BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF GEORGIA

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| In re:  APPLICATION OF Consolidated Communications of Florida Company, Consolidated Communications Enterprise Services, Inc., AND CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. FOR APPROVAL OF  FINANCING TRANSACTION | :  :  :  :  :  :  :  :  :  : | DOCKET NO. \_\_\_\_\_\_\_\_\_\_\_\_\_ |

**APPLICATION OF Consolidated Communications of Florida Company, Consolidated Communications Enterprise Services, Inc. and CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.**

**FOR APPROVAL OF FINANCING TRANSACTION**

Come now, Consolidated Communications of Florida Company, Consolidated Communications Enterprise Services, Inc. (collectively “Consolidated Operating Companies”) and CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. (“CCHI,” and collectively with the Consolidated Operating Companies, “Applicants”) and, pursuant to O.C.G.A. §§ 46-5-41, 46-2-28 and Commission Utility Rule 515-4-1 (Ga. Comp. R. & Regs. 515-4-1) to the extent applicable, file this Application for Approval of Financing Transaction (the “Application”) requesting that the Georgia Public Service Commission (“Commission”) determine that the Consolidated Operating Companies’ pledge of utility assets as security (the “Asset Pledge”) and guarantees (the “Guarantees”) related to a comprehensive debt refinancing (the “Refinancing,” and collectively with the Asset Pledge and Guarantees, the “Transactions”) are exempt from the requirement of approval pursuant to O.C.G.A. § 46-2- 28(g) or, in the alternative, approve the Transactions. In support of its Application, Applicants show the Commission, as follows:

**I. IDENTIFICATION OF THE PARTIES**

CCHI is a holding company that does not directly provide any telecommunications services, but does so through its wholly owned subsidiary, Consolidated Communications, Inc (“CCI”). CCHI is a Delaware corporation headquartered at 121 S. 17th Street, Mattoon, IL 61938 and is publicly traded (Nasdaq: CNSL). CCHI’s subsidiaries provide local and long distance telephone services, data hosting services, broadband and high-speed data services and video services to customers in a twenty three state area. Together, CCHI’s operations currently serve approximately 1.7 million connections (i.e., voice lines, high-speed Internet lines, digital television customers) and has approximately $1.34 billion in annual revenues. More information about CCHI and its operations can be found at <https://www.consolidated.com/about-us/company>. Management biographies for CCHI’s executive team are attached hereto as **Exhibit A**.

In Georgia, CCHI provides services through the following subsidiaries that hold

certificates issued by the Commission:

(1) Consolidated Communications of Florida Company

(a) CLEC:

Certificate Number #L-069

Consolidated Communications of Florida Company

Cert Type: CLEC Docket Id: 1912

(b) ILEC:

Certificate Number #IL-014

Consolidated Communications of Florida Company

Cert Type: ILEC Docket Id:

(c) ETC:

Certificate Number #7787

Consolidated Communications of Florida Company

Cert Type: ETC Docket Id: 7960

(2) Consolidated Communications Enterprise Services, Inc. Resale Certificate:

Certificate Number #R-1140

Consolidated Communications Enterprise Services, Inc.

Cert Type: Resale Docket Id: 41558

**II. DESCRIPTION OF THE TRANSACTIONS**

CCHI has entered into an agreement with Searchlight III CVL, L.P. (“Searchlight”), which is serving as an aggregator for investment funds affiliated with Searchlight Capital Partners, L.P. (“SCP”), pursuant to which Searchlight is making a substantial investment (the “Investment”) in CCHI that will provide significant benefits to CCHI and CCI’s other operating companies. SCP is a global private investment firm with over $7 billion in assets under management across a wide range of industries. SCP has significant experience working with portfolio companies that have deployed broadband infrastructure, and SCP has a demonstrated track record of partnering with strong management teams to drive long-term value and shareholder returns. Examples of recent investments in communications companies by other investment funds affiliated with SCP include those in Hemisphere Media Group, Northwest Fiber, LLC d/b/a Ziply Fiber, and Mitel Cloud Services, Inc. *See* <https://www.searchlightcap.com/>.

