

STATE OF NEW HAMPSHIRE
Before the
PUBLIC UTILITIES COMMISSION

Docket No. DT 23-_____

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

and

CONDOR HOLDINGS LLC

**Petition for Findings in Furtherance of an Indirect Transfer of Control of Consolidated's
Operating Subsidiaries as part of Parent Transaction**

PREFILED DIRECT TESTIMONY OF MICHAEL SHULTZ

**On behalf of Consolidated Communications of Maine Company, Consolidated
Communications of Northern New England Company, LLC, and Consolidated
Communications Holdings, Inc.**

December 27, 2023

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1 **I. BACKGROUND AND QUALIFICATIONS.**

2 **Q1. Please state your full name and business address.**

3 A1. My name is Michael Shultz, and my business address is 4008 Gibsonia Road,
4 Gibsonia, PA 15044.

5 **Q2. By whom and in what capacity are you employed?**

6 A2. I am employed by Consolidated Communications. My current position is Senior
7 Vice President, Regulatory & Public Policy.

8 **Q3. Please describe your educational background.**

9 A3. I received a Bachelor of Arts degree in Economics from the University of
10 Pittsburgh and a Masters of Business Administration from the University of Dallas.

11 **Q4. Please summarize your professional experience prior to assuming your
12 current position.**

13 A4. I assumed my current position in January 2020. Prior to my promotion as a
14 Senior Vice President, I was Vice President, Regulatory & Public Policy since April 2004. I held
15 the role of Senior Director, Regulatory and Industry Affairs with TXU Communications from
16 November 2002 to April 2004. From 1991 to 2002, I held positions of increasing responsibilities
17 with Citizens Communications (now Frontier Communications). The last position I held was
18 Director, Federal Regulatory & Compliance. Prior to joining Citizens Communications, I was
19 with the consulting firm John Staurulakis, Inc. (JSI) from 1985 to 1991.

20 **Q5. What are your duties as Senior Vice President, Regulatory & Public Policy?**

21 A5. I am responsible for all of CCHI's regulatory and legislative strategy, advocacy,
22 and regulatory compliance at the Federal, State, and local levels. In addition, I have
23 responsibility for tariffs, interconnection, industry relations, and settlements. Also, I currently
24 serve on the Board of Directors for the National Exchange Carrier Association (NECA), the
25 Illinois Broadband & Telecommunications Association, and the Pennsylvania Telephone

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1 Association.

2 **Q6. On whose behalf are you offering this testimony?**

3 A6. I am offering this testimony on behalf of CCHI and its two New Hampshire
4 operating company subsidiaries that provide public utility services as incumbent local exchange
5 carriers (“ILECs”) in New Hampshire, Consolidated Communications of Northern New England
6 Company, LLC and Consolidated Communications of Maine Company. For ease of reference, I
7 will abbreviate these company names as “CCNE” and “CCM” and refer to them collectively as
8 the “Licensees.”

9 **Q7. Have you previously testified before the Commission?**

10 A7. Yes, in Docket DT 16-872 and Docket DE 21-020. In addition, I have testified in
11 my professional capacity in a variety of other contexts, including before public utilities
12 commissions in California, Illinois, Maine, Nebraska, Texas, and Vermont.

13 **II. SUMMARY OF TESTIMONY.**

14 **Q8. What is the purpose of your testimony?**

15 A8. The purpose of my testimony is to provide background and support for the
16 Petition being filed contemporaneously with this testimony, through which CCHI, CCNE, CCM,
17 and Condor Holdings LLC (referenced herein as “Condor”) are seeking findings regarding the
18 indirect transfer of control of the Licensees pursuant to RSA 374:30, II. I will describe the
19 circumstances leading to the transaction, and I will summarize the principal terms and operation
20 of the Agreement and Plan of Merger through which the transaction will be effectuated. I will
21 explain why the transaction is in the public interest, focusing on the benefits that CCHI expects
22 to flow to its operation from consummating the transaction. Finally, I will emphasize the critical
23 need for an expeditious resolution of this proceeding that approves the Petition by the third
24 quarter of calendar year 2024.

