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Consolidated Communications Holdings, Inc.

Form 10-Q

November 06, 2015

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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 September 30, 2015

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

02-0636095

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(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
121 South 17th Street, Mattoon, Illinois	61938-3987
(Address of principal executive offices)	(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

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

Yes No X

On October 30, 2015, the registrant had 50,509,148 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)

	Quarter Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Net revenues	\$ 193,958	\$ 149,040	\$ 587,546	\$ 449,724
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization)	83,209	56,435	249,477	167,653
Selling, general and administrative expenses	50,649	32,659	135,682	97,945
Acquisition and other transaction costs	395	729	1,055	1,995
Depreciation and amortization	46,057	34,968	133,264	106,515
Income from operations	13,648	24,249	68,068	75,616
Other income (expense):				
Interest expense, net of interest income	(19,174)	(20,721)	(60,277)	(60,280)
Loss on extinguishment of debt	—	—	(41,242)	—
Investment income	10,601	8,315	26,046	25,964
Other, net	(110)	293	(207)	(862)
Income (loss) before income taxes	4,965	12,136	(7,612)	40,438
Income tax expense (benefit)	2,220	4,387	(2,258)	14,380
Net income (loss)	2,745	7,749	(5,354)	26,058
Less: net income attributable to noncontrolling interest	150	107	209	285
Net income (loss) attributable to common shareholders	\$ 2,595	\$ 7,642	\$ (5,563)	\$ 25,773
Net income (loss) per basic and diluted common shares attributable to common shareholders	\$ 0.05	\$ 0.19	\$ (0.11)	\$ 0.63

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Dividends declared per common share	\$ 0.39	\$ 0.39	\$ 1.16	\$ 1.16
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See accompanying notes.

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CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited; Amounts in thousands)

	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 2,745	\$ 7,749	\$ (5,354)	\$ 26,058
Pension and post-retirement obligations:				
Amortization of actuarial losses (gains) and prior service credit to earnings, net of tax	401	(136)	1,267	(408)
Derivative instruments designated as cash flow hedges:				
Change in fair value of derivatives, net of tax	(390)	-	(1,192)	-
Reclassification of realized loss to earnings, net of tax	185	290	676	1,001
Comprehensive income (loss)	2,941	7,903	(4,603)	26,651
Less: comprehensive income attributable to noncontrolling interest	150	107	209	285
Total comprehensive income (loss) attributable to common shareholders	\$ 2,791	\$ 7,796	\$ (4,812)	\$ 26,366

See accompanying notes.

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CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 23,854	\$ 6,679
Accounts receivable, net of allowance for doubtful accounts	73,304	77,536
Income tax receivable	27,198	18,940
Deferred income taxes	13,216	13,374
Prepaid expenses and other current assets	17,528	17,616
Total current assets	155,100	134,145
Property, plant and equipment, net	1,113,890	1,137,478
Investments	106,183	115,376
Goodwill	764,630	764,630
Other intangible assets	46,909	56,322
Deferred debt issuance costs, net and other assets	16,373	19,313
Total assets	\$ 2,203,085	\$ 2,227,264
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,903	\$ 15,277
Advance billings and customer deposits	31,407	31,933
Dividends payable	19,566	19,510
Accrued compensation	22,865	32,581
Accrued interest	17,330	6,784
Accrued expense	39,469	39,698
Current portion of long-term debt and capital lease obligations	10,120	9,849
Current portion of derivative liability	362	443
Total current liabilities	155,022	156,075
Long-term debt and capital lease obligations	1,406,297	1,356,753
Deferred income taxes	251,217	246,665
Pension and other postretirement obligations	104,247	122,363
Other long-term liabilities	16,070	14,579
Total liabilities	1,932,853	1,896,435
Commitments and contingencies (Note 11)		

Shareholders' equity:

Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 50,509,148 and 50,364,579 shares outstanding as of September 30, 2015 and December 31, 2014, respectively	505	504
Additional paid-in capital	295,581	357,139
Retained earnings	—	—
Accumulated other comprehensive loss, net	(30,889)	(31,640)
Noncontrolling interest	5,035	4,826
Total shareholders' equity	270,232	330,829
Total liabilities and shareholders' equity	\$ 2,203,085	\$ 2,227,264

See accompanying notes.

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CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; amounts in thousands)

	Nine Months Ended September 30,	
	2015	2014
Net cash provided by operating activities	\$ 167,637	\$ 133,364
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(100,119)	(76,038)
Proceeds from sale of assets	118	1,563
Proceeds from sale of investments	846	—
Restricted cash related to acquisition	—	(149,917)
Net cash used in investing activities	(99,155)	(224,392)
Cash flows from financing activities:		
Proceeds from bond offering	294,780	200,000
Restricted cash on bond offering	—	(54,886)
Proceeds from issuance of long-term debt	61,000	28,000
Payment of capital lease obligation	(658)	(481)
Payment on long-term debt	(80,825)	(32,825)
Redemption of senior notes	(261,874)	—
Payment of financing costs	(4,805)	(2,707)
Share repurchases for minimum tax withholding	(282)	—
Dividends on common stock	(58,643)	(46,734)
Net cash (used in) provided by financing activities	(51,307)	90,367
Increase (decrease) in cash and cash equivalents	17,175	(661)
Cash and cash equivalents at beginning of period	6,679	5,551
Cash and cash equivalents at end of period	\$ 23,854	\$ 4,890

See accompanying notes.

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CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Accounting

Consolidated Communications Holdings, Inc. (the “Company”, “we” or “our”) is a holding company with operating subsidiaries (collectively “Consolidated”) that provide integrated communications services in consumer, commercial and carrier channels in California, Illinois, Iowa, Kansas, Minnesota, Missouri, North Dakota, Pennsylvania, South Dakota, Texas and Wisconsin.

We operate as both an Incumbent Local Exchange Carrier (“ILEC”) and a Competitive Local Exchange Carrier (“CLEC”), dependent upon the territory served. We provide a wide range of services and products that include local and long-distance service, high-speed broadband Internet access, video services, Voice over Internet Protocol (“VoIP”), private line services, carrier grade access services, network capacity services over our regional fiber optic networks, cloud services, data center and managed services, directory publishing and equipment sales. As of September 30, 2015, we had approximately 488 thousand voice connections, 452 thousand data connections and 120 thousand video connections.

In the opinion of management, the accompanying condensed consolidated balance sheets and related condensed consolidated statements of operations, comprehensive income (loss) and cash flows include all adjustments, consisting only of normal recurring items, necessary for their fair presentation in conformity with accounting principles generally accepted in the United States (“US GAAP” or “GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to such SEC rules and regulations and accounting principles applicable for interim periods. Events subsequent to the balance sheet date have been evaluated for inclusion in the accompanying condensed consolidated financial statements through the date of issuance. Management believes that the disclosures made are adequate to make the information presented not misleading. Interim results are not necessarily indicative of results for a full year. The information presented in this Form 10-Q should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the accompanying notes to the financial statements (“Notes”) thereto included in our 2014 Annual Report on Form 10-K filed with the SEC.

Recent Business Developments

Enventis Merger

On October 16, 2014, we completed our acquisition of Enventis Corporation, a Minnesota corporation (“Enventis”), in which we acquired all the issued and outstanding shares of Enventis in exchange for shares of our common stock. The financial results for Enventis have been included in our condensed consolidated financial statements as of the acquisition date. See Note 2 for a more complete discussion of the transaction.

Issuance of Additional Senior Notes

On June 8, 2015, we issued an additional \$300.0 million in aggregate principal amount of 6.50% Senior Notes due 2022 (the “New Notes”). The New Notes were issued as additional notes under the same indenture pursuant to which our \$200.0 million aggregate principal amount of 6.50% Senior Notes due 2022 (the “Existing Notes” and together with the New Notes, the “2022 Notes”) were previously issued on September 18, 2014. The New Notes were priced at 98.26% of par and resulted in total gross proceeds of approximately \$294.8 million, excluding accrued interest. The net proceeds from the issuance of the New Notes were used, in part, to redeem the remaining \$227.2 million of the original aggregate principal amount of the 10.875% Senior Notes due 2020 (the “2020 Notes”), to pay related fees and expenses and to reduce the amount outstanding on our revolving credit facility. In connection with the redemption of the 2020 Notes, we paid \$261.9 million and recognized a loss on the extinguishment of debt of \$41.2 million during the nine months ended September 30, 2015. See Note 6 for a more complete discussion of the transaction.

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During the quarter ended September 30, 2015, we completed an exchange offer to register all of the 2022 Notes under the Securities Act of 1933, as amended (the “Securities Act”). The terms of the registered 2022 Notes are substantially identical to the 2022 Notes prior to the exchange, except that the notes are now registered under the Securities Act and the transfer restrictions and registration rights applicable to the 2022 Notes no longer apply to the registered 2022 Notes. The exchange offer did not impact the aggregate principal amount or the remaining terms of the 2022 Notes outstanding.

