Consolidated Communications Illinois Holdings, Inc.
Form 424B4
July 25, 2005

Table of Contents

Filed pursuant to Rule 424(b)(4)
Registration No. 333-121086

15,666,666 Shares
Common Stock

This is an initial public offering of shares of common stock of Consolidated Communications Holdings, Inc. Of the 15,666,666 shares of common stock to be sold in the offering, 6,000,000 shares are being sold by us and 9,666,666 shares are being sold by the selling stockholders identified in this prospectus. We will not receive any of the proceeds from the shares of common stock sold by the selling stockholders.

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for quotation on The Nasdaq Stock Market, Inc. s National Market under the symbol CNSL , subject to official notice of issuance.

The underwriters have an option to purchase a maximum 2,350,000 additional shares from the selling stockholders to cover over-allotments of shares, if any.

Investing in our common stock involves risks. See Risk Factors beginning on page 13.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Us	Proceeds to Selling Stockholders
Per share	$13.00	$0.8125	$12.1875	$12.1875
Total	$203,666,658	$12,729,166.13	$73,125,000	$117,812,491.87

Delivery of the shares of common stock will be made on or about July 27, 2005.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse First Boston

Citigroup

Banc of America Securities LLC

Deutsche Bank Securities

Lehman Brothers

Wachovia Securities

The date of this prospectus is July 21, 2005

CCI Illinois

TABLE OF CONTENTS

You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Dealer Prospectus Delivery Obligation

Until August 15, 2005 (25 days after the date of this prospectus), all dealers selling shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Table of Contents

SUMMARY

The following is a summary of the principal features of this offering of common stock and should be read together with the more detailed information and financial data contained elsewhere in this prospectus. Throughout this prospectus, unless the context otherwise requires or we specifically state otherwise, we are presenting all financial and other information on a pro forma basis for the acquisition of TXU Communications Ventures Company, which we refer to as TXUCV, this offering and the related transactions described elsewhere in this prospectus.

The Company

We are an established rural local exchange company that provides communications services to residential and business customers in Illinois and in Texas. As of March 31, 2005, we estimate that we were the 15th largest local telephone company in the United States, based on industry sources, with approximately 253,071 local access lines and approximately 30,804 digital subscriber lines, or DSL lines, in service. Our main sources of revenues are our local telephone businesses in Illinois and Texas, which offer an array of services, including local dial tone, custom calling features, private line services, long distance, dial-up and high-speed Internet access, carrier access and billing and collection services. Each of the subsidiaries through which we operate our local telephone businesses is classified as a rural telephone company under the Telecommunications Act of 1996, or the Telecommunications Act. Our rural telephone companies in general benefit from stable customer demand and a favorable regulatory environment. In addition, because we primarily provide service in rural areas, competition for local telephone service has been limited due to the generally unfavorable economics of constructing and operating competitive systems in these areas.

For the year ended December 31, 2004 and the three months ended March 31, 2005, we had $323.5 million and $79.8 million of revenues, respectively, of which approximately 15.9% and 17.2%, respectively, came from state and federal subsidies. For the year ended December 31, 2004 and the three months ended March 31, 2005, we had $1.7 million and $1.9 million of net income, respectively. As of March 31, 2005, we had $561.1 million of total long-term debt (including current portion), an accumulated deficit of $34.5 million and $215.0 million of shareholders equity.

Our Strengths

We believe our strengths include:

- stable local telephone businesses;
- favorable regulatory environment;
- attractive markets and limited competition;
- technologically advanced network;
- broad service offerings and bundling of services; and
- experienced management team with proven track record.

Business Strategy

Our current business strategy includes:

- improving operating efficiency and maintaining capital expenditure discipline;
- increasing revenues per customer;
- continuing to build on our reputation for high quality service; and
- pursuing selective acquisitions.

1

Table of Contents

TXUCV Acquisition and Integration

On April 14, 2004, we acquired TXUCV for $524.1 million in cash, net of cash acquired and including transaction costs. Promptly following the TXUCV acquisition, we began integrating the operations of Consolidated Communications, Inc. and its subsidiaries, which we refer to collectively as CCI Illinois, with the operations of Consolidated Communications Acquisition Texas, Inc. and its subsidiaries, which we refer to collectively as CCI Texas. We currently expect to incur approximately $14.5 million in operating expenses associated with the integration and restructuring process in 2004 and 2005, $9.2 million of which had been incurred as of March 31, 2005. These one-time integration and restructuring costs will be in addition to certain ongoing expenses we expect to incur to expand certain administrative functions, such as those relating to SEC reporting and compliance, and do not take into account other potential cost savings and expenses of the TXUCV acquisition.

Related Transactions

In connection with this offering we intend, among other things, to enter into the following related transactions:

- effect a reorganization pursuant to which first our sister subsidiary Consolidated Communications Texas Holdings, Inc. and then Homebase Acquisition, LLC, our parent company, will merge with and into us, and we will change our name to Consolidated Communications Holdings, Inc.;

- amend and restate our existing credit agreement to enable us to pay dividends on our common stock and to provide aggregate financing of up to $455.0 million, consisting of a new term loan D facility of up to $425.0 million and a $30.0 million revolving credit facility;

- repay in full amounts outstanding under our existing term loan A and term loan C facilities; and

- redeem 32.5%, or $65.0 million, of the aggregate principal amount of our $9^{3}/4$% senior notes due 2012.

Recent Developments

On June 7, 2005, we made a $37.5 million cash distribution to our existing equity investors (as defined under Our Current Organizational Structure) from cash on our balance sheet. Unless the context otherwise requires or we specifically state otherwise, we are presenting all financial information in this prospectus on a pro forma basis for this distribution.

Table of Contents

Our Current Organizational Structure

The following chart illustrates our current organizational structure and the percentage ownership of our outstanding common shares by Central Illinois Telephone LLC, an entity associated with our chairman, Richard A. Lumpkin, or Central Illinois Telephone, Providence Equity Partners IV L.P. and its affiliates, or Providence Equity, and Spectrum Equity Investors IV, L.P. and its affiliates, or Spectrum Equity, which we refer to collectively as our existing equity investors, and management prior to this offering:

Table of Contents

Post-Offering Organizational Structure

The following chart illustrates our organizational structure upon completion of this offering and the related transactions and the percentage of our outstanding common stock held by each of our existing equity investors, our management and investors purchasing in this offering:

The Offering

Shares of common stock offered by us	6,000,000 shares.
Shares of common stock offered by the selling stockholders	9,666,666 shares (or 12,016,666 shares if the underwriters over-allotment option is exercised). We will not receive any of the proceeds from the selling stockholders sale of shares of common stock in the offering.
Total shares of common stock to be outstanding following the offering	29,687,510 shares.
Percentage of outstanding common stock being sold in the offering	52.8%
Dividends	Effective upon the closing of this offering, our board of directors will adopt a dividend policy that reflects its judgment that our stockholders would be better served if we distributed to them a substantial portion of the cash generated by our business in excess of our expected cash needs rather than retaining it or using the cash for other purposes, such as to make investments in our business or to make acquisitions. In accordance with our dividend policy, we currently intend to pay an initial dividend of $0.4089 per share (representing a pro rata portion of the expected dividend for the first year following the closing of this offering) on or about November 1, 2005 to stockholders of record as of October 15, 2005, and to continue to pay quarterly dividends at an annual rate of $1.5495 per share for the first year following the closing of this offering, subject to the limitations described in the next paragraph. The expected cash needs referred to above include interest payments on our indebtedness, capital expenditures, integration, restructuring and related costs of the TXUCV acquisition in 2005, taxes, incremental costs associated with being a public company and certain other costs. We are not required to pay dividends, and our stockholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our board of directors may decide at any time, in its discretion, to decrease the amount of dividends, otherwise change or revoke the dividend policy or discontinue entirely the payment of dividends. In addition, our ability to pay dividends in full will depend upon our ability to generate cash in excess of our cash needs. For the year ended December 31, 2004 and the twelve months ended March 31, 2005, had our dividend policy been in effect, our estimated cash available to pay dividends would not have been sufficient to pay dividends in accordance with our dividend policy due to (a) approximately $15.2 million and $16.4 million, respectively, in non-recurring cash costs incurred in connection with the TXUCV acquisition and (b) $5.0 million of professional service fees paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to two professional service agreements that were incurred in each period and that will terminate upon consummation of this offering. Finally, our ability to pay dividends will be restricted by current and future agreements governing our debt, including our amended and

5

Table of Contents

	restated credit agreement and the indenture governing our senior notes, Delaware and Illinois law and state regulatory requirements. For more information regarding our dividend policy and restrictions on our ability to pay dividends, see Dividend Policy and Restrictions .
Nasdaq National Market Symbol	CNSL
Conditions	The closing of this offering is conditioned on the closing of the reorganization and the entering into, and borrowing under, the amended and restated credit facilities.

General Information About This Prospectus

Throughout this prospectus, unless the context otherwise requires or we specifically state otherwise, all information in this prospectus:

assumes no exercise by the underwriters of their over-allotment option described on the cover of this prospectus and the Underwriting section;

excludes 750,000 shares available for issuance under our 2005 long term incentive plan; and

that refers to the offering and the related transactions shall collectively refer to this offering, the reorganization, the refinancing of our existing credit facilities, the redemption of a portion of our senior notes and the payment of related expenses.

Information About Us

Our principal executive office is located at 121 South 17th Street, Mattoon, Illinois 61938-3987. Our telephone number at that address is (217) 235-3311, and our website address is www.consolidated.com. Information on our website is not deemed to be a part of this prospectus.

Table of Contents

Summary Consolidated Pro Forma Financial and Other Data

The consolidated pro forma statement of operations data and the consolidated pro forma data summarized below have been derived from the unaudited pro forma condensed consolidated financial statements of CCI Holdings and have been prepared to give pro forma effect to the TXUCV acquisition and this offering and the related transactions as if they had occurred on the first day of the periods presented. The other consolidated pro forma financial data and the other consolidated data summarized below have been derived from the unaudited pro forma condensed consolidated financial statements of CCI Holdings and have been prepared to give pro forma effect to the TXUCV acquisition as if it had occurred on the first day of the periods presented. The actual consolidated balance sheet data as of March 31, 2005 summarized below have been derived from the unaudited condensed consolidated balance sheet of CCI Holdings. You should read the information summarized below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings and CCI Texas , the unaudited pro forma condensed consolidated financial statements of CCI Holdings and the related notes and the financial statements of each of CCI Holdings and TXUCV and the related notes included elsewhere in this prospectus.

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(Dollars in thousands)	
Consolidated Pro Forma Statement of Operations Data:			
Total operating revenues	$ 323,463	$ 79,433	$ 79,772
Cost of revenues (exclusive of depreciation and amortization shown separately below)	95,868	25,508	24,417
Selling, general and administrative	108,117	23,984	25,482
Restructuring, asset impairment and other charges	11,566		
Depreciation and amortization	67,521	17,776	16,818
Income from operations	40,391	12,165	13,055
Interest expense, net	(38,486)	(8,978)	(9,669)
Other, net	4,764	776	387
Income before income taxes	6,669	3,963	3,773
Income taxes	4,979	1,515	1,922
Net income	$ 1,690	$ 2,448	$ 1,851
Other Consolidated Pro Forma Financial Data:			
Telephone operations revenues	$ 284,256	$ 68,249	$ 71,019
Other operations revenues	39,207	11,184	8,753
Total operating revenues	$ 323,463	$ 79,433	$ 79,772
Pro forma EBITDA(1)	$ 109,818	$ 30,003	$ 29,546
	6,802	(776)	(387)

Non-cash charges (credits) included in pro forma EBITDA(2)			
Unusual or non-recurring items included in pro forma EBITDA(3)	20,214	2,309	3,500
Partnership distributions not included in pro forma EBITDA(4)	4,135	511	

Table of Contents

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
	(Dollars in thousands)		
Other Consolidated Data (as of end of period):			
Local access lines in service			
Residential	168,778	174,830	168,017
Business	86,430	87,331	85,054
Total local access lines	255,208	262,161	253,071
DSL subscribers	27,445	19,048	30,804
Total connections	282,653	281,209	283,875
Consolidated Pro Forma Data:			
Cash interest expense	$ 34,158	$ 8,376	$ 9,222

	As of March 31, 2005	
	Actual	As Adjusted(5)
	(Dollars in thousands)	
Consolidated Balance Sheet Data:		
Cash and cash equivalents(6)	$ 56,538	$ 13,594
Total current assets	103,916	60,972
Net plant, property & equipment	353,060	353,060
Total assets	1,002,243	964,380
Total long-term debt (including current portion)	624,909	561,059
Redeemable preferred shares	210,092	
Stockholders equity (deficit)	(21,031)	215,048

(1) Pro forma EBITDA represents our historical EBITDA as adjusted for the TXUCV acquisition and has been prepared on a basis consistent with the comparable data in the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus. Pro forma EBITDA does not give effect to our estimate of incremental, ongoing expenses of approximately $1.0 million associated with being a public company with equity securities quoted on the Nasdaq National Market. These expenses include estimated compliance (SEC and Nasdaq) and related administrative expenses, accounting and legal fees, investor relations expenses, directors fees and director and officer liability insurance premiums, registrar and transfer agent fees, listing fees and other, miscellaneous expenses.

Our historical EBITDA is defined as net earnings (loss) before interest expenses, income taxes, depreciation and amortization. We believe that net cash provided by operating activities is the most directly comparable financial measure to EBITDA under generally accepted accounting principles, or GAAP. We present EBITDA for several reasons. Management believes that EBITDA is useful as a means to evaluate our ability to pay our estimated cash needs and pay dividends. In addition, we have presented EBITDA to investors in the past because it is frequently used by investors, securities analysts and other interested parties in the evaluation of companies in our industry, and we believe that presenting it here provides a measure of consistency in our financial reporting. EBITDA is also a component of the restrictive covenants and financial ratios contained in the agreements governing our debt and will be contained in our amended and restated credit agreement, which will require us to maintain compliance with these covenants and limit certain activities, such as our ability to incur debt and to pay dividends. The definitions in these covenants and ratios are based on EBITDA after giving effect to specified charges. As a result, we believe that the presentation of EBITDA as supplemented by these other items provides important additional information to investors. See Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings Liquidity and Capital Resources Debt and Capital Leases Covenant Compliance . In addition,

Table of Contents

EBITDA provides our board of directors meaningful information to determine, with other data, assumptions and considerations, our dividend policy and our ability to pay dividends under the restrictive covenants in the agreements governing our debt. For a more complete description of our dividend policy and the factors, assumptions and considerations relating to it, see Dividend Policy and Restrictions .

EBITDA is a non-GAAP financial measure. Accordingly, it should not be construed as an alternative to net cash from operating or investing activities, cash flows from operations or net income (loss) as defined by GAAP and is not on its own necessarily indicative of cash available to fund our cash needs as determined in accordance with GAAP. In addition, not all companies use identical calculations, and this presentation of EBITDA may not be comparable to other similarly titled measures of other companies.

The following table provides a reconciliation of pro forma EBITDA to net cash provided by operating activities on the bases described above, which management believes is the most nearly equivalent GAAP measure.