Pursuant to the terms of the Investment, Searchlight will invest up to an aggregate of $425 million in CCHI, which is being completed in two stages. The first stage of the Investment closed on October 2, 2020, whereby Searchlight invested $350 million in CCHI in exchange for 8% of CCHI’s outstanding common stock and the right to receive an unsecured subordinated note with a principal amount of approximately $395 million (the “Investment Note”). In addition, Searchlight received a contingent payment right (“CPR”) that is convertible into up to an additional 16.9% of CCHI’s common stock upon the receipt of stockholder approval, required regulatory approvals and other specified closing conditions. To the extent that the CPR is converted in full, Searchlight would hold up to 24.9% of CCHI’s common stock.

The second stage of the Investment will close following receipt of Federal Communications Commission approval, completion of the Hart-Scott-Rodino antitrust review process and satisfaction of certain other specified conditions. At the second closing, Searchlight will invest an additional $75 million in CCHI, and the Investment Note will be issued to Searchlight. Following issuance, the Investment Note will be convertible into shares of perpetual preferred non-voting stock of CCHI (the “Preferred Stock”) with an aggregate liquidation preference equal to the principal amount of the Investment Note (plus accrued interest from the initial closing) at the time of conversion. Additionally, Searchlight will receive shares of common stock and/or a CPR representing a total of an additional 10.1% of CCHI’s outstanding common stock.

In connection with CCHI’s acquisition of FairPoint Communications, Inc. and its operating subsidiaries (collectively, “FairPoint”) in 2017, CCHI filed notified the Commission of the merger and its associated financing, which consisted of various CCI credit facilities – including $900 million of initial term loans, $935 million of incremental term loans, and a revolving loan and letter of credit facility in an aggregate amount of up to $110 million – as well as the FairPoint entities’ guarantee of the debt and pledge of their utility assets to secure the debt and certain unsecured senior notes and guarantees of the notes by the FairPoint entities.[[1]](#footnote-1)

The debt package that was notified to the Commission in connection with the FairPoint acquisition was comprehensively refinanced on October 2, 2020 in connection with the Searchlight Investment. Specifically, the Investment allowed CCI to reduce its net debt by $325 million and refinance substantially all of its remaining $2 billion of outstanding debt. The Refinancing extended CCHI’s debt maturities through late 2027 and enhanced liquidity through a substantial increase in the capacity of its revolving line of credit. The Refinancing has resulted in the following debt instruments:

* A new credit agreement that includes a five-year $250 million revolving credit facility and a seven-year term loan in the aggregate amount of $1,250 million. The term loan is priced at a coupon rate of 4.75%, plus LIBOR, with a 1.0% LIBOR floor and will amortize at 1.0% per year; and
* $750 million in aggregate principal amount of 6.500% senior secured notes due 2028 in connection with a Rule 144A offering.[[2]](#footnote-2)

All of the debt related to this Refinancing is held at the CCI level; CCHI is not a borrower. In addition, similar to the financing notified to the Commission in connection with the FairPoint acquisition, the Consolidated Operating Companies will guarantee CCI’s debt and pledge the Georgia utility assets as security for the instant Refinancing after receipt of necessary regulatory approvals.

**III. CONTINUATION OF THE GEORGIA CONSOLIDATED OPERATING COMPANIES OPERATIONS**.

The net effect of the Transactions is that they will allow CCI to comprehensively refinance its debt, thereby benefiting the Consolidated Operating Companies and Georgia customers. No changes in CCHI or CCI management personnel are contemplated in connection with the Transactions or the related Investment.

There will be no change in actual working control of any of the Consolidated Operating Companies, or in the management of their operations, and no change in their capital structure. The Consolidated Operating Companies will remain well-qualified to provide service to their customers, and their operations will continue to be overseen by their existing management teams. The retail and wholesale services provided by the Consolidated Operating Companies and the rates, terms and conditions of those services will not change as a result of the Transactions, and the Georgia customers of the Consolidated Operating Companies will not be affected in any way by the Transactions. Moreover, the Transactions will not impact any collective bargaining arrangements with any organized labor group.

The proceeds from the Transactions and the related Investment will enable CCHI and its operating subsidiaries to leverage their existing core fiber network and, through an accelerated build plan, expand 1Gbps and other high-speed offerings strategically across their residential, commercial and carrier footprints. Together, these investments serve as the foundation of a multi-year reinvestment initiative that will enable CCHI to provide desirable service offerings and an exceptional customer experience across all customer classes. In addition, the Refinancing and related Investment will reduce CCHI’s net debt by $350 million, which will put CCHI in a stronger position to expand rural broadband.

