UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

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

(State or other jurisdiction of incorporation or organization)	(I.R.S. 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 X 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 X No ____

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

Large accelerated filer X Accelerated filer

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

Emerging growth company ____

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ____

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 July 31, 2017, the registrant had 70,837,502 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net revenues	$ 169,950	$ 186,871	$ 339,885	$ 375,717
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization)	70,376	80,763	141,767	160,483
Selling, general and administrative expenses	35,720	38,805	71,751	79,481
Acquisition and other transaction costs	1,793	248	3,524	248
Loss on impairment	—	610	—	610
Depreciation and amortization	40,483	43,491	82,678	87,631
Income from operations	21,578	22,954	40,165	47,264
Other income (expense):				
Interest expense, net of interest income	(33,918)	(19,106)	(63,589)	(37,752)
Investment income	8,196	8,704	13,474	15,901
Other, net	119	(72)	46	(58)
Income (loss) before income taxes	(4,025)	12,480	(9,904)	25,355
Income tax expense (benefit)	(1,399)	12,323	(3,573)	17,296
Net income (loss)	(2,626)	157	(6,331)	8,059
Less: net income attributable to noncontrolling interest	102	81	82	134
Net income (loss) attributable to common shareholders	$ (2,728)	$ 76	$ (6,413)	$ 7,925
Net income (loss) per basic and diluted common shares attributable to common shareholders	$ (0.06)	$ —	$ (0.13)	$ 0.15

Dividends declared per common share	$ 0.38	$ 0.38	$ 0.77	$ 0.77

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	$ (2,626)	$ 157	$ (6,331)	$ 8,059
Pension and post-retirement obligations:				
Change in prior service credit, net of tax	(814)	-	(814)	-
Amortization of actuarial losses and prior service credit to earnings, net of tax	871	678	1,733	1,357
Derivative instruments designated as cash flow hedges:				
Change in fair value of derivatives, net of tax	(2,488)	(168)	(2,544)	(598)
Reclassification of realized loss to earnings, net of tax	244	158	449	307
Comprehensive income (loss)	(4,813)	825	(7,507)	9,125
Less: comprehensive income (loss) attributable to noncontrolling interest	102	81	82	134
Total comprehensive income (loss) attributable to common shareholders	$ (4,915)	$ 744	$ (7,589)	$ 8,991

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)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,859	$ 27,077
Accounts receivable, net of allowance for doubtful accounts	50,338	56,216
Income tax receivable	26,056	21,616
Prepaid expenses and other current assets	25,853	28,292
Total current assets	118,106	133,201
Property, plant and equipment, net	1,042,771	1,055,186
Investments	106,504	106,221
Goodwill	756,877	756,877
Other intangible assets	27,211	31,612
Other assets	9,600	9,661
Total assets	$ 2,061,069	$ 2,092,758
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 10,107	$ 6,766
Advance billings and customer deposits	25,040	26,438
Dividends payable	19,653	19,605
Accrued compensation	15,020	16,971
Accrued interest	26,415	11,260
Accrued expense	50,634	54,123
Current portion of long-term debt and capital lease obligations	17,830	14,922
Total current liabilities	164,699	150,085
Long-term debt and capital lease obligations	1,376,248	1,376,754
Deferred income taxes	241,363	244,298
Pension and other post-retirement obligations	126,283	130,793
Other long-term liabilities	19,297	14,573
Total liabilities	1,927,890	1,916,503
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 50,733,313 and 50,612,362 shares outstanding as of June 30, 2017 and December	507	506

31, 2016, respectively		
Additional paid-in capital	182,155	217,725
Accumulated deficit	(6,413)	—
Accumulated other comprehensive loss, net	(48,453)	(47,277)
Noncontrolling interest	5,383	5,301
Total shareholders’ equity	133,179	176,255
Total liabilities and shareholders’ equity	$ 2,061,069	$ 2,092,758

See accompanying notes.

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CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; Amounts in thousands)

	Six Months Ended June 30,	
	2017	2016
Net cash provided by operating activities	$ 93,533	$ 115,505
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(58,061)	(62,271)
Proceeds from sale of assets	101	50
Net cash used in investing activities	(57,960)	(62,221)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	23,000	7,000
Payment of capital lease obligations	(2,993)	(812)
Payment on long-term debt	(27,500)	(11,550)
Share repurchases for minimum tax withholding	(41)	(71)
Dividends on common stock	(39,257)	(39,174)
Net cash used in financing activities	(46,791)	(44,607)
Increase (decrease) in cash and cash equivalents	(11,218)	8,677
Cash and cash equivalents at beginning of period	27,077	15,878
Cash and cash equivalents at end of period	$ 15,859	$ 24,555

See accompanying notes.

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, as of June 30, 2017, 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 data services, data center and managed services, directory publishing and equipment sales. As of June 30, 2017, we had approximately 449 thousand voice connections, 480 thousand data connections and 100 thousand video connections.

In the opinion of management, the accompanying unaudited 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 2016 Annual Report on Form 10-K filed with the SEC.