25 **Q9. Is your testimony also offered on behalf of Condor?**

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1 A9. No, a different witness, Mr. Andrew Frey, is offering testimony on behalf of
2 Condor. Mr. Frey will also provide testimony in support of the Petition, focusing on the expertise
3 and financial resources that Condor will bring toward its anticipated new role as owner of CCHI
4 and the Licensees.

5 **Q10. How is your testimony organized?**

6 A10. Following the background and summary sections that have already been
7 presented, my testimony is divided into four principal sections. First, I provide background facts
8 regarding the Licensees and identify the events leading to this transaction. Second, I summarize
9 the principal terms of the Agreement and Plan of Merger that governs this transaction. Third, I
10 summarize the financial and operational benefits of the transaction for the Licensees,
11 highlighting the ultimate benefits for ratepayers and the communities that the companies serve.
12 As part of that discussion, I also highlight ways in which the transaction will be transparent for
13 New Hampshire consumers, with no adverse impacts on their day-to-day experience with the
14 Licensees. Fourth, I summarize the need for an expeditious resolution of this matter. I also
15 provide a brief conclusion.

16 **Q11. Please summarize your testimony.**

17 A11. This matter concerns a straightforward transaction through which investment
18 funds affiliated with Searchlight Capital Partners, L.P. (“Searchlight”) and British Columbia
19 Investment Management Corporation (“BCI”) will acquire CCHI, including its two regulated
20 telephone companies that operate as ILECs in New Hampshire and other subsidiaries of CCHI
21 that operate throughout the country. The acquisition will be seamless, preserving the New
22 Hampshire operations, while shifting them to a new owner—Condor. This transaction presents
23 an important opportunity for CCHI to infuse its operations, including the Licensees, with
24 additional access to investment capital that can stabilize its operations and facilitate additional
25 network enhancements for the benefit of consumers. There will be no adverse impacts on

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1 consumers or the local communities from this transaction. In fact, the transaction will strengthen
2 the Licensees' financial positions and position the companies to enhance service quality, while
3 preserving the day-to-day management and longstanding expertise that the companies have
4 successfully relied upon to serve customers in the State of New Hampshire.

5 **III. BACKGROUND REGARDING LICENSEES AND EVENTS LEADING TO**
6 **TRANSACTION.**

7 **Q12. Please describe the operational history of the Licensees.**

8 A12. CCNE is a longstanding Incumbent Local Exchange Carrier that once was part of
9 the Bell System with a rich history of serving approximately 80 percent of the State of New
10 Hampshire. At inception, it was named New England Telephone & Telegraph and eventually
11 changed its name to Verizon Communications. In 2008, Verizon sold its northern New England
12 assets to FairPoint Communications, and Northern New England Telephone Operating Company,
13 LLC held the former Verizon New Hampshire assets. FairPoint also had an ILEC called
14 Northland Telephone. In 2017, Consolidated Communications acquired FairPoint
15 Communications, and it currently operates two local exchange companies in New Hampshire,
16 CCNE and CCM, providing residential and business POTS services, private line, and wholesale
17 services. Consolidated Communications Enterprise Services, Inc. ("CCES"), our non-regulated
18 subsidiary, provides long distance, internet services, and other non-regulated items.

19 **Q13. What services do the Licensees offer on a competitive basis?**

20 A13. CCES provides retail broadband Internet access service to both residential and
21 business customers. Likewise, it provides Voice over Internet Protocol, or "VoIP" service, as
22 well as a variety of information services and business solutions and is authorized to provide
23 competitive local exchange and interexchange telecommunications services in New Hampshire.
24 See above for description of operations of CCNE and CCM.

