

September 11, 2024

Via E-Filing

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
Capitol Building, First Floor
500 East Capitol Avenue
Pierre, South Dakota 57501-5070

Re: Notification Regarding the Proposed Transfer of Control of Consolidated Communications Enterprise Services, Inc. to Condor Holdings LLC

Dear Executive Director Van Gerpen:

Consolidated Communications Holdings, Inc. (“CCHI”), Consolidated Communications Enterprise Services, Inc. (“CCES”), and Condor Holdings LLC (“Condor,” and together with CCHI and CCES, the “Parties”) notify the Commission of a proposed transfer of control of CCES to Condor. As a result of the Transaction detailed herein, Condor will become the direct parent of CCHI and the indirect parent of CCES. Pursuant to SDCL § 49-31-20, prior Commission action is not required for the Transaction. Accordingly, the Parties submit this letter for informational purposes.

In support of this filing, the Parties provide the following information:

Description of the Parties

A. Consolidated Communications Holdings, Inc. (“CCHI”)

CCHI is a major broadband and business communications provider serving consumers, enterprise customers, and wireless and wireline carriers across rural and urban communities in a twenty-one-state service area. Leveraging an advanced fiber network spanning approximately 59,000 fiber route miles, CCHI offers a wide range of communications solutions, including: high-speed Internet access service, voice service, security services, managed services, cloud-based services, and wholesale carrier solutions. Since its founding approximately 125 years ago, CCHI has been dedicated to turning technology into solutions, connecting people and enriching how they work and live, including in areas of South Dakota. CCHI is the ultimate parent of CCES.

B. Consolidated Communications Enterprise Services, Inc. (“CCES”)

CCES, a Delaware corporation formed on August 5, 2002, is an indirect, wholly owned subsidiary of CCHI. CCES has a principal place of business at 2116 South 17th Street, Mattoon,

Illinois 61938. In South Dakota, CCES is authorized by the Commission to operate as a competitive local exchange and interexchange carrier.¹

C. Condor Holdings LLC (“Condor”)

Condor, a Delaware limited liability company, is a wholly owned subsidiary of Searchlight III CVL, L.P. (“Searchlight III CVL”) that was formed for the purpose of the Transaction. Following the closing of the Transaction, and as described in greater detail below, investment funds affiliated with Searchlight Capital Partners, L.P. (“Searchlight”) will hold a majority equity interest in Searchlight III CVL, and investment vehicles affiliated with British Columbia Investment Management Corporation (“BCI”), a corporation incorporated pursuant to the Public Sector Pension Plans Act (British Columbia), will hold an indirect, non-controlling minority equity interest in CCHI.

Searchlight, a Delaware limited partnership and registered investment adviser with the United States Securities and Exchange Commission (“SEC”), is a global private equity investment company whose funds invest in companies across various sectors, including communications, media, consumer, and business services. Searchlight has approximately \$15 billion in assets under management and has significant experience working with portfolio companies executing strategies that involve deploying broadband infrastructure, along with a proven track record of partnering with strong management teams to drive long-term value and shareholder returns. Investment funds affiliated with Searchlight (including funds in which BCI is a limited partner) currently hold voting and equity interests in CCHI of approximately 33.8 percent and 67.8 percent, respectively.² These interests are held through Searchlight III CVL, which owns approximately 33.8 percent of CCHI’s common stock (which is voting stock) and 100 percent of CCHI’s Series A preferred stock (which is non-voting stock).

BCI is one of the largest institutional investors in Canada, with C\$233 billion in gross assets under management as of June 7, 2024. Based in Victoria, British Columbia, with offices in Vancouver, New York, and London, BCI manages a portfolio of diversified public and private market investments on behalf of 32 British Columbia public sector clients, including publicly administered pension and trust funds, the Province of British Columbia, and provincial government bodies. BCI and its affiliated funds and entities have a principal place of business at 750 Pandora Avenue, Victoria, BC, V8W 0E4, Canada. BCI currently holds no voting interest in

¹ See Order Granting Certificate of Authority, *Application of Consolidated Communications Enterprise Services, Inc. for a Certificate of Authority to Provide Local Exchange and Interexchange Long Distance Services in South Dakota and the Transfer of Crystal Communications, Inc. and Enventis Telecom, Inc.’s Certificates of Authority to Consolidated Communications Enterprise Services, Inc.*, Docket No. TC16-067 (January 20, 2017).

² All equity and voting interests set forth herein are approximate. The Searchlight-affiliated funds’ current equity interest referred to above is based on the price of CCHI’s common stock and the liquidation preference of the preferred stock as of November 13, 2023. For the avoidance of doubt, references to “voting” and “equity” interests refer to such interests as calculated through successive multiplication, and not beneficial ownership as defined in SEC rules.