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(In thousands)	
Net cash provided by operating activities	$ 79,766	$ 5,870	$ 14,612
Adjustments:			
Deferred income tax	(201)		(1,551)
Partnership income and minority interest	961		164
Provision for bad debt losses	(4,666)	(1,067)	(1,579)
Asset impairment	(11,578)		
Amortization of deferred financing costs	(6,476)	(163)	(732)
Change in operating assets and liabilities	(4,427)	2,490	6,605
Interest expense, net	39,551	2,797	11,441
Income taxes	232	1,177	586
Historical EBITDA	93,162	11,104	29,546
Pro forma adjustments(a)	16,656	18,899	
Pro forma EBITDA	$ 109,818	$ 30,003	$ 29,546

(a) Pro forma adjustments consist of the following:

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(In thousands)	
CCI Texas EBITDA(i)	$ 15,538	$ 17,922	$
Selling, general and administrative expense adjustments for TXUCV acquisition(ii)	1,118	977	

	$	16,656	$	18,899	$

(i) CCI Texas EBITDA represents the EBITDA of CCI Texas for the periods presented. The operating results of CCI Texas are not reflected in our historical EBITDA and financial results for the period from January 1, 2004 through April 13, 2004. The following table illustrates our calculation of CCI Texas EBITDA for the following periods:

	January 1, through April 13, 2004	January 1, through March 31, 2004
	(In thousands)	
Net cash provided by operating activities	$ 5,319	$ 6,138
Adjustments:		
Prepayment penalty on extinguishment of debt	(1,914)	
Deferred income tax	(950)	(2,777)
Provision for postretirement benefits	(3,007)	(1,621)
Loss/(gain) or disposition of property and investments	(19)	19
Restructuring, asset impairment and other charges	12	
Partnership income and minority interest	1,068	732
Provision for bad debt losses	(542)	(442)
Other charges	31	28
Changes in operating assets and liabilities	9,909	11,548
Interest expense, net	3,158	1,074
Income taxes	2,473	3,223
CCI Texas EBITDA	$ 15,538	$ 17,922

(ii) The pro forma adjustments to selling, general, and administrative expense for the TXUCV acquisition reflect (A) a reduction in costs of approximately $2.0 million for the year ended December 31, 2004 and approximately $1.7 million for the three months ended March 31, 2004 resulting from the termination of TXUCV employees upon the closing of the TXUCV acquisition and (B) incremental professional service fees of $0.9 million for the year ended December 31, 2004 and $0.8 million for the three months ended March 31, 2004 to be paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to the second professional services agreement entered into in connection with the TXUCV acquisition. See Note 2 to the unaudited pro forma condensed consolidated financial statements.

(2) Non-cash charges (credits) included in pro forma EBITDA are detailed in the following table:

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(In thousands)	
Restructuring, asset impairment and other charges	$ 11,566	$	$
Other, net(a)	(4,764)	(776)	(387)

	$	6,802	$	(776)	$	(387)

(a) Other, net includes equity earnings from our investments in cellular partnerships, dividend income, recognizing the minority interests of investors in East Texas Fiber Line Incorporated as well as certain other miscellaneous non-operating items.

See Note 6 to our audited consolidated financial statements for a description of our investments. The table below sets out the components of Other, net:

	Year ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(In thousands)	
Partnership income	$ 2,462	$ 857	$ 330
Dividend income	2,589	94	98
Minority interest	(433)	(125)	(165)
Other	146	(50)	124
Other, net	$ 4,764	$ 776	$ 387

(3) Unusual or non-recurring items included in pro forma EBITDA are detailed in the following table:

	Year Ended December 31, 2004	Three Months Ended March 31, 2004	Three Months Ended March 31, 2005
		(In thousands)	
Retention bonuses(a)	$ 259	$ 21	$
Severance costs(b)	5,707	376	
TXUCV sales due diligence and transaction costs(c)	2,239	662	
Integration costs(d)	7,009		2,250
Professional service fees(e)	5,000	1,250	1,250
	$ 20,214	$ 2,309	$ 3,500

(a) During 2004, TXUCV paid retention bonuses to keep key employees to run its day-to-day business operations while it was being prepared for sale. Other than retention costs payable in connection with the TXUCV acquisition, we do not expect to incur such charges in the future.

(b) During 2004, we incurred severance costs primarily due to employee terminations associated with the TXUCV acquisition. See note (d) below for a summary of 2005 integration and restructuring costs.

(c) During 2004, TXUCV incurred certain costs associated with the sale of the company. We do not expect to incur such charges in the future.

(d) We currently expect to incur approximately $14.5 million in operating expenses associated with the TXUCV integration and restructuring process in 2004 and 2005. Of the $14.5 million, approximately $11.5 million relates to integration and approximately $3.0 million relates to restructuring. As of March 31, 2005, we had spent $9.2 million on integration and restructuring. In connection with this offering and the related transactions, we will pre-fund the remaining $5.3 million of expected integration and restructuring expenses for 2005 with cash from our balance sheet. We do not expect that the pre-funding of these estimated expenses will change any of our expected cash plans or otherwise effect our expected working capital requirements. These one-time integration and restructuring costs will be in addition to certain ongoing costs we expect to incur to expand certain administrative functions, such as those relating to SEC reporting and compliance, and do not take into account other potential cost savings and expenses of the TXUCV integration. We do not expect to incur any significant costs relating to the TXUCV acquisition after 2005.

(e) Represents the aggregate professional service fees we paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to two professional services agreements. Upon closing of the offering, these professional service agreements will automatically terminate. See Note 7 to the unaudited pro forma condensed consolidated financial statements.

(4) Represents cash distributions from our investments in three cellular partnerships. See Note 6 to our audited consolidated financial statements included elsewhere in this prospectus.

(5) As adjusted to give effect to this offering and the related transactions as if they occurred on March 31, 2005 and includes $5.3 million of cash that will be used to pre-fund expected integration and restructuring costs for 2005 relating to the TXUCV acquisition.

(6) Our actual cash and cash equivalents as of March 31, 2005 includes $37.5 million of cash that was used to fund the distribution to our existing equity investors on June 7, 2005, as well as approximately $0.4 million in expenses incurred to amend our existing credit facilities to permit this distribution.

RISK FACTORS

You should carefully consider the following factors in addition to the other information contained in this prospectus before investing in our common stock.

Risks Relating to Our Common Stock

You may not receive dividends because our board of directors could, in its discretion, depart from or change our dividend policy at any time.

We are not required to pay dividends, and our stockholders will not be guaranteed, or have contractual or other rights, to receive dividends. Our board of directors may decide at any time, in its discretion, to decrease the amount of dividends, otherwise change or revoke the dividend policy or discontinue entirely the payment of dividends. Our board could depart from or change our dividend policy, for example, if it were to determine that we had insufficient cash to take advantage of other opportunities with attractive rates of return. In addition, if we do not pay dividends, for whatever reason, your shares of our common stock could become less liquid and the market price of our common stock could decline.

We might not have cash in the future to pay dividends in the intended amounts or at all.

Our ability to pay dividends, and our board of directors determination to maintain our dividend policy, will depend on numerous factors, including the following:

- the state of our business, the environment in which we operate and the various risks we face, including, but not limited to, competition, technological change, changes in our industry, regulatory and other risks summarized in this prospectus;
- changes in the factors, assumptions and other considerations made by our board of directors in reviewing and adopting the dividend policy, as described under Dividend Policy and Restrictions ;
- our future results of operations, financial condition, liquidity needs and capital resources;
- our various expected cash needs, including interest and principal payments on our indebtedness, capital expenditures, integration and restructuring costs associated with TXUCV acquisition, incremental costs associated with being a public company, taxes and certain other costs; and
- potential sources of liquidity, including borrowing under our revolving credit facility or possible asset sales.

For the year ended December 31, 2004 and the twelve months ended March 31, 2005, had our dividend policy been in effect, our estimated cash available to pay dividends would not have been sufficient to pay dividends in accordance with our dividend policy due to (a) approximately $15.2 million and $16.4 million, respectively, in non-recurring cash costs incurred in connection with the TXUCV acquisition and (b) $5.0 million of professional service fees paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to two professional service agreements that were incurred in each period and that will terminate upon consummation of this offering.

If our estimated cash available to pay dividends for the first year following the closing of the offering were to fall below our expectations, our assumptions as to estimated cash needs are too low or if other applicable assumptions were to prove incorrect, we may need to:

- either reduce or eliminate dividends;
- fund dividends by incurring additional debt (to the extent we were permitted to do so under the agreements governing our then existing debt), which would increase our leverage, debt repayment obligations and interest expense and decrease our interest coverage, resulting in, among other things, reduced capacity to incur debt for other purposes, including to fund future dividend payments;
- amend the terms of our amended and restated credit agreement or indenture to permit us to pay dividends or make other payments if we are otherwise not permitted to do so;

13

Table of Contents

fund dividends from future issuances of equity securities, which could be dilutive to our stockholders and negatively effect the price of our common stock;

fund dividends from other sources, such as such as by asset sales or by working capital, which would leave us with less cash available for other purposes; and

reduce other expected uses of cash, such as capital expenditures or TXUCV integration and restructuring costs, which could limit our ability to grow or delay our integration of the TXUCV acquisition.

Over time, our capital and other cash needs will invariably be subject to uncertainties, which could affect whether we pay dividends and the level of any dividends we may pay in the future. In addition, to the extent that we would seek to raise additional cash from additional debt incurrence or equity security issuances, we cannot assure you that such financing will be available on reasonable terms or at all. Each of the results listed above could negatively affect our results of operations, financial condition, liquidity and ability to maintain and expand our business.

You may not receive dividends because of restrictions in our debt agreements, Delaware and Illinois law and state regulatory requirements.

Our ability to pay dividends will be restricted by current and future agreements governing our debt, including the amended and restated credit agreement and our indenture, Delaware law and state regulatory requirements.

Our amended and restated credit agreement will restrict, and our indenture restricts, our ability to pay dividends. For the twelve months ended March 31, 2005, on a pro forma basis and after giving effect to this offering and the related transactions, CCI Holdings would have been able to pay dividends of $69.2 million based on the restricted payment covenant of the amended and restated credit agreement and the indenture. This is based on the ability of the borrowers under the amended and restated credit facility (CCI and Texas Holdings) to pay to CCI Holdings $69.2 million in dividends and the ability of CCI Holdings to pay to its stockholders $116.5 million in dividends under the general formula under the restricted payments covenants of the indenture, commonly referred to as the build-up amount. The amount of dividends we will be able to make under the build-up amount will be based, in part, on the amount of cash that may be distributed by the borrowers under the amended and restated credit agreement to us. In addition, based on the indenture provision relating to public equity offerings, which includes this offering, we expect that we will be able to pay approximately $4.1 million annually in dividends, subject to specified conditions. This means that we could pay $4.1 million in dividends under this provision in addition to whatever we may be able to pay under the build-up amount, although a dividend payment under this provision will reduce the amount we otherwise would have available to us under the build-up amount for restricted payments, including dividends. See Description of Indebtedness Amended and Restated Credit Facilities and Senior Notes .

Under Delaware law, our board of directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the Delaware General Corporation law, or the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. The Illinois Business Corporation Act also imposes limitations on the ability of our subsidiaries that are Illinois corporations, including Illinois Consolidated Telephone Company, which we refer to as ICTC, to declare and pay dividends.

The Illinois Commerce Commission, or the ICC, and the Public Utility Commission of Texas, or the PUCT, could require our Illinois and Texas rural telephone companies to make minimum amounts of capital expenditures and could limit the amount of cash available to transfer from our rural telephone companies to us. Our rural telephone companies are ICTC, Consolidated Communications of Fort Bend Company and Consolidated Communications of Texas Company. As part of the ICC s review of the reorganization, the ICC imposed various conditions as part of its approval of the reorganization, including (1) prohibitions on the payment of dividends or other cash transfers from ICTC, our Illinois rural telephone company, to us if it fails to meet or exceed agreed benchmarks for a majority of seven service quality metrics for the prior reporting year and (2) the requirement that our Illinois rural telephone company have access to the higher of $5.0 million or its currently approved capital expenditure budget for each calendar year through a combination of available cash and amounts available under credit facilities. In addition, the Illinois Public Utilities Act prohibits the payment of dividends by ICTC, except out of earnings and earned surplus, if ICTC s capital is or would become impaired by payment of the dividend, or if payment of the dividend would impair ICTC s ability to render reasonable and adequate service at reasonable rates, unless the ICC otherwise finds that the public interest requires payment of the dividend, subject to any conditions imposed by the ICC. For the first year following the offering, we expect to satisfy each of the applicable Illinois regulatory requirements necessary to permit ICTC to pay dividends to us. See Dividend Policy and Restrictions Restrictions on Payment of Dividends State Regulatory Requirements .

Because we are a holding company with no operations, we will not be able to pay dividends unless our subsidiaries transfer funds to us.

As a holding company we have no direct operations and our principal assets are the equity interests we hold in our respective subsidiaries. In addition, our subsidiaries are legally distinct from us and have no obligation to transfer funds to us. As a result, we are dependent on the results of operations of our subsidiaries and, based on their existing and future debt agreements (such as the amended and restated credit agreement), state corporation law of the subsidiaries and state regulatory requirements, their ability to transfer funds to us to meet our obligations and to pay dividends.

We expect that our cash income tax liability will increase in the future as a result of the use of, and limitations on, our net operating loss carryforwards, which may reduce our after-tax cash available to pay dividends and may require us to reduce dividend payments in future periods.

In the future, we expect that our cash income tax liability will increase, which may limit the amount of cash we have available to pay dividends. Under the Internal Revenue Code, in general, to the extent a corporation has losses in excess of taxable income in a taxable period, it will generate a net operating loss or NOL that may be carried back or carried forward and used to offset taxable income in prior or future periods. The amount of an NOL that may be used in a taxable year to offset taxable income may be limited, such as when a corporation undergoes an ownership change under Section 382 of the Internal Revenue Code. We expect to generate taxable income in the future, which will be offset by our NOLs, subject to limitations, such as under Section 382 of the Internal Revenue Code as a result of this offering and prior ownership changes. Once our NOLs have been used or have expired, we will be required to pay additional cash income taxes. The increase in our cash income tax liability will have the effect of reducing our after-tax cash available to pay dividends in future periods and may require us to reduce dividend payments on our common stock in such future periods.

If we continue to pay dividends at the level currently anticipated under our dividend policy, our ability to pursue growth opportunities may be limited.

We believe that our dividend policy will limit, but not preclude, our ability to grow. If we continue paying dividends at the level currently anticipated under our dividend policy, we may not retain a sufficient amount of cash, and may need to seek financing, to fund a material expansion of our business, including any significant acquisitions or to pursue growth opportunities requiring capital expenditures significantly beyond our current expectations. The risks relating to funding any dividends, or other cash needs as a result of paying dividends, are summarized above. In addition, because we expect a significant portion of cash available will be distributed to the holders of our common stock under our dividend policy, our ability to pursue any material expansion of our business will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us on reasonable terms or at all.

Because there has been no public market for our common stock prior to this offering, there may be volatility in the trading price of our common stock, which could negatively affect the value of your investment.

Before this offering, there has been no public market for our common stock. The initial public offering price of our common stock has been determined by negotiations between us and the underwriters and may not be indicative of the market price for our common stock after this offering. It is possible that an active trading market for our common stock will not develop or be sustained after the offering. Even if a trading market develops, the market price of our common stock may fluctuate widely as a result of various factors, such as period-to-period fluctuations in our operating results, sales of our common stock by principal stockholders, developments in the telecommunications industry, the failure of securities analysts to cover our common stock after this offering or changes in financial estimates by analysts, competitive factors, regulatory developments, economic and other external factors. You may be unable to resell your shares of our common stock at or above the initial public offering price.

