

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