CCHI, and its passive limited partnership interest in Searchlight III CVL currently represents a proportionate indirect equity interest in CCHI of approximately 17.7 percent.

Designated Contacts

Questions, correspondence, and other communications concerning this filing should be directed to:

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Description of the Transaction

In close proximity to consummation of the Transaction, Searchlight III CVL will be converted to a limited liability company and will contribute its common stock in CCHI to Condor, and Condor will assign all of the issued and outstanding stock of Condor Merger Sub Inc., a Delaware corporation and wholly owned subsidiary of Condor (“Merger Sub”), to CCHI. Pursuant to the Agreement and Plan of Merger (the “Agreement”), dated as of October 15, 2023, by and among Condor, Merger Sub, and CCHI, Merger Sub will merge with and into CCHI, with CCHI continuing as the surviving corporation, and all issued and outstanding common stock of CCHI (other than (i) common stock held by Condor, which will remain outstanding, (ii) treasury stock

and common stock held by Merger Sub (if any), which will be cancelled and cease to exist, and (iii) common stock held by any direct or indirect wholly owned subsidiary of CCHI or Condor (other than Merger Sub) (if any), which will be converted into a number of shares of common stock of CCHI such that immediately following the Transaction, the ownership percentage of any such subsidiary in CCHI will equal the ownership percentage of any such subsidiary in CCHI immediately prior to the Transaction) will be converted into the right to receive consideration for the merger at the price of \$4.70 per share in cash. As a result, Condor, which will remain a wholly owned subsidiary of Searchlight III CVL, will own all of CCHI's issued and outstanding common stock, and Searchlight III CVL will continue to hold 100 percent of CCHI's Series A preferred stock. Condor will thus become the direct holder of all of the common stock of CCHI and the indirect parent of CCES, and CCHI, which is currently a publicly traded company (NASDAQ: CNSL), will become privately held.

Searchlight CVL AGG, L.P., a Delaware limited partnership that was formed for the purpose of the Transaction and is affiliated with Searchlight, will hold an equity interest in Searchlight III CVL of approximately 76.8 percent, and IMCPE 2020 Inc., which is controlled by BCI, will hold an equity interest in Searchlight III CVL of approximately 23.2 percent.³ As noted above, Searchlight III CVL will also be converted from a Delaware limited partnership into a Delaware limited liability company prior to and in connection with the closing.

Diagrams depicting the current and post-Transaction corporate ownership structure are provided as **Exhibit A**.

Public Interest Considerations

As demonstrated below, the Transaction will further the public interest by facilitating infrastructure investment, technological development, and economic expansion without presenting any competition concerns. Indeed, the Transaction will allow CCHI to continue its multi-year fiber expansion strategy and position itself to become a leading fiber provider across the United States. And, as a result of its fiber expansion policy, CCHI will continue to bring broadband services to underserved and unserved rural portions of its South Dakota footprint, further bridging the digital divide. For example, CCHI plans to expand multi Gbps (gigabit-per-second) broadband coverage in its current network topography and improve operational efficiency across its approximately 59,000 fiber route miles and two million fiber strand miles. Moreover, CCHI intends to expand its commercial services and carrier solutions by leveraging consumer fiber buildouts to further expand its network. This expansion will ultimately result in the delivery of higher broadband speeds and

³ The precise percentage interests to be acquired at closing may differ in immaterial respects from those set forth herein due to accrual of dividends on the preferred stock over time and the amount funded by the Searchlight Funds (as defined below), co-investors, and BCI and its affiliates. The "Searchlight Funds" are: (1) Searchlight Capital III OPT, L.P.; (2) Searchlight Capital III OPT PV A, L.P.; (3) Searchlight Capital III OPT PV B, L.P.; (4) Searchlight Capital III CVL Co-Invest Partners, L.P.; (5) Searchlight Capital III CVL Co-Invest Partners II, L.P.; and (6) an additional fund that will be formed as a Delaware limited partnership prior to closing, referred to herein as "[Main Fund II], LP."

more advanced services to new and existing customers, including customers in areas that are underserved by high-speed broadband today.

In addition, the Transaction is structured as a change of ownership at the holding company level and will not affect any of the operations or legal identity of CCES. The Transaction will not result in the creation of any new debt obligations. The Transaction will not result in a change of carrier for any customers or assignment of any existing Commission authorization. Further, Condor has no plans to change CCES's current rates or terms and conditions of service in connection with the Transaction. CCES's existing tariffs will not be affected by the Transaction and will remain in effect (subject to change in the ordinary course of business). Therefore, the Transaction will be seamless to customers, as they will not experience any immediate changes in services or rates, terms, and conditions of service.