Future sales, or the perception of future sales, of a substantial amount of our common stock may depress the price of the shares of our common stock.

Future sales, or the perception or the availability for sale in the public market, of substantial amounts of our common stock could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities.

Upon consummation of this offering, there will be 29,687,510 shares of common stock outstanding, an increase of approximately 25.3% from the number of shares of common stock outstanding immediately prior to this offering. The shares of common stock sold by us and our existing stockholders in this offering will be freely transferable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining 14,020,844 shares of common stock owned by our existing stockholders will be restricted securities within the meaning of Rule 144 under the Securities Act but will be eligible for resale subject to applicable volume, manner of sale, holding period and other limitations of Rule 144. We, our officers, directors and the selling stockholders have agreed to a lock-up , meaning that, subject to specified exceptions, neither we nor they will sell any shares or engage in any hedging transactions without the prior consent of Credit Suisse First Boston LLC for 180 days after the date of this prospectus, subject to extension under certain circumstances. Following the expiration of the lock-up period, all of these shares of our common stock will be eligible for future sale, subject to the applicable volume, manner of sale, holding period and other limitations of Rule 144. Finally, our existing equity investors have certain registration rights with respect to the common stock that they will retain following this offering. See Shares Eligible for Future Sale for a discussion of the shares of common stock that may be sold into the public market in the future.

We may issue shares of our common stock, or other securities, from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of shares of our common stock, or the number or aggregate principal amount, as the case may be, of other securities that we may issue may in turn be significant. We may also grant registration rights covering those shares or other securities in connection with any such acquisitions and investments.

Our organizational documents could limit or delay another party s ability to acquire us and, therefore, could deprive our investors of the opportunity to obtain a takeover premium for their shares.

A number of provisions in our amended and restated certificate of incorporation and bylaws will make it difficult for another company to acquire us. These provisions include, among others, the following:

- dividing our board of directors into three classes, which results in only approximately one-third of our board of directors being elected each year;

Table of Contents

requiring the affirmative vote of holders of not less than 75% of the voting power of our outstanding common stock to approve any merger, consolidation or sale of all or substantially all of our assets;

providing that directors may only be removed for cause and then only upon the affirmative vote of holders of not less than two-thirds of the voting power of our outstanding common stock;

requiring the affirmative vote of holders of not less than two-thirds 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 (other than provisions regarding stockholder approval of any merger, consolidation or sale of all or substantially all of our assets, which shall require the affirmative vote of 75% of the voting power of our outstanding common stock);

requiring stockholders to provide us with advance notice if they wish to nominate any persons for election to our board of directors or if they intend to propose any matters for consideration at an annual stockholders meeting; and

authorizing the issuance of so-called blank check preferred stock without stockholder approval upon such terms as the board of directors may determine.

We are also subject to laws that may have a similar effect. For example, federal and Illinois 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 DGCL prohibits us from engaging in a business combination with an interested stockholder for a period of three years from the date the person became an interested stockholder unless certain conditions are met.

As a result of the foregoing, it will be difficult for another company to acquire us and, therefore, could limit the price that possible investors might be willing to pay in the future for shares of our common stock. In addition, the rights of our common stockholders will be subject to, and may be adversely affected by, the rights of holders of any class or series of preferred stock that may be issued in the future.

The concentration of the voting power of our common stock ownership among our existing equity investors will limit your ability to influence corporate matters.

Upon consummation of this offering, our existing equity investors, Central Illinois Telephone, Providence Equity and Spectrum Equity, will own approximately 25.5%, 14.6% and 3.8% of our common stock, respectively. As a result, they will be able to significantly influence all matters requiring stockholder approval, including the ability to:

elect a majority of the members of our board of directors;

enter into significant corporate transactions, such as a merger or other sale of our company or its assets, or to prevent any such transaction;

enter into acquisitions that increase our amount of indebtedness or sell revenue-generating assets;

determine our corporate and management policies;

amend our organizational documents; and

other matters submitted to our stockholders for approval.

In addition, because any merger, consolidation or sale of all or substantially all of our assets must be approved by not less than 75% of our then outstanding common stock, our existing equity investors together or Central Illinois Telephone by itself, will be able to prevent any such transaction should they or it choose to do so. This concentrated control will limit your ability to influence corporate matters and, as a result, we may take actions that other stockholders do not view as beneficial, which may adversely affect the market price of our common stock.

17

Table of Contents

Our existing equity investors may have conflicts of interests with you or us in the future, including by making investments in companies that compete with us, competing with us for acquisition opportunities or otherwise taking actions that further their interests but which might involve risks to, or otherwise adversely affect, us or you.

While our existing equity investors do not currently hold interests in companies that compete with us, they may make investments in companies in the future and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. These other investments may:

- create competing financial demands on our equity investors;
- create potential conflicts of interest;
- require efforts consistent with applicable law to keep the other businesses separate from our operations; and
- require efforts consistent with applicable law to keep the other businesses separate from our operations.

Our existing equity investors may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Furthermore, our existing equity investors also may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to our common stockholders. In addition, our existing equity investors rights to vote or dispose of equity interests in our company are not subject to restrictions in favor of our company other than as may be required by applicable law.

If you purchase shares of our common stock, you will experience immediate and substantial dilution.

Investors purchasing common stock in the offering will experience immediate and substantial dilution in the net tangible book value of their shares. At the initial public offering price of $13.00 per share, dilution to new investors will be $21.90 per share. Investors purchasing common stock in this offering will contribute 66.1% of the total consideration we received for our common stock, but will only own 52.8% of our outstanding common stock. If we sell additional shares of common stock or securities convertible into shares of common stock in the future, you may suffer further dilution of your equity investment. See Dilution .

Following this offering, we will need to comply with new laws, regulations and requirements as a result of becoming a public company, which will increase our expenses and administrative workload. This will likely occupy a significant amount of the time of our board of directors, management and our officers and will increase our costs and expenses.

As a public company with listed equity securities, we will need to comply with new laws, regulations and requirements, such as the Sarbanes-Oxley Act of 2002, related SEC regulations and requirements of The Nasdaq Stock Market, Inc., or Nasdaq, that we did not need to comply with as a private company. Preparing to comply and complying with new statutes, regulations and requirements will occupy a significant amount of the time of our board of directors, management and our officers and will increase our costs and expenses. We will need to:

- create or expand the roles and duties of our board of directors, our board committees and management;
- institute a more comprehensive compliance function;
- prepare and distribute periodic public reports in compliance with our obligations under the federal securities laws;
- involve and retain to a greater degree outside counsel and accountants in the above activities;

- enhance our investor relations function; and

- establish new internal policies, such as those relating to disclosure controls and procedures and insider trading.

In addition, we also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

If we are not able to implement the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 in a timely manner or with adequate compliance, we may be unable to provide the required financial information in a timely and reliable manner and may be subject to sanctions by regulatory authorities. The perception of these matters could cause our share price to fall.

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and related regulations implemented by the SEC and Nasdaq are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We will be evaluating our internal controls systems to allow management to report on, and our independent auditors to attest to, our internal controls. We will be performing the system and process evaluation and testing (and any necessary remediation) required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. While we anticipate being able to fully implement the requirements relating to internal controls and all other aspects of Section 404 by the December 31, 2006 deadline, we cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of the same on our operations since there is presently no precedent available by which to measure compliance adequacy. If we are not able to implement the requirements of Section 404 in a timely manner or with adequate compliance, we might be subject to sanctions or investigation by regulatory authorities, such as the SEC or Nasdaq. Any such action could adversely affect our financial results or investors confidence in our company, and could cause our stock price to fall. In addition, the controls and procedures that we will implement may not comply with all of the relevant rules and regulations of the SEC and Nasdaq. If we fail to develop and maintain effective controls and procedures, we may be unable to provide financial information in a timely and reliable manner. The perception of these matters could cause our share price to fall.

Risks Relating to Our Indebtedness and Our Capital Structure

We have a substantial amount of debt outstanding and may incur additional indebtedness in the future, which could restrict our ability to pay dividends.

We have a significant amount of debt outstanding. As of March 31, 2005, we would have had $561.1 million of total long-term debt (including current portion) outstanding and $215.0 million of stockholders equity. The degree to which we are leveraged could have important consequences for you, including:

- requiring us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, which payments we currently expect to be approximately $37.9 million in the first year following the offering, thereby reducing funds available for operations, future business opportunities and other purposes and/or dividends on our common stock;

- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

- making it more difficult for us to satisfy our debt and other obligations;

- limiting our ability to borrow additional funds, or to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes;

- increasing our vulnerability to general adverse economic and industry conditions, including changes in interest rates; and

- placing us at a competitive disadvantage compared to our competitors that have less debt.

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

Subject to the restrictions in the indenture or to be contained in the amended and restated credit agreement, we may be able to incur additional debt. As of March 31, 2005, and after giving effect to this offering and the related transactions, we would have been able to incur approximately $116.1 million additional debt. Although the indenture contains and the amended and restated credit agreement will contain restrictions on our ability to incur additional debt, these restrictions are subject to a number of important exceptions. If we incur additional debt, the risks associated with our substantial leverage, including our ability to service our debt, would likely increase.

We will require a significant amount of cash to service and repay our debt and to pay dividends on our common stock, and our ability to generate cash depends on many factors beyond our control.

We currently expect our cash interest expense to be approximately $37.9 million in the first year following the offering. Our ability to make payments on our debt and to pay dividends on our common stock will depend on our ability to generate cash in the future, which will depend on many factors beyond our control. We cannot assure you that:

- our business will generate sufficient cash flow from operations to service and repay our debt, pay dividends on our common stock and to fund working capital and planned capital expenditures;

- future borrowings will be available under the amended and restated credit facilities or any future credit facilities in an amount sufficient to enable us to repay our debt and pay dividends on our common stock; or

- we will be able to refinance any of our debt on commercially reasonable terms or at all.

If we cannot generate sufficient cash from our operations to meet our debt service and repayment obligations, we may need to reduce or delay capital expenditures, the development of our business generally and any acquisitions. If for any reason we are unable to meet our debt service and repayment obligations, we would be in default under the terms of the agreements governing our debt, which would allow the lenders under the amended and restated credit facilities to declare all borrowings outstanding to be due and payable, which would in turn trigger an event of default under the indenture. If the amounts outstanding under the amended and restated credit facilities or our senior notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full the money owed to the lenders or to our other debt holders.

The indenture contains, and the amended and restated credit agreement will contain, covenants that limit the discretion of our management in operating our business and could prevent us from capitalizing on business opportunities and taking other corporate actions.

The indenture imposes and the amended and restated credit agreement will impose significant operating and financial restrictions on us. These restrictions limit or restrict, among other things, our ability and the ability of our subsidiaries that are restricted by these agreements to:

- incur additional debt and 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;

Table of Contents

- create liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- engage in transactions with affiliates;
- engage in sale and leaseback transactions;
- make capital expenditures;
- engage in business other than telecommunications businesses; and
- consolidate or merge.

In addition, the amended and restated credit agreement will require, and any future credit agreements may require, us to comply with specified financial ratios, including ratios regarding interest coverage, total leverage, senior secured leverage and fixed charge coverage. Our ability to comply with these ratios may be affected by events beyond our control. The restrictions contained in the indenture and to be contained in the amended and restated credit agreement will:

- limit our ability to plan for or react to market conditions, meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, enter into acquisitions or to engage in other business activities that would be in our interest.

In the event of a default under the amended and restated credit agreement, the lenders could foreclose on the assets and capital stock pledged to them.

A breach of any of the covenants contained in the amended and restated credit agreement, or in any future credit agreements, 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, which would in turn trigger an event of default under the indenture governing our senior notes. If the amounts outstanding under the amended and restated credit facilities or our senior notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full the money owed to the lenders or to our other debt holders.

Because we expect to need to refinance our existing debt, we face the risks of either not being able to do so or doing so at a higher interest expense.

Our senior notes mature in 2012 and our amended and restated credit facilities will mature in full in 2011. We may not be able to refinance our senior notes or renew or refinance the amended and restated credit facilities, or any renewal or refinancing may occur on less favorable terms. If we are unable to refinance or renew our senior notes or our amended and restated credit facilities, our failure to repay all amounts due on the maturity date would cause a default under the indenture or the amended and restated credit agreement. In addition, our interest expense may increase significantly if we refinance our senior notes, which bear interest at $9^3/4$% per year, or our amended and restated credit facilities on terms that are less favorable to us than the terms of our senior notes or the expected terms of our amended and restated credit facilities, which could impair our ability to pay dividends.

Risk Factors Relating to Our Business

The telecommunications industry is generally subject to substantial regulatory changes, rapid development and introduction of new technologies and intense competition that could cause us to suffer price reductions, customer losses, reduced operating margins or loss of market share.

The telecommunications industry has been, and we believe will continue to be, characterized by several trends, including the following:

- substantial regulatory change due to the passage and implementation of the Telecommunications Act, which included changes designed to stimulate competition for both local and long distance telecommunications services;
- rapid development and introduction of new technologies and services;
- increased competition within established markets from current and new market entrants that may provide competing or alternative services;
- the blurring of traditional dividing lines between, and the bundling of, different services, such as local dial tone, long distance, wireless, cable, data and Internet services; and
- an increase in mergers and strategic alliances that allow one telecommunications provider to offer increased services or access to wider geographic markets.

We expect competition to intensify as a result of new competitors and the development of new technologies, products and services. Some or all of these risks may cause us to have to spend significantly more in capital expenditures than we currently anticipate to keep existing, and attract new, customers.

Many of our voice and data competitors, such as cable providers, Internet access providers, wireless service providers and long distance carriers have brand recognition and financial, personnel, marketing and other resources that are significantly greater than ours. In addition, due to consolidation and strategic alliances within the telecommunications industry, we cannot predict the number of competitors that will emerge, especially as a result of existing or new federal and state regulatory or legislative actions. For example, the pending acquisition of AT&T, one of our largest customers, by SBC, the dominant local exchange company in the areas in which our Texas rural telephone companies operate, could increase competitive pressures for our services and impact our long distance and access revenues. Such increased competition from existing and new entities could lead to price reductions, loss of customers, reduced operating margins or loss of market share.

The use of new technologies by other, existing companies may increase our costs and cause us to lose customers and revenues.

The telecommunications industry is subject to rapid and significant changes in technology, frequent new service introductions and evolving industry standards. Technological developments may reduce the competitiveness of our services and require unbudgeted upgrades, significant capital expenditures and the procurement of additional services that could be expensive and time consuming. New services arising out of technological developments may reduce the competitiveness of our services. If we fail to respond successfully to technological changes or obsolescence or fail to obtain access to important new technologies, we could lose customers and revenues and be limited in our ability to attract new customers or sell new services to our existing customers. The successful development of new services, which is an element of our business strategy, is uncertain and dependent on many factors, and we may not generate anticipated revenues from such services, which would reduce our profitability. We cannot predict the effect of these changes on our competitive position, costs or our profitability.

In addition, part of our marketing strategy is based on market acceptance of DSL. We expect that an increasing amount of our revenues will come from providing DSL service. The market for high-speed Internet access is still developing, and we expect current competitors and new market entrants to introduce competing services and to develop new technologies. The markets for our DSL services could fail to

develop, grow more slowly than anticipated or become saturated with competitors with superior pricing or services. In addition, our DSL offerings may become subject to newly adopted laws and regulations. We cannot predict the outcome of these regulatory developments or how they may affect our regulatory obligations or the form of competition for these services. As a result, we could have higher costs and capital expenditures, lower revenues and greater competition than expected for DSL services.

