

Consolidated Communications Holdings, Inc.
Form 11-K
June 24, 2014
[Table of Contents](#)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____.

COMMISSION FILE NUMBER: 0-51446

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

CONSOLIDATED COMMUNICATIONS, INC. 401(k) PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

121 South 17th Street

Mattoon, Illinois 61938-3987

Table of Contents

CONSOLIDATED COMMUNICATIONS, INC. 401(K) PLAN

TABLE OF CONTENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	1
Financial Statements:	
<u>Statements of Net Assets Available for Benefits as of December 31, 2013 and 2012</u>	2
<u>Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2013</u>	3
<u>Notes to Financial Statements</u>	4
<u>Supplemental Schedule:</u>	
<u>Schedule H, Line 4i Schedule of Assets (Held at End of Year) as of December 31, 2013</u>	13
<u>Signatures</u>	14
<u>Exhibit Index</u>	15

Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Plan Administrators of the

Consolidated Communications, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Consolidated Communications, Inc. 401(k) as of December 31, 2013 and 2012, and the related statements of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in net assets available for benefits for the year ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

As further disclosed in the notes to the financial statements, the Board of Directors of Consolidated Communications, Inc., the plan's sponsor, approved and authorized the merger of the SureWest KSOP into the Consolidated Communications, Inc. 401(k) Plan effective December 31, 2013. The transfer of assets and liabilities of the SureWest KSOP is reflected on the statement of net assets available for benefits as a receivable from the merged plan and on the statement of changes in net assets available for benefits as a transfer from merged plan.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held for investment as of December 31, 2013, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ WEST & COMPANY, LLC

Sullivan, Illinois

June 20, 2014

Table of Contents**Consolidated Communications, Inc. 401(k) Plan****Statements of Net Assets Available for Benefits**

	December 31,	
	2013	2012
ASSETS		
Investments at fair value:		
Common collective trust fund	\$ 17,558,871	\$ 18,933,790
Mutual funds	72,470,797	57,458,636
Consolidated Communications, Inc. common stock	684,946	497,016
Total investments, at fair value	90,714,614	76,889,442
Receivables:		
Notes receivable from participants	1,687,990	1,569,744
Receivable from merged plan	96,928,003	
Total receivables	98,615,993	1,569,744
Net assets reflecting investments at fair value	189,330,607	78,459,186
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(245,384)	(780,414)
Net assets available for benefits	\$ 189,085,223	\$ 77,678,772

See accompanying notes to financial statements

Table of Contents

Consolidated Communications, Inc. 401(k) Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2013

Additions to net assets attributed to:	
Investment income:	
Interest and dividend income	\$ 2,721,800
Net appreciation in fair value of investments	12,479,624
Total investment income, net	15,201,424
Interest income on notes to participants	70,809
Contributions:	
Participants	2,762,275
Employer	1,870,604
Rollovers	224,303
Total contributions	4,857,182
Total additions	20,129,415
Deductions from net assets attributed to:	
Benefits paid to participants	5,646,839
Administrative expenses	4,128
Total deductions	5,650,967
Net increase in available benefits	14,478,448
Transfer from merged plan	96,928,003
Net assets available for benefits:	
Beginning of year	77,678,772
End of year	\$ 189,085,223

See accompanying notes to financial statements

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements

1. Description of the Plan

The following description of the Consolidated Communications, Inc. 401(k) Plan (the Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan s provisions.

General

The Plan was established January 1, 2003 and is a defined contribution plan with a 401(k) feature covering all salaried, non-union hourly-paid and certain union employees of Consolidated Communications Holdings, Inc. (the Company). The Plan was amended effective January 1, 2012. Prior to the amendment, eligible employees must have reached the age of twenty-one years and part-time employees were eligible upon completion of one year of service. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

As discussed in Note 9, the SureWest KSOP, which was previously sponsored by an acquired company, was merged with and into the Plan as of December 31, 2013.

