



BEFORE THE
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED
02-10-12
04:59 PM

In the Matter of the Joint Application of

CONSOLIDATED COMMUNICATIONS
HOLDINGS, INC.,
CONSOLIDATED COMMUNICATIONS, INC.
and
WH ACQUISITION II CORP.

A1202011

AND

A.12-____ - ____

SUREWEST COMMUNICATIONS,
SUREWEST TELEPHONE (U 1015 C),
SUREWEST LONG DISTANCE (U 5817 C), and
SUREWEST TELEVIDEO (U 6324 C)

To Authorize the Acquisition of Control of

SUREWEST TELEPHONE (U 1015 C),
SUREWEST LONG DISTANCE (U 5817 C), and
SUREWEST TELEVIDEO (U 6324 C)

William D. Kissinger
Todd O. Edmister
Bingham McCutchen LLP
Three Embarcadero Center
San Francisco, CA 94111
Telephone: (415) 393-2000
Facsimile: (415) 393-2286
e-mail: william.kissinger@bingham.com
todd.edmister@bingham.com

Counsel for
CONSOLIDATED COMMUNICATIONS
HOLDINGS, INC.,
CONSOLIDATED COMMUNICATIONS, INC.
and
WH ACQUISITION II CORP.

Mark P. Schreiber
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: mschreiber@cwclaw.com

SUREWEST COMMUNICATIONS,
SUREWEST TELEPHONE (U 1015 C),
SUREWEST LONG DISTANCE
(U 5817 C), and
SUREWEST TELEVIDEO (U 6324 C)

February 10, 2012

JOINT APPLICATION

Pursuant to Sections 851-854 of the California Public Utilities Code¹, Applicants Consolidated Communications Holdings, Inc. ("CCHI"), Consolidated Communications, Inc. ("CCI") (CCHI and CCI, together "Consolidated"), WH Acquisition II Corp. ("Merger Sub II"), SureWest Communications, SureWest Telephone, SureWest Long Distance, and SureWest TeleVideo (collectively the "SureWest Companies") hereby seek approval for Merger Sub II to acquire direct control, and for Consolidated to acquire indirect control, of SureWest Telephone (an incumbent local exchange carrier), SureWest Long Distance (a non-dominant interexchange carrier), and SureWest TeleVideo (a competitive local exchange carrier) (collectively the "SureWest California Utilities") pursuant to the "Agreement and Plan of Merger" attached as Exhibit A (the "Merger Agreement") by which Consolidated proposes to acquire all of the assets of SureWest Communications, the parent of the SureWest California Utilities, through a series of mergers. In addition, Applicants seek approval for SureWest Telephone to encumber its assets. In connection with the Transactions, SureWest Communications' existing debt of approximately \$204 million, for which the SureWest California Utilities have already encumbered their assets, will be repaid and redeemed in full, but the SureWest Companies will be required to encumber their assets, along with all of Consolidated's other subsidiaries, to secure existing financing arrangements of Consolidated.

As set forth below, the transaction for which approval is sought herein will be consummated through certain Applicants and another non-applicant entity; specifically, WH Acquisition Corp. ("Merger Sub I"), which has been established for the purpose of effectuating the proposed transaction and will cease to exist when the proposed transaction is consummated. At the conclusion of the proposed transaction: (1) the SureWest California Utilities will be subsidiaries of Merger Sub II, which may change its name to "SureWest Communications" or another name that incorporates the SureWest

¹ All statutory references herein are to the California Public Utilities Code unless otherwise indicated.

and/or Consolidated brand(s), (2) SureWest Communications will no longer exist as a separate corporate entity, and (3) SureWest Telephone will have encumbered its assets to secure existing financing arrangements of Consolidated. Accordingly, Consolidated, Merger Sub II, and the SureWest Companies stand as applicants for the requested authority under §§ 851-854.

I

INTRODUCTION

Pursuant to the Merger Agreement, Consolidated proposes to acquire all of the assets of SureWest Communications, which is the parent of the SureWest California Utilities, including all of the outstanding stock of the SureWest California Utilities. The transaction will result in an acquisition of control of the SureWest California Utilities by Merger Sub II, directly, and by Consolidated, indirectly. Accordingly, pursuant to § 854, Applicants seek an order of this Commission approving that acquisition of control. In addition, pursuant to § 851, Applicants seek an order of this Commission approving the encumbrance of SureWest Telephone assets to secure existing financing arrangements of Consolidated.

As may be expected in this type of transaction, the parties will provide covenants to each other and to third-party lenders. In the past, many of these would have required advance Commission approval. Today, however, since the SureWest California Utilities are not regulated on a rate-of-return basis, the only Commission approvals required are (1) for Consolidated and Merger Sub II to acquire control of the SureWest California Utilities and (2) for the assets of SureWest Telephone to be encumbered to secure existing financing arrangements of Consolidated.²

² Pursuant to § 829(b)(1), telephone utilities that are not regulated under rate-of-return regulation are exempt from the provisions of §§ 816-830 (except for § 828 regarding obligations of the State of California, which is not relevant here). SureWest Telephone and the other SureWest California Utilities are such companies. Accordingly, Applicants do not seek CPUC approval for those aspects of the transaction which are governed by §§ 816-830. These aspects include the issuance of evidences of indebtedness and the guarantee of the evidences of (footnote continued)

For the reasons set forth herein, Applicants submit that the approvals requested by this Application are in the public interest and should be granted at the earliest possible time.

