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January 6, 2017

Ms. Amy L. Green  
Secretary to the Commission  
Kansas Corporation Commission  
1500 SW Arrowhead Road  
Topeka, KS 66604

RE: Joint Application of Consolidated Communications Holdings, Inc., and FairPoint Communications, Inc., For Approval of the Proposed Acquisition of the Common Stock of FairPoint Communications, Inc. by Consolidated Communications Holdings, Inc. and the Resulting Transfer of Control of Bluestem Telephone Company, Inc., Sunflower Telephone, Company, Inc., FairPoint Communications Company of Missouri, Inc. and ST Long Distance, Inc.

Dear Ms. Green,

The Joint Applicants referenced above hereby submit their Application for approval of the acquisition of FairPoint Communications, Inc. and its Kansas subsidiaries, by Consolidated Communications Holdings, Inc. ("CCHI"). The application includes the testimony of Michael J. Shultz, Vice President of Regulatory and Public Policy for CCHI.

CCHI is the parent company of Consolidated Communications Enterprise Services, Inc., a telecommunications carrier that currently holds local exchange, exchange access and intrastate InterLATA certificates from this Commission.

Should you have any questions, please don't hesitate to call or email me or Carrie Rice, Manager of Regulatory Affairs for Consolidated. She can be reached at (507) 386-3667 or by email: [carrie.rice@consolidated.com](mailto:carrie.rice@consolidated.com)

Sincerely,



Rachel Lipman Reiber

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of the Joint Application of	)	
Consolidated Communications Holdings, Inc.	)	
And FairPoint Communications, Inc.,	)	Docket No. _____
For Approval of the Proposed Acquisition	)	
Of the Common Stock of	)	
FairPoint Communications, Inc.	)	
By Consolidated Communications Holdings, Inc.	)	
and the Resulting Transfer of Control of	)	
Bluestem Telephone Company, Inc.,	)	
Sunflower Telephone Company, Inc.,	)	
FairPoint Communications Missouri, Inc. and	)	
ST Long Distance, Inc.	)	
To Consolidated Communications Holdings, Inc.	)	

**JOINT APPLICATION**

COMES NOW, the Joint Applicants, Consolidated Communications Holdings, Inc., (“Consolidated”) and FairPoint Communications, Inc. (“FairPoint”), along with FairPoint’s Kansas subsidiaries, Bluestem Telephone Company, Inc. (“Bluestem”), Sunflower Telephone Company, Inc. (“Sunflower”) FairPoint Communications Missouri, Inc. (“FairPoint-MO”) and ST Long Distance, Inc. (“ST LD”), (collectively, the “Joint Applicants”) by and through their attorneys, Rachel Lipman Reiber, on behalf of Consolidated, and Colleen Jamison, on behalf of FairPoint and its Kansas subsidiaries, and hereby submit this application for approval of Consolidated’s stock acquisition of FairPoint and the resulting transfer of indirect control of Bluestem, Sunflower, FairPoint-MO and ST LD to Consolidated.

**BACKGROUND**

1. This is a Joint Application by Consolidated Communications Holdings, Inc. and FairPoint Communications, Inc., two longstanding wireline providers, both public companies in good standing, to allow them to merge at a national level as quickly as is appropriate to pursue the opportunities of more significant scale while continuing to pursue excellence in service at a local level in the states currently served by them. The merger does not involve a technical cutover of any kind, does not reduce competition in any market, creates a more financially sound parent company, and, if permitted to proceed, will pool the management resources of two companies whose roots in local telephone service date back to the 19<sup>th</sup> century.

#### THE PARTIES

2. CCHI (Nasdaq: CNSL) is a Delaware corporation headquartered in Mattoon, Illinois. It is a leading broadband and business communications provider throughout its 11-state service area, leveraging its advanced fiber optic network and multiple data centers to offer a wide range of communications solutions, including data, voice, video, managed services, cloud computing and wireless backhaul. CCHI has been providing services in many of its markets for more than a century. Through its direct wholly-owned subsidiary, Consolidated Communications, Inc. ("CCI"), an Illinois corporation also headquartered in Mattoon, Illinois, it owns and operates a number of licensed telecommunications providers across its 11 state footprint and a fiber network spanning 14,100 miles.

