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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2023

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	02-0636095
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2116 South 17th Street, Mattoon, Illinois	61938-5973
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (217) 235-3311

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock - $0.01 par value	CNSL	The 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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒	Non-accelerated filer ☐
Smaller reporting company ☐	Emerging growth company ☐	

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2023, the aggregate market value of the shares held by non-affiliates of the registrant's common stock was $286,167,707 based on the closing price as reported on the Nasdaq Global Select Market. The market value calculations exclude shares held on the stated date by registrant's directors and officers on the assumption such shares may be shares owned by affiliates. Exclusion from these public market value calculations does not necessarily conclude affiliate status for any other purpose.

On February 27, 2024, the registrant had 116,003,311 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2023.

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Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K, including those relating to the impact on future revenue sources, pending and future regulatory orders, continued expansion of the telecommunications network and expected changes in the sources of our revenue and cost structure resulting from our entrance into new markets, are forward-looking statements and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect, among other things, our current expectations, plans, strategies and anticipated financial results. There are a number of risks, uncertainties and conditions that may cause the actual results of Consolidated Communications Holdings, Inc. and its subsidiaries ("Consolidated," the "Company," "we," "our" or "us") to differ materially from those expressed or implied by these forward-looking statements. Many of these circumstances are beyond our ability to control or predict. Moreover, forward-looking statements necessarily involve assumptions on our part. These forward-looking statements generally are identified by the words "believe," "expect," "anticipate," "estimate," "project," "intend," "plan," "should," "may," "will," "would," "will be," "will continue" or similar expressions. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements that appear throughout this report. A detailed discussion of these and other risks and uncertainties that could cause actual results and events to differ materially from such forward-looking statements is included in Part I – Item 1A – "Risk Factors". Furthermore, undue reliance should not be placed on forward-looking statements, which are based on the information currently available to us and speak only as of the date they are made. Except as required under federal securities laws or the rules and regulations of the Securities and Exchange Commission (the "SEC"), we disclaim any intention or obligation to update or revise publicly any forward-looking statements.

PART I

Item 1. Business.

Consolidated Communications Holdings, Inc. is a Delaware holding company with operating subsidiaries that provide a wide range of communication solutions to consumer, commercial and carrier channels across a service area in over 20 states. We were founded in 1894 as the Mattoon Telephone Company. After several acquisitions, the Mattoon Telephone Company was incorporated as the Illinois Consolidated Telephone Company in 1924. We were incorporated under the laws of Delaware in 2002, and through our predecessors, we have been providing communication services in many of the communities we serve for more than 125 years.

In addition to our focus on organic growth, we have achieved business growth and a diversification of revenue and cash flow streams through our acquisitions over a 15-year period from 2002 to 2017 that have created a strong platform and expanded network for future expansion. Through this strategic expansion, we have positioned our business to provide competitive services in rural, suburban and metropolitan markets spanning the country. Marking a pivotal moment for Consolidated, in 2020, we entered into a strategic investment with an affiliate of Searchlight Capital Partners L.P. ("Searchlight") and also completed a global debt refinancing, which in combination provided us with greater flexibility to support our fiber expansion and growth plans. The strategic investment offered an immediate capital infusion, delivering significant benefits to the customers and communities we serve, and creating a stronger company that is well-positioned to further expand and grow broadband services to meet ever-evolving customer needs.

Description of Our Business

Consolidated is a broadband and business communications provider offering a wide range of communication solutions to consumer, commercial and carrier customers by leveraging our advanced fiber network, which spans approximately 60,000 fiber route miles across many rural areas and metro communities. We offer residential high-speed Internet, video, phone and home security services as well as multi-service residential and small business bundles. Our business product suite includes: data and Internet solutions, voice, data center services, security services, managed and IT services, and an expanded suite of cloud services. We provide wholesale solutions to wireless and wireline carriers and other service providers including data, voice, network connections and custom fiber builds and last mile connections. Consolidated is dedicated to moving people, businesses and communities forward by delivering the most reliable fiber communications solutions.

We generate the majority of our consolidated operating revenues primarily from monthly subscriptions to our broadband, data and transport services (collectively "broadband services") marketed to residential and business customers. As consumer demands for bandwidth continue to increase, our focus is on expanding our fiber broadband services and upgrading data speeds in order to offer a highly competitive fiber product. Our investment in more competitive broadband speeds is critical to our long-term success. With the initial investment from Searchlight and the concurrent debt refinancing in 2020, we launched our largest-ever multi-year fiber infrastructure project in 2021 with the goal of upgrading approximately 1.6 million residential and small business premises to fiber-to-the-home/premise ("FTTP") enabling multi-Gig symmetrical speeds. The fiber network investments will be made across eight states, including more than 1 million passings within our northern New England service areas. Since 2021, we have upgraded approximately 960,000 homes and small businesses to FTTP, respectively, and we launched Fidium Fiber, our new Gigabit fiber internet product to consumers and small business customers. In 2024, we plan to upgrade at least 85,000 passings and expand Fidium Fiber further into our footprint. By leveraging our existing dense core fiber network and an accelerated build plan, we will be able to significantly increase broadband speeds, expand our multi-Gig coverage and strategically extend our network across our strong existing commercial and carrier footprint to attract more on-net and near-net opportunities. As we invest in network upgrades, we believe we will see stable-to-improved trends in revenue growth and increased broadband penetration. We believe these fiber investments will help us future-proof our network and facilitate the continued transformation of Consolidated into a leading super-regional fiber communications service provider.

Searchlight is a strategic partner in our execution of this investment and brings a differentiated perspective to our broadband-first strategy. They are an experienced broadband and fiber infrastructure investor and they bring significant experience investing in FTTP and broadband expansion. Through our partnership with Searchlight, we have and will continue to pursue targeted investments in our business and future growth opportunities as we transform our company into a leading broadband and solutions provider and create value for our stakeholders, including our customers and employees.

A discussion of factors potentially affecting our operations is set forth in Part I – Item 1A – "Risk Factors."

Recent Business Developments

Merger Agreement

On October 15, 2023, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Condor Holdings LLC, a Delaware limited liability company ("Parent") affiliated with certain funds managed by affiliates of Searchlight, and Condor Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which, subject to the terms and conditions thereof, Merger Sub will merge with and into the Company (the "Merger") with the Company continuing as the surviving corporation and a wholly owned subsidiary of an affiliate of Searchlight. British Columbia Investment Management Corporation ("BCI") and certain affiliates of Searchlight have committed to provide equity financing to Parent to fund the transactions contemplated by the Merger Agreement. Searchlight is currently the beneficial owner of approximately 34% of the Company's outstanding shares of common stock and is the holder of 100% of the Company's outstanding Series A perpetual preferred stock. Subject to the terms and conditions set forth in the Merger Agreement, upon the consummation of the Merger, each share of the Company's common stock, par value $0.01 per share (other than shares of the Company's common stock (i) held directly or indirectly by Parent, Merger Sub or any subsidiary of the Company, (ii) held by the Company as treasury shares or (iii) held by any person who properly exercises appraisal rights under Delaware law) will be converted into the right to receive an amount in cash equal to $4.70 per share, without interest (the "Merger Consideration"), subject to any withholding of taxes required by applicable law. In addition, pursuant to the Merger Agreement, upon the consummation of the Merger, (i) Company restricted share awards ("Company RSAs") held by non-employee directors or by certain affiliates of Searchlight will vest and be canceled in exchange for the Merger Consideration and (ii) all other Company RSAs will be converted into restricted cash awards based on the Merger Consideration and subject to the same terms and conditions, including time- and performance-based vesting conditions, as the corresponding Company RSA (except that the relative total shareholder return modifier shall be deemed to be achieved at the target level).

The Merger Agreement has, unanimously by the directors present, been approved by the board of directors of the Company (the "Board"), acting upon the unanimous recommendation of a special committee consisting of only independent and disinterested directors of the Company (the "Special Committee"). On January 31, 2024, the Company held a virtual special meeting of stockholders (the "Special Meeting") to consider three proposals with respect to the Merger Agreement. The first proposal, to adopt the Merger Agreement, was approved by (i) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon, and (ii) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and held by Unaffiliated Stockholders (as defined in the Merger Agreement). The second proposal, to approve by advisory (non-binding) vote the compensation that may be paid or become payable to the named executive officers of the Company in connection with the consummation of the Merger, was approved by the requisite vote of the Company's stockholders. The third proposal, to approve any adjournment of the Special Meeting, if necessary, to solicit additional proxies if there were insufficient votes in favor of the Merger Agreement proposal, was also approved by the requisite vote of the Company's stockholders. Because the Merger Agreement proposal was approved by the requisite vote, no adjournment to solicit additional proxies was necessary.

The proposed transaction constitutes a "going-private transaction" under the rules of the SEC and is expected to close by the first quarter of 2025. The closing of the Merger is subject to various conditions, including (i) the expiration or termination of the applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the receipt of certain required consents or approvals from (a) the Federal Communications Commission, (b) the Committee on Foreign Investment in the United States, (c) state public utility commissions and (d) local regulators in connection with the provision of telecommunications and media services; (iii) the absence of any order, injunction or decree restraining, enjoining or otherwise prohibiting or making illegal the consummation of the Merger or the other transactions contemplated by the Merger Agreement; and (iv) the accuracy of the representations and warranties contained in the Merger Agreement, subject to customary materiality qualifications, as of the date of the Merger Agreement and the date of closing, and performance in all material respects of the covenants and agreements contained in the Merger Agreement. The transaction is not subject to a financing condition. We are awaiting required regulatory approvals in order to execute the Merger. Following the closing of the transaction, shares of our common stock will no longer be traded or listed on any public securities exchange.

Additional information about the Merger Agreement and the Merger is set forth in the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on December 18, 2023, as supplemented.

Sources of Revenue

The following tables summarize our sources of revenue and key operating statistics for the last three fiscal years:

	2023		2022		2021	
(In millions, except for percentages)	$	% of Revenues	$	% of Revenues	$	% of Revenues
Consumer:						
Broadband (Data and VoIP)	$ 290.8	26.2 %	$ 272.1	22.8 %	$ 269.3	21.0 %
Voice services	125.2	11.3	144.8	12.2	160.7	12.5
Video services	35.0	3.2	54.2	4.5	65.1	5.1
	451.0	40.7	471.1	39.5	495.1	38.6
Commercial:						
Data services (includes VoIP)	214.7	19.3	228.5	19.2	228.9	17.9
Voice services	127.9	11.5	142.3	12.0	154.6	12.1
Other	39.9	3.6	43.1	3.6	40.0	3.1
	382.5	34.4	413.9	34.8	423.5	33.1
Carrier:						
Data and transport services	127.2	11.5	137.4	11.5	133.4	10.4
Voice services	15.6	1.4	14.7	1.2	17.2	1.4
Other	1.2	0.1	1.7	0.2	1.6	0.1
	144.0	13.0	153.8	12.9	152.2	11.9
Subsidies	27.9	2.5	33.4	2.8	69.8	5.4
Network access	90.2	8.1	104.7	8.8	120.5	9.4
Other products and services	14.5	1.3	14.4	1.2	21.1	1.6
Total operating revenues	$ 1,110.1	100.0 %	$ 1,191.3	100.0 %	$ 1,282.2	100.0 %

Key Operating Statistics

	As of December 31,		
	2023	**2022**	**2021**
Consumer customers	498,082	484,669	516,949
Fiber Gig+ capable	195,195	122,872	86,122
DSL/Copper	198,024	244,586	298,442
Consumer data connections	393,219	367,458	384,564
Consumer voice connections	239,587	276,779	328,849
Video connections	21,900	35,039	63,447

We completed the sale of substantially all of the assets of our non-core, rural ILEC business located in Ohio (the "Ohio operations") and our business located in the Kansas City market (the "Kansas City operations") on January 31, 2022 and November 30, 2022, respectively. For the year ended December 31, 2022, operating revenues for the Kansas City operations were $45.5 million, or 3.8% of consolidated operating revenues. For the year ended December 31, 2021, operating revenues for the Ohio operations and the Kansas City operations were $8.9 million and $51.3 million, or 0.7% and 4.0% of consolidated operating revenues, respectively. The sale of substantially all of the net assets of our Kansas City operations and Ohio operations resulted in a reduction of approximately 3,325 fiber consumer data connections, 14,505 DSL/Copper consumer data connections and 14,800 video connections in 2022. Prior period amounts have not been adjusted to reflect the sales.

The telecommunications industry continues to experience increased competition as a result of technology changes, new and emerging providers, and legislative and regulatory developments. Our focus is on expanding our fiber broadband services and upgrading data speeds in order to offer a highly competitive fiber product. We expect our broadband services revenue to continue to grow as we make increased investments in our fiber infrastructure and consumer demand for data-based services and faster speeds increases. In addition, we continue to focus on commercial growth opportunities and are continually expanding our commercial product offerings for small, medium and large businesses to capitalize on industry technological advances. Operating revenues continue to be impacted by the industry-wide trend of declines in voice services, access lines and related network access revenue.

Consumer

Broadband Services

Broadband services include revenues from residential customers for subscriptions to our data products. We offer high-speed Internet access at speeds of up to 2 Gbps, depending on the network facilities that are available, the level of service selected and the location. Our data service plans also include wireless internet access, email and internet security and protection. Our fiber internet product offers symmetrical speeds from 50 Mbps to 2 Gbps over the latest WiFi 6 technology with no data caps. Customers have the ability to view and manage their WiFi network through our Attune WiFi app, which enables customers to create individual profiles, turn on parental controls, manage devices and provide guest access. Our Voice over Internet Protocol ("VoIP") digital phone service is also available in certain markets as an alternative to the traditional telephone line. We offer multiple voice service plans with options for unlimited local and long distance calls and customizable calling features and voicemail including voicemail to email options.

Video Services

Depending on geographic market availability, our video services range from limited basic service to advanced digital television, which includes several plans, each with hundreds of local, national and music channels including premium and Pay-Per-View channels as well as video on-demand service. Certain customers may also subscribe to our advanced video services, which consist of high-definition television, digital video recorders ("DVR") and/or a whole home DVR. Our Whole Home DVR allows customers the ability to watch recorded shows on any television in the home, record multiple shows simultaneously and utilize an intuitive on-screen guide and user interface. Our video subscribers can also watch their favorite shows, movies and livestreams on any device. In addition, we offer several on-demand streaming TV services, which provide endless entertainment options. As the consumer demand for streaming services increases, we continue to de-emphasize our linear video services and transition customers to streaming TV packages offered through our streaming partnerships.

Voice Services

We offer several different basic local phone service packages and long-distance calling plans, including unlimited flat-rate calling plans. The plans include options for voicemail and other custom calling features such as caller ID, call forwarding and call waiting. The number of local access lines in service directly affects the recurring revenue we generate from end users and continues to be impacted by the industry-wide decline in access lines. We expect to continue to experience erosion in voice connections due to competition from alternative technologies, including our own competing VoIP product.

Commercial

Data Services

We provide a variety of business communication solutions to commercial customers of all sizes, including voice and data services over our advanced fiber network. The services we offer include scalable high-speed broadband Internet access, SIP trunking and VoIP phone services, which range from basic service plans to virtual hosted systems. Our hosted VoIP package utilizes soft switching technology and enables our customers to have the flexibility of employing new telephone advances and features without investing in a new telephone system. The package bundles local service, calling features, Internet protocol ("IP") business telephones and unified messaging, which integrates multiple messaging technologies into a single system and allows the customer to receive and listen to voice messages through email.

In addition to Internet and VoIP services, we also offer a variety of commercial data connectivity services in select markets including Ethernet services; private line data services; software defined wide area network ("SD-WAN"), a software-based network technology that provides a simplified management and automation of wide area network connections; and multi-protocol label switching. Our networking services include point-to-point and multi-point deployments to accommodate the growth patterns of our business customers. We offer a suite of cloud-based services, which includes a hosted unified communications solution that replaces the customer's on-site phone systems and data networks, managed network security services and data protection services. Data center and disaster recovery solutions provide a reliable and local colocation option for commercial customers.

Voice Services

Voice services include basic local phone and long-distance service packages for business customers. The plans include options for voicemail, conference calling, linking multiple office locations and other custom calling features such as caller ID, call forwarding, speed dialing and call waiting. Services can be charged at a fixed monthly rate or a measured rate or can be bundled with selected services at a discounted rate.

Other

Other services include business equipment sales and related hardware and maintenance support, video services and other miscellaneous revenues, including 911 service revenues. We are a full service 911 provider and have installed and currently maintain a turn-key, state of the art statewide next-generation emergency 911 system located in Maine. Next-generation emergency 911 systems are an improvement over traditional 911 and are expected to provide the foundation to handle future communication modes such as texting and video.

Carrier

We provide high-speed fiber data transmission services to regional and national interexchange and wireless carriers including Ethernet, cellular backhaul, dark fiber and colocation services. The demand for backhaul services continues to grow as wireless carriers are faced with escalating consumer and commercial demands for wireless data. Voice services include basic local phone service packages with customized features for resell by wholesale customers. The plans include options for voicemail, conference calling, linking multiple office locations and other custom calling features.

Subsidies

Subsidies consist of both federal and state funding designed to promote widely available, quality broadband services at affordable prices with higher data speeds in rural areas and for low-income consumers across the country. Some subsidies are funded by end user surcharges to which telecommunications providers, including local, long-distance and wireless carriers, contribute on a monthly basis, while others are components of broader economic stimulus or recovery legislation. Certain subsidies are allocated and distributed to participating carriers monthly based upon their respective costs for providing local service. In other cases, subsidies are awarded to carriers periodically over a predetermined number of years to support their deployment of high-speed broadband infrastructure in underserved or unserved areas. Similar to access charges, subsidies are regulated by the federal and state regulatory commissions. See Part I – Item 1 – "Regulatory Environment" below and Item 1A – "Risk Factors – Risks Related to the Regulation of Our Business" for further discussion regarding the subsidies we receive.

Network Access Services

Network access services include interstate and intrastate switched access, network special access and end user access. Switched access revenues include access services to other communications carriers to terminate or originate long-distance calls on our network. Special access circuits provide dedicated lines and trunks to business customers and interexchange carriers. Certain of our network access revenues are based on rates set or approved by the federal and state regulatory commissions or as directed by law that are subject to change at any time.

Other Products and Services

Other products and services include revenues from telephone directory publishing, video advertising, billing and support services and other miscellaneous revenues such as revenue from our Public Private Partnership arrangements. We have entered into numerous Public Private Partnership agreements with several towns in New Hampshire and Vermont to build new FTTP Internet networks. The new town networks provide multi-gigabit broadband speeds to residential and commercial customers. Public Private Partnerships are a key component of Consolidated's commitment to expand rural broadband access.

Wireless Partnerships

Prior to their sale, we derived a portion of our cash flow and earnings from investments in five wireless partnerships: GTE Mobilnet of South Texas Limited Partnership ("Mobilnet South Partnership"), GTE Mobilnet of Texas RSA #17 Limited Partnership ("RSA #17"), Pittsburgh SMSA Limited Partnership ("Pittsburgh SMSA"), Pennsylvania RSA No. 6(I) Limited Partnership ("RSA 6(I)") and Pennsylvania RSA No. 6(II) Limited Partnership ("RSA 6(II)"). Cellco is the general partner for each of the five cellular partnerships. Cellco is an indirect, wholly-owned subsidiary of Verizon Communications Inc. As the general partner, Cellco is responsible for managing the operations of each partnership.

On September 13, 2022, we completed the sale of all of our limited partnership interests in the five wireless partnerships to Cellco for an aggregate purchase price of $490.0 million, other than a portion of the interest in one of the partnerships which was sold to a limited partner of such partnership pursuant to its right of first refusal. The proceeds from the sale were used in part to support our fiber expansion plan. The financial results of the limited partnership interests have been reported as discontinued operations in our consolidated financial statements for all prior periods presented. Prior to classification as discontinued operations, wireless partnership investment income was included as a component of other income in the consolidated statements of operations.

We owned 2.34% of 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 accounted for this investment at our initial cost less any impairment because fair value was not readily available for this investment. Income was recognized only upon cash distributions of our proportionate earnings in the partnership.

We owned 20.51% of RSA #17, which serves areas in and around Conroe, Texas. This investment was accounted for under the equity method. Income was recognized on our proportionate share of earnings and cash distributions were recorded as a reduction in our investment.

We owned 3.60% of Pittsburgh SMSA, 16.67% of RSA 6(I) and 23.67% of RSA 6(II). These partnerships cover territories that almost entirely overlap the markets served by our Pennsylvania Incumbent Local Exchange Carrier ("ILEC") and Competitive Local Exchange Carrier operations. Because of our limited influence over Pittsburgh SMSA, we accounted for this investment at our initial cost less any impairment because fair value was not readily available for this investment. RSA 6(I) and RSA 6(II) were accounted for under the equity method.

For the years ended December 31, 2022 and 2021, we recognized income of $23.5 million and $41.8 million, respectively, and received cash distributions of $29.2 million and $43.0 million, respectively, from these wireless partnerships.

Network Architecture and Technology

We have made significant investments in our telecommunications networks and continue to enhance and expand our network by deploying technologies to provide additional capacity to our customers. As a result, we are able to deliver high-quality, reliable data, video and voice services in the markets we serve. Our wide-ranging network and extensive use of fiber provide an easy reach into existing and new areas. By bringing the fiber network closer to the customer premise, we can increase our service offerings, quality and bandwidth. Our existing network enables us to efficiently respond and adapt to changes in technology and is capable of supporting the rising customer demand for bandwidth in order to support the growing amount of wireless data devices in our customers' homes and businesses.

Our networks are supported by advanced 100% digital switches, with a core fiber network connecting all remote exchanges. We have deployed fiber-optic cable extensively throughout our network, resulting in a 100% fiber backbone network that supports all of the inter-office and host-remote links, as well as the majority of business parks within our service areas. In addition, this fiber infrastructure provides the connectivity required to provide broadband and long-distance services to our residential and commercial customers. Our fiber network utilizes FTTP to offer bundled residential and commercial services. In markets where fiber deployment is not yet economically feasible, we continue to enhance our copper network to increase bandwidth in order to provide additional products and services to our marketable homes.

We operate advanced fiber networks which we own or have entered into long-term leases for fiber network access. At December 31, 2023, our fiber-optic network consisted of over 60,000 route-miles, which includes approximately 20,400 miles of FTTP deployments, approximately 22,420 route miles of fiber located in the northern New England area, approximately 3,960 miles of fiber network in Minnesota and surrounding areas, approximately 4,830 miles of fiber network in Texas including parts of the greater Dallas/Fort Worth market, approximately 1,860 route-miles of fiber-optic facilities in the Pittsburgh metropolitan area, approximately 2,330 miles of fiber network in Illinois and approximately 1,150 route-miles of fiber optic facilities in California that cover large parts of the greater Sacramento metropolitan area. Our remaining network includes approximately 3,490 route-miles spanning across various states including portions of Alabama, Colorado, Florida, Georgia, Kansas, Massachusetts, New York, Pennsylvania and Washington.

As of December 31, 2023, we passed more than 2.6 million homes, of which approximately 47% were at least 1 Gig capable, and have direct fiber connections to 15,105 on-net commercial building locations. We intend to continue to make strategic enhancements to our network including improvements in overall network reliability and increases to our broadband speeds. We offer data speeds of up to 2 Gbps in select markets, and up to 100 Mbps in markets where 2 Gbps is not yet available, depending on the geographical region. As part of our multi-year fiber build plan, we plan to extend fiber coverage enabling multi-Gig data speeds to over 70% of our passings. The ultimate total passings will be dependent upon, amongst other things, our ability to secure Public Private Partnership grant arrangement opportunities. Further network investments will enable us to continue to meet consumer demand for faster broadband speeds, symmetrical broadband and more bandwidth consumption as well as more effectively serve our commercial customers.

Through our extensive fiber network, we also expect to be able to support the increased demand on wireless carriers for high-capacity transport services, and intend to also leverage our investments to grow commercial data services. In all the markets we serve, we have launched initiatives to support fiber backhaul services to cell sites. As of December 31, 2023, we had 3,806 cell sites in service and an additional 166 additional cell sites pending completion.

Sales and Marketing

The key components of our overall marketing strategy include:

- Organizing our sales and marketing activities around our three customer channels: consumer, commercial and carrier customers;
- Providing customers with a broad array of broadband, voice and communication solutions;
- Identifying and broadening our commercial customer needs by developing solutions and providing integrated service offerings;

- Offering digital self-service tools and apps including an enhanced website, automated consumer online orders, appointment reminders, robust Wifi apps, user guides and troubleshooting tools and videos;
- Providing excellent customer service, including 24/7 centralized customer support to coordinate installation of new services, repair and maintenance functions and creating more self-service tools through our online customer portal;
- Developing and delivering new services to meet evolving customer needs and market demands;
- Building our Fidium Fiber brand as our leading consumer and small business fiber service with a differentiated customer service; and
- Leveraging our local presence and strong reputation across our market areas.

We currently offer our services through customer service call centers, our website, commissioned sales representatives and third-party sales agents. Our customer service call centers and dedicated sales teams serve as the primary sales channels for consumer, commercial and carrier services. Our sales efforts are supported by digital media, direct mail, bill inserts, radio, television and internet advertising, public relations activities, community events and customer promotions. We sell our Gigabit consumer fiber broadband service in select markets using the brand known as Fidium Fiber, which launched in November 2021. In February 2023, we launched Fidium@Work and expanded our Fidium Fiber service to small businesses everywhere Fidium internet is available.

In addition to our customer service call centers, customers can contact us through our website, online chat and social media channels. Our online customer portal enables customers to pay their bills, manage their accounts, order new services and utilize self-service help and support. Our priority is to continue enhancing our comprehensive customer care system in order to produce a high level of customer satisfaction and loyalty, which is important to our ability to reduce churn and generate recurring revenues.

Business Strategies

Transform our Company into a dominant fiber, gigabit broadband provider

In 2020, in connection with the Searchlight investment, we announced plans to upgrade and expand our fiber network through a multi-year build plan with construction beginning in early 2021. The build plan includes the upgrade of approximately 1.6 million passings to fiber enabling multi-Gigabit capable services to over 70% of our passings. The ultimate total passings upgraded to fiber will be dependent upon, amongst other things, our ability to secure Public Private Partnership grant arrangements and other broadband infrastructure funding opportunities. Since 2021, we built fiber to approximately 960,000 passings enabling faster broadband speeds and in 2024, we plan to upgrade at least 85,000 locations. This marks the biggest fiber deployment project in our Company's history. Our strategy is to meaningfully upgrade our residential and small business network in those service territories with a predominantly copper-based infrastructure to a FTTP network. Of the planned upgrades, we expect that more than 1 million passings will be upgraded within the northern New England service areas. We believe that the upgraded network will be capable of providing up to 10 Gbps of symmetrical broadband, which we believe will make us the only broadband provider in these markets capable of delivering 10 Gbps symmetrical broadband to consumers. In addition to best-in-class upload and download speeds, we believe the resulting network will offer better reliability, improved speed consistency, and a lower operating cost relative to competing broadband network technologies. Given these benefits, we believe that our fiber deployment strategy will continue to allow us to realize meaningful improvements in average revenue per user, broadband subscriber penetration and customer retention.

Grow and invest in commercial and carrier services

Our commercial and carrier strategy is built on leveraging our dense fiber network in key markets to offer IP-based products and services to our small and medium-sized business ("SMB"), enterprise and carrier customers. We will continue transitioning our customer base away from legacy TDM-based products to fiber and IP-based data and transport services, where we see significant opportunity to increase market share in our footprint. We will also make strategic network investments in both existing markets and edge-out locations to enhance our footprint and increase on-net and near-net opportunities. These builds will be focused on projects with high revenue visibility and attractive payback periods. Our carrier strategy entails leveraging our dense fiber network and long-term relationships in key markets to expand our carrier partnerships and grow small cell and fiber-to-the-tower connections. Investing not just in the network, but in these customer relationships, has been core to our success. Our growth strategy is also supported by the continuous evolution of our product offerings. We are regularly developing and enhancing our suite of managed and cloud services, increasing efficiency and enabling greater scalability and reliability for our business customers. We believe that by developing and investing in next-generation fiber-based products, we will be able to further support our customer needs for networking, communications, and collaboration services.

Improve the overall customer experience

We continue to evaluate our operations in order to improve and enhance the overall customer experience for all customers. In conjunction with the multi-year fiber build plan, we also expect to make significant investments in our back-office infrastructure. We expect our full transformation to occur over a multi-year period. Our planned enhancements include an improved customer portal where customers can manage all aspects of their service. We believe that our digital transformation projects will improve our order and install processes making the transition to our services more seamless than ever. Our sales process has been redesigned in order to provide personalized sales channels and a dedicated care team for our fiber customers. We have a culture of delivering the highest quality customer service experience possible and plan to continue to make investments in our platforms in order to create a truly differentiated customer experience.

Improve operating efficiency

In 2023, we initiated a business simplification and cost savings initiative plan intended to further align our company as a fiber-first provider, improve operating efficiencies, lower our cost structure and ultimately improve the overall customer experience. This initiative included a reduction in workforce, consolidation and elimination of certain facilities and review of our product offerings. We will continue to seek to improve operating efficiency through technology, better practices and procedures and through cost containment measures.

Competition

The telecommunications industry is subject to extensive competition, which has increased significantly in recent years. Technological advances have expanded the types and uses of services and products available. In addition, changes in the regulatory and legislative environment applicable to comparable alternative services have lowered costs for these competitors. As a result, we face heightened competition but also have new opportunities to grow our broadband business. Our competitors vary by market and may include other incumbent and competitive local telephone companies; cable operators offering data, video and VoIP products; wireless carriers; long distance providers; satellite companies; Internet service providers, including fixed wireless Internet service providers ("WISPs"); online video providers; and in some cases new forms of providers that are able to offer a broad range of competitive services. We expect competition to remain a significant factor affecting our operating results and that the nature and extent of that competition will continue to increase in the future. See Part I - Item 1A – "Risk Factors – Risks Relating to Our Business."

Depending on the market area, we compete against Comcast, Charter, AT&T, Mediacom, Armstrong, Optimum, First Light, NewWave Communications and a number of other carriers, in both the commercial and consumer markets. Our competitors offer traditional telecommunications services as well as IP-based services and other emerging data-based services. Our competitors continue to add features and adopt aggressive pricing and packaging for services comparable to the services we offer.

We continue to face competition from cable, wireless and other fiber data providers as the demand for substitute communication services, such as wireless phones and data devices, continues to increase. Customers are increasingly foregoing traditional telephone services and land-based Internet service and relying exclusively on wireless service.

Wireless companies are aggressively developing networks using next-generation data technologies, including 5G and beyond, in order to provide increasingly faster data speeds to their customers. A growing number of companies are also building and enhancing their fiber networks in order to provide multi-Gigabit capable broadband services within many of our service areas. Broadband-deployment funding initiatives from federal and state agencies, including federal infrastructure legislation enacted in 2021, may also result in other service providers deploying new subsidized fiber networks within our service territories. In addition, the expanded availability of free or lower cost services, such as video over the Internet, complimentary Wi-Fi service and other streaming devices have increased competition among other providers. In order to offer competitive services, we continue to invest in our network and business operations in order to offer new and enhanced services including faster broadband speeds and cloud-enabled services.

In our rural markets, services are more costly to provide than services in urban areas as a lower customer density necessitates higher capital expenditures on a per-customer basis. As a result, it may not be economically viable for new entrants to overlap existing networks in rural territories; however, federal and state funding initiatives may enable new entrants to deploy new subsidized networks in our rural markets. Despite the barriers to entry, rural telephone companies still face significant competition from wireless and video providers and, to a lesser extent, competitive telephone companies.

Our other lines of business are subject to substantial competition from local, regional and national competitors. In particular, our wholesale and transport business serves other interexchange carriers and we compete with a variety of service providers, including incumbent and competitive local telephone companies and other fiber data companies. These services are subject to additional competitive pressures from the development of new technologies, which may result in price compression as customers migrate from legacy data products to lower priced alternatives. For our business systems products, we compete with other equipment providers or value added resellers, network providers, incumbent and competitive local telephone companies, and with cloud and data hosting service providers.

We expect that competition across all of our customer channels will continue to intensify as new technologies develop and new competition emerges.

Human Capital Resources

As of December 31, 2023, we employed approximately 3,180 employees, including part-time employees. We also use temporary and contract employees in the normal course of our business. Approximately 44% of our employees were covered by collective bargaining agreements as of December 31, 2023. For a more detailed discussion regarding how the collective bargaining agreements could affect our business, see Part I - Item 1A – Risk Factors – “Risks Relating to Our Business.”

Compensation and Benefits

Our employees are the cornerstone of our success. We are committed to providing meaningful, challenging work and opportunities for professional growth in a positive environment. To attract and retain qualified and experienced employees, we offer competitive compensation and benefit packages, which we believe are competitive within the industry and the local markets in which we operate. Our benefit packages may include, among other items, incentive compensation based on the achievement of financial targets, healthcare and insurance benefits, health savings and flexible spending accounts, a 401(k) savings plan with an employer match, paid time off, and wellness and employee assistance programs. Additionally, for certain eligible directors and employees, we provide long-term incentive compensation, in the form of restricted stock awards. In addition, we are committed to providing employees continuing education and training programs in order for employees to achieve career goals and professional growth.

Diversity and Inclusion

We embrace diversity and inclusion and seek to hire and retain high-quality employees of all backgrounds and experiences. Honoring our employees as individuals is key to our culture. We believe diversity of backgrounds contributes to different ideas, which in turn drives better results for customers. We respect differences and diversity as qualities that enhance our efforts as a team and believe embracing diversity and a culture of inclusion makes our company a better place to work. We believe in and support the principles incorporated in all anti-discrimination and equal employment laws. We have adopted a Diversity, Equity and Inclusion (“DEI”) policy led by the Human Resources team in collaboration with the DEI Council. DEI Council is a cross-functional team that meets regularly and develops resources and provides input and guidance aimed at building a company environment where differences are welcomed and every employee feels supported and can be successful, and our customers and communities are recognized and respected. DEI Council has created and published a Pronoun Resource Guide to help employees navigate discussions around gender identity and pronoun use and ensure a more welcoming environment to employees across the gender spectrum. Our employees complete training each year on discrimination and harassment prevention on topics that include ageism, anti-bullying and respect for people from other racial, ethnic and religious groups. We continue to expand our DEI initiatives and are actively working to help advance our diversity journey and build upon our practices on diversity, inclusion and fairness.

Safety, Health and Security

We also strive to create and provide a safe, healthful and secure workplace that is free from discrimination or harassment. Our workplace policies and procedures protect against behavior that creates an offensive, hostile, or intimidating work environment. Safety is top priority and we have a strong, ongoing commitment to ensure employees are properly trained and have appropriate safety and emergency equipment.

Regulatory Environment

The following summary does not describe all existing and proposed legislation and regulations affecting the telecommunications industry. Regulation can change rapidly and ongoing proceedings and hearings could alter the manner in which the telecommunications industry operates. We cannot predict the outcome of any of these developments, nor their potential impact on us. See Part I – Item 1A – "Risk Factors—Risks Related to the Regulation of Our Business".

Overview

Our revenues are subject to broad federal and/or state regulations, which include such telecommunications services as local telephone service, network access service and toll service. The telecommunications industry is subject to extensive federal, state and local regulation. Under the Communications Act of 1934 (the "Communications Act" and the Telecommunications Act of 1996 (the "Telecommunications Act"), federal and state regulators share responsibility for implementing and enforcing statutes and regulations designed to encourage competition and to preserve and advance widely available, quality telephone service at affordable prices.

At the federal level, the FCC generally exercises jurisdiction over facilities and services of local exchange carriers, such as our rural telephone companies, to the extent they are used to provide, originate or terminate interstate or international communications. The FCC has the authority to condition, modify, cancel, terminate or revoke our operating authority for failure to comply with applicable federal laws or FCC rules, regulations and policies. Fines or penalties also may be imposed for any of these violations.

State regulatory commissions generally exercise jurisdiction over carriers' facilities and services to the extent they are used to provide, originate or terminate intrastate communications. In particular, state regulatory agencies have substantial oversight over interconnection and network access by competitors of our rural telephone companies. In addition, municipalities and other local government agencies regulate the public rights-of-way necessary to install and operate networks. State regulators can sanction our rural telephone companies or revoke our certifications if we violate relevant laws or regulations.

Federal Regulation

Our incumbent local exchange companies and competitive local exchange companies must comply with the Communications Act, which requires, among other things, that telecommunications carriers offer services at just and reasonable rates and on non-discriminatory terms and conditions.

Access Charges

On November 18, 2011, the FCC released its comprehensive order on inter-carrier compensation ("ICC") and universal service reform ("Transformation Order"), which required terminating state access charges to mirror terminating interstate access charges, and as of July 1, 2013, all terminating switched intrastate access charges mirror interstate access charges. The access charge portion of the Transformation Order systematically reduced minute-of-use-based interstate access, intrastate access and reciprocal compensation rates over a six to nine-year period to an end state of "bill-and-keep," in which each carrier recovers the costs of its network through charges to its own subscribers, rather than through ICC. The reductions apply to terminating access rates and usage, with originating access to be addressed by the FCC in a later proceeding. To help with the transition to bill-and-keep, the FCC created two subsidy mechanisms. The first is an Access Recovery Mechanism ("ARM"), which is funded from the Connect America Fund ("CAF"), and the second is an Access Recovery Charge ("ARC"), which is recovered from end users.

The universal service portion of the Transformation Order redirected support from voice services to broadband services, and is now called the CAF. In December 2014, the FCC released a report and order that addressed, among other things, the transition to CAF Phase II funding for price cap carriers and the acceptance criteria for CAF Phase II funding. Companies were required to commit to a statewide build out requirement of 10 Mbps downstream and 1 Mbps upstream in funded locations. Our annual support through the FCC's CAF Phase II funding was $48.1 million through 2021 as described below.

In April 2019, the FCC announced plans for the Rural Digital Opportunity Fund ("RDOF"), the next phase of the CAF program. The RDOF is a $20.4 billion fund to bring speeds of 25 Mbps downstream and 3 Mbps upstream to unserved and underserved areas of America. The RDOF program prioritizes terrestrial broadband as a bridge to rural 5G networks by providing a significant weight advantage to traditional broadband providers. Funding will occur in two phases with the first phase auctioning $16.0 billion and the second phase (which is not certain to occur) auctioning $4.4 billion, each to be distributed over 10 years. The minimum speed required to receive funding is 25 Mbps downstream and 3 Mbps upstream. Consolidated won 246 census block groups serving in seven states in the 2020 auction. The bids we won are at the 1 Gbps downstream and 500 Mbps upstream speed tier to approximately 27,000 locations at an annual funding level of $5.9 million, beginning January 1, 2022 through December 31, 2031, which resulted in a reduction of approximately $42.2 million in annual support as of January 1, 2022. Consolidated began receiving RDOF funding in January 2022.