II

PROCEDURAL REQUIREMENTS

1. AUTHORITY (Rule 2.1).

This Application is submitted pursuant to §§ 851-854 of the California Public Utilities Code.

2. NAME AND ADDRESS OF APPLICANTS (Rule 2.1(a)).

a. CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

Applicant's full legal name is Consolidated Communications Holdings, Inc. ("CCHI"). Consolidated is a corporation organized under the laws of Delaware. CCHI's principal executive offices are located at 121 South 17th Street, Mattoon, Illinois 61938-3987 and its telephone number is (217) 235-3311.

b. CONSOLIDATED COMMUNICATIONS, INC. Applicant's full

legal name is Consolidated Communications, Inc. ("CCI"). CCI is a corporation organized under the laws of Illinois. CCI is a wholly owned direct subsidiary of CCHI. CCI's principal executive offices are located at 121 South 17th Street, Mattoon, Illinois 61938-3987 and its telephone number is (217) 235-3311.

indebtedness by the SureWest California Utilities. In this regard, less than a year ago, the Commission affirmed that SureWest Telephone need not seek Commission authority prior to guaranteeing debt of its parent, SureWest Communications. (Application by SureWest Communications and SureWest Telephone, Decision No. 11-02-022 (February 24, 2011), at pp. 5-6.) Decision 85-11-044 exempts non-dominant interexchange carriers, such as SureWest Long Distance, from § 851 with respect to a transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt. Decision 97-01-015 exempts competitive local exchange carriers, such as SureWest TeleVideo, from § 851 with respect to a transfer or encumbrance of property whenever such transfer or encumbrance serves to secure debt.

c. WH ACQUISITION II CORP. Applicant's full legal name is WH Acquisition II Corp. ("Merger Sub II"). Merger Sub II is a corporation organized under the laws of California. Merger Sub II is a wholly owned direct subsidiary of CCI. Merger Sub II's principal executive offices are located at 121 South 17th Street, Mattoon, Illinois 61938-3987 and its telephone number is (217) 235-3311.

d. SUREWEST COMMUNICATIONS. Applicant's full legal name is SureWest Communications. SureWest Communications is a corporation organized under the laws of California. Its principal executive offices are located at 8150 Industrial Avenue, Roseville, California 95678 and its telephone number is (916) 786-6141.

e. SUREWEST TELEPHONE. Applicant's full legal name is SureWest Telephone. SureWest Telephone is a corporation organized under the laws of California. SureWest Telephone has its principal executive offices located at 8150 Industrial Avenue, Roseville, California 95678 and its telephone number is (916) 786-6141.

f. SUREWEST LONG DISTANCE. Applicant's full legal name is SureWest Long Distance. SureWest Long Distance is a corporation organized under the laws of California. SureWest Long Distance has its principal executive offices located at 8150 Industrial Avenue, Roseville, California 95678 and its telephone number is (916) 786-6141.

g. SUREWEST TELEVIDEO. Applicant's full legal name is SureWest TeleVideo. SureWest TeleVideo is a corporation organized under the laws of California. SureWest TeleVideo has its principal executive offices located at 8150 Industrial Avenue, Roseville, California 95678 and its telephone number is (916) 786-6141.

3. CORRESPONDENCE AND/OR COMMUNICATIONS (Rule 2.1(b)).

Correspondence and communications regarding this Application are to be addressed to:

William D. Kissinger
Todd O. Edmister
Bingham McCutchen LLP
Three Embarcadero Center
San Francisco, CA 94111
Telephone: (415) 393-2000
Facsimile: (415) 393-2286
e-mail: william.kissinger@bingham.com
todd.edmister@bingham.com

Counsel for Consolidated and Merger Sub II

And

Mark P. Schreiber
Cooper, White & Cooper LLP
201 California St., 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: mschreiber@cwclaw.com

Counsel for the SureWest Companies

The Applicants request that copies of all correspondence and communications concerning this Application be mailed also to:

Michael J. Shultz
Vice President, Regulatory & Public Policy
Consolidated Communications
350 S. Loop 336 W
Conroe, TX 77304
e-mail: michael.shultz@consolidated.com

Greg R. Gierczak
Executive Director – Public Policy and Government Relations
SureWest Communications
8150 Industrial Avenue
Roseville, CA 95678
e-mail: ggierczak@surewest.com

Notices, orders, and other papers may be served upon these persons and such service shall be deemed to be service upon the Applicants.

