searchlight III CVL also obtained the right to nominate two direc-
3 tors to CCHI’s Board of Directors. In April 2023, Searchlight and BCI issued a non-binding
4 proposal to acquire all outstanding shares of common stock of CCHI not already owned by Search-
5 light III CVL for \$4.00 a share. Searchlight and BCI’s announced plan was to “invest incremental
6 capital into [CCHI] to complete the fiber build-out and fully fund the plan through [CCHI] turning
7 free-cash-flow positive, which [they] believe would be the best outcome for all of [CCHI’s] stake-
8 holders.”

9 The proposed Transaction now before the Commission is the result of a comprehensive
10 review of value creation opportunities for CCHI undertaken by a special committee of independent
11 and disinterested members of the Board of Directors (the “Special Committee”). The Special Com-
12 mittee considered the current operating environment and the competitive positioning of CCHI
13 within the market. It also considered the investment levels needed to meet CCHI’s customers’
14 evolving needs. Following negotiations among Searchlight, BCI, and the Special Committee, the
15 parties ultimately agreed to a purchase price of \$4.70 per share. The Special Committee was unan-
16 imous in recommending acceptance of the Searchlight/BCI offer at this price, concluding that the
17 Transaction represents the most compelling path forward for CCHI. As a private company, CCHI
18 will have increased flexibility to make necessary commitments to continue to grow while bringing
19 broadband services to underserved and unserved communities across rural America.

20 Additional detail regarding the Transaction is provided in the Definitive Proxy Statement
21 filed with the Securities and Exchange Commission (“SEC”) on December 15, 2023, a copy of
22 which is available at the following link: [https://www.sec.gov/Archives/ed-](https://www.sec.gov/Archives/edgar/data/1304421/000110465923126524/tm2328485-15_defm14a.htm)
23 [gar/data/1304421/000110465923126524/tm2328485-15_defm14a.htm](https://www.sec.gov/Archives/edgar/data/1304421/000110465923126524/tm2328485-15_defm14a.htm).

1 **IV. THE AGREEMENT AND PLAN OF MERGER.**

2 **Q. WHEN WAS THE AGREEMENT GOVERNING THE TRANSACTION**
3 **FINALIZED?**

4 A. The terms of the Agreement were finalized on October 15, 2023.

5 **Q. WHAT ARE THE PRINCIPAL TERMS OF THE DEAL?**

6 A. The principal terms of the Transaction are discussed in Mr. Frey’s Direct Testimony. Ad-
7 ditional details regarding the Transaction are provided in the Definitive Proxy Statement filed with
8 the SEC and cited above.

9 **Q. HOW WILL THE CORPORATE STRUCTURE OF THE KANSAS OPERATING**
10 **ENTITIES DIFFER FOLLOWING THE CONSUMMATION OF THE**
11 **TRANSACTION?**

12 A. Searchlight has created a new holding company, with a corresponding subsidiary, to facil-
13 itate the Transaction. The plan is to merge the subsidiary with CCHI, which will place CCHI under
14 Condor in the corporate structure. A pro forma corporate structure chart depicting this modification
15 is provided as Exhibit A to the Joint Application.

16 **Q. WILL THE TRANSACTION INVOLVE A MERGER OF THE KANSAS**
17 **OPERATING ENTITIES?**

18 A. No. The Agreement is referenced as involving a “Plan of Merger” simply because it refer-
19 ences the parent company merger mechanism by which CCHI will become a direct wholly owned
20 subsidiary of Condor. Neither of the Kansas Operating Entities themselves will be merged. They
21 will remain in their same form after the Transaction.

22 **Q. PLEASE DISCUSS WHETHER THE TRANSACTION REQUIRES APPROVAL**
23 **IN OTHER JURISDICTIONS.**

1 A. Yes, the parties are seeking approval from the Federal Communications Commission
2 (“FCC”) and the state regulatory agencies in the following states: California, Colorado, Georgia,
3 Illinois, Maine, Minnesota, New Hampshire, New York, Pennsylvania, Texas, and Vermont. The
4 parties will also submit a filing to the Committee on Foreign Investment in the United States
5 (“CFIUS”) and Hart-Scott-Rodino filings to the Federal Trade Commission (“FTC”) and the U.S.
6 Department of Justice (“DOJ”).

