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BEFORE THE
PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of

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

AND

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)

A1202011

A.12-____-____

EXHIBIT G

Consolidated Financial Statements of Consolidated Communications Holdings, Inc. (excerpts from SEC Forms 10 Q and 10-K)

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

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended September 30, 2011

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to .

COMMISSION FILE NUMBER 000-51446

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**02-0636095** (IRS Employer Identification No.)
121 South 17 th Street **Mattoon, Illinois** (Address of Principal Executive Offices)	**61938-3987** (Zip Code)

(217) 235-3311
(Registrant's Telephone Number, including Area Code)

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

Indicate the number of shares outstanding of each class of Common Stock, as of the latest practicable date

Class	Outstanding as of November 1, 2011
Common Stock, $0.01 Par Value	29,914,005 Shares

FORM 10-Q

QUARTERLY REPORT

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Communications Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share amounts)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Net revenues	$ 92,548	$ 95,576	$ 280,612	$ 289,615
Operating expense:				
Cost of services and products (exclusive of depreciation and amortization shown separately below)	33,913	36,371	103,864	107,960
Selling, general and administrative expenses	21,148	21,686	60,994	65,879
Debt refinancing costs	109	—	2,649	—
Depreciation and amortization	22,161	21,918	66,306	64,920
Operating income	15,217	15,601	46,799	50,856
Other income (expense):				
Interest expense, net of interest income	(13,447)	(11,723)	(37,783)	(37,675)
Investment income	6,403	6,830	19,417	20,268
Other, net	516	210	953	(242)
Income before income taxes	8,689	10,918	29,386	33,207
Income tax expense (benefit)	2,723	(1,049)	10,410	7,015
Net income	5,966	11,967	18,976	26,192
Less: net income attributable to noncontrolling interest	148	130	442	385
Net income attributable to common stockholders	$ 5,818	$ 11,837	$ 18,534	$ 25,807
Net income per common share—basic	$ 0.19	$ 0.40	$ 0.61	$ 0.86
Net income per common share—diluted	$ 0.19	$ 0.40	$ 0.61	$ 0.86
Cash dividends per common share	$ 0.38	$ 0.38	$ 1.16	$ 1.16

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Communications Holdings, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)		September 30, 2011 (Unaudited)		December 31, 2010
Assets				
Current assets:				
Cash and cash equivalents	$	92,005	$	67,654
Accounts receivable, net of allowance for doubtful accounts of $2,824 in 2011 and $2,694 in 2010		35,537		42,012
Inventories		7,411		7,972
Income tax receivable		4,452		6,490
Deferred income taxes		6,524		5,672
Prepaid expenses and other current assets		6,580		6,450
Total current assets		152,509		136,250
Property, plant and equipment, net		337,986		356,057
Investments		98,349		99,105
Goodwill		520,562		520,562
Customer lists, net		63,346		79,950
Tradenames		12,347		12,347
Deferred debt issuance costs, net and other assets		5,274		5,275
Total assets	$	1,190,373	$	1,209,546
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$	11,503	$	9,972
Advance billings and customer deposits		22,209		22,088
Dividends payable		11,588		11,530
Accrued expenses		20,670		22,649
Current portion of senior secured long-term debt		6,600		—
Current portion of capital lease obligations		181		132
Current portion of derivative liability		—		6,374
Current portion of pension and postretirement benefit obligations		2,847		2,847
Total current liabilities		75,598		75,592
Long-term portion of capital lease obligation		4,571		3,993
Senior secured long-term debt		873,400		880,000
Deferred income taxes		79,745		73,628
Pension and other postretirement obligations		72,828		80,621
Other long-term liabilities		20,512		23,837
Total liabilities		1,126,654		1,137,671
Stockholders' equity:				
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 29,914,005 and 29,763,122, shares outstanding as of September 30, 2011 and December 31, 2010, respectively		299		298
Additional paid-in capital		83,553		98,126
Retained earnings		—		—
Accumulated other comprehensive loss, net		(25,497)		(31,471)
Noncontrolling interest		5,364		4,922
Total stockholders' equity		63,719		71,875
Total liabilities and stockholders' equity	$	1,190,373	$	1,209,546

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Communications Holdings, Inc. and Subsidiaries
Condensed Consolidated Statement of Changes in Stockholders' Equity
(Unaudited)

(In thousands, except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss, net	Non-controlling Interest	Total
Balance - December 31, 2010	29,763,122	$ 298	$ 98,126	$ —	$ (31,471)	$ 4,922	$ 71,875
Dividends on common stock	—	—	(4,234)	(7,365)	—	—	(11,599)
Shares issued under employee plan, net of forfeitures	177,817	1	(1)	—	—	—	—
Non-cash, stock-based compensation	—	—	511	—	—	—	511
Comprehensive income:							
Net income	—	—	—	7,365	—	132	7,497
Change in prior service cost and net loss, net of tax of $287	—	—	—	—	492	—	492
Change in fair value of cash flow hedges, net of tax of $1,704	—	—	—	—	2,956	—	2,956
Total comprehensive income							10,945
Balance - March 31, 2011	29,940,939	$ 299	$ 94,402	$ —	$ (28,023)	$ 5,054	$ 71,732
Dividends on common stock	—	—	(6,240)	(5,351)	—	—	(11,591)
Shares forfeitures	(21,050)	—	—	—	—	—	—
Non-cash, stock-based compensation	—	—	579	—	—	—	579
Comprehensive income:							
Net income	—	—	—	5,351	—	162	5,513
Change in prior service cost and net loss, net of tax of $(207)	—	—	—	—	(357)	—	(357)
Change in fair value of cash flow hedges, net of tax of $352	—	—	—	—	602	—	602
Total comprehensive income							5,758
Balance - June 30, 2011	29,919,889	$ 299	$ 88,741	$ —	$ (27,778)	$ 5,216	$ 66,478
Dividends on common stock	—	—	(5,770)	(5,818)	—	—	(11,588)
Shares forfeitures	(5,884)	—	—	—	—	—	—
Non-cash, stock-based compensation	—	—	582	—	—	—	582
Comprehensive income:							
Net income	—	—	—	5,818	—	148	5,966
Change in prior service cost and net loss, net of tax of $(19)	—	—	—	—	(33)	—	(33)
Change in fair value of cash flow hedges, net of tax of $1,349	—	—	—	—	2,314	—	2,314
Total comprehensive income							8,247
Balance - September 30, 2011	29,914,005	$ 299	$ 83,553	$ —	$ (25,497)	$ 5,364	$ 63,719

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Communications Holdings, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Nine months ended September 30, 2011	2010
Operating Activities		
Net income	$ 18,976	$ 26,192
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	66,306	64,920
Deferred income taxes	1,798	(24)
Loss on disposal of assets	190	902
Non-cash change in uncertain tax positions	(302)	(5,186)
Wireless partnership cash distributions in excess of current earnings	212	304
Stock-based compensation expense	1,672	1,740
Amortization of deferred financing costs	1,036	970
Changes in operating assets and liabilities:		
Accounts receivable, net	6,475	478
Income tax receivable	2,038	(4,936)
Inventories	561	(451)
Other assets	(114)	(732)
Accounts payable	1,531	(3,892)
Accrued expenses and other liabilities	(7,070)	(540)
Net cash provided by operating activities	93,309	79,745
Investing Activities		
Additions to property, plant and equipment, net	(31,246)	(32,578)
Proceeds from the sale of assets	427	997
Cash value from termination of life insurance policy	83	—
Wireless partnership cash distributions in excess of accumulated earnings	76	—
Proceeds from the sale of investments	—	35
Net cash used for investing activities	(30,660)	(31,546)
Financing Activities		
Payment of capital lease obligation	(108)	(344)
Fees paid for the modification of debt	(3,471)	—
Dividends on common stock	(34,719)	(34,652)
Net cash used for financing activities	(38,298)	(34,996)
Net increase in cash and equivalents	24,351	13,203
Cash and equivalents at beginning of year	67,654	42,758
Cash and equivalents at end of period	$ 92,005	$ 55,961