4. ARTICLES OF INCORPORATION AND QUALIFICATION TO DO BUSINESS (Rule 2.2).

a. CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.:

CCHI is a corporation organized under the laws of Delaware. A certified copy of the Articles of Incorporation of Consolidated is attached hereto as Exhibit C. CCHI does not conduct business in the State of California and will not begin to do so as a consequence of this transaction; therefore, Applicants seeks a waiver, to the extent required, of the requirement for CCHI to become qualified to do business in California.³

b. CONSOLIDATED COMMUNICATIONS, INC.: CCI is a

corporation organized under the laws of Illinois. A certified copy of the Articles of Incorporation of CCI is attached hereto as Exhibit D. CCI does not conduct business in the State of California and will not begin to do so as a consequence of this transaction;

³ CCHI does not conduct business in California. Pursuant to the proposed transaction that is the subject of this application, CCHI will indirectly own the stock of Merger Sub II and the SureWest California Utilities, entities which will or do conduct business in California. California Corporations Code § 191(a) defines the term "transact intrastate business" as entering into repeated and successive transactions of its business in this state, other than interstate or foreign commerce." Section 191(b) of the California Corporations Code states that a "foreign corporation shall not be considered to be transacting intrastate business merely because its subsidiary transacts business." *See, e.g., Application of SuperShuttle International, et al.*, D.06-10-037 (2006) at mimeo pp. 4-5.

Accordingly, with respect to CCHI, the Applicants seek the usual exemption from any requirement that a Statement of Qualification to do Business in California be included herein. The Commission has previously exempted from the qualification requirement foreign corporations that control entities transacting business in California but do not themselves transact any business in California. *See, e.g., In the Matter of the Joint Application of Working Assets Funding Service, Inc. dba Working Assets Long Distance and Working Assets, Inc.*, D.01-12-029 (2001), at mimeo, pp. 2-3. Granting such an exemption here is consistent with Corporations Code § 191(b).

Upon completion of the transaction, Consolidated hereby waives any objection to Commission jurisdiction based on the lack of qualification to do business to the same extent that SureWest Communications has pursuant to D.96-07-059.

therefore, Applicants seeks a waiver, to the extent required, of the requirement for CCI to become qualified to do business in California.⁴

c. WH ACQUISITION II CORP.: A copy of Merger Sub II's Articles of Incorporation certified by the California Secretary of State is attached hereto as Exhibit E.

d. SUREWEST COMMUNICATIONS: A copy of SureWest Communications' Articles of Incorporation certified by the California Secretary of State was submitted in Application 95-05-031 (filed May 9, 1995). Copies of all amendments to SureWest Communications' Articles of Incorporation since the filing of Application 95-05-031 were attached as Exhibit A to Application 02-08-032. In accordance with Rule 2.2, specific reference is made to these prior filings in lieu of their re-submission with this Application.

e. SUREWEST TELEPHONE: Certified copies of SureWest Telephone's Articles of Incorporation, as restated on May 30, 1980, and amendments thereto, effective October 19, 1982 and September 1, 1983, were attached as Exhibits A-1, A-2 and A-3, respectively, to Application 84-10-023, a copy of an amendment to SureWest Telephone's Articles of Incorporation, effective June 28, 1988, was attached as Exhibit A to Application 88-09-014, and a copy of an amendment to SureWest Telephone's Articles of Incorporation, effective July 1, 1996, was attached as Exhibit A to Application 96-11-030 (filed November, 1996). The latest amendment to SureWest Telephone's Articles of Incorporation, dated September 25, 2003, was attached as Exhibit A to Application 10-12-013 (filed December 17, 2010). In accordance with Rule 2.2, specific reference is made to these prior filings in lieu of their submission with this Application.

⁴ CCI does not conduct business in California. Pursuant to the proposed transaction that is the subject of this application, CCI will own the stock of Merger Sub II and will indirectly own the stock of the SureWest California Utilities, entities that will or do conduct business in California. For the reasons described in footnote 3, above, with respect to CCI the Applicants seek the usual exemption from any requirement that a Statement of Qualification to do Business in California be included herein.

f. SUREWEST LONG DISTANCE: A certified copy of the Articles of Incorporation of SureWest Long Distance was submitted with Application 97-01-037 (filed January 28, 1997). A certified copy of an amendment to the Articles of Incorporation was submitted as Exhibit B to Application 04-05-006 (filed May 3, 2004). In accordance with Rule 2.2, specific reference is made to these prior filings in lieu of their submission with this Application.

g. SUREWEST TELEVIDEO: Certified copies of SureWest TeleVideo's Articles of Incorporation were submitted with Application 02-06-029 (filed June 20, 2002). In accordance with Rule 2.2, specific reference is made to this prior filing in lieu of its submission with this Application. In addition, SureWest TeleVideo has a State Video Franchise certificate.

5. DESCRIPTION OF AUTHORIZATION SOUGHT (Rule 2.1).

Applicants seek authority from the Commission, pursuant to the California Public Utilities Code, to permit (1) Merger Sub II to acquire all of the issued and outstanding shares of the capital stock of the SureWest California Utilities and (2) Consolidated to thereby obtain indirect control of the SureWest California Utilities. In addition, pursuant to § 851, Applicants seek an order of this Commission approving the encumbrance of the assets of SureWest Telephone to secure existing financing arrangements of Consolidated.