If we are not successful in integrating TXUCV, we may have higher costs and fail to achieve expected cost savings, among other things.

Our future success, and thus our ability to pay interest and principal on our indebtedness and dividends on our common stock will depend in part on our ability to integrate TXUCV into our business. We currently expect to incur approximately $14.5 million in operating expenses associated with the integration and restructuring of TXUCV in 2004 and 2005. Of the $14.5 million, approximately $11.5 million relates to integration and approximately $3.0 million relates to restructuring. These one-time integration and restructuring costs will be in addition to certain ongoing costs we expect to incur to expand certain administrative functions, such as those relating to SEC reporting and compliance and do not take into account other potential cost savings and expenses of the TXUCV acquisition. The integration of TXUCV involves numerous risks, including the following:

- greater demands on our management and administrative resources;
- difficulties and unexpected costs in integrating the operations, personnel, services, technologies and other systems of CCI Illinois and CCI Texas;
- possible unexpected loss of key employees, customers and suppliers;
- unanticipated liabilities and contingencies of TXUCV and its business;
- unexpected costs of integrating the management and operation of the two businesses; and
- failure to achieve expected cost savings.

These challenges and uncertainties could increase our costs and cause our management to spend less time than expected executing our business strategy. We may not be able to manage the combined operations and assets effectively or realize all or any of the anticipated benefits of the acquisition. To the extent that we make any additional acquisitions in the future, these risks would likely be exacerbated.

We may become responsible for unexpected liabilities or other contingencies that we did not discover in the course of performing due diligence in connection with the acquisition. Under the stock purchase agreement, the parent company of TXUCV agreed to indemnify us against certain undisclosed liabilities. We cannot assure you, however, that any indemnification will be enforceable, collectible or sufficient in amount, scope or duration to fully offset any possible liabilities associated with the acquisition. Any of these contingencies, individually or in the aggregate, could increase our costs.

Our possible pursuit of acquisitions is expensive, may not be successful and, even if it is successful, may be more costly than anticipated.

Our acquisition strategy entails numerous risks. The pursuit of acquisition candidates is expensive and may not be successful. Our ability to complete future acquisitions will depend on our ability to identify suitable acquisition candidates, negotiate acceptable terms for their acquisition and, if necessary, finance those acquisitions, in each case, before any attractive candidates are purchased by other parties, some of whom may have greater financial and other resources than us. Whether or not any particular acquisition is closed successfully, each of these activities is expensive and time consuming and would likely require our management to spend considerable time and effort to accomplish them, which would detract from their ability to run our current business. We may face unexpected challenges in receiving any required approvals from the FCC, the ICC, or other applicable state regulatory commissions, which could result in delay or our not being able to consummate the acquisition. Although we may spend considerable expense and effort to pursue acquisitions, we may not be successful in closing them.

Table of Contents

If we are successful in closing any acquisitions, we would face several risks in integrating them, including those listed above regarding the risks of integrating TXUCV. In addition, any due diligence we perform may not prove to have been accurate. For example, we may face unexpected difficulties in entering markets in which we have little or no direct prior experience or in generating expected revenue and cash flow from the acquired companies or assets. The risks identified above may make it more challenging and costly to integrate TXUCV if we have not done so fully by the time of any new acquisition.

Currently, we are not pursuing any acquisitions or other strategic transactions. But, if any of these risks materialize, they could have a material adverse effect on our business and our ability to achieve sufficient cash flow, provide adequate working capital, service and repay our indebtedness and leave sufficient funds to pay dividends.

Poor economic conditions in our service areas in Illinois and Texas could cause us to lose local access lines and revenues.

Substantially all of our customers and operations are located in Illinois and Texas. The customer base for telecommunications services in each of our rural telephone companies service areas in Illinois and Texas is small and geographically concentrated, particularly for residential customers. Due to our geographical concentration, the successful operation and growth of our business is primarily dependent on economic conditions in our rural telephone companies service areas. The economies of these areas, in turn, are dependent upon many factors, including:

- demographic trends;
- in Illinois, the strength of the agricultural markets and the light manufacturing and services industries, continued demand from universities and hospitals and the level of government spending; and
- in Texas, the strength of the manufacturing and retail industries and continued demand from schools and hospitals.

Poor economic conditions and other factors beyond our control in our rural telephone companies service areas could cause a decline in our local access lines and revenues.

A system failure could cause delays or interruptions of service, which could cause us to lose customers.

In the past, we have experienced short, localized disruptions in our service due to factors such as cable damage, inclement weather and service failures of our third party service providers. To be successful, we will need to continue to provide our customers reliable service over our network. The principal risks to our network and infrastructure include:

- physical damage to our central offices or local access lines;
- disruptions beyond our control;
- power surges or outages; and
- software defects.

Disruptions may cause interruptions in service or reduced capacity for customers, either of which could cause us to lose customers and incur unexpected expenses, and thereby adversely affect our business, revenue and cash flow.

Loss of a large customer could reduce our revenues. In addition, a significant portion of our revenues from the State of Illinois is based on contracts that are favorable to the government.

Our success depends in part upon the retention of our large customers such as AT&T and the State of Illinois. After giving effect to the TXUCV acquisition, AT&T accounted for 4.1% and the State of

Illinois accounted for 6.1% of our revenues during 2004, and 4.0% and 5.7% of our revenues for the three months ended March 31, 2005, respectively. In general, telecommunications companies such as ours face the risk of losing customers as a result of a contract expiration, merger or acquisition, business failure or the selection of another provider of voice or data services. In addition, we generate a significant portion of our operating revenues from originating and terminating long distance and international telephone calls for carriers such as AT&T and MCI, which are in the process of being acquired or are experiencing substantial financial difficulties. We cannot assure you that we will be able to retain long-term relationships or secure renewals of short-term relationships with our customers in the future.

In 2004, virtually all of the revenues of the Public Services business and 40.8% of the revenues of the Market Response business of our Other Operations were derived from our relationships with various agencies of the State of Illinois, principally the Department of Corrections and the Toll Highway Authority and various county governments in Illinois. Obtaining contracts from government agencies is challenging, and government contracts, like our contracts with the State of Illinois, often include provisions that are favorable to the government in ways that are not standard in private commercial transactions. Specifically, each of our contracts with the State of Illinois:

- includes provisions that allow the respective state agency to terminate the contract without cause and without penalty under some circumstances;
- is subject to decisions of state agencies that are subject to political influence on renewal;
- gives the State of Illinois the right to renew the contract at its option but does not give us the same right; and
- could be cancelled if state funding becomes unavailable.

The failure of the State of Illinois to perform under the existing agreements for any reason, or to renew the agreements when they expire, could have a material adverse effect on the revenues of CCI Illinois. For example, the State of Illinois, which represented 40.8% of Market Response s revenues for 2004, recently awarded the renewal of the Illinois State Toll Highway Authority contract, the sole source of those revenues, to another provider.

If we are unsuccessful in obtaining and maintaining necessary rights-of-way for our network, our operations may be interrupted and we would likely face increased costs.

We need to obtain and maintain the necessary rights-of-way for our network from governmental and quasi-governmental entities and third parties, such as railroads, utilities, state highway authorities, local governments and transit authorities. We may not be successful in obtaining and maintaining these rights-of-way or obtaining them on acceptable terms whether in existing or new service areas. Some of the agreements relating to these 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 they have expired or terminated. If any of our rights-of-way agreements were terminated or could not be renewed, we may be forced to remove our network facilities from under the affected rights-of-way or relocate or abandon our networks. We may not be able to maintain all of our existing rights-of-way and permits or obtain and maintain the additional rights-of-way and permits needed to implement our business plan. In addition, our failure to maintain the necessary rights-of-way, franchises, easements, licenses and permits may result in an event of default under the amended and restated credit agreement and other credit agreements we may enter into in the future and, as a result, other agreements governing our debt. As a result of the above, our operations may be interrupted and we may need to find alternative rights-of-way and make unexpected capital expenditures.

Table of Contents

We are dependent on third party vendors for our information and billing systems. Any significant disruption in our relationship with these vendors could increase our costs and affect our operating efficiencies.

Sophisticated information and billing systems are vital to our ability to monitor and control costs, bill customers, process customer orders, provide customer service and achieve operating efficiencies. We currently rely on internal systems and third party vendors to provide all of our information and processing systems. Some of our billing, customer service and management information systems have been developed by third parties for us and may not perform as anticipated. In addition, our plans for developing and implementing our information and billing systems rely primarily on the delivery of products and services by third party vendors. Our right to use these systems is dependent upon license agreements with third party vendors. Some of these agreements are cancelable by the vendor, and the cancellation or nonrenewable nature of these agreements could impair our ability to process orders or bill our customers. Since we rely on third party vendors to provide some of these services, any switch in vendors could be costly and affect operating efficiencies.

The loss of key management personnel, or the inability to attract and retain highly qualified management and other personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Our success depends upon the talents and efforts of key management personnel, many of whom have been with our company and our industry for decades, including Mr. Lumpkin, Robert J. Currey, Steven L. Childers, Joseph R. Dively, Steven J. Shirar, C. Robert Udell, Jr. and Christopher A. Young. There are no employment agreements with any of these senior managers. The loss of any such management personnel, due to retirement or otherwise, and the inability to attract and retain highly qualified technical and management personnel in the future, could have a material adverse effect on our business, financial condition and results of operations.

Regulatory Risks

The telecommunications industry in which we operate is subject to extensive federal, state and local regulation that could change in a manner adverse to us.

Our main sources of revenues are our local telephone businesses in Illinois and Texas. The laws and regulations governing these businesses may be, and in some cases have been, challenged in the courts, and could be changed by Congress, state legislatures or regulators at any time. In addition, new regulations could be imposed by federal or state authorities increasing our operating costs or capital requirements or that are otherwise adverse to us. We cannot predict the impact of future developments or changes to the regulatory environment or the impact such developments or changes may have on us. Adverse rulings, legislation or changes in governmental policy on issues material to us could increase our competition, cause us to lose customers to competitors and decrease our revenues, increase our costs and decrease profitability.

Our rural telephone companies could lose their rural status under interconnection rules, which would increase our costs and could cause us to lose customers and the associated revenues to competitors.

The Telecommunications Act imposes a number of interconnection and other requirements on local communications providers, including incumbent telephone companies. Each of the subsidiaries through which we operate our local telephone businesses is an incumbent telephone company and is also classified as a rural telephone company under the Telecommunications Act. The Telecommunications Act exempts rural telephone companies from some of the more burdensome interconnection requirements such as unbundling of network elements and sharing information and facilities with other communications providers. These unbundling requirements and the obligation to offer unbundled network elements, or UNEs, to competitors, impose substantial costs on, and result in customer attrition for, the incumbent telephone companies that must comply with these requirements. The ICC or the PUCT can terminate the applicable rural exemption for each of our rural telephone companies if it receives a bona fide request for full interconnection from another telecommunications carrier and the state commission determines that the request is technically feasible, not unduly economically burdensome and consistent with universal service requirements. Neither the ICC nor the PUCT has yet terminated, or proposed to terminate, the rural exemption for any of our rural telephone companies. However, our Illinois rural telephone company has received a request that we provide interconnection services that are not required of an incumbent telephone company holding a rural exemption, which could result in a request to the ICC to terminate our Illinois rural telephone company s exemption. If the ICC or PUCT terminates the applicable rural exemption in whole or in part for any of our rural telephone companies, or if the applicable state commission does not allow us adequate compensation for the costs of providing the interconnection or UNEs, our administrative and regulatory costs could increase significantly and we could suffer a significant loss of customers and revenues to existing or new competitors.

Legislative or regulatory changes could reduce or eliminate the revenues our rural telephone companies receive from network access charges.

A significant portion of our rural telephone companies revenues come from network access charges paid by long distance and other carriers for originating or terminating calls in our rural telephone companies service areas. The amount of network access charge revenues that our rural telephone companies receive is based on interstate rates set by the FCC and intrastate rates set by the ICC and PUCT. The FCC has reformed, and continues to reform, the federal network access charge system, and the states, including Illinois and Texas, often establish intrastate network access charges that mirror or otherwise interrelate with the federal rules.

Traditionally, regulators have allowed network access rates to be set higher in rural areas than the actual cost of originating or terminating calls as an implicit means of subsidizing the high cost of providing local service in rural areas. In 2001, the FCC adopted rules reforming the network access charge system for rural carriers, including reductions in per-minute access charges and increases in both universal service fund subsidies and flat-rate, monthly per line charges on end-user customers. Our Illinois rural telephone company s intrastate network access rates mirror interstate network access rates. Illinois does not provide, however, an explicit subsidy in the form of a universal service fund applicable to our Illinois rural telephone company. As a result, while subsidies from the federal universal service fund have offset Illinois Telephone Operations decrease in revenues resulting from the reduction in interstate network access rates, there was not a corresponding offset for the decrease in revenues from the reduction in intrastate network access rates.

The FCC is currently considering even more sweeping potential changes in network access charges. Depending on the FCC s decisions, our current network access charge revenues could be reduced materially, and we do not know whether increases in other revenues, such as federal or Texas subsidies and monthly line charges, will be sufficient to offset any such reductions. The ICC and the PUCT also may make changes in our intrastate network access charges, which may also cause reductions in our revenues. To the extent any of our rural telephone companies become subject to competition and competitive telephone companies increase their operations in the areas served by our rural telephone companies, a portion of long distance and other carriers network access charges will be paid to our competitors rather than to our companies. In addition, the compensation our companies receive from network access charges could be reduced due to competition from wireless carriers.

In addition, VOIP services are increasingly being embraced by cable companies, incumbent telephone companies, competitive telephone companies and long distance carriers. The FCC is considering whether VOIP services are regulated telecommunications services or unregulated information services and is considering whether providers of VOIP services are obligated to pay access charges for calls originating or terminating on incumbent telephone company facilities. We cannot predict the outcome of the FCC s rulemaking or the impact on the revenues of our rural telephone companies. The proliferation of VOIP, particularly to the extent such communications do not utilize our rural telephone companies networks, may cause significant reductions to our rural telephone companies network access charge revenues.

Table of Contents

We believe telecommunications carriers, such as long distance carriers or VOIP providers, are disputing and/or avoiding their obligation to pay network access charges to rural telephone companies for use of their networks. If carriers successfully dispute or avoid the applicability of network access charges, our revenues could decrease.

In recent years, telecommunications carriers, such as long distance carriers or VOIP providers, have become more aggressive in disputing interstate access charge rates set by the FCC and the applicability of network access charges to their telecommunications traffic. We believe that these disputes have increased in part due to advances in technology that have rendered the identity and jurisdiction of traffic more difficult to ascertain and that have afforded carriers an increased opportunity to assert regulatory distinctions and claims to lower access costs for their traffic. As a result of the increasing deployment of VOIP services and other technological changes, we believe that these types of disputes and claims will likely increase. In addition, we believe that there has been a general increase in the unauthorized use of telecommunications providers networks without payment of appropriate access charges, or so-called phantom traffic , due in part to advances in technology that have made it easier to use networks without having to pay for the traffic. As a general matter, we believe that this phantom traffic is due to unintended usage and, in some cases, fraud. We cannot assure you that there will not be material claims made against us contesting the applicability of network access charges billed by our rural telephone companies or continued or increased phantom traffic that uses our network without paying us for it. If there is a successful dispute or avoidance of the applicability of network access charges, our revenues could decrease.