Plan Administration

T. Rowe Price Trust Company is the trustee and custodian of the Plan. The Plan is administered by the Company.

Contributions

Each year participants may contribute any whole percentage from 1% to 50% of pretax annual compensation as defined in the Plan. Participants who have attained age 50 before the end of the Plan year are eligible to make catch-up contributions. Participant contributions are subject to certain limitations set by the Internal Revenue Service (IRS). Participants may also contribute amounts representing distributions from another qualified retirement plan or individual retirement account (rollover contributions). Participants direct the investment of their contributions into various investment options offered by the Plan.

The Company contributes 100% of the first 6% of a participant's compensation contributed to the Plan.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of the Company's contribution and Plan earnings. Allocations are based on participant earnings or account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements - Continued

Vesting

Participants are immediately vested in their and the Company's contributions plus actual earnings thereon.

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Loan terms generally range from one to five years, but may extend up to ten years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime interest rate (as defined in the Plan documents) plus one percentage point. Principal and interest is paid ratably through payroll deductions.

Payment of Benefits

On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a period of time not more than the participant's assumed life expectancy (or the assumed life expectancies of the participant and his/her beneficiary), or in partial withdrawals. For termination of service for other reasons, a participant receives the value in his or her account as a lump sum distribution. An eligible rollover distribution is also permitted. The Plan allows distributions to be made in employer stock as well as in cash.

If the value of a participant's vested interest is less than \$1,000, a lump sum distribution will be made without regard to the consent of the participant within a reasonable time after termination of service.

Forfeited Accounts

Forfeited accounts may be used to reduce future employer contributions and to pay Plan administrative expenses. At December 31, 2013 and 2012, accumulated forfeited nonvested accounts were \$0. In 2013, no forfeitures were used to reduce employer contributions.

Administrative Expenses and Participant Transaction Fees

Certain administrative expenses for maintaining the plan are paid directly by the Company. The Company also provides accounting and other administrative services for the Plan at no charge. Investment fund administrative expenses and record keeping fees are paid by the Plan. Expenses relating to specific participant transactions (i.e., loan fees, distribution fees, etc.) are deducted directly from the participant's account.

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements - Continued

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Plan are prepared using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for additional discussion of fair value measurements.

Common trust funds with underlying investments in investment contracts are valued based on the net asset value of the trust. These investments are recorded at fair value; however, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. The statement of net assets available for benefits presents common trust funds at fair value as well as the related adjustment from fair value to contract value. The statement of changes in net assets available for benefits is prepared on a contract value basis. Contract value represents contributions plus earnings less participant withdrawals and administrative expenses.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Net gains and losses from investment transactions are computed by the Plan custodian. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when earned. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

Benefit Payments

Benefits are recorded when paid.

Table of Contents**Consolidated Communications, Inc. 401(k) Plan****Notes to Financial Statements - Continued****Subsequent Events**

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the date of issuance.

3. Investments

The following presents investments held by the Plan that represent 5% or more of the Plan's net assets at December 31:

	2013		2012	
	Units	Value	Units	Value
T. Rowe Price Stable Value Fund	17,313,487	\$ 17,558,871	18,933,790	\$ 18,933,790
Vanguard Institutional Index	85,809	14,525,667	88,974	11,612,832
PIMCO Total Return Instl	*	*	411,349	4,623,558
American Funds American Mutual R4	*	*	176,583	4,993,773
T. Rowe Price Growth Stock Fund	*	*	177,567	6,708,499
Harbor International	*	*	126,322	7,847,131
T. Rowe Price Retirement 2020 Fund	*	*	217,835	3,894,891
Goldman Sach Growth Opp Instl	*	*	170,741	4,219,010

* Represents less than 5% of the Plan's net assets available for benefits as of this date.

During 2013, the Plan's investments, including gains and losses on investments bought and sold as well as held during the year, appreciated in value by \$12,479,624 as follows:

Mutual funds	\$ 12,354,658
Consolidated Communications Holdings, Inc. common stock	124,966
	\$ 12,479,624

4. Fair Value Measurements

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The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements - Continued

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Common stock: Valued at the closing price reported on the active market on which the individual securities are traded.