Recent Business Developments

On December 3, 2016, we entered into a definitive agreement and plan of merger (the “Merger Agreement”) with FairPoint Communications, Inc. (“FairPoint”) to acquire all the issued and outstanding shares of FairPoint in exchange for shares of our common stock. On July 3, 2017, the merger was completed and FairPoint became a wholly owned subsidiary of the Company. For a more complete discussion of the transaction, refer to Note 2.

Recent Accounting Pronouncements

Effective January 1, 2017, we adopted the Accounting Standards Update No. 2016-09 (“ASU 2016-09”), Improvements to Employee Share-Based Payment Accounting. ASU 2016-09 amends several aspects of the accounting for share-based payment transactions including the income tax consequences, classification of awards as either equity or liabilities, calculation of compensation expense and classification on the statement of cash flows. ASU 2016-09 requires excess tax benefits and deficiencies resulting from stock-based compensation awards vesting to be recognized as income tax expense or benefit in the income statement on a prospective basis. Previously, these amounts were recognized in additional paid-in capital. The impact of this change was not material for the quarter and six months ended June 30, 2017. In addition, ASU 2016-09 requires excess tax benefits and deficiencies to be excluded from the assumed proceeds in the calculation of diluted shares. This requirement did not impact diluted loss per share for the quarter and six months ended June 30, 2017 as the diluted shares were excluded from the computation of loss per share. Due to our net loss for the quarter and six months ended June 30, 2017, the inclusion of these shares would have had an anti-dilutive impact.

ASU 2016-09 removed the requirement to delay recognition of excess tax benefits until it reduces current income taxes payable. This update is required to be applied on a modified retrospective basis, which resulted in a cumulative effect adjustment of $2.2 million to increase opening retained earnings for the cumulative impact of excess tax benefits related to our net operating loss carryforwards. This amount was subsequently transferred into additional paid-in capital at March 31, 2017.

ASU 2016-09 permits the election of an accounting policy for forfeitures of share-based payment awards, either to recognize forfeitures as they occur or estimate forfeitures over the vesting period of the award. We have elected to recognize forfeitures as they occur and the cumulative impact of this change was not material to our condensed consolidated financial statements and related disclosures.

In May 2017, the Financial Accounting Standards Board ("FASB") issued the Accounting Standards Update No. 2017-09 ("ASU 2017-09"), Scope of Modification Accounting. ASU 2017-09 clarifies the modification accounting guidance for stock compensation included in Topic 718, Compensation – Stock Compensation. ASU 2017-09 provides guidance about which changes to the terms or conditions of a share-based payment award must be accounted for as a modification under Topic 718. The new guidance is effective prospectively for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We plan to adopt this update effective January 1, 2018 and will apply this guidance to applicable transactions after adoption date.

In March 2017, the FASB issued the Accounting Standards Update No. 2017-07 ("ASU 2017-07"), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. ASU 2017-07 requires presentation of the service cost component of net periodic benefit cost within the same income statement line item as other compensation costs arising from services rendered by relevant employees during the period, and presentation of the other cost components of net periodic benefit cost separately and outside of the income from operations subtotal. In addition, only the service cost component is eligible for capitalization. The new guidance is effective for annual and interim periods beginning after December 15, 2017. Early adoption is permitted as of the beginning of the annual period and should be applied retrospectively for the presentation of the service cost and prospectively for the capitalization of the service cost component in assets. We plan to adopt this update effective January 1, 2018 and do not expect a material impact on our condensed consolidated financial statements and related disclosures.

In February 2017, the FASB issued the Accounting Standards Update No. 2017-05 ("ASU 2017-05"), Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets. ASU 2017-05 provides additional guidance to (i) clarify the scope for recognizing gains and losses from the transfer of nonfinancial assets and in substance nonfinancial assets in contracts with non-customers, and (ii) clarify the accounting for partial sales of nonfinancial assets. ASU 2017-05 is effective for annual and interim periods beginning after December 15, 2017 and can be applied using the retrospective or modified retrospective approach. We plan to adopt ASU 2017-05 as of January 1, 2018 and are currently evaluating the impact this update will have on our condensed consolidated financial statements and related disclosures.

In January 2017, FASB issued the Accounting Standards Update No. 2017-04 (“ASU 2017-04”), Simplifying the Accounting for Goodwill Impairment. ASU 2017-04 eliminates Step 2 from the goodwill impairment test. Under the updated guidance, the goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount and an impairment charge will be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value. The new guidance is effective for annual and interim goodwill tests in fiscal years beginning after December 15, 2019 and should be applied prospectively. Early adoption is permitted for annual and interim goodwill impairment testing performed after January 1, 2017. We plan to early adopt this update in the fourth quarter of 2017.