Early Retirement Program

As part of the Company’s continued integration efforts, an early retirement program was initiated during the quarter ended September 30, 2015 to a group of select employees who were 55 years of age or older and who have provided 15 or more years of service. The employees were primarily in non-customer facing positions or positions in which the Company believed the retiree’s workload could be absorbed internally as part of the Company’s continuing cost saving initiatives. The early retirement package was accepted by approximately 60 employees and, as a result, one-time severance costs of \$7.2 million were incurred during the quarter ended September 30, 2015. The Company expects approximately \$4.8 million in future annual savings as a result of the early retirement program.

Recent Accounting Pronouncements

In September 2015, the Financial Accounting Standards Board (“FASB”) issued the Accounting Standards Update No. 2015-16 (“ASU 2015-16”), Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 requires that the acquiring company in a business combination recognize adjustments to provisional amounts identified during the measurement period in the reporting period in which the adjustments are determined and record in the reporting period in which the adjustments are determined the effect on earnings of changes in depreciation, amortization and other items resulting from the change to the provisional amounts. ASU 2015-16 is effective for annual and interim periods beginning after December 15, 2015 and should be applied prospectively with early adoption permitted. The adoption of ASU 2015-16 is not expected to have a material impact on our condensed consolidated financial statements and related disclosures.

In April 2015, FASB issued the Accounting Standards Update No. 2015-03 (“ASU 2015-03”), Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that liability, consistent with debt discounts. Amendments in this update are effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2015, with early adoption permitted. Upon adoption of this guidance, that financial statement classification of debt issuance costs will change from assets to liabilities on our condensed consolidated balance sheet.

In August 2014, FASB issued the Accounting Standards Update No. 2014-15 (“ASU 2014-15”), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. ASU 2014-15 requires management to evaluate for each annual and interim reporting period whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements and requires specific disclosures regarding the conditions or events leading to substantial doubt. The new guidance is effective for annual and interim periods ending after December 15, 2016, with early adoption permitted. The adoption of ASU 2014-15 is not expected to have a material impact on our financial position or results of operations.

In May 2014, FASB issued the Accounting Standards Update No. 2014-09 (“ASU 2014-09”), Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides new, globally applicable converged guidance concerning recognition and measurement of revenue. As a result, significant additional disclosures are required about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, FASB issued the Accounting Standards Update No. 2015-14 (“ASU 2015-14”), Deferral of the Effective Date. ASU 2015-14 defers the effective date of ASU 2014-09 for all entities by one year. Accordingly, the new guidance in ASU 2014-09 is effective for annual and interim periods beginning on or after December 15, 2017. Companies are allowed to transition using either the modified retrospective or full retrospective adoption method. If full retrospective adoption is chosen, three years of financial information must be presented in accordance with the new standard. We are currently evaluating the alternative methods of adoption and the effect on our condensed consolidated financial statements and related disclosures.

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2. ACQUISITION

On October 16, 2014, we completed our merger with Enventis and acquired all the issued and outstanding shares of Enventis in exchange for shares of our common stock. As a result, Enventis became a wholly-owned subsidiary of the Company. Enventis is an advanced communications provider, which services business and residential customers primarily in the upper Midwest. The Enventis fiber network spans more than 4,200 route miles across Minnesota and into Iowa, North Dakota, South Dakota and Wisconsin. The acquisition reflects our strategy to diversify revenue and cash flows amongst multiple products and to expand our network to new markets.

At the effective time of the merger, each share of common stock, no par value, of Enventis owned immediately prior to the effective time of the merger converted into and became the right to receive 0.7402 shares of our common stock, par value of \$0.01 per share, plus cash in lieu of fractional shares, as set forth in the merger agreement. Based on the closing price of our common stock of \$25.40 per share on the date preceding the merger, the total value of the purchase consideration exchanged was \$257.7 million, excluding the repayment of Enventis' outstanding debt of \$149.9 million. On the date of the merger, we issued an aggregate total of 10.1 million shares of our common stock to the former Enventis shareholders. The results of operations of Enventis have been reported in our condensed consolidated financial statements as of the effective date of the acquisition.

The acquisition was accounted for in accordance with the acquisition method of accounting for business combinations. The tangible and intangible assets acquired and liabilities assumed were recorded at their estimated fair values as of the date of the acquisition. The valuation of the net assets acquired was finalized during the quarter ended September 30, 2015.

The final estimated fair value of the tangible and intangible assets acquired and liabilities assumed are as follows:

	(In thousands)
Cash and cash equivalents	\$ 10,382
Accounts receivable	37,399
Other current assets	15,961
Property, plant and equipment	284,709
Intangible assets	26,600
Other long-term assets	3,162
Total assets acquired	378,213
Current liabilities	40,552
Pension and other post-retirement obligations	13,852
Deferred income taxes	74,628
Other long-term liabilities	2,766

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Total liabilities assumed	131,798
Net fair value of assets acquired	246,415
Goodwill	161,184
Total consideration transferred	\$ 407,599

Goodwill recognized from the acquisition primarily relates to the expected contributions of the entity to our overall corporate strategy in addition to synergies and acquired workforce. Goodwill is not deductible for income tax purposes.

The identifiable intangible assets acquired include customer relationships of \$19.6 million, tradenames of \$1.4 million and non-compete agreements of \$5.6 million. The identifiable intangible assets are amortized using the straight-line method over their estimated useful lives, which is five to nine years for customer relationships, depending on the nature of the customer, five years for non-compete agreements and two years for tradenames.

During the nine months ended September 30, 2015, we made certain adjustments to the fair value of the assets acquired and liabilities assumed which resulted in an increase in property, plant and equipment of \$2.1 million, intangible assets of \$6.0 million, pension and other post-retirement obligations of \$6.3 million and deferred income taxes of \$0.6 million. The

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net impact of the adjustments increased net assets acquired and reduced goodwill by \$1.2 million. These adjustments have been retrospectively applied on the balance sheet as of the acquisition date. There was no material impact to amounts previously reported in the statement of operations as a result of these adjustments. During the quarter ended September 30, 2015, no significant adjustments were recorded to the preliminary valuation of the net assets acquired.

In connection with the opening balance sheet adjustment for the pension and other post-retirement obligations discussed above, we determined certain changes to the plan should be recognized as a post-acquisition event. As a result, the valuation of the post-retirement obligation was revised to appropriately reflect the changes in the plan provisions as a result of the acquisition. These changes resulted in a decrease to the pension and other post-retirement obligations liability of \$6.3 million, an increase in deferred taxes of \$2.4 million and a decrease in accumulated other comprehensive loss of \$3.9 million, which have been reflected in the condensed consolidated balance sheet as of December 31, 2014. The impact of the change to the results of operations was not material.

Unaudited Pro Forma Results

The following unaudited pro forma information presents our results of operations as if the acquisition of Enventis occurred on January 1, 2013. The adjustments to arrive at the pro forma information below included: additional depreciation and amortization expense for the fair value increases to property, plant and equipment and intangible assets acquired; an increase in interest expense to reflect the additional debt entered into to finance a portion of the acquisition; and the exclusion of certain acquisition related costs. Shares used to calculate the basic and diluted earnings per share were adjusted to reflect the additional shares of common stock issued to fund a portion of the acquisition price.

	Quarter Ended September 30, 2014	Nine Months Ended September 30, 2014
(Unaudited; in thousands, except per share amounts)		
Operating revenues	\$ 203,450	\$ 598,097
Income from operations	\$ 25,505	\$ 78,800
Net income	\$ 7,831	\$ 24,624
Less: net income attributable to noncontrolling interest	107	285
Net income attributable to common stockholders	\$ 7,724	\$ 24,339
Net income per common share-basic and diluted	\$ 0.15	\$ 0.49

The pro forma information does not purport to present the actual results that would have resulted if the acquisition had in fact occurred at the beginning of the fiscal periods presented, nor does the information project results for any future period. The pro forma information does not include the impact of any future cost savings or synergies that may be

achieved as a result of the acquisition.

3. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share (“EPS”) are computed using the two-class method, which is an earnings allocation that determines EPS for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. The Company’s restricted stock awards are considered participating securities because holders are entitled to receive non-forfeitable dividends during the vesting term. Diluted EPS includes securities that could potentially dilute basic EPS during a reporting period. Dilutive securities are not included in the computation of loss per share when a company reports a net loss from continuing operations as the impact would be anti-dilutive.

The potentially dilutive impact of the Company’s restricted stock awards is determined using the treasury stock method. Under the treasury stock method, awards are treated as if they had been exercised with any proceeds used to repurchase common stock at the average market price during the period. Any incremental difference between the assumed number of shares issued and purchased is included in the diluted share computation.

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The computation of basic and diluted EPS attributable to common shareholders computed using the two class method is as follows:

(In thousands, except per share amounts)	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income (loss)	\$ 2,745	\$ 7,749	\$ (5,354)	\$ 26,058
Less: net income attributable to noncontrolling interest	150	107	209	285
Income (loss) attributable to common shareholders before allocation of earnings to participating securities	2,595	7,642	(5,563)	25,773
Less: earnings allocated to participating securities	119	153	-	459
Net income (loss) attributable to common shareholders	\$ 2,476	\$ 7,489	\$ (5,563)	\$ 25,314
Weighted-average number of common shares outstanding	50,174	39,877	50,166	39,877
Net income (loss) per basic and diluted common share attributable to common shareholders	\$ 0.05	\$ 0.19	\$ (0.11)	\$ 0.63

Diluted earnings (loss) per common share attributable to common shareholders for the quarter and nine months ended September 30, 2015 both exclude 0.3 million potential common shares that could be issued under our share-based compensation plan because the inclusion of the potential common shares would have an antidilutive effect. For each of the quarter and nine months ended September 30, 2014, diluted earnings per common share attributable to common shareholders excluded 0.4 million potential common shares.