Promotion of Universal Service

In general, telecommunications service in rural areas is costlier to provide than service in urban areas. The lower customer density means that switching and other facilities serve fewer customers and loops are typically longer, requiring greater expenditures per customer to build and maintain. By supporting the high cost of operations in rural markets, Universal Service Fund ("USF") subsidies promote widely available, quality telephone service at affordable prices in rural areas. Revenues from federal and certain states' USFs totaled $27.9 million, $33.4 million and $69.8 million in 2023, 2022 and 2021, respectively.

State Regulation

We are subject to regulation by state governments in the jurisdictions in which we operate. State regulatory commissions generally exercise jurisdiction over our provision of intrastate telecommunications services. In recent years, most states have reduced their regulation of ILECs, including our ILEC operations. Nonetheless, state regulatory commissions generally continue to (i) set the rates that telecommunication companies charge each other for exchanging traffic, (ii) administer support programs designed to subsidize the provision of services to high-cost rural areas, (iii) regulate the purchase and sale of ILECs, (iv) require ILECs to provide service under publicly-filed tariffs setting forth the terms, conditions and prices of regulated services, (v) regulate ILECs' financing activities including their ability to borrow against and pledge their assets, (vi) regulate transactions between ILECs and their affiliates and (vii) impose various quality of service standards. In many states, BDS and switched interconnection services are subject to price regulation, although the extent of such regulation varies by type of service and geographic region.

We operate in states where traditional cost recovery mechanisms, including state USF, are under evaluation or have been modified. As states continue to assess their laws and implement various regulatory changes, there can be no assurance that these mechanisms will continue to provide us with the same level of cost recovery we historically have received.

Local Government Authorizations

In the various states we operate in, we operate under a structure in which municipalities and other local governmental authorities may impose various fees, such as for the privilege of originating and terminating messages and placing facilities within the relevant area, for obtaining permits for street opening and construction, and/or for operating franchises to install and expand fiber optic facilities.

Regulation of Video and Internet Services

Video Services

Our cable television subsidiaries each require a state or local franchise or other similar authorization in order to provide cable television service to customers. Each of these subsidiaries is subject to regulation under Title VI of the Communications Act.

Under this framework, the responsibilities and obligations of franchising bodies and cable operators have been carefully defined. The law addresses such issues as the use of local streets and rights-of-way; the carriage of public, educational and governmental channels; the provision of channel space for leased commercial access; the amount and payment of franchise fees; consumer protection and similar issues. In addition, federal laws place limits on the common ownership of cable systems and competing multichannel video distribution systems, and on the common ownership of cable systems and local telephone systems in the same geographic area. Many such provisions of federal law have been implemented through FCC regulations. The FCC has expanded its oversight and regulation of certain aspects of the provision of cable television over time. For example, it has acted to assure that new competitors in the cable television business are able to gain access to potential customers and can also obtain licenses to carry certain types of video programming.

Internet Services

The provision of Internet access services is currently not significantly regulated by either the FCC or the state commissions (with the exception of the California Public Utilities Commission). The Federal Trade Commission ("FTC") has authority to regulate Internet Service Providers with respect to privacy and competitive practices. In 2017, the FCC adopted an order rescinding its previous classification of Internet service as a telecommunications service regulated under Title II of the Communications Act effectively limiting the FCC's authority over Internet Service Providers. However, the FCC retained rules requiring Internet Service Providers to disclose practices associated with blocking, throttling and paid prioritization of Internet traffic. The FCC order was challenged in court and in 2019, a U.S. Court of Appeals upheld the FCC's decision reclassifying Internet access services as an information service. In October 2023, the FCC released a notice of proposed rulemaking seeking to reclassify certain broadband internet services as telecommunications services imposing certain network neutrality requirements on the reclassified internet services. In addition, several states have adopted rules similar to the network neutrality requirements that were eliminated by the FCC and new state legislation may be adopted in the future.

The outcome of pending matters before the FCC and the FTC and any potential congressional action cannot be determined at this time but could lead to increased costs for the Company in connection with our provision of Internet services, and could affect our ability to compete in the markets we serve.

Broadband Adoption Initiatives

Federal and state governments have adopted initiatives to provide funding programs to assist in the deployment of broadband in order to support access to high speed broadband services in underserved or unserved areas. The awards may include a number of regulatory requirements including the completion of construction by certain dates. We are evaluating each of these programs and expect to continue to pursue funding opportunities available to us. We cannot predict what funding we will receive, the ultimate requirements that will be adopted or the impact of these programs on our business.

American Rescue Plan Act Funding

Under the American Rescue Plan Act of 2021 ("ARPA"), which was signed on March 11, 2021, states have been allocated federal funds to be utilized for capital infrastructure, including broadband deployment, and are in various stages of implementation. We are working with the states and municipalities in which we operate, to participate in this broadband grant program.

Affordable Connectivity Program

The Affordable Connectivity Program ("ACP") is a broadband affordability program set up to help ensure that households can afford the broadband access they need for work, school, healthcare and more. The benefit provides a discount of up to $30 per month toward internet service for eligible households and up to $75 per month for households on qualifying Tribal lands. Eligible households can also receive a one-time discount of up to $100 to purchase a laptop, desktop computer, or tablet from participating providers if they contribute more than $10 and less than $50 toward the purchase price. The ACP is limited to one monthly service discount and one device discount per household. The program began distributing funds on March 1, 2022. Consolidated is participating in this program and has approximately 7,900 ACP customers. Unless additional funding is approved by Congress, the initial funding for the ACP is expected to lapse in April 2024.

Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act ("Infrastructure Act") signed on November 15, 2021 included $65.0 billion to support broadband infrastructure deployment and access across the United States. The broadband internet portion of the Infrastructure Act is aimed at increasing internet coverage for more universal access, including for rural, low-income, and tribal communities. 65% of this funding is set aside specifically for underserved communities. Additionally, this measure is designed to help make internet access more affordable and increase digital literacy.

The Infrastructure Act set aside $42.5 billion for Broadband Equity, Access and Deployment grants ("BEAD"). The National Telecommunications and Information Administration administers the BEAD program and has awarded grants to jurisdictions across the country, which in turn will use the funding to support service providers' broadband deployment and access initiatives. The FCC has released its broadband availability and quality map allowing NTIA to move forward with releasing the final BEAD funding allocation to the states. The states had until December 27, 2023 to submit their BEAD plan for approval from NTIA. The requirements for participation in the program have not been finalized and it is currently not known how the funds will be awarded.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website at *www.consolidated.com*, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our website also contains copies of our Corporate Governance Principles, Code of Business Conduct and Ethics and charter of each committee of our Board of Directors. The information found on our website is not part of this report or any other report we file with or furnish to the SEC. The public may read and copy reports, proxy and information statements and other information we file with the SEC at the SEC's website at *www.sec.gov*.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties, including but not limited to those described below, that could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock.

Risk Factors Related to the Proposed Merger

The proposed Merger is subject to the satisfaction of certain closing conditions, including government consents and approvals, some or all of which may not be satisfied or completed within the expected timeframe, if at all. On January 31, 2024, the adoption of the Merger Agreement was approved by (i) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and (ii) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and held by Unaffiliated Stockholders. Completion of the Merger, however, remains subject to a number of additional closing conditions, including the expiration or termination of the waiting periods (and any extensions thereof) applicable to the consummation of the Merger under the HSR Act, the receipt of other required regulatory approvals, consents or clearances with respect to the Merger from (i) the Federal Communications Commission, (ii) the Committee on Foreign Investment in the United States, (iii) state public utility commissions and (iv) local regulators in connection with the provision of telecommunications and media services. We can provide no assurance that all required consents and approvals will be obtained or that all closing conditions will otherwise be satisfied (or waived, if applicable), and, even if all required consents and approvals can be obtained and all closing conditions are satisfied (or waived, if applicable), we can provide no assurance as to the terms, conditions and timing of such consents and approvals or the timing of the completion of the Merger. Many of the conditions to completion of the Merger are not within our control, and we cannot predict when or if these conditions will be satisfied (or waived, if applicable). Any adverse consequence of the pending Merger could be exacerbated by any delays in completion of the Merger or termination of the Merger Agreement.

Each party's obligation to consummate the Merger is also subject to the accuracy of the representations and warranties of the other party (subject to customary materiality qualifications) and compliance in all material respects with the covenants and agreements contained in the Merger Agreement as of the closing of the Merger, including, with respect to us, covenants to conduct our business in the ordinary course of business and to refrain from taking certain types of actions without Parent's consent and to not engage in certain kinds of material transactions prior to closing without Parent's consent. In addition, the Merger Agreement may be terminated under certain specified circumstances. As a result, we cannot assure you that the Merger will be completed, even though our stockholders have approved the Merger, or that, if completed, it will be exactly on the terms set forth in the Merger Agreement or within the expected timeframe.

We may not complete the proposed Merger within the timeframe we anticipate or at all, which could have an adverse effect on our business, financial results and/or operations. The proposed Merger may not be completed within the expected timeframe, or at all, as a result of various factors and conditions, some of which may be beyond our control. If the Merger is not completed for any reason, our stockholders will not receive any payment for their shares of our common stock in connection with the Merger. Instead, we will remain a public company, our common stock will continue to be listed and traded on Nasdaq and registered under the Exchange Act of 1934, as amended, and we will be required to continue to file periodic reports with the SEC. Moreover, our ongoing business may be materially adversely affected, and we would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our stock price, and it is uncertain when, if ever, the price of the shares would return to the prices at which the shares currently trade;

- we may experience negative publicity, which could have an adverse effect on our ongoing operations including, but not limited to, retaining and attracting employees, customers, partners, suppliers and others with whom we do business;

- we will still be required to pay certain significant costs relating to the Merger, such as legal, accounting, financial advisory, printing and other professional services fees, which may relate to activities that we would not have undertaken other than in connection with the Merger;

- we may be required to pay a cash termination fee to Parent, as required under the Merger Agreement under certain circumstances;

- while the Merger Agreement is in effect, we are subject to restrictions on our business activities, including, among other things, restrictions on our ability to engage in certain kinds of material transactions, which could prevent us from pursuing strategic business opportunities, taking actions with respect to our business that we may consider advantageous and responding effectively and/or timely to competitive pressures and industry developments, and may as a result materially adversely affect our business, results of operations and financial condition;

- our Credit Agreement, with respect to the revolving credit facility only, requires us to comply with specified financial ratios, including a financial covenant based on a maximum Consolidated First Lien Leverage Ratio. If the proposed Merger is not completed by August 1, 2025, the increase in the maximum Consolidated First Lien Leverage Ratio as permitted in the Fifth Amendment to the Credit Agreement to provide interim financial covenant relief will end and the maximum Consolidated First Lien Leverage Ratio will revert to the levels set forth in the Credit Agreement. Borrowings under our revolving credit facility are our primary source of near-term liquidity. If we are not able to comply with the financial covenants on the revolving credit facility, the amount of borrowings available to us may be reduced or eliminated, which may result in losing access to a large portion of our current source of liquidity.

- matters relating to the Merger require substantial commitments of time and resources by our management, which could result in the distraction of management from ongoing business operations and pursuing other opportunities that could have been beneficial to us; and

- we may commit significant time and resources to defending against litigation related to the Merger.

If the Merger is not consummated, the risks described above may materialize, and they may have a material adverse effect on our business operations, financial results, liquidity and stock price, particularly to the extent that the current market price of our common stock reflects an assumption that the Merger will be completed. Additionally, other risk factors contained in this Annual Report on Form 10-K may be materially exacerbated by a failure to consummate the Merger.

We will be subject to various uncertainties while the Merger is pending that may cause disruption and may make it more difficult to maintain relationships with customers and other third-party business partners. Our efforts to complete the Merger could cause substantial disruptions in, and create uncertainty surrounding, our business, which may materially adversely affect our results of operation and our business. Uncertainty as to whether the Merger will be completed may affect our ability to recruit prospective employees or to retain and motivate existing employees. Employee retention may be particularly challenging while the Merger is pending because employees may experience uncertainty about their roles following the Merger. As mentioned above, a substantial amount of our management's and employees' attention is being directed toward the completion of the Merger and thus is being diverted from our day-to-day operations. Uncertainty as to our future could adversely affect our business and our relationship with customers and potential customers. For example, customers, suppliers and other third parties may defer decisions concerning working with us, or seek to change existing business relationships with us. Changes to or termination of existing business relationships could adversely affect our revenue, earnings and financial condition, as well as the market price of our common stock. The adverse effects of the pendency of the Merger could be exacerbated by any delays in completion of the Merger or termination of the Merger Agreement.

We have incurred, and will continue to incur, direct and indirect costs as a result of the Merger. We have incurred, and will continue to incur, significant costs and expenses, including regulatory costs, fees for professional services and other transaction costs in connection with the Merger, for which we will have received little or no benefit if the Merger is not completed. There are a number of factors beyond our control that could affect the total amount or the timing of these costs and expenses. Many of these fees and costs will be payable by us even if the Merger is not completed and may relate to activities that we would not have undertaken other than to complete the Merger.

Litigation challenging the Merger Agreement may prevent the Merger from being consummated within the expected timeframe or at all. In connection with the Merger, two complaints were filed in the United States District Court for the Southern District of New York and the Fifth Judicial Circuit of Illinois, Coles County, Illinois, (collectively, the "Actions"). The complaints each alleged that the proxy statement issued in connection with the proposed transaction and Merger omitted material information that rendered the proxy statement incomplete and misleading. Specifically, the complaints alleged, among other things, violations of Section 14(a), Section 20(a) and Rule 14a-9 of the Securities Exchange Act of 1934, as amended, violations of the Illinois Securities Act of 1953, as well as claims under Illinois law for negligent misrepresentation and concealment and negligence. A supplemental disclosure was filed by the Company as definitive additional proxy soliciting material on Schedule 14A with the SEC on January 24, 2024. On January 4, 2024, the complaint in the United States District Court for the Southern District of New York was dismissed. On January 25, 2024, the complaint in the Fifth Judicial Circuit of Illinois was dismissed. While the Actions have been dismissed, additional lawsuits may be filed against us, our Board of Directors, the Special Committee of the Board of Directors or other parties to the Merger Agreement, challenging our acquisition by Parent making other claims in connection therewith. Such lawsuits may be brought by our purported stockholders and may seek, among other things, to enjoin consummation of the Merger. One of the conditions to the consummation of the Merger is that the consummation of the Merger is not restrained, made illegal, enjoined or prohibited by any order or legal or regulatory restraint or prohibition of a court of competent jurisdiction or any governmental entity. As such, if the plaintiffs in such potential lawsuits are successful in obtaining an injunction prohibiting the defendants from completing the Merger on the agreed upon terms, then such injunction may prevent the Merger from becoming effective, or from becoming effective within the expected timeframe.

If the Merger is completed, our stockholders will forgo the opportunity to benefit from potential future appreciation in the value of the Company. The Merger Agreement provides for the stockholders of record of the Company's common stock to receive cash consideration of $4.70 per share of Company common stock, without interest, upon the closing of the transactions contemplated by the Merger Agreement. If the transaction is consummated, our stockholders will no longer hold interests in the Company and, therefore, will not be entitled to benefit from any potential future appreciation in the value of the Company. In the absence of the transactions contemplated by the Merger Agreement, we could have various opportunities to enhance the Company's value, including, but not limited to, entering into a transaction that values the shares of our common stock higher than the value provided for in the Merger Agreement. Therefore, if the Merger is completed, stockholders will forgo future appreciation, if any, in the value of the Company and the opportunity to participate in any other potential transactions that may have resulted in a higher price per share than the price to be paid in the transaction contemplated by the Merger Agreement.

If the Merger is not consummated on or before January 15, 2025, either the Company or Parent may terminate the Merger Agreement. Either the Company or Parent may terminate the Merger Agreement if the Merger has not been consummated by January 15, 2025, as such date may be automatically extended pursuant to the terms of the Merger Agreement. This termination right, however, will not be available to a party if that party failed to fulfill its obligations under the Merger Agreement and that failure was the principal cause of, or directly resulted in, the failure to consummate the Merger on time. In the event the Merger Agreement is terminated by either party due to the failure of the Merger to close by January 15, 2025 (as may be extended), we will have incurred significant costs and will have diverted significant management focus and resources from other strategic opportunities and ongoing business activities without realizing the anticipated benefits of the Merger.

Risks Relating to Our Business

We expect to continue to face significant competition in all parts of our business and the level of competition could intensify among our customer channels. The telecommunications industry is highly competitive. We face actual and potential competition from many existing and emerging companies, including wireline and wireless companies, long-distance carriers and resellers, Internet service providers, including fixed wireless Internet service providers ("WISPs"), satellite companies and cable television companies, and, in some cases, new forms of providers that are able to offer competitive services through software applications requiring a comparatively small initial investment. Due to consolidations and strategic alliances within the industry, we cannot predict the number of competitors we will face at any given time.

The wireless business has expanded significantly and has caused many subscribers with traditional telephone and land-based Internet access services to give up those services and rely exclusively on wireless service. Wireless companies are aggressively developing networks using next-generation data technologies, including 5G wireless broadband services, in order to provide increasingly faster data speeds to their customers. A growing number of telecommunications companies are also building and enhancing their fiber networks within many of our service areas. Broadband-deployment funding initiatives from federal and state agencies, including federal infrastructure legislation enacted in 2021, may also result in other service providers deploying new subsidized fiber networks within our service territories. In addition, our video service faces increased competition as consumers' options for viewing television shows have expanded as content becomes increasingly available through alternative sources. Some providers, including television and cable television content owners, provide streaming and other Over-The-Top ("OTT") services that deliver video content to televisions, computers and other devices over the Internet. Newer products and services will likely continue to be developed, further increasing the number of competitors that all our services face. We may not be able to successfully anticipate and respond to many of the various competitive factors affecting the industry, including regulatory changes that may affect our competitors and us differently, new technologies, services and applications that may be introduced, changes in consumer preferences, demographic trends, and discount or bundled pricing strategies by competitors.

The incumbent telephone carriers in the markets we serve enjoy certain business advantages, including size, financial resources, a favorable regulatory position, a more diverse product mix, brand recognition and connection to virtually all of our customers and potential customers. The largest cable operators also enjoy certain business advantages, including size, financial resources, ownership of or superior access to desirable programming and other content, a more diverse product mix, brand recognition and first-in-field advantages with a customer base that generates positive cash flow for their operations. Our competitors continue to add features, increase data speeds and adopt aggressive pricing and packaging for services comparable to the services we offer. Their success in selling services that are competitive with ours among our various customer channels could lead to revenue erosion in our business. We face intense competition in our markets for long-distance, Internet access, video service and other ancillary services that are important to our business and to our growth strategy. If we do not compete effectively, we could lose customers, revenue and market share.

We must adapt to rapid technological changes. If we are unable to take advantage of technological developments, or if we adopt and implement them at a slower rate than our competitors, we may experience a decline in the demand for our services. Our industry operates in a technologically complex environment. New technologies are continually developed and existing products and services undergo constant improvement. Emerging technologies offer consumers a variety of choices for their communications and broadband needs. To remain competitive, we will need to adapt to future changes in technology to enhance our existing offerings and to introduce new or improved offerings that anticipate and respond to the varied and continually changing demands of our various customer channels. Our business and results of operations could be adversely affected if we are unable to match the benefits offered by competing technologies on a timely basis and at an acceptable cost, or if we fail to employ technologies desired by our customers before our competitors do so.

In addition, evolving technologies can reduce the costs of entry for others, resulting in greater competition and significant new advantages for competitors. Technological developments could require us to make significant new capital investments in order to remain competitive with other service providers. We expect to continue to incur additional costs as we execute on our technological developments including our fiber network expansion plan. If we do not replace or upgrade our network and its technology on a timely basis, we may not be able to compete effectively and could lose customers. We may also be placed at a cost disadvantage in offering our services. Wireless companies are aggressively developing networks using next-generation data technologies, which are capable of delivering high-speed Internet service via wireless technology to a large geographic footprint. In addition, a growing number of telecommunications companies are building advanced fiber networks to significantly increase broadband speeds. Although we use fiber optics in parts of our networks and are continuing to expand and enhance our fiber network, we continue to rely on coaxial cable and copper transport media to serve customers in certain areas. If we cannot develop new services and products to keep pace with technological advances, or if such services and products are not widely embraced by our customers, our results of operations could be adversely impacted.

Shifts in our product mix may result in a decline in operating profitability. Margins vary among our products and services. Our profitability may be impacted by technological changes, customer demands, regulatory changes, the competitive nature of our business and changes in the product mix of our sales. These shifts may also result in our long-lived assets becoming impaired or our inventory becoming obsolete. We review long-lived assets for potential impairment if certain events or changes in circumstances indicate that impairment may be present. We currently manage potential inventory obsolescence through reserves, but future technology changes may cause inventory obsolescence to exceed current reserves.

Public health threats could have a material adverse effect on our business, results of operations, cash flows and stock price. We may face risks associated with public health threats or outbreaks of epidemic, pandemic or communicable diseases, such as the outbreak of COVID-19 and its variants. The severity, magnitude and duration of global or regional pandemics are uncertain and hard to predict. Public health threats that result in any preventive or protective actions implemented by governmental authorities may have a material adverse effect on our operations, customers and suppliers. Such events may cause certain adverse consequences to the economy, including disruptions in the supply chain, labor shortages, rising inflationary pressures and interest rates, and the risk of a recession. Adverse economic and market conditions as a result of pandemics could adversely affect the demand for our products and services and may also impact the ability of our customers to satisfy their obligations to us. In addition, volatility in financial and other capital markets may adversely affect the market price of our common stock and our ability to access capital markets.

We receive support from various funds established under federal and state laws, and the continued receipt of that support is not assured. A portion of our revenues come from network access and subsidies. An order adopted by the FCC in 2011 (the "Transformation Order") significantly impacted the amount of support revenue we receive from the Universal Service Fund ("USF"), Connect America Fund ("CAF") and intercarrier compensation ("ICC"). The Transformation Order reformed core parts of the USF, broadly recast the existing ICC scheme, established the CAF to replace support revenues provided by the USF and redirected support from voice services to broadband services. In 2020, the FCC adopted an order establishing the Rural Digital Opportunity Fund ("RDOF"), the next phase of the CAF program. See Part I – Item 1 – "Regulatory Environment" above for statistics of current funding levels. We must comply with numerous FCC and state requirements to continue receiving the RDOF funding. Any failure to comply with the requirements could impact our current funding, which could adversely impact our results of operations and financial condition.

We receive subsidy payments from various federal and state universal service support programs, including high-cost support, Lifeline, which reduces the cost of communications services for low-income consumers, and E-Rate, which subsidizes the purchase of communications services by schools and libraries. The total cost of the various federal universal service programs has increased significantly in recent years, putting pressure on regulators to reform the programs and to limit both eligibility and support. We cannot predict future changes that may impact the subsidies we receive. However, a reduction in subsidies support may directly affect our profitability and cash flows.

A disruption in our networks and infrastructure could cause service delays or interruptions, which could cause us to lose customers and incur additional expenses. Our customers depend on reliable service over our network. The primary risks to our network infrastructure include physical damage to lines, security breaches, capacity limitations, power surges or outages, software defects and disruptions beyond our control, such as natural disasters and acts of terrorism. From time to time in the ordinary course of business, we experience short disruptions in our service due to factors such as physical damage, inclement weather and service failures of our third-party service providers. We could experience more significant disruptions in the future. For example, climate change may increase the intensity and frequency of various natural disasters, as well as contribute to chronic changes in the physical environment (such as changes to ambient temperature and precipitation patterns or sea-level rise) that may impair the operating conditions of our infrastructure or otherwise adversely impact our operations. Disruptions may cause service interruptions or reduced capacity for customers, either of which could cause us to lose customers and incur unexpected expenses.

A cyber-attack may lead to unauthorized access to confidential customer, personnel and business information that could adversely affect our business. We utilize our information technology infrastructure to manage and store various proprietary information and sensitive or confidential data relating to our operations. We routinely process, store and transmit large amounts of data for our customers, including sensitive and personally identifiable information. We depend on our information technology infrastructure to conduct business operations and provide customer services. We may be subject to data breaches and disruptions of the information technology systems we use for these purposes. Attempts by others to gain unauthorized access to organizations' information technology systems by hackers and other malicious actors such as foreign governments, criminals, hacktivists, terrorists and insider threats are becoming more frequent and sophisticated, and are sometimes successful. These attempts may include covertly introducing malware to companies' computers and networks, impersonating authorized users or "hacking" into systems. Hackers and other malicious actors may be able to penetrate our network security and misappropriate or compromise our confidential, sensitive, personal or proprietary information, or that of third parties, and engage in the unauthorized use or dissemination of such information. They may be able to create system disruptions, or cause shutdowns. Hackers and other malicious actors may be able to develop and deploy viruses, worms, ransomware and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our systems. In addition, sophisticated hardware and operating system software and applications that we procure from third parties may contain defects in design or manufacture, including “bugs,” cybersecurity vulnerabilities and other problems that could unexpectedly interfere with the operation or security of our systems. We seek to prevent, detect and investigate all security incidents that do occur, however we may be unable to prevent or detect a significant attack in the future. Significant information technology security failures could result in the theft, loss, damage, unauthorized use or publication of our confidential business information, which could harm our competitive position, subject us to additional regulatory scrutiny, expose us to litigation or otherwise adversely affect our business.

To date, interruptions of our information technology infrastructure and third party suppliers have been infrequent and have not had a material impact on our operations. However, because technology is increasingly complex and cyber-attacks are increasingly sophisticated and more frequent, there can be no assurance that such incidents will not have a material adverse effect on us in the future. The consequences of a breach of our security measures or those of a third-party provider, a cyber-related service or operational disruption, or a breach of personal, confidential, proprietary or sensitive data caused by a hacker or other malicious actor could be significant for us, our customers and other affected third parties. For example, the consequences could include damage to infrastructure and property, impairment of business operations, disruptions to customer service, financial costs and harm to our liquidity, costs associated with remediation, loss of revenues, loss of customers, competitive disadvantage, legal expenses associated with litigation, regulatory action, fines or penalties or damage to our brand and reputation.

In addition, the costs to us to eliminate or address the foregoing security challenges and vulnerabilities before or after a cyber-incident could be significant. In addition, our remediation efforts may not be successful and could result in interruptions, delays or cessation of service. We could also lose existing or potential customers for our services in connection with any actual or perceived security vulnerabilities in the services.

We are subject to laws, rules and regulations relating to the collection, use and security of user data. Our operations are also subject to federal and state laws governing information security. In the event of a data breach or operational disruption caused by an information security incident, such rules may require consumer and government agency notification and may result in regulatory enforcement actions with the potential of monetary forfeitures as well as civil litigation. We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards and contractual obligations.

Our operations require substantial capital expenditures and our business, financial condition, results of operations and liquidity may be impacted if funds for capital expenditures are not available when needed. We require significant capital expenditures to maintain, upgrade and enhance our network facilities and operations. While we have historically been able to fund capital expenditures from cash generated from operations and borrowings under our revolving credit facility, the other risk factors described in this section could materially reduce cash available from operations or significantly increase our capital expenditure requirements, which may result in our inability to fund the necessary level of capital expenditures to maintain, upgrade or enhance our network. This could adversely affect our business, financial condition, results of operations and liquidity.

If we cannot obtain and maintain necessary rights-of-way for our network, our operations may be interrupted and we could be faced with increased costs. We are dependent on easements, franchises and licenses from state and local governmental authorities, including highway and transit authorities, as well as from various private parties, such as telephone companies, including long-distance companies, and other utilities, and railroads for access to aerial pole space, underground conduits and other rights-of-way in order to construct and operate our networks. Some agreements relating to rights-of-way may be short-term or revocable at will, and we cannot be certain that we will continue to have access to existing rights-of-way after the governing agreements terminate or expire. If any of our right-of-way agreements were terminated or could not be renewed, we may be forced to remove, relocate or abandon our network facilities in the affected areas, which could interrupt our operations, force us to find alternative rights-of-way and incur unexpected capital expenditures.

We may be unable to obtain necessary hardware, software and operational support from third-party vendors. We depend on third-party vendors to supply us with a significant amount of hardware, software and operational support necessary to provide certain of our services, to maintain, upgrade and enhance our network facilities and operations, and to support our information and billing systems. Some of our third-party vendors are our primary source of supply for certain products and services for which there are few substitutes. Disruptions in the global supply chains, as experienced in recent years, may cause a delay in the development, manufacturing and shipping of products and in some cases an increase in product costs. If any of these vendors should experience financial difficulties, experience supply chain issues, have demand that exceeds their capacity or can no longer meet our specifications or provide products or services we need or at reasonable prices, our ability to provide some services may be hindered, in which case our business, financial condition and results of operations may be adversely affected.

Video content costs are substantial and continue to increase. We expect video content costs to continue to be one of our largest operating costs associated with providing video service. Video programming content includes network programming designed to be shown in linear channels, as well as the programming of local over-the-air television stations that we retransmit. The cable industry has experienced continued increases in the cost of programming, especially the cost of sports programming and local broadcast station retransmission content. Programming costs are generally assessed on a per-subscriber basis, and therefore, are directly related to the number of subscribers to which the programming is provided. Our relatively small subscriber base limits our ability to negotiate lower per-subscriber programming costs. Larger providers can often qualify for discounts based on the number of their subscribers. This cost difference can cause us to experience reduced operating margins, while our competitors with a larger subscriber base may not experience similar margin compression. In addition, escalators in existing content agreements can result in cost increases that exceed general inflation. While we expect video content costs to continue to increase, we may not be able to pass such cost increases on to our customers, especially as an increasing amount of programming content becomes available via the Internet at little or no cost. Also, some competitors or their affiliates own programming in their own right and we may not be able to secure license rights to that programming. As our programming contracts with content providers expire, there is no assurance that they will be renewed on acceptable terms or that they will be renewed at all, in which case we may not be able to provide such programming as part of our video services packages and our business and results of operations may be adversely affected.

We have employees who are covered by collective bargaining agreements. If we are unable to enter into new agreements or renew existing agreements timely, we could experience work stoppages or other labor actions that could materially disrupt our business of providing services to our customers. As of December 31, 2023, approximately 44% of our employees were covered by collective bargaining agreements. These employees are hourly workers throughout our service territories and are represented by various unions and locals. Our existing collective bargaining agreements expire between 2024 through 2026, of which contracts covering 6% of our employees will expire in 2024.

We cannot predict the outcome of the negotiations related to the collective bargaining agreements covering our employees. If we are unable to reach new agreements or renew existing agreements, employees subject to collective bargaining agreements may engage in strikes, work stoppages or slowdowns, or other labor actions, which could materially disrupt our ability to provide services to our customers. New labor agreements, or the renewal of existing agreements, may impose significant new costs on us, which could adversely affect our financial condition and result of operations. While we believe our relations with the unions representing these employees are good, any protracted labor disputes or labor disruptions by our employees could negatively impact our business.

Our ability to attract and/or retain certain key management and other personnel in the future could have an adverse effect on our business. We rely on the talents and efforts of key management personnel, many of whom have been with our company or in our industry for decades. While we maintain long-term and emergency transition plans for key management personnel and believe we could either identify internal candidates or attract outside candidates to fill any vacancy created by the loss of any key management personnel, the loss of one or more of our key management personnel could have a negative impact on our business.

Acquisitions or other strategic initiatives present many risks and we may be unable to realize the anticipated benefits of acquisitions. From time to time, we make acquisitions and investments or enter into other strategic transactions. In connection with these types of transactions, we may incur unanticipated expenses; fail to realize anticipated benefits; have difficulty integrating the acquired businesses; disrupt relationships with current and new employees, customers and vendors; incur significant indebtedness or have to delay or not proceed with announced transactions. The occurrence of any of the foregoing events could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may face significant challenges in combining the operations of an acquired business with ours in a timely and efficient manner. The failure to successfully integrate an acquired business and to successfully manage the challenges presented by the integration process may result in our inability to achieve anticipated benefits of the acquisition, including operational and financial synergies. Even if we are successful in integrating acquired businesses, we cannot guarantee that the integration will result in the complete realization of anticipated financial synergies or that they will be realized within the expected time frames.

Increasing attention to, and evolving expectations for, environmental, social, and governance ("ESG") initiatives could increase our costs, harm our reputation, or otherwise adversely impact our business. Companies across industries are facing increasing scrutiny from a variety of stakeholders related to their ESG practices. Expectations regarding voluntary ESG initiatives and disclosures may result in increased costs (including but not limited to increased costs related to compliance, stakeholder engagement, contracting and insurance), changes in demand for certain offerings, enhanced compliance or disclosure obligations, or other adverse impacts to our business, financial condition, or results of operations.

While we may at times engage in voluntary initiatives (such as voluntary disclosures, certifications, or goals, among others) to improve the ESG profile of our company and/or offerings or to respond to stakeholder demands, such initiatives may be costly and may not have the desired effect. Expectations around companies' management of ESG matters continues to evolve rapidly, in many instances due to factors that are out of our control. While we commit to certain initiatives or goals, we may not ultimately be able to achieve them due to cost, technological, or other constraints. Moreover, actions or statements that we may take based on based on expectations, assumptions, or third-party information that we currently believe to be reasonable may subsequently be determined to be erroneous or be subject to misinterpretation. Even if this is not the case, our current actions may subsequently be determined to be insufficient by various stakeholders, and we may be subject to investor or regulator engagement on our ESG initiatives and disclosures, even if such initiatives are currently voluntary.

Certain market participants, including major institutional investors and capital providers, use third-party benchmarks and scores to assess companies' ESG profiles in making investment or voting decisions. Unfavorable ESG ratings could lead to increased negative investor sentiment towards us, which could negatively impact our share price as well as our access to and cost of capital. To the extent ESG matters negatively impact our reputation, it may also impede our ability to compete as effectively to attract and retain employees, customers, or business partners, which may adversely impact our operations. In addition, we expect there will likely be increasing levels of regulation, disclosure-related and otherwise, with respect to ESG matters, which will likely lead to increased costs as well as scrutiny that could heighten all of the risks identified in this risk factor. Additionally, many of our customers and suppliers may be subject to similar expectations, which may augment or create additional risks, including risks that may not be known to us.

Risks Relating to Current Economic Conditions

Unfavorable changes in financial markets could adversely affect pension plan investments resulting in material funding requirements to meet our pension obligations. We expect that we will continue to make future cash contributions to our pension plans, the amount and timing of which will depend on various factors including funding regulations, future investment performance, changes in future discount rates and mortality tables and changes in participant demographics. Unfavorable fluctuations or adverse changes in any of these factors, most of which are outside our control, could impact the funded status of the plans and increase future funding requirements. Returns generated on plan assets have historically funded a large portion of the benefits paid under these plans. If the financial markets experience a downturn and returns fall below the estimated long-term rate of return, our future funding requirements could increase significantly, which could adversely affect our cash flows from operations.

Weak economic conditions may have a negative impact on our business, results of operations and financial condition. Downturns in the economic conditions in the markets and industries we serve, including the impacts of inflation, unemployment rates, economic growth, disruptions in the global supply chain, the ongoing war between Russia and Ukraine and the conflict in the Middle East could adversely affect demand for our products and services and have a negative impact on our results of operations. Economic weakness or uncertainty may make it difficult for us to obtain new customers and may cause our existing customers to reduce or discontinue their services to which they subscribe. This risk may be worsened by the expanded availability of free or lower cost services, such as streaming or OTT services or substitute services, such as wireless phones and public Wi-Fi networks. In addition, recent inflationary pressures may also have an adverse impact on our cost structure and result in increased costs for materials, labor and other operating expenses. If such impacts are prolonged and substantial, it could have a negative impact on our results of operations and capital expenditures. Weak economic conditions may also impact the ability of our customers and third parties to satisfy their obligations to us.

Risks Relating to Our Common and Preferred Stock

The price of our common stock may be volatile and may fluctuate substantially, which could negatively affect holders of our common stock. The market price of our common stock may fluctuate widely as a result of various factors including, but not limited to, period-to-period fluctuations in our operating results, the volume of sales of our common stock, the limited number of holders of our common stock and the resulting limited liquidity in our common stock, dilution, developments in the communications industry, the failure of securities analysts to cover our common stock, changes in financial estimates by securities analysts, short interests in our common stock, competitive factors, regulatory developments, labor disruptions, general market conditions and market conditions affecting the stock of communications companies. Communications companies have, in the past, experienced extreme volatility in the trading prices and volumes of their securities, which has often been unrelated to operating performance. High levels of market volatility may have a significant adverse effect on the market price of our common stock. In addition, in the past, securities class action litigation has often been instituted against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert management's attention and resources, which could have a material adverse impact on our business, financial condition, results of operations, liquidity and/or the market price of our common stock.

Our organizational documents could limit or delay another party’s ability to acquire us and, therefore, could deprive our investors of a possible takeover premium for their shares. A number of provisions in our amended and restated certificate of incorporation and bylaws could make it difficult for another company to acquire us. Among other things, these provisions:

- Provide that directors may only be removed for cause and then only upon the affirmative vote of holders of two-thirds or more of the voting power of our outstanding common stock;

- Require the affirmative vote of holders of two-thirds or more of the voting power of our outstanding common stock to amend, alter, change or repeal specified provisions of our amended and restated certificate of incorporation and bylaws;

- Require stockholders to provide us with advance notice if they wish to nominate any candidates for election to our Board of Directors or if they intend to propose any matters for consideration at an annual stockholders meeting; and

- Authorize the issuance of so-called "blank check" preferred stock without stockholder approval upon such terms as the Board of Directors may determine.

We also are subject to laws that may have a similar effect. For example, federal and certain state telecommunications laws and regulations generally prohibit a direct or indirect transfer of control over our business without prior regulatory approval. Similarly, Section 203 of the Delaware General Corporation Law restricts our ability to engage in a business combination with an "interested stockholder". These laws and regulations make it difficult for another company to acquire us, and therefore, could limit the price that investors might be willing to pay in the future for shares of our common stock. In addition, the rights of our common stockholders are subject to, and may be adversely affected by, the rights of holders of any class or series of preferred stock that we may issue in the future.

The rights of our Series A Preferred Stock could negatively impact our cash flows. The terms of our Series A Preferred Stock provide rights to holders that could negatively impact us. Holders of our Series A Preferred Stock are entitled to receive cumulative dividends on the liquidation preference at a rate of 9% per annum payable semi-annually, until October 2, 2027 at our election, either in cash or in-kind through an accrual of unpaid dividends, which are automatically added to the liquidation preference; and after October 2, 2027, solely in cash.

In addition, upon a liquidation event, holders of the Series A Preferred Stock will have the right to require the Company to repurchase all or any part of the outstanding Series A Preferred Stock for cash at a price equal to the liquidation preference plus any accrued and unpaid dividends. The existence of senior securities such as the Series A Preferred Stock could have an adverse effect on the value of our common stock.