Legislative or regulatory changes could reduce or eliminate the government subsidies we receive.

The federal and Texas state system of subsidies, from which we derive a significant portion of our revenues, are subject to modification. Our rural telephone companies receive significant federal and state subsidy payments.

- In 2004, CCI Illinois received $10.6 million from the federal universal service fund and CCI Texas received an aggregate of $40.9 million from the federal universal service fund and the Texas universal service fund, which in the aggregate comprised 15.9% of our revenues in 2004, after giving effect to the TXUCV acquisition.

- For the three months ended March 31, 2005, CCI Illinois received $4.2 million from the federal universal service fund and CCI Texas received an aggregate of $9.5 million from the federal universal service fund and the Texas universal service fund, which in the aggregate comprised 17.2% of our revenues for the three months ended March 31, 2005.

During the last two years, the FCC has made modifications to the federal universal service fund system that changed the sources of support and the method for determining the level of support recipients of federal universal service fund subsidies receive. It is unclear whether the changes in methodology will continue to accurately reflect the costs incurred by our rural telephone companies and whether we will continue to receive the same amount of federal universal service fund support that our rural telephone companies have received in the past. The FCC is also currently considering a number of issues regarding the source and amount of contributions to, and eligibility for payments from, the federal universal service fund, and these issues may also be the subject of legislative amendments to the Telecommunications Act.

In December 2004, Congress suspended the application of a law called the Urgent Deficiency Act to the FCC s universal service fund until December 31, 2005. The Urgent Deficiency Act prohibits government agencies from making financial commitments in excess of their funds on hand. Currently, the universal service fund administrator makes commitments to fund recipients in advance of collecting the contributions from carriers that will pay for these commitments. The FCC has not determined whether the Urgent Deficiency Act would apply to payments to our rural telephone companies. Congress is now considering whether to extend the current temporary legislation that exempts the universal service fund from the Urgent Deficiency Act. If it does not grant this extension, however, the universal service subsidy payments to our rural telephone companies may be delayed or reduced in the future.

Table of Contents

We cannot predict the outcome of any federal or state legislative action or any FCC, PUCT or ICC rulemaking or similar proceedings. If our rural telephone companies do not continue to receive federal and state subsidies, or if these subsidies are reduced, our rural telephone companies will likely have lower revenues and may not be able to operate as profitably as they have historically. In addition, if the number of local access lines that our rural telephone companies serve increases, under the rules governing the federal universal service fund, the rate at which we can recover certain federal universal service fund payments may decrease. This may have an adverse effect on our revenues and profitability.

In addition, under the Telecommunications Act, our competitors can obtain the same level of federal universal service fund subsidies as we do if the ICC or PUCT, as applicable, determines that granting these subsidies to competitors would be in the public interest and the competitors offer and advertise certain telephone services as required by the Telecommunications Act and the FCC. Under current rules, any such payments to our competitors would not affect the level of subsidies received by our rural telephone companies, but they would facilitate competitive entry into our rural telephone companies service areas and our rural telephone companies may not be able to compete as effectively or otherwise continue to operate as profitability.

The high costs of regulatory compliance could make it more difficult for us to enter new markets, make acquisitions or change our prices.

Regulatory compliance results in significant costs for us and diverts the time and effort of management and our officers away from running our business. In addition, because regulations differ from state to state, we could face significant costs in obtaining information necessary to compete effectively if we try to provide services, such as long distance services, in markets in different states. These information barriers could cause us to incur substantial costs and to encounter significant obstacles and delays in entering these markets. Compliance costs and information barriers could also affect our ability to evaluate and compete for new opportunities to acquire local access lines or businesses as they arise.

Our intrastate services are also generally subject to certification, tariff filing and other ongoing state regulatory requirements. Challenges to our tariffs by regulators or third parties or delays in obtaining certifications and regulatory approvals could cause us to incur substantial legal and administrative expenses. If successful, these challenges could adversely affect the rates that we are able to charge to customers, which would negatively affect our revenues.

Legislative and regulatory changes in the telecommunications industry could raise our costs by facilitating greater competition against us and reduce potential revenues.

Legislative and regulatory changes in the telecommunications industry could adversely affect our business by facilitating greater competition against us, reducing our revenues or raising our costs. For example, federal or state legislatures or regulatory commissions could impose new requirements relating to standards or quality of service, credit and collection policies, or obligations to provide new or enhanced services such as high-speed access to the Internet or number portability, whereby consumers can keep their telephone number when changing carriers. Any such requirements could increase operating costs or capital requirements.

The Telecommunications Act provides for significant changes and increased competition in the telecommunications industry. This federal statute and the related regulations remain subject to judicial review and additional rulemakings of the FCC, as well as to implementing actions by state commissions.

Currently, there exists only a small body of law and regulation applicable to access to, or commerce on, the Internet. As the significance of the Internet expands, federal, state and local governments may adopt new rules and regulations or apply existing laws and regulations to the Internet. The FCC is currently reviewing the appropriate regulatory framework governing high speed access to the Internet through telephone and cable providers communications networks. The outcome of these proceedings may affect our regulatory obligations and costs and competition for our services which could have a material adverse effect on our revenues.

Table of Contents

Do not call registries may increase our costs and limit our ability to market our services.

Our Market Response business is subject to various federal and state do not call list requirements. Recently, the FCC and the Federal Trade Commission, or FTC, amended their rules to provide for a national do not call registry. Under these new federal regulations, consumers may have their phone numbers added to the national registry and telemarketing companies, such as our Market Response business, are prohibited from calling anyone on that registry other than for limited exceptions. In September 2003, telemarketers were given access to the registry and are now required to compare their call lists against the national do not call registry at least once every 31 days. We are required to pay a fee to access the registry on a quarterly basis. This rule may restrict our ability to market our services effectively to new customers. Furthermore, compliance with this new rule may prove difficult, and we may incur penalties for improperly conducting our marketing activities.

Because we are subject to extensive laws and regulations relating to the protection of the environment, natural resources and worker health and safety, we may face significant liabilities or compliance costs in the future.

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

- Under certain environmental laws, we could be held liable, jointly and severally and without regard to fault, for the costs of investigating and remediating any actual or threatened environmental contamination at currently and formerly owned or operated properties, and those of our predecessors, and for contamination associated with disposal by us or our predecessors of hazardous materials at third party disposal sites. Hazardous materials may have been released at certain current or formerly owned properties as a result of historic operations.

- The presence of contamination can adversely affect the value of our properties and our ability to sell any such affected property or to use it as collateral.

- We could be held responsible for third party property damage claims, personal injury claims or natural resource damage claims relating to any such contamination.

- The cost of complying with existing environmental requirements could be significant.

- Adoption of new environmental laws or regulations or changes in existing laws or regulations or their interpretations could result in significant compliance costs or as yet identified environmental liabilities.

- Future acquisitions of businesses or properties subject to environmental requirements or affected by environmental contamination could require us to incur substantial costs relating to such matters.

- In addition, environmental laws regulating wetlands, endangered species and other land use and natural resource issues may increase costs associated with future business or expansion opportunities, delay, alter or interfere with such plans, or otherwise adversely affect such plans.

As a result of the above, we may face significant liabilities and compliance costs in the future.

Table of Contents

FORWARD-LOOKING STATEMENTS

Any statements contained in this prospectus that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. The words anticipates , believes , expects , intends , plans , estimates , targets , projects , should , may , will and similar words intended to identify forward-looking statements. These forward-looking statements are contained throughout this prospectus, for example in Summary , Risk Factors , Dividend Policy and Restrictions , Management s Discussion an Analysis of Financial Condition and Results of Operations CCI Holdings and CCI Texas , Business , Regulation a the unaudited pro forma condensed consolidated financial statements and the related notes. Such forward-looking statements reflect, among other things, our current expectations, plans and strategies, and anticipated financial results, all of which are subject to known and unknown risks, uncertainties and factors that may cause our actual results to differ materially from those expressed or implied by these forward-looking statements. Many of these risks are beyond our ability to control or predict. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this prospectus. Because of these risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. Furthermore, forward-looking statements speak only as of the date they are made. We do not undertake any obligation to update or review any forward-looking information, whether as a result of new information, future events or otherwise.

Table of Contents

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately $68.5 million, after deducting underwriting discounts and commissions and other offering-related expenses. We will use the net proceeds from this offering, together with additional borrowings under the amended and restated credit facilities and approximately $10.3 million of cash on hand, to:

repay in full outstanding borrowings under our term loan A and C facilities, together with accrued but unpaid interest through the closing date of this offering;

redeem 32.5% of the aggregate principal amount of our senior notes and to pay the associated redemption premium of 9.75% of the principal amount to be redeemed, together with accrued but unpaid interest through the date of redemption;

pre-fund expected integration and restructuring costs for 2005 relating to the TXUCV acquisition; and

pay fees and expenses associated with the repayment of the term loan A and C facilities and entering into the amended and restated credit facilities.

At March 31, 2005, the term loan A and term loan C facilities bore interest at rates of 5.10% and 5.35%, respectively, and had outstanding balances of $112.0 million and $311.9 million, respectively. The term loan A facility is scheduled to mature on April 14, 2010, and the term loan C facility is scheduled to mature on October 14, 2011. Our senior notes bear interest at a rate of 9$^{3}/4$% annually and are scheduled to mature on April 1, 2012. The proceeds from our borrowings under the term loan A facility, the term loan B facility and our issuance of the senior notes were used, together with other sources of funds, to pay a portion of the purchase price of the TXUCV acquisition and to repay existing debt of Consolidated Communications, Inc., which we refer to as CCI, among other uses of funds. On October 22, 2004, we converted all borrowings then outstanding under the term loan B facility into approximately $314.0 million of aggregate borrowings under a term loan C facility.

We will not receive any of the proceeds from the selling stockholders sale of shares of common stock in the offering.

The following table lists the estimated sources and uses of funds from this offering and the related transactions. The actual amounts on the date that this offering and the related transactions close may vary.

Sources		**Uses**	
	(Dollars in millions)		
Cash	$ 10.3	Repayment of term loan A facility(1)(2)	$ 112.0
Offering proceeds	78.0	Repayment of term loan C facility(1)(2)	311.9
New term loan D facility(1)	425.0	Senior notes redemption(2)	65.0
		Fees and expenses(3)	12.8
		Redemption premium	6.3
		Pre-funding integration and restructuring costs	5.3
Total sources	$ 513.3		$ 513.3

(1) In connection with this offering, our existing credit facilities will be amended and restated to, among other things, provide for the repayment in full of our term loan A and C facilities and to borrow $425.0 million under a new term loan D facility, which is expected to mature on October 14, 2011. See Description of Indebtedness

Amended and Restated Credit Facilities .

(2) Excludes accrued but unpaid interest on the term loan A and C facilities and the senior notes to be redeemed, respectively, through the closing date of this offering.

(3) Transaction fees and expenses include estimated underwriting discounts and commissions, commitment and financing fees payable in connection with the amended and restated credit facilities, and legal, accounting, advisory and other costs payable in connection with this offering and the related transactions. We will pay approximately $9.5 million of fees and expenses in connection with this offering and approximately $3.4 million in connection with the amendment and restatement of the existing credit facilities.

Table of Contents

DIVIDEND POLICY AND RESTRICTIONS

General

Effective upon the closing of this offering, our board of directors will adopt a dividend policy that reflects its judgment that our stockholders would be better served if we distributed to them a substantial portion of the cash generated by our business in excess of our expected cash needs rather than retaining it or using the cash for other purposes, such as to make investments in our business or to make acquisitions. In accordance with our dividend policy, we currently intend to pay an initial dividend of $0.4089 per share (representing a pro rata portion of the expected dividend for the first year following the closing of this offering) on or about November 1, 2005 to stockholders of record as of October 15, 2005, and to continue to pay quarterly dividends at an annual rate of $1.5495 per share for the first year following the closing of this offering, but only if and to the extent declared by our board of directors and subject to various restrictions on our ability to do so. The expected cash needs referred to above include interest payments on our indebtedness, capital expenditures, taxes, incremental costs associated with being a public company and certain other costs.

Although it is our current intention to pay quarterly dividends at an annual rate of $1.5495 per share for the first year following the closing of this offering, you may not receive any dividends as a result of any of the following factors:

- Nothing requires us to pay dividends.

- While our current dividend policy contemplates the distribution of a substantial portion of the cash generated by our business in excess of our expected cash needs, this policy could be changed or revoked by our board of directors at any time, for example, if it were to determine that we had insufficient cash to take advantage of other opportunities with attractive rates of return.

- Even if our dividend policy is not changed or revoked, the actual amount of dividends distributed under this policy, and the decision to make any distributions, is entirely at the discretion of our board of directors.

- The amount of dividends distributed will be subject to covenant restrictions in the agreements governing our debt, including our indenture and our amended and restated credit agreement, and in agreements governing our future debt.

- The amount of dividends distributed may be limited by state regulatory requirements.

- The amount of dividends distributed is subject to restrictions under Delaware and Illinois law.

- Our stockholders have no contractual or other legal right to receive dividends.

- We might not have sufficient cash in the future to pay dividends in the intended amounts or at all. Our ability to generate this cash will depend on numerous factors, including the state of our business, the environment in which we operate and the various risks we face, changes in the factors, assumptions and other considerations made by our board of directors in reviewing and adopting the dividend policy, as described below, our future results of operations, financial condition, liquidity needs and capital resources and our various expected cash needs.

We have no history of paying dividends out of our cash flow. Dividends on our common stock will not be cumulative.

In reviewing and adopting the dividend policy, our board of directors reviewed estimates of the following:

- our EBITDA;

- our Bank EBITDA, which under the terms of our amended and restated credit agreement excludes certain items (such as expenses associated with TXUCV acquisition and professional service fees)

that do not affect our ongoing ability to pay interest on our debt or pay dividends on our common stock; and

our cash available to pay dividends determined under our amended and restated credit agreement.

We believe that our amended and restated credit agreement represents the most significant legal restraint on our ability to pay dividends. That is because its restricted payments covenant allows a lower amount of dividends to be paid from the borrowers (CCI and Texas Holdings) to CCI Holdings than the comparable covenant in the indenture (referred to earlier as the build-up amount) permits CCI Holdings to pay to its stockholders. The amount of dividends CCI Holdings will be able to make under the indenture in the future will be based, in part, on the amount of cash that may be distributed by the borrowers under the amended and restated credit agreement to CCI Holdings.

With respect to these estimates and the dividend policy as a whole, our board of directors evaluated numerous factors, made several assumptions and took other considerations into account, which are summarized below under Assumptions and Considerations . We expect that our board of directors will regularly review the dividend policy and these factors, assumptions and considerations.