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

CCHI will also be able to call on Searchlight's expertise as it pursues its fiber buildout. As explained above, Searchlight possesses substantial and valuable experience and expertise in the infrastructure and telecommunications sectors. Indeed, the Transaction will allow Searchlight to expand its role with respect to CCHI's business by bringing to bear its full managerial expertise and extensive industry relationships in implementing a strategic plan for CCHI's fiber expansion.

Moreover, Condor's acquisition of CCES will not diminish competition. The Transaction will not eliminate any telecommunications service provider in any geographic area. Finally, CCES will face vigorous competition in each of the markets it serves. Therefore, the Transaction will promote the public interest by providing significant benefits to South Dakota customers.

* * * *

We would appreciate acknowledgement of receipt and acceptance of this filing, which is being submitted electronically. Please do not hesitate to contact us if you have any questions regarding this submission.

Respectfully submitted,

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/s/ Daniel Brooks

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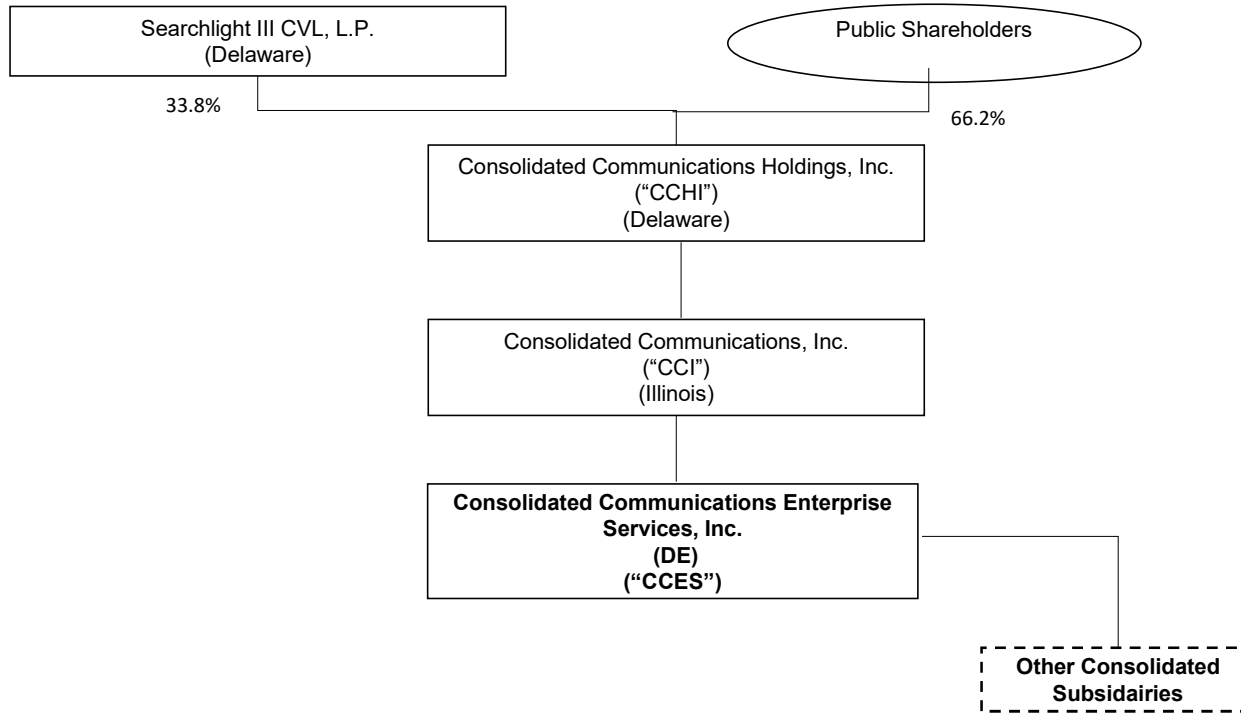
*Counsel for Consolidated
Communications Holdings, Inc. and
Consolidated Communications Enterprise
Services, Inc.*