6. CHARACTER OF BUSINESS PERFORMED AND THE TERRITORY SERVED BY EACH APPLICANT (Rule 3.6(a)).

a. CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.:

CCHI is a publicly traded company (NASDAQ: CNSL) that, through its operating subsidiaries,⁵ provides a wide range of telecommunications services to residential and

⁵ CCHI's telecommunications operating subsidiaries are: Consolidated Communications Enterprise Services, Inc., a CLEC, IXC, ISP and VoIP provider operating in Illinois, Pennsylvania and Texas; Consolidated Communications of Texas Company, a ILEC operating in Texas; Illinois Consolidated Telephone Company, an ILEC operating in central Illinois; Consolidated Communications Public Services, Inc., an inmate payphone services provider operating in Illinois, Missouri and Texas; Consolidated Communications of Fort Bend Company, an ILEC operating in the Fort Bend, Texas area; Consolidated Communications Transport (footnote continued)

business customers in Illinois, Texas and Pennsylvania including: local and long-distance telephone service, high-speed broadband Internet access, standard and high-definition digital television , and digital telephone service, custom calling features, private line services, carrier access services, network capacity services over regional fiber optic networks, directory publishing. CCHI's operating subsidiaries include both incumbent and competitive local exchange carriers. As of December 31, 2010, CCHI's operating subsidiaries had 237,141 local access lines, 106,387 broadband lines, 29,236 digital television subscribers, and an estimated 81,090 CLEC access line equivalents.

b. CONSOLIDATED COMMUNICATIONS, INC.: CCI is a holding company and wholly owned direct subsidiary of CCHI. Like its parent, CCI operates through its subsidiaries.

c. WH ACQUISITION II CORP.: Merger Sub II is a holding company and wholly owned direct subsidiary of CCI. Merger Sub II was created for the purposes of the transaction and will assume SureWest Communications' operations upon completion of the mergers.

d. SUREWEST COMMUNICATIONS: SureWest Communications currently owns all of the stock of SureWest Telephone, SureWest Long Distance, and SureWest TeleVideo and other unregulated businesses and assets.

e. SUREWEST TELEPHONE: SureWest Telephone is an incumbent local exchange carrier regulated by the Commission which provides local exchange telephone service in Sacramento and Placer Counties, California. SureWest Telephone was originally certificated as a local exchange carrier by this Commission as Roseville Telephone Company by Decision 1491 (May 7, 1914). In addition, SureWest Telephone was authorized as a facilities-based competitive local exchange carrier ("CLEC") by Decision 98-06-067 issued on June 18, 1998.

Company, a CLEC operating in Texas; and Consolidated Communications of Pennsylvania Company, LLC, an ILEC operating in western Pennsylvania.

f. SUREWEST LONG DISTANCE: SureWest Long Distance is a non-dominant interexchange carrier regulated by this Commission which provides resold long distance services throughout California. SureWest Long Distance was originally certified by this Commission pursuant to Decision 97-08-027 issued on August 1, 1997.

g. SUREWEST TELEVIDEO: SureWest TeleVideo is a limited facilities-based and resale provider of interexchange and competitive local exchange services carrier regulated by this Commission. It currently provides competitive local exchange telephone service in portions of Sacramento County. SureWest TeleVideo was originally certified by this Commission pursuant to Decision 02-07-042 issued on July 17, 2002. SureWest TeleVideo, doing business as SureWest Broadband, also provides cable television service pursuant to a state video franchise issued by the Commission on December 8, 2008, as amended on April 29, 2009.⁶

7. DESCRIPTION OF THE PROPERTY INVOLVED IN THE TRANSACTION (Rule 3.6(b)).

Pursuant to the Agreement, (1) Merger Sub II will acquire all of the issued and outstanding shares of the capital stock of the SureWest California Utilities and (2) Consolidated will thereby obtain indirect control of the SureWest California Utilities. In addition, as discussed below, all of the subsidiaries of SureWest Communications, including SureWest Telephone, will encumber substantially all of their assets to secure existing financing arrangements of Consolidated. No public utility assets of the SureWest California Utilities will be transferred to another entity as part of the transaction. Following consummation of the transaction, the SureWest California Utilities will be wholly owned direct subsidiaries of Merger Sub II. For the Commission's convenience, charts depicting the corporate structure of Applicants before and after the proposed transaction, along with the mergers, are provided as Exhibit H.

⁶ Following the close of the transaction, SureWest TeleVideo will provide the notice required by Section VI.F. of General Order 169.

The original and book values of the SureWest California Utilities' telephone property dedicated to public service are as shown in the financial statements attached hereto as Exhibits I, J, and K.

8. REASONS FOR THE TRANSACTION (Rule 3.6(c)).

Consolidated seeks to acquire the SureWest Companies to further its business strategy of growth through the acquisition of additional established telecommunications companies, and the delivery of expanded competitive, customer-centric, telecommunications and broadband-related services to its subsidiaries' customers.

The Board of Directors of SureWest Communications has agreed to the transaction in order to realize their shareholders' significant investment in the SureWest Companies and due to the numerous benefits that a combination with Consolidated offers the customers of the SureWest Companies. The benefits to customers include: (1) a decentralized management philosophy which stresses service area specific customer service and community involvement; (2) the enhanced opportunities for personal and professional development that joining Consolidated offers employees of the SureWest Companies; (3) the increased capability that Consolidated can bring to provide high quality competitive telephone service along with broadband and cable-related services, to the customers of the SureWest Companies; and (4) the commitment of Consolidated to, and a record of providing, high quality competitive telecommunications services at reasonable prices.