7 **V. THE BENEFITS OF THE TRANSACTION.**

8 **Q. PLEASE DISCUSS WHETHER THE TRANSACTION REQUIRES ANY**
9 **CHANGES IN THE DAY-TO-DAY OPERATIONS OF THE KANSAS**
10 **OPERATING ENTITIES.**

11 A. The Transaction will not result in any modification to the Kansas Operating Entities’ ex-
12 isting tariffs, price lists, or customer contracts (all of which remain subject to change in the ordi-
13 nary course of business). The Transaction will be seamless to customers, as they will not
14 experience any immediate changes in services, rates, or terms and conditions of service as a result
15 of the Transaction. Further, by enhancing the ability of CCHI and the Kansas Operating Entities
16 to invest in additional fiber connectivity, the Transaction will improve the quality of service, as
17 fiber that replaces aging copper infrastructure is more reliable and requires less maintenance.

18 There will be no discernible impact from the Transaction on the day-to-day management
19 of the Kansas Operating Entities. The same officers and managers who are guiding the companies
20 today will continue to do so after the Transaction is complete, subject only to changes that may
21 occur as employees come and go in the normal course of business.

22 **Q. HAVE YOU REVIEWED THIS COMMISSION’S MERGER STANDARDS?**

1 A. Yes, I have. It is my understanding that the Merger Standards articulated in the Order on
2 Merger Standards issued on August 9, 2016 in Docket Nos. 16-KCPE-593-ACQ, 16-EPDE18 410-
3 ACQ, and 16-ITCE-512-ACQ will be applicable to this Transaction.

4 **Q. CAN YOU ADDRESS EACH OF THE MERGER STANDARDS ARTICULATED**
5 **BY THE COMMISSION?**

6 A. I can address several of the standards, and Mr. Andrew Frey will address the remaining
7 ones in his testimony.

8 **Q. PLEASE ADDRESS THE EFFECT OF THE PROPOSED TRANSACTION ON**
9 **THE FINANCIAL CONDITION OF THE NEWLY CREATED ENTITY AS**
10 **COMPARED TO THE FINANCIAL CONDITION OF THE STAND-ALONE**
11 **ENTITIES IF THE TRANSACTION DID NOT OCCUR.**

12 A. The Transaction will not result in any newly created Kansas operating entities. Rather,
13 CCHI and its subsidiaries will continue to exist and will retain their current corporate identities
14 but will be owned by Condor. CCHI is financially sound, as are the immediate parent of Condor,
15 Searchlight III CVL, in addition to Searchlight and BCI. CCHI's SEC Form 10-K Annual Report
16 for calendar year 2022 is available online at [https://ir.consolidated.com/financials-and-filings/sec-](https://ir.consolidated.com/financials-and-filings/sec-filings/default.aspx)
17 [filings/default.aspx](https://ir.consolidated.com/financials-and-filings/sec-filings/default.aspx).

18 Upon closing the Transaction, CCHI and the Kansas Operating Entities will have access to
19 a greatly expanded source of capital investments, backed by Searchlight, a private equity firm with
20 nearly \$12 billion in assets under management, and BCI, an institutional investor with approxi-
21 mately C\$233 billion in gross assets under management. The Transaction will strengthen the fi-
22 nancial position of the Kansas Operating Entities by providing access to additional capital. This
23 additional capital will facilitate increased operational flexibility to make necessary commitments

1 to continue to grow while bringing broadband services to underserved and unserved communities
2 across America. The Transaction will deliver a significant and certain cash premium to CCHI's
3 shareholders, while enhancing CCHI's and the Kansas Operating Entities' ongoing ability to de-
4 liver for customers as they further bridge the divide across communities through best-in-class, high
5 speed fiber broadband services.

6 More broadly, the Transaction will also give CCHI additional flexibility to overcome the
7 unique economic headwinds facing the telecommunications sector as it transforms from legacy
8 copper-based TDM networks to fiber-based IP networks. The sector-wide conversion to fiber has
9 resulted in many dynamic competitive pressures. These competitive pressures, in turn, created
10 economic conditions that have delayed CCHI's fiber buildout completion date until beyond 2026.
11 This Transaction, however, will give CCHI the near-term financial and operational flexibility it
12 needs to execute its fiber transformation while effectively navigating these dynamic competitive
13 pressures.

14 Additional details concerning the public interest benefits of the Transaction can be found
15 in the Joint Application.

16 **Q. PLEASE ADDRESS THE REASONABLENESS OF THE PURCHASE PRICE,**
17 **INCLUDING WHETHER THE PURCHASE PRICE WAS REASONABLE IN**
18 **LIGHT OF THE SAVINGS THAT CAN BE DEMONSTRATED FROM THE**
19 **MERGER AND WHETHER THE PURCHASE PRICE IS WITHIN A**
20 **REASONABLE RANGE.**

21 A. As explained above, the purchase price is reasonable as it represents an approximate 70
22 percent premium to the closing price of CCHI's common stock through April 12, 2023, the last
23 trading day prior to the submission of the initial non-binding proposal to CCHI's Board of

1 Directors, and a premium of approximately 33 percent to the closing price of CCHI's common
2 stock as of October 13, 2023. The proposed Transaction has been unanimously approved by the
3 Special Committee, advised by independent legal and financial advisors, formed to evaluate and
4 consider the proposal and other potential strategic alternatives. The Board of Directors has unani-
5 mously (following recusals of directors affiliated with Searchlight) approved the proposed Trans-
6 action on the unanimous recommendation of the Special Committee.