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Communications Holdings, Inc . and Subsidiaries
Notes to Unaudited Condensed Consolidated Financial Statements

1. Nature of Operations

The accompanying unaudited condensed consolidated financial statements include the accounts of Consolidated Communications Holdings, Inc. and its subsidiaries, which are collectively referred to as "Consolidated", the "Company", "we", "our" or "us", unless the context otherwise requires. All significant intercompany transactions have been eliminated in consolidation.

We have prepared the unaudited condensed consolidated financial statements included herein pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in statements prepared in accordance with generally accepted accounting principles in the United States have been omitted pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010.

The accompanying unaudited condensed consolidated financial statements presented herewith reflect all adjustments (consisting of only normal and recurring adjustments) which, in the opinion of management, are necessary for a fair presentation of the results of operations for the three and nine month periods ended September 30, 2011 and 2010. The results of operations for interim periods are not necessarily indicative of results to be expected for an entire year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

As of September 30, 2011, the Company's Summary of Critical Accounting Policies for the year ended December 31, 2010, which are detailed in the Company's Annual Report on Form 10-K, have not changed.

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the day the financial statements are issued.

2. Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04 ("ASU 2011-04"), *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS")* . This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 31, 2011. The adoption of ASU 2011-04 is not expected to have a significant impact to the Company's consolidated financial position or results of operations.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05 ("ASU 2011-05"), *Presentation of Income* . ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in stockholder's equity and requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company believes the adoption of ASU 2011-05 concerns presentation and disclosure only and will not have an impact on its consolidated financial position or results of operations.

3. Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Prepaid maintenance	$ 1,912	$ 2,242
Prepaid taxes	1,078	182
Deferred charges	1,030	961
Prepaid insurance	769	392
Prepaid expense - other	1,752	2,603
Current portion of swap assets	—	20
Other current assets	39	50
Total	$ 6,580	$ 6,450

4. Property, plant and equipment, net

Property, plant and equipment, net are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Land and buildings	$ 66,789	$ 66,499
Network and outside plant facilities	884,479	869,565
Furniture, fixtures and equipment	80,699	81,920
Assets under capital lease	10,014	9,279
Less: accumulated depreciation	(716,273)	(675,390)
	325,708	351,873
Construction in progress	12,278	4,184
Totals	$ 337,986	$ 356,057

Depreciation expense totaled $16.7 million and $16.4 million for the three month periods ended September 30, 2011 and 2010, respectively and $49.7 million and $48.3 million for the nine months ended September 30, 2011 and 2010, respectively.

5. Investments

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. For the three month periods ended September 30, 2011 and 2010, we received cash distributions from these partnerships totaling $2.7 million and $2.9 million, respectively. For the nine months ended September 30, 2011 and 2010, we received cash distributions from these partnerships totaling $7.7 million and $8.9 million, respectively.

We also own 17.02% of GTE Mobilnet of Texas RSA #17 Limited Partnership ("RSA #17"), 16.6725% 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 entities, we account for the investments using the equity method. For the three months ended September 30, 2011 and 2010, we received cash distributions from these partnerships totaling $4.2 million and $4.0 million, respectively. For the nine months ended September 30, 2011 and 2010, we received cash distributions from these partnerships totaling $11.9 million and $11.5 million, respectively.

Our investments are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Cash surrender value of life insurance policies	$ 1,474	$ 1,960
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	3,332	3,148
Other	15	25
Equity method investments:		
GTE Mobilnet of Texas RSA #17 Limited Partnership (17.02% interest)	19,394	19,253
Pennsylvania RSA 6(I) Limited Partnership (16.6725% interest)	7,026	7,191
Pennsylvania RSA 6(II) Limited Partnership (23.67% interest)	22,708	22,971
Boulevard Communications, LLP (50% interest)	—	157
Total	$ 98,349	$ 99,105

CoBank is a cooperative bank owned by its customers. Annually, 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.

The income from our investments in RSA #17 and RSA 6(II) each exceeded 10% of our pretax income for the first nine months of 2011. Below is a summary of unaudited summarized income statement information of both RSA #17 and RSA 6(II):

RSA #17

(In thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Total revenues	$ 29,754	$ 22,041	$ 79,227	$ 62,909
Income from operations	11,198	6,945	28,715	20,499
Net income before taxes	11,209	7,159	28,755	21,087
Net income	11,109	7,034	28,456	20,712

RSA 6(II)

(In thousands)		Three months ended September 30, 2011		2010		Nine months ended September 30, 2011		2010
Total revenues	$	**34,515**	$	30,746	$	**99,406**	$	89,483
Income from operations		**7,551**		8,831		**22,877**		25,096
Net income before taxes		**7,560**		8,923		**22,901**		25,446
Net income		**7,560**		8,923		**22.901**		25,446

6. Fair Value Measurements

The Company's 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 an internal valuation model which relies on the expected LIBOR based yield curve and estimates of counterparty and Consolidated's non-performance risk as the most significant inputs. Because each of these inputs are directly observable or can be corroborated by observable market data, we have categorized these interest rate swaps as Level 2 within the fair value hierarchy.

The Company's swap assets and liabilities measured at fair value on a recurring basis subject to disclosure requirements at September 30, 2011 and December 31, 2010 were as follows:

(In thousands)		September 30, 2011		Fair Value Measurements at Reporting Date Using: 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 liabilities	$	**(18,751)**		—	$	**(18,751)**		—
Totals	$	**(18,751)**	$	—	$	**(18,751)**	$	—

(In thousands)		December 31, 2010		Fair Value Measurements at Reporting Date Using: Quoted Prices In Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
Current interest rate swap assets	$	20		—	$	20		—
Current interest rate swap liabilities		(6,374)		—		(6,374)		—
Long-term interest rate swap liabilities		(21,751)		—		(21,751)		—
Totals	$	(28,105)	$	—	$	(28,105)	$	—

The change in the fair value of the derivatives is primarily a result of a change in market expectations for future interest rates.

We have not elected the fair value option for any of our financial assets or liabilities. The carrying value of other financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short maturities or variable-rate nature of the respective balances. The following table presents the other financial instruments that are not carried at fair value but which require fair value disclosure as of September 30, 2011 and December 31, 2010.

(In thousands)	As of September 30, 2011 Carrying Value	As of September 30, 2011 Fair Value	As of December 31, 2010 Carrying Value	As of December 31, 2010 Fair Value
Investments, equity basis	**$ 49,128**	**n/a**	$ 49,572	n/a
Investments, at cost	**$ 47,747**	**n/a**	$ 47,573	n/a
Long-term debt	**$ 873,400**	**$ 873,400**	$ 880,000	$ 880,000

The Company's investments at September 30, 2011 and December 31, 2010 accounted for under both the equity and cost methods consist of minority positions in various cellular telephone limited partnerships. These investments are recorded using either the equity or cost methods.