The Series A Preferred Stock ranks senior to our common stock with respect to dividend distribution payments upon liquidation. The rights of holders of our Series A Preferred Stock rank senior to the rights of holders of our common stock. Before dividends, if any, can be paid to holders of our common stock, any dividends, including accrued and unpaid dividends, must first be paid to holders of our Series A Preferred Stock. In addition, upon a liquidation event, holders of Series A Preferred Stock are entitled to receive full payment for their shares before any payment can be made to holders of our common stock. The existence of senior securities such as the Series A Preferred Stock could have an adverse effect on the value of our common stock.

Risks Relating to Our Indebtedness and Our Capital Structure

We have a substantial amount of debt outstanding, which could adversely affect our business and restrict our ability to fund working capital and planned capital expenditures. As of December 31, 2023, we had $2.1 billion of debt outstanding. Our substantial level of indebtedness could adversely impact our business, including:

- We may be required to use a substantial portion of our cash flow from operations to make principal and interest payments on our debt, which will reduce funds available for operations, capital expenditures, future business opportunities and strategic initiatives;

- We may have limited flexibility to react to changes in our business and our industry;

- It may be more difficult for us to satisfy our other obligations;

- We may have a limited ability to borrow additional funds or to sell assets to raise funds if needed for working capital, capital expenditures, acquisitions or other purposes;

- We may become more vulnerable to general adverse economic and industry conditions, including changes in interest rates; and

- We may be at a disadvantage compared to our competitors that have less debt.

We cannot guarantee that we will generate sufficient revenues to service our debt and have adequate funds left over to achieve or sustain profitability in our operations, meet our working capital and capital expenditure needs or compete successfully in our markets.

Our credit agreement and the indentures governing our Senior Notes contain covenants that limit management's discretion in operating our business and could prevent us from capitalizing on opportunities and taking other corporate actions. Among other things, our credit agreement limits or restricts our ability (and the ability of certain of our subsidiaries), and the separate indenture governing the Senior Notes limits the ability of our subsidiary, Consolidated Communications, Inc., and its restricted subsidiaries to: incur or guarantee additional indebtedness or issue preferred stock; make restricted payments, including paying dividends on, redeeming, repurchasing or retiring our capital stock; make investments and prepay or redeem debt; enter into agreements restricting our subsidiaries' ability to pay dividends, make loans or transfer assets to us; create liens; sell or otherwise dispose of assets, including capital stock of, or other ownership interests in subsidiaries; engage in transactions with affiliates; engage in sale and leaseback transactions; make capital expenditures; engage in a business other than telecommunications; and consolidate, merge or transfer all or substantially all of the assets of the Company.

In addition, our credit agreement, with respect to the revolving credit facility only, requires us to comply with specified financial ratios, including a financial covenant based on a maximum consolidated first lien leverage ratio. Our ability to comply with these ratios may be affected by events beyond our control. These restrictions limit our ability to plan for or react to market conditions, meet capital needs or otherwise constrain our activities or business plans. They also may adversely affect our ability to finance our operations, enter into acquisitions or engage in other business activities that would be in our interest.

A breach of any of the covenants contained in our credit agreement, in any future credit agreement, or in the separate indentures governing the Senior Notes, or our inability to comply with the financial ratios could result in an event of default, which would allow the lenders to declare all borrowings outstanding to be due and payable. If the amounts outstanding under our credit facilities were to be accelerated, we cannot assure that our assets would be sufficient to repay in full the money owed. In such a situation, the lenders could foreclose on the assets and capital stock pledged to them.

We may not be able to refinance our existing debt if necessary, or we may only be able to do so at a higher interest rate. We may be unable to refinance or renew our credit facilities and our failure to repay all amounts due on the maturity dates would cause a default under the credit agreement. Alternatively, any renewal or refinancing may occur on less favorable terms. If we refinance our credit facilities on terms that are less favorable to us than the terms of our existing debt, our interest expense may increase significantly, which could impact our results of operations and impair our ability to use our funds for other purposes.

Our variable-rate debt subjects us to interest rate risk, which could impact our cost of borrowing and operating results. Certain of our debt obligations are at variable rates of interest and expose us to interest rate risk. Increases in interest rates could negatively impact our results of operations and operating cash flows. We utilize interest rate swap agreements to convert a portion of our variable-rate debt to a fixed-rate basis. However, we do not maintain interest rate hedging agreements for all of our variable-rate debt and our existing hedging agreements may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks. Changes in fair value of cash flow hedges that have been de-designated or determined to be ineffective are recognized in earnings. Significant increases or decreases in the fair value of these cash flow hedges could cause favorable or adverse fluctuations in our results of operations.

Risks Related to the Regulation of Our Business

We are subject to a complex and uncertain regulatory environment, and we face compliance costs and restrictions greater than those of many of our competitors. Our businesses are subject to regulation by the FCC and other federal, state and local governmental authorities. Rapid changes in technology and market conditions have resulted in changes in how the government regulates telecommunications, video programming and Internet services. Many businesses that compete with our Incumbent Local Exchange Carrier ("ILEC") and non-ILEC subsidiaries are comparatively less regulated. Some of our competitors are either not subject to utilities regulation or are subject to significantly fewer regulations. In contrast to our subsidiaries regulated as cable operators and satellite video providers, competing on-demand

and OTT providers and motion picture firms have almost no regulation of their video activities. Recently, federal and state authorities have become more active in seeking to address critical issues in each of our product and service markets. The adoption of new laws or regulations, or changes to the existing regulatory framework at the federal, state or local level, could require significant and costly adjustments that could adversely affect our business plans. New regulations could impose additional costs or capital requirements, require new reporting, impair revenue opportunities, potentially impede our ability to provide services in a manner that would be attractive to our customers and potentially create barriers to enter new markets or to acquire new lines of business. We face continued regulatory uncertainty in the immediate future. Not only are these governmental entities continuing to move forward on these matters, their actions remain subject to reconsideration, appeal and legislative modification over an extended period of time, and it is unclear how their actions will ultimately impact our business. We cannot predict future developments or changes to the regulatory environment or the impact such developments or changes may have on us.

Increased regulation of the Internet could increase our cost of doing business. Current laws and regulations governing access to, and commerce on, the Internet are relatively limited. In particular, in 2017, the FCC adopted an order restoring its previous classification of mass-market broadband Internet access service as an information service under Title I of the Communications Act and eliminating bright-line federal network neutrality requirements, which has effectively limited the FCC's authority over Internet Service Providers ("ISPs"). However, the order retained rules requiring ISPs to disclose pricing and performance information for their services, as well as their network management practices, including any blocking, throttling or paid prioritization of Internet traffic. The order was challenged in court and in 2019, a U.S. Court of Appeals upheld the FCC's decision to reclassify broadband Internet access service as an information service and rescind its bright-line network neutrality rules.

Federal, state and local governments may adopt new rules and regulations applicable to, or apply existing laws and regulations to, the Internet. While the 2019 court ruling upheld broadband Internet access service's information-service classification, it invalidated the FCC's decision to preempt all state network neutrality requirements. Several states have adopted rules similar to the network neutrality requirements that were eliminated by the FCC and new state legislation may be adopted in the future. Moreover, in October 2023, the FCC released a notice of proposed rulemaking seeking to reclassify mass-market broadband Internet access service as telecommunications service under Title II of the Communications Act, and to reimpose certain bright-line network neutrality rules, among other requirements, on ISPs. The outcome of this proceeding, as well as the prospect of potential congressional action related to network neutrality, cannot be determined at this time, but could lead to increased costs for the Company in connection with our provision of broadband Internet access service, and could affect our ability to compete in the markets we serve.

We are subject to extensive laws and regulations relating to the protection of the environment, natural resources and worker health and safety. Our operations and properties are subject to federal, state and local laws and regulations relating to the protection of the environment, natural resources and worker health and safety, including laws and regulations governing and creating liability in connection with the management, storage and disposal of hazardous materials, asbestos and petroleum products. We are also subject to laws and regulations governing air emissions from our fleet vehicles. As a result, we face several risks, including:

- Hazardous materials may have been released at properties that we currently own or formerly owned (perhaps through our predecessors). Under certain environmental laws, we could be held jointly and severally liable, without regard to fault, for the costs of investigating and remediating any actual or threatened contamination at these properties and for contamination associated with disposal by us, or by our predecessors, of hazardous materials at third-party disposal sites;

- We could incur substantial costs in the future if we acquire businesses or properties subject to environmental requirements or affected by environmental contamination. In particular, environmental laws regulating wetlands, endangered species and other land use and natural resources may increase the costs associated with future business or expansion or delay, alter or interfere with such plans;

- The presence of contamination can adversely affect the value of our properties and make it difficult to sell any affected property or to use it as collateral; and

- We could be held responsible for third-party property damage claims, personal injury claims or natural resource damage claims relating to contamination found at any of our current or past properties.

The cost of complying with environmental requirements could be significant. Similarly, the adoption of new environmental laws or regulations, or changes in existing laws or regulations or their interpretations, could result in significant compliance costs or unanticipated environmental liabilities.

Effects of climate change may impose risk of damage to our infrastructure, our ability to provide services, and may cause changes in federal and state regulation, all of which may result in potential adverse impact to our financial results. Extreme weather events precipitated by long-term climate change have the potential to directly damage network facilities or disrupt our ability to build and maintain portions of our network. Any such disruption could delay network deployment plans, interrupt service for our customers, increase our costs and have a negative effect on our operating results. The potential physical effects of climate change, such as increased frequency and severity of storms, droughts, floods, fires, freezing conditions, sea-level rise, and other climate-related events, could adversely affect our operations, infrastructure, and financial results. Operational impacts resulting from the potential physical effects of climate change, such as damage to our network infrastructure, could result in increased costs and loss of revenue. We could incur significant costs to improve the climate resiliency of our infrastructure and otherwise prepare for, respond to, and mitigate such physical effects of climate change. We are not able to accurately predict the materiality of any potential losses or costs associated with the physical effects of climate change.

Further, customers, consumers, investors and other stakeholders are increasingly focusing on environmental issues, including climate change, water use, deforestation, plastic waste, and other sustainability concerns. Concern over climate change or other ESG matters may result in new or increased legal and regulatory requirements to reduce or mitigate impacts to the environment and reduce the impact of our business on climate change, which could increase our costs for monitoring and compliance. Further, climate change regulations may require us to alter our proposed business plans or increase our operating costs due to increased regulation or environmental considerations, and could adversely affect our business and reputation.

Our business may be impacted by new or changing tax laws or regulations and actions by federal, state, and/or local agencies, or by how judicial authorities apply tax laws. Our operations are subject to various federal, state and local tax laws and regulations. In connection with the products and services we sell, we calculate, collect, and remit various federal, state, and local taxes, surcharges and regulatory fees to numerous federal, state and local governmental authorities. In many cases, the application of tax laws is uncertain and subject to differing interpretations, especially when evaluated against new technologies and telecommunications services. Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Changes in tax laws, or changes in interpretations of existing laws, could materially affect our financial position, results of operations and cash flows.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program, which is based on recognized industry standards and frameworks, is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition.

Cybersecurity Governance

Our Board of Directors (the “Board”) regularly considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee oversight of cybersecurity and other information technology risks. The Audit Committee oversees management’s implementation of our cybersecurity risk management program. The Board receives quarterly reports from management on our cybersecurity risks. In addition, management updates the Board, as necessary, regarding any material cybersecurity incidents.

The Board also receives briefings from management on our cyber risk management program. Board members receive presentations on cybersecurity topics which may pose potential impacts to the Company’s operations from our Chief Technology Officer. Board members also receive external training or attend seminars on cybersecurity topics that impact public companies as part of their continuing education.

Our management team, including our Chief Technology Officer, Senior Director of Information Security and other members of the IT team are responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our Chief Technology Officer joined Consolidated in 2017 and has more than 30 years of communications industry experience. Prior to joining Consolidated, he served as the Chief Technology Officer at FairPoint Communications, Inc. and also held key leadership roles at Comcast and Level 3 Communications.

Our management team oversees the efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; as well as providing ongoing cybersecurity awareness training for our employees including management.

Item 2. Properties.

We own our corporate headquarters, which are currently located at 2116 S. 17th Street, Mattoon, Illinois. We also own and lease office facilities and related equipment for administrative personnel, central office buildings and operations in many of the states in which we operate.

In addition to land and structures, our property consists of equipment necessary for the provision of communication services, including central office equipment, customer premises equipment and connections, pole lines, video head-end, remote terminals, aerial and underground cable and wire facilities, vehicles, furniture and fixtures, computers and other equipment. We also own certain other communications equipment held as inventory for sale or lease.

In addition to plant and equipment that we wholly-own, we utilize poles, towers and cable and conduit systems jointly-owned with other entities and lease space on facilities to other entities. These arrangements are in accordance with written agreements customary in the industry. We also have appropriate easements, rights-of-way and other arrangements for the accommodation of our pole lines, underground conduits, aerial and underground cables and wires.

Item 3. Legal Proceedings.

From time to time we may be involved in litigation that we believe is of the type common to companies in our industry, including regulatory issues. While the outcome of these claims cannot be predicted with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse impact on our business, results of operations, financial condition or cash flows. See Note 15 to the consolidated financial statements included in this report in Part II – Item 8 – “Financial Statements and Supplementary Data” for a discussion of recent developments related to these legal proceedings.

Item 4. Mine Safety Disclosures.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the Nasdaq Global Select Market ("Nasdaq") under the symbol "CNSL". As of February 27, 2024, there were approximately 3,269 stockholders of record of the Company's common stock.

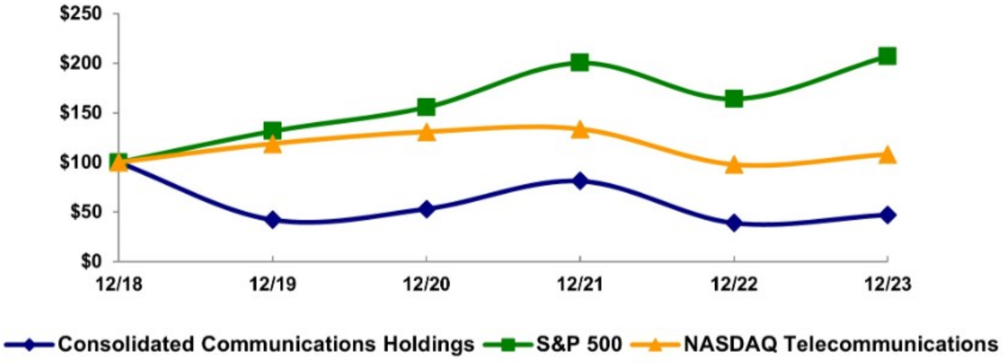
On April 25, 2019, we announced the elimination of the payment of quarterly dividends on our stock beginning in the second quarter of 2019 in order to focus on deleveraging and our fiber network investments. Future dividend payments, if any, are at the discretion of our Board of Directors. Changes in our dividend program will depend on our earnings, capital requirements, financial condition, debt covenant compliance, expected cash needs and other factors considered relevant by our Board of Directors.

Performance Graph

The following graph shows a five-year comparison of cumulative total shareholder return of our common stock (assuming reinvestment of dividends) with the S&P 500 Index and the Nasdaq Telecommunications Index. The comparison of total return on investment (change in year-end stock price plus reinvested dividends) for each of the periods assumes that $100 was invested on December 31, 2018 in each index. The stock performance shown on the graph below is not necessarily indicative of future price performance.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Consolidated Communications Holdings, the S&P 500 Index and the Nasdaq Telecommunications Index



*$100 invested on 12/31/18 in stock or index, including reinvestment of dividends.

	As of December 31,					
(In dollars)	2018	2019	2020	2021	2022	2023
Consolidated Communications Holdings	$ 100.00	$ 42.09	$ 53.05	$ 81.15	$ 38.84	$ 47.19
S&P 500	$ 100.00	$ 131.49	$ 155.68	$ 200.37	$ 164.08	$ 207.21
Nasdaq Telecommunications	$ 100.00	$ 118.74	$ 130.71	$ 133.51	$ 97.62	$ 108.00

Sale of Unregistered Securities

During the year ended December 31, 2023, we did not sell any equity securities of the Company which were not registered under the Securities Act of 1933, as amended.

Item 6. Reserved.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Reference is made to "Note About Forward-Looking Statements" and Part I – Item 1A – "Risk Factors" which describes important factors that could cause actual results to differ from expectations and non-historical information contained herein. In addition, the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Consolidated Communications Holdings, Inc. ("Consolidated," the "Company," "we," "our" or "us"). MD&A should be read in conjunction with our audited consolidated financial statements and accompanying notes to the consolidated financial statements ("Notes") as of and for each of the three years in the period ended December 31, 2023 included elsewhere in this Annual Report on Form 10-K.

Throughout MD&A, we refer to certain measures that are not a measure of financial performance in accordance with accounting principles generally accepted in the United States ("US GAAP" or "GAAP"). We believe the use of these non-GAAP measures on a consolidated basis provides the reader with additional information that is useful in understanding our operating results and trends. These measures should be viewed in addition to, rather than as a substitute for, those measures prepared in accordance with GAAP. See the Non-GAAP Measures section below for a more detailed discussion on the use and calculation of these measures.

Overview

Consolidated is a broadband and business communications provider offering a wide range of communication solutions to consumer, commercial and carrier customers across a service area in over 20 states. We operate an advanced fiber network spanning approximately 60,000 fiber route miles across many rural areas and metro communities. We offer residential high-speed Internet, video, phone and home security services as well as multi-service residential and small business bundles. Our business product suite includes: data and Internet solutions, voice, data center services, security services, managed and IT services, and an expanded suite of cloud services. We provide wholesale solutions to wireless and wireline carriers and other service providers including data, voice, network connections and custom fiber builds and last mile connections.

We generate the majority of our consolidated operating revenues primarily from monthly subscriptions to our broadband, data and transport services (collectively "broadband services") marketed to residential and business customers. As consumer demands for bandwidth continue to increase, our focus is on expanding our fiber broadband services and upgrading data speeds in order to offer a highly competitive fiber product. Our investment in more competitive broadband speeds is critical to our long-term success. Our strategic investment with Searchlight Capital Partners L.P. ("Searchlight"), combined with the refinancing of our capital structure in 2020 provided us with additional capital that has enabled us to accelerate our fiber expansion plans and provided significant benefits to our consumer, commercial and carrier customers. With this strategic investment, we are enhancing our fiber infrastructure and accelerating our investments in high-growth and competitive areas. By leveraging our existing dense core fiber network and an accelerated build plan, we expect to be able to significantly increase data speeds, expand our multi-Gig coverage and strategically extend our network across our strong existing commercial and carrier footprint to attract more on-net and near-net opportunities. As part of our multi-year fiber expansion plan, we plan to upgrade approximately 1.6 million passings to fiber across select service areas to enable multi-Gig capable services to these homes and small businesses including more than 1 million passings within our northern New England service areas. The ultimate total passings will be dependent upon, amongst other things, our ability to secure Public Private Partnership grant arrangements and other broadband infrastructure funding opportunities.

In 2023, we continued to execute on our multi-year fiber growth plan and transformation from a copper-based telecommunications provider to a fiber broadband provider. During the years ended December 31, 2023 and 2022, we upgraded approximately 227,500 and 403,000 passings to fiber, respectively, and added approximately 72,300 and 36,700 consumer fiber Gig capable subscribers, respectively. As of December 31, 2023, approximately 47% of our passings were at least 1 Gig capable, as compared to 22% at December 31, 2021. Our fiber build plan includes the upgrade of at least 85,000 homes and small businesses in 2024.

Fidium Fiber, our new Gigabit consumer fiber internet product with an all-new customer experience, launched in November 2021 in select northern New England markets, reinforces our broadband-first strategy. In May 2022, Fidium Fiber was expanded to additional markets in California, Illinois, Minnesota, Pennsylvania and Texas. In June 2022, we launched symmetrical 2 Gig speeds across the entire Fidium fiber network. Our Fidium plans offer symmetrical speeds from 50 Mbps to 2 Gbps over the latest WiFi 6 technology with no data caps. We expect to continue to expand the availability of Fidium Fiber further into communities within our markets. In February 2023, we launched Fidium@Work and expanded our Fidium Fiber service to small businesses everywhere Fidium internet is available. Fidium@Work is ideal for small businesses that have outgrown residential or traditional internet service, but do not require an enterprise solution.

As we continue to increase broadband speeds, we believe that we will also be able to simultaneously enhance our commercial product offerings to meet the needs of our business customers. By leveraging our advanced fiber network, we can tailor our services for business customers by developing solutions to fit their specific needs. We offer fiber broadband connectivity and cloud-based services to deliver differentiated solutions targeting customers ranging from small businesses to large enterprises and carriers. We are focused on driving fiber connectivity, achieving data services growth and standardizing our commercial product portfolio, which increases efficiency and enables greater scalability and reliability for businesses.

Operating revenues continue to be impacted by the industry-wide trend of declines in voice services, access lines and related network access revenue. Many customers are choosing to subscribe to alternative communication services, and competition for these subscribers continues to increase. Total voice connections decreased 10% as of December 31, 2023 compared to 2022. We have been able to mitigate some of the access line losses through alternative product offerings, such as our VoIP service.

Our competitive multi-gig broadband speeds enable us to meet consumer demand for higher bandwidth for streaming programming or on-demand content on any device. The consumers demand for streaming services, either to augment their current video subscription plan or to entirely replace their linear video subscription may impact our future video subscriber base and, accordingly, reduce our video revenue as well as our video programing costs. Total video connections decreased 37% as of December 31, 2023 compared to 2022 as a result of our plan to de-emphasize our linear video services and transition customers to streaming and over-the-top video services. We believe the trend in changing consumer viewing habits will continue to impact our business results and complement our strategy of providing consumers with higher broadband speeds to facilitate streaming content including services offered through our streaming partnerships.

Our operating revenues are impacted by legislative or regulatory changes at the federal and state levels, which could reduce or eliminate the current subsidies revenue we receive. A number of proceedings and recent orders relate to universal service reform, inter-carrier compensation (“ICC”) and network access charges. See the “Regulatory Matters” section below for a further discussion of the subsidies we receive.

Significant Recent Developments

Merger Agreement

On October 15, 2023, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Condor Holdings LLC, a Delaware limited liability company (“Parent”) affiliated with certain funds managed by affiliates of Searchlight, and Condor Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”), pursuant to which, subject to the terms and conditions thereof, Merger Sub will merge with and into the Company (the “Merger”) with the Company continuing as the surviving corporation and a wholly owned subsidiary of an affiliate of Searchlight. British Columbia Investment Management Corporation (“BCI”) and certain affiliates of Searchlight have committed to provide equity financing to Parent to fund the transactions contemplated by the Merger Agreement. Searchlight is currently the beneficial owner of approximately 34% of the Company’s outstanding shares of common stock and is the holder of 100% of the Company’s outstanding Series A perpetual preferred stock. Subject to the terms and conditions set forth in the Merger Agreement, upon the consummation of the Merger, each share of the Company’s common stock, par value $0.01 per share (other than shares of the Company’s common stock (i) held directly or indirectly by Parent, Merger Sub or any subsidiary of the Company, (ii) held by the Company as treasury shares or (iii) held by any person who properly exercises appraisal rights under Delaware law) will be converted into the right to receive an amount in cash equal to $4.70 per share, without interest (the “Merger Consideration”), subject to any withholding of taxes required by applicable law. In addition, pursuant to the Merger Agreement, upon the consummation of the Merger, (i) Company restricted share awards (“Company RSAs”) held by non-employee directors or by certain affiliates of Searchlight will vest and be canceled in exchange for the Merger Consideration and (ii) all other Company RSAs will be converted into restricted cash awards based on the Merger Consideration and subject to the same terms and conditions, including time- and performance-based vesting conditions, as the corresponding Company RSA (except that the relative total shareholder return modifier shall be deemed to be achieved at the target level).

The Merger Agreement has, unanimously by the directors present, been approved by the board of directors of the Company (the "Board"), acting upon the unanimous recommendation of a special committee consisting of only independent and disinterested directors of the Company (the "Special Committee"). On January 31, 2024, the Company held a virtual special meeting of stockholders (the "Special Meeting") to consider three proposals with respect to the Merger Agreement. The first proposal, to adopt the Merger Agreement, was approved by (i) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and (ii) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and held by Unaffiliated Stockholders (as defined in the Merger Agreement). The second proposal, to approve by advisory (non-binding) vote the compensation that may be paid or become payable to the named executive officers of the Company in connection with the consummation of the Merger, was approved by the requisite vote of the Company's stockholders. The third proposal, to approve any adjournment of the Special Meeting, if necessary, to solicit additional proxies if there were insufficient votes in favor of the Merger Agreement proposal, was also approved by the requisite vote of the Company's stockholders. Because the Merger Agreement proposal was approved by the requisite vote, no adjournment to solicit additional proxies was necessary.

The proposed transaction constitutes a "going-private transaction" under the rules of the SEC and is expected to close by the first quarter of 2025. The closing of the Merger is subject to various conditions, including (i) the expiration or termination of the applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the receipt of certain required consents or approvals from (a) the Federal Communications Commission, (b) the Committee on Foreign Investment in the United States, (c) state public utility commissions and (d) local regulators in connection with the provision of telecommunications and media services; (iii) the absence of any order, injunction or decree restraining, enjoining or otherwise prohibiting or making illegal the consummation of the Merger or the other transactions contemplated by the Merger Agreement; and (iv) the accuracy of the representations and warranties contained in the Merger Agreement, subject to customary materiality qualifications, as of the date of the Merger Agreement and the date of closing, and performance in all material respects of the covenants and agreements contained in the Merger Agreement. The transaction is not subject to a financing condition. We are awaiting required regulatory approvals in order to execute the Merger. Following the closing of the transaction, shares of our common stock will no longer be traded or listed on any public securities exchange.

Additional information about the Merger Agreement and the Merger is set forth in the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on December 18, 2023, as supplemented.

Cost Savings Initiative

In July 2023, we initiated a business simplification and cost savings initiative plan intended to further align our company as a fiber-first provider, improve operating efficiencies, lower our cost structure and ultimately improve the overall customer experience. This initiative includes a reduction in workforce, consolidation and elimination of certain facilities and review of our product offerings. These cost savings initiatives are expected to result in annualized savings of approximately $30.0 million commencing in the second half of 2023. In 2023, we recognized severance costs of $17.4 million in connection with the plan.

Discontinued Operations - Sale of Investment in Wireless Partnerships

On September 13, 2022, we completed the sale of our five limited wireless partnership interests to Cellco Partnership ("Cellco") for an aggregate purchase price of $490.0 million. Cellco is the general partner for each of the five wireless partnerships and is an indirect, wholly-owned subsidiary of Verizon Communications, Inc. Our wireless partnership investment consisted of ownership in five wireless partnerships: 2.34% of GTE Mobilnet of South Texas Limited Partnership, 20.51% of GTE Mobilnet of Texas RSA #17 Limited Partnership, 3.60% of Pittsburgh SMSA Limited Partnership, 16.67% of Pennsylvania RSA No. 6(I) Limited Partnership and 23.67% of Pennsylvania RSA No. 6(II) Limited Partnership. The proceeds from the sale were used in part to support our fiber expansion plan. The financial results of the limited partnership interests have been reported as discontinued operations in our consolidated financial statements for all prior periods presented. In the statement of cash flows, we have elected to combine cash flows from discontinued operations with cash flows from continuing operations. In connection with the sale of the partnership interests, we recognized a pre-tax gain on sale of $389.9 million during the year ended December 31, 2022. For the years ended

December 31, 2022 and 2021, we recognized income of $23.5 million and $41.8 million, respectively, and received cash distributions of $29.2 million and $43.0 million, respectively, from these wireless partnerships.

Divestitures

On July 10, 2023, we entered into a definitive agreement to sell our business located in the Washington market ("the "Washington operations"), for gross cash proceeds of approximately $73.0 million, subject to customary working capital adjustments and other post-closing purchase price adjustments. At December 31, 2023, the assets and liabilities to be sold were classified as assets held for sale in the consolidated balance sheet. During the year ended December 31, 2023, in connection with the expected sale, the carrying value of the net assets to be sold were reduced to their estimated fair value of approximately $67.1 million, which was determined based on the estimated selling price less costs to sell. As a result, we recognized an impairment loss of $77.8 million during the year ended December 31, 2023. The transaction is expected to close before the second half of 2024 and is subject to the receipt of all customary regulatory approvals and the satisfaction of other closing conditions.

On March 2, 2022, we entered into a definitive agreement to sell substantially all the assets of our business located in the Kansas City market (the "Kansas City operations"). The Kansas City operations provide data, voice and video services to customers within the Kansas City metropolitan area and surrounding counties and included approximately 17,100 consumer customers and 1,600 commercial customers. The sale closed on November 30, 2022 for gross cash proceeds of $82.1 million, subject to the finalization of certain working capital and other post-closing purchase price adjustments. For the years ended December 31, 2022 and 2021, operating revenues for the Kansas City operations were $45.5 million or 3.8% and $51.3 million or 4.0% of total consolidated operating revenues, respectively. In 2022, in connection with the expected sale, the carrying value of the net assets to be sold was reduced to their estimated fair value and we recognized an impairment loss of $131.7 million during the year ended December 31, 2022. During the years ended December 31, 2023 and 2022, we recognized a loss on the sale of $1.6 million and $16.8 million, respectively, as a result of expected purchase price adjustments and changes in working capital and estimated selling costs. The gain or loss on the sale of the Kansas City Operations is included in loss on disposal of assets in the consolidated statement of operations.

On January 31, 2022, we completed the sale of substantially all of the assets of our non-core, rural ILEC business located in Ohio, Consolidated Communications of Ohio Company ("CCOC" or the "Ohio operations") for gross cash proceeds of $26.1 million, including customary working capital adjustments. CCOC provides telecommunications and data services to residential and business customers in 11 rural communities in Ohio and surrounding areas and included approximately 3,800 access lines, 3,900 data connections and 1,400 video connections. For the year ended December 31, 2021, operating revenues for the Ohio operations were $8.9 million or 0.7%, of total consolidated operating revenues. In connection with the classification as assets held for sale, we recognized an impairment loss of $5.7 million during the year ended December 31, 2021. During the year ended December 31, 2022, we recognized an additional loss on the sale of $0.8 million, which is included in selling, general and administrative expense in the consolidated statement of operations.

The asset sales align with our strategic asset review and focus on our core broadband regions. We utilized the proceeds from the asset sales to support our fiber expansion plan.

Results of Operations

The following tables reflect our financial results on a consolidated basis and key operating statistics as of and for the years ended December 31, 2023, 2022 and 2021.

Financial Data

				% Change	
(In millions, except for percentages)	2023	2022	2021	2023 vs 2022	2022 vs 2021
Operating Revenues					
Consumer:					
Broadband (Data and VoIP)	$ 290.8	$ 272.1	$ 269.3	7 %	1 %
Voice services	125.2	144.8	160.7	(14)	(10)
Video services	35.0	54.2	65.1	(35)	(17)
	451.0	471.1	495.1	(4)	(5)
Commercial:					
Data services (includes VoIP)	214.7	228.5	228.9	(6)	(0)
Voice services	127.9	142.3	154.6	(10)	(8)
Other	39.9	43.1	40.0	(7)	8
	382.5	413.9	423.5	(8)	(2)
Carrier:					
Data and transport services	127.2	137.4	133.4	(7)	3
Voice services	15.6	14.7	17.2	6	(15)
Other	1.2	1.7	1.6	(29)	6
	144.0	153.8	152.2	(6)	1
Subsidies	27.9	33.4	69.8	(16)	(52)
Network access	90.2	104.7	120.5	(14)	(13)
Other products and services	14.5	14.4	21.1	1	(32)
Total operating revenues	1,110.1	1,191.3	1,282.2	(7)	(7)
Operating Expenses					
Cost of services and products (exclusive of depreciation and amortization)	511.9	546.7	569.6	(6)	(4)
Selling, general and administrative costs	340.2	301.6	271.1	13	11
Transaction costs	13.8	—	—	100	—
Loss on impairment of assets held for sale	77.8	131.7	5.7	(41)	2,211
Loss on disposal of assets	9.5	4.2	—	126	100
Depreciation and amortization	315.1	300.2	300.6	5	(0)
Total operating expenses	1,268.3	1,284.4	1,147.0	(1)	12
Income (loss) from operations	(158.2)	(93.1)	135.2	(70)	(169)
Interest expense, net	(152.0)	(125.0)	(175.2)	22	(29)
Loss on extinguishment of debt	—	—	(17.1)	—	100
Change in fair value of contingent payment rights	—	—	(86.5)	—	100
Other income, net	8.5	13.4	1.3	(37)	931
Income tax benefit	(51.6)	(27.0)	(3.2)	(91)	(744)
Loss from continuing operations	(250.1)	(177.7)	(139.1)	(41)	(28)
Income from discontinued operations, net of tax	—	318.3	32.4	(100)	882
Dividends on Series A preferred stock	43.9	40.1	2.7	9	1,385
Net income attributable to noncontrolling interest	0.4	0.5	0.4	(20)	25
Income (loss) attributable to common shareholders	$ (294.4)	$ 100.0	$ (109.8)	(394)	191
Adjusted EBITDA from continuing operations [1]	$ 319.2	$ 384.4	$ 463.8	(17)%	(17)%
Adjusted EBITDA [1]	$ 319.2	$ 413.6	$ 506.9	(23)%	(18)%

[1] Adjusted EBITDA from continuing operations and Adjusted EBITDA are non-GAAP measures. See the "Non-GAAP Measures" section below for additional information and reconciliation to the most directly comparable GAAP measure. Adjusted EBITDA includes investment distributions from discontinued operations.

Key Operating Statistics

				% Change	
	2023	2022	2021	2023 vs. 2022	2022 vs. 2021
Consumer customers	498,082	484,669	516,949	3 %	(6)%
Fiber Gig+ capable	195,195	122,872	86,122	59	43
DSL/Copper	198,024	244,586	298,442	(19)	(18)
Consumer data connections	393,219	367,458	384,564	7	(4)
Consumer voice connections	239,587	276,779	328,849	(13)	(16)
Video connections	21,900	35,039	63,447	(37)	(45)

The sale of substantially all of the net assets of our Kansas City operations and Ohio operations in 2022 resulted in a reduction of approximately 3,325 fiber consumer data connections, 14,505 DSL/Copper consumer data connections and 14,800 video connections. Prior period amounts have not been adjusted to reflect the sales.

Operating Revenues

Consumer

Broadband Services

Broadband services include revenues from residential customers for subscriptions to our data and VoIP products. We offer high-speed Internet access at speeds of up to 2 Gbps, depending on the network facilities that are available, the level of service selected and the location. Our fiber expansion plan is expected to provide fiber broadband revenue growth opportunities as we upgrade data speeds and expand our multi-Gig coverage across our network. Our VoIP digital phone service is also available in certain markets as an alternative to the traditional telephone line.

Broadband services revenues increased $18.7 million during 2023 compared to 2022. The change in broadband services revenue was reduced in part by the sale of substantially all of the assets of our Kansas City and Ohio operations in 2022, which resulted in a decrease of broadband services revenues of $6.7 million for the year ended December 31, 2023 compared to 2022. Broadband services revenue continued to increase primarily as a result of price increases and growth in fiber Internet services as fiber data connections continue to increase and offset the decline in copper data connections. In addition, a greater mix of our subscribers are shifting towards higher broadband speeds and electing to subscribe to our 1 Gig or higher product.

Broadband services revenues increased $2.8 million during 2022 compared to 2021 despite a 4% decrease in broadband connections in 2022 primarily due to an increase in Internet services as a result of price increases and growth in fiber Internet services. We estimate that the sale of substantially all of the assets of our Ohio operations and Kansas City operations in 2022 reduced broadband services revenue for 2022 by approximately $3.1 million.

Voice Services

We offer several different basic local phone service packages and long-distance calling plans, including unlimited flat-rate calling plans. The plans include options for voicemail and other custom calling features such as caller ID, call forwarding and call waiting.

Voice services revenues decreased $19.6 million during 2023 compared to 2022 primarily due to an 18% decline in access lines during 2023 compared to 2022. Voice services revenues decreased $15.9 million during 2022 compared to 2021 primarily due to a 17% decline in access lines during 2022 compared to 2021. The number of local access lines in service directly affects the recurring revenues we generate from end users and continues to be impacted by the industry-wide decline in access lines. We expect to continue to experience erosion in voice connections due to competition from alternative technologies, including our own competing VoIP product.

Video Services

Depending on geographic market availability, our video services range from limited basic service to advanced digital television, which includes several plans, each with hundreds of local, national and music channels including premium and Pay-Per-View channels as well as video On-Demand service. Certain customers may also subscribe to our advanced video services, which consist of high-definition television, digital video recorders ("DVR") and/or a whole home DVR. Our video subscribers can also watch their favorite shows, movies and livestreams on any device. In addition, we offer several in-demand streaming TV services, which provide endless entertainment options.

Video services revenues decreased $19.2 million during 2023 compared to 2022 and decreased $10.9 million during 2022 compared to 2021 primarily due to the continued decline in connections. The sale of our Kansas City and Ohio operations in 2022 accounted for $9.7 million of the decline in 2023 compared to 2022 and $2.3 million of the decline in 2022 compared to 2021. We expect to continue to experience a decline in video connections as we de-emphasize our linear video subscriptions and transition customers to streaming services, which may amplify the demand for higher broadband speeds to facilitate streaming content.

Commercial

Data Services

We provide a variety of business communication services to business customers of all sizes, including voice and data services over our advanced fiber network. The services we offer include scalable high-speed broadband Internet access and VoIP phone services, which range from basic service plans to virtual hosted systems. In addition to Internet and VoIP services, we also offer a variety of commercial data connectivity services in select markets including Ethernet services; private line data services; software defined wide area network ("SD-WAN"), a software-based network technology that provides a simplified management and automation of wide area network connections, and multi-protocol label switching. Our networking services include point-to-point and multi-point deployments from 2.5 Mbps to 10 Gbps to accommodate the growth patterns of our business customers. We offer a suite of cloud-based services, which includes a hosted unified communications solution that replaces the customer's on-site phone systems and data networks, managed network security services and data protection services. Data center and disaster recovery solutions provide a reliable and local colocation option for commercial customers.

Data services revenues decreased $13.8 million during 2023 compared to 2022, of which $15.4 million is due to the sale of our Kansas City operations in late 2022. The remaining change was due to continued growth in dedicated Internet access, which was reduced by declines in Metro Ethernet as a result of customer churn. In recent years, the growth in data services revenues has been impacted by customer churn from increased competition and price compression as customers are migrating from legacy data connection products to more competitive products, which have a lower average revenue per user.

Data services revenues decreased $0.4 million during 2022 compared to 2021, of which we estimate that the sale of our Kansas City operations in late 2022 reduced revenue for 2022 by approximately $1.4 million. The remaining change was primarily due to the continued growth in dedicated Internet access, SIP trunking and SD-WAN services, which were reduced in part by declines in Metro Ethernet as a result of customer churn.