25 **Q14. What is the current structure through which the Licensees are owned?**

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1 A14. A current corporate organizational chart reflecting CCNE's and CCM's ownership
2 is provided with Mr. Frey's testimony at **Exhibit A**. CCHI serves as the ultimate parent
3 company for these entities. CCHI is a publicly traded company listed on the NASDAQ, so its
4 ownership shifts daily as shares are bought and sold. I note that Condor's immediate parent
5 company, Searchlight III CVL, L.P. ("Searchlight III CVL"), currently own approximately
6 33.8% of CCHI's common stock and 100 percent of CCHI's Series A preferred stock.

7 **Q15. What were the circumstances that led to the proposed transaction?**

8 A15. In 2021, Searchlight III CVL completed an acquisition of approximately 39
9 million shares of CCHI common stock and approximately 434,000 shares of Series A preferred
10 stock through a two-stage investment transaction approved by shareholders and regulatory
11 agencies. Upon completing the transaction in 2021, Searchlight III CVL also obtained the right to
12 nominate two directors to CCHI's Board of Directors. In April 2023, Searchlight and BCI issued
13 a non-binding proposal to acquire all outstanding shares of common stock of CCHI not already
14 owned by Searchlight III CVL for \$4.00 a share. Searchlight and BCI's announced plan was to
15 "invest incremental capital into [CCHI] to complete the fiber build-out and fully fund the plan
16 through [CCHI] turning free-cash-flow positive, which [they] believe would be the best outcome
17 for all of [CCHI's] stakeholders."

18 The resulting transaction now before the Commission is the result of a comprehensive
19 review of value creation opportunities for CCHI undertaken by a special committee of
20 independent and disinterested members of the Board of Directors (the "Special Committee"). The
21 Special Committee considered the current operating environment and the competitive positioning
22 of CCHI within the market. It also considered the investment levels needed to meet CCHI's
23 customers' evolving needs. Following negotiations among Searchlight, BCI, and the Special
24 Committee, the parties ultimately agreed to a purchase price of \$4.70 per share. The Special
25 Committee was unanimous in recommending acceptance of the Searchlight/BCI offer at this

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1 price, concluding that the transaction represents the most compelling path forward for CCHI. As
2 a private company, CCHI will have increased flexibility to make necessary commitments to
3 continue to grow while bringing broadband services to underserved and unserved communities
4 across rural America.

5 Additional detail regarding the transaction is provided in the Definitive Proxy Statement
6 filed with the Securities and Exchange Commission on December 15, 2023, a copy of which is
7 available at the following link:

8 [https://www.sec.gov/Archives/edgar/data/1304421/000110465923126524/tm2328485-](https://www.sec.gov/Archives/edgar/data/1304421/000110465923126524/tm2328485-15_defm14a.htm)
9 [15_defm14a.htm](https://www.sec.gov/Archives/edgar/data/1304421/000110465923126524/tm2328485-15_defm14a.htm).

10 **IV. THE AGREEMENT AND PLAN OF MERGER.**

11 **Q16. When was the agreement governing the transaction finalized?**

12 A16. The terms of the agreement were finalized on October 15, 2023, as reflected in the
13 Agreement and Plan of Merger, which is attached to Mr. Frey's testimony as **Exhibit B**.

14 **Q17. What are the principal terms of the deal?**

15 A17. The principal terms of the transaction are discussed in Mr. Frey's Direct
16 Testimony. Additional details regarding the transaction are provided in the Definitive Proxy
17 Statement filed with the Securities and Exchange Commission and cited above in response to
18 Question 15.

19 **Q18. How will the corporate structure of the Licensees differ following the**
20 **consummation of the transaction?**

21 A18. Searchlight has created a new holding company, with a corresponding subsidiary,
22 to facilitate that transaction. The plan is to merge the subsidiary with CCHI, which will place
23 CCHI under Condor in the corporate structure. A pro forma corporate structure chart depicting
24 this modification is provided with Mr. Frey's testimony as **Exhibit A**.