Our long-term debt allows us to select a one month LIBOR repricing option, which we have elected. As such, the fair value of this debt approximates its carrying value.

7. Goodwill and Other Intangible Assets

In accordance with the applicable accounting guidance, goodwill and indefinite lived intangible assets are not amortized but are subject to impairment testing—no less than annually or more frequently if circumstances indicate potential impairment.

The following table presents the carrying amount of goodwill by segment:

(In thousands)	September 30, 2011	December 31, 2010
Telephone Operations	**$ 519,528**	$ 519,528
Other Operations	**1,034**	1,034
Totals	**$ 520,562**	$ 520,562

Our most valuable tradename is the federally registered mark CONSOLIDATED, which is used in association with our telephone communication services and is a design of interlocking circles. The Company's corporate branding strategy leverages a CONSOLIDATED naming structure. All of the Company's business units and several of our products and services incorporate the CONSOLIDATED name. These tradenames are indefinitely renewable intangibles. The carrying value of the tradenames was $12.3 million at both September 30, 2011 and December 31, 2010.

The Company's customer lists consist of an established base of customers that subscribe to its services. The carrying amount of customer lists is as follows:

(In thousands)	Telephone Operations September 30, 2011	Telephone Operations December 31, 2010	Other Operations September 30, 2011	Other Operations December 31, 2010
Gross carrying amount	**$ 193,124**	$ 193,124	**$ 4,405**	$ 4,405
Less: accumulated amortization	**(130,329)**	(114,055)	**(3,854)**	(3,524)
Net carrying amount	**$ 62,795**	$ 79,069	**$ 551**	$ 881

Amortization associated with customer lists totaled approximately $5.5 million and $16.6 million in each of the three and nine month periods ended September 30, 2011 and 2010, respectively.

8. Deferred Debt Issuance Costs, Net and Other Assets

Deferred financing costs, net and other assets are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Deferred debt issuance costs, net	$ 5,207	$ 5,171
Other assets	67	104
Total	$ 5,274	$ 5,275

During the third quarter of 2011, we capitalized an additional $0.1 million in deferred debt issuance costs related to our credit agreement amendment completed on June 8, 2011 (see Note 10 for a more in depth description of this transaction). For the year 2011, we have capitalized a total of $1.1 million in deferred debt issuance costs related to our credit agreement amendment. Deferred debt issuance costs are being amortized using the effective interest method over a period corresponding to each of the separate maturity dates.

9. Accrued Expenses

Accrued expenses are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Salaries and employee benefits	$ 8,953	$ 9,438
Taxes payable	3,747	5,035
Accrued interest	190	104
Other accrued expenses	7,780	8,072
Total accrued expenses	$ 20,670	$ 22,649

10. Debt

Long-term debt consists of the following:

(In thousands)	September 30, 2011	December 31, 2010
Senior secured credit facility - term loan	$ 880,000	$ 880,000
Senior secured credit facility - revolving loan	—	—
Obligations under capital lease	4,752	4,125
	884,752	884,125
Less: current portion of long-term debt	(6,600)	—
Less: current portion of capital leases	(181)	(132)
Total long-term debt and capitalized leases	$ 877,971	$ 883,993

Credit Agreement

The Company, through certain of its wholly owned subsidiaries, has outstanding a credit agreement with several financial institutions, which consists of a $50 million revolving credit facility (including a $10 million sub-limit for letters of credit) and an $880 million term loan facility. Borrowings under the credit facility are secured by substantially all of the assets of the Company with the exception of Illinois Consolidated Telephone Company. The terms of the credit agreement were amended on June 8, 2011.

Our $880 million term loan credit facility is made up of two separate tranches, resulting in different maturity dates and interest rate margins for each term loan tranche. The first term loan tranche consists of $470.9 million aggregate principal amount, matures on December 31, 2014 and has an applicable margin (at our election) equal to either 2.50% for a LIBOR-based term loan or 1.50% for an alternative base rate loan. The second term loan tranche consists of $409.1 million aggregate principal amount, matures on December 31, 2017 and has an applicable margin (at our election) equal to either 3.75% for a LIBOR-based term loan or 2.75% for an alternative base rate term loan. The applicable margins for each of the term loan tranches are fixed for the duration of the loans. The amended term loan facility also requires $2.2 million in quarterly principal payments beginning March 31, 2012.

Our revolving credit facility has a maturity date of June 8, 2016 and an applicable margin (at our election) of between 2.75% and 3.50% for LIBOR-based borrowings and between 1.75% and 2.50% for alternative base rate borrowings, depending on our leverage ratio. Based on our leverage ratio of 4.61:1 at September 30, 2011, the borrowing margin for the next three month period ending December 31, 2011 will be at a weighted-average margin of 3.25% for a LIBOR-based loan or 2.25% for an alternative 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. There were no borrowings or letters of credit outstanding under the revolving credit facility as of September 30, 2011 or December 31, 2010, or at any time during the quarter ended September 30, 2011.

In connection with amending our credit agreement in June 2011, fees totaling $2.6 million were recognized as expense and recorded in debt refinancing costs in the unaudited Condensed Consolidated Statements of Operations while $1.1 million in fees were capitalized as deferred debt issuance costs in the unaudited Condensed Consolidated Balance Sheets.

The weighted-average interest rate incurred on our credit facilities during the three month periods ended September 30, 2011 and 2010, including amounts paid on our interest rate swap agreements and the applicable margin, was 5.73% and 5.58% per annum, respectively. The weighted-average interest rate incurred on our credit facilities during the nine month periods ended September 30, 2011 and 2010, including amounts paid on our interest rate swap agreements and the applicable margin, was 5.44% and 5.59% per annum, respectively. Interest is payable at least quarterly.

Our credit agreement contains various provisions and covenants, including, among other items, restrictions on the ability to pay dividends, incur additional indebtedness, issue capital stock, and commit to future capital expenditures. We have agreed to maintain certain financial ratios, including interest coverage, and total net leverage ratios, all as defined in the amended credit agreement. As of September 30, 2011, we were in compliance with the credit agreement covenants.

Capital Leases

The Company has four capital leases, all of which expire in 2021, for the lease of office, warehouse and tech center needs. As of September 30, 2011, the present value of the minimum remaining lease commitments was approximately $4.8 million, of which $0.2 million is due and payable within the next 12 months. The leases require total remaining rental payments of approximately $8.8 million over the remaining term of the leases.

11. Derivatives

In order to manage the risk associated with changes in interest rates, we have entered into interest rate swap agreements that 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. We account for these transactions as cash flow hedges under the FASB's ASC Topic 815 ("ASC 815"), *Derivatives and Hedging* . The swaps are designated as cash flow hedges of our expected future interest payments. In a cash flow hedge, the effective portion of the change in the fair value of the hedging derivative is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings during the same period in which the hedged item affects earnings. The change in fair value of any ineffective portion of the hedging derivative is recognized immediately in earnings.