Voice Services

Voice services include basic local phone and long-distance service packages for business customers. The plans include options for voicemail, conference calling, linking multiple office locations and other custom calling features such as caller ID, call forwarding, speed dialing and call waiting. Services can be charged at a fixed monthly rate, a measured rate or can be bundled with selected services at a discounted rate.

Voice services revenues decreased $14.4 million during 2023 compared to 2022 primarily due to a 12% decline in access lines in 2023 compared to 2022. Voice services revenues decreased $12.3 million during 2022 compared to 2021 primarily due to a 15% decline in access lines in 2022 compared to 2021. Commercial customers are increasingly choosing alternative technologies and the broad range of features that Internet-based voice services can offer. The sale of our Kansas

City and Ohio operations in 2022 accounted for $4.9 million of the decrease during 2023 compared to 2022 and $1.2 million of the decrease during 2022 compared to 2021.

Other

Other services include business equipment sales and related hardware and maintenance support, video services and other miscellaneous revenues, including 911 service revenues. We are a full service 911 provider and have installed and currently maintain a turn-key, state of the art statewide next-generation emergency 911 system located in Maine. Next-generation emergency 911 systems are an improvement over traditional 911 and are expected to provide the foundation to handle future communication modes such as texting and video.

Other services revenues decreased $3.2 million during 2023 compared to 2022 primarily due to a decline in pole attachment revenues, business equipment sales and video services. Other services revenues increased $3.1 million during 2022 compared to 2021 primarily due to an increase in business equipment sales and custom construction revenues.

Carrier

Data and Transport Services

We provide high-speed fiber data transmission services to regional and national interexchange and wireless carriers including Ethernet, cellular backhaul, dark fiber and colocation services. Data and transport services revenues decreased $10.2 million during 2023 compared to 2022, of which $4.1 million was due to the sale of the Kansas City operations in 2022. The remaining decline was due to a decrease in Ethernet services as a result of customer churn. Cellular backhaul and colocation revenue also declined as a result of a reduction in pricing of recent contract renewals with our wireless backhaul partners. In 2024, we expect to recognize further declines in cellular backhaul revenue as a result of new pricing in 2023 and ongoing contract renewals. Data and transport services revenues increased $4.0 million during 2022 compared to 2021 primarily due to an increase in dark fiber revenue as a result of a new IRU agreement entered into in 2022.

Voice Services

We provide basic local phone service packages with customized features for resell by wholesale customers. The plans include options for voicemail, conference calling, linking multiple office locations and other custom calling features. Voice services revenues increased $0.9 million during 2023 compared to 2022 primarily as a result of rate increases in 2023 for business data services. Voice services revenues decreased $2.5 million during 2022 compared to 2021 as customers migrate to alternative technology solutions.

Subsidies

Subsidies consist of both federal and state subsidies, which are designed to promote widely available, quality broadband services at affordable prices with higher data speeds in rural areas. Subsidies revenues decreased $5.5 million during 2023 compared to 2022 primarily due to a decline in state subsidies support as a result of a settlement recognized in 2022 for support temporarily suspended from the Texas High Cost Fund.

Subsidies revenues decreased $36.4 million during 2022 compared to 2021 primarily due to a reduction in federal subsidies support. In 2020, the FCC adopted an order establishing the Rural Digital Opportunity Fund ("RDOF"), which resulted in a reduction in our annual support of approximately $42.2 million as of January 1, 2022. However, state subsidies support increased $6.4 million due to a settlement recognized in 2022 for support temporarily suspended from the Texas High Cost Fund. See the "Regulatory Matters" section below for a further discussion of the subsidies we receive.

Network Access Services

Network access services include interstate and intrastate switched access, network special access and end user access. Switched access revenues include access services to other communications carriers to terminate or originate long-distance calls on our network. Special access circuits provide dedicated lines and trunks to business customers and interexchange carriers. Network access services revenues decreased $14.5 million during 2023 compared to 2022 and $15.8 million during 2022 compared to 2021 due to lower special access and switched access revenues related to the continuing decline in minutes of use, voice connections and carrier circuits as carriers transition to Ethernet based transport solutions. In addition, for the year ended December 31, 2022 as compared to 2021, end user access revenue decreased $6.1 million due to a reduction in the Federal Universal Fund Contribution Factor during the first half of 2022.

Other Products and Services

Other products and services include revenues from telephone directory publishing, video advertising, billing and support services and other miscellaneous revenues. We have entered into numerous Public Private Partnership agreements with several towns in New Hampshire and Vermont to build new fiber to the home/premise ("FTTP") Internet networks. The new town networks provide multi-gigabit broadband speeds to residential and commercial customers. Public Private Partnerships are a key component of Consolidated's commitment to expand rural broadband access.

Other products and services revenues increased $0.1 million during 2023 compared to 2022 as an increase in revenue from Public Private Partnership constructions in 2023 was largely offset by a decline in video and directory advertising revenue. Other products and services revenues decreased $6.7 million during 2022 compared to 2021 primarily due to revenue recognition of Public Private Partnership construction projects during 2022 and 2021.

Operating Expenses

Cost of Services and Products

Cost of services and products, exclusive of depreciation and amortization decreased $34.8 million during 2023 compared to 2022 primarily as a result of the sale of the Kansas City operations in late 2022, which accounted for $27.3 million of the decline. Video programming costs decreased as a result of a decline in video connections. Partly offsetting the decline were higher access costs, which increased as a result of additional fiber costs for Public Private Partnership agreements related to construction projects recognized in 2023. Required contributions to the Federal and State Universal Service Funds ("USF") increased in 2023 as a result of an increase in the funding rates as compared to 2022.

In 2022, cost of services and products decreased $22.9 million compared to 2021. Video programming costs decreased as a result of a decline in video connections and the sale of the Kansas City operations in 2022. Access expense decreased related to additional fiber costs in 2021 for the Public Private Partnership agreements, as described above. Access expense also decreased as a result of access charges of $3.4 million incurred in 2021 related to the early termination of a contract obligation for fixed wireless services. In addition, required contributions to the Federal USF decreased as a result of a reduction in the annual funding rate for the first half of the year. Employee labor costs also declined due to an increase in capitalized costs for the fiber network expansion in 2022. These reductions in cost of services and products were offset in part by an increase in utility and fuel costs in 2022.

Selling, General and Administrative Costs

Selling, general and administrative costs increased $38.6 million during 2023 compared to 2022. In 2023, we initiated a business simplification and cost savings initiative plan intended to further align our company as a fiber-first provider, improve operating efficiencies, lower our cost structure and ultimately improve the overall customer experience. In connection with the cost savings initiative plan and reduction in workforce, we recognized severance costs of $17.4 million in 2023. Professional fees also increased in 2023 for various system enhancements, customer service improvements and strategic initiatives. The increase in selling, general and administrative costs was also due to an increase in advertising expense, legal fees, utility expense and software maintenance costs in the current year.

Selling, general and administrative costs increased $30.5 million during 2022 compared to 2021. Advertising expense increased due to greater promotional activities surrounding the continued marketing of our new fiber broadband products. In 2022, we incurred additional professional fees for various system enhancements and customer service improvement initiatives. In addition, employee labor costs were greater than prior year from additional headcount. Travel costs also increased related to the fiber network build and fewer travel restrictions as compared to the prior year. Real estate taxes increased primarily due to refunds and settlements received in 2021.

Transaction Costs

Transaction costs of $13.8 million consist primarily of legal and other professional fees incurred in 2023 in connection with the merger agreement entered into with Searchlight in October 2023.

Loss on Impairment of Assets Held for Sale

In connection with the classification of the Washington operations as held for sale in 2023, the carrying value of the net assets to be sold was reduced to their estimated fair value and we recognized an impairment loss of $77.8 million during the year ended December 31, 2023. During the year ended December 31, 2022, we recognized an impairment loss of $131.7 million on the classification of substantially all of the assets of the Kansas City operations as held for sale in 2022. During the year ended December 31, 2021, we recognized an impairment loss of $5.7 million related to the classification of the Ohio operations as assets held for sale.

Loss on Disposal of Assets

As described above, we recognized a loss of $1.6 million and $16.8 million on the sale of substantially all of the assets of our Kansas City operations during the years ended December 31, 2023 and 2022, respectively. We also recognized a loss of $4.2 million and $8.3 million related to the sale of certain utility poles during the years ended December 31, 2023 and 2022, respectively. In addition, during the year ended December 31, 2023, we recognized a loss of $3.6 million on the disposal of certain equipment and inventory. During the year ended December 31, 2022, we completed the sale of certain non-strategic communication towers for cash proceeds of $21.0 million and recognized a pre-tax gain on the sale of $20.8 million.

Depreciation and Amortization

Depreciation and amortization expense increased $14.9 million during 2023 compared to 2022 primarily due to ongoing capital expenditures related to the fiber network expansion and customer service improvements as well as success-based capital projects for consumer and commercial services. However, amortization expense declined for customer relationships, which are amortized under the accelerated method. Depreciation expense also declined due to certain assets becoming fully depreciated in 2023 and the classification of the Washington and Kansas City assets as held for sale in 2023 and 2022, respectively.

Depreciation and amortization expense decreased $0.4 million during 2022 compared to 2021 primarily due to a decline in amortization expense for customer relationships, which are amortized under the accelerated method. Depreciation expense also declined due to certain assets becoming fully depreciated during the year and the sale of the Ohio and Kansas City operations in 2022. These declines in depreciation and amortization expense were offset in part by ongoing capital expenditures related to the fiber network expansion and customer service improvements as well as success-based capital projects for consumer and commercial services.

Regulatory Matters

Our revenues are subject to broad federal and/or state regulations, which include such telecommunications services as local telephone service, network access service and toll service. The telecommunications industry is subject to extensive federal, state and local regulation. Under the Telecommunications Act of 1996, federal and state regulators share responsibility for implementing and enforcing statutes and regulations designed to encourage competition and to preserve and advance widely available, quality telephone service at affordable prices.

At the federal level, the FCC generally exercises jurisdiction over facilities and services of local exchange carriers, such as our rural telephone companies, to the extent they are used to provide, originate or terminate interstate or international communications. The FCC has the authority to condition, modify, cancel, terminate or revoke our operating authority for failure to comply with applicable federal laws or FCC rules, regulations and policies. Fines or penalties also may be imposed for any of these violations.

State regulatory commissions generally exercise jurisdiction over carriers' facilities and services to the extent they are used to provide, originate or terminate intrastate communications. In particular, state regulatory agencies have substantial oversight over interconnection and network access by competitors of our rural telephone companies. In addition, municipalities and other local government agencies regulate the public rights-of-way necessary to install and operate networks. State regulators can sanction our rural telephone companies or revoke our certifications if we violate relevant laws or regulations.

FCC Matters

In general, telecommunications service in rural areas is costlier to provide than service in urban areas. The lower customer density means that switching and other facilities serve fewer customers and loops are typically longer, requiring greater expenditures per customer to build and maintain. By supporting the high-cost of operations in rural markets, USF subsidies promote widely available, quality telephone service at affordable prices in rural areas.

In April 2019, the FCC announced plans for the RDOF, the next phase of the Connect America Fund ("CAF") program. The RDOF is a $20.4 billion fund to bring speeds of 25 Mbps downstream and 3 Mbps upstream to unserved and underserved areas of America. The FCC issued a Notice of Proposed Rulemaking at their August 2019 Open Commission Meeting. The order prioritizes terrestrial broadband as a bridge to rural 5G networks by providing a significant weight advantage to traditional broadband providers. Funding will occur in two phases with the first phase auctioning $16.0 billion and the second phase auctioning $4.4 billion, each to be distributed over 10 years. The minimum speed required to receive funding is 25 Mbps downstream and 3 Mbps upstream. Consolidated won 246 census block groups in seven states in the 2020 auction. The bids we won are at the 1 Gbps downstream and 500 Mbps upstream speed tier to approximately 27,000 locations at an annual funding level of approximately $5.9 million, beginning January 1, 2022 through December 31, 2031. Consolidated began receiving RDOF funding in January 2022. Our previous annual support through the FCC's CAF Phase II funding was $48.1 million through 2021, which resulted in a reduction of approximately $42.2 million in annual support as of January 1, 2022.

The annual FCC price cap filing was made on June 16, 2023 and became effective on July 3, 2023. The net impact is a decrease of approximately $3.7 million in network access and CAF ICC support funding for the July 2023 through June 2024 tariff period.

State Matters

The Texas Universal Service Fund ("TUSF") is administered by the National Exchange Carrier Association ("NECA"). The Texas Public Utilities Regulatory Act directs the Public Utilities Commission of Texas ("PUCT") to adopt and enforce rules requiring local exchange carriers to contribute to a state universal service fund that helps telecommunications providers offer basic local telecommunications service at reasonable rates in high-cost rural areas. The TUSF is also used to reimburse telecommunications providers for revenues lost by providing reduced-cost services to low-income consumers. Our Texas rural telephone companies receive disbursements from this fund.

Our Texas Incumbent Local Exchange Carriers ("ILECs") have historically received support from two state funds, the small and rural incumbent local exchange company plan High Cost Fund ("HCF") and the High Cost Assistance Fund ("HCAF"). In December 2020, the PUCT announced a TUSF funding shortfall and that it would be reducing all funded carriers support by 64% beginning January 15, 2021. The potential impact of the decision by the PUCT was a reduction in support we receive of approximately $4.0 million annually. The Texas Telephone Association ("TTA"), of which Consolidated is a member, and the Texas Statewide Telephone Cooperative, Inc. ("TSTCI"), filed a lawsuit seeking to overturn the PUCT decision as well as a temporary injunction on the funding reduction. On June 7, 2021, the court ruled in favor of the PUCT. The TTA and TSTCI filed a notice to appeal on July 2, 2021. We filed our brief on September 18, 2021, along with a Motion to Expedite. The motion to expedite was granted. On June 30, 2022, the Third Court of Appeals in Austin ruled in favor of the rural phone companies requiring the state to increase the state surcharge to fully fund the TUSF and reimburse rural phone companies for the shortfall. The state had 45 days from the ruling date to decide whether to appeal the decision. The state did not appeal the ruling and in October 2022, the TTA, TSTCI and PUCT reached an agreement on how the outstanding funding would be repaid. Monthly support payments resumed in full in October 2022 and the funding shortfall for the periods from January 2021 through September 2022 was reimbursed to carriers evenly over a 15-month period. All reimbursements, including interest, have been completed by the PUCT. During the year ended December 31, 2022, we recognized subsidy revenue of $6.3 million related to the funding owed for the shortfall period in accordance with the settlement agreement.

American Rescue Plan Act Funding

President Biden signed the American Rescue Plan Act of 2021 ("ARPA") on March 11, 2021. States have been allocated federal funds to be utilized for capital infrastructure, including broadband deployment, and are in various stages of implementation. We are working with the states and municipalities to participate in this broadband grant program. In January 2023, we were awarded $9.2 million in funding from ARPA to build to approximately 14,000 unserved homes in

Skowhegan and Greater East Grand Bay Maine and in February 2023, we were awarded $40.0 million in funding from ARPA to build nearly 25,000 unserved homes throughout New Hampshire. Construction for both projects began in 2023 and are expected to be largely completed by the end of 2024. The grants will be accounted for as a contribution in aid of construction given the nature of the arrangement.

Affordable Connectivity Program

The Affordable Connectivity Program ("ACP") is a broadband affordability program set up to help ensure that households can afford the broadband access they need for work, school, healthcare and more. The benefit provides a discount of up to $30 per month toward internet service for eligible households and up to $75 per month for households on qualifying Tribal lands. Eligible households can also receive a one-time discount of up to $100 to purchase a laptop, desktop computer, or tablet from participating providers if they contribute more than $10 and less than $50 toward the purchase price. The ACP is limited to one monthly service discount and one device discount per household. The program began distributing funds on March 1, 2022. Consolidated is participating in this program and has approximately 7,900 ACP customers. Unless additional funding is approved by Congress, the initial funding for the ACP is expected to lapse in April 2024.

Infrastructure Investment and Jobs Act

The Infrastructure Investment and Jobs Act ("Infrastructure Act"), signed on November 15, 2021, included $65.0 billion to support broadband infrastructure deployment and access across the United States with an aim to extend high-speed broadband connectivity to unserved rural, low-income, and tribal communities, as well as to promote broadband affordability and digital literacy. Among other broadband-related initiatives, the Infrastructure Act allocated $42.5 billion for the Broadband Equity, Access, and Deployment ("BEAD") program, which is administered by the National Telecommunications and Information Administration ("NTIA"). The NTIA has begun distributing BEAD program funding to states, which, in turn, will award BEAD program grants to ISPs to support broadband deployment and access initiatives. The precise terms under which BEAD program grants will be awarded to ISPs are expected to vary from state to state and are not known at this time.

Apart from the broadband funding initiatives in the Infrastructure Act, Congress directed the FCC to adopt rules prohibiting "digital discrimination of access," and the FCC in turn issued an order in November 2023 defining that term broadly. In particular, the FCC prohibited any policy or practice by ISPs, among other covered entities, that intentionally discriminates or has a disparate impact based on race, income level, and other prohibited classifications. The FCC indicated that it intends to take enforcement action based on any finding of digital discrimination unless the ISP can show that the policy or practice in question was justified based on economic or technical feasibility. The U.S. Chamber of Commerce and several groups representing ISPs filed petitions for review challenging the FCC's order, and the petitions have been consolidated in the U.S. Court of Appeals for the Eighth Circuit. At this time, we cannot determine the likely impacts of the FCC's order or the outcome of the pending appeal.

Other Regulatory Matters

We are also subject to a number of regulatory proceedings occurring at the federal and state levels that may have a material impact on our operations. The FCC and state commissions have authority to issue rules and regulations related to our business. A number of proceedings are pending or anticipated that are related to such telecommunications issues as competition, interconnection, access charges, ICC, broadband deployment, consumer protection and universal service reform. Some proceedings may authorize new services to compete with our existing services. Proceedings that relate to our video services include rulemakings on set top boxes, carriage of programming, industry consolidation and ways to promote additional competition. There are various on-going legal challenges to the scope or validity of FCC orders that have been issued. As a result, it is not yet possible to fully determine the impact of the related FCC rules and regulations on our operations.

Non-Operating Items

Interest Expense, Net

Interest expense, net of interest income, increased $27.0 million during 2023 compared to 2022 primarily due to an increase in variable interest rates on our outstanding term loan. Interest capitalized for the construction of assets also declined $4.1 million during the year ended December 31, 2023 as compared to 2022.

Interest expense, net of interest income, decreased $50.2 million during 2022 compared to 2021. In 2021, we recognized interest expense, including amortized costs, of $39.3 million on the Note issued to Searchlight as part of the investment agreement entered into in October 2020. The Note was converted into perpetual preferred stock in conjunction with the closing of the second stage of the Searchlight investment in December 2021. In addition, the maturity of an interest rate swap agreement in July 2021 reduced interest expense $6.3 million during the year ended December 31, 2022 as compared to 2021. Interest expense was also reduced by an increase in interest income of $3.0 million from additional cash equivalents and short-term investments in 2022.

Loss on Extinguishment of Debt

As described in the "Liquidity and Capital Resources" section below, we incurred a loss on the extinguishment of debt of $17.1 million in connection with the repayment of $397.0 million of outstanding term loans under our credit agreement and the refinancing of our credit agreement during the year ended December 31, 2021.

Change in Fair Value of Contingent Payment Obligations

Our contingent payment obligations were measured at fair value until they were converted into shares of the Company's common stock. During the year ended December 31, 2021, we recognized a loss of $86.5 million on the change in the fair value of the contingent payment rights issued to Searchlight.

Other Income

Other income, net, decreased $4.9 million during 2023 compared to 2022. Pension and post-retirement benefit expense increased $14.2 million as a result of an increase in annual expense and a pension settlement charge of $6.4 million recognized during the year ended December 31, 2023. See Note 13 to the consolidated financial statements for a more detailed discussion regarding our pension and other post-retirement plans. Investment income increased $5.7 million during the year ended December 31, 2023 as a result of earnings from short-term investments. Other miscellaneous income increased $3.7 million during the year ended December 31, 2023 from income received under transitional support agreements.

Other income, net, increased $12.1 million during 2022 compared to 2021. Pension and post-retirement benefit expense decreased $8.5 million as a result of a reduction in annual expense and a pension settlement charge of $5.9 million recognized during the year ended December 31, 2021. In addition, in 2021, we recognized a loss of $3.6 million on the disposition of wireless spectrum licenses.

Income Taxes

Income taxes decreased $24.6 million in 2023 compared to 2022. Our effective tax rate was 17.1% for 2023 compared to 13.2% for 2022.

On July 10, 2023, we entered into a definitive agreement to sell our Washington operations. As a result, we recorded an increase of $20.3 million to our current tax expense related to the $77.8 million impairment loss of noncash goodwill that is not deductible for tax purposes.

As a result of the Kansas City and Ohio transactions, we recorded an increase of $23.2 million and $4.2 million, respectively, to our current tax expense in 2022 related to the write-down of noncash goodwill included in the transactions that is not deductible for tax purposes.

In 2023 and 2022, we placed additional valuation allowances on deferred tax assets related to state NOL and state tax credit carryforwards of $1.7 million and $0.6 million, respectively. We also recognized approximately $3.7 million of tax expense in 2023 to adjust our 2022 provision to match our 2022 returns compared to $0.1 million of tax benefit in 2022 to adjust our 2021 provision to match our 2021 returns.

Exclusive of these adjustments, our effective tax rate for 2023 would have been approximately 25.6% compared to 25.6% for 2022. In addition, for 2023 and 2022, the effective tax rate differed from the federal and state statutory rates due to various permanent income tax differences and differences in allocable income for the Company's state tax filings.

Income taxes decreased $23.8 million in 2022 compared to 2021. Our effective tax rate was 13.2% for 2022 compared to 2.2% for 2021. As a result of the Kansas City and Ohio transactions, we recorded an increase of $23.2 million and $4.2 million, respectively, to our current tax expense in 2022 related to the write-down of noncash goodwill included in the transactions that is not deductible for tax purposes. For the Ohio transaction, we recorded an increase to our current tax expense of $1.5 million related to the write-down of noncash goodwill in 2021. The investment made by Searchlight in 2020 is treated as a contribution of equity for federal tax purposes. Accordingly, the impact of the non-cash PIK interest expense, discount and issuance costs, and fair value adjustments on the contingent payment right ("CPR") are not recognized for federal income tax purposes, resulting in an increase of $33.1 million to our current tax expense for 2021. In 2022 and 2021, we placed additional valuation allowances on deferred tax assets related to state NOL and state tax credit carryforwards of $0.6 million and $1.7 million, respectively. We also recognized approximately $0.1 million of tax benefit in the fourth quarter of 2022 to adjust our 2021 provision to match our 2021 returns compared to $2.6 million of tax benefit in the fourth quarter of 2021 to adjust our 2020 provision to match our 2020 returns. Exclusive of these discrete adjustments, our effective tax rate for 2022 would have been approximately 25.6% compared to 25.3% for 2021. In addition, for 2022 and 2021, the effective tax rate differed from the federal and state statutory rates due to various permanent income tax differences and differences in allocable income for the Company's state tax filings.

Non-GAAP Measures

In addition to the results reported in accordance with US GAAP, we also use certain non-GAAP measures such as EBITDA, Adjusted EBITDA from continuing operations and Adjusted EBITDA to evaluate operating performance and to facilitate the comparison of our historical results and trends. These financial measures are not a measure of financial performance under US GAAP and should not be considered in isolation or as a substitute for net income (loss) as a measure of performance and net cash provided by operating activities as a measure of liquidity. They are not, on their own, necessarily indicative of cash available to fund cash needs as determined in accordance with GAAP. The calculation of these non-GAAP measures may not be comparable to similarly titled measures used by other companies. Reconciliations of these non-GAAP measures to the most directly comparable financial measures presented in accordance with GAAP are provided below.

EBITDA is defined as net earnings before interest expense, income taxes, and depreciation and amortization. Adjusted EBITDA is comprised of EBITDA, adjusted for certain items as permitted or required under our credit facility as described in the reconciliations below. These measures are a common measure of operating performance in the telecommunications industry and are useful, with other data, as a means to evaluate our ability to fund our estimated uses of cash.

The following tables are a reconciliation of net income (loss) from continuing operations to Adjusted EBITDA for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
(In thousands, unaudited)	**2023**	**2022**	**2021**
Loss from continuing operations	$ (250,058)	$ (177,704)	$ (139,127)
Add (subtract):			
Interest expense, net of interest income	151,964	124,978	175,195
Income tax benefit	(51,607)	(27,058)	(3,132)
Depreciation and amortization	315,162	300,166	300,597
EBITDA	165,461	220,382	333,533
Adjustments to EBITDA:			
Other, net [1]	58,890	17,347	10,911
Loss on disposal of assets	9,480	4,233	—
Loss on extinguishment of debt	—	—	17,101
Loss on impairment	77,755	131,698	5,704
Change in fair value of contingent payment rights	—	—	86,476
Non-cash, stock-based compensation	7,613	10,755	10,097
Adjusted EBITDA from continuing operations	319,199	384,415	463,822
Investment distributions from discontinued operations	—	29,165	43,040
Adjusted EBITDA	$ 319,199	$ 413,580	$ 506,862

(1) Other, net includes dividend income, income attributable to noncontrolling interests in subsidiaries, acquisition and transaction related costs including integration and severance, non-cash pension and post-retirement benefits and certain other miscellaneous items.

Liquidity and Capital Resources

Outlook and Overview

Our operating requirements have historically been funded from cash flows generated from our business and borrowings under our credit facilities. We expect that our future operating requirements will continue to be funded from cash flows from operating activities, existing cash and cash equivalents, proceeds from sales of nonstrategic assets and, if needed, borrowings under our revolving credit facility and our ability to obtain future external financing. We anticipate that we will continue to use a substantial portion of our cash flow to fund capital expenditures for our accelerated fiber network expansion and growth plan.

The following table summarizes our cash flows:

	Years Ended December 31,		
(In thousands)	2023	2022	2021
Cash flows provided by (used in):			
Operating activities			
Continuing operations	$ 114,587	$ 194,545	$ 275,827
Discontinued operations	—	29,165	43,040
Investing activities			
Continuing operations	(417,458)	(466,728)	(586,443)
Discontinued operations	—	482,966	—
Financing activities	(18,216)	(13,731)	211,650
Increase (decrease) in cash and cash equivalents	$ (321,087)	$ 226,217	$ (55,926)

Cash Flows Provided by Operating Activities

Net cash provided by operating activities from continuing operations was $114.6 million in 2023, a decrease of $79.9 million compared to the same period in 2022. Cash flows provided by operating activities decreased primarily due to a decline in earnings as a result of a decrease in operating revenue. Cash paid for interest also increased $19.9 million in 2023 compared to the same period in 2022. In addition, we paid severance costs of $21.0 million in 2023 in connection with cost savings initiatives. These reductions in cash provided by operating activities were offset in part by a decrease in cash contributions to our defined benefit pension plan of $9.8 million in 2023 compared to 2022. Cash paid for income taxes also decreased $3.9 million in 2023 compared to 2022.

In 2022, net cash provided by operating activities from continuing operations was $194.5 million, a decrease of $81.3 million compared to the same period in 2021. Cash flows provided by operating activities decreased in part due to a decline in earnings as a result of a decrease in operating revenue and a reduction in our annual federal subsidies support of approximately $42.2 million. In addition, cash paid for income taxes increased $8.7 million in 2022. These reductions in cash provided by operating activities were offset in part by a decrease in cash contributions to our defined benefit pension plan of $10.7 million in 2022 compared to 2021.

Cash Flows Used In Investing Activities

Net cash used in investing activities for continuing operations was $417.5 million and $466.7 million in 2023 and 2022, respectively, and consisted primarily of cash used for capital expenditures, the purchase and maturity of short-term investments and proceeds received from business dispositions and the sale of assets.

Capital expenditures continue to be our primary recurring investing activity and were $515.0 million, $620.0 million and $480.3 million in 2023, 2022 and 2021, respectively. Our fiber expansion plan contributed in part to the change in capital expenditures, which included the upgrade of more than 227,500, 403,000 and 330,000 fiber passings with multi-Gig data speeds in 2023, 2022 and 2021, respectively. Capital expenditures for 2024 are expected to be used for our planned fiber projects and broadband network expansion, including the upgrade in 2024 of at least 85,000 fiber passings, and to support success-based capital projects for commercial, carrier and consumer initiatives. We expect to continue to invest in the enhancement and expansion of our fiber network in order to retain and acquire more customers through a broader set of products and an expanded network footprint.

In 2023, we received proceeds from the maturity and sale of investments of $91.6 million. In 2022, we received $327.4 million of proceeds from the maturity and sale of investments, which was offset in part by the purchase of $302.9 million in short-term investments consisting primarily of held-to-maturity debt securities with original maturities of three to twelve months.

In 2022, we completed the sale of substantially all of the assets of CCOC, our non-core, rural ILEC business located in Ohio, for cash proceeds, net of selling costs, of $25.2 million. We also received net cash proceeds of approximately $80.6 million from the sale of substantially all the assets of our Kansas City operations in 2022. In addition, cash proceeds from the sale of assets consisted primarily of proceeds of approximately $21.0 million for the sale of certain non-strategic communication towers in 2022.

Net cash provided by discontinued operations of $483.0 million consisted of the net proceeds from the sale of our five limited wireless partnership interests in 2022. The proceeds from the sale were used in part to support the fiber expansion plan.

Cash Flows Provided by (Used In) Financing Activities

Net cash used in financing activities consists primarily of our proceeds from and principal payments on long-term borrowings.

Long-term Debt

The following table summarizes our indebtedness as of December 31, 2023:

(In thousands)	Balance	Maturity Date	Rate(1)
6.50% Senior Notes	$ 750,000	October 1, 2028	6.50 %
5.00% Senior Notes	400,000	October 1, 2028	5.00 %
Term loans, net of discount	992,858	October 2, 2027	SOFR plus 3.50 %
Finance leases	39,240		9.30 % (2)
	$ 2,182,098		

(1) At December 31, 2023, the 1-month SOFR applicable to our borrowings was 5.47%. The term loans are subject to a 0.75% SOFR floor.

(2) Weighted-average rate.

Credit Agreement

On October 2, 2020, the Company, through certain of its wholly-owned subsidiaries, entered into a Credit Agreement with various financial institutions (as amended, the “Credit Agreement”) to replace the Company’s previous credit agreement in its entirety. The Credit Agreement consisted of term loans in an original aggregate amount of $1,250.0 million (the “Initial Term Loans”) and a revolving loan facility of $250.0 million. The Credit Agreement also includes an incremental loan facility which provides the ability to borrow, subject to certain terms and conditions, incremental loans in an aggregate amount of up to the greater of (a) $300.0 million plus (b) an amount which would not cause its senior secured leverage ratio not to exceed 3.70:1.00 (the “Incremental Facility”). Borrowings under the Credit Agreement are secured by substantially all of the assets of the Company and its subsidiaries, subject to certain exceptions.

The Initial Term Loans were issued in an original aggregate principal amount of $1,250.0 million with a maturity date of October 2, 2027 and contained an original issuance discount of 1.5% or $18.8 million, which is being amortized over the term of the loan. Prior to amendments to the Credit Agreement, as described below, the Initial Term Loans required quarterly principal payments of $3.1 million, which commenced December 31, 2020, and bore interest at a rate 4.75% plus the London Interbank Offered Rate (“LIBOR”) subject to a 1.00% LIBOR floor.

On January 15, 2021, the Company entered into Amendment No. 1 to the Credit Agreement in which we borrowed an additional $150.0 million aggregate principal amount of incremental term loans (the "Incremental Term Loans"). The Incremental Term Loans have terms and conditions identical to the Initial Term Loans including the same maturity date and interest rate. The Initial Term Loans and Incremental Term Loans, collectively (the "Term Loans") comprise a single class of term loans under the Credit Agreement.

On March 18, 2021, the Company repaid $397.0 million of the outstanding Term Loans with the net proceeds received from the issuance of $400.0 million aggregate principal amount of 5.00% senior secured notes due 2028 (the "5.00% Senior Notes"), as described below. The repayment of the Term Loans was applied to the remaining principal payments in direct order of maturity, thereby eliminating the required quarterly principal payments through the remaining term of the loan. In connection with the repayment of the Term Loans, we recognized a loss on extinguishment of debt of $12.0 million during the year ended December 31, 2021.

On April 5, 2021, the Company, entered into Amendment No. 2 to the Credit Agreement (the "Second Amendment") to refinance the outstanding Term Loans of $999.9 million. The terms and conditions of the Credit Agreement remain substantially similar and unchanged except with respect to the interest rate applicable to the Term Loans and certain other provisions. As a result of the Second Amendment, the interest rate of the Term Loans was reduced to 3.50% plus LIBOR subject to a 0.75% LIBOR floor. The maturity date of the Term Loans of October 2, 2027 remained unchanged. In connection with entering into the Second Amendment, we recognized a loss of $5.1 million on the extinguishment of debt during the year ended December 31, 2021.

On November 22, 2022, the Company, entered into Amendment No. 3 to the Credit Agreement (the "Third Amendment") to, among other things, extend the maturity of the revolving credit facility by two years from October 2, 2025 to October 2, 2027, subject to springing maturity on April 2, 2027 if the Term Loans, as of April 1, 2027, are scheduled to mature earlier than March 31, 2028. The Third Amendment also relaxed the revolving credit facility's consolidated first lien leverage maintenance covenant, as described below, through June 30, 2025 to 6.35:1.00 from 5.85:1.00.

On April 17, 2023, the Company entered into Amendment No. 4 to the Credit Agreement (the "Fourth Amendment") to replace remaining LIBOR-based benchmark rates with Secured Overnight Financing Rate ("SOFR")-based benchmark rates. As part of the replacement to SOFR-benchmark rates, borrowings will include an adjustment of 0.11%, 0.26% and 0.43% for borrowings of one, three and six month loans, respectively. With the amendment, the interest rate of the Term Loans is 3.50% plus SOFR plus the SOFR adjustment (subject to a 0.75% SOFR floor).

The revolving credit facility has a maturity date of October 2, 2027 and an applicable margin (at our election) of 4.00% for SOFR-based borrowings or 3.00% for alternate base rate borrowings, with a 0.25% reduction in each case if the consolidated first lien leverage ratio, as defined in the Credit Agreement, does not exceed 3.20 to 1.00. As of December 31, 2023 and 2022, there were no borrowings outstanding under the revolving credit facility. Stand-by letters of credit of $35.7 million were outstanding under our revolving credit facility as of December 31, 2023. The stand-by letters of credit are renewable annually and reduce the borrowing availability under the revolving credit facility. As of December 31, 2023, $214.3 million was available for borrowing under the revolving credit facility, subject to certain covenants. As of March 5, 2024, borrowings of $70.0 million were outstanding under our revolving credit facility.

The weighted-average interest rate on outstanding borrowings under our credit facilities was 8.96% and 7.63% at December 31, 2023 and 2022, respectively. Interest is payable at least quarterly.

Credit Agreement Covenant Compliance

The Credit Agreement contains various provisions and covenants, including, among other items, restrictions on the ability to pay dividends, incur additional indebtedness, and issue certain capital stock. We have agreed to maintain certain financial ratios, including a maximum consolidated first lien leverage ratio, as defined in the Credit Agreement. Among other things, it will be an event of default, with respect to the revolving credit facility only, if our consolidated first lien leverage ratio is greater than 7.75:1.00 as of the end of any fiscal quarter from October 15, 2023 to and including December 31, 2024, if on such date the testing threshold is met. The testing threshold is met if the aggregate amount of our borrowings outstanding under the revolving credit facility exceeds 35%. As of December 31, 2023, the testing threshold was not met and our consolidated first lien leverage ratio under the Credit Agreement was 6.22:1.00. As of December 31, 2023, we were in compliance with the Credit Agreement covenants.

On October 15, 2023, the Company entered into Amendment No. 5 to the Credit Agreement (the “Fifth Amendment”) to, among other things, increase the maximum consolidated first lien leverage ratio (the “Step-Up”) permitted under the Credit Agreement from 6.35 to 1.00 to (i) 7.75 to 1.00, from October 15, 2023 to and including December 31, 2024, (ii) 7.50 to 1.00, from and including January 1, 2025 to and including March 31, 2025, (iii) 7.25 to 1.00, from and including April 1, 2025 to and including June 30, 2025, (iv) 7.00 to 1.00, from and including July 1, 2025 to and including September 30, 2025, (v) 6.75 to 1.00 from and including October 1, 2025 to and including December 31, 2025, (vi) 6.50 to 1.00, from and including January 1, 2026 to and including March 31, 2026, (vii) 6.25 to 1.00, from and including April 1, 2026 to and including June 30, 2026, (viii) 6.00 to 1.00, from and including July 1, 2026 to and including September 30, 2026, and (ix) 5.85 to 1.00 from and including October 1, 2026 and thereafter (the “Step-Up Period”). While the Step-Up is in effect, the Company is subject to additional restrictions on its ability to make certain investments and restricted payments (the “Restrictions”). The Step-Up Period and the Restrictions end and the maximum Consolidated First Lien Leverage Ratio will revert to the levels set forth in the Credit Agreement on the earlier of (a) the Company’s election and (b) August 1, 2025, to the extent $300.0 million in cash proceeds have not been received by the Company from equity contributed to its capital by such date. If the proposed Merger is not completed by August 1, 2025, the increase in the maximum consolidated first lien leverage ratio as permitted in the Fifth Amendment to the Credit Agreement to provide interim financial covenant relief ends and the maximum consolidated first lien leverage ratio reverts to the levels set forth in the Credit Agreement.

Senior Notes

On October 2, 2020, we completed an offering of $750.0 million aggregate principal amount of 6.50% unsubordinated secured notes due 2028 (the “6.50% Senior Notes”). The 6.50% Senior Notes were priced at par and bear interest at a rate of 6.50%, payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2021. The 6.50% Senior Notes mature on October 1, 2028.

On March 18, 2021, we issued $400.0 million aggregate principal amount 5.00% Senior Notes, together with the 6.50% Senior Notes (the “Senior Notes”). The 5.00% Senior Notes were priced at par and bear interest at a rate of 5.00% per year, payable semi-annually on April 1 and October 1 of each year, beginning on October 1, 2021. The 5.00% Senior Notes will mature on October 1, 2028. The net proceeds from the issuance of the 5.00% Senior Notes were used to repay $397.0 million of the Term Loans outstanding under the Credit Agreement.

The Senior Notes are unsubordinated secured obligations of the Company, secured by a first priority lien on the collateral that secures the Company’s obligations under the Credit Agreement. The Senior Notes are fully and unconditionally guaranteed on a first priority secured basis by the Company and the majority of our wholly-owned subsidiaries. The offering of the Senior Notes has not been registered under the Securities Act of 1933, as amended or any state securities laws.