25 **Q19. Will this transaction involve a merger of the Licensees?**

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1 A19. No. The agreement is referenced as involving a “Plan of Merger” simply because
2 it references the parent company merger mechanism by which CCHI will become a direct wholly
3 owned subsidiary of Condor. Neither of the Licensees themselves will be merged. They will
4 remain in their same form after the transaction.

5 **V. THE BENEFITS OF THE TRANSACTION.**

6 **Q20. How will the transaction benefit the Licensees?**

7 A20. By consummating the transaction, the Licensees will have access to a greatly
8 expanded source of capital investments, backed by Searchlight, a private equity firm with nearly
9 \$12 billion in assets under management, and BCI, an institutional investor with approximately
10 C\$233 billion in gross assets under management. Provided that the transaction is approved and
11 completed in a timely manner, the Licensees will be in a position to expand their commercial
12 services and carrier solutions by leveraging consumer fiber buildouts to provide greater access to
13 high-speed broadband and additional resiliency and reliability benefits for all services offered
14 over the networks, including regulated voice service. For example, CCHI plans to expand 1
15 Gbps (gigabit-per-second) broadband coverage in its current network topography and improve
16 operational efficiency across its approximately 59,000 fiber route miles and two million fiber
17 strand miles. Moreover, CCHI (with support of Condor) intends to expand its commercial
18 services and carrier solutions by leveraging consumer fiber buildouts to further expand its
19 network. This expansion will ultimately result in the delivery of higher broadband speeds and
20 more advanced services to new and existing customers, including customers in areas that are
21 underserved by high-speed broadband today. The Licensees have already made significant
22 investments in bringing fiber-based broadband to their customers since Searchlight III CVL’s
23 original investment in 2020, passing more than 245,000 additional homes with fiber in the past
24 three years. In the Licensees’ ILEC territory, the FCC’s broadband map shows that 90 percent of
25 locations have access to broadband speeds of 100Mbps/20Mbps from one or more providers.

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1 **Q21. Will the transaction improve the financial condition of the Licensees?**

2 A21. Yes. The transaction will strengthen the financial position of the Licensees by
3 providing access to additional capital. This additional capital will facilitate increased operational
4 flexibility to make necessary commitments to continue to grow while bringing broadband
5 services to underserved and unserved communities across America. The transaction will deliver a
6 significant and certain cash premium to CCHI's shareholders, while enhancing CCHI's and the
7 Licensees' ongoing ability to deliver for customers as they further bridge the digital divide across
8 communities through best-in-class, high speed fiber broadband services.

9 **Q22. How will the transaction improve the quality of service?**

10 A22. The transaction will not result in any modification to the Licensees' existing
11 tariffs, price lists, or customer contracts (subject to change in the ordinary course of business).
12 The transaction will be seamless to customers, as they will not experience any immediate
13 changes in services, rates, or terms and conditions of service. Further, by enhancing the ability of
14 CCHI and the Licensees to invest in additional fiber connectivity, the transaction will improve
15 the quality of service, as fiber that replaces aging copper infrastructure is more reliable and
16 requires less maintenance.

17 **Q23. What impact will the transaction have on the local economy?**

18 A23. After the closing of the transaction, the Licensees will continue to be a vital part
19 of the local economy, providing investment in broadband infrastructure, communications
20 services, and jobs. In addition, the Licensees participate in federal low-income programs,
21 including Lifeline and the Affordable Connectivity Program (ACP). Finally, the Licensees will
22 continue to give back to the local community both financially and through volunteering.

23 **Q24. How will the transaction affect the management of the Licensees?**

24 A24. There will be no discernible impact from the transaction on the day-to-day
25 management of the Licensees. The same officers and managers who are guiding the companies

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1 today will continue to do so after the transaction is complete, subject only to changes that may
2 occur as employees come and go in the normal course of business.