We have in place the following interest rate swaps at September 30, 2011:

Maturity	Notional Amount	Fixed Rate Paid	LIBOR Rate Received
12/31/2012	70,000,000	4.0925%	3 month
12/31/2012	30,000,000	4.0925%	3 month
3/31/2013	130,000,000	4.4975%	3 month
3/31/2013	75,000,000	1.8300%	1 month
3/31/2013	75,000,000	1.8300%	1 month
3/31/2013	50,000,000	1.8300%	1 month
9/13/2013	100,000,000	1.6500%	1 month
	530,000,000		

We also have in place the following basis swaps at September 30, 2011:

Maturity	Notional Amount	Index Paid	Index Received
12/31/2012	100,000,000	3 month LIBOR minus 0.0560%	1 month LIBOR
3/31/2013	130,000,000	3 month LIBOR minus 0.0540%	1 month LIBOR
	230,000,000		

In addition, we have also entered into the following floating to fixed interest rate swap agreements that will become effective on the dates indicated:

Effective Date	Maturity	Notional Amount	Fixed Rate to Be Paid	LIBOR Rate to Be Received
12/31/2012	12/31/2014	100,000,000	0.8900%	1 month
6/29/2012	6/30/2015	100,000,000	0.9925%	1 month
		200,000,000		

Our credit agreement requires that no less than 50% of our term loan debt be fixed through the use of interest rate swaps. At September 30, 2011 and December 31, 2010, the interest rate on approximately 60% and 72%, respectively, of our outstanding debt was fixed through the use of interest rate swaps.

The counterparties to our various swaps are 5 major U.S. and European banks. None of the swap agreements provide for either us or the counterparties to post collateral nor do the agreements include any covenants related to the financial condition of Consolidated or the counterparties. The swaps of any counterparty that is a "Lender" as defined in our credit facility are secured along with the other creditors under the credit facility. Each of the swap agreements provides that in the event of a bankruptcy filing by either Consolidated or the counterparty, any amounts owed between the two parties would be offset in order to determine the net amount due between parties. This provision allows us to partially mitigate the risk of non-performance by a counterparty.

We report the gross fair value of our derivatives in either prepaid expenses and other current assets, current portion of derivative liability or other long-term liabilities on our consolidated balance sheets. The table below shows the balance sheet classification and fair value of our interest rate swaps designated as hedging instruments under ASC 815:

(In thousands)	Fair Value	
	September 30, 2011	December 31, 2010
Prepaid expenses and other current assets	$ —	$ 20
Current portion of derivative liability	—	(6,374)
Other long-term liabilities	(18,751)	(21,751)

At September 30, 2011 and December 31, 2010, the pretax deferred losses related to our interest rate swap agreements included in other comprehensive income totaled $18.7 million and $28.0 million, respectively. The change in fair value of any ineffective portion of the hedging derivative is recognized immediately in earnings.

Information regarding our cash flow hedge transactions is as follows:

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Loss/(gain) recognized in accumulated other comprehensive income (loss) ("AOCI") (pretax)	$ (3,663)	$ 1,677	$ (9,278)	$ 3,508
Gain arising from ineffectiveness reducing interest expense	$ (19)	$ (62)	$ (77)	$ (142)
Deferred losses reclassed from AOCI to interest expense	$ 316	$ 1,037	$ 1,201	$ 3,953

(In thousands, except months)	September 30, 2011	December 31, 2010
Aggregate notional value of current derivatives outstanding	$ 530,000	$ 630,000
Aggregate notional value of forward derivatives outstanding	$ 200,000	$ 100,000
Period through which derivative positions currently exist	June 2015	September 2013
Loss in fair value of derivatives	$ 18,751	$ 28,105
Deferred losses included in AOCI (pretax)	$ 18,686	$ 27,963
Losses included in AOCI to be recognized in the next 12 months	$ 20	$ 1,250
Number of months over which loss in OCI is to be recognized	18	27

12. Interest Expense, Net of Interest Income

The following table summarizes interest expense, net of interest income for the periods indicated:

(In thousands)	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Interest expense — credit facility	$ 7,387	$ 6,325	$ 19,855	$ 18,574
Payments on swap liabilities, net	5,476	6,264	16,121	18,727
Interest expense- capital leases	164	—	485	2
Uncertain tax position interest reversal, net of accrual	(39)	(1,265)	(15)	(1,037)
Other interest	161	165	532	651
Amortization of deferred financing fees	374	323	1,036	970
Capitalized interest	(39)	(48)	(120)	(133)
Total interest expense	13,484	11,764	37,894	37,754
Less: interest income	(37)	(41)	(111)	(79)
Interest expense, net of interest income	$ 13,447	$ 11,723	$ 37,783	$ 37,675

During the third quarters of 2011 and 2010, we reversed $0.1 million and $1.3 million, respectively, of accrued interest previously recorded as a result of a change in our uncertain tax liabilities for which the statute of limitations had expired.

13. Retirement and Pension Plans

We have 401(k) plans covering substantially all of our employees. Contributions made under our defined contribution plans include a match, at the Company's discretion, of employee salaries contributed to the plans. We recognized expense with respect to these plans of $0.6 million for each of the three month periods ended September 30, 2011 and 2010 and $1.9 million for each of the nine month periods ended September 30, 2011 and 2010.

Qualified Retirement Plan

We sponsor a defined-benefit pension plan ("Retirement Plan") that is non-contributory covering substantially all of our hourly employees who fulfill minimum age and service requirements. Certain salaried employees are also covered by the Retirement Plan, although these benefits have previously been frozen.

The following table summarizes the components of net periodic pension cost for the qualified retirement plan for the periods indicated:

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Service cost	$ 319	$ 475	$ 957	$ 1,409
Interest cost	2,725	2,799	8,175	8,367
Expected return on plan assets	(2,723)	(2,544)	(8,169)	(7,636)
Net amortization loss (gain)	188	211	564	590
Prior service credit amortization	(41)	(11)	(123)	(33)
Net periodic pension cost	$ 468	$ 930	$ 1,404	$ 2,697

Non-qualified Pension Plan

The Company also has non-qualified supplemental pension plans ("Restoration Plans"), which we acquired as part of our North Pittsburgh Systems, Inc. ("North Pittsburgh") and TXU

Communications Venture Company ("TXUCV") acquisitions. The Restoration Plans cover certain former employees of our North Pittsburgh and TXUCV operations. The Restoration Plans restore benefits that were precluded under the Retirement Plan by Internal Revenue Service limits on compensation and benefits applicable to qualified pension plans, and by the exclusion of bonus compensation from the Retirement Plan's definition of earnings. The Restoration Plans are unfunded and have no assets, and benefits paid under the Restoration Plans come from the general operating funds of the Company.

The following table summarizes the components of net periodic pension cost for the Restoration Plans for the periods indicated:

	For the three months ended September 30,		For the nine months ended September 30,	
(In thousands)	**2011**	**2010**	**2011**	**2010**
Interest cost	**$ 14**	$ 14	**$ 42**	$ 44
Net amortization loss	**9**	8	**27**	23
Net periodic pension cost	**$ 23**	$ 22	**$ 69**	$ 67

Other Non-qualified Deferred Compensation Agreements

We also are liable for deferred compensation agreements with former members of the board of directors and certain other former employees of a subsidiary of TXUCV, which was acquired in 2004. The benefits are payable for up to the life of the participant and may begin as early as age 65 or upon the death of the participant. Participants accrue no new benefits as these plans had previously been frozen by TXUCV's predecessor company prior to our acquisition of TXUCV. Payments related to the deferred compensation agreements totaled approximately $0.1 million for the three month periods ended September 30, 2011 and 2010, and $0.5 million for the nine month periods ended September 30, 2011 and 2010. The net present value of the remaining obligations was approximately $2.5 million at September 30, 2011 and $2.9 million at December 31, 2010, and is included in pension and postretirement benefit obligations in the accompanying balance sheets.