In January 2017, the FASB issued the Accounting Standards Update No. 2017-01 (“ASU 2017-01”), Clarifying the Definition of a Business. ASU 2017-01 clarifies the definition of a business and establishes a screening process to determine whether an integrated set of assets and activities acquired is deemed the acquisition of a business or the acquisition of assets. ASU 2017-01 is effective for annual and interim periods beginning after December 15, 2017 and should be applied prospectively, with early adoption permitted. We plan to adopt this update as of January 1, 2018 and do not expect a material impact on our condensed consolidated financial statements and related disclosures.

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In October 2016, the FASB issued the Accounting Standards Update No. 2016-16 (“ASU 2016-16”), Intra-Entity Transfers of Assets Other Than Inventory. ASU 2016-16 eliminates the existing exception prohibiting the recognition of the income tax consequences for intra-entity asset transfers until the asset has been sold to an outside party. Under ASU 2016-16, entities will be required to recognize the income tax consequences of intra-entity asset transfers other than inventory when the transfer occurs. ASU 2016-16 is effective on a modified retrospective basis for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We currently anticipate adopting this update effective January 1, 2018 and do not expect a material impact on our condensed consolidated financial statements and related disclosures.

In August 2016, the FASB issued the Accounting Standards Update No. 2016-15 (“ASU 2016-15”), Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance concerning the classification of certain cash receipts and cash payments in the statement of cash flows. The new guidance is effective for annual and interim periods beginning after December 15, 2017 and should be applied retrospectively, with early adoption permitted. We are currently evaluating the impact this update will have on our condensed consolidated financial statements and related disclosures.

In June 2016, the FASB issued the Accounting Standards Update No. 2016-13 (“ASU 2016-13”), Measurement of Credit Losses on Financial Instruments. ASU 2016-13 establishes the new “current expected credit loss” model for measuring and recognizing credit losses on financial assets based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts. The new guidance is effective on a modified retrospective basis for annual and interim periods beginning after December 15, 2019, with early adoption permitted for annual and interim periods beginning after December 15, 2018. We are currently evaluating the impact this update will have on our condensed consolidated financial statements and related disclosures.

In February 2016, the FASB issued the Accounting Standards Update No. 2016-02 (“ASU 2016-02”), Leases. ASU 2016-02 establishes a new lease accounting model for leases. Lessees will be required to recognize most leases on their balance sheets but lease expense will be recognized on the income statement in a manner similar to existing requirements. ASU 2016-02 is effective on a modified retrospective basis for annual and interim periods beginning after December 15, 2018, with early adoption permitted. We are currently evaluating the population of our leases and anticipate that most of our operating lease commitments will be recognized on our consolidated balance sheets. We have not yet made a decision on the timing and method of adoption and are continuing to assess the potential impact of this update on our condensed consolidated financial statements and related disclosures.

In May 2014, the FASB issued the Accounting Standards Update No. 2014-09 (“ASU 2014-09”), Revenue from Contracts with Customers (Topic 606), which will replace the current revenue recognition requirements in U.S. GAAP. The core principle of ASU 2014-09 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In addition, ASU 2014-09 requires disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Two transition methods are permitted under ASU 2014-09, the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the

earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. In August 2015, the FASB issued the Accounting Standards Update No. 2015-14 ("ASU 2015-14"), Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 for all entities by one year. Accordingly, ASU 2014-09 is effective for annual and interim periods beginning after December 15, 2017, at which point we plan to adopt the standard.

In 2016, we established a cross-functional implementation team to assess the impact of ASU 2014-09 on our revenue contracts by reviewing our current accounting policies and practices to identify potential differences that would result from applying the requirements of this update. While we continue to assess all potential impacts of this update, we currently believe that the most significant impact relates to the deferral of contract acquisition costs, which is currently expensed as incurred, however under ASU 2014-09 will generally be capitalized and amortized over the contract performance period. Initially, we anticipated adopting this update using the full retrospective method to restate each prior reporting period presented, however, after further assessment of the impacts to our current systems, processes and internal controls as well as the transition methods allowed, we've determined that adopting this update using the modified retrospective method is more appropriate.

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2. ACQUISITIONS AND DIVESTITURES

Acquisitions

FairPoint Communications, Inc.

On December 3, 2016, we entered into a Merger Agreement with FairPoint to acquire all the issued and outstanding shares of FairPoint in exchange for shares of our common stock. FairPoint is an advanced communications provider to business, wholesale and residential customers within its service territory, which spans across 17 states. FairPoint owns and operates a robust fiber-based network with more than 21,000 route miles of fiber, including 17,000 route miles of fiber in northern New England. On July 3, 2017, the acquisition of FairPoint was completed, and as a result, FairPoint became a wholly-owned subsidiary of the Company. 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, par value of $0.01 per share, of FairPoint issued and outstanding immediately prior to the effective time of the merger converted into and became the right to receive 0.7300 shares of common stock, par value $0.01 per share, of Consolidated and cash in lieu of fractional shares, as set forth in the Merger Agreement. Based on the closing price of our common stock on the last complete trading day prior to the effective date of the merger, the total value of the consideration to be exchanged is approximately $431.1 million, exclusive of debt of approximately $912.8 million. On the date of the merger, we issued an approximate aggregate total of 20.1 million shares of our common stock to the former FairPoint stockholders.