Senior Notes Covenant Compliance

Subject to certain exceptions and qualifications, the indenture governing the Senior Notes contains customary covenants that, among other things, limits the Company and its restricted subsidiaries’ ability to: incur additional debt or issue certain preferred stock; pay dividends or make other distributions on capital stock or prepay subordinated indebtedness; purchase or redeem any equity interests; make investments; create liens; sell assets; enter into agreements that restrict dividends or other payments by restricted subsidiaries; consolidate, merge or transfer all or substantially all of its assets; engage in transactions with its affiliates; or enter into any sale and leaseback transactions. The indenture also contains customary events of default. At December 31, 2023, the Company was in compliance with all terms, conditions and covenants under the indenture governing the Senior Notes.

Finance Leases

We lease certain facilities and equipment under various finance leases which expire between 2024 and 2040. As of December 31, 2023, the present value of the minimum remaining lease commitments was approximately $39.2 million, of which $18.4 million was due and payable within the next twelve months. The leases require total remaining rental payments of $44.1 million as of December 31, 2023.

Searchlight Investment

In connection with an investment agreement entered into in September 2020 with an affiliate of Searchlight, Searchlight invested a total of $425.0 million in Consolidated and holds a combination of perpetual Series A preferred stock and approximately 34% of the Company's outstanding common stock as of December 31, 2023. On October 2, 2020, we closed on the first stage of the strategic investment of $350.0 million with Searchlight. The second stage of the investment was completed on December 7, 2021 and we received the additional investment of $75.0 million from Searchlight.

On December 7, 2021, we issued 434,266 shares of Series A Preferred Stock to Searchlight. Dividends on each share of Series A Preferred Stock accrue daily on the liquidation preference at a rate of 9.0% per annum and will be payable semi-annually in arrears on January 1 and July 1 of each year. Dividends are payable until October 2, 2027 at our election, either in cash or in-kind through an accrual of unpaid dividends, which are automatically added to the liquidation preference; and after October 2, 2027, solely in cash. The liquidation preference at any given time is $1,000 per share, as adjusted to include any paid-in-kind dividends. As of December 31, 2023 and 2022, the liquidation preference of the Series A Preferred Stock was $521.0 million and $477.0 million, respectively, which includes accrued and unpaid dividends of $22.4 million and $20.7 million, respectively. The Company intends to exercise the PIK dividend option on the Series A Preferred Stock through at least 2025.

Dividends

On April 25, 2019, we announced the elimination of the payment of quarterly dividends on our stock beginning in the second quarter of 2019 in order to focus on deleveraging and our fiber network investments. Future dividend payments, if any, are at the discretion of our Board of Directors. Changes in our dividend program will depend on our earnings, capital requirements, financial condition, debt covenant compliance, expected cash needs and other factors considered relevant by our Board of Directors.

Sufficiency of Cash Resources

The following table sets forth selected information regarding our financial condition:

	December 31,	
(In thousands, except for ratio)	**2023**	**2022**
Cash and cash equivalents and short-term investments	$ 4,765	$ 413,803
Working capital (deficit)	(61,090)	331,240
Current ratio	0.81	2.24

Our net working capital position decreased $392.3 million as of December 31, 2023 compared to December 31, 2022. Cash, cash equivalents and short-term investments decreased $409.0 million primarily as a result of capital expenditures for the fiber build plan during 2023. Working capital was reduced by an increase in accounts payable and accrued expense of $27.0 million and $18.8 million at December 31, 2023, respectively, related to the timing of expenditures. Prepaid expense and other current assets also decreased $6.2 million primarily due to the maturity of interest rate swap agreements during 2023. However, at December 31, 2023, working capital included net assets classified as held for sale of $67.1 million related to the pending sale of the Washington operations.

Our most significant use of funds in 2024 is expected to be for capital expenditures and interest payments on our indebtedness. We have historically funded certain core network capacity equipment with finance leases and it remains our intent to continue such arrangements with our leasing partners. In the event we are unable to secure such financing, we may be required to make cash expenditures for this capital. The refinancing of our capital structure in recent years, including the Fifth Amendment to our Credit Agreement described above, and availability of approximately $214.3 million on our revolving credit facility as of December 31, 2023 provides us with near-term financial and operational flexibility. As of March 5, 2024, borrowings of $70.0 million were outstanding on our revolving credit facility. In the future, our ability to use cash may be limited by our other expected uses of cash and our ability to incur additional debt will be limited by our existing and future debt agreements.

We believe that cash flows from operating activities, together with our existing cash and borrowings available under our revolving credit facility, will be sufficient for at least the next twelve months to fund our current anticipated uses of cash. After that, our ability to fund expected uses of cash and to comply with the financial covenants under our debt agreements will depend on the completion of the proposed Merger with Searchlight, results of future operations, performance, cash flow and potential additional divestitures of non-core assets. Borrowings under our revolving credit facility are our primary source of near-term liquidity. If we are not able to comply with the financial covenants on the revolving credit facility, the amount of borrowings available to us may be reduced or eliminated and we may lose access to a large portion of our current source of liquidity. Our ability to fund expected uses of cash from the results of future operations will be subject to prevailing economic conditions and to financial, business, regulatory, legislative and other factors, many of which are beyond our control.

To the extent that our business plans or projections change or prove to be inaccurate, we may require additional financing or require financing sooner than we currently anticipate. Sources of additional financing may include commercial bank borrowings, other strategic debt financing, sales of nonstrategic assets, vendor financing or the private or public sales of equity and debt securities. There can be no assurance that we will be able to generate sufficient cash flows from operations in the future, that anticipated revenue growth will be realized, or that future borrowings or equity issuances will be available in amounts sufficient to provide adequate sources of cash to fund our expected uses of cash. Furthermore, failure to complete the proposed Merger with Searchlight within the expected timeframe or obtain adequate financing, if necessary, could require us to significantly reduce our operations or level of capital expenditures, which could have a material adverse effect on our financial condition, results of operations and fiber build plan. Without sufficient capital, we will not be able to expand our fiber network at the rate required to remain competitive.

We may be unable to access the cash flows of our subsidiaries since certain of our subsidiaries are parties to credit or other borrowing agreements, or subject to statutory or regulatory restrictions, that restrict the payment of dividends or making intercompany loans and investments, and those subsidiaries are likely to continue to be subject to such restrictions and prohibitions for the foreseeable future. In addition, future agreements that our subsidiaries may enter into governing the terms of indebtedness may restrict our subsidiaries' ability to pay dividends or advance cash in any other manner to us.

Surety Bonds

In the ordinary course of business, we enter into surety, performance and similar bonds as required by certain jurisdictions in which we provide services. As of December 31, 2023, we had approximately $45.8 million of these bonds outstanding.

Contractual Obligations

As of December 31, 2023, our most significant contractual obligations include the following:

(In thousands)	Short-Term	Long-Term	Total
Long-term debt	$ —	$ 2,149,875	$ 2,149,875
Interest on long-term debt obligations	157,925	539,104	697,029
Finance leases	21,217	22,878	44,095
Operating leases	10,235	31,061	41,296
Purchase obligations	55,676	30,945	86,621

Our long-term debt obligations represent our most significant contractual obligations. The partial repayment of the Term Loans in March 2021 eliminated all future required quarterly principal payments for the remaining term of the loan. We currently have no maturities on our outstanding long-term debt until 2027. The long-term debt obligation represents the maturity of the Term Loans in 2027 and the Senior Notes in 2028. Interest on long-term debt includes amounts due on fixed and variable rate debt outstanding as of December 31, 2023. As the rates on our variable debt are subject to change, the rates in effect at December 31, 2023 were used in determining our future interest obligations.

Other contractual obligations consist primarily of purchase obligations and finance and operating leases for facilities, land, underground conduit, colocations, and equipment used in our operations. Unrecorded purchase obligations include binding commitments for future capital expenditures and service and maintenance agreements to support various computer hardware and software applications and certain equipment. If we terminate any of the contracts prior to their expiration date, we may be liable for minimum commitment payments as defined by the terms of the contracts. For additional information, see Note 10 and Note 15 to the consolidated financial statements.

Defined Benefit Pension Plans

As required, we contribute to qualified defined pension plans and non-qualified supplemental retirement plans (collectively the “Pension Plans”) and other post-retirement benefit plans, which provide retirement benefits to certain eligible employees. Contributions are intended to provide for benefits attributed to service to date. Our funding policy is to contribute annually an actuarially determined amount consistent with applicable federal income tax regulations.

The cost to maintain our Pension Plans and future funding requirements are affected by several factors including the expected return on investment of the assets held by the Pension Plans, changes in the discount rate used to calculate pension expense and the amortization of unrecognized gains and losses. Returns generated on the Pension Plans assets have historically funded a significant portion of the benefits paid under the Pension Plans. We used a weighted-average expected long-term rate of return of 7.00% in 2023 and 6.00% in 2022. As of January 1, 2024, we estimate the long-term rate of return of Plan assets will be 6.50%. The Pension Plans invest in marketable equity securities which are exposed to changes in the financial markets. If the financial markets experience a downturn and returns fall below our estimate, we could be required to make material contributions to the Pension Plans, which could adversely affect our cash flows from operations.

Net pension and post-retirement cost (benefit) was $1.4 million, $(12.3) million and $(3.8) million for the years ended December 31, 2023, 2022 and 2021, respectively. Our contribution amounts meet the minimum funding requirements as set forth in employee benefit and tax laws. We elected to participate in ARPA beginning with the 2021 plan year. ARPA, which was signed into law in March 2021, included changes to the employer funding requirements and is designed to reduce the amounts of required contributions as a relief. During 2021 and the six months ended June 30, 2022, we elected to fund our pension contributions at the pre-ARPA levels, which has created a pre-funded balance. We intend to use our current pre-funded balance to satisfy the minimum contribution requirements until the balance is exhausted, which is expected to occur in late 2024. In 2023, no pension contributions were required under the ARPA minimum required contributions. We contributed $10.1 million and $20.8 million in 2022 and 2021, respectively, to our Pension Plans. We expect that for 2024, contributions to our Pension Plans will be between approximately $0.2 million and $0.5 million. For our other post-retirement plans, we contributed $6.9 million, $6.9 million and $8.6 million in 2023, 2022 and 2021, respectively. In 2024, we expect to make contributions totaling approximately $5.7 million to our other post-retirement benefit plans. See Note 13 to the consolidated financial statements for a more detailed discussion regarding our pension and other post-retirement plans.

Income Taxes

The timing of cash payments for income taxes, which is governed by the Internal Revenue Service and other taxing jurisdictions, will differ from the timing of recording tax expense and deferred income taxes, which are reported in accordance with GAAP. For example, tax laws in effect regarding accelerated or “bonus” depreciation for tax reporting may result in less cash payments than the GAAP tax expense. Acceleration of tax deductions could eventually result in situations where cash payments will exceed GAAP tax expense.

Critical Accounting Estimates

Our significant accounting policies and estimates are discussed in the Notes to our consolidated financial statements. We prepare our consolidated financial statements in accordance with generally accepted accounting principles in the United States. The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are affected by management’s application of our accounting policies. Our judgments are based on historical experience and various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. However, because future events and the related effects cannot be determined with certainty, actual results may differ from our estimates and assumptions and such differences could be material. Management believes that the following accounting estimates are the most critical to understanding and evaluating our reported financial results.

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets are not subject to amortization and are tested for impairment annually or more frequently when events or changes in circumstances indicate that the asset might be impaired. We evaluate the carrying value of our indefinite-lived assets as of November 30 of each year.

Goodwill

As discussed more fully in Note 1 to the consolidated financial statements, goodwill is not amortized but instead evaluated for impairment annually, or more frequently if an event occurs or circumstances change that would indicate potential impairment. At December 31, 2023 and 2022, the carrying value of our goodwill was $814.6 million and $929.6 million, respectively. Goodwill decreased $114.9 million during 2023 as a result of allocated goodwill for a divestiture classified as assets held for sale at December 31, 2023, as described in Note 5 to the consolidated financial statements. The evaluation of goodwill may first include a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Events and circumstances integrated into the qualitative assessment process include a combination of macroeconomic conditions affecting equity and credit markets, significant changes to the cost structure, overall financial performance and other relevant events affecting the reporting unit.

Functional management within the organization evaluates the operations of our single reporting unit on a consolidated basis rather than at a geographic level or on any other component basis. In general, product managers and cost managers are responsible for managing costs and services across territories rather than treating the territories as separate business units. All of the properties are managed at a functional level. As a result, we evaluate the operations for all our service territories as a single reporting unit.

For the 2023 assessment, we evaluated the fair value of the goodwill compared to the carrying value using the qualitative approach. The results of the qualitative approach concluded that it was more likely than not that the fair value was greater than the carrying value, and therefore, we did not perform the calculation of fair value for our single reporting unit as described below.

For the 2022 assessment, we evaluated the fair value of goodwill compared to the carrying value using the quantitative approach and we concluded that the fair value of the reporting unit exceeded the carrying value at November 30, 2022 and that there was no impairment of goodwill. When we use the quantitative approach to assess the goodwill carrying value and the fair value of our single reporting unit, the fair value of our reporting unit is compared to its carrying amount, including goodwill. We would expect to use the quantitative approach at least every third year or more frequently if an event or if circumstances change that may indicate a potential impairment of goodwill has occurred. The estimated fair value of the reporting unit is determined using a combination of market-based approaches and a discounted cash flow ("DCF") model and reconciled to our market capitalization plus an estimated control premium. The assumptions used in the estimate of fair value are based upon a combination of historical results and trends, new industry developments and future cash flow projections using an appropriate discount rate (9.7% as of November 2022), as well as relevant comparable company earnings multiples for the market-based approaches. Significant assumptions used in the analysis include a long-term growth rate and the weighted average cost of capital which is used to discount estimates of projected future results and cash flows. Such assumptions are judgmental and subject to change as a result of changing economic and competitive conditions.

Trade Name

As discussed more fully in Note 1 to the consolidated financial statements, indefinite-lived trade names are not amortized, but instead evaluated annually, or more frequently if an event occurs or circumstances change that would indicate potential impairment using a preliminary qualitative assessment and a quantitative process, if deemed necessary. The carrying value of our trade name, excluding any finite-lived trade names, was $10.6 million at December 31, 2023 and 2022.

When we use the quantitative approach to estimate the fair value of our trade name, we use DCF models based on a relief-from-royalty method. If the fair value of our trade name is less than the carrying amount, then we would recognize an impairment charge for the difference between the estimated fair value and the carrying value of the asset. We perform our impairment testing of our trade name as a single unit of accounting based on its use in our single reporting unit.

For the 2023 assessment, we used the qualitative approach to evaluate the fair value compared to the carrying value of the trade name. Based on our assessment, we concluded that the fair value of the trade name continued to exceed the carrying value.

Income Taxes

Our current and deferred income taxes and associated valuation allowances are impacted by events and transactions arising in the normal course of business as well as in connection with the adoption of new accounting standards, acquisitions of businesses and non-recurring items. Assessment of the appropriate amount and classification of income taxes is dependent on several factors, including estimates of the timing and realization of deferred income tax assets and the timing of income tax payments. Actual amounts may materially differ from these estimates as a result of changes in tax laws as well as unanticipated future transactions impacting related income tax balances. We account for tax benefits taken or expected to be taken in our tax returns in accordance with the accounting guidance applicable for uncertainty in income taxes, which requires the use of a two-step approach for recognizing and measuring tax benefits taken or expected to be taken in a tax return.

Pension and Post-Retirement Benefits

The amounts recognized in our financial statements for pension and post-retirement benefits are determined on an actuarial basis utilizing several critical assumptions. We make significant assumptions in regards to our pension and post-retirement plans, including the expected long-term rate of return on plan assets, the discount rate used to value the periodic pension expense and liabilities, future salary increases and actuarial assumptions relating to mortality rates and healthcare trend rates. Changes in these estimates and other factors could significantly impact our benefit cost and obligations to maintain pension and post-retirement plans.

Our pension investment objective is to invest in a prudent manner to meet the obligation of providing benefits to plan participants and their beneficiaries in accordance with the time horizon appropriate for the pension plan. In seeking this objective, diversification of assets will be employed to minimize the risk of large losses, except to the extent under circumstances it would not be prudent to do so. Accordingly, we target our allocation percentage at approximately 70 - 90% in return seeking assets consisting primarily of equity and fixed income funds with the remainder in hedge funds. Our assumed rate considers this investment mix as well as past trends. We used a weighted-average expected long-term rate of return of 7.00% in 2023 and 6.00% in 2022. As of January 1, 2024, we estimate that the expected long-term rate of return of pension plan assets will be 6.50%.

In determining the appropriate discount rate, we consider the current yields on high-quality corporate fixed-income investments with maturities that correspond to the expected duration of our pension and post-retirement benefit plan obligations. For our 2023 and 2022 projected benefit obligations, we used a weighted-average discount rate of 5.34% and 5.63%, respectively, for our pension plans and 5.40% and 5.64%, respectively, for our other post-retirement plans.

Our Pension Plans are sensitive to changes in the discount rate and the expected long-term rate of return on plan assets. A one percentage-point increase or decrease in the discount rate and expected long-term rate of return would have the following effects on net periodic pension cost of the Pension Plans:

(In thousands)	1-Percentage-Point Increase	1-Percentage-Point Decrease
Discount rate	$ (2,251)	$ 3,556
Expected long-term rate of return on plan assets	$ (4,432)	$ 4,432

Our post-retirement benefit plans are sensitive to the healthcare cost trend rate assumption. For purposes of determining the cost and obligation for post-retirement medical benefits, a 6.50% healthcare cost trend rate was assumed for 2023, declining to the ultimate trend rate of 5.00% in 2030. A 1.00% increase in the assumed healthcare cost trend rate would result in increases of approximately $1.2 million and $0.1 million in the post-retirement benefit obligation and total service and interest cost, respectively. A 1.00% decrease in the assumed healthcare cost trend would result in decreases of approximately $1.4 million and $0.1 million in the post-retirement benefit obligation and in the total service and interest cost, respectively.

Recent Accounting Pronouncements

For information regarding the impact of certain recent accounting pronouncements, see Note 1 “Business Description & Summary of Significant Accounting Policies” to the consolidated financial statements included in this report in Part II -Item 8 “Financial Statements and Supplementary Data.”

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is primarily related to the impact of interest rate fluctuations on our debt obligations. Market risk is the potential loss arising from adverse changes in market interest rates on our variable rate obligations. In order to manage the volatility relating to changes in interest rates, we utilize derivative financial instruments such as interest rate swaps to maintain a mix of fixed and variable rate debt. We do not use derivatives for trading or speculative purposes. Our interest rate swap agreements effectively convert a portion of our floating-rate debt to a fixed-rate basis, thereby reducing the impact of interest rate changes on future cash interest payments. We calculate the potential change in interest expense caused by changes in market interest rates by determining the effect of the hypothetical rate increase on the portion of our variable rate debt that is not subject to a variable rate floor or hedged through the interest rate swap agreements. Based on our variable rate debt outstanding as of December 31, 2023, a 1.00% change in market interest rates would increase or decrease annual interest expense by approximately $5.0 million.

Item 8. Financial Statements and Supplementary Data

For information pertaining to our Financial Statements and Supplementary Data, refer to pages F-1 to F-45 of this report, which are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”) that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. In connection with the filing of this Form 10-K, management evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design to provide reasonable assurance of achieving their objectives and operation of our disclosure controls and procedures as of December 31, 2023. Based upon that evaluation and subject to the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level as of December 31, 2023.

Inherent Limitation of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can only provide reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a–15(f). Management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2023. In making this assessment, management used the framework set forth in *Internal Control-Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, our management concluded that, as of December 31, 2023, our internal control over financial reporting was effective to provide reasonable assurance that the desired control objectives were achieved.

The effectiveness of internal control over financial reporting has been audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their report which is included elsewhere in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Based upon the evaluation performed by our management, which was conducted with the participation of our Chief Executive Officer and Chief Financial Officer, there has been no change in our internal control over financial reporting during the quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Consolidated Communications Holdings, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Consolidated Communications Holdings, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Consolidated Communications Holdings, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), changes in mezzanine equity and shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023, and the related notes and our report dated March 5, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 5, 2024

Item 9B. Other Information

During the year ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Our Board of Directors adopted a Code of Business Conduct and Ethics ("the code") that applies to all of our employees, officers and directors, including our principal executive officer, principal financial officer and principal accounting officer. A copy of the code is posted on our investor relations website at www.consolidated.com. Information contained on the website is not incorporated by reference in, or considered to be a part of, this document. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our code, as well as Nasdaq's requirement to disclose waivers with respect to directors and executive officers, by posting such information on our website at the address and location specified above.

Additional information required by this Item is incorporated herein by reference to our proxy statement for the annual meeting of our shareholders to be filed pursuant to Regulation 14A within 120 days after our fiscal year-end of December 31, 2023.

Item 11. Executive Compensation

Incorporated herein by reference to our proxy statement for the annual meeting of our shareholders to be filed pursuant to Regulation 14A within 120 days after our fiscal year-end of December 31, 2023.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Incorporated herein by reference to our proxy statement for the annual meeting of our shareholders to be filed pursuant to Regulation 14A within 120 days after our fiscal year-end of December 31, 2023.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference to our proxy statement for the annual meeting of our shareholders to be filed pursuant to Regulation 14A within 120 days after our fiscal year-end of December 31, 2023.

Item 14. Principal Accounting Fees and Services

Incorporated herein by reference to our proxy statement for the annual meeting of our shareholders to be filed pursuant to Regulation 14A within 120 days after our fiscal year-end of December 31, 2023.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(1) All Financial Statements

The following consolidating financial statements and independent auditors' report are filed as part of this report on Form 10-K in Item 8–"Financial Statements and Supplementary Data":

	Location
Report of Independent Registered Public Accounting Firm (PCAOB ID 42)	F-1
Consolidated Statements of Operations for each of the three years in the period ended December 31, 2023	F-3
Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2023	F-4
Consolidated Balance Sheets as of December 31, 2023 and 2022	F-5
Consolidated Statements of Changes in Mezzanine Equity and Shareholders' Equity for each of the three years in the period ended December 31, 2023	F-6
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2023	F-7
Notes to Consolidated Financial Statements	F-8

(2) Financial Statement Schedules

No financial statement schedules have been included because they are not required, not applicable, or the information is otherwise included in the notes to the financial statements.

(3) Exhibits

The exhibits listed below on the accompanying Index to Exhibits are filed, except as otherwise indicated, as part of this report.

Exhibit No.	Description
2.1	Partnership Interest Purchase Agreement, dated as of August 1, 2022, by and among Cellco Partnership, Clio Subsidiary, LLC and, solely for the purposes of certain provisions specified therein, Consolidated Communications Enterprise Services, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated August 1, 2022)
2.2*	Agreement and Plan of Merger, dated as of October 15, 2023, by and among Consolidated Communications Holdings, Inc., Condor Holdings LLC and Condor Merger Sub Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K dated October 16, 2023)
3.1	Form of Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 7 to Form S-1 dated July 19, 2005)
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Consolidated Communications Holdings, Inc., as filed with the Secretary of State of the State of Delaware on May 3, 2011 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated May 4, 2011)
3.3	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Consolidated Communications Holdings, Inc., as amended as of April 26, 2021 (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K dated April 26, 2021)
3.4	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Consolidated Communications Holdings, Inc., as amended as of April 26, 2021 (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K dated April 26, 2021)

3.5	Amended and Restated Bylaws of Consolidated Communications Holdings Inc., as amended as of April 26, 2021 (incorporated by reference to Exhibit 3.3 to our Current Report on Form 8-K dated April 26, 2021)
4.1	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Amendment No. 7 to Form S-1 dated July 19, 2005)
4.2	Indenture, dated as of October 2, 2020, by and among Consolidated Communications, Inc., Consolidated Communications Holdings, Inc., the other Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee (the "2020 Indenture") (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated October 2, 2020)
4.3	Form of 6.500% Senior Secured Note due 2028 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on Form 8-K dated October 2, 2020)
4.4	Indenture, dated as of March 18, 2021, by and among Consolidated Communications, Inc., Consolidated Communications Holdings, Inc., the other Guarantors party thereto and Wells Fargo Bank, National Association, as Trustee and Notes Collateral Agent (the "2021 Indenture") (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated March 18, 2021)
4.5	Form of 5.000% Senior Secured Note due 2028 (incorporated by reference to Exhibit A to Exhibit 4.1 to our Current Report on Form 8-K dated March 18, 2021)
4.6	Joinder Agreement to Guaranty Agreement, dated as of February 1, 2021, by and among Consolidated Communications, Inc., the subsidiaries of Consolidated Communications Holdings, Inc. party thereto and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated February 1, 2021)
4.7*	Supplement No. 1 to Security Agreement, dated as of February 1, 2021, among the subsidiaries of Consolidated Communications Holdings, Inc. party thereto and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K dated February 1, 2021)
4.8*	Supplement No. 1 to Pledge Agreement, dated as of February 1, 2021, among Consolidated Communications, Inc., the subsidiaries of Consolidated Communications Holdings, Inc. party thereto and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K dated February 1, 2021)
4.9	First Supplemental Indenture to the 2020 Indenture, dated as of February 1, 2021, among Consolidated Communications, Inc., the subsidiaries of Consolidated Communications Holdings, Inc. party thereto and Wells Fargo Bank, National Association, as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K dated February 1, 2021)
4.10	Joinder Agreement to Guaranty Agreement, dated as of April 12, 2021, by and among Consolidated Communications, Inc., Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K dated April 12, 2021)
4.11	Supplement No. 2 to Security Agreement, dated as of April 12, 2021, between Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K dated April 12, 2021)
4.12	Supplement No. 2 to Pledge Agreement, dated as of April 12, 2021, between Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Collateral Agent (incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K dated April 12, 2021)
4.13	Second Supplement to 2020 Indenture, dated as of April 12, 2021, among Consolidated Communications, Inc., Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K dated April 12, 2021)

4.14	Supplement No. 2 to Security Agreement, dated as of April 12, 2021, among the Consolidated Communications, Inc., Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Notes Collateral Agent (incorporated by reference to Exhibit 4.5 to our Current Report on Form 8-K dated April 12, 2021)
4.15	Supplement No. 2 to Pledge Agreement, dated as of April 12, 2021, between Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Notes Collateral Agent (incorporated by reference to Exhibit 4.6 to our Current Report on Form 8-K dated April 12, 2021)
4.16	First Supplement to 2021 Indenture, dated as of April 12, 2021, among Consolidated Communications, Inc., Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.7 to our Current Report on Form 8-K dated April 12, 2021)
4.17	Supplement No. 1 to Security Agreement, dated as of April 12, 2021, among Consolidated Communications, Inc., Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Notes Collateral Agent (incorporated by reference to Exhibit 4.8 to our Current Report on Form 8-K dated April 12, 2021)
4.18	Supplement No. 1 to Pledge Agreement, dated as of April 12, 2021, between Consolidated Communications of Pennsylvania Company, LLC and Wells Fargo Bank, National Association, as Notes Collateral Agent (incorporated by reference to Exhibit 4.9 to Form 8-K dated April 12, 2021)
4.19	Description of the Company’s securities registered pursuant to Section 12(b) of the Securities Exchange Act Form of Employment Security Agreement with the Company’s and its subsidiaries vice president and director level employees (incorporated by reference to Exhibit 4.14 to our Annual Report on Form 10-K for the period ended December 31, 2019)
10.1*	Investment Agreement, dated as of September 13, 2020, by and between Consolidated Communications Holdings, Inc. and Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated September 13, 2020)
10.2	Governance Agreement, dated as of September 13, 2020, by and between Consolidated Communications Holdings, Inc. and Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated September 13, 2020)
10.3*	Contingent Payment Right Agreement, dated as of October 2, 2020, by and between Consolidated Communications Holdings, Inc. and Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated October 2, 2020)
10.4	Registration Rights Agreement, dated as of October 2, 2020, by and between Consolidated Communications Holdings, Inc. and Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated October 2, 2020)
10.5*	Credit Agreement, dated as of October 2, 2020, among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., the Lenders and other parties referred to therein, Wells Fargo Bank, National Association, as Administrative Agent, Issuing Bank and Swingline Lender (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated October 2, 2020)
10.6	Amendment No. 1, dated as of January 15, 2021, to the Credit Agreement among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., JPMorgan Chase Bank, N.A., as incremental term loan lender, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated January 15, 2021)
10.7	Amendment No. 2, dated as of April 5, 2021, to the Credit Agreement among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., JPMorgan Chase Bank, N.A., as incremental term loan lender, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated April 5, 2021)

10.8	Amendment No. 3, dated as of November 22, 2022, to the Credit Agreement among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., JPMorgan Chase Bank, N.A., as incremental term loan lender, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated November 22, 2022)
10.9	Amendment No. 4, dated as of April 17, 2023, to the Credit Agreement among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., JPMorgan Chase Bank, N.A., as incremental term loan lender, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated April 18, 2023)
10.10	Amendment No. 5, dated as of October 15, 2023, to the Credit Agreement among Consolidated Communications Holdings, Inc., Consolidated Communications, Inc., JPMorgan Chase Bank, N.A., as incremental term loan lender, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated October 16, 2023)
10.11	Waiver, dated as of November 22, 2022, made by Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated November 22, 2022)
10.12**	Offer Letter, dated November 11, 2022, by and between Consolidated Communications, Inc. and Fred A. Graffam III (incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K dated March 3, 2023)
10.13**	Amended and Restated Consolidated Communications Holdings, Inc. Restricted Share Plan (incorporated by reference to Exhibit 10.11 to Amendment No. 7 to Form S-1 dated July 19, 2005)
10.14**	Consolidated Communications Holdings, Inc. Long-Term Incentive Plan (as amended and restated effective February 21, 2021) (incorporated by reference to Exhibit C to our definitive proxy statement on Schedule 14A filed with the SEC on March 17, 2021)
10.15**	Amendment to the Amended and Restated Consolidated Communications Holdings, Inc. Long-Term Incentive Plan, dated May 1, 2023 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 1, 2023)
10.16**	Form of Employment Security Agreement with the CEO of the Company (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated October 25, 2020)
10.17*	Form of Employment Security Agreement with the CFO of the Company (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K dated November 28, 2022)
10.18**	Form of Employment Security Agreement with certain of the Company's employees (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012)
10.19**	Form of Employment Security Agreement with certain of the Company's other executive officers (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K dated December 4, 2009)
10.20**	Form of Employment Security Agreement with the Company's and its subsidiaries vice president and director level employees (incorporated by reference to Exhibit 10.12 to our Annual Report on Form 10-K for the period ended December 31, 2007)
10.21**	Executive Long-Term Incentive Program, as revised March 12, 2007 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated March 12, 2007)
10.22**	Form of 2005 Long-Term Incentive Plan Performance Stock Grant Certificate (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017)
10.23**	Form of 2005 Long-Term Incentive Plan Restricted Stock Grant Certificate (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2017)
10.24**	Form of 2005 Long-Term Incentive Plan Restricted Stock Grant Certificate (Executive) (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019)
10.25**	Form of 2005 Long-Term Incentive Plan Performance Stock Grant Certificate (Executive) (incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019)

10.26**	Form of 2005 Long-Term Incentive Plan Restricted Stock Grant Certificate for Directors (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K dated March 12, 2007)
10.27**	Description of the Consolidated Communications Holdings, Inc. Bonus Plan (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K dated March 12, 2007)
10.28	Form of Indemnification Agreement with Directors and Executive Officers (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated May 7, 2013)
10.29	Voting Agreement, dated as of October 15, 2023, by and between Consolidated Communications Holdings, Inc. and Searchlight III CVL, L.P. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated October 16, 2023)
21.1	List of subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP (St. Louis)
31.1	Certification of Chief Executive Officer of Consolidated Communications Holdings, Inc. pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer of Consolidated Communications Holdings, Inc. pursuant to Rule 13(a)-14(a) under the Securities Exchange Act of 1934
32.1***	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Consolidated Communications Holdings, Inc. Policy for Recovery of Erroneously Awarded Compensation
101	The following financial information from Consolidated Communications Holdings, Inc. Annual Report on Form 10-K for the year ended December 31, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Changes in Mezzanine Equity and Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

*Schedules and other attachments are omitted. The Company agrees to furnish, as a supplement, a copy of any schedule or other attachment to the Securities and Exchange Commission upon request.

**Indicates management contract or compensatory plan or arrangement.

***Furnished herewith.

Item 16. Form 10-K Summary

Not Applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in Mattoon, Illinois on March 5, 2024.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

By: /s/ C. ROBERT UDELL JR.
C. Robert Udell Jr.
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ C. ROBERT UDELL JR. C. Robert Udell Jr.	President and Chief Executive Officer, Director (Principal Executive Officer)	March 5, 2024
By: /s/ FRED A. GRAFFAM III Fred A. Graffam III	Chief Financial Officer (Principal Financial and Accounting Officer)	March 5, 2024
By: /s/ ROBERT J. CURREY Robert J. Currey	Chairman of the Board	March 5, 2024
By: /s/ ANDREW S. FREY Andrew J. Frey	Director	March 5, 2024
By: /s/ DAVID G. FULLER David G. Fuller	Director	March 5, 2024
By: /s/ THOMAS A. GERKE Thomas A. Gerke	Director	March 5, 2024
By: /s/ ROGER H. MOORE Roger H. Moore	Director	March 5, 2024
By: /s/ MARIBETH S. RAHE Maribeth S. Rahe	Director	March 5, 2024
By: /s/ MARISSA M. SOLIS Marissa M. Solis	Director	March 5, 2024

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Consolidated Communications Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Consolidated Communications Holdings, Inc. and subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations, comprehensive income (loss), changes in mezzanine equity and shareholders' equity and cash flows for each of the three years in the period ended December 31, 2023 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 5, 2024 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Defined Benefit Pension and Other Post-Retirement Benefit Obligations
Description of the Matter	The Company sponsors several pension plans and other postretirement benefit plans. At December 31, 2023, the Company's aggregate defined benefit pension obligation was $515 million and exceeded the fair value of pension plan assets of $425 million, resulting in an unfunded defined benefit pension obligation of $90 million. Also, at December 31, 2023, the other postretirement benefits obligation was approximately

$54 million. As explained in Note 13 of the consolidated financial statements, the Company updates the assumptions used to measure the defined benefit pension and postretirement benefit obligations, including discount rates, at December 31 or upon a remeasurement event to reflect updated actuarial assumptions. The Company determines the discount rates used to measure the obligations based upon an analysis of a hypothetical portfolio of bonds that match the expected cash flow of its pension and other postretirement benefit plans. Auditing the post-retirement benefit obligations was complex and required the involvement of specialists due to the judgmental nature of assumptions used in the measurement process, primarily the discount rate assumptions, which had a significant effect on the projected benefit obligations.

How we addressed the Matter in our audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of certain controls over the post-retirement benefits obligation valuation process. For example, we tested controls over management's review of the benefit obligation calculations and the significant actuarial assumptions, including the discount rates. To test the determination of the discount rate used in the calculation of the pension and post-retirement benefit obligations, we performed audit procedures that focused on evaluating, with the assistance of our actuarial specialists, the determination of the discount rates, among other procedures. For example, we assessed the appropriateness of the bonds included in the analysis used by management by evaluating the criteria used to select bonds, and by testing the characteristics and investment grade of the bonds selected, and we tested the mathematical accuracy of the analysis used by management through recalculation of the present value of cash flows and compared to the disclosed obligation.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2002.