We also maintain 40 life insurance policies on certain of the participating former directors and employees. We recognized $0.5 million in life insurance proceeds as other non-operating income in the three and nine month periods ended September 30, 2011 due to the death of a covered individual. We did not recognize any proceeds in other income for the three or nine month periods ended September 30, 2010 due to the receipt of life insurance proceeds. The excess of the cash surrender value of the remaining life insurance policies over the notes payable balances related to these policies is determined by an independent consultant, and totaled $1.5 million at September 30, 2011 and $2.0 million at December 31, 2010. These amounts are included in investments in the accompanying balance sheets. Cash principal payments for the policies and any proceeds from the policies are classified as operating activities in the statements of cash flows.

14. Postretirement Benefit Obligation

We sponsor a healthcare plan and life insurance plan that provides postretirement medical benefits and life insurance to certain groups of retired employees. Retirees share in the cost of healthcare benefits, making contributions that are adjusted periodically—either based upon collective bargaining agreements or because total costs of the program have changed. We generally pay the covered expenses for retiree health benefits as they are incurred. Postretirement life insurance benefits are fully insured. Our postretirement plan is unfunded and has no assets, and the benefits paid under the postretirement plan come from the general operating funds of the Company.

The following table summarizes the components of the net periodic costs for postretirement benefits for the periods indicated:

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Service cost	$ 116	$ 206	$ 561	$ 618
Interest cost	471	530	1,269	1,591
Net prior service cost amortization	(47)	(112)	(141)	(336)
Net amortization gain	(160)	—	(159)	—
Net periodic postretirement benefit cost	$ 380	$ 624	$ 1,530	$ 1,873

15. Other Long-term Liabilities

Other long-term liabilities are as follows:

(In thousands)	September 30, 2011	December 31, 2010
Long-term derivative liabilities	$ 18,751	$ 21,751
Uncertain tax positions	1,224	1,475
Accrued interest on uncertain tax positions	40	56
Other long-term liabilities	497	555
Total	$ 20,512	$ 23,837

16. Stock-based Compensation Plans

Pretax stock-based compensation expense for the periods indicated was as follows:

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Restricted stock	$ 345	$ 338	$ 1,036	$ 1,015
Performance shares	237	283	636	725
Total	$ 582	$ 621	$ 1,672	$ 1,740

Stock-based compensation expense is included in "selling, general and administrative expenses" in the accompanying statements of operations.

As of September 30, 2011, we had not yet recognized compensation expense on the following non-vested awards.

(In thousands)	Non-recognized Compensation	Average Remaining Recognition Period (years)
Restricted stock	$ 2,764	1.3
Performance shares	1,233	1.1
Total	$ 3,997	1.2

The following table summarizes unvested restricted stock awards outstanding and changes during the nine months ended September 30:

	2011			2010		
	# of Shares		Price(1)	# of Shares		Price(1)
Non-vested restricted shares outstanding — January 1	**101,435**	**$**	**17.40**	82,375	$	12.08
Shares granted	**127,377**		**17.92**	115,949		18.65
Shares cancelled	**(14,845)**		**18.22**	(2,875)		14.24
Shares vested	**—**		**—**	(3,000)		13.00
Non-vested restricted shares outstanding — September 30	**213,967**	**$**	**17.65**	192,449	$	15.99

(1) Represents the weighted—average fair value on date of grant.

The following table summarizes unvested performance share-based restricted stock awards outstanding and changes during the nine months ended September 30:

	2011			2010		
	# of Shares		Price(1)	# of Shares		Price(1)
Non-vested performance shares outstanding — January 1	**68,880**	**$**	**15.74**	46,578	$	11.72
Shares granted	**50,440**		**18.65**	98,002		9.05
Shares cancelled	**(12,089)**		**16.98**	(3,070)		15.75
Non-vested performance shares outstanding — September 30	**107,231**	**$**	**16.63**	141,510	$	16.43

(1) Represents the weighted—average fair value on date of grant.

17. Income Taxes

During the nine months ended September 30, 2011, we recorded a decrease of $0.3 million to our unrecognized tax benefits, which reduced our tax expense by a corresponding amount, due to the expiration of a federal statute of limitations. As of September 30, 2011 and December 31, 2010, the amount of unrecognized tax benefit was $1.2 million and $1.5 million, respectively. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $0.8 million. The tax benefit attributable to the $0.3 million decrease in unrecognized tax benefits did not have a significant effect on the company's effective tax rate. We do not expect any changes in our uncertain tax positions during the remainder of 2011.

Our practice is to recognize interest and penalties related to income tax matters in interest expense and general and administrative expense, respectively. At September 30, 2011 we had recorded $40 thousand of interest and penalties relating to uncertain tax positions, of which a $15 thousand net decrease was recorded during the nine months ended September 30, 2011. This net decrease included a decrease of $51 thousand due to the expiration of a federal statute of limitations and an increase to interest expense of $36 thousand related to the current year accrual of interest on our uncertain tax positions.

The only periods subject to examination for our federal returns are years 2008 through 2010. The periods subject to examination for our state returns are years 2005 through 2010. We are not currently under examination by federal taxing authorities. We are currently under examination by state tax authorities. We do not expect any settlement or payment that may result from the audit to have a material effect on our results of operations or cash flows.

In January 2011, Illinois' Governor signed into law PA. 96-1496. Included as part of the law was an increase in the corporate income tax rate. This resulted in an increase to our net state deferred tax liabilities and a corresponding increase to our state tax provision of $0.3 million which we recognized in the first quarter of 2011.

Our effective tax rate was 31.3% and (9.6)% for the three months ended September 30, 2011 and 2010, respectively and 35.4% and 21.1%, for the nine months ended September 30, 2011 and 2010, respectively. The effective tax rates in 2011 and 2010 are lower and differ from the federal and state statutory rates primarily due to the reversal in unrecognized tax benefits, non-deductible expenses, state tax planning and reporting structure changes, and a change in the Illinois state income tax rate.

We filed 2010 tax returns for the Consolidated Communications Holdings, Inc. consolidated filing group and East Texas Fiber Line during the third quarter of 2011. We filed 2009 tax returns for the Consolidated Communications Holdings, Inc. consolidated filing group and East Texas Fiber Line during the third quarter of 2010. We recognized approximately $69 thousand of tax expense in the third quarter of 2011 to adjust our 2010 provision to match our 2010 returns, and $0.3 million of tax benefit in the third quarter of 2010 to adjust our 2009 provision to match our 2009 returns.