The Transactions will provide the Consolidated Operating Companies with greater financial flexibility and an increase in access to capital to the benefit of the Consolidated Operating Companies and their customers. In sum, these changes will increase the overall company’s efficiency and make it more attractive to potential creditors, which will improve its access to debt and equity capital. This, in turn, will enable both the holding company and its operating subsidiaries to keep their cost of capital low, which is important in a time of continuing declines in line counts and operating revenues of the Consolidated Operating Companies.

The Transactions will not cause service disruption to any customer in Georgia. The Transactions will not affect the contractual and regulatory obligations of the Georgia Consolidated Operating Companies or their customers. The Transaction will not alter the rates, terms, and conditions of service under customers’ current contracts. The Georgia Consolidated Operating Companies certified to provide service in Georgia will continue to abide by their ongoing obligations under existing interconnection agreements, as well as under applicable law, including, for example, those set forth in Sections 251 and 252 of the Communications Act of 1934, as amended.[[3]](#footnote-3) The Transactions do not result in any change to the regulatory status of any Consolidated Operating Companies holding a certificate to provide service in Georgia. Each will remain subject to the same regulatory obligations with which they must currently comply. Because the Transactions result in no direct change to the Georgia operations of any of the Consolidated Operating Companies, they will be transparent to their respective customers. There is no adverse effect to services or rates as a result of the Transaction, and each of the Consolidated Operating Companies will continue to offer services subject to the same rules, regulations and applicable tariffs or price lists as they do now.

**IV. EXEMPTION UNDER O.C.G.A. § 46-2-28(g)**

Because the Refinancing is occurring only at the holding company level, the Transactions are exempt from the approval requirement of O.C.G.A. § 46-2-28. Pursuant to O.C.G.A. § 46-2-28(g), Commission approval of financing activities is not required if:

(1) the local exchange company is a wholly owned subsidiary of a parent company

headquartered or domiciled outside of this state;

(2) any relevant debt transaction is by and between the parent company, the primary

obligor, and a national bank or other lending or financial institution licensed or authorized to enter into such debt transaction by any state or federal agency; and

(3) the local exchange company is issuing stocks, bonds, notes, or other evidences of debt

for the purpose of providing collateral or other security to the lending or financial institution in

order to accommodate the debt transaction of a parent company or other entity.

Here, the Consolidated Operating Companies today are guarantors of the parent company debt and have pledged their assets in connection therewith, and they will continue to do so as part of the Transactions going forward. Moreover, each of the Consolidated Operating Companies is wholly owned by CCI, which is in turn a wholly owned subsidiary of CCHI. CCI and CCHI are headquartered outside the state. The Refinancing is a debt transaction between CCHI and a national bank and, apart from the Asset Pledge and the Guarantees, will not directly involve any of the Consolidated Operating Companies. The Transactions thus satisfy the criteria in O.C.G.A. § 46-2-28(g) and do not require approval by the Commission. Based on these factors we do not believe we need approval, but are requesting it out of an abundance of caution. In the event, however, that it is determined that the Transactions are not exempt, Applicants request its expeditious approval.

**CONCLUSION**

For the above and foregoing reasons, Applicants request that:

a. The above styled Application be read and considered;

b. The Transactions, pursuant to O.C.G.A. § 46-2-28(g), be determined to be exempt from Commission approval through formal Commission action; and

c. In the alternative, the Transactions be expeditiously approved by the Commission.

This 30th day of October, 2020.

HALL BOOTH SMITH, P.C.

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Georgia Bar No.: 115529

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**EXHIBIT A**

**CCHI MANAGEMENT BIOGRAPHIES**

**Bob Udell, President and Chief Executive Officer**

Bob Udell is the President and CEO of Consolidated Communications. Prior to being named President and CEO in 2014, Udell served as the Company's President and COO, and as Senior Vice President upon joining the Company in April 2004.