4. INVESTMENTS

Our investments are as follows:

(In thousands)	September 30, 2015	December 31, 2014
Cash surrender value of life insurance policies	\$ 2,044	\$ 2,039
Cost method investments:		
GTE Mobilnet of South Texas Limited Partnership (2.34% interest)	21,450	21,450
Pittsburgh SMSA Limited Partnership (3.60% interest)	22,950	22,950
CoBank, ACB Stock	7,971	7,645

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Other	200	200
Equity method investments:		
GTE Mobilnet of Texas RSA #17 Limited Partnership (20.51% interest)	19,381	27,990
Pennsylvania RSA 6(I) Limited Partnership (16.67% interest)	6,181	7,451
Pennsylvania RSA 6(II) Limited Partnership (23.67% interest)	26,006	23,894
CVIN, LLC	-	1,757
Totals	\$ 106,183	\$ 115,376

Cost Method

We own 2.34% of GTE Mobilnet of South Texas Limited Partnership (the “Mobilnet South Partnership”). The principal activity of the Mobilnet South Partnership is providing cellular service in the Houston, Galveston and Beaumont, Texas metropolitan areas. We also own 3.60% of Pittsburgh SMSA Limited Partnership (“Pittsburgh SMSA”), which provides cellular service in and around the Pittsburgh metropolitan area. Because of our limited influence over these partnerships, we use the cost method to account for both of these investments. It is not practicable to estimate the fair value of these investments. We did not evaluate any of the investments for impairment during the quarters or nine months ended September 30, 2015 or 2014 as no factors indicating impairment existed. For the quarters ended September 30, 2015 and 2014, we received cash distributions from these partnerships totaling \$5.0 million and \$3.8 million, respectively. For the

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nine months ended September 30, 2015 and 2014, we received cash distributions from these partnerships totaling \$9.8 million and \$11.1 million, respectively.

CoBank, ACB (“CoBank”) is a cooperative bank owned by its customers. On an annual basis, CoBank distributes patronage in the form of cash and stock in the cooperative based on the Company’s outstanding loan balance with CoBank, which has traditionally been a significant lender in the Company’s credit facility. The investment in CoBank represents the accumulation of the equity patronage paid by CoBank to the Company.

Equity Method

We own 20.51% of GTE Mobilnet of Texas RSA #17 Limited Partnership (“RSA #17”), 16.67% of Pennsylvania RSA 6(I) Limited Partnership (“RSA 6(I)”) and 23.67% of Pennsylvania RSA 6(II) Limited Partnership (“RSA 6(II)”). RSA #17 provides cellular service to a limited rural area in Texas. RSA 6(I) and RSA 6(II) provide cellular service in and around our Pennsylvania service territory. Because we have significant influence over the operating and financial policies of these three entities, we account for the investments using the equity method. For the quarters ended September 30, 2015 and 2014, we received cash distributions from these partnerships totaling \$15.0 million and \$3.8 million, respectively. For the nine months ended September 30, 2015 and 2014, we received cash distributions from these partnerships totaling \$24.3 million and \$14.2 million, respectively.

During the quarter ended June 30, 2015, we sold our 6.96% interest in Central Valley Independent Network, LLC (“CVIN”), a joint enterprise comprised of affiliates of several independent telephone companies located in central and northern California. CVIN provides network services and oversees a broadband infrastructure project designed to expand and improve the availability of network services to counties in central California. As a result of the sale, we recognized an other-than-temporary impairment loss of \$0.8 million during the nine months ended September 30, 2015 to reduce the investment to its estimated fair value. The impairment charge is included in investment income within other income (expense) in the condensed consolidated statements of operations. We did not receive any distributions from this partnership during the quarters or nine months ended September 30, 2015 and 2014.

The combined unaudited results of operations and financial position of our three equity investments in the cellular limited partnerships are summarized below:

(In thousands)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	\$ 86,885	\$ 85,511	\$ 259,901	\$ 249,556
Income from operations	27,322	24,233	81,127	73,539

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Net income before taxes	26,991	24,271	80,606	73,633
Net income	26,991	24,271	80,606	73,633

	September 30, 2015	December 31, 2014
(In thousands)		
Current assets	\$ 65,765	\$ 52,866
Non-current assets	95,784	93,771
Current liabilities	21,060	16,253
Non-current liabilities	52,527	3,225
Partnership equity	87,962	127,159

5. FAIR VALUE MEASUREMENTS

Our derivative instruments related to interest rate swap agreements are required to be measured at fair value on a recurring basis. The fair values of the interest rate swaps are determined using valuation models which rely on the expected London Interbank Offered Rate (“LIBOR”) based yield curve and estimates of counterparty and Consolidated’s non-performance risk as the most significant inputs. Because each of these inputs are directly observable or can be corroborated by observable market data, we have categorized these interest rate swaps as Level 2 within the fair value hierarchy. See Note 7 for further discussion regarding our interest rate swap agreements.

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Our interest rate swap liabilities measured at fair value on a recurring basis and subject to disclosure requirements as of September 30, 2015 and December 31, 2014 were as follows:

(In thousands)	Total	As of September 30, 2015		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Current interest rate swap liabilities	\$ (362)	\$ -	\$ (362)	\$ -
Long-term interest rate swap liabilities	(1,508)	-	(1,508)	-
Total	\$ (1,870)	\$ -	\$ (1,870)	\$ -

(In thousands)	Total	As of December 31, 2014		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Current interest rate swap liabilities	\$ (443)	—	\$ (443)	—
Long-term interest rate swap liabilities	(690)	—	(690)	—
Total	\$ (1,133)	\$ —	\$ (1,133)	\$ —

We have not elected the fair value option for any of our financial assets or liabilities. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short maturities or variable-rate nature of the respective balances. The following table presents the other financial instruments that are not carried at fair value but which require fair value disclosure as of September 30, 2015 and December 31, 2014.

(In thousands)	As of September 30, 2015		As of December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments, equity basis	\$ 51,568	n/a	\$ 61,092	n/a
Investments, at cost	\$ 52,571	n/a	\$ 52,245	n/a
Long-term debt, excluding capital leases	\$ 1,411,546	\$ 1,362,547	\$ 1,362,049	\$ 1,381,972

Cost & Equity Method Investments

Our investments as of September 30, 2015 and December 31, 2014 accounted for under both the equity and cost methods consisted primarily of minority positions in various cellular telephone limited partnerships and our investment in CoBank. It is impracticable to determine the fair value of these investments.

Long-term Debt

The fair value of our senior notes was based on quoted market prices, and the fair value of borrowings under our credit facility was determined using current market rates for similar types of borrowing arrangements. We have categorized the long-term debt as Level 2 within the fair value hierarchy.

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6. LONG-TERM DEBT

Long-term debt, presented net of unamortized discounts, consisted of the following:

(In thousands)	September 30, 2015	December 31, 2014
Senior secured credit facility:		
Term 4 loan, net of discount of \$3,494 and \$3,948 as of September 30, 2015 and December 31, 2014, respectively	\$ 890,581	\$ 896,952
Revolving loan	26,000	39,000
10.875% Senior notes due 2020, net of discount of \$1,121 as of December 31, 2014	—	226,097
6.50% Senior notes due 2022, net of discount of \$5,035 as of September 30, 2015	494,965	200,000
Capital leases	4,871	4,553
	1,416,417	1,366,602
Less: current portion of long-term debt and capital leases	(10,120)	(9,849)
Total long-term debt	\$ 1,406,297	\$ 1,356,753

Credit Agreement

In December 2013, the Company, through certain of its wholly owned subsidiaries, entered into a Second Amended and Restated Credit Agreement with various financial institutions (the "Credit Agreement") to replace the Company's previously amended credit agreement. The Credit Agreement consists of a \$75.0 million revolving credit facility and initial term loans in the aggregate amount of \$910.0 million ("Term 4"). The Credit Agreement also includes an incremental term loan facility which provides the ability to request to borrow up to \$300.0 million of incremental term loans subject to certain terms and conditions. Borrowings under the senior secured credit facility are secured by substantially all of the assets of the Company and its subsidiaries, with the exception of Illinois Consolidated Telephone Company and our majority-owned subsidiary, East Texas Fiber Line Incorporated.

The Term 4 loan was issued in an original aggregate principal amount of \$910.0 million with a maturity date of December 23, 2020. The Term 4 loan contains an original issuance discount of \$4.6 million, which is being amortized over the term of the loan. The Term 4 loan requires quarterly principal payments of \$2.3 million, which commenced March 31, 2014, and has an interest rate of LIBOR plus 3.25% subject to a 1.00% LIBOR floor.