Estimated Minimum Bank EBITDA and Cash Available to Pay Dividends

In the first year following the closing of this offering, the principal, but not exclusive, limitation on our ability to pay dividends according to our dividend policy will be that contained in our amended and restated credit agreement. Under our amended and restated credit agreement, the borrowers ability to pay dividends to CCI Holdings will primarily depend on their ability to generate Bank EBITDA. We believe that in order to pay dividends on our common stock in the year following this offering according to our dividend policy, collectively the borrowers would need to have at least $118.6 million of Bank EBITDA. We refer to this minimum amount of Bank EBITDA as our estimated minimum Bank EBITDA. Bank EBITDA for any period will be defined as Bank Consolidated Net Income, as defined in our amended and restated credit agreement:

plus all amounts deducted in arriving at Bank Consolidated Net Income in respect of (without duplication), interest expense, amortization or write-off of debt discount and non-cash expense incurred in connection with our equity compensation plans, income taxes, charges for depreciation of fixed assets and amortization of intangible assets, non-cash charges for the impairment of long lived assets, fees accrued prior to this offering payable to certain of our existing equity investors not exceeding $5.0 million in any twelve-month period and fees, expenses and charges incurred in connection with this offering and the related transactions as disclosed in this prospectus under the heading Use of Proceeds ;

minus (in the case of gains) or *plus* (in the case of losses) (a) gain or loss on any sale of assets and (b) non-cash charges relating to foreign currency gains or losses;

plus (in the case of losses) and *minus* (in the case of income) non-cash minority interest income or loss;

plus (in the case of items deducted in arriving at Bank Consolidated Net Income) or *minus* (in the case of items added in arriving at Bank Consolidated Net Income) non-cash charges resulting from changes in accounting principles;

plus (a) extraordinary losses and (b) the first $15.0 million of TXUCV integration expenses incurred after April 14, 2004 and prior to December 31, 2005;

minus the sum of interest income and extraordinary income or gains; and

plus unusual or nonrecurring charges, fees or expenses (excluding integration expenses) relating to the acquisition of TXUCV (including severance payments and retention bonuses) that were incurred during the fiscal quarter ended June 30, 2004 (net of any offsetting items that increased Bank EBITDA in such quarter as a result thereof) and to give pro forma effect to the

Table of Contents

TXUCV acquisition and the related transactions as if they had occurred on the first day of such fiscal quarter and in an aggregate amount not to exceed $12.0 million.

The amount of dividends we are able to pay in the future under the amended and restated credit agreement will increase or decrease based upon, among other things, cumulative Bank EBITDA and our needs for Available Cash. For a more complete description of Bank EBITDA and the related definitions and exceptions, see Description of Indebtedness Amended and Restated Credit Facilities Restricted Payments .

Calculation of Estimated Minimum Bank EBITDA and Cash Available to Pay Dividends

To provide context for our dividend policy and to illustrate our calculation of our estimate of cash available to pay dividends in the first year following the closing of the offering, we present the following three tables below:

- estimated cash available to pay dividends based upon our estimated minimum Bank EBITDA;

- our calculation of EBITDA on an historical basis for the year ended December 31, 2004 and the twelve months ended March 31, 2005; and

- our calculation of (a) Bank EBITDA on a pro forma basis for the TXUCV acquisition for the year ended December 31, 2004 and the twelve months ended March 31, 2005 and (b) estimated cash available to pay dividends based upon our calculation of pro forma Bank EBITDA for these periods.

The first table sets forth our unaudited calculation illustrating our belief that $118.6 million of Bank EBITDA in the first year following the closing of this offering would be sufficient to fund our expected cash needs, to comply with the restrictive covenants in our amended and restated credit agreement and indenture and to fund dividends according to our dividend policy. We do not currently expect to have to use our amended and restated revolving credit facility to pay dividends on our common stock according to our dividend policy in the first year following the offering.

The second table sets forth our calculation of EBITDA derived from our net cash provided by operating activities on an historical basis for the year ended December 31, 2004 and for the twelve months ended March 31, 2005. This table demonstrates that if our dividend policy had been in effect for the year ended December 31, 2004 and for the twelve months ended March 31, 2005, without making any pro forma adjustments other than the proposed payment of dividends, we would not have been able to fund dividends according to our dividend policy from available cash without borrowing under our revolving credit facility or otherwise incurring debt. This inability to fund dividends is primarily due to the significant cash expenditures associated with our acquisition of TXUCV as well as our payment of professional services fees to our existing equity investors.

The final table presents two unaudited calculations that, together, show our calculation of our ability to pay dividends based on pro forma Bank EBITDA. First, it presents our calculation of Bank EBITDA on a pro forma basis for the TXUCV acquisition in a manner consistent with the comparable data in the unaudited pro forma condensed consolidated financial statements presented elsewhere in this prospectus. We believe that the presentation of pro forma Bank EBITDA provides investors with meaningful information about our ability to pay dividends following this offering because it excludes the effect of certain cash charges that are not expected to impact our ability to pay dividends in the future. When establishing our dividend policy, our board of directors specifically considered, among other things, our pro forma Bank EBITDA for the year ended December 31, 2004 and for the twelve months ended March 31, 2005, because of our belief that they more closely reflect our ability to generate cash available to pay dividends following the offering as opposed to historical EBITDA for these periods. The second calculation in this table presents our calculation of estimated cash available to pay dividends based upon our pro forma Bank EBITDA. To derive estimated cash available to pay dividends, we have deducted (1) certain cash expenses paid by us that have been excluded from the calculation of pro forma Bank EBITDA in accordance with the terms of our amended and restated credit agreement and (2) our estimated cash needs that are not already accounted for in our historical EBITDA or our pro forma Bank EBITDA. The

Table of Contents

second calculation demonstrates that if our dividend policy had been in effect for the year ended December 31, 2004 and the twelve months ended March 31, 2005, our estimated cash available to pay dividends would have been approximately $2.2 million and $0.8 million, respectively, less than the cash amount required to pay dividends in accordance with our dividend policy. As such, we would have had to either incur additional borrowings (under our revolving credit facility or otherwise) in order to pay the entire $46.0 million in dividends, or reduce the contemplated dividend by approximately $0.074 per share for the year ended December 31, 2004, and $0.027 per share for the twelve months ended March 31, 2005. The shortfall in estimated cash available to pay dividends for the year ended December 31, 2004 and the twelve months ended March 31, 2005 is due to approximately $15.2 million and $16.4 million, respectively, in cash costs incurred in connection with the TXUCV acquisition and $5.0 million of professional service fees incurred in each period. The cash costs incurred in connection with the TXUCV acquisition were costs that will not recur, except for a limited amount of expected integration and restructuring costs that we will pre-fund with cash on our balance sheet at the closing of this offering. As a result, we do not expect these costs to affect our ability to pay dividends in the future. Similarly, our obligation to pay professional service fees will terminate upon the consummation of this offering and, therefore, will not affect our ability to pay dividends in the future.

We do not as a matter of course make public projections as to future sales, earnings or other results of operations and do not plan to do so in the future. However, our management has prepared the estimated financial information set forth in the tables below in order to provide our board of directors with an estimate of the amount of cash that may be available to pay dividends, subject to the limits on our ability to do so. The estimated financial information was not prepared with a view toward complying with any SEC or American Institute of Certified Public Accountants guidelines with respect to prospective financial information, but, in the view of our management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management s current belief, our expected future financial performance. Neither our independent registered public accounting firm nor any other independent registered public accounting firm has compiled, examined, or performed any procedures with respect to the estimated financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the estimated financial information.

The estimated financial information in the tables below are only estimates, are not predictions of fact and should not be relied upon as being necessarily indicative of future results. You are cautioned not to place undue reliance on the estimated financial information. The factors, assumptions and other considerations relating to the estimated financial information are inherently uncertain and, though considered reasonable by our management as of the date of its preparation, are subject to a wide variety of significant business, economic, competitive and other risks and uncertainties, including those described under Risk Factors . There will be differences between actual and projected results. Accordingly, we cannot assure you that the estimated financial information is indicative of our future performance or that the actual results will not differ materially from the estimated financial information presented in the tables below.

In light of the foregoing and based on numerous factors, assumptions and considerations described under Assumptions and Considerations below, we believe that our Bank EBITDA for the year following the closing of this offering will be at least $118.6 million. Nothing in this prospectus should be understood to be, directly or indirectly, a prediction or estimate for any other period.

Table of Contents

		(In thousands)
Estimated Cash Available to Pay Dividends Based on Estimated Minimum Bank EBITDA		
Estimated Minimum Bank EBITDA(1)	$	118,568
Less:		
Estimated cash interest expense(2)		(37,901)
Estimated capital expenditures(3)		(33,500)
Estimated principal payments associated with capital lease obligations(4)		
TXUCV integration and restructuring costs(5)		
Estimated cash taxes(6)		(1,167)
Estimated cash available to pay dividends on common stock(7)	$	46,000
Total net leverage ratio derived from the above(8)		4.71:1.00
Senior secured leverage ratio derived from the above(9)		3.64:1.00
Fixed charge coverage ratio derived from the above(10)		3.11:1.00

		Year Ended December 31, 2004		Twelve Months Ended March 31, 2005
		(In thousands)		
Historical EBITDA				
Net cash provided by operating activities	$	79,766	$	88,508
Adjustments:				
Deferred income tax		(201)		(1,752)
Partnership income and minority interest		961		1,125
Provision for bad debt losses		(4,666)		(5,178)
Asset impairment		(11,578)		(11,578)
Amortization of deferred financing costs		(6,476)		(7,045)
Changes in operating assets and liabilities		(4,427)		(312)
Interest expense, net		39,551		48,195
Income taxes		232		(359)
Historical EBITDA(11)	$	93,162	$	111,604

Table of Contents

	Year Ended December 31, 2004	Twelve Months Ended March 31, 2005
	(In thousands)	
Pro Forma Bank EBITDA and Estimated Cash Available to Pay Dividends		
Historical EBITDA	$ 93,162	$ 111,604
Pro forma adjustments(12)	16,656	(2,243)
Pro forma EBITDA(13)	109,818	109,361
Retention bonuses(14)	259	238
Severance costs(15)	5,707	5,331
TXUCV sales due diligence and transaction costs(16)	2,239	1,577
TXUCV integration and restructuring costs(5)	7,009	9,259
Professional service fees(17)	5,000	5,000
Other, net(18)	(4,764)	(4,375)
Partnership distributions(19)	4,135	3,624
Non-cash losses (gains):		
Restructuring, asset impairment and other charges	11,566	11,566
Pro forma Bank EBITDA	140,969	141,581
Cash expenses excluded from pro forma Bank EBITDA(20)	(20,214)	(21,405)
Estimated cash interest expense(2)	(37,901)	(37,901)
Capital expenditures(3)	(36,745)	(34,744)
Estimated public company expenses(1)	(1,000)	(1,000)
Estimated principal payments associated with capital lease obligation(4)		
TXUCV integration and restructuring costs(5)		
Cash income taxes(6)	(1,317)	(1,317)
Estimated cash available to pay dividends	$ 43,792	$ 45,214
Estimated cash required to pay dividends	$ 46,000	$ 46,000

(1) In comparing our estimated minimum Bank EBITDA to our Bank EBITDA calculated on an historical basis, the historical calculation does not include approximately $1.0 million in incremental, ongoing expenses associated with being a public company with equity securities quoted on the Nasdaq National Market. These expenses include estimated compliance (SEC and Nasdaq) and related administrative expenses, accounting and legal fees, investor relations expenses, directors fees and director and officer liability insurance premiums, registrar and transfer agent fees, listing fees and other, miscellaneous expenses.

(2) Assumes: (a) with respect to the amended and restated credit facilities, interest at a weighted average rate of 5.79% on an annual basis on $425.0 million outstanding borrowings under the new term loan D facility, no borrowings under our new $30.0 million revolving credit facility and a 0.5% commitment fee on the unused balance under the new revolving credit facility; (b) with respect to our senior notes, an interest rate of $9^{3}/4$% on $135.0 million aggregate principal amount of senior notes outstanding after giving effect to the redemption of $65.0 million principal amount of senior notes in connection with this offering and the related transactions; and (c) excludes non-cash amortization of deferred financing costs. For a discussion of deferred financing costs, see Note 14 to the unaudited pro forma condensed consolidated financial statements. At March 31, 2005, we had interest rate swap agreements covering $213.7 million of aggregate principal amount of our existing variable rate debt, which we expect to cover our new variable rate debt under the new term loan D facility, at fixed LIBOR rates ranging from 2.99% to 3.35%. If market interest rates were to average 1.0% higher than the average rates that prevailed from January 1, 2005 through March 31, 2005, our interest payments would have increased by approximately $0.5 million for the period.

Table of Contents

We note that the tables above do not reflect the payment of principal on any debt because our amended and restated credit agreement will not, and the indenture does not, require any amortization prior to the applicable maturity dates.

(3) We expect capital expenditures for the year following the offering to be approximately $33.5 million. If our capital expenditures in the year following the offering were to exceed $33.5 million, which is less than actual amounts incurred during the year ended December 31, 2004 and the twelve months ended March 31, 2005, our Estimated Minimum Bank EBITDA would have to be commensurately greater in order to pay dividends at the expected level. For a more detailed discussion of our capital expenditures, see Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings Liquidity and Capital Resources Capital Requirements .

(4) Required principal payments under existing capital lease obligation. On May 27, 2005, we elected to pay in full the outstanding balance on this capital lease. As a result, no scheduled principal payments will be incurred under this capital lease obligation following the offering. See Description of Indebtedness GECC Capital Leases .

(5) We currently expect to incur approximately $14.5 million in operating expenses associated with the TXUCV integration and restructuring process in 2004 and 2005. Of the $14.5 million, approximately $11.5 million relates to integration and approximately $3.0 million relates to restructuring. As of March 31, 2005, we had incurred $9.2 million in integration and restructuring costs in connection with the TXUCV acquisition. We expect to spend the remaining $5.3 million during the remainder of 2005. However, we have not listed any such expenses in the tables because in connection with this offering and the related transactions, we will pre-fund the remaining $5.3 million of expected integration and restructuring expenses for 2005 with cash from our balance sheet. We do not expect that the pre-funding of these estimated expenses will change any of our expected cash plans or otherwise affect our expected working capital requirements. We do not expect to incur any significant costs relating to the TXUCV acquisition after 2005.

(6) We estimate that as of March 31, 2005, we had an estimated $20.2 million of federal net operating losses, or NOLs, net of valuation allowances, available to us to carry forward to periods beginning after March 31, 2005. In estimating our NOLs as of March 31, 2005, we forecasted information to calculate our expected taxable income (loss) for the year ended December 31, 2005 and then prorated the resulting amount to arrive at estimated taxable income (loss) for the three months ended March 31, 2005. In forecasting information to calculate taxable income (loss) for the year ended December 31, 2005, we assumed that there would be no accounting entries or adjustments other than those known at the time of the estimate. Prorating the forecasted year end taxable income (loss) for the three months ended March 31, 2005 to arrive at an NOL estimate for March 31, 2005 also necessarily involves the assumption that proration is a fair basis to estimate taxable income (loss) at an interim period. In addition, we believe that the possible limitations under Section 382 of the Internal Revenue Code on our NOL as a result of this offering should not have a significant impact on our use of such NOL.

In the table showing estimated cash available to pay dividends based on estimated minimum Bank EBITDA, we have estimated 2005 federal cash taxes to be zero and state cash taxes to be $1.1 million. This estimate is based on $118.6 million of Bank EBITDA and estimated tax deductible items arising in 2005, including adjustments related to this offering and related transactions and an estimate of our available NOL carryforward in 2005, taking into account any limitation on the use of our NOL resulting from an ownership change under Section 382 of the Internal Revenue Code. Adjustments related to this offering and related transactions include deductions of the redemption premium and interest and amortization of deferred financing costs based on our new capital structure. Pursuant to these calculations, after taking into account estimated 2005 taxable income (loss), we would have estimated federal NOLs of $11.3 million, net of valuation allowances, to be carried forward to taxable periods beginning after December 31, 2005. In the future, we expect that we will be required to pay cash income taxes because all of our NOL will have been used or will have expired or because of limitations on our NOL under Section 382 of

Table of Contents

the Internal Revenue Code. Any of the foregoing would have the effect of reducing our after-tax cash available to pay dividends in future periods.