9. TERMS AND CONDITIONS OF THE TRANSACTION (Rule 3.6(d), (f)).

Pursuant to the Merger Agreement (attached as Exhibit A), Consolidated proposes to acquire the common stock of SureWest Communications in a cash and stock merger valued at \$23 per share. Under the terms of the Merger Agreement, the shareholders of SureWest Communications may elect to exchange each share of SureWest common stock for either \$23 in cash or shares of CCHI common stock having an equivalent value based on average trading prices for the 20-day period ending two days before the closing subject to a collar so that there will be a maximum and minimum exchange ratio of

1.40565 and 1.03896 shares, respectively, of CCHI common stock for each share of SureWest Communications common stock. Overall elections are subject to proration so that 50 percent of the SureWest Communications shares will be exchanged for cash and 50 percent for stock.

The transfer of shares will be accomplished through the merger of SureWest Communications and Merger Sub I, a wholly-owned subsidiary of CCI established solely for purposes of effecting the transaction for which authority is sought herein. SureWest Communications will be the surviving entity of this merger and Merger Sub I will cease to exist⁷. Subsequently, SureWest Communications will be a party to a second merger with Merger Sub II, another wholly-owned subsidiary of CCI established for purposes of effecting the transaction for which approval is sought herein. SureWest Communications will merge with and into Merger Sub II and Merger Sub II will be the surviving entity of the merger, so that SureWest Communications will cease to exist. Merger Sub II will continue to be a wholly owned direct subsidiary of CCI.⁸

In addition, as noted above, SureWest Telephone will encumber its assets to secure existing financing arrangements of Consolidated. In connection with the Transactions, SureWest Communications' existing debt of approximately \$204 million, for which the SureWest California Utilities have already encumbered their assets, will be repaid and redeemed in full. Under Consolidated's Amended and Restated Credit Agreement dated as of June 8, 2011 (the "Existing Credit Agreement"),⁹ however, substantially all of the assets of the current and future subsidiaries of Consolidated are

⁷ Merger Sub I is not an applicant herein because (1) it is currently a shell corporation with no assets or liabilities, (2), there are no separate financials for Merger Sub I and (3) it will cease to exist after consummation of the transaction for which approval is sought herein.

⁸ The use of such merger subsidiaries is common in acquisitions approved by the Commission pursuant to Section 854. *See, e.g., First Communications, LLC* Decision 08-12-047 (December 18, 2008); *SuperShuttle International*, Decision 06-10-037 (October 19, 2006); *Comcast Business Communications, Inc*, Decision 02-11-025 (November 7, 2002).

⁹ The Amended and Restated Credit Agreement is available at <http://ir.consolidated.com/secfiling.cfm?filingID=1171843-11-1793&CIK=1304421>.

required to be pledged as security for the debt. Therefore, pursuant to the Existing Credit Agreement, SureWest Telephone will enter into a joinder agreement within 30 days of closing of the proposed transaction that will make SureWest Telephone a party to the Collateral Agreement (attached as Exhibit B) dated as of December 31, 2007, thereby providing a security interest in substantially all of its assets, along with substantially all of the assets of all of Consolidated's other subsidiaries, in support of the Existing Credit Agreement. The following are certain key terms of the Existing Credit Agreement:

Type of Facility: Term Loans
Amount: \$470.9 Million
Interest Rate: 2.50% + LIBOR
Maturity Date: December 31, 2014

Type of Facility: Term Loans
Amount: \$409.1 Million
Interest Rate: 3.75% + LIBOR
Maturity Date: December 31, 2017

Type of Facility: Revolving
Amount: \$50 Million (undrawn)
Interest Rate: 2.75 to 3.5% + LIBOR depending on leverage ratio
Maturity Date: June 8, 2016

Applicants also note that in connection with the transaction between Consolidated and SureWest Communications, Consolidated plans to enter into a new \$350 million senior unsecured credit facility ("New Unsecured Credit Facility").¹⁰ The SureWest California Utilities will not encumber their assets as security for the New Unsecured Credit Facility.

The transaction is intended to be transparent to subscribers. Specifically, the current customers of the SureWest California Utilities will remain customers of those entities. Immediately after the transaction is complete, customers will continue to enjoy the same rates, terms and conditions of service as they currently do. Further, the nature

¹⁰ The Commitment Letter with regard to this facility is available in Consolidated SEC Form 8-K filed on February 8, 2012 and available at: <http://ir.consolidated.com/secfiling.cfm?filingID=1171843-12-396&CIK=1304421>.

and extent of the Commission's jurisdiction over the SureWest California Utilities, and their parent companies pursuant to D.96-07-059, will not change.