3. In Kansas, CCHI's indirect operating subsidiary is Consolidated Communications Enterprise Services, Inc. ("CCES"), a telecommunications carrier, pursuant to K.S.A. 66-1,187(m). CCES has been subject to the jurisdiction of this Commission since July 1, 2012, when it acquired SureWest, and its Kansas City area competitive local exchange operations. CCES also holds a Video Service Authorization from the Commission, 08-EVMT-1088-VSA.



4. CCHI and its subsidiaries have approximately 1,800 employees with approximately 146 employees located in Kansas. Its combined operations have approximately \$755 million in annual revenues nationwide for the trailing twelve months ended September 30, 2016.<sup>1</sup> Additional information regarding CCHI, including its most recent Forms 10-K and 10-Q, as filed with the Securities and Exchange Commission (“SEC”), is available at <http://ir.consolidated.com/>.

5. FairPoint (Nasdaq: FRP) is a Delaware corporation headquartered in Charlotte, North Carolina. FairPoint functions as a holding company and does not provide any telecommunications services in its own right. Through its subsidiaries, FairPoint provides advanced data, voice, and video technologies to single and multi-site businesses, public and private institutions, consumers, wireless companies, and wholesale resellers in 17 states. It owns and operates a robust fiber network with more than 21,000 route miles of fiber, including approximately 17,000 route miles of fiber in northern New England. Its network coverage, scalable bandwidth, and transport capacity support enhanced applications, including next generation mobile and cloud-based communications, such as small cell wireless backhaul technology, voice over IP, data center colocation services, managed services, and disaster recovery.

6. FairPoint and its subsidiaries have approximately 2,600 employees, with 5 employees located in Kansas that directly support the operations of Sunflower and another 23 employees based in Missouri that support the operations of Bluestem and FairPoint-MO. Its combined operations have approximately \$830 million in annual revenues nationwide for the

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<sup>1</sup> CCHI Form10-Q for the quarterly period ended September 30, 2016, *available at* <http://ir.consolidated.com/secfiling.cfm?filingID=1558370-16-9340>.

trailing twelve months ended September 30, 2016.<sup>2</sup> Additional information regarding FairPoint, including its most recent Forms 10-K and 10-Q, as filed with the SEC, is available at <http://phx.corporate-ir.net/phoenix.zhtml?c=122010&p=irol-irhome>.

7. In the state of Kansas, FairPoint provides service to approximately 3,000 access lines, through its subsidiaries, Sunflower Telephone (2,300 access lines), Bluestem Telephone (500 access lines) and FairPoint-MO (220 access lines), all of which are considered local exchange carriers, pursuant to K.S.A. 66- 1,187(h). FairPoint's subsidiary, ST-LD, provides resold interexchange telecommunications services pursuant to a Certificate of Convenience granted in Docket No. 97-STLC-317-COC. FairPoint's headquarters address in the State of Kansas is 908 W. Frontview Street, Dodge City, KS 67801.

#### THE TRANSACTION

8. On December 3, 2016, CCHI, FairPoint, and Falcon Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of CCHI ("Merger Sub"), entered into an Agreement and Plan of Merger ("Merger Agreement")<sup>3</sup> which, among other things, provides for a business combination by reverse triangular merger ("Merger") whereby Merger Sub will merge with and into FairPoint. As a result of the Merger, the separate corporate existence of Merger Sub will cease, and FairPoint will continue as the surviving corporation owned by CCHI. Upon completion of the transaction, CCHI will contribute all of the equity interest in FairPoint to its direct, wholly owned-subsiary, CCI, so that FairPoint will be a direct, wholly owned subsidiary of CCI. As a result of the Merger, CCHI will become the new ultimate parent company of

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<sup>2</sup> FairPoint Form 10-Q for the quarterly period ended September 30, 2016, available at <http://phx.corporate-ir.net/phoenix.zhtml?c=122010&p=IROL-secToc&TOC=aHR0cDovL2FwaS50ZW5rd2l6YXJkLmNvbS9vdXRsaW5ILnhtbD9yZXBvPXRlbmsmaXBhZ2U9MTEyMDc4ODImc3Vic2lkPTU3&ListAll=1&sXBRL=1>.