T. Rowe Price Stable Value Common Trust Fund: Units in the fund are valued based on the net asset value of the fund, which is based on the fair value of the underlying investments held by the fund less its liabilities as reported by the issuer of the fund. The T. Rowe Price Stable Value Common Trust Fund invests primarily in guaranteed investment contracts (GICs) issued by insurance companies, investment contracts issued by banks (BICs), structured or synthetic investment contracts issued by banks (SICs), insurance companies and other issuers, as well as the securities supporting such SICs, separate account contracts and other similar instruments that are intended to maintain a constant net asset value. The fund generally provides for daily redemptions at the reported net asset value per unit with no advance notification requirements and has no unfunded commitments.

Mutual funds: Valued at quoted market prices, which represents the net asset values of the shares held by the Plan at year end. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012:

Table of Contents**Consolidated Communications, Inc. 401(k) Plan****Notes to Financial Statements - Continued**

	December 31, 2013			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equities				
US				
Index	\$ 16,997,501	\$ 16,997,501		\$
Growth	17,723,529	17,723,529		
Value	6,724,147	6,724,147		
International				
Index	7,757,105	7,757,105		
Growth	587,249	587,249		
Bond				
US	4,384,053	4,384,053		
International	538,971	538,971		
Diversified	17,740,203	17,740,203		
Money market	18,039	18,039		
Common stock	684,946	684,946		
Stable value funds	17,558,871		17,558,871	
	\$ 90,714,614	\$ 73,155,743	\$ 17,558,871	\$

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Mutual funds:				
Equities				
US				
Index	\$ 12,986,270	\$ 12,986,270		\$
Growth	13,577,697	13,577,697		
Value	5,538,009	5,538,009		
International				
Index	7,847,131	7,847,131		
Growth	449,704	449,704		
Bond				
US	4,623,558	4,623,558		
International	477,794	477,794		
Diversified	11,940,391	11,940,391		
Money market	18,082	18,082		
Common stock	497,016	497,016		
Stable value funds	18,933,790		18,933,790	
	\$ 76,889,442	\$ 57,955,652	\$ 18,933,790	\$

There were no significant transfers between level 1 and level 2 investments during the years ended December 31, 2013 and 2012.

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements - Continued

5. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100 percent vested in their accounts.

6. Tax Status

The IRS has determined and informed Accudraft.com Inc., the Prototype Sponsor, by a letter dated March 31, 2008, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code (IRC). The Prototype Sponsor has informed the Plan s Administrator that the Plan was amended since receiving the determination letter to comply with the Pension Protection Act of 2006, HEART Act and other IRS guidance. The plan Administrator and the Plan s tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan s financial statements.

Accounting principles generally accepted in the United States of America require plan management to evaluate tax positions taken by a plan and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2013, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2010.

7. Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment funds will occur in the near term and that such changes could materially affect participants account balances and the amounts reported in the statements of net assets available for benefits.

8. Related Party Transactions

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Certain plan investments are shares of a common collective trust and mutual funds managed by T. Rowe Price Trust Company, the trustee of the Plan. The Plan also invests in the common stock of the Company. These transactions qualify as party-in-interest transactions under the provisions of ERISA for which a statutory exemption exists. At December 31, 2013 and 2012, the Plan held 34,893 and 31,239 shares of Consolidated common stock with fair values of \$684,946 and \$497,016, respectively.

Table of Contents

Consolidated Communications, Inc. 401(k) Plan

Notes to Financial Statements - Continued

9. Plan Merger

In connection with the Company's acquisition of SureWest Communications, Inc. (SureWest) in July 2012, the SureWest KSOP was merged into the Plan effective December 31, 2013. Net assets transferred to the Plan of \$96,928,003 are reflected in the statement of changes in net assets available for benefits as a transfer from a merged plan. At December 31, 2013, the net plan assets transferred were in transit and included as a receivable from a merged plan in the statements of net assets available for benefits. The plan assets were received by the Plan on January 2, 2014.

