

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See attachment](#)

Blank lines for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ [See attachment](#)

Blank lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment](#)

Blank lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶ *J. L. Hester* Date ▶ 08/11/2017

Print your name ▶ Janice L. Hester Title ▶ Senior Director of Tax

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

FairPoint Communications, Inc. 13-3725229
Form 8937
Report of Organizational Actions Affecting Basis of Securities
Attachment

Part II, Line 14

Consolidated Communications Holdings, Inc. ("Consolidated") and FairPoint Communications, Inc. ("FairPoint") entered into an Agreement and Plan of Merger dated December 3, 2016 (the "Merger Agreement") pursuant to which Consolidated acquired FairPoint. The Merger Agreement provided for the merger of a wholly-owned subsidiary of Consolidated with and into FairPoint, with FairPoint surviving (the "Merger"). Pursuant to the Merger, each outstanding share of FairPoint common stock was converted into the right to receive 0.73 shares of Consolidated common stock (i.e., 73 shares of Consolidated common stock for each 100 shares of FairPoint common stock owned) and cash in lieu of fractional Consolidated common shares. As a result of the Merger, FairPoint will continue as a wholly-owned subsidiary of Consolidated. The Merger was effective on July 3, 2017.

Part II, Line 15

Except as discussed below in "Cash in Lieu of Fractional Shares of Consolidated Common Stock," a U.S. shareholder who exchanged all of its shares of FairPoint common stock solely for shares of Consolidated common stock pursuant to the Merger will not recognize gain or loss in connection with such exchange. A U.S. shareholder's aggregate tax basis in the Consolidated common stock received in the Merger, including any fractional shares deemed received by the U.S. shareholder under the treatment discussed below in "Cash in Lieu of Fractional Shares of Consolidated Common Stock," in exchange for its FairPoint common stock should equal such U.S. shareholder's aggregate tax basis in the FairPoint common stock surrendered by such U.S. shareholder in the Merger.

Cash in Lieu of Fractional Shares of Consolidated Common Stock

A U.S. shareholder who received cash in lieu of a fractional share of Consolidated common stock will be treated as having received the fractional share of Consolidated common stock pursuant to the Merger and then as having exchanged the fractional share of Consolidated common stock for cash in a redemption by Consolidated. In general, this deemed redemption will be treated as a sale or exchange, and a U.S. shareholder will recognize gain or loss equal to the difference between (i) the amount of cash received by such U.S. shareholder and (ii) the portion of the basis of the shares of FairPoint common stock allocable to such fractional interest.

Part II, Line 16

The adjusted tax basis of the shares of Consolidated common stock received in the Merger should be the adjusted tax basis in the shares of FairPoint common stock surrendered therefore, adjusted to reflect the exchange ratios used in the Merger. See below for an example of the adjustment to tax basis as a result of the Merger and cash received in lieu of fractional shares.

Example: Assume a U.S. shareholder owned 120 shares of FairPoint common stock, 60 of which were acquired on Date 1 with an aggregate tax basis of \$900 (or \$15 per share), and 60 of which were acquired on Date 2 with an aggregate tax basis of \$1,050 (or \$17.50 per share),

for a total aggregate basis of \$1,950 (\$900 + \$1,050). Pursuant to the Merger, such U.S. shareholder received 87.6 shares of Consolidated common stock (120 shares x 0.73 conversion ratio). As a result, the U.S. shareholder would have (i) 43 shares of Consolidated common stock (60 shares x 0.73, less the fractional share of 0.8) with an aggregate tax basis of \$883.56 (or \$20.55 per share, determined by dividing \$900 by 43.8 shares) that is treated as having been acquired on Date 1; (ii) 43 shares of Consolidated common stock with an aggregate tax basis of \$1,030.82 (or \$23.97 per share, determined by dividing \$1,050 by 43.8 shares) that is treated as having been acquired on Date 2; and (iii) 1.6 shares of Consolidated common stock (0.8 for Date 1 shares + 0.8 for Date 2 shares) with an aggregate tax basis of \$35.62 (\$1,950 – (\$883.56 + \$1,030.82)) that are divided into two equal segments to represent the basis of stock acquired on Dates 1 and 2. Specifically, the U.S. shareholder would have 1 whole share of Consolidated Common stock with an aggregate tax basis of \$22.26, with one segment thereof having a tax basis of \$10.27 (\$20.55 x 0.5 or 60/120) that is treated as having been acquired on Date 1 and a second segment thereof having a tax basis of \$11.99 (\$23.97 x 0.5 or 60/120) that is treated as having been acquired on Date 2. The fractional share (i.e., the approximate 0.6 of Consolidated common stock), which has an aggregate tax basis of \$13.36, would also have two segments, with one segment thereof having a tax basis of \$6.16 (\$10.27 x 0.6) that is treated as having been acquired on Date 1 and a second segment thereof having a tax basis of \$7.19 (\$11.99 x 0.6) that is treated as having been acquired on Date 2.

This Form 8937 does not constitute tax advice. Shareholders are urged to consult their own tax advisors regarding the particular consequences of the Merger, including the applicability and effect of all U.S. federal, state and local, and foreign tax laws.

Part II, Line 17

Code Sections 302, 354, 358 and 368.

Part II, Line 18

See Line 15.

Part II, Line 19

FairPoint will report the transaction on its final tax return for the short year ended July 3, 2017.