7 **Q. CAN RATEPAYER BENEFITS RESULTING FROM THE TRANSACTION BE**
8 **QUANTIFIED?**

9 A. CCHI intends to expand its commercial services and carrier solutions by leveraging con-
10 sumer fiber buildouts to further expand its network. This expansion will ultimately result in the
11 delivery of higher broadband speeds and more advanced services to new and existing customers,
12 including customers in areas that are underserved by high-speed broadband today.

13 **Q. ARE THERE OPERATIONAL SYNERGIES THAT JUSTIFY PAYMENT OF A**
14 **PREMIUM IN EXCESS OF BOOK VALUE?**

15 A. Please refer to the testimony of Mr. Andrew Frey.

16 **Q. PLEASE DISCUSS THE EFFECT OF THE PROPOSED TRANSACTION ON**
17 **EXISTING COMPETITION.**

18 A. Condor's acquisition of the Kansas Operating Entities will not diminish competition. Be-
19 cause the proposed change in ownership will occur at the holding company level, it will not affect
20 any of the operations of the Kansas Operating Entities. The Transaction will not eliminate any
21 telecommunications service provider in any geographic area. The Kansas Operating Entities face
22 vigorous competition in each of the markets they serve, and Applicants believe that the

1 marketplace for communications and broadband services will be strengthened by providing the
2 Kansas Operating Entities with greater financial flexibility.

3 **Q. PLEASE ADDRESS THE EFFECT OF THIS TRANSACTION ON THE**
4 **ENVIRONMENT.**

5 A. The Transaction is not expected to have any effect on the environment. Further, CCHI has
6 been proactive in its approach to environmental issues. The following link on CCHI's corporate
7 website details the company's environmental commitment: [https://www.consolidated.com/about-](https://www.consolidated.com/about-us/esg/environment)
8 [us/esg/environment](https://www.consolidated.com/about-us/esg/environment).

9 **Q. WILL THE PROPOSED TRANSACTION BE BENEFICIAL ON AN OVERALL**
10 **BASIS TO STATE AND LOCAL ECONOMIES AND TO COMMUNITIES IN THE**
11 **AREA SERVED BY THE RESULTING PUBLIC UTILITY OPERATIONS IN THE**
12 **STATE?**

13 A. The proposed Transaction will allow CCHI to continue its multi-pronged fiber expansion
14 strategy and position itself to become a leading fiber provider in its Kansas markets. In addition,
15 as a result of its fiber expansion policy, CCHI will continue to bring broadband services to under-
16 served and unserved communities across rural portions of its Kansas markets, further bridging the
17 digital divide. Approximately 44% of the Kansas Operating Entities' locations are deemed served
18 per the FCC broadband data collection definition. The Kansas Operating Entities' broadband of-
19 ferings are DSL today, but they will use internal funding sources where economically feasible and
20 participation in Federal and State broadband grant programs to facilitate fiber deployment. For
21 example, CCHI plans to expand 1 Gbps (gigabit-per-second) broadband coverage in its current
22 network topography and improve operational efficiency across its approximately 59,000 fiber
23 route miles and two million fiber strand miles, including in Kansas. These broadband services are

1 particularly essential to rural, small exchange communities, such as those served by Consolidated-
2 Kansas and Consolidated-Missouri. At the same time, CCHI will continue to maintain its existing
3 copper network and service quality commitments.

4 Provided that the Transaction is approved and completed in a timely manner, the Kansas
5 Operating Entities will be in a position to expand their commercial services and carrier solutions
6 by leveraging consumer fiber buildouts to provide greater access to high-speed broadband and
7 additional resiliency and reliability benefits for all services offered over the networks, including
8 regulated voice service.

9 **Q. WILL THE PROPOSED TRANSACTION LIKELY CREATE LABOR**
10 **DISLOCATIONS THAT MAY BE PARTICULARLY HARMFUL TO LOCAL**
11 **COMMUNITIES, OR THE STATE GENERALLY, AND (IF SO) CAN MEASURES**
12 **BE TAKEN TO MITIGATE THE HARM?**

13 A. CCHI is confident that this Transaction is a positive outcome for all of its stakeholders,
14 including employees. Searchlight and BCI have shown a deep appreciation for CCHI's people,
15 technology, and future opportunities – in fact, those aspects of CCHI's business attracted Search-
16 light to invest in us in the first place. Searchlight and BCI have been clear that they are excited to
17 partner with our talented team. Searchlight and BCI are as focused as CCHI on investing in and
18 growing the business. CCHI will continue to operate its business as usual, and it will share addi-
19 tional information with employees as it nears the completion of the process. CCHI is committed
20 to keeping employees, including those of the Kansas Operating Entities, informed of developments
21 as it moves toward completing the Transaction.