10. FINANCIAL STATEMENTS (Rule 3.6(e), Rule 2.3).

a. CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.:

Consolidated financial statements of CCHI, in accordance with the requirements of Rule 3.6(e) are contained in the excerpts from its most recent SEC Forms 10-Q and 10-K which are attached hereto as Exhibit G. Complete copies of CCHI's most recent SEC Forms 10-Q and 10-K are available at <http://ir.consolidated.com> under "Financial Information."

b. CONSOLIDATED COMMUNICATIONS, INC.: CCI is a holding company that does not maintain separate financial statements. Applicants request that the Commission accept CCHI's consolidated financial statements on behalf of CCI, which is a wholly owned direct subsidiary of CCHI.

c. WH ACQUISITION II CORP.: Merger Sub II is a newly formed holding company that does not have any financial statements at this time. Applicants request that the Commission accept CCHI's consolidated financial statements on behalf of Merger Sub II, which is a wholly owned indirect subsidiary of CCHI. As a result of the merger, the financial statements of SureWest Communications will, in effect, become the financial statements of Merger Sub II.

d. SUREWEST COMMUNICATIONS: Consolidated financial statements of SureWest Communications, in accordance with the requirements of Rule 3.6(e) are contained in the excerpts from its most recent SEC Forms 10-Q and 10-K which are attached hereto as Exhibit H. Complete copies of SureWest Communications' most recent SEC Forms 10-Q and 10-K are available at <http://ir.surw.com> under "SEC Filings."

e. SUREWEST TELEPHONE: Attached as Exhibit I are SureWest Telephone's most recent, unaudited financial statements. Pursuant to the Commission's rules, these consist of a balance sheet as of the latest available date, together with an income statement covering the period from the close of 2010, the last year for which an

annual report has been filed with the Commission, to the date of the balance sheet attached to the Application.

f. SUREWEST LONG DISTANCE: Attached as Exhibit J are the most recent, unaudited financial statements for SureWest Long Distance. Pursuant to the Commission's rules, these consist of a balance sheet as of the latest available date, together with an income statement covering the period from the close of 2010, the last year for which an annual report has been filed with the Commission, to the date of the balance sheet attached to the Application.

g. SUREWEST TELEVIDEO: Attached as Exhibit K are SureWest TeleVideo's most recent, unaudited financial statements. Pursuant to the Commission's rules, these consist of a balance sheet as of the latest available date, together with an income statement covering the period from the close of 2010, the last year for which an annual report has been filed with the Commission, to the date of the balance sheet attached to the Application.

11. CALIFORNIA ENVIRONMENTAL QUALITY ACT
("CEQA") COMPLIANCE (Rule 2.4):

The proposed acquisition of the SureWest Companies by Consolidated can be seen with certainty to have no significant adverse effect on the environment as the existing network plant and facilities will remain the same. The proposed transaction is entirely a "paper" transaction. No authority for new construction is requested by this Application. Pursuant to 14 California Code of Regulation §15061(b)(3), it can be seen with certainty that there is no possibility that the transaction for which Applicants seek approval from the Commission may have a significant effect on the environment. Therefore, this Application is categorically exempt from review under CEQA.¹¹

¹¹ See D.06-02-033, *Decision Granting Conditional Approval of the Acquisition of PacifiCorp by Mid-American Energy Holdings Co.*, where the Commission observed that:

Today's Decision authorizes a change in ownership of PacifiCorp.
Today's Decision does not authorize any new construction, changes to the operations of PacifiCorp or other entity, or changes in the use of existing assets
(footnote continued)

12. MANAGEMENT OF THE SUREWEST CALIFORNIA UTILITIES.

Consolidated intends to expand its commitment to, and proven track record of, delivering a quality customer experience to the operations of the SureWest California Utilities, using personnel from the SureWest Companies and the resources available from Consolidated to assure customer satisfaction. Professional biographies of the current Consolidated management team are attached hereto as Exhibit L.

13. STATEMENT REGARDING BANKRUPTCIES AND REGULATORY AGENCY/COURT ENFORCEMENT PROCEEDINGS.

To the best of Applicants' knowledge, none of the Applicants nor any of their affiliates, officers, directors, partners, agents, or owners (directly or indirectly) of more than 10% of applicant, or anyone acting in a management capacity for the Applicants has: (a) held one of these positions with a company that filed for bankruptcy; (b) been personally found liable, or held one of these positions with a company that has been found liable, for fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (c) been convicted of a felony; (d) been (to his/her knowledge) the subject of a criminal referral by judge or public agency; (e) had a telecommunications license or operating authority denied, suspended, revoked, or limited in any jurisdiction; (f) personally entered into a settlement, or held one of these positions with a company that has entered into settlement, of criminal or civil claims involving violations of §§ 17000 *et seq.*, 17200 *et seq.*, or 17500 *et seq.* of the California Business & Professions Code, or of any other statute, regulation, or decisional law relating to fraud, dishonesty, failure to disclose, or misrepresentations to consumers or others; (g) been found to have violated

and facilities. Therefore, it can be seen with certainty that today's Decision will not have a significant effect on the environment and, for this reason, qualifies for an exemption from CEQA pursuant to Section 15061 (b)(3)(1) of the CEQA guidelines. Consequently, there is no need for further environmental review.

The same result is found in *Sierra Pacific Power Company* D.10-10-017, *NextG Networks of California, Inc. and Madison Dearborn Partners, LLC*; D.09-08-017 (approving § 854 indirect transfer of control), *NTI of California, LLC*, D.05-08-006 (approving § 854 transfer of control), and *SureWest Communications*, D.04-08-018 (approving § 854 reincorporation).

any statute, law, or rule pertaining to public utilities or other regulated industries; or (h) entered into any settlement agreements or made any voluntary payments or agreed to any other type of monetary forfeitures in resolution of any action by any regulatory body, agency, or attorney general.

