

Consolidated Communications Holdings, Inc.

Form DEF 14A

March 31, 2010



- o Fee paid previously with preliminary materials.
  - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - (1) Amount Previously Paid:
    - (2) Form, Schedule or Registration Statement No.:
    - (3) Filing Party:
    - (4) Date Filed:
-

**Table of Contents**

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 4, 2010**

To Our Stockholders:

The 2010 annual meeting of stockholders of Consolidated Communications Holdings, Inc. will be held at our corporate headquarters, 121 South 17th Street, Mattoon, Illinois 61938 on Tuesday, May 4, 2010, at 9:00 a.m., central time. The 2010 annual meeting of stockholders is being held for the following purposes:

1. To elect Roger H. Moore and Jack W. Blumenstein as Class II directors to serve for a term of three years, in accordance with our amended and restated certificate of incorporation and amended and restated bylaws (Proposal No. 1);
2. To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2010 (Proposal No. 2);
3. To approve the amendment of the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan (Proposal No. 3); and
4. To transact such other business as may properly come before the annual meeting and any adjournment or postponement thereof.

Only stockholders of record at the close of business on March 17, 2010 are entitled to vote at the meeting or at any postponement or adjournment thereof.

We hope that as many stockholders as possible will personally attend the meeting. Whether or not you plan to attend the meeting, please complete the enclosed proxy card and sign, date and return it promptly so that your shares will be represented. You also may vote your shares through the Internet by following the instructions set forth on the proxy card. Submitting your proxy in writing or through the Internet will not prevent you from voting in person at the meeting.

By Order of the Board of Directors,

Steven J. Shirar  
Senior Vice President & Secretary

March 31, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 4, 2010** Our Proxy Statement and 2009 Annual Report to Stockholders are available at [www.edocumentview.com/cnsl](http://www.edocumentview.com/cnsl).

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>ABOUT THE MEETING</u>	1
<u>What is the purpose of this proxy statement?</u>	1
<u>What proposals will be voted on at the annual meeting?</u>	1
<u>Who is entitled to vote?</u>	1
<u>What is the difference between a stockholder of record and a beneficial holder of shares?</u>	2
<u>Who can attend the meeting?</u>	2
<u>What constitutes a quorum?</u>	2
<u>How do I vote?</u>	2
<u>Can I change my vote after I return my proxy card?</u>	3
<u>Can I vote by telephone ?</u>	3
<u>How many votes are required for the proposals to pass?</u>	3
<u>How are abstentions and broker non-votes treated?</u>	3
<u>What if I do not specify a choice for a matter when returning a proxy?</u>	3
<u>Will anyone contact me concerning this vote?</u>	3
<u>What are the board's recommendations?</u>	4
<u>What happens if additional matters are presented at the annual meeting?</u>	4
<u>Who will tabulate and certify the vote?</u>	4
<u>ANNUAL REPORT</u>	4
<u>Will I receive a copy of Consolidated's 2009 Annual Report to Stockholders?</u>	4
<u>How can I receive a copy of Consolidated's Annual Report on Form 10-K?</u>	4
<u>STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	5
<u>PROPOSAL NO. 1 ELECTION OF ROGER H. MOORE AND JACK W. BLUMENSTEIN AS</u>	
<u>DIRECTORS</u>	6
<u>Nominees standing for election to the board</u>	6
<u>Directors continuing to serve</u>	6
<u>Business experience of nominees to the board</u>	7
<u>Business experience of continuing directors</u>	7
<u>Board recommendations and stockholder vote required</u>	8
<u>CORPORATE GOVERNANCE AND BOARD COMMITTEES</u>	8
<u>Are a majority of the directors independent?</u>	8
<u>How are directors compensated?</u>	9
<u>How often did the board meet during 2009?</u>	10
<u>What is the policy regarding director attendance at annual meetings?</u>	10
<u>What is the leadership structure of the board?</u>	10
<u>What committees has the board established?</u>	10
<u>Role of Independent Compensation Consultant</u>	12
<u>Board oversight of risk</u>	12
<u>Stockholder recommendations for director nominations</u>	13
<u>Communications with directors</u>	13
<u>Code of business conduct and ethics</u>	13
<u>REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS</u>	15
<u>PRINCIPAL INDEPENDENT PUBLIC ACCOUNTANT FEES AND SERVICES</u>	16
<u>Pre-approval Policy</u>	