In connection with the merger, we secured committed debt financing through a $935.0 million incremental term loan facility, as described in Note 6, that, in addition to cash on hand and other sources of liquidity, was used to repay certain existing indebtedness of FairPoint and to pay the fees and expenses in connection with the merger.

The acquisition will be accounted for in accordance with the acquisition method of accounting for business combinations. The tangible and intangible assets acquired and liabilities assumed will be recorded at their estimated fair values as of the date of the acquisition. The results of operations of FairPoint will be reported in our consolidated financial statements beginning as of the effective date of the acquisition.

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

	(In thousands)
Working capital	$ 35,213
Property, plant and equipment	948,254
Intangible assets	296,500
Other long-term assets	2,920
Total assets acquired	1,282,887
Pension and other post-retirement obligations	216,011
Deferred income taxes	109,451
Other long-term liabilities	16,407
Total liabilities assumed	341,869
Net fair value of assets acquired	941,018
Goodwill	402,836
Total consideration transferred	$ 1,343,854

Due to the limited time between the acquisition date and this filing, the accounting for the business combination and the fair values of the assets acquired and liabilities assumed are based on a preliminary valuation, which is subject to change. Upon completion of the final fair value assessment, the fair values of the net assets acquired may differ from the preliminary assessment and such changes could be material. Any changes to the initial estimates of the fair value of the assets acquired and liabilities assumed will be recorded to those assets and liabilities and residual amounts will be allocated to goodwill.

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Upon closing of the FairPoint acquisition or shortly thereafter, various triggering events occurred which will result in the payment of various change in control payments and other contingent payments to certain FairPoint employees. The estimated cash payments under these agreements will be approximately $9.4 million of which $8.6 million is expected to be paid in 2017 with the remainder due in 2018 and 2019.

Unaudited Pro Forma Results

The following unaudited pro forma information presents our results of operations as if the acquisition of FairPoint occurred on January 1, 2016. The adjustments to arrive at the pro forma information below included adjustments for depreciation and amortization on the acquired tangible and intangible assets acquired, interest expense on the debt expected to be incurred to finance the acquisition and to repay certain existing indebtedness of FairPoint, 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 the acquisition price.

	Quarter Ended June 30,		Six Months Ended June 30,	
(Unaudited; in thousands, except per share amounts)	2017	2016	2017	2016
Operating revenues	$ 369,089	$ 393,428	$ 740,931	$ 789,090
Income from operations	$ 37,163	$ 93,685	$ 63,065	$ 176,094
Net income	$ 8,770	$ 40,692	$ 10,376	$ 79,908
Less: net income attributable to noncontrolling interest	102	81	82	134
Net income attributable to common stockholders	$ 8,668	$ 40,611	$ 10,294	$ 79,774
Net income per common share-basic and diluted	$ 0.12	$ 0.58	$ 0.15	$ 1.13

Transaction costs related to the acquisition of FairPoint were $1.7 million and $3.2 million during the quarter and six months ended June 30, 2017, respectively, which are included in acquisition and other transaction costs in the condensed consolidated statements of operations. These costs are considered to be non-recurring in nature and therefore have been excluded from the pro forma results of operations.

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.

Champaign Telephone Company, Inc.

On July 1, 2016, we acquired substantially all of the assets of Champaign Telephone Company, Inc. and its sister company, Big Broadband Services, LLC, a private business communications provider in the Champaign-Urbana, IL area. The aggregate purchase price, including customary working capital adjustments, consisted of cash consideration of $13.4 million, which was paid from our existing cash resources. The fair value of the acquired assets and liabilities assumed consisted primarily of property, plant and equipment of $6.9 million, intangible assets of $1.0 million, working capital of $0.8 million and goodwill of $4.7 million. Goodwill and other intangible assets are expected to be amortizable and deductible for income tax purposes.

Divestitures

On December 6, 2016, we completed the sale of substantially all of the assets of the Company’s Enterprise Services equipment and IT Services business (“EIS”) to ePlus Technology inc. (“ePlus”) for cash proceeds of $9.2 million net of a customary working capital adjustment. As part of the transaction, we entered into a Co-Marketing Agreement with ePlus, a nationwide systems integrator of technology solutions, to cross-sell both broadband network services and IT services. The strategic partnership will provide our business customers access to a broader suite of IT solutions, and will also provide ePlus customers access to Consolidated’s business network services.

On May 3, 2016, we entered into a definitive agreement to sell all of the issued and outstanding stock of our non-core, rural ILEC business located in northwest Iowa, Consolidated Communications of Iowa Company (“CCIC”), formerly

Heartland Telecommunications Company of Iowa. CCIC provides telecommunications and data services to residential and business customers in 11 rural communities in northwest Iowa and surrounding areas. During the quarter and six months ended June 30, 2016, we recognized an impairment loss of $0.6 million and deferred income tax expense of $7.5 million in connection with the classification of CCIC as assets held for sale. See Note 10 for additional income tax related information regarding this transaction. The sale was completed on September 1, 2016 for total cash proceeds of approximately $21.0 million, net of certain contractual and customary working capital adjustments.