Our revolving credit facility has a maturity date of December 23, 2018 and an applicable margin (at our election) of between 2.50% and 3.25% for LIBOR-based borrowings or between 1.50% and 2.25% for alternate base rate borrowings, depending on our leverage ratio. Based on our leverage ratio as of September 30, 2015, the borrowing

margin for the next three month period ending December 31, 2015 will be at a weighted-average margin of 3.00% for a LIBOR-based loan or 2.00% for an alternate base rate loan. The applicable borrowing margin for the revolving credit facility is adjusted quarterly to reflect the leverage ratio from the prior quarter-end. As of September 30, 2015 and December 31, 2014, borrowings of \$26.0 million and \$39.0 million were outstanding under the revolving credit facility, respectively. A stand-by letter of credit of \$1.6 million, issued primarily in connection with the Company's insurance coverage, was outstanding under our revolving credit facility as of September 30, 2015. The stand-by letter of credit is renewable annually and reduces the borrowing availability under the revolving credit facility. As of September 30, 2015, \$47.4 million was available for borrowing under the revolving credit facility.

The weighted-average interest rate on outstanding borrowings under our credit facility was 4.22% and 4.20% as of September 30, 2015 and December 31, 2014, respectively. Interest is payable at least quarterly.

Net proceeds from asset sales exceeding certain thresholds, to the extent not reinvested, are required to be used to repay loans outstanding under the Credit Agreement.

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Credit Agreement Covenant Compliance

The Credit Agreement contains various provisions and covenants, including, among other items, restrictions on the ability to pay dividends, incur additional indebtedness and issue capital stock. We have agreed to maintain certain financial ratios, including interest coverage and total net leverage ratios, all as defined in the Credit Agreement. As of September 30, 2015, we were in compliance with the Credit Agreement covenants.

In general, our Credit Agreement restricts our ability to pay dividends to the amount of our available cash as defined in our Credit Agreement. As of September 30, 2015, and including the \$19.6 million dividend declared in August 2015 and paid on November 2, 2015, we had \$226.1 million in dividend availability under the credit facility covenant.

Under our Credit Agreement, if our total net leverage ratio, as defined in the Credit Agreement, as of the end of any fiscal quarter is greater than 5.10:1.00, we will be required to suspend dividends on our common stock unless otherwise permitted by an exception for dividends that may be paid from the portion of proceeds of any sale of equity not used to fund acquisitions or make other investments. During any dividend suspension period, we will be required to repay debt in an amount equal to 50.0% of any increase in available cash, among other things. In addition, we will not be permitted to pay dividends if an event of default under the Credit Agreement has occurred and is continuing. Among other things, it will be an event of default if our total net leverage ratio and interest coverage ratio as of the end of any fiscal quarter is greater than 5.25:1.00 and less than 2.25:1.00, respectively. As of September 30, 2015, our total net leverage ratio under the Credit Agreement was 4.24:1.00, and our interest coverage ratio was 3.99:1.00.

Senior Notes

6.50% Senior Notes due 2022

On June 8, 2015, we completed an offering of \$300.0 million in aggregate principal amount of 6.50% Senior Notes due 2022. The New Notes were priced at 98.26% of par with a yield to maturity of 6.80% and resulted in total gross proceeds of approximately \$294.8 million, excluding accrued interest. The discount and deferred debt issuance costs of \$4.5 million incurred in connection with the issuance of the New Notes are being amortized using the effective interest method over the term of the notes. The net proceeds from the issuance of the New Notes were used, in part, to redeem the remaining \$227.2 million of our original \$300.0 million aggregate principal amount of 10.875% Senior Notes due 2020, to pay related fees and expenses and to reduce the amount outstanding on the revolving credit facility. In connection with the redemption of the 2020 Notes, we paid \$261.9 million and recognized a loss on extinguishment of debt of \$41.2 million during the nine months ended September 30, 2015.

The New Notes were issued as additional notes under the same indenture pursuant to which the \$200.0 million aggregate principal amount of 6.50% Senior Notes due 2022 (the “Existing Notes” and together with the New Notes, the “2022 Notes”) were previously issued on September 18, 2014. The Existing Notes were priced at par, which resulted in total gross proceeds of \$200.0 million. The net proceeds from the issuance of the Existing Notes were used to finance the acquisition of Enventis, including related fees and expenses, and to repay the existing indebtedness of Enventis. A portion of the net proceeds, together with cash on hand and borrowings from the revolving credit facility, were also used to repurchase \$72.8 million of the original aggregate principal amount of the 2020 Notes during the fourth quarter of 2014.

The 2022 Notes mature on October 1, 2022 and interest is payable semi-annually on April 1 and October 1 of each year. Consolidated Communications, Inc. (“CCI”) is the primary obligor under the 2022 Notes, and we and certain of our wholly owned subsidiaries have fully and unconditionally guaranteed the 2022 Notes. The 2022 Notes are senior unsecured obligations of the Company.

During the quarter ended September 30, 2015, we completed an exchange offer to register all of the 2022 Notes under the Securities Act. The terms of the registered 2022 Notes are substantially identical to those of the 2022 Notes prior to the exchange, except that the 2022 Notes are now registered under the Securities Act and the transfer restrictions and registration rights previously applicable to the 2022 Notes no longer apply to the registered 2022 notes. The exchange offer did not impact the aggregate principal amount or the remaining terms of the 2022 Notes outstanding.

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Senior Notes Covenant Compliance

Subject to certain exceptions and qualifications, the indenture governing the 2022 Notes contains customary covenants that, among other things, limits CCI's and its restricted subsidiaries' ability to: incur additional debt or issue certain preferred stock; pay dividends or make other distributions on capital stock or prepay subordinated indebtedness; purchase or redeem any equity interests; make investments; create liens; sell assets; enter into agreements that restrict dividends or other payments by restricted subsidiaries; consolidate, merge or transfer all or substantially all of its assets; engage in transactions with its affiliates; or enter into any sale and leaseback transactions. The indenture also contains customary events of default.

Among other matters, the 2022 Notes indenture provides that CCI may not pay dividends or make other restricted payments, as defined in the indenture, if its total net leverage ratio is 4.75:1.00 or greater. This ratio is calculated differently than the comparable ratio under the Credit Agreement; among other differences, it takes into account, on a pro forma basis, synergies expected to be achieved as a result of certain acquisitions not yet reflected in historical results. As of September 30, 2015, this ratio was 4.33:1.00. If this ratio is met, dividends and other restricted payments may be made from cumulative consolidated cash flow since April 1, 2012, less 1.75 times fixed charges, less dividends and other restricted payments made since May 30, 2012. Dividends may be paid and other restricted payments may also be made from a "basket" of \$50.0 million, none of which has been used to date, and pursuant to other exceptions identified in the indenture. Since dividends of \$233.5 million have been paid since May 30, 2012, including the quarterly dividend declared in August 2015 and paid on November 2, 2015, there was \$325.4 million of the \$558.9 million of cumulative consolidated cash flow since May 30, 2012 available to pay dividends as of September 30, 2015. As of September 30, 2015, the Company was in compliance with all terms, conditions and covenants under the indenture governing the 2022 Notes.

Capital Leases

We lease certain facilities and equipment under various capital leases which expire between 2015 and 2021. As of September 30, 2015, the present value of the minimum remaining lease commitments was approximately \$4.9 million, of which \$1.0 million was due and payable within the next twelve months. The leases require total remaining rental payments of \$6.5 million as of September 30, 2015, of which \$4.5 million will be paid to LATEL LLC, a related party entity.

7. DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments to manage our exposure to the risks associated with fluctuations in interest rates. Our interest rate swap agreements effectively convert a portion of our floating-rate debt to a fixed rate basis, thereby reducing the impact of interest rate changes on future cash interest payments. Derivative financial instruments

are recorded at fair value in our condensed consolidated balance sheets. We may designate certain of our interest rate swaps as cash flow hedges of our expected future interest payments. For derivative instruments designated as a cash flow hedge, the effective portion of the change in the fair value is recognized as a component of accumulated other comprehensive income (loss) ("AOCI") and is recognized as an adjustment to earnings over the period in which the hedged item impacts earnings. When an interest rate swap agreement terminates, any resulting gain or loss is recognized over the shorter of the remaining original term of the hedging instrument or the remaining life of the underlying debt obligation. If a derivative instrument is de-designated, the remaining gain or loss in AOCI on the date of de-designation is amortized to earnings over the remaining term of the hedging instrument. For derivative financial instruments that are not designated as a hedge, including those that have been de-designated, changes in fair value are recognized on a current basis in earnings. The ineffective portion of the change in fair value of any hedging derivative is recognized immediately in earnings. Cash flows from hedging activities are classified under the same category as the cash flows from the hedged items in our condensed consolidated statements of cash flows.