18. Accumulated Other Comprehensive Loss, Net

Accumulated other comprehensive loss, net is comprised of the following components:

(In thousands)	September 30, 2011	December 31, 2010
Fair value of cash flow hedges	$ (18,686)	$ (27,963)
Prior service credits and net losses on postretirement plans	(21,546)	(21,709)
	(40,232)	(49,672)
Deferred taxes	14,735	18,201
Totals	$ (25,497)	$ (31,471)

The following table summarizes total comprehensive income for the periods indicated:

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Net income	$ 5,966	$ 11,967	$ 18,976	$ 26,192
Other comprehensive income:				
Prior service cost and net (loss) gain, net of tax	(33)	61	102	156
Change in fair value of cash flow hedges, net of tax	2,314	(1,061)	5,872	(2,224)
Total comprehensive income	8,247	10,967	24,950	24,124
Less: comprehensive income attributable to noncontrolling interest	148	130	442	385
Comprehensive income attributable to common stockholders	$ 8,099	$ 10,837	$ 24,508	$ 23,739

19. Environmental Remediation Liabilities

Environmental remediation liabilities were $0.2 million at September 30, 2011 and $0.3 million at December 31, 2010, and are included in other long-term liabilities. These liabilities relate to anticipated remediation and monitoring costs with respect to two small vacant sites and are undiscounted. The Company believes the amount accrued is adequate to cover the remaining anticipated costs of remediation.

20. Litigation and Contingencies

On April 15, 2008, Salsgiver Inc., a Pennsylvania-based telecommunications company, and certain of its affiliates filed a lawsuit against us and our subsidiaries North Pittsburgh Telephone Company and North Pittsburgh Systems Inc. in the Court of Common Pleas of Allegheny County, Pennsylvania alleging that we have prevented Salsgiver from connecting their fiber optic cables to our utility poles. Salsgiver seeks compensatory and punitive damages as the result of alleged lost projected profits, damage to its business reputation, and other costs. It claims to have sustained losses of approximately $125 million, but does not request a specific dollar amount in damages. We believe that these claims are without merit and that the alleged losses are completely unfounded. We intend to defend against these claims vigorously. In the third quarter of 2008, we filed preliminary objections and responses to Salsgiver's complaint. However, the court ruled against our preliminary objections. On November 3, 2008, we responded to Salsgiver's amended complaint and filed a counter-claim for trespass, alleging that Salsgiver attached cables to our poles without an authorized agreement and in an unsafe manner. We are currently in the discovery and deposition stage. In addition, we have asked the FCC Enforcement Bureau to address Salsgiver's unauthorized pole attachments and safety violations on those attachments. We believe that these are violations of an FCC order regarding Salsgiver's complaint against us. We do not believe that these claims will have a material adverse impact on our financial results.

On November 5, 2010, the Staff at the Public Utility Commission of Texas ("TPUC") initiated an administrative proceeding at the TPUC (TPUC Docket No. 38872) against Consolidated Communications of Texas Company ("CCTX"), a subsidiary of the Company, with respect to the disallowance of and refunding of CCTX's High Cost Assistance Fund ("HCAF") payments. In addition, on March 11, 2011, the Staff of the TPUC also initiated an administrative proceeding at the TPUC (TPUC Docket No. 39250) against Consolidated Communications of Ft. Bend Company ("CCFB"), another subsidiary of the Company, with respect to the HCAF payments received by CCFB. The TPUC Staff claimed in each of the proceedings that certain amendments to Section 56.025 of the Texas Public Utility Regulatory Act ("PURA"), effective as of September 1, 2007, lowered the eligibility threshold for receipt of HCAF payments to companies with fewer than 31,000 access lines. Because both CCTX and CCFB have exceeded that threshold since September 1, 2007, the proceedings sought a determination that the funding for CCTX and CCFB should be discontinued. In addition, the TPUC Staff asked that the Company be required to refund the HCAF payments received plus interest since the amendment to PURA went into effect. The Company believed that it was "grandfathered" under the legislation and entitled to the assistance received from the HCAF. On June 15, 2011, the proceedings were referred to the State Office of Administrative Hearing ("SOAH") for further processing. On September 15, 2011, the Staff of the TPUC filed motions to dismiss each proceeding. On September 20, 2011, a SOAH Administrative Law Judge issued an Order granting the TPUC Staff's motions and dismissed the proceedings from the SOAH docket. On September 20, 2011, the TPUC also issued an Order dismissing each of the proceedings from the TPUC docket with no impact to the Company's historical or future HCAF payments.

Two of our subsidiaries, Consolidated Communications of Pennsylvania Company LLC ("CCPA") and Consolidated Communications Enterprise Services Inc. ("CCES"), received assessment notices from the Commonwealth of Pennsylvania Department of Revenue increasing the amounts owed for Pennsylvania Gross Receipt Taxes for the tax period ending December 31, 2009. These two assessments adjusted the subsidiaries' combined total outstanding taxable gross receipts liability (with interest) to approximately $2.3 million. In addition, based upon recently completed audits of CCES for 2008, 2009 and 2010, we believe the Commonwealth of Pennsylvania may issue additional assessments totaling approximately $1.7 million for Gross Receipt Taxes allegedly owed. Our CCPA subsidiary has also been notified by the Commonwealth of Pennsylvania that they will conduct a gross receipts audit for the calendar year 2008. An appeal challenging the 2009 CCPA assessment was filed with the Department of Revenue's Board of Appeals on September 15, 2011, and we intend to file a similar appeal with the Board of Appeals on or before November 10, 2011 challenging the 2009 CCES assessment. We also intend to appeal any adverse decisions from the Board of Appeals involving CCPA or CCES to the Commonwealth's Board of Finance and Revenue. At the Board of Finance and Revenue, we anticipate that these matters will be continued pending the outcome of present litigation in Commonwealth Court between Verizon Pennsylvania, Inc and the Commonwealth of Pennsylvania (*Verizon Pennsylvania, Inc. v. Commonwealth* , Docket No. 266 F.R. 2008). The Gross Receipts Tax issues in the Verizon Pennsylvania case are substantially the same as those presently facing CCPA and CCES. In addition, there are numerous telecommunications carriers with Gross Receipts Tax matters dealing with the same issues that are in various stages of appeal before the Board of Finance and Revenue and the Commonwealth Court. Those appeals by other similarly situated telecommunications carriers have been continued until resolution of the Verizon Pennsylvania case. We believe that these assessments and the positions taken by the Commonwealth of Pennsylvania are without substantial merit. We do not believe that the outcome of these claims will have a material adverse impact on our financial results.

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

21. Net Income per Common Share

The following illustrates the earnings allocation method as required by the FASB's authoritative guidance on the treatment of participating securities in the calculation of earnings per share which we utilize in the calculation of basic and diluted earnings per share.

(In thousands, except per share amounts)	For the three months ended September 30, 2011	2010	For the nine months ended September 30, 2011	2010
Basic and Diluted Earnings Per Share Using Two-class Method:				
Net income	**$ 5,966**	$ 11,967	**$ 18,976**	$ 26,192
Less: net income attributable to noncontrolling interest	**148**	130	**442**	385
Net income attributable to common shareholders before allocation of earnings to participating securities	**5,818**	11,837	**18,534**	25,807
Less: earnings allocated to participating securities	**117**	124	**363**	305
Net income attributable to common stockholders	**$ 5,701**	$ 11,713	**$ 18,171**	$ 25,502
Weighted-average number of common shares outstanding	**29,593**	29,483	**29,593**	29,483
Net income per common share attributable to common stockholders — basic and diluted	**$ 0.19**	$ 0.40	**$ 0.61**	$ 0.86

We had additional potential dilutive securities including unvested restricted shares and performance shares outstanding representing 0.4 million and 0.3 million common shares that were not included in the computation of potentially dilutive securities at September 30, 2011 and 2010, respectively, because they were anti-dilutive or the achievement of performance conditions had not been met at the end of the period.