Counsel for Condor Holdings LLC

EXHIBIT A

Pre- and Post-Transaction Ownership Structures

**Consolidated Communications Holdings, Inc.
(Pre-Closing – South Dakota – specific)**

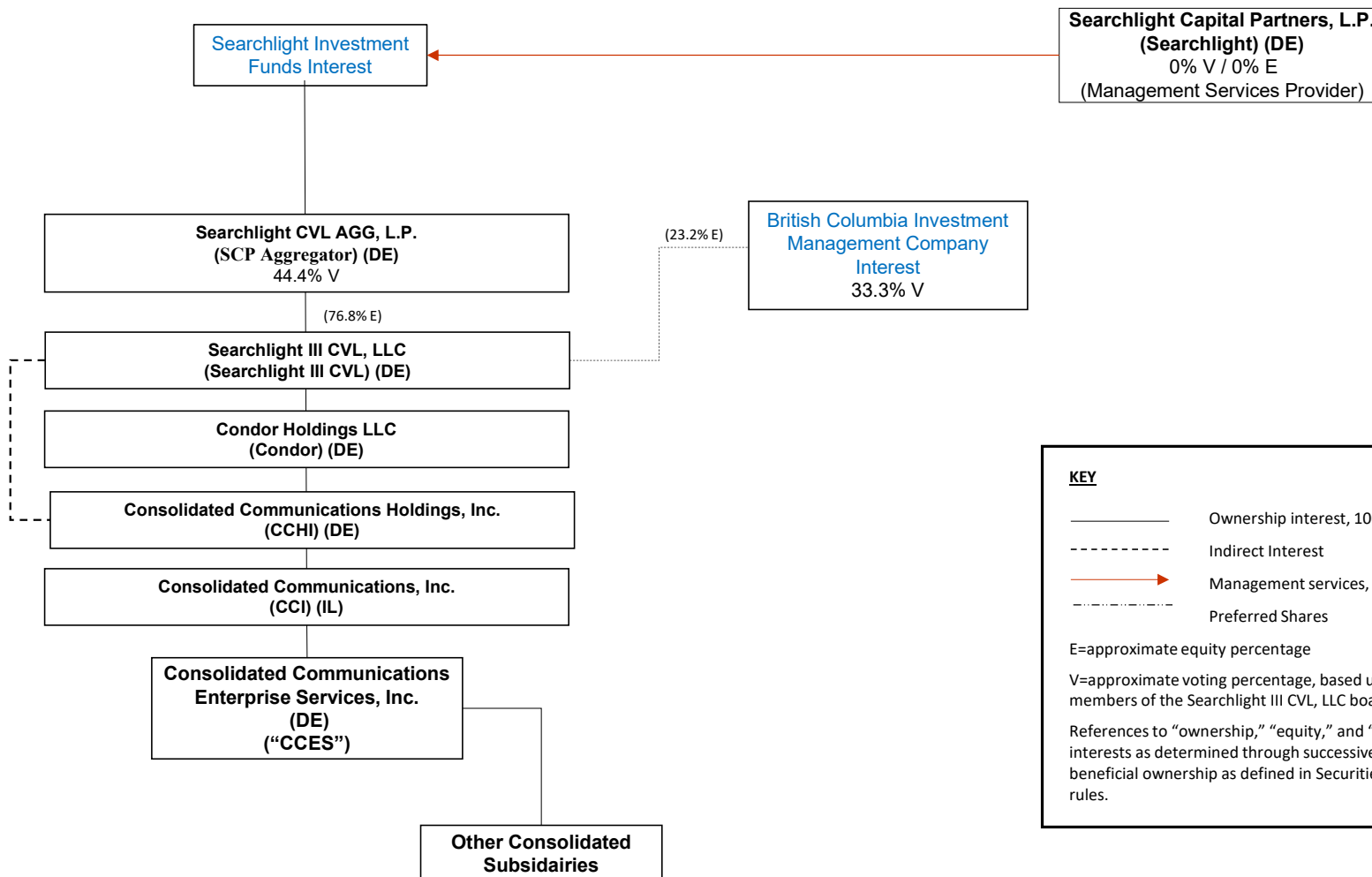


KEY

_____ 100% ownership interest, unless otherwise noted

- References to "ownership," "equity," and "voting" interests throughout these charts refer to such interests as determined in accordance with FCC rules, and not beneficial ownership as defined in Securities and Exchange Commission rules.

Consolidated Communications Holdings, Inc. (Post-Closing – South Dakota – specific)



KEY

- Ownership interest, 100% unless otherwise noted
- - - - - Indirect Interest
- > Management services, no ownership interest
- - - - - Preferred Shares

E=approximate equity percentage
V=approximate voting percentage, based upon rights to designate members of the Searchlight III CVL, LLC board of managers

References to "ownership," "equity," and "voting" interests refer to such interests as determined through successive multiplication, and not beneficial ownership as defined in Securities and Exchange Commission rules.