Udell has more than 25 years of telecommunications leadership experience including profit and loss management and operations at large- and mid-sized local exchange companies. He served in leadership roles at TXU Communications including Executive Vice President of Business Development, Regulatory and Administration, and Chief Operating Officer. He served in leadership roles at McLeodUSA as Senior Vice President of Network Services and Vice President and General Manager of the company’s Indiana operations, and he held management roles at Bell Atlantic in operations, carrier sales and marketing.

Udell serves on the USTelecom Board of Directors and formerly served as Chairman of the Independent Telephone and Telecommunications Alliance. He also serves on the boards of the Greater Conroe Economic Development Council and The John Cooper School Board of Trustees.

He holds a master's degree in business administration from the Katz Graduate School of Business at the University of Pittsburgh and a bachelor's degree in electrical engineering from the University of Pittsburgh. Udell completed the Advanced Technology Innovations Program at Carnegie Mellon University in Pittsburgh.

**Steve Childers, Chief Financial Officer**

Steve Childers is the Chief Financial Officer at Consolidated Communications. He has a diversified background in accounting and finance and a lengthy career with the Company which began in 1986. He was named Chief Financial Officer in 2004, with responsibilities for all accounting, treasury, tax and regulatory functions.

Prior to his current role, Childers served as the Director of Accounting and as President of the former Consolidated Market Response. Childers served in a number of executive roles with McLeodUSA during the time of the merger with Conx, leading the company's Business Process Teams to implement revenue assurance processes and controls.

He serves on the Sarah Bush Lincoln Health Center and Health Systems Board, the Lake Land College Foundation Board and the Eastern Illinois University Business Advisory Board. He is as pas member of the Board of Directors for the Illinois State Chamber of Commerce. Childers was named TopGun CFO by Brendan Wood International as rated by Global Shareholders in 2019.

Childers holds a bachelor’s degree in business from Eastern Illinois University and is a Certified Public Accountant.

**John Lunny, Chief Information Officer**

John Lunny is the Chief Information Officer at Consolidated Communications and is responsible for IT architecture and development, technical operations, project management and centralized services. He joined the company at the time of the FairPoint merger in 2017.

Lunny has 30 years of communications industry experience in network operations, engineering and service delivery. Previously, Lunny served as Executive Vice President and Chief Technology Officer at FairPoint Communications, Senior Director of Service Delivery at Comcast Business and Regional Vice President of Metro Network Operations at Level 3 Communications.

Lunny has a certificate in executive finance from The Wharton School at the University of Pennsylvania.

**Michael Smith, Chief Revenue Officer**

Michael Smith is Chief Revenue Officer at Consolidated Communications with responsibilities for commercial and carrier sales, product management, marketing communications, consumer sales and corporate communications.

Prior to his current role, he served as Chief Marketing Officer and held executive management positions in sales, product management, marketing and customer service at Consolidated since joining the company in 1989.

He is active in the Coles County community, serving as past Chairman of Sarah Bush Lincoln Health Center and Health System Board of Directors. He is past President of the Charleston Area Chamber of Commerce, past President of the Eastern Illinois University Panther Club and a former board member of Coles Together.

Smith holds a bachelor’s degree in business administration from Saint Louis University.

**Jennifer Spaude, Vice President, Corporate Communications & Investor Relations**

Jennifer Spaude is the Vice President of Corporate Communications and Investor Relations at Consolidated Communications. She is responsible for media and public relations, corporate and internal communications, brand management and company giving programs.

Prior to joining Consolidated in 2014, she served as the Director of Investor Relations, Public Relations and Marketing at Enventis and HickoryTech. She has more than 20 years of experience in the telecommunications industry holding positions in: marketing, product management, investor relations and corporate communications.

Spaude currently serves on the Consolidated Communications Community Fund and Foundation Advisory Boards and on the Greater Mankato Growth and Minnesota State University Foundation Boards. She has served as a past Chair or on the Board of Directors of the Educare Foundation, Junior Achievement, Greater Mankato YWCA and South Central College Foundation.

She has a bachelor’s degree in mass communications from Minnesota State University, Mankato and completed the Management Executive Program at the Carlson School of Management at the University of Minnesota.

**Garrett Van Osdell, General Counsel and Corporate Secretary**

Garrett Van Osdell is the General Counsel and Corporate Secretary at Consolidated Communications. He oversees the company’s legal affairs and legal department.