3 **Q25. Will the transaction impact the Licensees' employees?**

4 A25. CCHI is confident that this transaction is a positive outcome for all of its
5 stakeholders, including employees. Searchlight and BCI have shown a deep appreciation for
6 CCHI's people, technology, and future opportunities – in fact, those aspects of CCHI's business
7 attracted Searchlight to invest in us in the first place. Searchlight and BCI have been clear that
8 they are excited to partner with our talented team. Searchlight and BCI are as focused as CCHI
9 on investing in and growing the business. CCHI will continue to operate its business as usual,
10 and it will share additional information with employees as it nears the completion of the process.
11 CCHI is committed to keeping employees, including those of the Licensees, informed of
12 developments as it moves toward completing the transaction.

13 **Q26. Do you believe that the transaction is equitable to the current shareholders of**
14 **the Licensees?**

15 A26. Yes. The purchase price represents an approximate 70 percent premium to the
16 closing price of the CCHI's common stock through April 12, 2023, the last trading day prior to
17 the submission of the initial non-binding proposal to the CCHI's Board of Directors, and a
18 premium of approximately 33 percent to the closing price of CCHI's common stock as of
19 October 13, 2023. The proposed transaction has been unanimously approved by a Special
20 Committee of independent and disinterested directors of the Board, advised by independent legal
21 and financial advisors, formed to evaluate and consider the proposal and other potential strategic
22 alternatives. The Board of Directors has unanimously (following recusals of directors affiliated
23 with Searchlight) approved the proposed transaction on the unanimous recommendation of the
24 Special Committee.

25 **Q27. Please describe the extent to which Condor will supplement CCHI's technical**

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1 **capabilities to maintain the Licensees' ILEC obligations.**

2 A27. To serve its customers, CCHI employs a skilled workforce of over 3,200
3 employees with extensive telecommunications experience. In addition to its own resources,
4 CCHI intends to draw upon Condor's resources to continue meeting post-closing the ILEC
5 obligations set forth in RSA 362:8 and RSA 374:22-p. Because CCHI is currently meeting those
6 obligations, and because CCHI will remain intact and continue its current systems and operations
7 after the transaction closes, the Licensees will continue to possess the necessary technical
8 capabilities to maintain their ILEC obligations. This operational continuity will ensure that
9 CCHI's existing obligations as New Hampshire ILECs will continue to be fulfilled in a seamless
10 fashion.

11 All of the Licensees' existing obligations under their interconnection agreements, tariffs,
12 contracts, and other arrangements, including obligations under the federal Communications Act
13 to provide wholesale services (47 U.S.C. §§ 251 and 252) and to serve as an Eligible
14 Telecommunications Carrier ("ETC") (47 U.S.C. §§ 214(e)(1) and 254(e)), will be unaffected by
15 the transaction. The Licensees will maintain their obligations arising under the Commission's
16 authority under the Communications Act and those relating to the provision of services to
17 competitive local exchange carriers ("CLECs"), rural local exchange carriers ("RLECs"),
18 interexchange carriers ("IXC"), and wireless carriers. *See* RSA 362:8, I and III. Moreover,
19 because there are no systems or billing conversions required in connection with the transaction,
20 the transaction will be seamless to the Licensees' wholesale and retail customers.

21 **Q28. Please summarize the extent to which Condor will supplement CCHI's**
22 **managerial capabilities to maintain the Licensees' ILEC obligations.**

23 A28. CCHI's management has significant experience operating ILECs in rural and
24 small urban markets, and has successfully served customers in such markets, bringing innovative
25 broadband and video services while running a financially sound company with the ability to

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1 invest and maintain the network and foster growth. This management experience will be
2 supplemented by the resources of Condor. As explained in Mr. Frey's testimony, Condor and its
3 affiliates, including Searchlight, possess substantial and valuable experience and expertise in the
4 broadband infrastructure and telecommunications sectors. Indeed, Searchlight has significant
5 experience working with portfolio companies executing strategies that involve deploying
6 broadband infrastructure, along with a proven track record of partnering with strong management
7 teams to drive long-term value and shareholder returns. Thus, CCHI, with the support of Condor
8 and its affiliates, will continue to possess the requisite management capabilities to meet the
9 Licensees' obligations.