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 the proceeds of exercise used to repurchase common stock at the average market price for the period. Any incremental difference between the assumed number of shares issued and repurchased is included in the diluted share computation.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share amounts)	2017	2016	2017	2016
Net income (loss)	$ (2,626)	$ 157	$ (6,331)	$ 8,059
Less: net income attributable to noncontrolling interest	102	81	82	134
Income (loss) attributable to common shareholders before allocation of earnings to participating securities	(2,728)	76	(6,413)	7,925
Less: earnings allocated to participating securities	115	131	164	262
Net income (loss) attributable to common shareholders, after earnings allocated to participating securities	$ (2,843)	$ (55)	$ (6,577)	$ 7,663
Weighted-average number of common shares outstanding	50,412	50,294	50,411	50,291

Net income (loss) per common share attributable to common shareholders - basic and diluted	$ (0.06)	$ —	$ (0.13)	$ 0.15

Diluted earnings (loss) per common share attributable to common shareholders for the quarters ended June 30, 2017 and 2016 excludes 0.3 million and 0.4 million potential common shares, respectively, 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 six months ended June 30, 2017 and 2016, diluted earnings (loss) per common share attributable to common shareholders excludes 0.3 million potential common shares.

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4. INVESTMENTS

Our investments are as follows:

(In thousands)	June 30, 2017	December 31, 2016
Cash surrender value of life insurance policies	$ 2,346	$ 2,156
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	8,295	8,138
Other	200	200
Equity method investments:		
GTE Mobilnet of Texas RSA #17 Limited Partnership (20.51% interest)	16,199	17,160
Pennsylvania RSA 6(I) Limited Partnership (16.67% interest)	7,035	6,540
Pennsylvania RSA 6(II) Limited Partnership (23.67% interest)	28,029	27,627
Totals	$ 106,504	$ 106,221

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. No factors of impairment existed for any of the investments during the quarters or six months ended June 30, 2017 or 2016. For the quarters ended June 30, 2017 and 2016, we received cash distributions from these partnerships totaling $3.7 million and $3.8 million, respectively. For the six months ended June 30, 2017 and 2016, we received cash distributions from these partnerships totaling $5.3 million and $6.5 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 June 30, 2017 and 2016, we received cash distributions from these partnerships totaling $4.1 million and $4.0 million, respectively. For each of the six months ended June 30, 2017 and 2016, we received cash distributions from these partnerships totaling $8.1 million.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands)	2017	2016	2017	2016
Total revenues	$ 89,811	$ 81,885	$ 169,832	$ 164,542
Income from operations	24,518	26,797	45,806	52,393
Net income before taxes	24,145	26,396	45,042	51,585
Net income	24,145	26,396	45,042	51,585

(In thousands)	June 30, 2017	December 31, 2016
Current assets	$ 68,446	$ 64,083
Non-current assets	95,267	89,651
Current liabilities	26,165	21,985
Non-current liabilities	51,497	51,836
Partnership equity	86,051	79,913

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 and are categorized within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and observable market data of similar instruments. See Note 7 for further discussion regarding our interest rate swap agreements.

Our interest rate swap agreements measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016 were as follows:

	As of June 30, 2017		
	Quoted Prices	Significant Other	Significant

(In thousands)	Total	In Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Long-term interest rate swap assets	$ 386	$ -	$ 386	$ -
Current interest rate swap liabilities	(294)	-	(294)	-
Long-term interest rate swap liabilities	(5,601)	-	(5,601)	-
Total	$ (5,509)	$ -	$ (5,509)	$ -

		As of December 31, 2016		
(In thousands)	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term interest rate swap assets	$ 398	$ -	$ 398	$ -
Current interest rate swap liabilities	(453)	-	(453)	-
Long-term interest rate swap liabilities	(216)	-	(216)	-
Total	$ (271)	$ -	$ (271)	$ -

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

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their short maturities. The following table presents the other financial instruments that are not carried at fair value but which require fair value disclosure as of June 30, 2017 and December 31, 2016.

	As of June 30, 2017		As of December 31, 2016	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Investments, equity basis	$ 51,263	n/a	$ 51,327	n/a
Investments, at cost	$ 52,895	n/a	$ 52,738	n/a
Long-term debt, excluding capital leases	$ 1,384,913	$ 1,387,136	$ 1,388,786	$ 1,390,773

Cost & Equity Method Investments

Our investments as of June 30, 2017 and December 31, 2016 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.