Moreover, to the best of Applicants' knowledge, none of the Applicants or any affiliate, officer, director, partner or owner of more than 10% of any of the Applicants, or any person acting in such capacity whether or not formally appointed, is being or has been investigated by the Federal Communications Commission or any law enforcement or regulatory agency for failure to comply with any law, rule or order.

14. PUBLIC UTILITIES CODE § 854(a) AND THE PUBLIC INTEREST.

The acquisition of control of the SureWest California Utilities is governed by § 854(a). Sections 854(b) and (c) by their terms do not apply to this transaction because it does not involve a utility with gross annual California revenues in excess of \$500 million. "The standard generally applied by the Commission to determine if a transaction should be approved under § 854(a) is whether the transaction will be 'adverse to the public interest.'" *Central Valley Gas Storage*, D. 11-05-030 (May 26, 2011). See also, *California-American Water Company*, D.07-05-031 at 3, citing *Qwest Communications Corporation*, D.00-06-079 at 13.

For the reasons described herein, the Applicants believe the Commission should find that the transaction advances the public interest and grant the relief requested at the earliest possible date.

The SureWest California Utilities will enjoy enhanced access to capital on account of the transaction, which will be an immediately available benefit upon closing of the transaction. The long-term benefits to customers arise from the opportunity that access to such capital affords the SureWest California Utilities to upgrade, replace and expand infrastructure and to provide advanced telecommunications services to customers. In addition, the deployment of advanced telecommunications technologies such as SHDSL for copper based Metro Ethernet and copper based pair bonding would drive affordable, higher bandwidth applications deeper into the network and close the speed gap between

fiber and traditional copper solutions. These advanced telecommunications services include, but are not limited to: local and long-distance service; high-speed broadband Internet access; standard and high-definition digital television ("IPTV"); digital telephone service ("VOIP"); custom calling features; private line services; carrier access services; and network capacity services over regional fiber optic network.

In addition, California ratepayers will enjoy long-term economic benefits from the sharing and application of best practices by Consolidated with the SureWest California Utilities. Consolidated's strategic approach to Internet peering and content caching has resulted in improved performance and a higher quality customer Internet experience which will extend to customers of the SureWest California Utilities upon integration of network management practices. Furthermore, the SureWest California Utilities expect to realize cost benefits from the scale efficiencies of provisioning Internet and telephony services across the enterprise, resulting in the ability to more effectively compete for customers on a price basis. Present and future customers of the SureWest California Utilities will also enjoy the benefit of Consolidated's record of superior customer experience. These benefits will extend to installation and service appointment processes; consumer-friendly pricing and packaging choices; and the delivery of further advanced broadband services. Like SureWest Communications, Consolidated is involved and maintains a local presence in the communities it serves, and will continue SureWest's historic commitment to these communities.

The Applicants believe that this transaction will result in a stronger combined company and allow the combined company to offer new products and services and consumer choice for telecommunications and broadband services in the authorized service territories of the SureWest California Utilities. The Applicants anticipate that the quality of service provided by the SureWest California Utilities will improve not only as a result of enhanced access to capital, but also the sharing and application of best practices along with the availability of additional management expertise following the acquisition of the SureWest California Utilities by Consolidated. The post-transaction management of the SureWest California Utilities will be able to draw upon the decades of

combined experience of the current management teams of each of the Applicants to create an environment focused on operating excellence for employees and customers.

Consolidated was founded in 1894 and has a long history of operating incumbent local exchange companies (ILEC). Beginning as a small incumbent local exchange company in Illinois, Consolidated has expanded its service territories through the acquisitions of TXU Communications, a company with ILEC and competitive local exchange subsidiaries in Texas, in 2004 and North Pittsburgh Systems, Inc., a company with ILEC and competitive local exchange subsidiaries in Pennsylvania, in 2007. Consolidated has successfully integrated these acquisitions into a family of companies providing advanced communications services to both residential and business customers in Illinois, Pennsylvania and Texas. Consolidated will bring these experiences to its acquisition of the SureWest Companies, to the benefit of customers of both companies.

Over the past three years, Consolidated has demonstrated its ability to confer the benefits described above through its investment in its existing markets of over \$42 million in network expansion, infrastructure and equipment upgrades, and deployment of new and enhanced products and services, in order to make Consolidated's full range of services available to over 325,000 households and businesses.

15. ISSUES TO BE CONSIDERED, CATEGORIZATION AND PROPOSED SCHEDULE (Rule 2.1(c)).

The Commission is called upon in this proceeding to consider whether Consolidated and Merger Sub II should be authorized to acquire control of the SureWest California Utilities as described in this Application. The Applicants propose that the Commission categorize this Application as a ratesetting proceeding. The rates of the SureWest California Utilities will not be affected by the proposed transaction. The ratesetting category is proposed because this proceeding does not qualify as an adjudicatory or quasi-legislative proceeding under the Commission's rules. Accordingly, it should be categorized as ratesetting even though it will not affect rates. (See Rule 7.1(e)(2) of Practice and Procedure before the Commission.) The Applicants believe that no hearings are required and propose the following schedule:

| | |
|-------------------|---|
| February 10, 2012 | Application Filed |
| February 14, 2012 | Application Appears on CPUC Daily Calendar |
| March 19, 2012 | Protests and Responses Due (thirty days after appearance of Application on CPUC Daily Calendar) |
| March 29, 2012 | Reply to Protests. |
| May 24, 2012 | Final Decision Adopted. |