10 **Q29. Please address the extent to which Condor will supplement CCHI's financial**
11 **capabilities to maintain the Licensees' ILEC obligations.**

12 A29. CCHI is a financially secure company with consistent financial results, and this
13 transaction adds to CCHI's financial capabilities. CCHI's operating revenues since 2017 have
14 consistently been over \$1 billion; and earnings before interest, tax, depreciation, and amortization
15 (EBITDA) for 2020, 2021, and 2022 were \$529.2 million, \$506.9 million, and \$529.2 million,
16 respectively. The value of the transaction is \$3.1 billion, including the assumption of debt, as of
17 the October 16, 2023 public announcement of the transaction. No new debt financing is expected
18 in connection with the transaction. In 2020-21, the borrower under CCHI debt facilities reduced
19 its net debt by \$325 million and refinanced substantially all of its then \$2 billion of outstanding
20 debt. The refinancing extended CCHI's debt maturities through late 2027 and enhanced liquidity
21 through a substantial increase in the capacity of its revolving line of credit. The refinancing
22 resulted in a new credit agreement that included a five-year \$250 million revolving credit facility
23 and a seven-year term loan in the aggregate amount of \$1.25 billion. The term loan is priced at a
24 coupon rate of 4.75%, plus LIBOR, with a 1.0% LIBOR floor, and will amortize at 1.0% per
25 year. The refinancing also included \$750 million in aggregate principal amount of 6.500% senior

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1 secured notes due 2028 in connection with a Rule 144A offering and a January 2021 \$150
2 million term loan on terms similar to the seven-year term loan. CCHI and Condor are committed
3 to long-term investment in CCHI's network operations. Issuing the requested findings and
4 granting such further relief as is necessary regarding the transaction will assist CCHI's fiber
5 expansion strategy through the injection of additional capital investment and will give CCHI
6 additional flexibility as it transitions to fiber-based IP networks.

7 **Q30. Will the transaction have any impact on the Commission's jurisdiction over**
8 **the Licensees?**

9 A30. No. Both companies will retain the same operational status and will hold the
10 same licenses before and after the transaction.

11 **VI. THE IMPORTANCE OF AN EXPEDITIOUS RESOLUTION.**

12 **Q31. Why is it important that this proceeding be resolved efficiently?**

13 A31. The transaction presented through the Petition is just a small piece of a national
14 transaction involving 21 other states. Approval will also be sought through the Federal
15 Communications Commission ("FCC"), and the FCC's process is likely to be complete by the
16 third quarter of calendar year 2024. It is important that state processes, including New
17 Hampshire's process, not hold up the transaction nationally, and if that occurs, the costs and
18 uncertainties (for employees and others) associated with a pending transaction will grow,
19 diminishing the overall benefits of the transaction. Expeditious resolution significantly increases
20 the Licensees' ability to fund capital projects, increase fiber deployment, and participate
21 competitively in New Hampshire and Federal grant programs.

22 **VII. CONCLUSION.**

23 **Q32. Please summarize your testimony.**

24 A32. The proposed acquisition of the Licensees is a straightforward transaction that will
25 provide benefits to residents and businesses in New Hampshire in the form of additional network

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1 investment and corresponding improvements in service quality. The day-to-day management
2 and customer-facing operations for each company will remain intact, and no rates, terms, or
3 conditions will be changed based on this transaction. Given that the Licensees are currently
4 meeting their New Hampshire ILEC obligations, those obligations will continue to be met by the
5 Licensees after the transaction closes. In short, the Licensees presently possess the requisite
6 technical, managerial and financial capabilities to maintain their ILEC obligations in New
7 Hampshire. And they will continue to possess these obligations once the transaction closes.

8 **Q33. Does this conclude your testimony?**

9 A33. Yes. However, I am available to answer additional questions as this proceeding
10 moves forward.