6. LONG-TERM DEBT

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

(In thousands)	June 30, 2017	December 31, 2016
Senior secured credit facility:		
Term 5 loan, net of discount of $4,346 and $4,662 at June 30, 2017 and December 31, 2016, respectively	$ 888,904	$ 893,088
Revolving loan	—	—

6.50% Senior notes due 2022, net of discount of $3,991 and $4,302 at June 30, 2017 and December 31, 2016, respectively	496,009	495,698
Capital leases	21,962	16,857
	1,406,875	1,405,643
Less: current portion of long-term debt and capital leases	(17,830)	(14,922)
Less: deferred debt issuance costs	(12,797)	(13,967)
Total long-term debt	$ 1,376,248	$ 1,376,754

Credit Agreement

In October 2016, the Company, through certain of its wholly owned subsidiaries, entered into a Third Amended and Restated Credit Agreement with various financial institutions (the "Credit Agreement"). The Credit Agreement consists of a $110.0 million revolving credit facility and initial term loans in the aggregate amount of $900.0 million ("Term 5"). The Credit Agreement also includes an incremental loan facility which provides the ability to borrow, subject to certain terms and conditions, incremental loans in an aggregate amount of up to the greater of (a) $300.0 million and (b) an amount which would cause its senior secured leverage ratio not to exceed 3.00:1.00 (the "Incremental Facility"). 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 Consolidated Communications of Illinois Company and our majority-owned subsidiary, East Texas Fiber Line Incorporated.

The Term 5 loan was issued in an original aggregate principal amount of $900.0 million with a maturity date of October 5, 2023, but is subject to earlier maturity on March 31, 2022 if the Company's unsecured Senior Notes due in October 2022 are not repaid in full or redeemed in full on or prior to March 31, 2022. The Term 5 loan contains an original issuance discount of 0.25% or $2.3 million, which is being amortized over the term of the loan. The Term 5 loan requires quarterly

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principal payments of $2.25 million and has an interest rate of 3.00% plus the London Interbank Offered Rate ("LIBOR") subject to a 1.00% LIBOR floor.

Our revolving credit facility has a maturity date of October 5, 2021 and has an interest rate, at the election of the Company, of (i) a margin between 2.50% and 3.25% plus LIBOR or (ii) a margin between 1.50% and 2.25% plus the alternate base rate, in each case depending on our total net leverage ratio. Based on our leverage ratio as of June 30, 2017, the borrowing margin for the three month period ending September 30, 2017 will be at a weighted-average margin of 3.25% for a LIBOR-based loan or 2.25% 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 June 30, 2017 and December 31, 2016, there were no outstanding borrowings under the revolving credit facility. 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 June 30, 2017. The stand-by letter of credit is renewable annually and reduces the borrowing availability under the revolving credit facility. As of June 30, 2017, $108.4 million was available for borrowing under the revolving credit facility.

The weighted-average interest rate on outstanding borrowings under our credit facility was 4.05% and 4.00% as of June 30, 2017 and December 31, 2016, respectively. Interest is payable at least quarterly.

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 certain 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 June 30, 2017, 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 June 30, 2017, and including the $27.4 million dividend paid on August 1, 2017, we had $262.4 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 or interest coverage ratio as of the end of any fiscal quarter is greater than 5.25:1.00 or less than 2.25:1.00, respectively. As of June 30, 2017,

our total net leverage ratio under the Credit Agreement was 4.74:1.00, and our interest coverage ratio was 3.85:1.00.

Committed Financing

In connection with the execution of the Merger Agreement, in December 2016, the Company entered into two amendments to its Credit Agreement to secure committed financing related to the acquisition of FairPoint. On December 14, 2016, we entered into Amendment No. 1 to the Credit Agreement and on December 21, 2016, the Company entered into Amendment No. 2 to the Credit Agreement, pursuant to which a syndicate of lenders agreed to provide an incremental term loan in an aggregate principal amount of up to $935.0 million under the Credit Agreement (the "Incremental Term Loan"), subject to the satisfaction of certain conditions. The Incremental Term Loan was made pursuant to the Incremental Facility set forth in the Credit Agreement. Fees of $2.5 million paid to the lenders in connection with Amendment No. 1 are reflected as an additional discount on the Term 5 loan and are being amortized over the term of the debt as interest expense. The Incremental Term Loan included an original issue discount of 0.50% and has an interest rate of 3.00% plus LIBOR subject to a 1.00% LIBOR floor. Ticking fees began accruing on the Incremental Term Loan commitments on January 15, 2017 at the rate equal to the interest rate of the Incremental Term Loan. In connection with entering into the committed financing, commitment fees of $14.0 million were capitalized in December 2016 and are being amortized to interest

expense over the term of the commitment period of one year or fully amortized on the date of debt issuance if less than one year.

On July 3, 2017, the Merger with FairPoint was completed and the net proceeds from the incurrence of the Incremental Term Loan were used, in part, to repay and redeem certain existing indebtedness of FairPoint and to pay certain fees and expenses in connection with the Merger and the related financing. In addition, effective contemporaneously with the Merger, the Company entered into Amendment No. 3 to the Credit Agreement to increase the permitted amount of outstanding letters of credit from $15.0 million to $20.0 million and to provide that certain existing letters of credit of FairPoint of $14.8 million be deemed to be letters of credit under the Credit Agreement. As a result of the Merger, certain of the FairPoint subsidiaries acquired in the Merger (the "FairPoint Guarantors") were required to guarantee certain obligations under the Credit Agreement and to pledge as collateral all assets and property.