<sup>3</sup> The Merger Agreement is available at <http://ir.consolidated.com/common/download/sec.cfm?CompanyID=ABEA-3FQ4FR&FID=1171843-16-13502&CIK=1304421>.

FairPoint and, indirectly, of FairPoint's subsidiaries. Before and after organizational charts demonstrating the Merger are attached hereto as *Exhibit A*.

9. Because this is a stock transaction, the change in ultimate control of FairPoint does not involve a transfer of operating authority or a change to any of the tariffs held or published by FairPoint's Kansas operating subsidiaries or a transfer of assets or customers. The transaction is expected to be seamless to end-user customers. Customers of FairPoint's Kansas operating subsidiaries will continue to receive the same services, and rates, terms and conditions of service as they do pursuant to their local exchange company's existing authorizations. The only material change resulting from the Merger will be that these certificated entities ultimately will be indirectly owned by CCHI.

10. The transaction, valued at approximately \$1.5 billion, including debt, is structured as an exchange of stock. Specifically, FairPoint shareholders will receive 0.730 shares of Consolidated stock (and case in lieu of fractional shares, less any applicable taxes required to be withheld) for each share of FairPoint stock. Thus, there will be no borrowing to acquire stock of FairPoint. However, Consolidated will incur new debt largely to refinance the existing debts of FairPoint. Specifically, Consolidated's wholly-owned subsidiary CCI has secured underwritten debt financing – the Incremental Term Loans described below to finance the redemption or repayment of the outstanding long-term debt of FairPoint and to pay costs associated with the Merger. Upon closing of the Merger, Consolidated will reduce its overall net leverage ratio from 4.4 times adjusted EBITDA for the last 12 months (as of September 30, 2016, before synergies) to 3.8 times adjusted EBITDA (including expected run-rate synergies).



11. No portion of the acquisition premium associated with the Transaction will be passed on to FairPoint's Kansas operating subsidiaries, Bluestem, Sunflower, FairPoint-MO or ST-LD.

12. In a pre-filing telephone conference call with Commission Staff, Consolidated and FairPoint were informed that the Commission would apply its August 9, 2016 Order on Merger Standards<sup>4</sup> to this transaction.

13. Pursuant to K.S.A. 66- 131(c), the Applicants understand that the Commission has 300 days to issue its Order concerning this transaction; however, given that this transaction affects only 3,100 access lines operated by the FairPoint telephone utilities, Sunflower, Bluestem and FairPoint-MO within the state of Kansas; this is a holding-company level transaction that will be seamless to Kansas customers; and the Joint Applicants intend to close in the second quarter of 2017, Consolidated and FairPoint respectfully request that the Commission give this Application expedited treatment.

14. In the interest of expediting approval of this transaction, the Joint Applicants submit with this Application the testimony of Michael J. Shultz, Vice President of Regulatory and Public Policy for Consolidated, who applies the Order on Merger Standards to the instant transaction, detailing with specificity how and why this transaction is in the public interest.

WHEREFORE, for all of the foregoing reasons, the Joint Applicants, Consolidated, FairPoint and its Kansas subsidiaries, Sunflower, Bluestem, FairPoint-MO and ST Long Distance respectfully request that this Application to approve the acquisition of FairPoint's stock by Consolidated.

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<sup>4</sup> The Order on Merger Standards was filed in and deemed applicable to Docket Nos. 16-KCPE-593-ACQ; 16-EPDE-410-ACQ, and 16-ITCE-512-ACQ.