10. Reconciliation of Financial Statements to Form 5500

The following are reconciliations of net assets available for benefits per the financial statements to the Form 5500:

	December 31,	
	2013	2012
Net assets available for benefits per the financial statements	\$ 189,085,223	\$ 77,678,772
Adjustment from fair value to contract value for common collective trust	245,384	780,414
Net assets available for benefits per the Form 5500	\$ 189,330,607	\$ 78,459,186

The following is a reconciliation of total additions per the financial statements to total income per the Form 5500:

	Year Ended December 31, 2013
Total additions per the financial statements	\$ 20,129,415
Net change in adjustments from fair value to contract value for common collective trust	(535,030)
Total income per the Form 5500	\$ 19,594,385

Table of Contents

SUPPLEMENTAL SCHEDULE

12

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Table of Contents

Consolidated Communications, Inc. 401(k) Plan

EIN: 02-0636475 Plan Number: 002

Schedule H, Line 4i Schedule of Assets (Held at End of Year)

December 31, 2013

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(e) Current Value
	Common Stock:		
*	Consolidated Communications Holdings, Inc.	34,893 shares	\$ 684,946
	Common Collective Trust:		
*	T. Rowe Price Stable Value Fund - N	17,313,487 shares	17,558,871
	Mutual Funds:		
	PIMCO Total Return Instl	410,108 shares	4,384,053
	Templeton Global Bond, A	41,018 shares	538,971
	American Funds American Mutual R4	171,558 shares	5,954,768
*	T. Rowe Price Capital Appreciation	31,033 shares	796,306
	Goldman Sachs Growth Opportunities Instl	170,948 shares	5,205,372
	Goldman Sachs Small Cap Value	25,240 shares	1,422,043
*	T. Rowe Price Growth Stock	172,359 shares	9,060,930
	Harbor International	109,240 shares	7,757,105
	Oppenheimer Developing Markets Y	15,635 shares	587,249
*	T. Rowe Price Mid Cap Value Fund	25,603 shares	769,379
*	T. Rowe Price Prime Reserve Fund	18,039 shares	18,039
	Prudential Jennison Small Company Z	120,377 shares	3,457,227
*	T. Rowe Price Retirement Income	14,065 shares	207,877
*	T. Rowe Price Retirement 2010 Fund	75,914 shares	1,352,780
*	T. Rowe Price Retirement 2015 Fund	26,945 shares	385,858
*	T. Rowe Price Retirement 2020 Fund	281,894 shares	5,747,828
*	T. Rowe Price Retirement 2025 Fund	84,238 shares	1,295,585
*	T. Rowe Price Retirement 2030 Fund	217,988 shares	4,926,532
*	T. Rowe Price Retirement 2035 Fund	12,604 shares	205,187
*	T. Rowe Price Retirement 2040 Fund	90,021 shares	2,107,392
*	T. Rowe Price Retirement 2045 Fund	18,985 shares	296,362
*	T. Rowe Price Retirement 2050 Fund	13,156 shares	171,815
*	T. Rowe Price Retirement 2055 Fund	19,078 shares	246,681
	Vanguard Institutional Index	85,809 shares	14,525,667
	Vanguard Small Cap Index Signal	14,171 shares	672,977
	Vanguard Mid Cap Index Signal	8,767 shares	376,814
*	Notes receivable from participants	Interest rates ranging from 4.25% to 9.25%	1,687,990
	Total		\$ 92,402,604

* Represents a party-in-interest to the Plan as defined by ERISA.

Column (d), cost, has been omitted, as investments are all participant directed.

Table of Contents

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this Annual Report to be signed on their behalf by the undersigned hereto duly authorized.

Dated: June 24, 2014

CONSOLIDATED COMMUNICATIONS, INC. 401(k)
PLAN, BY CONSOLIDATED COMMUNICATIONS
HOLDINGS, INC., AS PLAN ADMINISTRATOR

By: /s/ Steven L. Childers
Steven L. Childers
Chief Financial Officer
Consolidated Communications Holdings, Inc.

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
23.1	Consent of Independent Registered Public Accounting Firm.