In the table showing estimated cash available to pay dividends based on Pro Forma Bank EBITDA, we have estimated 2004 federal cash taxes to be zero and state cash taxes to be $1.3 million. We have estimated federal cash taxes to be zero and state cash taxes to be $1.3 million for the twelve months ended March 31, 2005. These estimates are based on Pro Forma Bank EBITDA, taking into account an estimate of our available NOL carryforward in the applicable period and any limitation on the use of our NOL resulting from an ownership change under Section 382 of the Internal Revenue Code. See Risk Factors Risks Relating to Our Common Stock We expect that our cash income tax liability will increase in the future as a result of the use of, and limitations on, our net operating loss carryforwards, which may reduce our after-tax cash available to pay dividends and may require us to reduce dividend payments in future periods .

(7) The table below sets forth the assumed number of outstanding shares of common stock upon the closing of this offering and the estimated per share and aggregate dividend amounts payable on these shares during the year following the closing of this offering.

		Dividends	
	Number of Shares	**Per Share**	**Aggregate**
Estimated dividends on our outstanding common stock	29,687,510	$ 1.5495	$ 46,000,000

(8) Under the restricted payments covenant in the amended and restated credit agreement, if our total net leverage ratio (as defined in the amended and restated credit agreement), as of the end of any fiscal quarter, is greater than 4.75 to 1.00, we will be required to suspend dividends on our common stock unless otherwise permitted by an exception for dividends that may be paid from the portion of the proceeds of any sale of our equity not used to redeem or repurchase indebtedness and not used to fund acquisitions, capital expenditures or make other investments. It will be an event of default if our total net leverage ratio, as of the end of any fiscal quarter, is greater than 5.0 to 1.00. The calculation assumes no prepayment of the amended and restated credit facilities during the period.

(9) It will be an event of default under the amended and restated credit agreement if our senior secured leverage ratio (as defined under the amended and restated credit agreement), as of the end of any fiscal quarter, is greater than 4.00 to 1.00. We will not be permitted to pay dividends under the amended and restated credit agreement if an event of default has occurred and is continuing.

(10) It will be an event default under the amended and restated credit agreement if our fixed charge coverage ratio (as defined in our amended and restated credit agreement), as of the end of any fiscal quarter, is not (x) after the closing date and on or prior to December 31, 2005, at least 2.50 to 1.00, (y) after January 1, 2006 and on or prior to December 31, 2006, at least 2.00 to 1.00 and (z) after January 1, 2007, at least 1.75 to 1.00. We will not be permitted to pay dividends under the amended and restated credit agreement if an event of default has occurred and is continuing.

(11) Historical EBITDA is defined as net earnings (loss) before interest expense, income taxes, depreciation and amortization on an historical basis, without giving effect to the TXUCV acquisition, this offering and the related transactions. We believe that net cash provided by operating activities is the most directly comparable financial measure to EBITDA under GAAP. We present EBITDA for several reasons. Management believes that EBITDA is useful as a means to evaluate our ability to pay our estimated cash needs and pay dividends. In

addition, we have presented EBITDA to investors in the past because it is frequently used by investors, securities analysts and other interested parties in the evaluation of companies in our industry, and we believe that presenting it here provides a measure of consistency in our financial reporting. EBITDA is also a component of the restrictive covenants and financial ratios contained and will be contained in the agreements governing our debt which will require us to maintain compliance with these covenants and will limit certain activities, such as our ability to incur debt and to pay dividends. The definitions in these covenants and ratios are based on EBITDA after giving effect to specified charges. As a result, we believe that the presentation of EBITDA as supplemented by these other items provides important additional

Table of Contents

information to investors. See Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings Liquidity and Capital Resources Debt and Capital Leases Covenant Compliance . In addition, EBITDA provides our board of directors meaningful information to determine, with other data, assumptions and considerations, our dividend policy and our ability to pay dividends under the restrictive covenants in the agreements governing our debt.

EBITDA is a non-GAAP financial measure. Accordingly, it should not be construed as an alternative to net cash from operating or investing activities, cash flows from operations or net income (loss) as defined by GAAP and is not on its own necessarily indicative of cash available to fund our cash needs as determined in accordance with GAAP. In addition, not all companies use identical calculations, and this presentation of EBITDA may not be comparable to other similarly titled measures of other companies.

(12) Pro forma adjustments consist of the following:

	Year Ended December 31, 2004	Twelve Months Ended March 31, 2005
	(In thousands)	
CCI Texas EBITDA(a)	$ 15,538	$ (2,384)
Selling, general and administrative expense adjustments for TXUCV acquisition(b)	1,118	141
	$ 16,656	$ (2,243)

(a) CCI Texas EBITDA represents the EBITDA of CCI Texas for the periods presented. The operating results of CCI Texas are not reflected in our historical EBITDA and financial results for the period from January 1, 2004, through April 13, 2004. The following table illustrates our calculation of CCI Texas EBITDA for the following periods:

	January 1, 2004 through April 13, 2004	April 1, 2004 through April 13, 2004
	(In thousands)	
Net cash provided by operating activities	$ 5,319	$ (819)
Adjustments:		
Prepayment penalty on extinguishment of debt	(1,914)	(1,914)
Deferred income tax	(950)	1,827
Provision for postretirement benefits	(3,007)	(1,386)
Loss/(gain) or disposition of property and investments	(19)	(38)
Restructuring, asset impairment and other charges	12	12
Partnership income and minority interest	1,068	336
Provision for bad debt losses	(542)	(100)
Other charges	31	3
Changes in operating assets and liabilities	9,909	(1,639)

Interest expense, net	3,158	2,084
Income taxes	2,473	(750)
CCI Texas EBITDA	$ 15,538	$ (2,384)

(b) The pro forma adjustments to selling, general, and administrative expense for the TXUCV acquisition reflect (1) a reduction in costs of approximately $2.0 million for the year ended December 31, 2004 and $0.3 million for the twelve months ended March 31, 2005 resulting from the termination of TXUCV employees upon the closing of the TXUCV acquisition and (2) incremental professional service fees of $0.9 million for the year ended December 31, 2004 and $0.1 million for the twelve months ended March 31, 2005 to be paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to the second professional services agreement entered into in connection with the TXUCV acquisition. See Note 2 to the unaudited pro forma condensed consolidated financial statements.

(13) Pro forma EBITDA represents our historical EBITDA as adjusted for the TXUCV acquisition and has been prepared on a basis consistent with the comparable data in the unaudited pro forma condensed consolidated financial statements included elsewhere in this prospectus.

(14) During 2004, TXUCV paid retention bonuses to keep key employees to run its day-to-day business operations while it was being prepared for sale. Other than retention costs payable in connection with the TXUCV acquisition, we do not expect to incur such charges in the future. Given the unusual and non-recurring nature of these expenses, they are excluded from the calculation of Bank EBITDA under our amended and restated credit agreement and do not affect our ongoing ability to pay dividends.

(15) During 2004, we incurred severance costs primarily due to employee terminations associated with the TXUCV acquisition. While we expect to incur additional severance costs as part of the integration and restructuring process in 2005, these costs have already been accounted for within our $5.3 million estimate of 2005 integration and restructuring costs described in note 5 above. Given the unusual and non-recurring nature of these expenses, they are excluded from the calculation of Bank EBITDA under our amended and restated credit agreement and do not affect our ongoing ability to pay dividends.

(16) During 2004, TXUCV incurred certain costs associated with its sale. Given the unusual and non-recurring nature of these expenses, they are excluded from the calculation of Bank EBITDA under our amended and restated credit agreement and do not affect our ongoing ability to pay dividends.

(17) Represents the aggregate professional service fees we paid to Mr. Lumpkin, Providence Equity and Spectrum Equity pursuant to two professional services agreements. After the closing of the offering, we will no longer pay these fees because these professional service agreements will automatically terminate on the closing of the offering. See Note 7 to the unaudited pro forma condensed consolidated financial statements.

(18) Other, net assumes the TXUCV acquisition occurred on the first day of the period presented and includes the equity earnings from our investments in cellular partnerships, dividend income, recognizing the minority interests of investors in East Texas Fiber Line Incorporated as well as certain other miscellaneous non-operating items.

See Note 6 to our audited consolidated financial statements for a description of our investments. The table below sets out the components of Other, net:

	Year ended December 31, 2004	Twelve Months Ended March 31, 2005
	(In thousands)	
Partnership income	$ 2,462	$ 1,935
Dividend income	2,589	2,593
Minority interest	(433)	(473)
Other	146	320
Other, net	$ 4,764	$ 4,375

(19)

For purposes of calculating Bank EBITDA, our amended and restated credit agreement provides that all dividends and other distributions received from our cellular partnership investments shall be included as part of our Bank Consolidated Net Income. Partnership distributions included in the calculation of Pro Forma Bank EBITDA assumes that the TXUCV acquisition occurred on the first day of the periods presented. For a more detailed description of how Bank EBITDA is calculated, including the related definition of Bank Consolidated Net Income, please see Description of Indebtedness Amended and Restated Credit Facilities Restricted Payments .

(20) Represents expenses that were excluded from the calculation of pro forma Bank EBITDA as permitted by the terms of the amended and restated credit agreement and as described in note (5) and notes (14)-(17) above. These expenses were paid by us in cash and would have impacted the amount of cash that would have been available to pay dividends had our dividend policy been in

effect for the periods presented. However, we do not expect these cash expenses to affect our ongoing ability to pay dividends following this offering. See note (5) and notes (14)-(17) above.

Assumptions and Considerations

In reviewing and adopting the dividend policy, our board of directors reviewed estimates of the cash available to pay dividends and, with respect to these estimates and the dividend policy as a whole, reviewed and analyzed several factors, including, but not limited to, the following:

our results of operations and financial condition, including that our Bank EBITDA was $141.0 million in 2004 and $141.6 million for the twelve months ended March 31, 2005, on a pro forma basis to give effect to the TXUCV acquisition;

our estimated minimum Bank EBITDA of $118.6 million and our belief that our actual Bank EBITDA for the first year following the offering will be at least this amount;

the matters discussed in the notes to the tables above;

our expected cash needs will not include the repayment of any principal on our debt since the agreements governing our debt do not require any amortization prior to the applicable maturity dates;

our assumption that we will be able to refinance our debt prior to the scheduled maturity dates; if we are unable to do so, or are only able to do so on less favorable terms, our cash available to pay dividends will be reduced;

our various expected cash needs, including interest payments on our debt, capital expenditures, integration and restructuring costs of the TXUCV acquisition in 2005, taxes, incremental costs associated with being a public company and certain other costs;

the $37.5 million distribution to our existing equity investors on June 7, 2005;

our belief that the payment of dividends at the level described above will not have a negative impact on our operations and performance based on prior years results and, relatedly, our belief that our amended and restated revolving credit facility will have sufficient capacity to finance expected fluctuations in working capital and other cash needs, including the payment of dividends at the levels described above, although we currently do not intend to borrow under our new revolving credit facility to pay dividends;

other possible uses of cash with attractive rates of return;

potential sources of liquidity, including that we have at our disposal the possibility of raising cash from asset sales, and capital resources;

the state of our business, the environment in which we operate and the various risk we face, including competition, technological change, changes in our industry, and regulatory and other risks and that they will remain consistent with previous periods; and

our assumption regarding the absence of extraordinary business events and risks, such as new industry-altering technological developments or adverse regulatory developments, that may adversely affect our business, results of operations or anticipated cash needs.

Our intended policy to distribute rather than retain a significant portion of the cash generated by our business as regular quarterly dividends is based upon the current assessment by our board of directors of the factors and assumptions listed above. If these factors and assumptions were to change, we would need

Table of Contents

to reassess that policy. Over time, our capital and other cash needs will be subject to increasing uncertainties and are more difficult to predict, which could affect whether we pay dividends and the level of any dividends we may pay in the future.

Our dividend policy may limit our ability to pursue growth opportunities, such as to fund a material expansion of our business, including any significant acquisitions or to pursue growth opportunities requiring capital expenditures significantly beyond our current expectations. In the recent past, such growth opportunities have included investments in new services such as DSL Internet access and the introduction of digital video service in selected Illinois markets. Currently, we have no specific plans to make a significant acquisition or to increase capital spending to expand our business materially. However, we will evaluate potential growth opportunities and capital expenditures as they arise and, if our board of directors determines that it is in our best interest to use cash that would otherwise be available for dividends to pursue an acquisition opportunity, to materially increase capital spending or for some other purpose, the board would be free to depart from or change our dividend policy at any time.

There are several risks relating to our dividend policy that are summarized under Risk Factors Risks Relating to Our Common Stock You may not receive dividends because our board of directors could, in its discretion, depart from or change our dividend policy at any time , We might not have cash in the future to pay dividends in the intended amounts or at all , You may not receive dividends because of restrictions in our debt agreements, Delaware and Illinois law and state regulatory requirements , and Because we are a holding company with no operations, we will not be able to pay dividends unless our subsidiaries transfer funds to us . We cannot assure you that we will pay dividends during or following the year after this offering or thereafter at the level estimated above or at all. Dividend payments are within the absolute discretion of our board of directors and will be dependent upon many factors and future developments that could differ materially from our current expectations.

Restrictions on Payment of Dividends

Our ability to pay dividends will be restricted by current and future agreements governing our debt, including the amended and restated credit agreement and the indenture and by Delaware and Illinois law and may be restricted by state regulatory requirements.

Amended and Restated Credit Agreement

Our existing credit agreement currently does not permit us to pay the dividends contemplated in this prospectus. As such, concurrently with the closing of this offering, we intend to amend and restate our existing credit agreement to enable the borrowers (CCI and Texas Holdings) to pay dividends to CCI Holdings to enable CCI Holdings to then pay its stockholders dividends, subject to the satisfaction of certain financial covenants, conditions and other restrictions. For the twelve months ended March 31, 2005, on a pro forma basis after giving effect to this offering and the related transactions, the borrowers would have been permitted to pay dividends to CCI Holdings of $69.2 million under the amended and restated credit agreement. The amount of dividends the borrowers are able to pay in the future under the amended and restated credit agreement will increase or decrease based upon, among other things, cumulative Bank EBITDA and our needs for Available Cash. In addition, the borrowers will be required to comply with the following financial ratio in order to pay dividends under the amended and restated credit agreement:

If the total net leverage ratio (as defined under Description of Indebtedness Amended and Restated Credit Facilities), as of the end of any fiscal quarter, is greater than 4.75 to 1.0, we will be required to suspend dividends on our common stock unless otherwise permitted by an exception for dividends that may be paid from the portion of the proceeds of any sale of our equity not used to redeem or repurchase indebtedness and not used to fund acquisitions, capital expenditures or make other investments. During any dividend suspension period, we will be required to repay debt in an amount equal to 50.0% of any increase in our Available Cash during such dividend suspension period.