St. Louis, Missouri

March 5, 2024

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(amounts in thousands, except per share amounts)

	Year Ended December 31,		
	2023	2022	2021
Net revenues	$ 1,110,120	$ 1,191,263	$ 1,282,233
Operating expense:			
Cost of services and products (exclusive of depreciation and amortization)	511,866	546,661	569,629
Selling, general and administrative expenses	340,252	301,667	271,125
Transaction costs	13,783	—	—
Loss on impairment of assets held for sale	77,755	131,698	5,704
Loss on disposal of assets	9,480	4,233	—
Depreciation and amortization	315,162	300,166	300,597
Income (loss) from operations	(158,178)	(93,162)	135,178
Other income (expense):			
Interest expense, net of interest income	(151,964)	(124,978)	(175,195)
Loss on extinguishment of debt	—	—	(17,101)
Change in fair value of contingent payment rights	—	—	(86,476)
Other, net	8,477	13,378	1,335
Loss from continuing operations before income taxes	(301,665)	(204,762)	(142,259)
Income tax benefit	(51,607)	(27,058)	(3,132)
Loss from continuing operations	(250,058)	(177,704)	(139,127)
Discontinued operations:			
Income from discontinued operations	—	23,467	41,845
Gain on sale of discontinued operations	—	389,885	—
Income tax expense	—	94,999	9,411
Income from discontinued operations	—	318,353	32,434
Net income (loss)	(250,058)	140,649	(106,693)
Less: dividends on Series A preferred stock	43,910	40,104	2,677
Less: net income attributable to noncontrolling interest	456	564	392
Net income (loss) attributable to common shareholders	$ (294,424)	$ 99,981	$ (109,762)
Net income (loss) per common share - basic and diluted			
Loss from continuing operations	$ (2.60)	$ (1.90)	$ (1.63)
Income from discontinued operations	—	2.77	0.37
Net income (loss) per basic and diluted common shares attributable to common shareholders	$ (2.60)	$ 0.87	$ (1.26)

See accompanying notes.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(amounts in thousands)

	Year Ended December 31,		
	2023	2022	2021
Net income (loss)	$ (250,058)	$ 140,649	$ (106,693)
Pension and post-retirement obligations:			
Change in net actuarial loss and prior service cost, net of tax of $(5,221), $16,744 and $11,903	(14,664)	47,123	33,344
Amortization of actuarial loss (gain) and prior service cost (credit) to earnings, net of tax of $108, $(269) and $1,950	318	(762)	5,444
Derivative instruments designated as cash flow hedges:			
Change in fair value of derivatives, net of tax of $164, $3,847 and $306	462	10,879	868
Reclassification of realized loss (gain) to earnings, net of tax of $(2,619), $607 and $3,773	(7,378)	1,721	10,191
Comprehensive income (loss)	(271,320)	199,610	(56,846)
Less: comprehensive income attributable to noncontrolling interest	456	564	392
Total comprehensive income (loss) attributable to common shareholders	$ (271,776)	$ 199,046	$ (57,238)

See accompanying notes.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(amounts in thousands, except share and per share amounts)

	December 31,	
	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,765	$ 325,852
Short-term investments	—	87,951
Accounts receivable, net of allowance for credit losses	121,194	119,675
Income tax receivable	2,880	1,670
Prepaid expenses and other current assets	56,843	62,996
Assets held for sale	70,473	—
Total current assets	256,155	598,144
Property, plant and equipment, net	2,449,009	2,234,122
Investments	8,887	10,297
Goodwill	814,624	929,570
Customer relationships, net	18,616	43,089
Other intangible assets	10,557	10,557
Other assets	70,578	61,315
Total assets	$ 3,628,426	$ 3,887,094
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 60,073	$ 33,096
Advance billings and customer deposits	44,478	46,664
Accrued compensation	58,151	60,903
Accrued interest	18,694	18,201
Accrued expense	114,022	95,206
Current portion of long-term debt and finance lease obligations	18,425	12,834
Liabilities held for sale	3,402	—
Total current liabilities	317,245	266,904
Long-term debt and finance lease obligations	2,134,916	2,129,462
Deferred income taxes	210,648	274,309
Pension and other post-retirement obligations	137,616	123,644
Other long-term liabilities	48,637	47,326
Total liabilities	2,849,062	2,841,645
Commitments and contingencies (Note 15)		
Series A preferred stock, par value $0.01 per share; 10,000,000 shares authorized, 434,266 and 456,343 shares outstanding as of December 31, 2023 and December 31, 2022, respectively; liquidation preference of $520,957 and $477,047 as of December 31, 2023 and December 31, 2022, respectively	372,590	328,680
Shareholders' equity:		
Common stock, par value $0.01 per share; 150,000,000 shares authorized, 116,172,568 and 115,167,193 shares outstanding as of December 31, 2023 and December 31, 2022, respectively	1,162	1,152
Additional paid-in capital	681,757	720,442
Retained earnings (accumulated deficit)	(262,380)	(11,866)
Accumulated other comprehensive loss, net	(21,872)	(610)
Noncontrolling interest	8,107	7,651
Total shareholders' equity	406,774	716,769
Total liabilities, mezzanine equity and shareholders' equity	$ 3,628,426	$ 3,887,094

See accompanying notes.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY

(amounts in thousands)

	Mezzanine Equity		Shareholders' Equity						
	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss, net	Non-controlling Interest	Total
	Shares	Amount	Shares	Amount					
Balance at December 31, 2020	—	$ —	79,228	$ 792	$ 525,673	$ (34,514)	$ (109,418)	$ 6,695	$ 389,228
Shares issued under employee plan, net of forfeitures	—	—	1,652	17	(17)	—	—	—	—
Shares issued to Searchlight	—	—	32,986	330	209,387	—	—	—	209,717
Series A preferred stock issued	434	285,899	—	—	—	—	—	—	—
Dividends on Series A preferred stock accrued	—	2,677	—	—	(2,677)	—	—	—	(2,677)
Non-cash, share-based compensation	—	—	—	—	10,097	—	—	—	10,097
Purchase and retirement of common stock	—	—	(219)	(2)	(1,717)	—	—	—	(1,719)
Other comprehensive income (loss)	—	—	—	—		—	49,847	—	49,847
Net income (loss)	—	—	—	—	—	(107,085)	—	392	(106,693)
Balance at December 31, 2021	434	$ 288,576	113,647	$ 1,137	$ 740,746	$ (141,599)	$ (59,571)	$ 7,087	$ 547,800
Shares issued under employee plan, net of forfeitures	—	—	1,809	17	(17)	—	—	—	—
Series A preferred stock issued	22	—	—	—	—	—	—	—	—
Dividends on Series A preferred stock accrued	—	40,104	—	—	(29,752)	(10,352)	—	—	(40,104)
Non-cash, share-based compensation	—	—	—	—	10,755	—	—	—	10,755
Purchase and retirement of common stock	—	—	(289)	(2)	(1,290)	—	—	—	(1,292)
Other comprehensive income (loss)	—	—	—	—	—	—	58,961	—	58,961
Net income (loss)	—	—	—	—	—	140,085	—	564	140,649
Balance at December 31, 2022	456	$ 328,680	115,167	$ 1,152	$ 720,442	$ (11,866)	$ (610)	$ 7,651	$ 716,769
Shares issued under employee plan, net of forfeitures	—	—	1,570	16	(16)	—	—	—	—
Series A preferred stock issued	21	—	—	—	—	—	—	—	—
Accrued Series A preferred stock liquidation preference as paid-in-kind dividends	—	43,910	—	—	(43,910)	—	—	—	(43,910)
Non-cash, share-based compensation	—	—	—	—	7,613	—	—	—	7,613
Purchase and retirement of common stock	—	—	(565)	(6)	(2,372)	—	—	—	(2,378)
Other comprehensive income (loss)	—	—	—	—	—	—	(21,262)	—	(21,262)
Other	(43)	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	(250,514)	—	456	(250,058)
Balance at December 31, 2023	434	$ 372,590	116,172	$ 1,162	$ 681,757	$ (262,380)	$ (21,872)	$ 8,107	$ 406,774

See accompanying notes.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Year Ended December 31,		
	2023	2022	2021
Cash flows from operating activities:			
Net income (loss)	$ (250,058)	$ 140,649	$ (106,693)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	315,162	300,166	300,597
Deferred income tax expense (benefit)	(56,092)	58,894	5,504
Cash distributions from wireless partnerships in excess of current earnings	—	5,697	1,195
Pension and post-retirement contributions in excess of expense	(5,827)	(29,205)	(33,208)
Stock-based compensation expense	7,613	10,755	10,097
Amortization of deferred financing costs and discounts	8,051	7,331	15,622
Noncash interest expense on convertible security interest	—	—	30,927
Loss on extinguishment of debt	—	—	17,101
Loss on change in fair value of contingent payment rights	—	—	86,476
Loss on impairment of assets held for sale	77,755	131,698	5,704
Gain on sale of partnership interests	—	(389,885)	—
Loss on disposal of assets	9,480	4,233	—
Other, net	(1,673)	(367)	3,226
Changes in operating assets and liabilities:			
Accounts receivable, net	(9,503)	5,167	4,103
Income tax receivable	(1,210)	(536)	(62)
Prepaid expenses and other assets	(10,092)	(7,699)	(12,863)
Accounts payable	23,261	(909)	(189)
Accrued expenses and other liabilities	7,720	(12,279)	(8,670)
Net cash provided by operating activities	114,587	223,710	318,867
Cash flows from investing activities:			
Purchases of property, plant and equipment, net	(515,035)	(619,981)	(480,346)
Purchase of investments	—	(302,907)	(175,764)
Proceeds from sale and maturity of investments	91,623	327,419	66,198
Proceeds from sale of assets	5,954	22,918	3,469
Proceeds from business dispositions	—	105,823	—
Proceeds from sale of partnership interests	—	482,966	—
Net cash provided by (used in) investing activities	(417,458)	16,238	(586,443)
Cash flows from financing activities:			
Proceeds from bond offering	—	—	400,000
Proceeds from issuance of long-term debt	—	—	150,000
Proceeds from issuance of common stock	—	—	75,000
Payment of finance lease obligations	(15,338)	(9,836)	(6,365)
Payment on long-term debt	—	—	(397,000)
Payment of financing costs	(500)	(2,603)	(8,266)
Share repurchases for minimum tax withholding	(2,378)	(1,292)	(1,719)
Net cash used in financing activities	(18,216)	(13,731)	211,650
Change in cash and cash equivalents	(321,087)	226,217	(55,926)
Cash and cash equivalents at beginning of period	325,852	99,635	155,561
Cash and cash equivalents at end of period	$ 4,765	$ 325,852	$ 99,635

See accompanying notes.

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. BUSINESS DESCRIPTION & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Basis of Accounting

Consolidated Communications Holdings, Inc. (the "Company," "we," "our" or "us") is a holding company with operating subsidiaries (collectively "Consolidated") that provide communication solutions to consumer, commercial and carrier customers across a service area in over 20 states.

Leveraging our advanced fiber network spanning approximately 60,000 fiber route miles, we offer residential high-speed Internet, video, phone and home security services as well as a comprehensive business product suite including: data and Internet solutions, voice, data center services, security services, managed and IT services, and an expanded suite of cloud services.

Use of Estimates

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ materially from those estimates. Our critical accounting estimates include (i) impairment evaluations associated with indefinite-lived intangible assets (Note 1), (ii) the determination of deferred tax asset and liability balances (Notes 1 and 14) and (iii) pension plan and other post-retirement costs and obligations (Notes 1 and 13).

Principles of Consolidation

Our consolidated financial statements include the accounts of the Company and our wholly-owned subsidiaries and subsidiaries in which we have a controlling financial interest. All significant intercompany transactions have been eliminated.

Recent Business Developments

Merger Agreement

On October 15, 2023, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Condor Holdings LLC, a Delaware limited liability company ("Parent") affiliated with certain funds managed by affiliates of Searchlight Capital Partners, L.P. ("Searchlight"), and Condor Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which, subject to the terms and conditions thereof, Merger Sub will merge with and into the Company (the "Merger") with the Company continuing as the surviving corporation and a wholly owned subsidiary of an affiliate of Searchlight. British Columbia Investment Management Corporation ("BCI") and certain affiliates of Searchlight have committed to provide equity financing to Parent to fund the transactions contemplated by the Merger Agreement. Searchlight is the beneficial owner of approximately 34% of the Company's outstanding shares of common stock as of December 31, 2023 and is the holder of 100% of the Company's outstanding Series A perpetual preferred stock. Refer to Note 4 for a more complete discussion of the strategic investment with Searchlight. Subject to the terms and conditions set forth in the Merger Agreement, upon the consummation of the Merger, each share of the Company's common stock, par value $0.01 per share (other than shares of the Company's common stock (i) held directly or indirectly by Parent, Merger Sub or any subsidiary of the Company, (ii) held by the Company as treasury shares or (iii) held by any person who properly exercises appraisal rights under Delaware law) will be converted into the right to receive an amount in cash equal to $4.70 per share, without interest (the "Merger Consideration"), subject to any withholding of taxes required by applicable law. In addition, pursuant to the Merger Agreement, upon the consummation of the Merger, (i) Company restricted share awards ("Company RSAs") held by non-employee directors or by certain affiliates of Searchlight will vest and be canceled in exchange for the Merger Consideration and (ii) all other Company RSAs will be converted into restricted cash awards based on the Merger Consideration and subject to the same terms and conditions, including time- and performance-based vesting conditions, as the corresponding Company RSA (except that the relative total shareholder return modifier shall be deemed to be achieved at the target level).

The Merger Agreement has, unanimously by the directors present, been approved by the board of directors of the Company (the "Board"), acting upon the unanimous recommendation of a special committee consisting of only independent and disinterested directors of the Company (the "Special Committee"). On January 31, 2024, the Company held a virtual special meeting of stockholders (the "Special Meeting") to consider three proposals with respect to the Merger Agreement. The first proposal, to adopt the Merger Agreement, was approved by (i) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and (ii) holders of a majority of the voting power represented by the issued and outstanding shares of our common stock that were entitled to vote thereon and held by Unaffiliated Stockholders (as defined in the Merger Agreement). The second proposal, to approve by advisory (non-binding) vote the compensation that may be paid or become payable to the named executive officers of the Company in connection with the consummation of the Merger, was approved by the requisite vote of the Company's stockholders. The third proposal, to approve any adjournment of the Special Meeting, if necessary, to solicit additional proxies if there were insufficient votes in favor of the Merger Agreement proposal, was also approved by the requisite vote of the Company's stockholders. Because the Merger Agreement proposal was approved by the requisite vote, no adjournment to solicit additional proxies was necessary.

The proposed transaction constitutes a "going-private transaction" under the rules of the SEC and is expected to close by the first quarter of 2025. The closing of the Merger is subject to various conditions, including (i) the expiration or termination of the applicable waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"); (ii) the receipt of certain required consents or approvals from (a) the Federal Communications Commission, (b) the Committee on Foreign Investment in the United States, (c) state public utility commissions and (d) local regulators in connection with the provision of telecommunications and media services; (iii) the absence of any order, injunction or decree restraining, enjoining or otherwise prohibiting or making illegal the consummation of the Merger or the other transactions contemplated by the Merger Agreement; and (iv) the accuracy of the representations and warranties contained in the Merger Agreement, subject to customary materiality qualifications, as of the date of the Merger Agreement and the date of closing, and performance in all material respects of the covenants and agreements contained in the Merger Agreement. The transaction is not subject to a financing condition. We are awaiting required regulatory approvals in order to execute the Merger. Following the closing of the transaction, shares of our common stock will no longer be traded or listed on any public securities exchange.

Cost Savings Initiative

In July 2023, we initiated a business simplification and cost savings initiative plan intended to further align our company as a fiber-first provider, improve operating efficiencies, lower our cost structure and ultimately improve the overall customer experience. This initiative includes a reduction in workforce, consolidation and elimination of certain facilities and review of our product offerings. In 2023, we recognized severance costs of $17.4 million in connection with the cost savings plan.

Discontinued Operations – Sale of Investment in Wireless Partnerships

On September 13, 2022, we completed the sale of our five limited wireless partnership interests to Cellco Partnership ("Cellco") for an aggregate purchase price of $490.0 million, other than a portion of the interest in one of the partnerships which was sold to a limited partner of such partnership pursuant to its right of first refusal. Cellco is the general partner for each of the five wireless partnerships and is an indirect, wholly-owned subsidiary of Verizon Communications, Inc. In accordance with Accounting Standards Codification ("ASC") 205-20, *Presentation of Financial Statements – Discontinued Operations*, the sale of the limited partnership interests met the criteria for reporting as discontinued operations. As a result, the financial results of the limited partnership interests have been classified as discontinued operations in our consolidated financial statements for all prior periods presented. Refer to Note 6 for additional information on the transaction and the partnership interests.

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Our cash equivalents consist primarily of money market funds and commercial paper. The carrying amounts of our cash equivalents approximate their fair values.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable ("AR") consists primarily of amounts due to the Company from normal business activities. We maintain an allowance for credit losses ("ACL") based on our historical loss experience, current conditions and forecasted changes including but not limited to changes related to the economy, our industry and business. Uncollectible accounts are written-off (removed from AR and charged against the ACL) when internal collection efforts have been unsuccessful. Subsequently, if payment is received from the customer, the recovery is credited to the ACL.

The following table summarizes the activity in the ACL for the years ended December 31, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Balance at beginning of year	$ 11,470	$ 9,961	$ 9,136
Provision charged to expense	8,520	8,684	7,752
Write-offs, less recoveries	(6,521)	(7,175)	(6,927)
Balance at end of year	$ 13,469	$ 11,470	$ 9,961

Investments

Investments in debt securities that we have the positive intent and ability to hold until maturity are classified as held-to-maturity. We consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Investments with original maturities of more than three months and less than one year are classified as short-term investments. Held-to maturity debt securities are recorded at amortized cost, which approximates fair value, and realized gains or losses are recognized in earnings.

Our long-term investments are primarily accounted for under either the equity method or at cost. If we have the ability to exercise significant influence over the operations and financial policies of an affiliated company, the investment in the affiliated company is accounted for using the equity method. If we do not have control and also cannot exercise significant influence, we account for these investments at our initial cost less impairment because fair value is not readily available for these investments.

We review our investment portfolio periodically to determine whether there are identified events or circumstances that would indicate there is a decline in the fair value that is considered to be other than temporary. If we believe the decline is other than temporary, we evaluate the financial performance of the business and compare the carrying value of the investment to quoted market prices (if available) or the fair value of similar investments. If an investment is deemed to have experienced an impairment that is considered other-than temporary, the carrying amount of the investment is reduced to its quoted or estimated fair value, as applicable, and an impairment loss is recognized in other income (expense).

Fair Value of Financial Instruments

We account for certain assets and liabilities at fair value. Fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. A financial asset or liability's classification within a three-tiered value hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The hierarchy prioritizes the inputs to valuation techniques into three broad levels in order to maximize the use of observable inputs and minimize the use of unobservable inputs. The levels of the fair value hierarchy are as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs that reflect quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets and inputs other than quoted prices that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. We capitalize additions and substantial improvements and expense repairs and maintenance costs as incurred.

We capitalize the cost of internal-use network and non-network software which has a useful life in excess of one year. Subsequent additions, modifications or upgrades to internal-use network and non-network software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training costs are expensed in the period in which they are incurred. Also, we capitalize interest associated with the development of internal-use network and non-network software.

Property, plant and equipment consisted of the following as of December 31, 2023 and 2022:

(In thousands)	December 31, 2023	December 31, 2022	Estimated Useful Lives
Land and buildings	$ 275,989	$ 270,708	18 -40 years
Central office switching and transmission	1,797,552	1,635,263	3 -25 years
Outside plant cable, wire and fiber facilities	2,700,978	2,445,298	3 -50 years
Furniture, fixtures and equipment	380,041	347,346	3 -15 years
Assets under finance leases	71,398	58,081	2 -16 years
Total plant in service	5,225,958	4,756,696	
Less: accumulated depreciation and amortization	(3,001,201)	(2,754,587)	
Plant in service	2,224,757	2,002,109	
Construction in progress	108,584	123,736	
Construction inventory	115,668	108,277	
Totals	$ 2,449,009	$ 2,234,122	

Construction inventory, which is stated at weighted average cost, consists primarily of network construction materials and supplies that when issued are predominately capitalized as part of new customer installations and the construction of the network.

We record depreciation using the straight-line method over estimated useful lives using either the group or unit method. The useful lives are estimated at the time the assets are acquired and are based on historical experience with similar assets, anticipated technological changes and the expected impact of our strategic operating plan on our network infrastructure. In addition, the ranges of estimated useful lives presented above are impacted by the accounting for business combinations as the lives assigned to these acquired assets are generally much shorter than that of a newly acquired asset. The group method is used for depreciable assets dedicated to providing regulated telecommunication services, including the majority of the network, outside plant facilities and certain support assets. A depreciation rate for each asset group is developed based on the average useful life of the group. The group method requires periodic revision of depreciation rates. When an individual asset is sold or retired, the difference between the proceeds, if any, and the cost of the asset is charged or credited to accumulated depreciation, without recognition of a gain or loss.

The unit method is primarily used for buildings, furniture, fixtures and other support assets. Each asset is depreciated on the straight-line basis over its estimated useful life. When an individual asset is sold or retired, the cost basis of the asset and related accumulated depreciation are removed from the accounts and any associated gain or loss is recognized.

Depreciation and amortization expense related to property, plant and equipment was $291.8 million, $269.3 million and $261.1 million in 2023, 2022 and 2021, respectively. Amortization of assets under finance leases is included in the depreciation and amortization expense in the consolidated statements of operations.

We evaluate the recoverability of our property, plant and equipment whenever events or substantive changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset group to estimated undiscounted future cash flows expected to be generated by the asset group. If the total of the expected future undiscounted cash flows were less than the carrying amount of the asset group, we would recognize an impairment charge for the difference between the estimated fair value and the carrying value of the asset group.

Intangible Assets

Indefinite-Lived Intangibles

Goodwill and tradenames are evaluated for impairment annually or more frequently when events or changes in circumstances indicate that the asset might be impaired. We evaluate the carrying value of goodwill and tradenames as of November 30 of each year.

Goodwill

Goodwill is the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired. Goodwill is not amortized but instead evaluated annually for impairment. The evaluation of goodwill may first include a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Events and circumstances integrated into the qualitative assessment process include a combination of macroeconomic conditions affecting equity and credit markets, significant changes to the cost structure, overall financial performance and other relevant events affecting the reporting unit.

When we use the quantitative approach to assess the goodwill carrying value and the fair value of our single reporting unit, the fair value of our reporting unit is compared to its carrying amount, including goodwill. The estimated fair value of the reporting unit is determined using a combination of market-based approaches and a discounted cash flow (“DCF”) model and reconciled to our market capitalization plus an estimated control premium. The assumptions used in the estimate of fair value are based upon a combination of historical results and trends, new industry developments and future cash flow projections, as well as relevant comparable company earnings multiples for the market-based approaches. Significant assumptions used in the analysis may include a long-term growth rate and the weighted average cost of capital which is used to discount estimates of projected future results and cash flows. Such assumptions are judgmental and subject to change as a result of changing economic and competitive conditions. We use a weighting of the results derived from the valuation approaches to estimate the fair value of the reporting unit.

In measuring the fair value of our single reporting unit as described, we consider the fair value of our reporting unit in relation to our overall enterprise value, measured as the publicly traded stock price multiplied by the fully diluted shares outstanding plus the fair value of outstanding debt. Our reporting unit fair value models are consistent with a range in value indicated by both the preceding three-month average stock price and the stock price on the valuation date, plus an estimated acquisition premium which is based on observable transactions of comparable companies, if applicable.

For the 2023 assessment, we evaluated the fair value of goodwill compared to the carrying value using the qualitative approach. The results of the qualitative approach concluded that it was more likely than not that the fair value of goodwill was greater than the carrying value as of November 30, 2023.

If the carrying value of the reporting unit exceeds its fair value, a goodwill impairment is recorded for the difference in the carrying value and fair value. We did not recognize any goodwill impairment in 2023, 2022 or 2021 as a result of the impairment tests.

At December 31, 2023 and 2022, the carrying value of goodwill was $814.6 million and $929.6 million, respectively. Goodwill decreased $114.9 million during 2023 as a result of allocated goodwill for a divestiture classified as assets held for sale at December 31, 2023, as described in Note 5.

Trade Name

Our trade name is the federally registered mark CONSOLIDATED, a design of interlocking circles, which is used in association with our communication services. The Company’s corporate branding strategy leverages the CONSOLIDATED name and brand identity. All of the Company’s business units and several of our products and services incorporate the CONSOLIDATED name. Trade names with indefinite useful lives are not amortized but are tested for impairment at least annually. If facts and circumstances change relating to a trade name’s continued use in the branding of our products and services, it may be treated as a finite-lived asset and begin to be amortized over its estimated remaining life.

When we use the quantitative approach to estimate the fair value of our trade names, we use DCFs based on a relief from royalty method. If the fair value of our trade names was less than the carrying amount, we would recognize an impairment charge for the difference between the estimated fair value and the carrying value of the assets. We perform our impairment testing of our trade names as single units of accounting based on their use in our single reporting unit.

For the 2023 assessment, we used the qualitative approach to evaluate the fair value compared to the carrying value of the trade name. Based on our assessment, we concluded that the fair value of the trade names continued to exceed the carrying value. The carrying value of our trade names, excluding any finite lived trade names, was $10.6 million at December 31, 2023 and 2022.

Finite-Lived Intangible Assets

Finite-lived intangible assets subject to amortization consist primarily of our customer lists of an established base of customers that subscribe to our services. Finite-lived intangible assets are amortized using an accelerated amortization method or on a straight-line basis over their estimated useful lives. We evaluate the potential impairment of finite-lived intangible assets when impairment indicators exist. If the carrying value is no longer recoverable based upon the undiscounted future cash flows of the asset, an impairment equal to the difference between the carrying amount and the fair value of the asset is recognized. We did not recognize any intangible impairment charges in the years ended December 31, 2023, 2022 or 2021.

The components of finite-lived intangible assets are as follows:

		December 31, 2023		December 31, 2022	
(In thousands)	**Useful Lives**	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer relationships	7 - 11 years	$ 299,538	$ (280,922)	$ 318,498	$ (275,409)

Amortization expense related to the finite-lived intangible assets for the years ended December 31, 2023, 2022 and 2021 was $23.3 million, $30.9 million and $39.5 million, respectively. Expected future amortization expense of finite-lived intangible assets is as follows:

(In thousands)	
2024	$ 10,107
2025	3,180
2026	2,529
2027	1,996
2028	804
Thereafter	—
Total	$ 18,616

Derivative Financial Instruments

We use derivative financial instruments to manage our exposure to the risks associated with fluctuations in interest rates. Our interest rate swap agreements effectively convert a portion of our floating-rate debt to a fixed-rate basis, thereby reducing the impact of interest rate changes on future cash interest payments. At the inception of a hedge transaction, we formally document the relationship between the hedging instruments including our objective and strategy for establishing the hedge. In addition, the effectiveness of the derivative instrument is assessed at inception and on an ongoing basis throughout the hedging period. Counterparties to derivative instruments expose us to credit-related losses in the event of nonperformance. We execute agreements only with financial institutions we believe to be creditworthy and regularly assess the credit worthiness of each of the counterparties. We do not use derivative instruments for trading or speculative purposes.

Derivative financial instruments are recorded at fair value in our consolidated balance sheets. Fair value is determined based on projected interest rate yield curves and an estimate of our nonperformance risk or our counterparty's nonperformance credit risk, as applicable. We do not anticipate any nonperformance by any counterparty.

For derivative instruments designated as a cash flow hedge, the change in the fair value is recognized as a component of accumulated other comprehensive income (loss) ("AOCI") and is recognized as an adjustment to earnings over the period in which the hedged item impacts earnings. When an interest rate swap agreement terminates, any resulting gain or loss is recognized over the shorter of the remaining original term of the hedging instrument or the remaining life of the underlying debt obligation. If a derivative instrument is de-designated, the remaining gain or loss in AOCI on the date of de-designation is amortized to earnings over the remaining term of the hedging instrument. For derivative financial instruments that are not designated as a hedge, including those that have been de-designated, changes in fair value are recognized on a current basis in earnings. Cash flows from hedging activities are classified under the same category as the cash flows from the hedged items in our consolidated statement of cash flows. See Note 9 for further discussion of our derivative financial instruments.

Series A Preferred Stock

Our Series A Preferred Stock is classified as mezzanine equity in the consolidated balance sheets due to a deemed liquidation feature, which gives holders the right to require the Company to redeem all or any part of the holders' Series A Preferred Stock for cash in the event of a fundamental change or change in control. We have not adjusted the carrying value of the Series A Preferred Stock to its liquidation value since the securities are not currently redeemable and it is not probable that they will become redeemable. Subsequent adjustments to increase the carrying value to the liquidation value will be made only if and when it becomes probable that such a deemed liquidation event will occur.

Share-based Compensation

We recognize share-based compensation expense for all restricted stock awards ("RSAs") and performance share awards ("PSAs") (collectively, "stock awards") based on the estimated fair value of the stock awards on the date of grant. We recognize the expense associated with RSAs on a straight-line basis and for PSAs using the graded-vesting method over the requisite service period. Forfeitures are accounted for as they occur. See Note 12 for additional information regarding share-based compensation.

Pension Plan and Other Post-Retirement Benefits

We maintain noncontributory defined benefit pension plans and provide certain post-retirement health care and life insurance benefits to certain eligible employees. We also maintain two unfunded supplemental retirement plans to provide incremental pension payments to certain former employees. See Note 13 for a more detailed discussion regarding our pension and other post-retirement benefits.

We recognize pension and post-retirement benefits expense during the current period in the consolidated statement of operations using certain assumptions, including the expected long-term rate of return on plan assets, interest cost implied by the discount rate, expected health care cost trend rate and the amortization of unrecognized gains and losses. We determine expected long-term rate of return on plan assets by considering historical investment performance, plan asset allocation strategies and return forecasts for each asset class and input from its advisors. Projected returns by such advisors were based on broad equity and fixed income indices. The expected long-term rate of return is reviewed annually in conjunction with other plan assumptions and revised, if considered necessary, to reflect changes in the financial markets and the investment strategy. Our plan assets are valued at fair value as of the measurement date.

Our discount rate assumption is determined annually to reflect the rate at which the benefits could be effectively settled and approximate the timing of expected future payments based on current market determined interest rates for similar obligations. We use bond matching model BOND:Link comprising of high quality corporate bonds to match cash flows to the expected benefit payments.

We recognize the overfunded or underfunded status of our defined benefit pension and post-retirement plans as either an asset or liability in the consolidated balance sheet. Actuarial gains and losses that arise during the year are recognized as a component of comprehensive income (loss), net of applicable income taxes, and included in accumulated other comprehensive income (loss). These gains and losses are amortized over future years as a component of the net periodic benefit cost when the net gains and losses exceed 10% of the greater of the market-related value of the plan assets or the projected benefit obligation at the beginning of the year. The amount in excess of the corridor is amortized over the average remaining service period of participating employees expected to receive benefits under the plans.

Income Taxes

Our estimates of income taxes and the significant items resulting in the recognition of deferred tax assets and liabilities are disclosed in Note 14 and reflect our assessment of future tax consequences of transactions that have been reflected in our financial statements or tax returns for each taxing jurisdiction in which we operate. We base our provision for income taxes on our current period income, changes in our deferred income tax assets and liabilities, income tax rates, changes in estimates of our uncertain tax positions and tax planning opportunities available in the jurisdictions in which we operate. We recognize deferred tax assets and liabilities when there are temporary differences between the financial reporting basis and tax basis of our assets and liabilities and for the expected benefits of using net operating loss and tax credit loss carryforwards. We establish valuation allowances when necessary to reduce the carrying amount of deferred income tax assets to the amounts that we believe are more likely than not to be realized. We evaluate the need to retain all or a portion of the valuation allowance on our deferred tax assets. When a change in the tax rate or tax law has an impact on deferred taxes, we apply the change when the tax law change is enacted, based on the years in which the temporary differences are expected to reverse. As we operate in more than one state, changes in our state apportionment factors, based on operating results, may affect our future effective tax rates and the value of our deferred tax assets and liabilities. We record a change in tax rates in our consolidated financial statements in the period of enactment.

Income tax consequences that arise in connection with a business combination include identifying the tax basis of assets and liabilities acquired and any contingencies associated with uncertain tax positions assumed or resulting from the business combination. Deferred tax assets and liabilities related to temporary differences of an acquired entity are recorded as of the date of the business combination and are based on our estimate of the appropriate tax basis that will be accepted by the various taxing authorities.

We record unrecognized tax benefits as liabilities in accordance with ASC 740, *Income Taxes,* and adjust these liabilities in the appropriate period when our judgment changes as a result of the evaluation of new information. In certain instances, the ultimate resolution may result in a payment that is materially different from our current estimate of the unrecognized tax benefit liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which new information is available. We classify interest and penalties, if any, associated with our uncertain tax positions as a component of interest expense and general and administrative expense, respectively.

Revenue Recognition

Revenue is recognized when or as performance obligations are satisfied by transferring control of the good or service to the customer.

Services

Services revenues, with the exception of usage-based revenues, are generally billed in advance and recognized in subsequent periods when or as services are transferred to the customer.

We offer services that consists of high-speed Internet, video and voice services including local and long distance calling, voicemail and calling features in either standalone or package offerings. Each service is considered distinct and therefore accounted for as a separate performance obligation. Service revenue is recognized over time, consistent with the transfer of service, as the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

Usage-based services, such as per-minute long-distance service and access charges billed to other telephone carriers for originating and terminating long-distance calls in our network, are billed in arrears. We recognize revenue from these services when or as services are transferred to the customer.

Revenue related to nonrefundable upfront fees, such as service activation and set-up fees are deferred and amortized over the expected customer life.

Equipment

Equipment revenue is generated from the sale of voice and data communications equipment as well as design, configuration, installation and professional support services related to such equipment. Equipment revenue generated from telecommunications systems and structured cabling projects is recognized when or as the project is completed and control is transferred to the customer. Maintenance services are provided on both a contract and time and material basis and are recognized when or as services are transferred.

Subsidies and Surcharges

Subsidies consist of both federal and state funding, designed to promote widely available, quality telephone and broadband services at affordable prices and with higher data speeds in rural areas and for low-income consumers across the country. These revenues are calculated by the administering government agency based on information we provide. There is a reasonable possibility that out-of-period subsidy adjustments may be recorded in the future, but they are expected to be immaterial to our results of operations, financial position and cash flows. We recognize Federal Universal Service contributions on a gross basis. We account for all other taxes collected from customers and remitted to the respective government agencies on a net basis.

Some subsidies are funded by end user surcharges to which telecommunications providers, including local, long-distance and wireless carriers, contribute on a monthly basis, while others are components of broader economic stimulus or recovery legislation. In other cases, subsidies are awarded to carriers periodically over a predetermined number of years to support their deployment of high-speed broadband infrastructure in underserved or unserved areas. During the years ended December 31, 2023 and 2022, subsidies included federal funding from the Rural Development Opportunity Fund ("RDOF"). The RDOF provides funding to bring faster broadband speeds to unserved and underserved areas of America. In the first phase of the RDOF auction process, we were awarded annual funding of approximately $5.9 million, beginning January 1, 2022 through December 31, 2031. The specific obligations associated with the RDOF funding include the obligation to deliver 1 Gbps downstream and 500 Mbps upstream data speeds to approximately 27,000 locations in seven states. RDOF subsidies are recognized as operating revenue since the primary conditions for the funding are the upgrade and operation of the broadband network over the funding period.

We may be awarded grants from federal and state governments to assist in the deployment of broadband in order to support access to high-speed broadband services in underserved or unserved areas. The awards may include a number of regulatory requirements including the completion of construction by certain dates. Funding from the grants may be received in advance, upon completion of the project or when certain milestones are achieved. The grants are accounted for as a contribution in aid of construction given the nature of the arrangement and are recorded as a reduction to property, plant and equipment as the projects are completed. During the years ended December 31, 2023 and 2022, we recognized a reduction to property, plant and equipment of $19.5 million and $3.7 million, respectively, from grant funding for broadband deployment initiatives.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $35.1 million, $34.5 million and $18.8 million in 2023, 2022 and 2021, respectively.

Statement of Cash Flows Information

During 2023, 2022 and 2021, we made payments for interest and income taxes as follows:

(In thousands)	2023	2022	2021
Interest, net of amounts capitalized ($6,031, $10,112 and $5,590 in 2023, 2022 and 2021, respectively)	$ 143,332	$ 119,322	$ 123,031
Income taxes paid (received), net	$ 5,695	$ 9,585	$ 836

In 2023, 2022 and 2021, we acquired equipment of $24.6 million, $20.6 million and $13.9 million, respectively, through finance lease agreements.

In 2023, 2022 and 2021, we acquired property and equipment of $33.3 million, $34.1 million and $52.9 million, respectively, which were accrued but not yet paid.

Noncontrolling Interest

We have a majority-owned subsidiary, East Texas Fiber Line Incorporated ("ETFL"), which is a joint venture owned 63% by the Company and 37% by Eastex Telecom Investments, LLC. ETFL provides connectivity over a fiber optic transport network to certain customers residing in Texas.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-04 ("ASU 2020-04"), *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January 2021, the FASB issued ASU No. 2021-01 ("ASU 2021-01"), *Reference Rate Reform (Topic 848): Scope*. ASU 2021-01 clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2020-04 and ASU 2021-01 are both elective and are effective upon issuance through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, to extend the optional relief guidance in Topic 848 from December 31, 2022 to December 31, 2024. The adoption of this guidance in 2023 did not have a material impact on our consolidated financial statements and related disclosures.

In November 2023, the FASB issued the Accounting Standards Update No. 2023-07 ("ASU 2023-07"), *Improvements to Reportable Segment Disclosures*. ASU 2023-07 improves reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The new guidance is effective on retrospective basis for financial statements issued for annual periods beginning after December 15, 2023 with early adoption permitted. We are currently evaluating the impact this update will have on our related disclosures.

In December 2023, the FASB issued the Accounting Standards Update No. 2023-09 ("ASU 2023-09"), *Improvements to Income Tax Disclosures*. Amendments in ASU 2023-09 require additional income tax disclosures primarily related to the rate reconciliation and income taxes paid. The new guidance is effective for financial statements issued for annual periods beginning after December 15, 2024 with early adoption permitted and can be applied on either a prospective or retrospective basis. We are currently evaluating the impact this update will have on our income tax disclosures.

2. REVENUE

Nature of Contracts with Customers

Our revenue contracts with customers may include a promise or promises to deliver goods such as equipment and/or services such as broadband, video or voice services. Promised goods and services are considered distinct as the customer can benefit from the goods or services either on their own or together with other resources that are readily available to the customer and the Company's promise to transfer a good or service to the customer is separately identifiable from other promises in the contract. The Company accounts for goods and services as separate performance obligations. Each service is considered a single performance obligation as it is providing a series of distinct services that are substantially the same and have the same pattern of transfer.

The transaction price is determined at contract inception and reflects the amount of consideration to which we expect to be entitled in exchange for transferring a good or service to the customer. This amount is generally equal to the market price of the goods and/or services promised in the contract and may include promotional discounts. The transaction price excludes amounts collected on behalf of third parties such as sales taxes and regulatory fees. Conversely, nonrefundable upfront fees, such as service activation and set-up fees, are included in the transaction price. In determining the transaction price, we consider our enforceable rights and obligations within the contract. We do not consider the possibility of a contract being cancelled, renewed or modified.

The transaction price is allocated to each performance obligation based on the standalone selling price of the good or service, net of the related discount, as applicable.

Revenue is recognized when or as performance obligations are satisfied by transferring control of the good or service to the customer.

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
(In thousands)	**2023**	**2022**	**2021**
Operating Revenues			
Consumer:			
Broadband (Data and VoIP)	$ 290,847	$ 272,146	$ 269,323
Voice services	125,166	144,853	160,698
Video services	34,957	54,153	65,114
	450,970	471,152	495,135
Commercial:			
Data services (includes VoIP)	214,707	228,466	228,931
Voice services	127,909	142,274	154,567
Other	39,883	43,100	40,032
	382,499	413,840	423,530
Carrier:			
Data and transport services	127,248	137,378	133,434
Voice services	15,588	14,772	17,183
Other	1,168	1,688	1,592
	144,004	153,838	152,209
Subsidies	27,888	33,382	69,739
Network access	90,250	104,644	120,487
Other products and services	14,509	14,407	21,133
Total operating revenues	$ 1,110,120	$ 1,191,263	$ 1,282,233

Contract Assets and Liabilities

The following table provides information about receivables, contract assets and contract liabilities from our revenue contracts with customers:

	Year Ended December 31,	
(In thousands)	**2023**	**2022**
Accounts receivable, net	$ 121,194	$ 119,675
Contract assets	38,910	25,322
Contract liabilities	56,967	54,537

Contract assets include costs that are incremental to the acquisition of a contract. Incremental costs are those that result directly from obtaining a contract or costs that would not have been incurred if the contract had not been obtained, which primarily relate to sales commissions. These costs are deferred and amortized over the expected customer life. We determined that the expected customer life is the expected period of benefit as the commission on the renewal contract is not commensurate with the commission on the initial contract. During the years ended December 31, 2023, 2022 and 2021, the Company recognized expense of $13.7 million, $12.9 million and $11.1 million, respectively, related to deferred contract acquisition costs.

Contract liabilities include deferred revenues related to advanced payments for services and nonrefundable, upfront service activation and set-up fees, which are generally deferred and amortized over the expected customer life as the option to renew without paying an upfront fee provides the customer with a material right. During the years ended December 31, 2023, 2022 and 2021, the Company recognized previously deferred revenues of $447.9 million, $478.9 million and $471.7 million, respectively.

A receivable is recognized in the period the Company provides goods or services when the Company’s right to consideration is unconditional. Payment terms on invoiced amounts are generally 30 to 60 days.

Performance Obligations

ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), requires that the Company disclose the aggregate amount of the transaction price that is allocated to remaining performance obligations that are unsatisfied as of December 31, 2023. The guidance provides certain practical expedients that limit this requirement. The service revenue contracts of the Company meet the following practical expedients provided by ASC 606:

1. The performance obligation is part of a contract that has an original expected duration of one year or less.
2. Revenue is recognized from the satisfaction of the performance obligations in the amount billable to the customer in accordance with ASC 606-10-55-18.