IV

REQUEST FOR EX PARTE RELIEF

The Applicants request ex parte relief without a hearing. (Applicants are unaware of any proceeding under § 854(a)¹² involving a telecommunications carrier in the last several decades in which a hearing has been conducted.) Such relief is justified in this case because (a) the authorization requested will not change rates for any California utility services or the terms and conditions applicable by tariff thereto; (b) the authorizations requested will not produce any changes in the manner in which service is provided to California telephone subscribers; (c) this Application demonstrates with certainty the public benefits of the transaction; and (d) it is important from the Applicants' standpoint that the transaction occur in an expeditious manner.

Expeditious treatment is critical because delay in the regulatory approval process (and thus in the ability of the Applicants to move forward promptly with the integration process), risks creating uncertainty and competitive harm, especially in the public

¹² A hearing was held in A. 05-02-027 (AT&T/SBC), a proceeding which, unlike the instant matter, was governed by Section 854(b)-(c). No hearing was held in A. 05-04-020 (MCI/Verizon) even though it was governed by the same statute.

equities market for the companies' respective stock. The recent volatile fluctuations in such markets are a matter of public record, and the parties desire to minimize such uncertainty with respect to those markets. Further, receiving timely approvals will enable the parties to undertake the necessary business preparations to consummate the merger, while delay in the regulatory approval process may cause the Applicants to incur substantially increased costs, including potential increase in the costs of financing the transaction. Any delay will further prevent the parties from promptly realizing the economic and operational benefits expected from the transaction

IV

LIST OF EXHIBITS

- Exhibit A - Agreement and Plan of Merger
- Exhibit B - Collateral Agreement
- Exhibit C - Certified copy of the Articles of Incorporation of Consolidated Communications Holdings, Inc.
- Exhibit D - Certified copy of the Articles of Incorporation of Consolidated Communications, Inc.
- Exhibit E - Certified copy of the Articles of Incorporation of WH Acquisition II Corp.
- Exhibit F - Charts of Pre- and Post-Transaction Corporate Structure of Applicants and Mergers
- Exhibit G - Consolidated Financial Statements of Consolidated Communications Holdings, Inc. (excerpts from SEC Forms 10 Q and 10-K)
- Exhibit H - Consolidated Financial Statements of SureWest Communications (excerpts from SEC Forms 10 Q and 10-K)
- Exhibit I - SureWest Telephone Unaudited Financial Statements
- Exhibit J - SureWest Long Distance's Unaudited Financial Statements
- Exhibit K - SureWest TeleVideo's Unaudited Financial Statement
- Exhibit L - Professional Biographies of Consolidated Management Team

V

CONCLUSION

WHEREFORE, the Applicants respectfully request that the Commission issue an ex parte order, effective upon the date of issue, approving the above-described acquisition of indirect control of the SureWest California Utilities.

Dated at San Francisco, California, this 10th day of February 2012.

CONSOLIDATED COMMUNICATIONS
HOLDINGS, INC.
CONSOLIDATED COMMUNICATIONS,
INC.
WH ACQUISITION II CORP.

By /s/ Todd O. Edmister

William D. Kissinger
Todd O. Edmister
Bingham McCutchen LLP
Three Embarcadero Center
San Francisco, CA 94111
Telephone: (415) 393-2000
Facsimile: (415) 393-2286
e-mail: william.kissinger@bingham.com
todd.edmister@bingham.com

Their Counsel

SUREWEST COMMUNICATIONS
SUREWEST TELEPHONE
SUREWEST LONG DISTANCE
SUREWEST TELEVIDEO

By /s/ Mark P. Schreiber

Mark P. Schreiber
COOPER, WHITE & COOPER LLP
201 California Street, 17th Floor
San Francisco, CA 94111
Telephone: (415) 433-1900
Facsimile: (415) 433-5530
e-mail: mschreiber@cwclaw.com

Counsel for the SureWest Companies

VERIFICATION

I, C. Robert Udell, Jr., hereby declare:

I am the Senior Vice President and Chief Operating Officer of Consolidated Communications Holdings, Inc. ("CCHI"), and am authorized to make this verification on behalf of CCHI, Consolidated Communications, Inc. and WH Acquisition II Corp. I have read the foregoing Joint Application and am informed and believe that the matters stated therein are true and on that basis I allege them to be true.

Executed on the 10th day of February 2012 at 350 S. Loop 336 W., Conroe, Texas.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.


C. Robert Udell, Jr.

VERIFICATION

I, Scott Barber, hereby declare:

I am the Vice President and Chief Operating Officer of SureWest Communications, of SureWest Telephone, of SureWest Long Distance, and of SureWest TeleVideo and am authorized to make this verification on their behalf. I have read the foregoing Joint Application and am informed and believe that the matters stated therein are true and on that basis I allege them to be true.

Executed on the 10th day of February 2012 at 8150 Industrial Ave., Roseville, California.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.



Scott Barber