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The following interest rate swaps were outstanding as of September 30, 2015:

(In thousands)	Notional Amount	2015 Balance Sheet Location	Fair Value
Cash Flow Hedges:			
Fixed to 1-month floating LIBOR (with floor)	\$ 150,000	Other long-term liabilities	\$ (1,508)
De-designated Hedges:			
Fixed to 1-month floating LIBOR	\$ 50,000	Current portion of derivative liability	(204)
Fixed to 1-month floating LIBOR (with floor)	\$ 50,000	Current portion of derivative liability	(158)
Total Fair Values			\$ (1,870)

The following interest rate swaps were outstanding as of December 31, 2014:

(In thousands)	Notional Amount	2014 Balance Sheet Location	Fair Value
Cash Flow Hedges:			
Fixed to 1-month floating LIBOR (with floor)	\$ 100,000	Other long-term liabilities	\$ (133)
De-designated Hedges:			
Fixed to 1-month floating LIBOR	\$ 125,000	Other long-term liabilities	(410)
Fixed to 1-month floating LIBOR	\$ 50,000	Current portion of derivative liability	(443)
Fixed to 1-month floating LIBOR (with floor)	\$ 50,000	Other long-term liabilities	(147)
Total Fair Values			\$ (1,133)

The counterparties to our various swaps are highly rated financial institutions. None of the swap agreements provide for either us or the counterparties to post collateral nor do the agreements include any covenants related to the financial condition of Consolidated or the counterparties. The swaps of any counterparty that is a lender, as defined in our credit facility, are secured along with the other creditors under the credit facility. Each of the swap agreements provides that, in the event of a bankruptcy filing by either Consolidated or the counterparty, any amounts owed between the two parties would be offset in order to determine the net amount due between parties. This provision allows us to partially mitigate the risk of non performance by a counterparty.

In 2013, interest rate swaps previously designated as cash flow hedges were de-designated as a result of amendments to our credit agreement. The interest rate swap agreements mature on various dates through September 2016. Prior to

de-designation, the effective portion of the change in fair value of the interest rate swaps was recognized in AOCI. The balance of the unrealized loss included in AOCI as of the date the swaps were de-designated is being amortized to earnings over the remaining term of the swap agreements. Changes in fair value of the de-designated swaps are immediately recognized in earnings as interest expense. During the quarter and nine-month periods ended September 30, 2015, a gain of \$0.1 million and \$0.6 million, respectively, was recognized as a reduction to interest expense for the change in fair value of the de-designated swaps. During the quarter and nine-month periods ended September 30, 2014, a gain of \$0.7 million and \$1.2 million, respectively, was recognized as a reduction to interest expense for the change in fair value of the de-designated swaps.

As of September 30, 2015 and December 31, 2014, the pre-tax deferred losses related to our interest rate swap agreements included in AOCI were \$1.6 million and \$0.8 million, respectively. The estimated amount of losses included in AOCI as of September 30, 2015 that will be recognized in earnings in the next twelve months is approximately \$1.0 million.

Information regarding our cash flow hedge transactions is as follows:

(In thousands)	Quarter Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Loss recognized in AOCI, pretax	\$ (631)	\$ —	\$ (1,932)	\$ —
Deferred losses reclassified from AOCI to interest expense	\$ (300)	\$ (468)	\$ (1,096)	\$ (1,616)

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8. EQUITY

Share-Based Compensation

On May 4, 2015, the shareholders approved an additional 1,000,000 shares of our common stock authorized for issuance under the Amended and Restated Consolidated Communications Holdings, Inc. 2005 Long-term Incentive Plan (the “Plan”). Under the Plan, 2,650,000 shares of our common stock are authorized for issuance, provided that no more than 300,000 shares may be granted in the form of stock options or stock appreciation rights to any eligible employee or director in any calendar year.

The following table summarizes total compensation costs recognized for share-based payments during the quarters and nine-month periods ended September 30, 2015 and 2014:

(In thousands)	Quarter Ended		Nine Months	
	September 30,		Ended	
	2015	2014	2015	2014
Restricted stock	\$ 401	\$ 531	\$ 1,267	\$ 1,575
Performance shares	341	417	998	1,097
Total	\$ 742	\$ 948	\$ 2,265	\$ 2,672

Share-based compensation expense is included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

As of September 30, 2015, total unrecognized compensation costs related to non-vested Restricted Stock Awards (“RSAs”) and Performance Share Awards (“PSAs”) was \$4.4 million and will be recognized over a weighted-average period of approximately 1.1 years.

The following table summarizes the RSA and PSA activity for the nine-month period ended September 30, 2015:

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	RSAs	Weighted Average Grant Date Fair Value	PSAs	Weighted Average Grant Date Fair Value
	Shares		Shares	
Non-vested shares outstanding - January 1, 2015	141,565	\$ 18.78	82,409	\$ 18.94
Shares granted	83,571	\$ 21.08	77,786	\$ 19.74
Shares vested	(42,560)	\$ 20.90	(7,618)	\$ 18.45
Non-vested shares outstanding - September 30, 2015	182,576		152,577	

Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss, net of tax, by component for the nine-month period ended September 30, 2015:

(In thousands)	Pension and Post-Retirement Obligations	Derivative Instruments	Total
Balance as of December 31, 2014	\$ (31,185)	\$ (455)	\$ (31,640)
Other comprehensive income before reclassifications	—	(1,192)	(1,192)
Amounts reclassified from accumulated other comprehensive income	1,267	676	1,943
Net current period other comprehensive income	1,267	(516)	751
Balance as of September 30, 2015	\$ (29,918)	\$ (971)	\$ (30,889)

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The following table summarizes reclassifications from accumulated other comprehensive loss for the quarters and nine-month periods ended September 30, 2015 and 2014:

(In thousands)	Quarter Ended		Nine Months Ended		Affected Line Item in the Statement of Income
	September 30, 2015	2014	September 30, 2015	2014	
Amortization of pension and post-retirement items:					
Prior service credit	\$ 487	\$ 80	\$ 834	\$ 239	(a)
Actuarial (loss) gain	(1,145)	142	(2,913)	426	(a)
	(658)	222	(2,079)	665	Total before tax
	257	(86)	812	(257)	Tax benefit
	\$ (401)	\$ 136	\$ (1,267)	\$ 408	(expense) Net of tax
Loss on cash flow hedges:					
Interest rate derivatives	\$ (300)	\$ (468)	\$ (1,096)	\$ (1,616)	Interest expense
	115	178	420	615	Tax benefit
	\$ (185)	\$ (290)	\$ (676)	\$ (1,001)	Net of tax

(a) These items are included in the components of net periodic benefit cost for our pension and other post-retirement benefit plans. See Note 9 for further discussion regarding our pension and other post-retirement benefit plans.

9. PENSION PLAN AND OTHER POST-RETIREMENT BENEFITS

Defined Benefit Plans

We sponsor a qualified defined benefit pension plan (“Retirement Plan”) that is non-contributory covering certain of our hourly employees who fulfill minimum age and service requirements. Certain salaried employees are also covered by the Retirement Plan, although these benefits have previously been frozen. The Retirement Plan is closed to all new entrants and all employees under collective bargaining agreements that provide for defined benefit plan coverage to accrue benefits under a cash balance formula.

We also have two non-qualified supplemental retirement plans (“Supplemental Plans”). The Supplemental Plans provide supplemental retirement benefits to certain former employees by providing for incremental pension payments to partially offset the reduction that would have been payable under the qualified defined benefit pension plans if it were not for limitations imposed by federal income tax regulations. The Supplemental Plans have previously been frozen so that no person is eligible to become a new participant. These plans are unfunded and have no assets. The

benefits paid under the Supplemental Plans are paid from the general operating funds of the Company.

The following table summarizes the components of net periodic pension cost for our defined benefit plans for the quarters and nine-month periods ended September 30, 2015 and 2014:

(In thousands)	Quarter Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	\$ 50	\$ 140	\$ 308	\$ 420
Interest cost	3,978	4,074	11,841	12,221
Expected return on plan assets	(5,842)	(5,776)	(17,529)	(17,329)
Net amortization loss	1,105	4	3,013	14
Net prior service credit amortization	(115)	(114)	(343)	(343)
Net periodic pension benefit	\$ (824)	\$ (1,672)	\$ (2,710)	\$ (5,017)

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Other Non-qualified Deferred Compensation Agreements

We are also liable for deferred compensation agreements with former members of the board of directors and certain other former employees of acquired companies. Depending on the plan, benefits are payable in monthly or annual installments for a period of time based on the terms of the agreement, which range from five years up to the life of the participant or to the beneficiary upon the death of the participant, and may begin as early as age 55. Participants accrue no new benefits as these plans had previously been frozen. Payments related to the deferred compensation agreements totaled approximately \$0.1 million during the quarter ended September 30, 2014 and \$0.2 million and \$0.3 million for the nine-month periods ended September 30, 2015 and 2014, respectively. No payments were made during the quarter ended September 30, 2015. The net present value of the remaining obligations was approximately \$2.1 million and \$2.4 million as of September 30, 2015 and December 31, 2014, respectively, and is included in pension and other post-retirement benefit obligations in the accompanying condensed consolidated balance sheets.