Respectfully submitted,



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*Attorney for FairPoint Communications, Inc.  
Sunflower Telephone Company*

*Bluestem Telephone Company and  
FairPoint of Communications of Missouri, Inc.  
ST Long Distance, Inc.*

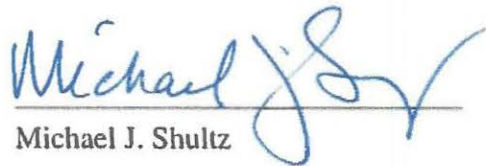


**VERIFICATION**

STATE OF TEXAS )

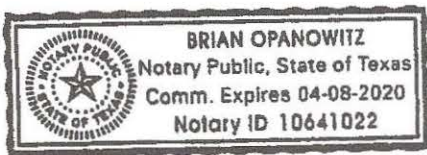
COUNTY OF MONTGOMERY )ss.

I, Michael J. Shultz, being duly sworn on oath, state that I am Vice President -  
Regulatory and Public Policy for Consolidated Communications, that I have read the foregoing  
Joint Application 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 J. Shultz

Subscribed and sworn to before me this 6th day of January, 2017

My Commission Expires: 4-8-2020

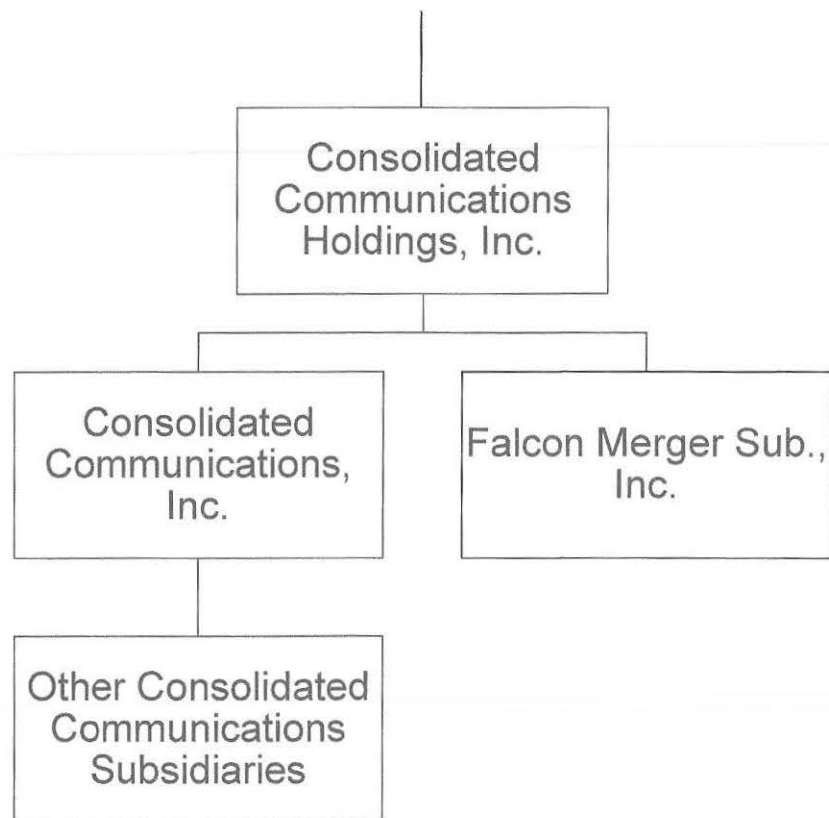




# **EXHIBIT A**

# Legal Entity - Abbreviated Current Structure

## Consolidated Communications Shareholders

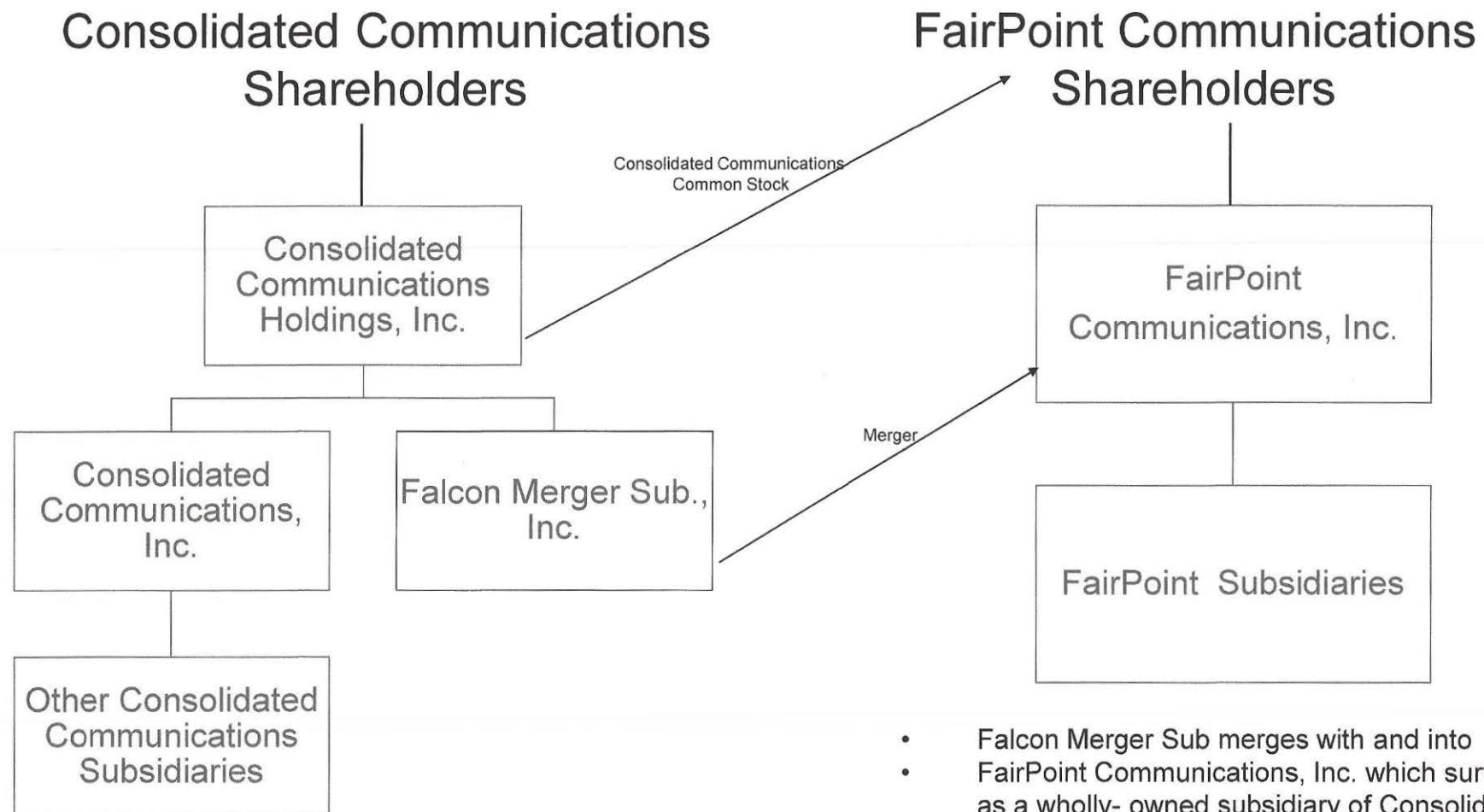


## FairPoint Communications Shareholders





# Legal Entity - The Proposed Transaction



- Falcon Merger Sub merges with and into
- FairPoint Communications, Inc. which survives as a wholly- owned subsidiary of Consolidated Communications, Inc.
- FairPoint shareholders receive merger consideration (Consolidated Communications common stock)

# Legal Entity - Abbreviated Post-Closing Structure

Consolidated Communications  
Shareholders  
(~71.3%)

FairPoint Communications  
Shareholders  
(~28.7%)