In addition, we will not be permitted to pay dividends if an event of default under the amended and restated credit agreement has occurred and is continuing. In particular, it will be an event of default if:

our total net leverage, as of the end of any fiscal quarter, is greater than 5.0 : 1.0;

our senior secured leverage ratio, as of the end of any fiscal quarter, is greater than 4.00 to 1.00;

our fixed charge coverage ratio, as of the end of any fiscal quarter, is not (x) after the closing date and on or prior to December 31, 2005, at least 2.50 to 1.00, (y) after January 1, 2006 and on or prior to December 31, 2006, at least 2.00 to 1.00 and (z) after January 1, 2007, at least 1.75 to 1.00; or

we make or commit to make capital expenditures greater than the base amount of $45.0 million in each fiscal year, provided that the base amount may be increased by up to 100% of such base amount by carrying over to any such period any portion of the base amount (without giving effect to any increase) not spent in the immediately preceding period, and that capital expenditures in any period shall be deemed first made from the base amount applicable to such period in any given period.

For a more complete description of the expected terms of the amended and restated credit agreement see Description of Indebtedness Amended and Restated Credit Facilities .

Senior Notes

Our indenture also restricts the amount of dividends, distributions and other restricted payments CCI Holdings may pay. For the twelve months ended March 31, 2005, on a pro forma basis and after giving effect to this offering and the related transactions, CCI Holdings would have been permitted to pay dividends of $116.5 million under the general formula in the restricted payments covenant in the indenture, commonly referred to as the build-up amount. The build-up amount is less restrictive than the comparable provision in the amended and restated credit agreement because it allows a greater amount of dividends to be paid from CCI Holdings to its stockholders than the restricted payments covenant in the amended and restated credit agreement allows the borrowers (CCI and Texas Holdings) to pay to CCI Holdings. However, the amount of dividends CCI Holdings will be able to pay under the indenture in the future will be based, in part, on the amount of cash that may be distributed by the borrowers under the amended and restated credit agreement to CCI Holdings. In addition, based on the indenture provision relating to public equity offerings, which includes this offering, we expect that we will be able to pay approximately $4.1 million annually in dividends, subject to specified conditions. This means that we could pay $4.1 million in dividends under this provision in addition to whatever we may be able to pay under the build-up amount, although a dividend payment under this provision will reduce the amount we otherwise would have available to us under the build-up amount for restricted payments, including dividends. Based upon our belief that Bank EBITDA for the year following the closing of this offering will be at least $118.6 million, we do not expect the restrictions in our indenture to limit our ability to pay dividends in the first year following the offering. For a description of the indenture, see Description of Indebtedness Senior Notes .

Delaware and Illinois Law

Under Delaware law, our board of directors may not authorize payment of a dividend unless it is either paid out of our surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Although we believe we will be permitted to pay dividends at the anticipated levels during the first year following this offering in compliance with Delaware law, our board will periodically seek to assure itself that the statutory requirements will be met before actually declaring dividends. The Illinois

Table of Contents

Business Corporation Act also imposes limitations on the ability of our subsidiaries that are Illinois corporations, including ICTC, to declare and pay dividends.

State Regulatory Requirements

The ICC and the PUCT could require our Illinois and Texas rural telephone companies to make minimum amounts of capital expenditures and could limit the amount of cash available to transfer from our rural telephone companies to us. In connection with the reorganization, we were required to obtain the approval of the ICC, but not the PUCT. As part of the ICC s review of the reorganization, the ICC imposed various conditions as a part of its approval of the reorganization, including (1) prohibitions on payment of dividends or other cash transfers from ICTC, our Illinois rural telephone company, to us if it fails to meet or exceed agreed benchmarks for a majority of seven service quality metrics for the prior reporting year and (2) the requirement that ICTC have access to the higher of $5.0 million or its currently approved capital expenditure budget for each calendar year through a combination of available cash and amounts available under credit facilities. In the future, the ICC and the PUCT could impose additional or other restrictions on us. In addition, the Illinois Public Utilities Act prohibits the payment of dividends by ICTC, except out of earnings and earned surplus, if ICTC s capital is or would become impaired by payment of the dividend, or if payment of the dividend would impair ICTC s ability to render reasonable and adequate service at reasonable rates, unless the ICC otherwise finds that the public interest requires payment of the dividend, subject to any conditions imposed by the ICC. For the first year following the offering, we expect to satisfy each of the applicable Illinois regulatory requirements necessary to permit ICTC to pay dividends to us.

Table of Contents

CAPITALIZATION

The following table sets forth as of March 31, 2005, the cash and cash equivalents and capitalization:

of Homebase on an actual basis without giving effect to the reorganization; and

of CCI Holdings, on an as adjusted basis to give effect to: (a) the reorganization; (b) this offering; (c) the amendment and restatement of our existing credit facilities; and (d) our application of the estimated net proceeds in the manner set forth in Use of Proceeds , in each case, assuming these transactions occurred on March 31, 2005.

You should read this table in conjunction with Use of Proceeds , Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings and CCI Texas , the financial statements and the related notes of each of CCI Holdings, TXUCV and its subsidiaries and the unaudited pro forma condensed consolidated financial statements of CCI Holdings included elsewhere in this prospectus.

	As of March 31, 2005	
	Actual	**As Adjusted**
	(In thousands)	
Cash and cash equivalents(1)	$ 56,538	$ 13,594
Long-term debt (including current portion):		
Credit facilities:		
Revolving credit facility(2)		
Term loan facilities(3)	423,850	425,000
Total credit facilities	423,850	425,000
Capital lease obligation(4)	1,059	1,059
$9^3/4$ senior notes due 2012	200,000	135,000
Total long-term debt (including current portion)	624,909	561,059
Redeemable preferred shares:		
Class A preferred shares, $1,000 per value, 182,000 shares authorized, issued and outstanding	210,092	
Members deficit/stockholders equity		
Common shares, no par value, 10,000,000 shares authorized, issued and outstanding		
Common stock, par value $0.01 per share, 100,000,000 shares authorized, and 29,687,510 shares issued and outstanding		297
Preferred stock, par value $0.01 per share, 10,000,000 shares authorized, and no shares issued and outstanding		
Additional paid-in capital	58	247,325
Accumulated deficit	(23,033)	(34,518)
Accumulated other comprehensive income	1,944	1,944
Members (deficit)/stockholders equity	(21,031)	215,048
Total capitalization	$ 813,970	$ 776,107

(1) Includes $5.3 million of cash that will be used to pre-fund expected integration and restructuring costs for 2005 relating to the TXUCV acquisition. Our actual cash and cash equivalents as of March 31, 2005 includes $37.5 million of cash that was used to fund the distribution to our existing equity investors on June 7, 2005, as well as approximately $0.4 million in expenses incurred to amend our existing credit facilities to permit this distribution.

Table of Contents

(2) The existing credit agreement contains, and the amended and restated credit agreement will contain, a $30.0 million revolving credit facility with a maturity of six years.

(3) As of March 31, 2005, the existing credit facilities included a $112.0 million term loan A facility and a $311.9 million term loan C facility. In connection with this offering, our existing credit facilities will be amended and restated to, among other things, provide for the repayment in full of our term loan A and C facilities and to borrow $425.0 million under a new term loan D facility, which is expected to mature on October 14, 2011. See Description of Indebtedness Amended and Restated Credit Facilities .

(4) The capital lease obligation represents the outstanding balance under the GECC capital lease. On May 27, 2005, we elected to pay in full the outstanding balance on this capital lease. See Description of Indebtedness GECC Capital Leases .

Table of Contents

DILUTION

If you purchase common stock in this offering, your interest will be diluted to the extent of the difference between the price per share paid by you in this offering and the net tangible book deficiency per share of our common stock after the offering. Net tangible book deficiency per share of our common stock may be determined at any date by subtracting our total liabilities from our total assets less our intangible assets and dividing the difference by the number of shares of common stock outstanding at that date.

Our net tangible book deficiency as of March 31, 2005 was approximately $327.7 million, or $13.83 per share of common stock after giving effect to the reorganization. After giving effect to this offering and the application of the net proceeds in the manner described under Use of Proceeds , our pro forma as adjusted net tangible book deficiency as of March 31, 2005 would have been approximately $264.2 million, or $8.90 per share of common stock. This represents an immediate increase in net tangible book value of $4.93 per share of our common stock to our existing common stockholders and an immediate dilution of $21.90 per share of our common stock to new investors purchasing our common stock in this offering.

The following table illustrates the dilution to new investors:

Initial public offering price per share of common stock		$	13.00
Net tangible book value (deficiency) per share as of March 31, 2005	(13.83)		
Increase per share attributable to new investors in this offering	4.93		
Pro forma as adjusted net tangible book value (deficiency) after giving effect to this offering		$	(8.90)
Dilution in net tangible book value (deficiency) per share to investors in this offering		$	21.90

The following table sets forth on a pro forma basis:

- the total number of shares of our common stock owned by our existing common stockholders and to be owned by new investors purchasing shares of common stock in this offering;
- the total consideration paid by our existing common stockholders and to be paid by the new investors purchasing shares of common stock in this offering; and
- the average price per share of common stock paid by our existing common stockholders and to be paid by new investors purchasing shares of common stock in this offering:

	Shares Purchased		Total Consideration			
	Number	Percent		Amount	Percent	Average Price Per Share
Existing common stockholders	14,020,844	47.2%	$	104,230,190	33.9%	$ 7.43
New investors	15,666,666	52.8%		203,666,658	66.1%	13.00
Total	29,687,510	100.0%	$	307,896,848	100.0%	

Total consideration and average price per share paid by the existing common stockholders in the table above give effect to the $37.5 million cash distribution paid to our existing equity investors on June 7, 2005. The tables and calculations above include all vested and unvested restricted shares of common stock and assume no exercise of the option granted to the underwriters to purchase additional shares of common stock in this offering. The number of shares held by the existing common stockholders will be reduced to the extent the underwriters exercise their option to purchase additional shares. To the extent that any options to purchase shares of our common stock are granted in the future and these options are exercised, there may be further dilution to new investors.

Table of Contents

SELECTED HISTORICAL AND OTHER FINANCIAL DATA CCI HOLDINGS

CCI Holdings is a holding company with no income from operations or assets except for the capital stock of CCI and Consolidated Communications Acquisition Texas, Inc., which we refer to as Texas Holdings. CCI was formed for the sole purpose of acquiring ICTC and the related businesses on December 31, 2002. We believe the operations of ICTC and the related businesses prior to December 31, 2002 represent the predecessor of CCI Holdings. Texas Holdings is a holding company with no income from operations or assets except for the capital stock of Consolidated Communications Ventures Company (formerly TXUCV), which we refer to as CCV. Texas Holdings was formed for the sole purpose of acquiring TXUCV, which was acquired on April 14, 2004 and renamed CCV after the closing of the acquisition. Texas Holdings operates its business through and receives all of its income from, CCV and its subsidiaries. Results for the year ended December 31, 2004 include the results of operations of CCV since the date of the TXUCV acquisition.

The selected consolidated financial information set forth below have been derived from the unaudited combined financial statements of ICTC and related businesses as of and for the year ended December 31, 2000, the audited combined financial statements of ICTC and related businesses as of and for the years ended December 31, 2001 and 2002, the audited consolidated financial statements of CCI Holdings as of and for the years ended December 31, 2003 and 2004 and the unaudited consolidated financial statements of CCI Holdings as of and for the three months ended March 31, 2004 and 2005. The unaudited combined financial statements of ICTC and related businesses, the predecessor of CCI Holdings, as of and for the year ended December 31, 2000 and the unaudited consolidated financial statements of CCI Holdings as of and for the three months ended March 31, 2004 and 2005 reflect all adjustments that management believes to be of a normal and recurring nature and necessary for a fair presentation of the results for the referenced unaudited periods. Operating results for the three months ended March 31, 2004 and 2005 are not necessarily indicative of the results for the full year.

The following selected historical consolidated financial information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations CCI Holdings , the audited and unaudited consolidated financial statements of CCI Holdings and the audited combined financial statements of ICTC and related businesses and the related notes included elsewhere in this prospectus.

	Predecessor			CCI Holdings			
	Year Ended December 31,					Three Months Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	(In millions)						
Consolidated Statement of Operations Data:							
Total operating revenues	$ 117.1	$ 115.6	$ 109.9	$ 132.3	$ 269.6	$ 34.1	$ 79.8
Cost of services and products (exclusive of depreciation and amortization shown separately below)	39.0	38.9	35.8	46.3	80.6	12.4	24.4
Selling, general and administrative	42.1	36.0	35.6	42.5	87.9	10.6	26.2
Asset impairment					11.6		
Depreciation and amortization(1)	33.6	31.8	24.6	22.5	54.5	5.4	16.8
Income from operations	2.4	8.9	13.9	21.0	35.0	5.7	12.4

Interest expense, net(2)	(1.8)	(1.8)	(1.6)	(11.9)	(39.6)	(2.8)	(11.4)
Other, net(3)	0.5	5.8	0.4	0.1	3.7		0.3
Income before income taxes	1.1	12.9	12.7	9.2	(0.9)	2.9	1.3
Income tax expense	(1.7)	(6.3)	(4.7)	(3.7)	(0.2)	(1.1)	(0.6)
Net income (loss)	$ (0.6)	$ 6.6	$ 8.0	5.5	(1.1)	1.8	0.7
Dividends on redeemable preferred shares				(8.5)	(15.0)	(2.3)	(4.6)
Net loss applicable to common shares				$ (3.0)	$ (16.1)	$ (0.5)	$ (3.9)

Table of Contents

	Predecessor				CCI Holdings		
	Year Ended December 31,					Three Months Ended March 31,	
	2000	2001	2002	2003	2004	2004	2005
	(In millions)						
Net loss per common share basic and diluted				$ (0.33)	$ (1.79)	$ (0.06)	$ (0.42)
Other Financial Data:							
Telephone Operations revenues	$ 82.0	$ 79.8	$ 76.7	$ 90.3	$ 230.4	$ 22.9	$ 71.0
Other Data (as of end of period):							
Local access lines in service							
Residential	63,064	62,249	60,533	58,461	168,778	58,345	168,017
Business	32,933	33,473	32,475	32,426	86,430	32,481	85,054
Total local access lines(3)	95,997	95,722	93,008	90,887	255,208	90,826	253,071
DSL subscribers		2,501	5,761	7,951	27,445	8,456	30,804
Total connections	95,997	98,223	98,769	98,838	282,653	99,282	283,875
Consolidated Cash Flow Data:							
Cash flows from operating activities	$ 36.1	$ 34.3	$ 28.5	$ 28.9	$ 79.8	$ 5.9	$ 14.6
Cash flows used in investing activities	(21.8)	(13.1)	(14.1)	(296.1)	(554.1)	(2.7)	(5.5)
Cash flows from (used in) financing activities	(21.5)	(18.9)	(16.6)	277.4	516.3	(2.6)	(4.6)
Capital expenditures	20.7	13.1	14.1	11.3	30.0	2.7	5.5

	Predecessor				CCI Holdings		
	As of December 31					As of March 31,	
	2000	2001	2002	2003	2004	2004	2005
	(In millions)						
Consolidated Balance Sheet Data:							
Cash and cash equivalents	$ 0.9	$ 3.3	$ 1.1	$ 10.1	$ 52.1	$ 10.7	$ 56.5
Total current assets	27.1	26.7	23.2	39.6	98.9	38.6	103.9
	102.6	100.5	105.1	104.6			

Net plant, property &
equipment(4)