We also maintain 28 life insurance policies on certain of the participating former directors and employees. The excess of the cash surrender value of the remaining life insurance policies over the notes payable balances related to these policies is determined by an independent consultant, and totaled \$2.0 million as of September 30, 2015 and December 31, 2014. These amounts are included in investments in the accompanying condensed consolidated balance sheets. Cash principal payments for the policies and any proceeds from the policies are classified as operating activities in the condensed consolidated statements of cash flows. We did not recognize any life insurance proceeds during the quarter or nine-month period ended September 30, 2015. We recognized \$0.2 million in life insurance proceeds as other non-operating income during the nine-month period ended September 30, 2014.

Post-retirement Benefit Obligations

We sponsor various healthcare and life insurance plans (“Post-retirement Plans”) that provide post-retirement medical and life insurance benefits to certain groups of retired employees. Certain plans have previously been frozen so that no person is eligible to become a new participant. Retirees share in the cost of healthcare benefits, making contributions that are adjusted periodically—either based upon collective bargaining agreements or because total costs of the program have changed. Covered expenses for retiree health benefits are paid as they are incurred. Post-retirement life insurance benefits are fully insured. A majority of the healthcare plans are unfunded and have no assets, and benefits are paid from the general operating funds of the Company. However, a plan acquired in the purchase of another company has assets that are separately designated within the Retirement Plan for the sole purpose of providing payments of retiree medical benefits for this specific plan. The assets used to provide payment of these retiree medical benefits are the same as those of the Retirement Plan. In connection with the acquisition of Enventis, its post-retirement benefit plan has been included as of the date of acquisition.

The following table summarizes the components of the net periodic cost for our post-retirement benefit plans for the quarters and nine-month periods ended September 30, 2015 and 2014:

(In thousands)	Quarter Ended		Nine Months	
	September 30,		September 30,	
	2015	2014	2015	2014
Service cost	\$ 155	\$ 91	\$ 450	\$ 271
Interest cost	458	354	1,284	1,064
Expected return on plan assets	4	(54)	(112)	(164)
Net amortization (gain) loss	40	(146)	(100)	(440)
Net prior service cost (credit) amortization	(372)	34	(491)	104
Net periodic postretirement benefit cost	\$ 285	\$ 279	\$ 1,031	\$ 835

Contributions

We expect to contribute approximately \$12.2 million to our pension plans and \$2.5 million to our other post retirement plans in 2015. As of September 30, 2015, we have contributed \$12.1 million and \$1.8 million of the annual contribution to the pension plans and other post-retirement plans, respectively.

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10. INCOME TAXES

There have been no changes to our unrecognized tax benefits as reported as of December 31, 2014. As of September 30, 2015 and December 31, 2014, the amount of unrecognized tax benefits was \$0.2 million. The net amount of unrecognized benefits that, if recognized, would result in an impact to the effective tax rate is \$0.2 million. We do not expect any material changes in our unrecognized tax benefits during the remainder of 2015.

Our practice is to recognize interest and penalties related to income tax matters in interest expense and general and administrative expense, respectively. As of September 30, 2015, we did not have a material liability for interest or penalties and had no material interest or penalty expense.

The periods subject to examination for our federal return are years 2013 through 2014. The periods subject to examination for our state returns are years 2011 through 2014. We are not currently under examination by federal or state taxing authorities.

Our effective tax rate was 44.7% and 36.2% for the quarters ended September 30, 2015 and 2014, respectively, and 29.7% and 35.6% for the nine-month periods ended September 30, 2015 and 2014, respectively. For the quarter and nine-month periods ended September 30, 2015, the effective tax rate differed from the federal and state statutory rates primarily due to non-deductible expenses, state taxable income differences and state tax credits. We also recognized approximately \$0.2 million of tax expense during the quarter ended September 30, 2015 to adjust our 2014 provision to match our 2014 returns compared to \$0.01 million of tax benefit during the quarter ended September 30, 2014 to adjust our 2013 provision to match our 2013 returns. For the quarter and nine-month periods ended September 30, 2014, the effective tax rate differed from the federal and state statutory rates primarily due to the release of a valuation allowance set up on federal net operating loss carryforwards subject to separate return limitation year restrictions. Exclusive of these adjustments, our effective tax rate would have been approximately 41.7% and 36.2% for the quarters ended September 30, 2015 and 2014, respectively, and 31.5% and 36.8% for the nine-month periods ended September 30, 2015 and 2014, respectively.

On September 13, 2013, Treasury and the Internal Revenue Service issued final regulations regarding the deduction and capitalization of expenditures related to tangible property. The final regulations under Internal Revenue Code Sections 162, 167 and 263(a) apply to amounts paid to acquire, produce or improve tangible property as well as dispositions of such property, and are generally effective for tax years beginning on or after January 1, 2014. We have adopted and implemented these regulations with the filing of our 2014 returns.

11. COMMITMENTS AND CONTINGENCIES

Litigation, Regulatory Proceedings and Other Contingencies

In 2014, Sprint Corporation, Level 3 Communications, Inc. and Verizon Communications Inc. filed lawsuits against us and many others in the industry regarding the proper charges to be applied between interexchange and local exchange carriers for certain calls between mobile and wireline devices that are routed through an interexchange carrier. The plaintiffs are refusing to pay these access charges in all states and are seeking refunds of past charges paid. The disputed amounts total \$2.1 million, and cover the periods extending from 2006. CenturyLink, Inc. has filed to bring all related suits to the U.S. District Court's Judicial Panel on multi district litigation. This panel is granted authority to transfer to a single court the pretrial proceedings for civil cases involving common questions of fact. The U.S. District Court in Dallas, Texas is expected to hear the case no later than the fourth quarter of 2015. We have interconnection agreements in place with all wireless carriers and the applicable traffic is being billed at current access rates, therefore we do not expect any potential settlement or judgment to have an adverse material impact on our financial results or cash flows.

On April 14, 2008, Salsgiver Inc., a Pennsylvania-based telecommunications company, and certain of its affiliates ("Salsgiver") filed a lawsuit against us and our subsidiaries North Pittsburgh Telephone Company and North Pittsburgh Systems Inc. in the Court of Common Pleas of Allegheny County, Pennsylvania alleging that we had prevented Salsgiver from connecting their fiber optic cables to our utility poles. Salsgiver sought compensatory and punitive damages as the result of alleged lost projected profits, damage to its business reputation and other costs. Salsgiver originally claimed to

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have sustained losses of approximately \$125.0 million. We believe that these claims are without merit and that the alleged damages are completely unfounded. We had recorded approximately \$0.4 million in 2011 in anticipation of the settlement of this case. During the quarter ended September 30, 2013, we recorded an additional \$0.9 million, which included estimated legal fees. A jury trial concluded on May 14, 2015 with the jury ruling in our favor. Salsgiver subsequently filed a post-trial motion asking the judge to overturn the jury verdict. That motion was denied. On June 17, 2015, Salsgiver filed an appeal in the Pennsylvania Superior Court. Salsgiver's brief is scheduled to be filed with the Superior Court on December 4, 2015, with the Company's brief due thirty days later. We believe that, despite the appeal, the \$1.3 million currently accrued represents management's best estimate of the potential loss if the verdict is overturned in Salsgiver's favor.

Two of our subsidiaries, Consolidated Communications of Pennsylvania Company LLC ("CCPA") and Consolidated Communications Enterprise Services Inc. ("CCES"), have, at various times, received assessment notices from the Commonwealth of Pennsylvania Department of Revenue ("DOR") increasing the amounts owed for Pennsylvania Gross Receipt Taxes, and/or have had audits performed for the tax years of 2008 through 2013. In addition, a re-audit was performed on CCPA for the 2010 calendar year. For the calendar years for which we received both additional assessment notices and audit actions, those issues have been combined by the DOR into a single Docket for each year.

For the CCES subsidiary, the total additional tax liability calculated by the auditors for the tax years 2008 through 2013 is approximately \$4.1 million. Audits for calendar years 2008 through 2010 have been filed for appeal and have received continuances pending the outcome of the present litigation in the Commonwealth of Pennsylvania (Verizon Pennsylvania, Inc. v. Commonwealth, Docket No. 266 F.R. 2008). The preliminary audit findings for the calendar years 2011 through 2013 were received on September 16, 2014. We are awaiting invoices for each of these years, at which time we will prepare to file an appeal with the DOR.

For the CCPA subsidiary, the total additional tax liability calculated by the auditors for calendar years 2008 through 2013 (using the re-audited 2010 number) is approximately \$5.0 million. Appeals of cases for calendar years 2008, 2009 and the original 2010 audit have been filed and have received continuance pending the outcome of present litigation in the Commonwealth of Pennsylvania (Verizon Pennsylvania, Inc. v. Commonwealth, Docket No. 266 F.R. 2008). The preliminary audit findings for the calendar years 2011 through 2013, as well as the re-audit of 2010, were received on September 16, 2014. We are awaiting invoices for each of these years, at which time we will prepare to file an appeal with the DOR.