22. Business Segments

The Company is viewed and managed as two separate, but highly integrated, reportable business segments: "Telephone Operations" and "Other Operations." Telephone Operations consists of a wide range of telecommunications services, including local and long-distance service, high-speed broadband Internet access, standard and high-definition digital television, digital telephone service ("VOIP"), custom calling features, private line services, carrier access services, network capacity services over a regional fiber optic network, directory publishing and Competitive Local Exchange Carrier ("CLEC") services. We also operate two non-core complementary businesses that comprise our "Other Operations" segment, including prison services and equipment sales. Management evaluates the performance of these business segments based upon net revenue, operating income, and income before extraordinary items.

(In thousands)	For the three months ended September 30, 2011	For the three months ended September 30, 2010	For the nine months ended September 30, 2011	For the nine months ended September 30, 2010
Telephone operations	$ 84,764	$ 87,297	$ 256,967	$ 263,793
Other operations	7,784	8,279	23,645	25,822
Total net revenue	92,548	95,576	280,612	289,615
Operating expense — telephone operations	48,433	50,293	146,175	150,057
Operating expense — other operations	6,737	7,764	21,332	23,782
Total operating expense	55,170	58,057	167,507	173,839
Depreciation and amortization — telephone operations	21,953	21,687	65,678	64,260
Depreciation and amortization — other operations	208	231	628	660
Total depreciation expense	22,161	21,918	66,306	64,920
Operating income — telephone operations	14,378	15,317	45,114	49,476
Operating income - other operations	839	284	1,685	1,380
Total operating income	15,217	15,601	46,799	50,856
Interest expense, net of interest income	(13,447)	(11,723)	(37,783)	(37,675)
Investment income	6,403	6,830	19,417	20,268
Other, net	516	210	953	(242)
Income before taxes	$ 8,689	$ 10,918	$ 29,386	$ 33,207
Capital expenditures:				
Telephone operations	$ 10,491	$ 10,735	$ 31,113	$ 32,483
Other operations	53	19	133	95
Total	$ 10,544	$ 10,754	$ 31,246	$ 32,578

	September 30, 2011	December 31, 2010
Goodwill:		
Telephone operations	$ 519,528	$ 519,528
Other operations	1,034	1,034
Total	$ 520,562	$ 520,562
Total assets:		
Telephone operations (1)	$ 1,183,689	$ 1,201,545
Other operations	6,684	8,001
Total	$ 1,190,373	$ 1,209,546

(1) Included within the telephone operations segment assets are our equity method investments totaling \$49.1 million and \$49.6 million at September 30, 2011 and December 31, 2010, respectively.

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

FORM 10-K

[Mark One]

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the fiscal year ended December 31, 2010

OR

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the transition period from to .

Commission file number 000-51466

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC .
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**02-0636095** (IRS Employer Identification No.)
121 South 17 th Street **Mattoon, Illinois** (Address of principal executive offices)	**61938** (Zip Code)

(217) 235-3311
(Registrant's Telephone Number, including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of exchange on which registered:
Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☐ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2010 was approximately $422,375,319 based upon the closing price of the Common Stock reported for such date on the NASDAQ Global Select Market.

Indicate the number of shares outstanding of each class of Common Stock, as of the latest practicable date:

Class	Outstanding as of March 3, 2011
Common Stock, $0.01 par value	29,763,122 Shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the annual meeting of stockholders to be held on May 3, 2011 are incorporated by reference into Part III.

FORM 10-K
YEAR ENDED DECEMBER 31, 2010
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Consolidated Communications Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Consolidated Communications Holdings, Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits. As of December 31, 2009, and for the years ending December 31, 2009 and 2008, the financial statements of GTE Mobilnet of Texas RSA #17 Limited Partnership (a partnership in which the Company has a 17.02% interest), Pennsylvania RSA 6(I) Limited Partnership (a partnership in which the Company has a 16.67% interest), and Pennsylvania RSA 6(II) Limited Partnership (a partnership in which the Company has a 23.67% interest) (collectively the Limited Partnerships) have been audited by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial statements, insofar as it relates to the amounts included for the Limited Partnerships, is based solely on the reports of the other auditors. In the consolidated financial statements, the Company's investment in the Limited Partnerships is stated at $49.4 million at December 31, 2009, and the Company's equity in the net income of the Limited Partnerships is stated at $13.2 million and $10.1 million for the year ending December 31, 2009 and 2008, respectively.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Consolidated Communications Holdings, Inc. at December 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 2 to the consolidated financial statements, on January 1, 2009, the Company changed its method for accounting for earnings per share under the two-class method and on December 31, 2008, the Company changed its method for accounting for the effects of certain types of regulation .

We also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Consolidated Communications Holdings, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 4, 2011, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 4, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Pennsylvania RSA 6 (I) Limited Partnership:

We have audited the accompanying balance sheets of Pennsylvania RSA 6 (I) Limited Partnership (the "Partnership") as of December 31, 2009 and the related statements of operations, changes in partners' capital, and cash flows for the two years in the period ended December 31, 2009. Such financial statements are not presented separately herein. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Partnership is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Partnership as of December 31, 2009 and the results of its operations and its cash flows for the two years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Atlanta, GA
March 8, 2010

Consolidated Communications Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations

(In thousands, except per share amounts)	Year ended December 31, 2010	2009	2008
Net revenues	$ 383,366	$ 406,167	$ 418,424
Operating expense:			
Cost of services and products (exclusive of depreciation and amortization shown separately below)	142,302	145,460	143,563
Selling, general and administrative expenses	88,025	104,774	108,769
Intangible asset impairment	—	—	6,050
Depreciation and amortization	87,142	85,227	91,678
Operating income	65,897	70,706	68,364
Other income (expense):			
Interest expense, net of interest income	(50,740)	(57,935)	(66,292)
Investment income	27,744	25,770	20,495
Loss on early extinguishment of debt	—	—	(9,224)
Other, net	(758)	(207)	(577)
Income before income taxes and extraordinary item	42,143	38,334	12,766
Income tax expense	8,991	12,399	6,639
Income before extraordinary item	33,152	25,935	6,127
Extraordinary item (net of income tax of $4,154)	—	—	7,240
Net income	33,152	25,935	13,367
Less: net income attributable to noncontrolling interest	557	1,030	863
Net income attributable to common stockholders	$ 32,595	$ 24,905	$ 12,504
Net income per common share—basic:			
Income per common share before extraordinary item	$ 1.09	$ 0.84	$ 0.18
Extraordinary item per share	—	—	0.24
Net income per common share—basic	$ 1.09	$ 0.84	$ 0.42
Net income per common share—diluted:			
Income per common share before extraordinary item	$ 1.09	$ 0.84	$ 0.18
Extraordinary item per share	—	—	0.24
Net income per common share—diluted	$ 1.09	$ 0.84	$ 0.42
Cash dividends per common share	$ 1.55	$ 1.55	$ 1.55