Senior Notes

6.50% Senior Notes due 2022

In September 2014, we completed an offering of $200.0 million aggregate principal amount of 6.50% Senior Notes due in October 2022 (the "Existing Notes"). The Existing Notes were priced at par, which resulted in total gross proceeds of $200.0 million. On June 8, 2015, we completed an additional offering of $300.0 million in aggregate principal amount of 6.50% Senior Notes due 2022 (the "New Notes" and together with the Existing Notes, the "Senior Notes"). The New Notes were issued as additional notes under the same indenture pursuant to which the Existing Notes were previously issued on in September 2014. 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 is being amortized using the effective interest method over the term of the notes.

The Senior 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 Senior Notes, and we and certain of our wholly owned subsidiaries have fully and unconditionally guaranteed the Senior Notes. The Senior Notes are senior unsecured obligations of the Company. In July 2017, as a result of the FairPoint Guarantors becoming guarantors under the Credit Agreement, substantially all of the FairPoint Guarantors were also required to guarantee the Senior Notes.

In October 2015, we completed an exchange offer to register all of the Senior Notes under the Securities Act of 1933 ("Securities Act"). The terms of the registered Senior Notes are substantially identical to those of the Senior Notes prior to the exchange, except that the Senior Notes are now registered under the Securities Act and the transfer restrictions and registration rights previously applicable to the Senior Notes no longer apply to the registered Senior Notes. The

exchange offer did not impact the aggregate principal amount or the remaining terms of the Senior Notes outstanding.

Senior Notes Covenant Compliance

Subject to certain exceptions and qualifications, the indenture governing the Senior 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 Senior 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 June 30, 2017, this ratio was 4.72:1.00. 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

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$50.0 million, none of which has been used to date, and pursuant to other exceptions identified in the indenture. Since dividends of $378.6 million have been paid since May 30, 2012, including the quarterly dividend declared in May 2017 and paid on August 1, 2017, there was $482.2 million of the $860.9 million of cumulative consolidated cash flow since May 30, 2012 available to pay dividends as of June 30, 2017. As of June 30, 2017, the Company was in compliance with all terms, conditions and covenants under the indenture governing the Senior Notes.

Capital Leases

We lease certain facilities and equipment under various capital leases which expire between 2017 and 2021. As of June 30, 2017, the present value of the minimum remaining lease commitments was approximately $21.9 million, of which $8.8 million was due and payable within the next twelve months. The leases require total remaining rental payments of $24.1 million as of June 30, 2017, of which $3.2 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.

The following interest rate swaps were outstanding as of June 30, 2017:

(In thousands)	Notional Amount	2017 Balance Sheet Location	Fair Value

Cash Flow Hedges:			
Fixed to 1-month floating LIBOR (with floor)	$ 150,000	Other assets	$ 386
Fixed to 1-month floating LIBOR (with floor)	$ 100,000	Accrued expense	(294)
Series of forward starting fixed to 1-month floating LIBOR (with floor)	$ 2,460,000	Other long-term liabilities	(5,601)
Total Fair Values			$ (5,509)

The following interest rate swaps were outstanding as of December 31, 2016:

(In thousands)	Notional Amount	2016 Balance Sheet Location	Fair Value
Cash Flow Hedges:			
Fixed to 1-month floating LIBOR (with floor)	$ 100,000	Other assets	$ 398
Fixed to 1-month floating LIBOR (with floor)	$ 100,000	Accrued expense	(453)
Fixed to 1-month floating LIBOR (with floor)	$ 50,000	Other long-term liabilities	(216)
Total Fair Values			$ (271)

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

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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.

In connection with the acquisition of FairPoint, during the quarter ended June 30, 2017, we entered into a series of four deal contingent forward-starting interest rate swap agreements each with a term of one year which begin at various dates between July 2017 and July 2020 and mature between July 2018 and July 2021. The forward starting interest rate swap agreements have a notional value ranging from $450.0 million to $705.0 million. These interest rate swap agreements have been designated as cash flow hedges.

In conjunction with the refinancing of our Credit Agreement in October 2016 as discussed in Note 6, the interest rate swaps were simultaneously de-designated and re-designated as cash flow hedges of future anticipated interest payments associated with our variable rate debt. 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 terms of the respective interest rate swap agreements. The interest rate swap agreements mature on various dates through September 2019.

As of June 30, 2017 and December 31, 2016, the total pre-tax deferred loss related to our interest rate swap agreements included in AOCI was $3.6 million and $0.2 million, respectively. The estimated amount of losses included in AOCI as of June 30, 2017 that will be recognized in earnings in the next twelve months is approximately $2.8 million.