We anticipate that the outstanding audits and subsequent appeals will be continued pending the outcome of the Verizon litigation. The Gross Receipts Tax issues in the Verizon Pennsylvania case are substantially the same as those presently facing CCPA and CCES. In addition, there are numerous telecommunications carriers with Gross Receipts Tax matters dealing with the same issues that are in various stages of appeal before the Board of Finance and Revenue and the Commonwealth Court. Those appeals by other similarly situated telecommunications carriers have been continued until resolution of the Verizon Pennsylvania case. We believe that these assessments and the positions taken by the Commonwealth of Pennsylvania are without substantial merit. We do not believe that the outcome of these claims will have a material adverse impact on our financial results or cash flows.

We are from time to time involved in various other legal proceedings and regulatory actions arising out of our operations. We do not believe that any of these, individually or in the aggregate, will have a material adverse effect upon our business, operating results or financial condition.

12. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Consolidated Communications, Inc. is the primary obligor under the unsecured 2022 Notes. We and substantially all of our subsidiaries, excluding Illinois Consolidated Telephone Company, have jointly and severally guaranteed the 2022 Notes. All of the subsidiary guarantors are 100% direct or indirect wholly owned subsidiaries of the parent, and all guarantees are full, unconditional and joint and several with respect to principal, interest and liquidated damages, if any. As such, we present condensed consolidating balance sheets as of September 30, 2015 and December 31, 2014, condensed consolidating statements of operations for the quarters and nine-month periods ended September 30, 2015 and 2014 and condensed consolidating statements of cash flows for the nine-month periods ended September 30, 2015 and 2014 for each

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of the Company (Parent), Consolidated Communications, Inc. (Subsidiary Issuer), guarantor subsidiaries and other non-guarantor subsidiaries with any consolidating adjustments. See Note 6 for more information regarding our 2022 Notes.

Condensed Consolidating Balance Sheets

(In thousands)

	September 30, 2015					
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	\$ —	\$ 20,055	\$ 1,604	\$ 2,195	\$ —	\$ 23,854
Accounts receivable, net	—	—	66,307	6,997	—	73,304
Income taxes receivable	59,800	—	—	—	(32,602)	27,198
Deferred income taxes	(58)	158	12,634	482	—	13,216
Prepaid expenses and other current assets	—	—	17,283	245	—	17,528
Total current assets	59,742	20,213	97,828	9,919	(32,602)	155,100
Property, plant and equipment, net	—	—	1,064,229	49,661	—	1,113,890
Intangibles and other assets:						
Investments	—	8,171	98,012	—	—	106,183
Investments in subsidiaries	2,174,690	1,596,444	13,564	—	(3,784,698)	—
Goodwill	—	—	698,449	66,181	—	764,630
Other intangible assets	—	—	37,822	9,087	—	46,909
Deferred debt issuance costs, net and other assets	—	12,809	3,564	—	—	16,373
Total assets	\$ 2,234,432	\$ 1,637,637	\$ 2,013,468	\$ 134,848	\$ (3,817,300)	\$ 2,203,085
LIABILITIES AND SHAREHOLDERS'						

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EQUITY

Current liabilities:						
Accounts payable	\$ —	\$ —	\$ 13,903	\$ —	\$ —	\$ 13,903
Advance billings and customer deposits	—	—	29,815	1,592	—	31,407
Dividends payable	19,566	—	—	—	—	19,566
Accrued compensation	—	—	21,202	1,663	—	22,865
Accrued interest	137	17,193	—	—	—	17,330
Accrued expense	25	239	37,981	1,224	—	39,469
Income tax payable	—	7,220	20,346	5,036	(32,602)	—
Current portion of long term debt and capital lease obligations	—	9,100	932	88	—	10,120
Current portion of derivative liability	—	362	—	—	—	362
Total current liabilities	19,728	34,114	124,179	9,603	(32,602)	155,022
Long-term debt and capital lease obligations	—	1,402,447	3,183	667	—	1,406,297
Advances due to/from affiliates, net	1,979,434	(1,973,842)	56,045	(61,637)	—	—
Deferred income taxes	(29,927)	(1,280)	261,524	20,900	—	251,217
Pension and postretirement benefit obligations	—	—	95,429	8,818	—	104,247
Other long-term liabilities	—	1,508	14,037	525	—	16,070
Total liabilities	1,969,235	(537,053)	554,397	(21,124)	(32,602)	1,932,853
Shareholders' equity:						
Common Stock	505	—	17,411	30,000	(47,411)	505
Other shareholders' equity	264,692	2,174,690	1,436,625	125,972	(3,737,287)	264,692
Total Consolidated Communications Holdings, Inc. shareholders' equity	265,197	2,174,690	1,454,036	155,972	(3,784,698)	265,197
Noncontrolling interest	—	—	5,035	—	—	5,035
Total shareholders' equity	265,197	2,174,690	1,459,071	155,972	(3,784,698)	270,232
Total liabilities and shareholders' equity	\$ 2,234,432	\$ 1,637,637	\$ 2,013,468	\$ 134,848	\$ (3,817,300)	\$ 2,203,085

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Condensed Consolidating Balance Sheet

(In thousands)

	December 31, 2014					Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ —	\$ 4,940	\$ 820	\$ 919	\$ —	\$ 6,679
Accounts receivable, net	—	—	70,543	6,993	—	77,536
Income taxes receivable	12,665	—	6,232	43	—	18,940
Deferred income taxes	(71)	158	12,807	480	—	13,374
Prepaid expenses and other current assets	—	—	17,285	331	—	17,616
Total current assets	12,594	5,098	107,687	8,766	—	134,145
Property, plant and equipment, net	—	—	1,088,196	49,282	—	1,137,478
Intangibles and other assets:						
Investments	—	3,724	111,652	—	—	115,376
Investments in subsidiaries	2,119,335	1,510,416	13,000	—	(3,642,751)	—
Goodwill	—	—	698,449	66,181	—	764,630
Other intangible assets	—	—	47,235	9,087	—	56,322
Deferred debt issuance costs, net and other assets	—	15,421	3,892	—	—	19,313
Total assets	\$ 2,131,929	\$ 1,534,659	\$ 2,070,111	\$ 133,316	\$ (3,642,751)	\$ 2,227,264
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	\$ —	\$ —	\$ 15,277	\$ —	\$ —	\$ 15,277
Advance billings and customer deposits	—	—	30,250	1,683	—	31,933

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Dividends payable	19,510	—	—	—	—	19,510
Accrued compensation	—	—	30,737	1,844	—	32,581
Accrued interest	—	6,775	6	3	—	6,784
Accrued expense	36	—	38,211	1,451	—	39,698
Current portion of long term debt and capital lease obligations	—	9,100	671	78	—	9,849
Current portion of derivative liability	—	443	—	—	—	443
Total current liabilities	19,546	16,318	115,152	5,059	—	156,075
Long-term debt and capital lease obligations	—	1,352,949	3,070	734	—	1,356,753
Advances due to/from affiliates, net	1,805,129	(1,953,695)	206,616	(58,050)	—	—
Deferred income taxes	(14,833)	(938)	243,427	19,009	—	246,665
Pension and postretirement benefit obligations	—	—	100,221	22,142	—	122,363
Other long-term liabilities	—	690	13,337	552	—	14,579
Total liabilities	1,809,842	(584,676)	681,823	(10,554)	—	1,896,435
Shareholders' equity:						
Common Stock	504	—	17,411	30,000	(47,411)	504
Other shareholders' equity	321,583	2,119,335	1,366,051	113,870	(3,595,340)	325,499
Total Consolidated Communications Holdings, Inc. shareholders' equity	322,087	2,119,335	1,383,462	143,870	(3,642,751)	326,003
Noncontrolling interest	—	—	4,826	—	—	4,826
Total shareholders' equity	322,087	2,119,335	1,388,288	143,870	(3,642,751)	330,829
Total liabilities and shareholders' equity	\$ 2,131,929	\$ 1,534,659	\$ 2,070,111	\$ 133,316	\$ (3,642,751)	\$ 2,227,264

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Condensed Consolidating Statements of Operations

(In thousands)

	Quarter Ended September 30, 2015					Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	
Net revenues	\$ —	\$ 50	\$ 182,455	\$ 14,763	\$ (3,310)	\$ 193,958
Operating expenses:						
Cost of services and products (exclusive of depreciation and amortization)	—	—	83,315	3,088	(3,194)	83,209
Selling, general and administrative expenses	829	46	44,646	5,245	(117)	50,649
Acquisition and other transaction costs	395	—	—	—	—	395
Depreciation and amortization	—	—	43,917	2,140	—	46,057
Operating income (loss)	(1,224)	4	10,577	4,290	1	13,648
Other income (expense):						
Interest expense, net of interest income	—	(19,341)	160	7	—	(19,174)
Intercompany interest income (expense)	(38,598)	41,959	(4,064)	703	—	—
Investment income	—	—	10,601	—	—	10,601
Equity in earnings of subsidiaries, net	30,993	15,037	399	—	(46,429)	—
Other, net	—	(34)	(72)	(4)	—	(110)
Income (loss) before income taxes	(8,829)	37,625	17,601	4,996	(46,428)	4,965
Income tax expense (benefit)	(11,424)	6,632	5,971	1,041	—	2,220
Net income (loss)	2,595	30,993	11,630	3,955	(46,428)	2,745
Less: net income attributable to noncontrolling interest	—	—	150	—	—	150
Net income (loss) attributable to Consolidated Communications Holdings, Inc.	\$ 2,595	\$ 30,993	\$ 11,480	\$ 3,955	\$ (46,428)	\$ 2,595
	\$ 2,791	\$ 31,189	\$ 11,797	\$ 4,039	\$ (47,025)	\$ 2,791