Van Osdell has more than 20 years of experience advising public and privately-held companies on transactional and corporate law matters, with over 10 years of experience in the telecommunications industry. He began his career in the San Francisco Bay Area working for the law firms of Cooley Godward Kronish LLP and Kirkland & Ellis LLC. In 2008, he moved in-house with FairPoint Communications where he most recently served as Vice President and Deputy General Counsel prior to Consolidated’s acquisition of FairPoint in 2017.

He earned his juris doctorate from the University of South Carolina School of Law where he was a member of the South Carolina Law Review. He has an international master of business administration from the Moore School of Business at the University of South Carolina and earned his bachelor’s degree from the University of Florida

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**Gabe Waggoner, Executive Vice President of Operations**

Gabe Waggoner is the Executive Vice President of Operations at Consolidated Communications with responsibility for field operations, network operations, customer service, and overall service delivery strategy for the Company.

Prior to his current role, Waggoner served as Director of Network Services. He joined the Company in 1996, and has a diversified background, having served in numerous management and leadership roles in customer service, construction management, engineering and field services.

He serves as Chairman of the Roseville Telephone Museum, and as an Advisory Board Member for the Consolidated Communications Foundation.

Waggoner earned his master's degree in business administration and his bachelor's degree from the Lumpkin School of Business at Eastern Illinois University.

**Tom White, Chief Technology Officer**

Tom White is the Chief Technology Officer at Consolidated Communications and is responsible for the company’s network design and development, engineering and network operations center functions, in addition to the administration of the company’s capital investment in technology.

He joined the company in 1992 as a Supervisor in the company’s former Operator Services and has held management and leadership positions during his career with the company in the areas of network operations, field services and engineering.

White is active in his local community and currently serves on the Coles Together Board, and has served on the Charleston Excellence in Fountain Board and the CCAR Industries.

He earned his bachelor’s degree in business administration and management from Virginia Commonwealth University.

BEFORE THE PUBLIC SERVICE COMMISSION

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| In re:  APPLICATION OF Consolidated Communications of Florida Company, Consolidated Communications Enterprise Services, Inc., AND CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. FOR APPROVAL OF  FINANCING TRANSACTION | :  :  :  :  :  :  :  :  :  : | DOCKET NO. \_\_\_\_\_\_\_\_\_\_\_\_\_ |

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of the within and foregoing **APPLICATION OF Consolidated Communications of Florida Company, Consolidated Communications Enterprise Services, Inc., and CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. FOR APPROVAL OF FINANCING TRANSACTION** via Email, upon the following as reflected:

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| --- | --- |
| Reece McAlister  Executive Secretary  Georgia Public Service Commission  244 Washington Street, S.W.  Atlanta, GA 30334  TEL: 404-463-7747  FAX: 404-656-2341  E-M: [reecem@psc.state.ga.us](mailto:reecem@psc.state.ga.us) | Leon Bowles  Director of Telecommunications  Georgia Public Service Commission  244 Washington Street, S.W.  Atlanta, GA 30334  TEL: 404-656-0949  FAX: 404-656-2341  E-M: [leonb@psc.state.ga.us](mailto:leonb@psc.state.ga.us) |

This ­­­\_\_\_\_ day of October, 2020.

HALL BOOTH SMITH, P.C.

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WILLIAM BRADLEY CARVER, SR.

Georgia Bar No.: 115529

*Attorney for Consolidated Communications of Florida Company, Consolidated Communications Enterprises Services, Inc., and Consolidated Communications Holdings, Inc.*

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1. *See* Joint Application of Consolidated Communications, Holdings, Inc., GTC, Inc. d/b/a FairPoint Communications, St. Joe Communications, Inc. d/b/a FairPoint Long Distance, and FairPoint Communications, Inc. for a letter of Acknowledgement or Approval of the Indirect Transfer of Control of and Participation in Certain Financing Arrangements by Authorized Telecommunications Companies, Docket Nos. 1912 and 4515 (filed Jan. 13, 2017). [↑](#footnote-ref-1)
2. *See* 17 C.F.R. § 230.144A (private resales of securities to institutions). [↑](#footnote-ref-2)
3. 47 U.S.C. §§ 251 *et seq.* [↑](#footnote-ref-3)