Information regarding our cash flow hedge transactions is as follows:

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands)	2017	2016	2017	2016
Unrealized loss recognized in AOCI, pretax	$ (4,039)	$ (273)	$ (4,130)	$ (973)
Deferred losses reclassified from AOCI to interest expense	$ (396)	$ (256)	$ (729)	$ (499)
Loss recognized in interest expense from ineffectiveness	$ (1,535)	$ —	$ (1,300)	$ —

8. EQUITY

Share-Based Compensation

The following table summarizes total compensation costs recognized for share-based payments during the quarters and six-month periods ended June 30, 2017 and 2016:

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands)	2017	2016	2017	2016
Restricted stock	$ 589	$ 511	$ 964	$ 1,072
Performance shares	303	401	466	732
Total	$ 892	$ 912	$ 1,430	$ 1,804

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

As of June 30, 2017, total unrecognized compensation cost related to non-vested Restricted Stock Awards (“RSAs”) and Performance Share Awards (“PSAs”) was $6.0 million and will be recognized over a weighted-average period of approximately 2.2 years.

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The following table summarizes the RSA and PSA activity for the six-month period ended June 30, 2017:

	RSAs		PSAs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested shares outstanding - January 1, 2017	93,662	$ 22.34	109,160	$ 20.12
Shares granted	124,100	$ 23.12	5,204	$ 24.00
Shares vested	(4,708)	$ 22.30	—	$ —
Shares forfeited, cancelled or retired	(3,011)	$ 22.48	(3,507)	$ 20.68
Non-vested shares outstanding - June 30, 2017	210,043	$ 22.80	110,857	$ 20.28

Accumulated Other Comprehensive Loss

The following table summarizes the changes in accumulated other comprehensive loss, net of tax, by component for the six-month period ended June 30, 2017:

(In thousands)	Pension and Post-Retirement Obligations	Derivative Instruments	Total
Balance at December 31, 2016	$ (47,150)	$ (127)	$ (47,277)
Other comprehensive income before reclassifications	(814)	(2,544)	(3,358)
Amounts reclassified from accumulated other comprehensive loss	1,733	449	2,182
Net current period other comprehensive income	919	(2,095)	(1,176)
Balance at June 30, 2017	$ (46,231)	$ (2,222)	$ (48,453)

The following table summarizes reclassifications from accumulated other comprehensive loss for the quarters and six-month periods ended June 30, 2017 and 2016:

(In thousands)	Quarter Ended June 30, 2017	Quarter Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Affected Line Item in the Statement of Income
Amortization of pension and post-retirement items:					
Prior service credit	$ 209	$ 245	$ 453	$ 489	(a)
Actuarial loss	(1,639)	(1,356)	(3,300)	(2,711)	(a)
	(1,430)	(1,111)	(2,847)	(2,222)	Total before tax
	559	433	1,114	865	Tax benefit
	$ (871)	$ (678)	$ (1,733)	$ (1,357)	Net of tax
Loss on cash flow hedges:					
Interest rate derivatives	$ (396)	$ (256)	$ (729)	$ (499)	Interest expense
	152	98	280	192	Tax benefit
	$ (244)	$ (158)	$ (449)	$ (307)	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.

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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 under collective bargaining agreements 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. Benefits for eligible participants under collective bargaining agreements are accrued based on a cash balance benefit plan.

We also have two non-qualified supplemental retirement plans (the "Supplemental Plans" and, together with the Retirement Plan, the "Pension Plans"). The Supplemental Plans provide supplemental retirement benefits to certain former employees by providing for incremental pension payments to partially offset the reduction of the amount 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 Pension Plans for the quarters and six-month periods ended June 30, 2017 and 2016:

	Quarter Ended June 30,		Six Months Ended June 30,	
(In thousands)	2017	2016	2017	2016
Service cost	$ 74	$ 86	$ 161	$ 172
Interest cost	3,567	4,073	7,180	8,146
Expected return on plan assets	(5,053)	(5,159)	(9,958)	(10,318)
Net amortization loss	1,683	1,356	3,387	2,711
Net prior service credit amortization	(79)	(115)	(193)	(229)
Curtailment gain	(1,337)	—	(1,337)	—
Net periodic pension cost	$ (1,145)	$ 241	$ (760)	$ 482

In May 2017, the Retirement Plan was amended to freeze benefit accruals under the cash balance benefit plan for certain participants under collective bargaining agreements effective as of June 30, 2017. As a result of this amendment, we recognized a pre-tax curtailment gain of $1.3 million as a component of net periodic pension cost during the quarter and six-month period ended June 30, 2017.

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 for each of the quarters ended June 30, 2017 and 2016 and $0.2 million for each of the six-month periods ended June 30, 2017 and 2016, respectively. The net present value of the remaining obligations was approximately $1.9 million and $2.0 million as of June 30, 2017 and December 31, 2016, respectively, and is included in pension and other post-retirement benefit obligations in the accompanying condensed consolidated balance sheets.

We also maintain 25 life insurance policies on certain of the participating former directors and employees. We recognized $0.2 million in life insurance proceeds as other non-operating income in the six-month period ended June 30, 2016. We did not recognize any life insurance proceeds during the quarter and six-month period ended June 30, 2017. The excess of the cash surrender value of the remaining life insurance policies over