The Company has elected these practical expedients. Performance obligations related to our service revenue contracts are generally satisfied over time. For services transferred over time, revenue is recognized based on amounts invoiced to the customer as the Company has concluded that the invoice amount directly corresponds with the value of services provided to the customer. Management considers this a faithful depiction of the transfer of control as services are substantially the same and have the same pattern of transfer over the life of the contract. As such, revenue related to unsatisfied performance obligations that will be billed in future periods has not been disclosed.

3. EARNINGS PER SHARE

Basic and diluted earnings (loss) per common share (“EPS”) are computed using the two-class method, which is an earnings allocation method that determines EPS for each class of common stock and participating securities considering dividends declared and participation rights in undistributed earnings. Common stock related to certain of the Company’s restricted stock awards are considered participating securities because holders are entitled to receive non-forfeitable dividends, if declared, during the vesting term.

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

Diluted EPS includes securities that could potentially dilute basic EPS during a reporting period. Dilutive securities are not included in the computation of loss per share when a company reports a net loss from continuing operations as the impact would be anti-dilutive.

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

	Year Ended December 31,		
(In thousands, except per share amounts)	**2023**	**2022**	**2021**
Loss from continuing operations	$ (250,058)	$ (177,704)	$ (139,127)
Less: dividends on Series A preferred stock	43,910	40,104	2,677
Less: net income attributable to noncontrolling interest	456	564	392
Loss attributable to common shareholders before allocation of earnings to participating securities	(294,424)	(218,372)	(142,196)
Less: earnings allocated to participating securities	—	(6,284)	—
Loss from continuing operations attributable to common shareholders, after earnings allocated to participating securities	(294,424)	(212,088)	(142,196)
Income from discontinued operations	—	318,353	32,434
Less: earnings allocated to participating securities	—	9,161	—
Income from discontinued operations attributable to common shareholders, after earnings allocated to participating securities	—	309,192	32,434
Net income (loss) attributable to common shareholders, after earnings allocated to participating securities	$ (294,424)	$ 97,104	$ (109,762)
Weighted-average number of common shares outstanding	113,096	111,754	87,293
Basic and diluted earnings (loss) per common share:			
Loss from continuing operations	$ (2.60)	$ (1.90)	$ (1.63)
Income from discontinued operations	—	2.77	0.37
Net income (loss) per common share attributable to common shareholders - basic and diluted	$ (2.60)	$ 0.87	$ (1.26)

Diluted EPS attributable to common shareholders for the years ended December 31, 2023, 2022 and 2021 excludes 3.2 million, 3.3 million and 3.2 million potential common shares, respectively, related to our share-based compensation plan because the inclusion of the potential common shares would have an antidilutive effect.

4. SEARCHLIGHT INVESTMENT

In connection with the Investment Agreement entered into on September 13, 2020, affiliates of Searchlight committed to invest up to an aggregate of $425.0 million in the Company. The investment commitment was structured in two stages. In the first stage of the transaction, which was completed on October 2, 2020, Searchlight invested $350.0 million in the Company in exchange for 6,352,842 shares, or approximately 8%, of the Company's common stock and was issued a contingent payment right ("CPR") that was convertible, upon the receipt of certain regulatory and shareholder approvals, into an additional 17,870,012 shares, or 16.9% of the Company's common stock. In addition, Searchlight received the right to an unsecured subordinated note with an aggregate principal amount of approximately $395.5 million (the "Note"), which was convertible into shares of a new series of perpetual preferred stock of the Company with an aggregate liquidation preference equal to the principal amount of the Note plus accrued interest as of the date of conversion.

On July 15, 2021, the Company received all required state public utility commission regulatory approvals necessary for the conversion of the CPR into 16.9% additional shares of the Company's common stock. As a result, the CPR was converted into 17,870,012 shares of common stock, which were issued to Searchlight on July 16, 2021.

In the second stage of the transaction, which was completed on December 7, 2021 following the receipt of Federal Communications Commission ("FCC") and certain regulatory approvals and the satisfaction of certain other customary closing conditions, Searchlight invested an additional $75.0 million and was issued the Note. On December 7, 2021, Searchlight elected to convert the Note into 434,266 shares of Series A Perpetual Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"). In addition, the CPR converted into an additional 15,115,899 shares, or an additional 10.1%, of the Company's common stock. As of December 31, 2023 and 2022, the total shares of common stock issued to Searchlight represent approximately 34% of the Company's outstanding common stock.

Prior to conversion, the CPR was reported at its estimated fair value within long-term liabilities in the consolidated balance sheet. Subsequent changes in fair value were reflected in earnings within other income and expense in the consolidated statements of operations. During the year ended December 31, 2021, we recognized a loss of $86.5 million on the change in the fair value of the CPR.

The Note bore interest at 9.0% per annum from the date of the closing of the first stage of the transaction and was payable semi-annually in arrears on April 1 and October 1 of each year. The term of the Note was 10 years and was due on October 1, 2029. The Note's unamortized discount and issuance costs were being amortized over the contractual term of the Note using the effective interest method. The Note included a paid-in-kind ("PIK") option for a five-year period beginning as of October 2, 2020. During the year ended December 31, 2021, the Company elected the PIK option and accrued interest of $38.8 million was added to the principal balance of the Note. On December 7, 2021, Searchlight exercised its option to convert the Note and the net carrying value of the Note of $285.9 million, net of unamortized discount and issuance costs of $139.7 million and $8.7 million, respectively, was converted into 434,266 shares of Series A Preferred Stock at a liquidation preference of $1,000 per share. Dividends on the Series A Preferred Stock accrue daily on the liquidation preference at a rate of 9.0% per annum, payable semi-annually in arrears. See Note 11 for more information on the terms of the Series A Preferred Stock.

With the strategic investment from Searchlight, we intend to enhance our fiber infrastructure and accelerate the investment in our network, which will include the upgrade of an aggregate of approximately 1.6 million passings across select service areas to enable multi-Gig capable services to these homes and small businesses. During the years ended December 31, 2023, 2022 and 2021, we upgraded approximately 227,500, 403,000 and 330,000 passings to fiber, respectively.

5. DIVESTITURES

Washington Operations

On July 10, 2023, we entered into a definitive agreement to sell all of the issued and outstanding stock of our business located in Washington, Consolidated Communications of Comerco Company ("CCCC"), which directly owns all of the issued and outstanding shares of Consolidated Communications of Washington Company ("CCWC" and together with CCCC", the "Washington operations"), for gross cash proceeds of approximately $73.0 million, subject to customary working capital adjustments and other post-closing purchase price adjustments. The transaction is expected to close before the second half of 2024 and is subject to the receipt of all customary regulatory approvals and the satisfaction of other closing conditions. The asset sale aligns with our ongoing strategic asset review and focus on our fiber expansion plans in our core broadband regions.

At December 31, 2023, the major classes of assets and liabilities to be sold were classified as held for sale in the consolidated balance sheet and consisted of the following:

(In thousands)		
Current assets	$	1,208
Property, plant and equipment		30,581
Goodwill		114,946
Other long-term assets		1,493
Impairment to net realizable value		(77,755)
Total assets	$	70,473
Current liabilities	$	2,196
Other long-term liabilities		1,206
Total liabilities	$	3,402

During the year ended December 31, 2023, the carrying value of the net assets to be sold were reduced to their estimated fair value of approximately $67.1 million, which was determined based on the estimated selling price less costs to sell and were classified as Level 2 within the fair value hierarchy. As a result, we recognized an impairment loss of $77.8 million during the year ended December 31, 2023.

Kansas City Operations

On March 2, 2022, we entered into a definitive agreement to sell substantially all the assets of our business located in the Kansas City market (the "Kansas City operations"). The Kansas City operations provides data, voice and video services to customers within the Kansas City metropolitan area and surrounding counties and included approximately 17,100 consumer customers and 1,600 commercial customers. The sale closed on November 30, 2022 for gross cash proceeds of $82.1 million, subject to the finalization of certain working capital and other post-closing purchase price adjustments. The proceeds from the sale were used in part to support our fiber expansion plan in our core regions.

In 2022, in connection with the classification as assets held for sale, the carrying value of the net assets was reduced to their estimated fair value and we recognized an impairment loss of $131.7 million during the year ended December 31, 2022. During the years ended December 31, 2023 and 2022, we recognized a loss on the sale of $1.6 million and $16.8 million, respectively, as a result of expected purchase price adjustments and changes in working capital and estimated selling costs. The loss on the sale of the Kansas City Operations is included in loss on disposal of assets in the consolidated statement of operations.

Tower Assets

During the year ended December 31, 2022, we completed the sale of certain non-strategic communication towers for cash proceeds of approximately $21.0 million and recognized a pre-tax gain on the sale of $20.8 million, which is included in loss on disposal of assets in the consolidated statement of operations.

Ohio Operations

On September 22, 2021, we entered into a definitive agreement to sell substantially all of the assets of our non-core, rural ILEC business located in Ohio, Consolidated Communications of Ohio Company ("CCOC" or the "Ohio Operations"). CCOC provides telecommunications and data services to residential and business customers in 11 rural communities in Ohio and surrounding areas and included approximately 3,800 access lines and 3,900 data connections. The sale was completed on January 31, 2022 for gross cash proceeds of $26.1 million, including customary working capital adjustments. The asset sale aligns with our strategic asset review and focus on our core broadband regions. In 2021, in connection with the expected sale, the carrying value of the net assets were reduced to their estimated fair value and we recognized an impairment loss of $5.7 million during the year ended December 31, 2021. During the year ended December 31, 2022, we recognized an additional loss on the sale of $0.8 million, which is included in selling, general and administrative expense in the consolidated statement of operations, as a result of changes in working capital and estimated selling costs.

6. INVESTMENTS

Our investments are as follows:

(In thousands)	**2023**	**2022**
Short-term investments:		
Held-to-maturity debt securities	$ -	$ 87,951
Long-term investments:		
Cash surrender value of life insurance policies	$ 2,860	$ 2,774
CoBank, ACB Stock	5,755	7,250
Other	272	273
	$ 8,887	$ 10,297

Held-to-Maturity Debt Securities

Our held-to-maturity debt securities consist of investments in commercial paper and certificate of deposits. At December 31, 2023, we had no held-to-maturity investments. At December 31, 2022, we had $88.0 million of investments in commercial paper included in short-term investments. The investments have original maturities of less than one year. As of December 31, 2022, the amortized cost of the investments approximated their fair value and the gross unrecognized gains and losses were not material.

Long-Term Investments

CoBank, ACB ("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.

Investment Income

Investment income from our investments classified as cash equivalents, held-to-maturity debt securities and other investments is reflected in other, net within other income (expense) in the consolidated statements of operations. Investment income was $6.1 million, $0.4 million and $0.5 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Discontinued Operations

Investments at Cost

We owned 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 owned 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 accounted for these investments at our initial cost less any impairment because fair value is not readily available for these investments. For these investments, we adjusted the carrying value for any purchases or sales of our ownership interests, if any (there were none during the periods presented). Prior to classification as discontinued operations, we recorded distributions received from these investments as investment income in non-operating income (expense). In 2022 and 2021, we received cash distributions from these partnerships totaling $11.7 million and $20.7 million, respectively.

Equity Method

We owned 20.51% of GTE Mobilnet of Texas RSA #17 Limited Partnership ("RSA #17"), 16.67% of Pennsylvania RSA 6(I) Limited Partnership ("RSA 6(I)") and 23.67% of Pennsylvania RSA 6(II) Limited Partnership ("RSA 6(II)"). RSA #17 provides cellular service to a limited rural area in Texas. RSA 6(I) and RSA 6(II) provide cellular service in and around our Pennsylvania service territory. Because we had significant influence over the operating and financial policies of these three entities, we accounted for the investments using the equity method. Prior to classification as discontinued operations, income was recognized as investment income in non-operating income (expense) on our proportionate share of earnings and cash distributions were recorded as a reduction in our investment. In 2022 and 2021, we received cash distributions from these partnerships totaling $17.5 million and $22.3 million, respectively.

On September 13, 2022, we completed the sale of our five limited wireless partnership interests to Cellco for an aggregate purchase price of $490.0 million. Cellco is the general partner for each of the five wireless partnerships and is an indirect, wholly-owned subsidiary of Verizon Communications, Inc. A portion of the interest in one of the partnerships was sold to a limited partner of such partnership, pursuant to its right of first refusal. The proceeds from the sale were used in part to support our fiber expansion plan.

The financial results of the limited partnership interests have been reported as discontinued operations in our consolidated financial statements for prior periods presented.

The results of discontinued operations included in the consolidated statements of operations consisted of the following:

(In thousands)	2022	2021
Investment income	$ 23,467	$ 41,845
Gain on sale of discontinued operations	389,885	—
Income from discontinued operations, before income taxes	413,352	41,845
Income tax expense	94,999	9,411
Net income from discontinued operations	$ 318,353	$ 32,434

In connection with the sale of the partnership interests, we recognized a taxable gain of approximately of $479.9 million on the transaction. For federal income tax purposes, we utilized our available net operating loss carryforwards to offset the taxable gain. For state income tax purposes, state tax liabilities were approximately $11.2 million.

In the statement of cash flows, we have elected to combine cash flows from discontinued operations with cash flows from continuing operations. The following table presents cash flows from operating and investing activities for discontinued operations:

(In thousands)	2022	2021
Cash provided by operating activities - discontinued operations	$ 29,165	$ 43,040
Cash provided by investing activities - discontinued operations	$ 482,966	$ —

7. FAIR VALUE MEASUREMENTS

Financial Instruments

Interest Rate Swap Agreements

Our derivative instruments related to interest rate swap agreements are required to be measured at fair value on a recurring basis. The fair values of the interest rate swaps are determined using valuation models and are categorized within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and observable market data of similar instruments. See Note 9 for further discussion regarding our interest rate swap agreements.

Our interest rate swap agreements measured at fair value on a recurring basis at December 31, 2023 and 2022 were as follows:

		As of December 31, 2023		
(In thousands)	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term interest rate swap liabilities	$ (2,421)	$ —	$ (2,421)	$ —

		As of December 31, 2022		
(In thousands)	Total	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	$ 5,959	$ —	$ 5,959	$ —

We have not elected the fair value option for any of our other assets or liabilities. The carrying value of other financial instruments, including cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short maturities. The following table presents the other financial instruments that are not carried at fair value but which require fair value disclosure as of December 31, 2023 and 2022.

	As of December 31, 2023		As of December 31, 2022	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt, excluding finance leases	$ 2,142,858	$ 1,903,831	$ 2,141,176	$ 1,759,430

Investments

Our investments at December 31, 2023 and 2022 accounted for at cost consisted primarily of our investment in CoBank. It is impracticable to determine the fair value of this investment.

Long-term Debt

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

8. LONG-TERM DEBT

Long-term debt outstanding, presented net of unamortized discounts, consisted of the following as of December 31, 2023 and 2022:

(In thousands)	2023	2022
Senior secured credit facility:		
Term loans, net of discounts of $7,017 and $8,699 at December 31, 2023 and 2022, respectively	$ 992,858	$ 991,176
6.50% Senior notes due 2028	750,000	750,000
5.00% Senior notes due 2028	400,000	400,000
Finance leases	39,240	35,746
	2,182,098	2,176,922
Less: current portion of long-term debt and finance leases	(18,425)	(12,834)
Less: deferred debt issuance costs	(28,757)	(34,626)
Total long-term debt	$ 2,134,916	$ 2,129,462

Credit Agreement

On October 2, 2020, the Company, through certain of its wholly-owned subsidiaries, entered into a Credit Agreement with various financial institutions (as amended, the "Credit Agreement") to replace the Company's previous credit agreement in its entirety. The Credit Agreement consisted of term loans in an original aggregate amount of $1,250.0 million (the "Initial Term Loans") and a revolving loan facility of $250.0 million. The Credit Agreement also includes an incremental loan facility which provides the ability to borrow, subject to certain terms and conditions, incremental loans in an aggregate amount of up to the greater of (a) $300.0 million plus (b) an amount which would not cause its senior secured leverage ratio not to exceed 3.70:1.00 (the "Incremental Facility"). Borrowings under the Credit Agreement are secured by substantially all of the assets of the Company and its subsidiaries, subject to certain exceptions.

The Initial Term Loans were issued in an original aggregate principal amount of $1,250.0 million with a maturity date of October 2, 2027 and contained an original issuance discount of 1.5% or $18.8 million, which is being amortized over the term of the loan. Prior to amendments to the Credit Agreement, as described below, the Initial Term Loans required quarterly principal payments of $3.1 million, which commenced December 31, 2020, and bore interest at a rate 4.75% plus the London Interbank Offered Rate ("LIBOR") subject to a 1.00% LIBOR floor.

On January 15, 2021, the Company entered into Amendment No. 1 to the Credit Agreement in which we borrowed an additional $150.0 million aggregate principal amount of incremental term loans (the "Incremental Term Loans"). The Incremental Term Loans have terms and conditions identical to the Initial Term Loans including the same maturity date and interest rate. The Initial Term Loans and Incremental Term Loans, collectively (the "Term Loans") comprise a single class of term loans under the Credit Agreement.

On March 18, 2021, the Company repaid $397.0 million of the outstanding Term Loans with the net proceeds received from the issuance of $400.0 million aggregate principal amount of 5.00% senior secured notes due 2028 (the "5.00% Senior Notes"), as described below. The repayment of the Term Loans was applied to the remaining principal payments in direct order of maturity, thereby eliminating the required quarterly principal payments through the remaining term of the loan. In connection with the repayment of the Term Loans, we recognized a loss on extinguishment of debt of $12.0 million during the year ended December 31, 2021.

On April 5, 2021, the Company, entered into Amendment No. 2 to the Credit Agreement (the “Second Amendment”) to refinance the outstanding Term Loans of $999.9 million. The terms and conditions of the Credit Agreement remain substantially similar and unchanged except with respect to the interest rate applicable to the Term Loans and certain other provisions. As a result of the Second Amendment, the interest rate of the Term Loans was reduced to 3.50% plus LIBOR subject to a 0.75% LIBOR floor. The maturity date of the Term Loans of October 2, 2027 remained unchanged. In connection with entering into the Second Amendment, we recognized a loss of $5.1 million on the extinguishment of debt during the year ended December 31, 2021.

On November 22, 2022, the Company, entered into Amendment No. 3 to the Credit Agreement (the “Third Amendment”) to, among other things, extend the maturity of the revolving credit facility by two years from October 2, 2025 to October 2, 2027, subject to springing maturity on April 2, 2027 if the Term Loans, as of April 1, 2027, are scheduled to mature earlier than March 31, 2028. The Third Amendment also relaxed the revolving credit facility’s consolidated first lien leverage maintenance covenant, as described below, through June 30, 2025 to 6.35:1.00 from 5.85:1.00.

On April 17, 2023, the Company entered into Amendment No. 4 to the Credit Agreement (the “Fourth Amendment”) to replace remaining LIBOR-based benchmark rates with Secured Overnight Financing Rate (“SOFR”)-based benchmark rates. As part of the replacement to SOFR-benchmark rates, borrowings will include an adjustment of 0.11%, 0.26% and 0.43% for borrowings of one, three and six month loans, respectively. With the amendment, the interest rate of the Term Loans is 3.50% plus SOFR plus the SOFR adjustment (subject to a 0.75% SOFR floor).

The revolving credit facility has a maturity date of October 2, 2027 and an applicable margin (at our election) of 4.00% for SOFR-based borrowings or 3.00% for alternate base rate borrowings, with a 0.25% reduction in each case if the consolidated first lien leverage ratio, as defined in the Credit Agreement, does not exceed 3.20 to 1.00. As of December 31, 2023 and 2022, there were no borrowings outstanding under the revolving credit facility. Stand-by letters of credit of $35.7 million were outstanding under our revolving credit facility as of December 31, 2023. The stand-by letters of credit are renewable annually and reduce the borrowing availability under the revolving credit facility. As of December 31, 2023, $214.3 million was available for borrowing under the revolving credit facility, subject to certain covenants. As of March 5, 2024, borrowings of $70.0 million were outstanding under the revolving credit facility.

The weighted-average interest rate on outstanding borrowings under our credit facilities was 8.96% and 7.63% at December 31, 2023 and 2022, respectively. Interest is payable at least quarterly.

Credit Agreement Covenant Compliance

The Credit Agreement contains various provisions and covenants, including, among other items, restrictions on the ability to pay dividends, incur additional indebtedness, and issue certain capital stock. We have agreed to maintain certain financial ratios, including a maximum consolidated first lien leverage ratio, as defined in the Credit Agreement. Among other things, it will be an event of default, with respect to the revolving credit facility only, if our consolidated first lien leverage ratio is greater than 7.75:1.00 as of the end of any fiscal quarter from October 15, 2023 to and including December 31, 2024, if on such date the testing threshold is met. The testing threshold is met if the aggregate amount of our borrowings outstanding under the revolving credit facility exceeds 35%. As of December 31, 2023, the testing threshold was not met and our consolidated first lien leverage ratio under the Credit Agreement was 6.22:1.00. As of December 31, 2023, we were in compliance with the Credit Agreement covenants.

On October 15, 2023, the Company entered into Amendment No. 5 to the Credit Agreement (the “Fifth Amendment”) to, among other things, increase the maximum consolidated first lien leverage ratio (the “Step-Up”) permitted under the Credit Agreement from 6.35 to 1.00 to (i) 7.75 to 1.00, from October 15, 2023 to and including December 31, 2024, (ii) 7.50 to 1.00, from and including January 1, 2025 to and including March 31, 2025, (iii) 7.25 to 1.00, from and including April 1, 2025 to and including June 30, 2025, (iv) 7.00 to 1.00, from and including July 1, 2025 to and including September 30, 2025, (v) 6.75 to 1.00 from and including October 1, 2025 to and including December 31, 2025, (vi) 6.50 to 1.00, from and including January 1, 2026 to and including March 31, 2026, (vii) 6.25 to 1.00, from and including April 1, 2026 to and including June 30, 2026, (viii) 6.00 to 1.00, from and including July 1, 2026 to and including September 30, 2026, and (ix) 5.85 to 1.00 from and including October 1, 2026 and thereafter (the “Step-Up Period”). While the Step-Up is in effect, the Company will be subject to additional restrictions on its ability to make certain investments and restricted payments (the “Restrictions”). The Step-Up Period and the Restrictions will end and the maximum Consolidated First Lien Leverage Ratio will revert to the levels set forth in the Credit Agreement on the earlier of (a) the Company’s election and

(b) August 1, 2025, to the extent $300.0 million in cash proceeds have not been received by the Company from equity contributed to its capital by such date. If the proposed Merger is not completed by August 1, 2025, the increase in the maximum consolidated first lien leverage ratio as permitted in the Fifth Amendment to the Credit Agreement to provide interim financial covenant relief will end and the maximum consolidated first lien leverage ratio will revert to the levels set forth in the Credit Agreement.

Senior Notes

On October 2, 2020, we completed an offering of $750.0 million aggregate principal amount of 6.50% unsubordinated secured notes due 2028 (the "6.50% Senior Notes"). The 6.50% Senior Notes were priced at par and bear interest at a rate of 6.50%, payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2021. The 6.50% Senior Notes mature on October 1, 2028.

On March 18, 2021, we issued $400.0 million aggregate principal amount 5.00% Senior Notes, together with the 6.50% Senior Notes (the "Senior Notes"). The 5.00% Senior Notes were priced at par and bear interest at a rate of 5.00% per year, payable semi-annually on April 1 and October 1 of each year, beginning on October 1, 2021. The 5.00% Senior Notes will mature on October 1, 2028. The net proceeds from the issuance of the 5.00% Senior Notes were used to repay $397.0 million of the Term Loans outstanding under the Credit Agreement.

The Senior Notes are unsubordinated secured obligations of the Company, secured by a first priority lien on the collateral that secures the Company's obligations under the Credit Agreement. The Senior Notes are fully and unconditionally guaranteed on a first priority secured basis by the Company and the majority of our wholly-owned subsidiaries. The offering of the Senior Notes has not been registered under the Securities Act of 1933, as amended or any state securities laws.

Senior Notes Covenant Compliance

Subject to certain exceptions and qualifications, the indenture governing the Senior Notes contains customary covenants that, among other things, limits the Company and its restricted subsidiaries' ability to: incur additional debt or issue certain preferred stock; pay dividends or make other distributions on capital stock or prepay subordinated indebtedness; purchase or redeem any equity interests; make investments; create liens; sell assets; enter into agreements that restrict dividends or other payments by restricted subsidiaries; consolidate, merge or transfer all or substantially all of its assets; engage in transactions with its affiliates; or enter into any sale and leaseback transactions. The indenture also contains customary events of default. At December 31, 2023, the Company was in compliance with all terms, conditions and covenants under the indenture governing the Senior Notes.

Future Maturities of Debt

At December 31, 2023, the aggregate maturities of our long-term debt excluding finance leases were as follows:

(In thousands)	
2024	$ —
2025	—
2026	—
2027	999,875
2028	1,150,000
Thereafter	—
Total maturities	2,149,875
Less: Unamortized discount	(7,017)
Carrying value	$ 2,142,858

See Note 10 regarding the future maturities of our obligations for finance leases.

9. DERIVATIVE FINANCIAL INSTRUMENTS

We may utilize interest rate swap agreements to mitigate risk associated with fluctuations in interest rates related to our variable rate debt obligations under the Credit Agreement. Derivative financial instruments are recorded at fair value in our consolidated balance sheets.

The following interest rate swaps were outstanding at December 31, 2023:

(In thousands)	Notional Amount	2023 Balance Sheet Location	Fair Value
Cash Flow Hedges:			
Fixed to 1-month floating SOFR	$ 500,000	Other long-term liabilities	$ (2,421)

Our fixed to 1-month floating SOFR interest rate swap agreements, which became effective July 31, 2023, have a fixed rate of 3.941% and mature on September 30, 2026.

The following interest rate swaps were outstanding at December 31, 2022:

(In thousands)	Notional Amount	2022 Balance Sheet Location	Fair Value
Cash Flow Hedges:			
Fixed to 1-month floating LIBOR (with floor)	$ 500,000	Prepaid expenses and other current assets	$ 5,959

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

At December 31, 2023 and 2022, the total pre-tax unrealized gain (loss) related to our interest rate swap agreements included in AOCI was $(2.4) million and $6.9 million, respectively. From the balance in AOCI as of December 31, 2023, we expect to recognize a gain of approximately $4.3 million in earnings as a reduction to interest expense in the next twelve months.

Information regarding our cash flow hedge transactions is as follows:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Unrealized gain recognized in AOCI, pretax	$ 626	$ 14,726	$ 1,174
Deferred gain (loss) reclassified from AOCI to interest expense	$ 9,997	$ (2,328)	$ (13,964)

10. LEASES

We have entered into various leases for certain facilities, land, underground conduit, colocations, and equipment used in our operations. For leases with a term greater than 12 months, we recognize a right-to-use asset and a lease liability based on the present value of lease payments over the lease term. The leases have remaining lease terms of one year to 85 years and may include one or more options to renew, which can extend the lease term from one to five years or more. Operating lease expense is recognized on a straight-line basis over the lease term.

As most of our leases do not provide a readily determinable implicit rate, we use our incremental borrowing rate based on the information available at lease commencement date in determining the present value of lease payments. We use the implicit rate when a rate is readily determinable. Our leases may also include scheduled rent increases and options to extend or terminate the lease which is included in the determination of lease payments when it is reasonably certain that we will exercise that option. For all asset classes, we do not separate lease and nonlease components, as such we account for the components as a single lease component.

Leases with an initial term of 12 months or less are not recognized on the balance sheet and the expense for these short-term leases is recognized on a straight-line basis over the lease term. Short-term lease expense, which is recognized in cost of services and products, was not material to the consolidated statements of operations for the years ended December 31, 2023, 2022 and 2021. Variable lease payments are expensed as incurred.

The following table summarizes the components of our lease right-of use assets and liabilities at December 31, 2023 and 2022:

(In thousands)	Balance Sheet Classification	2023	2022
Operating leases			
Operating lease right-of-use assets	Other assets	$ 29,437	$ 26,548
Current lease liabilities	Accrued expense	$ (8,256)	$ (5,076)
Noncurrent lease liabilities	Other long-term liabilities	$ (23,567)	$ (22,249)
Finance leases			
Finance lease right-of-use assets, net of accumulated depreciation of $14,408 and $15,308	Property, plant and equipment, net	$ 57,165	$ 42,773
Current lease liabilities	Current portion of long-term debt and finance lease obligations	$ (18,425)	$ (12,834)
Noncurrent lease liabilities	Long-term debt and finance lease obligations	$ (20,815)	$ (22,912)
Weighted-average remaining lease term			
Operating leases		6.7 years	7.7 years
Finance leases		2.8 years	3.5 years
Weighted-average discount rate			
Operating leases		8.14 %	6.47 %
Finance leases		9.30 %	6.60 %

The components of lease expense for the years ended December 31, 2023, 2022 and 2021 consisted of the following:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Finance lease cost:			
Amortization of right-of-use assets	$ 5,768	$ 4,804	$ 4,152
Interest on lease liabilities	3,374	1,444	1,106
Operating lease cost	8,017	8,469	8,359
Variable lease cost	1,790	2,167	2,054
Total lease cost	$ 18,949	$ 16,884	$ 15,671

The following table presents supplemental cash flow information related to leases for the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases	$ 7,874	$ 8,003	$ 8,111
Operating cash flows for finance leases	3,374	1,444	1,106
Financing cash flows for finance leases	15,338	9,836	6,365
Right-of-use assets obtained in exchange for new lease liabilities:			
Operating leases	10,052	9,261	5,673
Finance leases	24,614	20,592	13,888

At December 31, 2023, the aggregate maturities of our lease liabilities were as follows:

(In thousands)	Operating Leases	Finance Leases
2024	$ 10,235	$ 21,217
2025	6,723	15,465
2026	5,050	4,870
2027	4,346	363
2028	3,374	294
Thereafter	11,568	1,886
Total lease payments	41,296	44,095
Less: Interest	(9,473)	(4,855)
	$ 31,823	$ 39,240

Lessor

We have various arrangements for use of our network assets for which we are the lessor, including tower space, certain colocation, conduit and dark fiber arrangements. These leases meet the criteria for operating lease classification. Lease income associated with these types of leases is not material. Occasionally, we enter into arrangements where the term may be for a major part of the asset's remaining economic life such as in indefeasible right of use ("IRU") arrangements for dark fiber or conduit, which meet the criteria for sales-type lease classification. During the years ended December 31, 2023, 2022 and 2021, we entered into IRU arrangements for exclusive access to and unrestricted use of specific assets. These arrangements were recognized as sales-type leases as the term of the arrangements were for a major part of the asset's remaining economic life. During the year ended December 31, 2022, we recognized revenue of $3.8 million and a gain of $1.5 million related to these arrangements. During years ended 2023 and 2021, we did not enter into any material dark fiber IRU arrangements.

We elected the practical expedient to combine lease and non-lease components in our lessor arrangements. We have arrangements where the non-lease component associated with the lease component is the predominant component in the contract, such as in revenue contracts that involve the customer leasing equipment from us. In such cases, we account for the combined component in accordance with ASC 606 as the service component is the predominant component in the contract.

11. MEZZANINE EQUITY

Series A Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of Preferred Stock with a par value of $0.01 per share. The designated Series A Preferred Stock ranks senior to the Company's common stock with respect to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and redemption rights. The following is a summary of certain provisions under the Certificate of Designations of the Series A Perpetual Preferred Stock ("Certificate of Designations").

Dividends

Dividends on each share of Series A Preferred Stock accrue daily on the liquidation preference at a rate of 9.0% per annum and will be payable semi-annually in arrears on January 1 and July 1 of each year. Subsequent to a waiver issued by Searchlight in November 2022 as described below, dividends are payable until October 2, 2027 at our election, either in cash or in-kind through an accrual of unpaid dividends, which are automatically added to the liquidation preference; and after October 2, 2027, solely in cash. The liquidation preference at the time of issuance is $1,000 per share, as adjusted to include any paid-in-kind dividends. In the event that the Company's Board of Directors fails to declare and pay dividends in cash after October 2, 2027, among other conditions, the dividend rate applicable to each subsequent dividend period will increase to 11.0%.

On November 22, 2022, in connection with entering into the Third Amendment to the Credit Agreement, Searchlight waived for two years, until October 2, 2027, the obligation under the Certificate of Designations to begin paying in cash after October 2, 2025 rather than being permitted to accrue dividends on the Series A Preferred Stock. Any dividend not declared and fully paid in cash during the waiver period or otherwise, will continue to accrue in accordance with the Certificate of Designations and be reflected as additional per share liquidation preference.

Redemption

Upon a fundamental change such as a change of control, liquidation, dissolution or winding up event, holders of the Series A Preferred Stock will have the right to require the Company to repurchase all or any part of the outstanding Series A Preferred Stock for cash at a price equal the liquidation preference and accrued and unpaid dividends through and including the fundamental change date.

The Company may, at its option redeem all or any part of the outstanding shares of Series A Preferred Stock at a purchase price per share in cash equal to the sum of the liquidation preference and accrued and unpaid dividends. A premium may also be payable in connection with any such redemption.

Voting Rights

Holders of Series A Preferred Stock are entitled to one vote per share on matters specifically related to the Series A Preferred Stock. The holders do not otherwise have any voting rights. If preferred dividends have not been paid in cash in full for two dividend periods after October 2, 2027, whether or not consecutive, then the holders of the Series A Preferred Stock, voting together as a single class, will be entitled to elect two additional directors to the board of directors.

On December 7, 2021, upon the completion of the Searchlight investment as described in Note 4, we issued 434,266 shares of Series A Preferred Stock with a carrying value of $285.9 million. In accordance with ASC 480, *Distinguishing Liabilities from Equity*, the Series A Preferred Stock is classified as mezzanine equity in the consolidated balance sheets. As of December 31, 2022, the liquidation preference of the Series A Preferred Stock was $477.0 million, which included accrued and unpaid dividends of $20.7 million that increased the liquidation preference per share. As of December 31, 2023, the liquidation preference of the Series A Preferred Stock was $521.0 million, which included accrued and unpaid dividends of $22.4 million. During the years ended December 31, 2023 and 2022, the Company paid dividends in-kind of $42.2 million and $22.1 million, respectively. Searchlight is the sole holder of all of the issued and outstanding shares of the Company's Series A Preferred Stock. The Company intends to exercise the paid-in-kind dividend option on the Series A Preferred Stock through at least 2025.

12. SHAREHOLDERS' EQUITY

Common Stock Dividends

On April 25, 2019, we announced the elimination of the payment of quarterly dividends on our stock beginning in the second quarter of 2019. Future dividend payments, if any, are at the discretion of our Board of Directors. Changes in our dividend program will depend on our earnings, capital requirements, financial condition, debt covenant compliance, expected cash needs and other factors considered relevant by our Board of Directors.

Share-based Compensation

Our Board of Directors (or its Compensation Committee) may grant share-based awards from our shareholder approved Consolidated Communications Holdings, Inc. Long-Term Incentive Plan, as amended and/or restated (the "Plan"). The Plan permits the issuance of awards in the form of stock options, stock appreciation rights, stock grants, and stock unit grants to eligible directors and employees at the discretion of the Compensation Committee of the Board of Directors. On February 26, 2023, our Board of Directors adopted, and on May 1, 2023, the shareholders approved an amendment to the Plan to increase by 5,280,000 shares the number of shares of our common stock authorized for issuance under the Plan. With the amendment, approximately 15,330,000 shares of our common stock are authorized for issuance under the Plan, provided that in any calendar year an eligible employee may be granted no more than 300,000 stock options or 300,000 stock appreciation rights, and a non-employee director may be granted no more than 25,000 stock options or 25,000 stock appreciation rights. In addition, stock awards and stock unit awards granted to an employee in any calendar year may not cover shares having a fair market value on the date of grant that exceeds $6,000,000 ($500,000 in the case of a non-employee director). Unless terminated sooner, the Plan will continue in effect until April 30, 2028.

We measure the fair value of RSAs based on the market price of the underlying common stock on the date of grant. We recognize the expense associated with RSAs on a straight-line basis over the requisite service period, which generally ranges from immediate vesting to a four-year vesting period.

We implemented an ongoing performance-based incentive program under the Plan. The performance-based incentive program provides for annual grants of PSAs. PSAs are restricted stock that are issued, to the extent earned, at the end of each annual performance cycle. Under the performance-based incentive program, each participant is given a target award expressed as a number of shares, with a payout opportunity ranging from 0% to 150% of the target, depending on performance relative to predetermined goals. An estimate of the number of PSAs that are expected to vest is made, and the fair value of the PSAs is expensed utilizing the fair value on the date of grant over the requisite service period. The awards generally vest ratably over a four-year vesting period.

Pursuant to the performance-based incentive program, PSAs issued to certain senior executives entitle the executives to earn shares depending on the level of attainment of the predetermined performance goals over a three-year performance period, with payouts ranging from 0% to 150% of the target for PSAs issued in 2023 and 2022 and from 0% to 120% for PSAs issued in 2021. The earned PSAs are then subject to possible adjustment based on our total shareholder return relative to our peer group over the same performance period, which may increase or decrease the number of shares actually awarded by up to 25%. The fair value of these awards are initially measured on the grant date using estimated payout levels derived from a Monte Carlo simulation model. The awards vest in the month following the end of the of the three-year performance period.

The following table summarizes grants of RSAs and PSAs under the Plan during the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,					
	2023	Grant Date Fair Value	2022	Grant Date Fair Value	2021	Grant Date Fair Value
RSAs Granted	1,695,071	$ 3.02	1,031,999	$ 4.70	941,748	$ 7.51
PSAs Granted	370,667	$ 5.41	904,435	$ 7.52	788,054	$ 6.31
Total	2,065,738		1,936,434		1,729,802	

The following table summarizes the RSA and PSA activity during the year ended December 31, 2023:

	RSAs		PSAs	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Non-vested shares outstanding - December 31, 2022	1,185,980	$ 5.84	1,464,058	$ 7.07
Shares granted	1,695,071	$ 3.02	370,667	$ 5.41
Shares vested	(1,114,904)	$ 4.44	(922,359)	$ 7.40
Shares forfeited, cancelled or retired	(274,150)	$ 5.33	(221,544)	$ 7.61
Non-vested shares outstanding - December 31, 2023	1,491,997	$ 3.78	690,822	$ 7.28

The total fair value of the RSAs and PSAs that vested during the years ended December 31, 2023, 2022 and 2021 was $11.8 million, $8.1 million and $7.3 million, respectively.

At December 31, 2023, we had 2.0 million PSAs outstanding with a weighted average grant date fair value of $3.48 for which performance conditions have not yet been deemed met. The PSAs are earned upon the achievement of predetermined goals over the performance periods, which range from one to three years. Depending on performance, 0% to 150% of the target shares may be issued as restricted stock to settle the PSAs outstanding at December 31, 2023 once the performance periods are completed.