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Communications Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except share and per share amounts)		December 31, 2010		2009
Assets				
Current assets:				
Cash and cash equivalents	$	**67,654**	$	42,758
Accounts receivable, net of allowance for doubtful accounts of $2,694 in 2010 and $1,796 in 2009		**42,012**		42,125
Inventories		**7,972**		6,874
Income tax receivable		**6,490**		3,564
Deferred income taxes		**5,672**		5,970
Prepaid expenses and other current assets		**6,450**		6,639
Total current assets		**136,250**		107,930
Property, plant and equipment, net		**356,057**		377,200
Investments		**99,105**		98,748
Goodwill		**520,562**		520,562
Customer lists, net		**79,950**		102,088
Tradenames		**12,347**		13,446
Deferred debt issuance costs, net and other assets		**5,275**		6,633
Total assets	$	**1,209,546**	$	1,226,607
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$	**9,972**	$	13,482
Advance billings and customer deposits		**22,088**		20,025
Dividends payable		**11,530**		11,476
Accrued expense		**22,649**		23,133
Current portion of capital lease obligations		**132**		344
Current portion of derivative liability		**6,374**		6,074
Current portion of pension and postretirement benefit obligations		**2,847**		2,908
Total current liabilities		**75,592**		77,442
Long-term portion of capital lease obligation		**3,993**		—
Senior secured long-term debt		**880,000**		880,000
Deferred income taxes		**73,628**		74,711
Pension and other postretirement obligations		**80,621**		80,298
Other long-term liabilities		**23,837**		33,439
Total liabilities		**1,137,671**		1,145,890
Stockholders' equity:				
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 29,763,122 and 29,608,653, shares outstanding as of December 31, 2010 and 2009, respectively		**298**		296
Additional paid-in capital		**98,126**		109,746
Retained earnings		**—**		—
Accumulated other comprehensive loss, net		**(31,471)**		(35,540)
Noncontrolling interest		**4,922**		6,215
Total stockholders' equity		**71,875**		80,717
Total liabilities and stockholders' equity	$	**1,209,546**	$	1,226,607

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Communications Holdings, Inc. and Subsidiaries
Consolidated Statement of Changes in Stockholders' Equity

(In thousands except share amounts)	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
Balance, January 1, 2008	29,440,587	$ 294	$ 160,723	$ (169)	$ (5,636)	$ 4,322	$ 159,534
Dividends on common stock		—	(33,141)	(12,335)	—	—	(45,476)
Shares issued under employee plan, net of forfeitures	71,467	1	—	—	—	—	1
Non-cash, stock-based compensation		—	1,900	—	—	—	1,900
Purchase and retirement of common stock	(23,646)	—	(257)	—	—	—	(257)
Tax on restricted stock vesting		—	(38)	—	—	—	(38)
Pension tax adjustment		—	97	—	—	—	97
Comprehensive (loss):							
Net income		—	—	12,504	—	863	13,367
Change in prior service cost and net loss, net of tax of $(18,730)		—	—	—	(31,765)	—	(31,765)
Change in fair value of cash flow hedges, net of tax of $(12,666)		—	—	—	(22,078)	—	(22,078)
Total comprehensive (loss)							(40,476)
Balance, December 31, 2008	29,488,408	$ 295	$ 129,284	$ —	$ (59,479)	$ 5,185	$ 75,285
Dividends on common stock		—	(21,021)	(24,905)	—	—	(45,926)
Shares issued under employee plan, net of forfeitures	154,752	1	—	—	—	—	1
Non-cash, stock-based compensation		—	1,927	—	—	—	1,927
Purchase and retirement of common stock	(34,507)	—	(545)	—	—	—	(545)
Tax on restricted stock vesting		—	198	—	—	—	198
Pension tax adjustment		—	(97)	—	—	—	(97)
Comprehensive income (loss):							
Net income		—	—	24,905	—	1,030	25,935
Change in prior service cost and net loss, net of tax of $8,345		—	—	—	14,022	—	14,022
Change in fair value of cash flow hedges, net of tax of $5,707		—	—	—	9,917	—	9,917
Total comprehensive income							49,874
Balance, December 31, 2009	29,608,653	$ 296	$ 109,746	$ —	$ (35,540)	$ 6,215	$ 80,717
Dividends on common stock		—	(13,584)	(32,595)	—	—	(46,179)
Shares issued under employee plan, net of forfeitures	208,007	2	—	—	—	—	2
Non-cash, stock-based compensation		—	2,363	—	—	—	2,363
Purchase and retirement of common stock	(53,538)	—	(1,001)	—	—	—	(1,001)
Tax on restricted stock vesting		—	602	—	—	—	602
Distributions to non-controlling interests		—	—	—	—	(1,850)	(1,850)
Comprehensive income (loss):							
Net income		—	—	32,595	—	557	33,152
Change in prior service cost and net loss, net of tax of $948		—	—	—	1,572	—	1,572
Change in fair value of cash flow hedges, net of tax of $1,430		—	—	—	2,497	—	2,497
Total comprehensive income							37,221
Balance, December 31, 2010	29,763,122	$ 298	$ 98,126	$ —	$ (31,471)	$ 4,922	$ 71,875

Consolidated Communications Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

(In thousands)	Year ended December 31, 2010	2009	2008
Operating Activities			
Net income	$ 33,152	$ 25,935	$ 13,367
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	87,142	85,227	91,678
Loss on extinguishment of debt	—	—	9,224
Deferred income taxes	(2,390)	57	(12,032)
Intangible asset impairment	—	—	6,050
Extraordinary item, net of tax	—	—	(7,240)
Decrease in uncertain tax positions	(5,169)	—	—
Loss on disposal of assets	2,057	2,491	—
Cash distributions from wireless partnerships in excess of/(less than) current earnings	16	(3,091)	(2,056)
Stock-based compensation expense	2,363	1,927	1,901
Amortization of deferred financing costs	1,293	1,301	1,431
Changes in operating assets and liabilities:			
Accounts receivable, net	113	2,967	(1,091)
Income taxes receivable	(3,699)	775	1,301
Inventories	(1,084)	608	(1,118)
Other assets	273	363	5,083
Accounts payable	(3,510)	1,146	(5,050)
Accrued expenses and other liabilities	4,457	(3,399)	(9,037)
Net cash provided by operating activities	115,014	116,307	92,411
Investing Activities			
Proceeds from the sale of investments	35	—	—
Additions to property, plant and equipment, net	(41,789)	(42,352)	(48,027)
Proceeds from the sale of assets	1,065	725	—
Net cash used for investing activities	(40,689)	(41,627)	(48,027)
Financing Activities			
Proceeds from long-term obligations	—	—	120,000
Payments made on long-term obligations	—	—	(136,337)
Payment of deferred financing costs	—	—	(240)
Distributions to noncontrolling interest	(1,850)	—	—
Payment of capital lease obligation	(399)	(922)	(971)
Repurchase and retirement of common stock	(1,001)	(545)	(257)
Dividends on common stock	(46,179)	(45,926)	(45,449)
Net cash used for financing activities	(49,429)	(47,393)	(63,254)
Net increase (decrease) in cash and equivalents	24,896	27,287	(18,870)
Cash and cash equivalents at beginning of year	42,758	15,471	34,341
Cash and cash equivalents at end of year	$ 67,654	$ 42,758	$ 15,471
Supplemental disclosure of cash flow:			
Interest paid	$ 50,205	$ 56,026	$ 65,061
Income taxes paid	$ 18,706	$ 10,996	$ 13,540