

**EXHIBIT C**

**FINANCIAL STATEMENTS OF CCHI**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-51446



**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction  
of incorporation or organization)

02-0636095

(I.R.S. Employer  
Identification No.)

121 South 17<sup>th</sup> Street, Mattoon, Illinois

(Address of principal executive offices)

61938-3987

(Zip Code)

(217) 235-3311

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On July 29, 2016, the registrant had 50,654,989 shares of Common Stock outstanding.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

*(Unaudited; Amounts in thousands except per share amounts)*

	<u>Quarter Ended June 30,</u>		<u>Six Months Ended June</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net revenues	\$ 186,871	\$ 201,010	\$ 375,717	\$ 393,588
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization)	80,763	86,376	160,483	166,268
Selling, general and administrative expenses	39,053	43,308	79,729	85,693
Loss on impairment	610	—	610	—
Depreciation and amortization	43,491	43,651	87,631	87,207
Income from operations	22,954	27,675	47,264	54,420
Other income (expense):				
Interest expense, net of interest income	(19,106)	(20,429)	(37,752)	(41,103)
Loss on extinguishment of debt	—	(41,242)	—	(41,242)
Investment income	8,704	9,004	15,901	15,445
Other, net	(72)	(40)	(58)	(97)
Income (loss) before income taxes	12,480	(25,032)	25,355	(12,577)
Income tax expense (benefit)	12,323	(9,104)	17,296	(4,478)
Net income (loss)	157	(15,928)	8,059	(8,099)
Less: net income attributable to noncontrolling interest	81	40	134	59
Net income (loss) attributable to common shareholders	\$ 76	\$ (15,968)	\$ 7,925	\$ (8,158)
Net income (loss) per basic and diluted common shares attributable to common shareholders	\$ —	\$ (0.32)	\$ 0.15	\$ (0.16)
Dividends declared per common share	\$ 0.38	\$ 0.38	\$ 0.77	\$ 0.77

See accompanying notes.

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
*(Unaudited; Amounts in thousands)*

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net income	\$ 157	\$ (15,928)	\$ 8,059	\$ (8,099)
Pension and post-retirement obligations:				
Amortization of actuarial losses and prior service credit to earnings, net of tax	678	464	1,357	866
Derivative instruments designated as cash flow hedges:				
Change in fair value of derivatives, net of tax	(168)	(237)	(598)	(802)
Reclassification of realized loss to earnings, net of tax	158	229	307	491
Comprehensive income (loss)	825	(15,472)	9,125	(7,544)
Less: comprehensive income attributable to noncontrolling interest	81	40	134	59
Total comprehensive income (loss) attributable to common shareholders	<u>\$ 744</u>	<u>\$ (15,512)</u>	<u>\$ 8,991</u>	<u>\$ (7,603)</u>

See accompanying notes.

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

*(Unaudited; Amounts in thousands except share and per share amounts)*

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 24,555	\$ 15,878
Accounts receivable, net of allowance for doubtful accounts	64,524	68,848
Income tax receivable	13,959	23,867
Prepaid expenses and other current assets	21,922	17,815
Assets held for sale	28,689	—
Total current assets	<u>153,649</u>	<u>126,408</u>
Property, plant and equipment, net	1,062,181	1,093,261
Investments	106,931	105,543
Goodwill	756,373	764,630
Other intangible assets	37,023	43,497
Other assets	6,682	5,187
Total assets	<u>\$ 2,122,839</u>	<u>\$ 2,138,526</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 17,295	\$ 12,576
Advance billings and customer deposits	26,921	27,616
Dividends payable	19,623	19,551
Accrued compensation	19,986	21,883
Accrued interest	9,405	9,353
Accrued expense	43,284	42,384
Current portion of long-term debt and capital lease obligations	13,171	10,937
Liabilities held for sale	7,746	—
Total current liabilities	<u>157,431</u>	<u>144,300</u>
Long-term debt and capital lease obligations	1,378,788	1,377,892
Deferred income taxes	237,363	236,529
Pension and other post-retirement obligations	110,325	112,966
Other long-term liabilities	16,544	16,140
Total liabilities	<u>1,900,451</u>	<u>1,887,827</u>
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 50,654,989 and 50,470,096 shares outstanding as of June 30, 2016 and December 31, 2015, respectively	507	505
Additional paid-in capital	251,344	281,738
Retained earnings (deficit)	—	(881)
Accumulated other comprehensive loss, net	(34,633)	(35,699)
Noncontrolling interest	5,170	5,036
Total shareholders' equity	<u>222,388</u>	<u>250,699</u>
Total liabilities and shareholders' equity	<u>\$ 2,122,839</u>	<u>\$ 2,138,526</u>

See accompanying notes.

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited; amounts in thousands)*

	<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Net cash provided by operating activities	\$ 115,505	\$ 95,816
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment, net	(62,271)	(65,538)
Proceeds from sale of assets	50	57
Proceeds from sale of investments	—	846
Net cash used in investing activities	<u>(62,221)</u>	<u>(64,635)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from bond offering	—	294,780
Proceeds from issuance of long-term debt	7,000	40,000
Payment of capital lease obligations	(812)	(444)
Payment on long-term debt	(11,550)	(59,550)
Redemption of senior notes	—	(261,874)
Payment of financing costs	—	(4,468)
Share repurchases for minimum tax withholding	(71)	(282)
Dividends on common stock	(39,174)	(39,076)
Net cash used in financing activities	<u>(44,607)</u>	<u>(30,914)</u>
Increase in cash and cash equivalents	8,677	267
Cash and cash equivalents at beginning of period	15,878	6,679
Cash and cash equivalents at end of period	<u>\$ 24,555</u>	<u>\$ 6,946</u>

See accompanying notes.