22 Moreover, the Transaction will be fair and reasonable to the Kansas Operating Entities'
23 employees. There are no significant changes in personnel planned as a result of this Transaction;

1 employment decisions will continue to be based on the functions that are necessary to best serve
2 consumers and maintain efficiencies in the Kansas Operating Entities' operations.

3 **Q. WILL THE PROPOSED TRANSACTION PRESERVE THE JURISDICTION OF**
4 **THE COMMISSION AND THE CAPACITY OF THE COMMISSION TO**
5 **EFFECTIVELY REGULATE AND AUDIT PUBLIC UTILITY OPERATIONS IN**
6 **THE STATE?**

7 A. CCHI and its operating companies have excellent working relationships with the regulatory
8 bodies overseeing their operations, due in large part to the importance CCHI places on regulatory
9 rules and regulations and its informed and respectful participation in the regulatory process.

10 In addition to this Commission's approval, the proposed Transaction will require approval
11 from public utility regulatory agencies in other states in which CCHI or its operating subsidiaries
12 presently operate, as well as from the FCC, CFIUS, and the FTC and DOJ.

13 As previously stated, the Kansas Operating Entities will continue to operate as they have
14 been. All existing pricing, terms and conditions will remain in place. This Transaction should have
15 no effect on the Commission's ability to continue to regulate these companies as rate-of-return
16 local exchange companies.

17 **Q. PLEASE DISCUSS THE EFFECT OF THE TRANSACTION ON AFFECTED**
18 **PUBLIC UTILITY SHAREHOLDERS.**

19 A. As explained above, the Transaction will deliver a significant and certain cash premium
20 that is attractive to CCHI's current shareholders. The purchase price represents an approximate 70
21 percent premium to the closing price of CCHI's common stock through April 12, 2023, the last
22 trading day prior to the submission of the initial non-binding proposal to CCHI's Board of Direc-
23 tors, and a premium of approximately 33 percent to the closing price of CCHI's common stock as

1 of October 13, 2023. The proposed Transaction has been unanimously approved by the Special
2 Committee, advised by independent legal and financial advisors, formed to evaluate and consider
3 the proposal and other potential strategic alternatives. The Board of Directors has unanimously
4 (following recusals of directors affiliated with Searchlight) approved the proposed Transaction on
5 the unanimous recommendation of the Special Committee.

6 **Q. PLEASE ADDRESS WHETHER THE TRANSACTION MAXIMIZES THE USE**
7 **OF KANSAS ENERGY RESOURCES.**

8 A. I confirm that the Kansas Operating Entities each receive electric service pursuant to the
9 tariffs available to small commercial entities.

10 **Q. PLEASE ADDRESS WHETHER THE TRANSACTION WILL REDUCE THE**
11 **POSSIBILITY OF ECONOMIC WASTE.**

12 A. As described above and in the accompanying Joint Application, because of the lack of
13 anticipated changes in operations or market participants, CCHI's enhanced access to capital fol-
14 lowing the Transaction, and the reasonableness of the purchase price, the Transaction will not
15 result in economic waste.

16 **Q. PLEASE DISCUSS WHAT IMPACT, IF ANY, THE TRANSACTION HAS ON**
17 **PUBLIC SAFETY.**

18 A. Consolidated-Kansas and Consolidated-Missouri currently provide 911 service in the var-
19 ious exchanges and communities they serve. The current arrangements will be unchanged as a
20 result of this Transaction.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

VERIFICATION


STATE OF PENNSYLVANIA §
 §
COUNTY OF ALLEGHENY §

I, Michael J. Schultz, being duly sworn on oath, state that I am Senior Vice President – Regulatory and Public Policy for Consolidated Communications Holdings, Inc., that I have read the foregoing Testimony and know the contents thereof, and that the facts set forth therein are true and correct to the best of my knowledge, information and belief.



Michael Shultz
Sr. Vice President, Regulatory & Public Policy
Consolidated Communications Holdings, Inc.

Sworn and subscribed before me this 29 day of Jan, 2024.



Notary Public

My commission expires 10/24/2024.

Commonwealth of Pennsylvania - Notary Seal
PATRICK REED FLEMING - Notary Public
Allegheny County
My Commission Expires October 24, 2024
Commission Number 1272726