Share-based Compensation Expense

The following table summarizes total compensation costs recognized for share-based payments during the years ended December 31, 2023, 2022 and 2021:

	Year Ended December 31,		
(In thousands)	2023	2022	2021
Restricted stock	$ 4,506	$ 5,296	$ 5,478
Performance shares	3,107	5,459	4,619
Total	$ 7,613	$ 10,755	$ 10,097

Income tax benefits related to share-based compensation of approximately $2.0 million, $2.8 million and $2.6 million were recorded for the years ended December 31, 2023, 2022 and 2021, respectively. Share-based compensation expense is included in "selling, general and administrative expenses" in the accompanying consolidated statements of operations.

As of December 31, 2023, total unrecognized compensation cost related to non-vested RSAs and PSAs was $10.4 million and will be recognized over a weighted-average period of approximately 1.6 years.

Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss), net of tax, by component during 2023 and 2022:

(In thousands)	Pension and Post-Retirement Obligations	Derivative Instruments	Total
Balance at December 31, 2021	$ (52,099)	$ (7,472)	$ (59,571)
Other comprehensive gain before reclassifications	47,123	10,879	58,002
Amounts reclassified from accumulated other comprehensive loss	(762)	1,721	959
Net current period other comprehensive income (loss)	46,361	12,600	58,961
Balance at December 31, 2022	$ (5,738)	$ 5,128	$ (610)
Other comprehensive gain (loss) before reclassifications	(14,664)	462	(14,202)
Amounts reclassified from accumulated other comprehensive loss	318	(7,378)	(7,060)
Net current period other comprehensive income	(14,346)	(6,916)	(21,262)
Balance at December 31, 2023	$ (20,084)	$ (1,788)	$ (21,872)

The following table summarizes reclassifications from accumulated other comprehensive loss during 2023 and 2022:

	Year Ended December 31,		Affected Line Item in the
(In thousands)	2023	2022	Statement of Operations
Amortization of pension and post-retirement items:			
Prior service credit	$ 529	$ 777	(a)
Actuarial gain	5,447	254	(a)
Settlement loss	(6,402)	—	(a)
	(426)	1,031	Total before tax
	108	(269)	Tax (expense) benefit
	$ (318)	$ 762	Net of tax
Gain (loss) on cash flow hedges:			
Interest rate derivatives	$ 9,997	$ (2,328)	Interest expense
	(2,619)	607	Tax (expense) benefit
	$ 7,378	$ (1,721)	Net of tax

(a) These items are included in the components of net periodic benefit cost for our pension and post-retirement benefit plans. See Note 13 for additional details.

13. PENSION PLANS AND OTHER POST-RETIREMENT BENEFITS

Defined Benefit Plans

We sponsor three qualified defined benefit pension plans that are non-contributory covering substantially all of our hourly employees under collective bargaining agreements who fulfill minimum age and service requirements and certain salaried employees. The defined benefit pension plans are closed to all new entrants. All of our defined benefit pension plans are now frozen to all current employees and no additional monthly pension benefits will accrue under those plans.

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

The following tables summarize the change in benefit obligation, plan assets and funded status of the Pension Plans as of December 31, 2023 and 2022:

(In thousands)	2023	2022
Change in benefit obligation		
Benefit obligation at the beginning of the year	$ 538,968	$ 744,463
Interest cost	29,150	22,273
Actuarial loss (gain)	16,254	(197,697)
Benefits paid	(27,927)	(30,071)
Plan settlement	(41,643)	—
Benefit obligation at the end of the year	$ 514,802	$ 538,968

(In thousands)	2023	2022
Change in plan assets		
Fair value of plan assets at the beginning of the year	$ 464,757	$ 617,540
Employer contributions	255	10,055
Actual return on plan assets	29,363	(132,767)
Benefits paid	(27,927)	(30,071)
Plan settlement	(41,643)	—
Fair value of plan assets at the end of the year	$ 424,805	$ 464,757
Funded status at year end	$ (89,997)	$ (74,211)

In the year ended December 31, 2023, the actuarial loss on the benefit obligation was primarily due to a decrease in the discount rate. In the year ended December 31, 2022, the actuarial gain on the benefit obligation was primarily due to an increase in the discount rate.

Amounts recognized in the consolidated balance sheets at December 31, 2023 and 2022 consisted of:

(In thousands)	2023	2022
Current liabilities	$ (235)	$ (236)
Long-term liabilities	$ (89,762)	$ (73,975)

Amounts recognized in accumulated other comprehensive loss for the years ended December 31, 2023 and 2022 consisted of:

(In thousands)	2023	2022
Unamortized prior service cost	$ 563	$ 685
Unamortized net actuarial loss	72,432	61,193
	$ 72,995	$ 61,878

The following table summarizes the components of net periodic pension cost (benefit) recognized in the consolidated statements of operations for the plans for the years ended December 31, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Interest cost	$ 29,150	$ 22,273	$ 22,758
Expected return on plan assets	(31,023)	(36,535)	(36,997)
Amortization of:			
Net actuarial loss	273	730	2,309
Prior service cost	122	123	122
Plan settlement	6,402	—	5,864
Net periodic pension cost (benefit)	$ 4,924	$ (13,409)	$ (5,944)

The components of net periodic pension cost (benefit) are included in other, net within other income (expense) in the consolidated statements of operations.

In 2023 and 2021, we purchased a group annuity contract to transfer the pension benefit obligations and annuity administration for a select group of retirees or their beneficiaries to an annuity provider. Upon issuance of the group annuity contract, the pension benefit obligation of $41.6 million for approximately 320 participants was irrevocably transferred to the annuity provider in 2023. In 2021, the pension benefit obligation of $47.1 million for approximately 400 participants was irrevocably transferred to the annuity provider. The purchase of the group annuity contracts was funded directly by the assets of the Pension Plans. During the years ended December 31, 2023 and 2021, we recognized a pension settlement charge of $6.4 million and $5.9 million, respectively, as a result of the transfer of the pension liability to the annuity provider and other lump sum payments made during the year.

The following table summarizes other changes in plan assets and benefit obligations recognized in other comprehensive loss, before tax effects, during 2023 and 2022:

(In thousands)	2023	2022
Actuarial loss (gain), net	$ 17,914	$ (28,395)
Recognized actuarial loss	(273)	(730)
Recognized prior service cost	(122)	(123)
Plan settlement	(6,402)	—
Total amount recognized in other comprehensive loss, before tax effects	$ 11,117	$ (29,248)

The weighted-average assumptions used to determine the projected benefit obligations and net periodic benefit cost for the years ended December 31, 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Discount rate - net periodic benefit cost	5.65 %	3.05 %	2.81 %
Discount rate - benefit obligation	5.34 %	5.63 %	3.05 %
Expected long-term rate of return on plan assets	7.00 %	6.00 %	6.00 %
Rate of compensation/salary increase	N/A	N/A	N/A %
Interest crediting rate for cash balance plans	4.75 %	4.00 %	2.00 %

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 acquired companies. Depending on the plan, benefits are payable in monthly or annual installments for a period of time based on the terms of the agreement which range from five years up to the life of the participant or to the beneficiary upon death of the participant and may begin as early as age 55. Participants accrue no new benefits as these plans had previously been frozen. Payments related to the deferred compensation agreements totaled approximately $0.1 million and $0.2 million for the years ended December 31, 2023 and 2022, respectively. The net present value of the remaining obligations was approximately $0.4 million and $0.5 million at December 31, 2023 and 2022, respectively, and is included in pension and post-retirement benefit obligations in the accompanying balance sheets.

We also maintain 22 life insurance policies on certain of the participating former directors and employees. We did not recognize any life insurance proceeds in 2023 and 2022. The excess of the cash surrender value of the remaining life insurance policies over the notes payable balances related to these policies is determined by an independent consultant, and totaled $2.9 million and $2.8 million at December 31, 2023 and 2022, respectively. These amounts are included in investments in the accompanying consolidated balance sheets. Cash principal payments for the policies and any proceeds from the policies are classified as operating activities in the consolidated statements of cash flows. The aggregate death benefit payment payable under these policies totaled $6.4 million and $6.3 million as of December 31, 2023 and 2022, respectively.

Post-retirement Benefit Obligations

We sponsor various healthcare and life insurance plans ("Post-retirement Plans") that provide post-retirement medical and life insurance benefits to certain groups of retired employees. Certain plans are frozen so that no person is eligible to become a new participant. Retirees share in the cost of healthcare benefits, making contributions that are adjusted periodically—either based upon collective bargaining agreements or because total costs of the program have changed. Covered expenses for retiree health benefits are paid as they are incurred. Post-retirement life insurance benefits are fully insured. A majority of the healthcare plans are unfunded and have no assets, and benefits are paid from the general operating funds of the Company. However, a certain healthcare plan is funded by assets that are separately designated within the Pension Plans for the sole purpose of providing payments of retiree medical benefits for this specific plan.

The following tables summarize the change in benefit obligation, plan assets and funded status of the post-retirement benefit obligations as of December 31, 2023 and 2022:

(In thousands)	2023	2022
Change in benefit obligation		
Benefit obligation at the beginning of the year	$ 56,223	$ 96,434
Service cost	65	658
Interest cost	2,939	2,593
Plan participant contributions	80	447
Actuarial loss (gain)	2,708	(36,567)
Benefits paid	(7,021)	(7,342)
Plan amendments	(815)	—
Benefit obligation at the end of the year	$ 54,179	$ 56,223

(In thousands)	2023	2022
Change in plan assets		
Fair value of plan assets at the beginning of the year	$ 2,693	$ 3,546
Employer contributions	6,941	6,894
Plan participant's contributions	80	447
Actual return on plan assets	110	(852)
Benefits paid	(7,021)	(7,342)
Fair value of plan assets at the end of the year	$ 2,803	$ 2,693
Funded status at year end	$ (51,376)	$ (53,530)

In the year ended December 31, 2023, the actuarial loss on the benefit obligation was primarily due to a decrease in the discount rate and changes to the demographic experience. In the year ended December 31, 2022, the actuarial gain on the benefit obligation was primarily due to the underwriting gain and an increase in the discount rate.

Amounts recognized in the consolidated balance sheets at December 31, 2023 and 2022 consist of:

(In thousands)	2023	2022
Current liabilities	$ (3,933)	$ (4,328)
Long-term liabilities	$ (47,443)	$ (49,202)

Amounts recognized in accumulated other comprehensive loss for the years ended December 31, 2023 and 2022 consist of:

(In thousands)	2023	2022
Unamortized prior service credit	$ (2,129)	$ (1,965)
Unamortized net actuarial gain	(30,597)	(39,103)
	$ (32,726)	$ (41,068)

The following table summarizes the components of the net periodic costs for post-retirement benefits for the years ended December 31, 2023, 2022 and 2021:

(In thousands)	2023	2022	2021
Service cost	$ 65	$ 658	$ 649
Interest cost	2,939	2,593	2,579
Expected return on plan assets	(188)	(213)	(200)
Amortization of:			
Net actuarial gain	(5,720)	(984)	—
Prior service credit	(651)	(900)	(901)
Net periodic postretirement benefit cost	$ (3,555)	$ 1,154	$ 2,127

The components of net periodic post-retirement benefit cost other than the service cost component are included in other, net within other income (expense) in the consolidated statements of operations.

The following table summarizes other changes in plan assets and benefit obligations recognized in other comprehensive loss, before tax effects, during 2023 and 2022:

(In thousands)	2023	2022
Actuarial loss (gain), net	$ 2,786	$ (35,502)
Recognized actuarial gain	5,720	984
Prior service credit	(815)	—
Recognized prior service credit	651	900
Total amount recognized in other comprehensive loss, before tax effects	$ 8,342	$ (33,618)

The weighted-average assumptions used to determine the projected benefit obligations and net periodic benefit cost for the years ended December 31, 2023, 2022 and 2021 were as follows:

	2023	2022	2021
Discount rate - net periodic benefit cost	5.64 %	2.94 %	2.57 %
Discount rate - benefit obligation	5.40 %	5.64 %	2.93 %
Rate of compensation/salary increase	2.50 %	2.50 %	2.50 %

For purposes of determining the cost and obligation for post-retirement medical benefits, a 6.50% healthcare cost trend rate was assumed for the plan in 2023, declining to the ultimate trend rate of 5.00% in 2030.

Plan Assets

Our investment strategy is designed to provide a stable environment to earn a rate of return over time to satisfy the benefit obligations and minimize the reliance on contributions as a source of benefit security. The objectives are based on a long-term (5 to 15 year) investment horizon, so that interim fluctuations should be viewed with appropriate perspective. The diversification of assets will be employed to minimize the risk of large losses and to achieve the greatest return for the pension plans consistent with a prudent level of risk.

The asset return objective is to achieve, as a minimum over time, the passively managed return earned by managed index funds, weighted in the proportions outlined by the asset class exposures identified in the pension plan's strategic allocation. We update our long-term, strategic asset allocations every few years to ensure they are in line with our fund objectives. At December 31, 2023, the target allocation of the Pension Plan assets is approximately 70 - 90% in return seeking assets consisting primarily of equity and fixed income funds with the remainder in hedge funds. Our investment policy allows the use of derivative instruments when appropriate to reduce anticipated asset volatility or to gain desired exposure to various markets and return drivers. Currently, we believe that there are no significant concentrations of risk associated with the Pension Plan assets.

The following is a description of the valuation methodologies for assets measured at fair value utilizing the fair value hierarchy discussed in Note 1, which prioritizes the inputs used in the valuation methodologies in measuring fair value. The fair value measurements used to value our plan assets as of December 31, 2023 were generated by using market transactions involving identical or comparable assets. There were no changes in the valuation techniques used during 2023.

Common Stock: Includes domestic and international common stock and are valued at the closing price as of the measurement date as reported on the active market on which the individual securities are traded.

Common Collective Trusts and Commingled Funds: Units in the fund are valued based on the net asset value ("NAV") of the funds, which is based on the fair value of the underlying investments held by the fund less its liabilities as reported by the issuer of the fund. The NAV per share is used as a practical expedient to estimate fair value. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported net asset value. These investments have no unfunded commitments, are redeemable daily, weekly, monthly, quarterly or semi-annually and have redemption notice periods of up to 180 days.

The fair values of our assets for our defined benefit pension plans at December 31, 2023 and 2022, by asset category were as follows:

		As of December 31, 2023		
(In thousands)	**Total**	**Quoted Prices In Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 5	$ 5	$ —	$ —
Equities:				
Stocks:				
U.S. common stocks	21	21	—	—
International stocks	2	2	—	—
Total plan assets in the fair value hierarchy	28	$ 28	$ —	$ —
Common Collective Trusts measured at NAV: [1]				
Short-term investments [2]	5,644			
Equities:				
Global	150,377			
Real estate	74,453			
Fixed Income	142,221			
Hedge Funds	52,082			
Total plan assets	$ 424,805			

		As of December 31, 2022		
(In thousands)	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 38	$ 38	$ —	$ —
Equities:				
Stocks:				
U.S. common stocks	21	21	—	—
International stocks	2	2	—	—
Total plan assets in the fair value hierarchy	61	$ 61	$ —	$ —
Common Collective Trusts measured at NAV: [1]				
Short-term investments [2]	4,739			
Equities:				
Global	154,626			
Real estate	96,641			
Fixed Income	137,174			
Hedge Funds	71,519			
Other liabilities (3)	(3)			
Total plan assets	$ 464,757			

[1] Certain investments that are measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

[2] Short-term investments include an investment in a common collective trust which is principally comprised of certificates of deposit, commercial paper, U.S. government obligations and variable rate securities with maturities less than one year.

[3] Other liabilities include net amount due from pending securities purchased and sold.

The fair values of our assets for our post-retirement benefit plans at December 31, 2023 and 2022 were as follows:

(In thousands)	As of December 31, 2023
Common Collective Trusts measured at NAV: [1]	
Short-term investments [2]	$ 38
Equities:	
Global	1,023
Real estate	506
Fixed Income	968
Hedge Funds	355
Total plan assets	2,890
Benefit payments payable	(87)
Net plan assets	$ 2,803

		As of December 31, 2022		
(In thousands)	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1	$ 1	$ —	$ —
Common Collective Trusts measured at NAV: [(1)]				
Short-term investments [(2)]	28			
Equities:				
Global	917			
Real estate	573			
Fixed Income	814			
Hedge Funds	425			
Total plan assets	2,758			
Benefit payments payable	(65)			
Net plan assets	$ 2,693			

[(1)] Certain investments that are measured at fair value using NAV per share as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the total plan assets.

[(2)] Short-term investments include investment in a common collective trust which is principally comprised of certificates of deposit, commercial paper and U.S. government obligations with maturities less than one year.

Cash Flows

Contributions

Our funding policy is to contribute annually an actuarially determined amount necessary to meet the minimum funding requirements as set forth in employee benefit and tax laws. We elected to participate in ARPA beginning with the 2021 plan year. ARPA, which was signed into law in March 2021, included changes to the employer funding requirements and is designed to reduce the amounts of required contributions to provide funding relief for employers. During 2021 and the six months ended June 30, 2022, we elected to fund our pension contributions at the pre-ARPA levels, which has created a pre-funded balance. We intend to use our current pre-funded balance to satisfy the minimum contribution requirements until the balance is exhausted, which is expected to occur in late 2024. In 2023, no pension contributions were required under the ARPA minimum required contributions. We expect to contribute between approximately $0.2 million to $0.5 million to our Pension Plans and $5.7 million to our other post-retirement plans in 2024.

Estimated Future Benefit Payments

As of December 31, 2023, benefit payments expected to be paid over the next ten years are outlined in the following table:

(In thousands)	Pension Plans	Other Post-retirement Plans
2024	$ 31,195	$ 5,673
2025	32,150	5,074
2026	33,082	4,667
2027	34,063	4,347
2028	34,876	4,064
2029 - 2033	177,516	18,648

Defined Contribution Plans

We offer defined contribution 401(k) plans to substantially all of our employees. Contributions made under the defined contribution plans include a match, at the Company's discretion, of employee contributions to the plans. We recognized expense with respect to these plans of $16.3 million, $15.8 million and $15.6 million in 2023, 2022 and 2021, respectively.

14. INCOME TAXES

Income tax expense (benefit) consists of the following components:

	For the Year Ended		
(In thousands)	2023	2022	2021
Current:			
Federal	$ 303	$ 199	$ 305
State	4,182	830	470
Total current expense	4,485	1,029	775
Deferred:			
Federal	(46,740)	(20,983)	(3,921)
State	(9,352)	(7,104)	14
Total deferred expense (benefit)	(56,092)	(28,087)	(3,907)
Total income tax expense (benefit)	$ (51,607)	$ (27,058)	$ (3,132)

The following is a reconciliation of the federal statutory tax rate to the effective tax rate for the years ended December 31, 2023, 2022 and 2021:

	For the Year Ended		
(In percentages)	2023	2022	2021
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	5.1	5.3	4.7
Searchlight investment	—	—	(23.3)
Other permanent differences	(0.5)	(0.7)	(0.4)
Change in deferred tax rate	—	1.5	0.2
Valuation allowance	(0.7)	(0.3)	(1.2)
Provision to return	(1.2)	0.1	1.9
Non deductible goodwill	(6.8)	(13.4)	(1.0)
Other	0.2	(0.3)	0.3
	17.1 %	13.2 %	2.2 %

Deferred Taxes

The components of the net deferred tax liability are as follows:

	Year Ended December 31,	
(In thousands)	2023	2022
Non-current deferred tax assets:		
Reserve for uncollectible accounts	$ 3,558	$ 3,032
Accrued vacation pay deducted when paid	4,350	4,501
Accrued expenses and deferred revenue	12,456	15,458
Net operating loss carryforwards	124,282	71,576
Excess interest carryforward	58,954	19,580
Pension and postretirement obligations	37,619	34,083
Share-based compensation	1,737	2,347
Derivative instruments	634	(1,815)
Tax credit carryforwards	1,010	4,282
	244,600	153,044
Valuation allowance	(7,805)	(8,379)
Net non-current deferred tax assets	236,795	144,665
Non-current deferred tax liabilities:		
Goodwill and other intangibles	(27,316)	(36,384)
Partnership investments	270	271
Property, plant and equipment	(416,491)	(377,886)
Financing costs	(3,895)	(4,976)
Other	(11)	1
	(447,443)	(418,974)
Net non-current deferred taxes	$ (210,648)	$ (274,309)

As a result of the Washington transaction in 2023 and the Kansas City and Ohio transactions in 2022, we recorded an increase of $20.3 million and $27.4 million to our current tax expense in 2023 and 2022, respectively, related to the write-down of noncash goodwill included in the transactions that is not deductible for tax purposes.

In connection to the sale of our five limited wireless partnership interests to Cellco in 2022, we recognized a taxable gain of approximately $479.9 million. For federal income tax purposes, we utilized our available net operating loss carry forwards to offset our 2022 taxable income, which was inclusive of the taxable gain. For state income tax purposes, state tax liabilities were approximately $11.2 million. The financial results of the limited partnership interests have been classified as discontinued operations in our consolidated financial statements for all prior periods presented. Refer to Note 6 for additional information on the transaction and the partnership interests.

The investment made by Searchlight in 2020 is treated as a contribution of equity for federal tax purposes. Accordingly, the impact of the non-cash PIK interest expense, discount and issuance costs, and fair value adjustments on the CPR are not recognized for federal income tax purposes, resulting in an increase of $33.1 million to our current tax expense for 2021.

Deferred income taxes are provided for the temporary differences between assets and liabilities recognized for financial reporting purposes and assets and liabilities recognized for tax purposes. The ultimate realization of deferred tax assets depends upon taxable income during the future periods in which those temporary differences become deductible. To determine whether deferred tax assets can be realized, management assesses whether it is more likely than not that some portion or all of the deferred tax assets will not be realized, taking into consideration the scheduled reversal of deferred tax liabilities, projected future taxable income and tax-planning strategies.

Consolidated and its wholly owned subsidiaries, which file a consolidated federal income tax return, estimates it has available federal NOL carryforwards as of December 31, 2023 of $521.7 million and related deferred tax assets of $109.6 million. The federal NOL carryforwards for tax years beginning after December 31, 2017 of $381.6 million and related deferred tax assets of $80.1 million can be carried forward indefinitely. The federal NOL carryforwards for the tax years prior to December 31, 2017 of $140.0 million and related deferred tax assets of $29.4 million expire in 2030 to 2035.

ETFL, a nonconsolidated subsidiary for federal income tax return purposes, estimates it has available NOL carryforwards as of December 31, 2023 of $0.2 million and related deferred tax assets of less than $0.1 million. ETFL's federal NOL carryforwards are for the tax years prior to December 31, 2017 and expire in 2024.

We estimate that we have available state NOL carryforwards as of December 31, 2023 of $534.3 million and related deferred tax assets of $19.3 million. The state NOL carryforwards expire from 2024 to 2043. Management believes that it is more likely than not that we will not be able to realize state NOL carryforwards of $112.8 million and related deferred tax asset of $7.8 million and has placed a valuation allowance on this amount. The related NOL carryforwards expire from 2024 to 2043. If or when recognized, the tax benefits related to any reversal of the valuation allowance will be accounted for as a reduction of income tax expense.

We estimate that we have available state tax credit carryforwards as of December 31, 2023 of $1.3 million and related deferred tax assets of $1.0 million. The state tax credit carryforwards are limited annually and expire from 2027 to 2033.

Unrecognized Tax Benefits

Under the accounting guidance applicable to uncertainty in income taxes, we have analyzed filing positions in all of the federal and state jurisdictions where we are required to file income tax returns as well as all open tax years in these jurisdictions. Our unrecognized tax benefits as of December 31, 2023 and 2022 were $4.9 million. There were no material effects on the Company's effective tax rate. The net amount of unrecognized benefits that, if recognized, would result in an impact to the effective rate is $4.7 million for each of the years ended December 31, 2023 and 2022.

Our practice is to recognize interest and penalties related to income tax matters in interest expense and selling, general and administrative expenses, respectively. As of December 31, 2023 and 2022, we did not have a material liability for interest or penalties and had no material interest or penalty expense.

The periods subject to examination for our federal return are years 2020 through 2022. The periods subject to examination for our state returns are years 2019 through 2022. In addition, prior tax years may be subject to examination by federal or state taxing authorities if the Company's NOL carryovers from those prior years are utilized in the future. We are currently under examination by state taxing authorities. We do not expect any settlement or payment that may result from the examination to have a material effect on our results or cash flows.

We do not expect that the total unrecognized tax benefits and related accrued interest will significantly change due to the settlement of audits or the expiration of statute of limitations in the next twelve months. There were no material effects on the Company's effective tax rate.

15. COMMITMENTS AND CONTINGENCIES

We have certain obligations for various contractual agreements to secure future rights to goods and services to be used in the normal course of our operations. These include purchase commitments for planned capital expenditures, agreements securing dedicated access and transport services, and service and support agreements.

As of December 31, 2023, future minimum contractual obligations and the estimated timing and effect the obligations will have on our liquidity and cash flows in future periods are as follows:

	Minimum Annual Contractual Obligations						
(in thousands)	**2024**	**2025**	**2026**	**2027**	**2028**	**Thereafter**	**Total**
Service and support agreements [1]	$ 18,559	$ 12,525	$ 2,713	$ 812	$ 820	$ 505	$ 35,934
Transport and data connectivity	7,388	1,950	1,835	1,846	1,828	34	14,881
Capital expenditures [2]	26,745	—	—	—	—	—	26,745
Other operating agreements [3]	2,984	1,808	1,278	654	620	1,717	9,061
Total	$ 55,676	$ 16,283	$ 5,826	$ 3,312	$ 3,268	$ 2,256	$ 86,621

(1) We have entered into service and maintenance agreements to support various computer hardware and software applications and certain equipment.

(2) We have binding commitments with numerous suppliers for future capital expenditures.

(3) We have entered into various non-cancelable rental agreements for certain facilities and equipment used in our operations.

Litigation, Regulatory Proceedings and Other Contingencies

From time to time we may be involved in litigation that we believe is of the type common to companies in our industry, including regulatory issues. While the outcome of the claims described below cannot be predicted with certainty, we do not believe that the outcome of any of these legal matters will have a material adverse impact on our financial statements

Gross Receipts Tax

Two of our subsidiaries, Consolidated Communications of Pennsylvania Company LLC ("CCPA") and Consolidated Communications Enterprise Services Inc. ("CCES"), have, at various times, received Assessment Notices and/or Audit Assessment Notices from the Commonwealth of Pennsylvania Department of Revenue ("DOR") increasing the amounts owed for the Pennsylvania Gross Receipts Tax, and have had audits performed for the tax years 2008 through 2018 (CCPA and CCES) and 2019 through 2020 (CCPA). We filed Petitions for Reassessment with the DOR's Board of Appeals contesting these audit assessments. These cases remain pending and are in various stages of appeal. In May 2017, we entered into an agreement to guarantee any potential liabilities to the DOR up to $5.0 million.

Tax liabilities calculated by the DOR for CCPA and CCES for tax years 2010 (CCPA) and 2014 through 2022 (CCPA and CCES) are approximately $5.3 million and $2.6 million, respectively. Based on the initial settlement offers for the tax years 2008 through 2013, which were subsequently settled in 2019 for $2.1 million, including interest, and the Company's best estimate of the potential additional tax liabilities for the remaining unsettled tax years 2010 (CCPA) and 2014 through 2022 (CCPA and CCES), we have reserved $0.9 million and $2.3 million, including interest, for our CCPA and CCES subsidiaries, respectively. We expect the filings for the tax years 2014 through 2022 to be settled at a later date similar to the initial settlement. While we continue to believe a settlement of all remaining disputed claims is possible, we cannot anticipate at this time what the ultimate resolution of these cases will be, nor can we evaluate the likelihood of a favorable or unfavorable outcome or the potential losses (or gains) should such an outcome occur.

Pole Sale

On December 30, 2020, the Company reached an agreement to sell to Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource") its joint ownership interest in approximately 343,000 poles and its sole ownership interest in approximately 3,800 poles located in the Eversource electric service area. The agreement also included the settlement of all vegetation maintenance costs disputed between the Company and Eversource through December 2020. The Company recognized a net loss of $1.9 million during the quarter ended December 31, 2020 associated with the execution of this agreement. Upon the closing of the sale, the Company would become a tenant on the poles and pay pole attachment fees to Eversource. The Company would also no longer have any future obligations associated with vegetation maintenance. The purchase and sale transaction required regulatory approval by the New Hampshire Public Utilities Commission ("NHPUC") and was submitted for approval by the parties in 2021. Formal hearings on the transaction concluded in May 2022. The NHPUC issued its order on November 18, 2022. The New England Cable and Telecommunications Alliance filed a motion for reconsideration and both parties filed a motion for clarification. During the quarter ended December 31, 2022, the Company recorded an additional loss on the proposed sale of $8.3 million as a result of the November 18, 2022 NHPUC order which included certain adjustments to components of the purchase price and expense allocations between Eversource and the Company. The Company also increased its estimated closing costs necessary to complete the sale. The sale of the poles closed on May 1, 2023. During the year ended December 31, 2023, we recognized an additional loss on the sale of $4.2 million.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

	Quarter Ended			
2023	**March 31,**	**June 30,**	**September 30,**	**December 31,**
	(In thousands, except per share amounts)			
Net revenues	$ 276,126	$ 275,162	$ 283,654	$ 275,178
Operating loss	$ (18,099)	$ (95,047)	$ (31,878)	$ (13,154)
Loss from continuing operations	$ (36,961)	$ (108,092)	$ (57,720)	$ (47,285)
Discontinued operations, net of tax	$ —	$ —	$ —	$ —
Net loss attributable to common stockholders	$ (47,691)	$ (118,957)	$ (69,162)	$ (58,614)
Basic and diluted earnings (loss) per common share:				
Loss from continuing operations	$ (0.42)	$ (1.05)	$ (0.61)	$ (0.52)
Income from discontinued operations	—	—	—	—
Net loss per common share attributable to common shareholders - basic and diluted	$ (0.42)	$ (1.05)	$ (0.61)	$ (0.52)

	Quarter Ended			
2022	**March 31,**	**June 30,**	**September 30,**	**December 31,**
	(In thousands, except per share amounts)			
Net revenues	$ 300,278	$ 298,390	$ 296,619	$ 295,976
Operating income (loss)	$ (107,742)	$ 14,449	$ 20,852	$ (20,721)
Loss from continuing operations	$ (119,096)	$ (10,591)	$ (7,257)	$ (40,760)
Discontinued operations, net of tax	$ 3,547	$ 9,079	$ 299,934	$ 5,793
Net income (loss) attributable to common stockholders	$ (125,262)	$ (11,517)	$ 282,250	$ (45,490)
Basic and diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ (1.15)	$ (0.18)	$ (0.15)	$ (0.46)
Income from discontinued operations	0.03	0.08	2.60	0.05
Net income (loss) per common share attributable to common shareholders - basic and diluted	$ (1.12)	$ (0.10)	$ 2.45	$ (0.41)

During the quarter ended December 31, 2023, we purchased a group annuity contract to transfer the pension benefit obligations and annuity administration for a select group of retirees or their beneficiaries to an annuity provider. As a result of the transfer of the pension liability to the annuity provider, we recognized a non-cash pension settlement charge of $6.4 million during the quarter ended December 31, 2023.

In connection with the merger agreement entered into with Searchlight in October 2023, we incurred transaction costs, consisting of legal and professional fees, of $11.8 million during the quarter ended December 31, 2023.

In connection with the sale of the Kansas City operations, as discussed in Note 5, we recognized a gain on the sale of $3.1 million and a loss on the sale of $16.8 million during the quarters ended December 31, 2023 and December 31, 2022, respectively, as a result of purchase price adjustments and changes in working capital and estimated selling costs during the periods.

As discussed in Note 15, we recognized a loss of $8.3 million related to the proposed sale of certain utility poles during the quarter ended December 31, 2022.

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

The following is a list of subsidiaries of the Company, omitting subsidiaries which, considered in the aggregate, would not constitute a significant subsidiary. Unless otherwise noted, all subsidiaries are 100% owned (directly or indirectly) by Consolidated Communications Holdings, Inc.

Name	State of Incorporation
Berkshire Cable Corp.	New York
Berkshire Cellular, Inc.	New York
Berkshire New York Access, Inc.	New York
Berkshire Telephone Corporation	New York
C&E Communications, Ltd.	New York
Chautauqua & Erie Communications, Inc.	New York
Chautauqua and Erie Telephone Corporation	New York
Clio Parent, LLC	Delaware
Clio Subsidiary, LLC	Delaware
Consolidated Communications of Comerco Company	Washington
Consolidated Communications Enterprise Services, Inc.	Delaware
Consolidated Communications Finance III Co.	Delaware
Consolidated Communications of California Company	California
Consolidated Communications of Central Illinois Company	Illinois
Consolidated Communications of Colorado Company	Delaware
Consolidated Communications of Florida Company	Florida
Consolidated Communications of Illinois Company	Illinois
Consolidated Communications of Kansas Company	Kansas
Consolidated Communications of Maine Company	Maine
Consolidated Communications of Minnesota Company	Minnesota
Consolidated Communications of Missouri Company	Missouri
Consolidated Communications of New York Company, LLC	Delaware
Consolidated Communications of Northern New England Company, LLC	Delaware
Consolidated Communications of Northland Company	Delaware
Consolidated Communications of Ohio Company, LLC	Delaware
Consolidated Communications of Oklahoma Company	Oklahoma
Consolidated Communications of Pennsylvania Company, LLC	Delaware
Consolidated Communications of Texas Company	Texas
Consolidated Communications of Vermont Company, LLC	Delaware
Consolidated Communications of Washington Company, LLC	Delaware
Consolidated Communications, Inc.	Illinois
East Texas Fiber Line Incorporated (63% ownership)	Texas
FairPoint Business Services LLC	Delaware
St. Joe Communications, Inc.	Florida
Taconic Technology Corp.	New York
Taconic Telcom Corp.	New York
Taconic Telephone Corp.	New York

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(i) Registration Statement (Form S-8 No. 333-135440) pertaining to the Consolidated Communications, Inc. 401(k) Plan and Consolidated Communications 401(k) Plan for Texas Bargaining Associates,

(ii) Registration Statement (Form S-8 No. 333-128934) pertaining to the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan,

(iii) Registration Statement (Form S-8 No. 333-166757) pertaining to the Consolidated Communications, Inc. 2005 Long-Term Incentive Plan,

(iv) Registration Statement (Form S-8 No. 333-182597) pertaining to the SureWest Communications Employee Stock Ownership Plan of Consolidated Communications Holdings, Inc.,

(v) Registration Statement (Form S-8 to Form S-4/A No. 333-198000) pertaining to the Hickory Tech Corporation 1993 Stock Award Plan,

(vi) Registration Statement (Form S-8 No. 333-203974) pertaining to the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan,

(vii) Registration Statement (Form S-8 No. 333-228199) pertaining to the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan,

(viii) Registration Statement (Form S-8 No. 333-268623) pertaining to the Consolidated Communications Holdings, Inc. restricted stock agreement with Fred A. Graffam III, and

(ix) Registration Statement (Form S-8 No. 333-270202) pertaining to the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan

of our reports dated March 5, 2024, with respect to the consolidated financial statements of Consolidated Communications Holdings, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Consolidated Communications Holdings, Inc. and subsidiaries included in this Annual Report (Form 10-K) of Consolidated Communications Holdings, Inc. and subsidiaries for the year ended December 31, 2023.

/s/ Ernst & Young LLP

St. Louis, Missouri
March 5, 2024

EXHIBIT 31.1

CHIEF EXECUTIVE OFFICER CERTIFICATION

I, C. Robert Udell Jr., certify that:

1. I have reviewed this annual report on Form 10-K of Consolidated Communications Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 5, 2024

/s/ C. Robert Udell Jr.
C. Robert Udell Jr.
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CHIEF FINANCIAL OFFICER CERTIFICATION

I, Fred A. Graffam III, certify that:

1. I have reviewed this annual report on Form 10-K of Consolidated Communications Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 5, 2024

/s/ Fred A. Graffam III
Fred A. Graffam III
Chief Financial Officer
(Principal Financial Officer and Chief Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), C. Robert Udell Jr. and Fred A. Graffam III, President and Chief Executive Officer and Chief Financial Officer, respectively, of Consolidated Communications Holdings, Inc., each certify that to his knowledge (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Consolidated Communications Holdings, Inc.

/s/ C. Robert Udell Jr.
C. Robert Udell Jr.
President and Chief Executive Officer
(Principal Executive Officer)
March 5, 2024

/s/ Fred A. Graffam III
Fred A. Graffam III
Chief Financial Officer
(Principal Financial Officer and Chief Accounting Officer)
March 5, 2024

The foregoing certifications are not deemed filed with the Securities and Exchange Commission for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and are not to be incorporated by reference into any filing of Consolidated Communications Holdings, Inc. under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language contained in such filing.

Exhibit 97

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

Consolidated Communications Holdings, Inc. (the "***Company***") has adopted this Policy for Recovery of Erroneously Awarded Compensation (the "***Policy***"), effective as of October 2, 2023 (the "***Effective Date***"). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Officers of the Company. Each Officer shall be required to sign an Acknowledgment Agreement pursuant to which such Officer will agree to be bound by the terms of, and comply with, this Policy; however, any Officer's failure to sign any such Acknowledgment Agreement shall not negate the application of this Policy to the Officer.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is "received" shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is "received" in the Company's fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person's right to voluntarily terminate employment for "good reason," or due to a "constructive termination" (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board of Directors of the Company (the "***Board***") may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the "Committee" shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person's potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "***Other Recovery Arrangements***"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the

Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. Definitions

"***Applicable Rules***" means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company's securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company's securities are listed.

"***Committee***" means the committee of the Board responsible for executive compensation decisions comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee, a majority of the independent directors serving on the Board.

"***Erroneously Awarded Compensation***" means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Financial Reporting Measure***" means any measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock or share price and total equityholder return.

"***GAAP***" means United States generally accepted accounting principles.

"***IFRS***" means international financial reporting standards as adopted by the International Accounting Standards Board.

"***Impracticable***" means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempts to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association, (b) to the extent permitted by the Applicable Rules, the recovery would violate the Company's home country laws pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such violation, and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

"***Incentive-Based Compensation***" means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

"***Officer***" means each person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

"***Restatement***" means an accounting restatement to correct the Company's material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

"***Three-Year Period***" means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The "Three-Year Period" also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

ACKNOWLEDGMENT AND CONSENT TO
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the “Policy”) adopted by Consolidated Communications Holdings, Inc. (the “Company”).

For good and valuable consideration, the receipt of which is acknowledged, the undersigned agrees to the terms of the Policy and agrees that compensation received by the undersigned may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary. The undersigned further acknowledges and agrees that the undersigned is not entitled to indemnification in connection with any enforcement of the Policy and expressly waives any rights to such indemnification under the Company’s organizational documents or otherwise.

______________________ ______________________________________

Date Signature

____

Name

____

Title