Total comprehensive
income (loss) attributable
to common shareholders

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	Quarter Ended September 30, 2014					Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	
Net revenues	\$ —	\$ (68)	\$ 136,743	\$ 15,800	\$ (3,435)	\$ 149,040
Operating expenses:						
Cost of services and products (exclusive of depreciation and amortization)	—	—	56,141	3,563	(3,269)	56,435
Selling, general and administrative expenses	1,071	7	27,379	4,368	(166)	32,659
Acquisition and other transaction costs	635	—	94	—	—	729
Depreciation and amortization	—	—	33,024	1,944	—	34,968
Operating income (loss)	(1,706)	(75)	20,105	5,925	—	24,249
Other income (expense):						
Interest expense, net of interest income	—	(20,850)	128	1	—	(20,721)
Intercompany interest income (expense)	(27,602)	31,550	(4,535)	587	—	—
Investment income	—	—	8,315	—	—	8,315
Equity in earnings of subsidiaries, net	26,388	19,588	289	—	(46,265)	—
Other, net	—	—	295	(2)	—	293
Income (loss) before income taxes	(2,920)	30,213	24,597	6,511	(46,265)	12,136
Income tax expense (benefit)	(10,562)	3,825	8,800	2,324	—	4,387
Net income (loss)	7,642	26,388	15,797	4,187	(46,265)	7,749
Less: net income attributable to noncontrolling interest	—	—	107	—	—	107
Net income (loss) attributable to Consolidated Communications Holdings, Inc.	\$ 7,642	\$ 26,388	\$ 15,690	\$ 4,187	\$ (46,265)	\$ 7,642
Total comprehensive income (loss) attributable to common shareholders	\$ 7,642	\$ 26,678	\$ 15,616	\$ 4,125	\$ (46,265)	\$ 7,796

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Condensed Consolidating Statements of Operations

(In thousands)

	Nine Months Ended September 30, 2015					Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	
Net revenues	\$ —	\$ 152	\$ 552,691	\$ 44,823	\$ (10,120)	\$ 587,546
Operating expenses:						
Cost of services and products (exclusive of depreciation and amortization)	—	—	249,931	9,268	(9,722)	249,477
Selling, general and administrative expenses	2,309	135	119,167	14,469	(398)	135,682
Acquisition and other transaction costs	1,055	—	—	—	—	1,055
Depreciation and amortization	—	—	127,068	6,196	—	133,264
Operating income (loss)	(3,364)	17	56,525	14,890	—	68,068
Other income (expense):						
Interest expense, net of interest income	(96)	(60,537)	346	10	—	(60,277)
Intercompany interest income (expense)	(114,367)	125,218	(12,946)	2,095	—	—
Loss on extinguishment of debt	—	(41,242)	—	—	—	(41,242)
Investment income	—	326	25,720	—	—	26,046
Equity in earnings of subsidiaries, net	74,129	57,406	564	—	(132,099)	—
Other, net	—	(27)	(168)	(12)	—	(207)
Income (loss) before income taxes	(43,698)	81,161	70,041	16,983	(132,099)	(7,612)
Income tax expense (benefit)	(38,135)	7,032	23,699	5,146	—	(2,258)
Net income (loss)	(5,563)	74,129	46,342	11,837	(132,099)	(5,354)
Less: net income attributable to noncontrolling interest	—	—	209	—	—	209
Net income (loss) attributable to	\$ (5,563)	\$ 74,129	\$ 46,133	\$ 11,837	\$ (132,099)	\$ (5,563)

Consolidated
Communications
Holdings, Inc.

Total comprehensive
income (loss)

attributable to

common shareholders	\$ (4,812)	\$ 74,880	\$ 47,134	\$ 12,103	\$ (134,117)	\$ (4,812)
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	Nine Months Ended September 30, 2014					
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net revenues	\$ —	\$ 6	\$ 411,190	\$ 48,853	\$ (10,325)	\$ 449,724
Operating expenses:						
Cost of services and products (exclusive of depreciation and amortization)	—	—	167,148	10,308	(9,803)	167,653
Selling, general and administrative expenses	2,955	85	82,283	13,144	(522)	97,945
Acquisition and other transaction costs	1,592	—	403	—	—	1,995
Depreciation and amortization	—	—	100,755	5,760	—	106,515
Operating income (loss)	(4,547)	(79)	60,601	19,641	—	75,616
Other income (expense):						
Interest expense, net of interest income	(4)	(60,451)	184	(9)	—	(60,280)
Intercompany interest income (expense)	(80,765)	94,382	(15,143)	1,526	—	—
Investment income	—	(5)	25,969	—	—	25,964
Equity in earnings of subsidiaries, net	80,257	58,958	770	—	(139,985)	—
Other, net	—	(500)	(354)	(8)	—	(862)
Income (loss) before income taxes	(5,059)	92,305	72,027	21,150	(139,985)	40,438
Income tax expense (benefit)	(30,832)	12,048	25,531	7,633	—	14,380
Net income (loss)	25,773	80,257	46,496	13,517	(139,985)	26,058
Less: net income attributable to noncontrolling interest	—	—	285	—	—	285
Net income (loss) attributable to Consolidated Communications Holdings, Inc.	\$ 25,773	\$ 80,257	\$ 46,211	\$ 13,517	\$ (139,985)	\$ 25,773
Total comprehensive income (loss) attributable to common shareholders	\$ 25,773	\$ 81,258	\$ 45,990	\$ 13,330	\$ (139,985)	\$ 26,366

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Condensed Consolidating Statements of Cash Flows

(In thousands)

	Nine Months Ended September 30, 2015				Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	
Net cash (used in) provided by operating activities	\$ (139,544)	\$ 77,987	\$ 218,271	\$ 10,923	\$ 167,637
Cash flows from investing activities:					
Purchases of property, plant and equipment	—	—	(94,111)	(6,008)	(100,119)
Proceeds from sale of assets	—	—	113	5	118
Proceeds from sale of investments	—	—	846	—	846
Net cash used in investing activities	—	—	(93,152)	(6,003)	(99,155)
Cash flows from financing activities:					
Proceeds from bond offering	—	294,780	—	—	294,780
Proceeds from issuance of long-term debt	—	61,000	—	—	61,000
Payment of capital lease obligation	—	—	(601)	(57)	(658)
Payment on long-term debt	—	(80,825)	—	—	(80,825)
Redemption of senior notes	—	(261,874)	—	—	(261,874)
Payment of financing costs	—	(4,805)	—	—	(4,805)
Share repurchases for minimum tax withholding	(282)	—	—	—	(282)
Dividends on common stock	(58,643)	—	—	—	(58,643)
Transactions with affiliates, net	198,469	(71,148)	(123,734)	(3,587)	—
Net cash provided by (used in) financing activities	139,544	(62,872)	(124,335)	(3,644)	(51,307)
Increase in cash and cash equivalents	—	15,115	784	1,276	17,175
Cash and cash equivalents at beginning of period	—	4,940	820	919	6,679
Cash and cash equivalents at end of period	\$ —	\$ 20,055	\$ 1,604	\$ 2,195	\$ 23,854

	Nine Months Ended September 30, 2014				Consolidated
	Parent	Subsidiary Issuer	Guarantors	Non-Guarantors	
Net cash (used in) provided by operating activities	\$ (86,789)	\$ 45,014	\$ 158,850	\$ 16,289	\$ 133,364
Cash flows from investing activities:					
Purchases of property, plant and equipment	—	—	(72,459)	(3,579)	(76,038)
Proceeds from sale of assets	—	—	1,514	49	1,563
Restricted cash related to acquisition	—	(149,917)	—	—	(149,917)
Net cash used in investing activities	—	(149,917)	(70,945)	(3,530)	(224,392)
Cash flows from financing activities:					
Proceeds from bond offering	—	200,000	—	—	200,000
Restricted cash on bond offering	—	(54,886)	—	—	(54,886)
Proceeds from issuance of long-term debt	—	28,000	—	—	28,000
Payment of capital lease obligation	—	—	(433)	(48)	(481)
Payment on long-term debt	—	(32,825)	—	—	(32,825)
Payment of financing costs	—	(2,707)	—	—	(2,707)
Dividends on common stock	(46,734)	—	—	—	(46,734)
Transactions with affiliates, net	133,523	(31,992)	(87,344)	(14,187)	—
Net cash provided by (used in) financing activities	86,789	105,590	(87,777)	(14,235)	90,367
Increase (decrease) in cash and cash equivalents	—	687	128	(1,476)	(661)
Cash and cash equivalents at beginning of period	—	86	2,366	3,099	5,551
Cash and cash equivalents at end of period	\$ —	\$ 773	\$ 2,494	\$ 1,623	\$ 4,890