Audit Fees

Audit-related Fees

Tax Fees

All Other Fees

PROPOSAL NO. 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

16

Board recommendation and stockholder vote required

16

**Table of Contents**

	<b>Page</b>
<u>PROPOSAL NO. 3 APPROVE THE AMENDMENT OF THE CONSOLIDATED COMMUNICATIONS HOLDINGS, INC. 2005 LONG TERM INCENTIVE PLAN</u>	17
<u>Board recommendation and stockholder vote required</u>	21
<u>BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS</u>	22
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	23
Equity Compensation Plans Approved by Stockholders	
<u>COMPENSATION COMMITTEE REPORT</u>	24
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	25
<u>Executive Compensation Objectives</u>	25
<u>Processes and Procedures for the Consideration and Determination of Executive And Director Compensation</u>	27
<u>Role of Executive Officers and Management</u>	27
Role of Independent Consultant	
<u>Elements of Executive Compensation</u>	28
<u>Salary</u>	28
<u>Cash Bonuses</u>	28
<u>Long-Term, Equity-Based Incentives</u>	30
<u>All Other Compensation</u>	31
<u>Employment Security Agreements</u>	32
<u>Deductibility of Compensation</u>	32
<u>EXECUTIVE COMPENSATION</u>	33
<u>2009 Summary Compensation Table</u>	33
<u>Salary</u>	34
<u>Stock Awards</u>	34
<u>Non-Equity Incentive Compensation</u>	34
<u>2009 Grants of Plan-Based Awards</u>	34
<u>Outstanding Equity Awards at 2009 Fiscal Year-End</u>	35
<u>2009 Option Exercises and Stock Vested</u>	36
<u>Potential Payment Upon Termination or Change in Control of the Company</u>	36
<u>Employment Security Agreements</u>	36
2005 Long-Term Incentive Plan	
<u>Termination of Employment Following a Change in Control</u>	38
<u>Benefits Upon Change in Control</u>	38
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	38
<u>SKL Investment Group</u>	38
<u>LATEL Sale/Leaseback</u>	39
<u>MACC, LLC</u>	39
<u>First Mid-Illinois Bancshares, Inc.</u>	39
<u>Related Person Transactions Policy</u>	40
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	40
<u>ANNUAL REPORT TO STOCKHOLDERS</u>	40
<u>STOCKHOLDER PROPOSALS FOR 2010 ANNUAL MEETING</u>	40
<u>GENERAL</u>	41
<u>Section 16(a) beneficial ownership reporting compliance</u>	41
<u>Other Information</u>	42
<u>OTHER MATTERS</u>	42
Exhibit A Amendment of the Consolidated Communications Holdings, Inc. 2005 Long Term Incentive Plan	





**Table of Contents**

**CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.  
121 South 17<sup>th</sup> Street  
Mattoon, Illinois 61938**

**PROXY STATEMENT**

This proxy statement contains information related to the 2010 annual meeting of stockholders of Consolidated Communications Holdings, Inc., a Delaware corporation (the Company, Consolidated, we or us ), that will be held at our corporate headquarters, 121 South 17th Street, Mattoon, Illinois 61938 on Tuesday, May 4, 2010, at 9:00 a.m., central time, and at any postponements or adjournments thereof. The approximate first date of mailing for this proxy statement, proxy card, as well as a copy of our combined 2009 annual report to stockholders and annual report on Form 10-K for the year ended December 31, 2009, is March 31, 2010.

**ABOUT THE MEETING**

**What is the purpose of this proxy statement?**

The purpose of this proxy statement is to provide information regarding matters to be voted on at the 2010 annual meeting of our stockholders. Additionally, it contains certain information that the Securities and Exchange Commission (the SEC ) requires us to provide annually to stockholders. The proxy statement is also the document used by our board to solicit proxies to be used at the 2010 annual meeting. Proxies are solicited by our board to give all stockholders of record an opportunity to vote on the matters to be presented at the annual meeting, even if the stockholders cannot attend the meeting. The board has designated Steven J. Shirar and Matthew K. Smith as proxies, who will vote the shares represented by proxies at the annual meeting in the manner indicated by the proxies.

**What proposals will be voted on at the annual meeting?**

Stockholders will vote on the following proposals at the annual meeting:

the election of Roger H. Moore and Jack W. Blumenstein as Class II directors to serve for a term of three years, in accordance with our amended and restated certificate of incorporation and amended and restated bylaws (Proposal No. 1);

the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm (the independent auditors ), for the fiscal year ending December 31, 2010 (Proposal No. 2);

the approval of the amendment of the Consolidated Communications Holdings, Inc. 2005 Long Term Incentive Plan (Proposal No. 3); and

any other business properly coming before the annual meeting and any adjournment or postponement thereof.

**Who is entitled to vote?**

Each outstanding share of our common stock entitles its holder to cast one vote on each matter to be voted upon at the annual meeting. Only stockholders of record at the close of business on the record date, March 17, 2010, are entitled

to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at

---

## **Table of Contents**

the meeting, or any postponement or adjournment of the meeting. If your shares are held by a beneficial holder in street name please refer to the information forwarded to you by your bank, broker or other holder of record to see what you must do to vote your shares. Please see the next question below on this page for a description of a beneficial owner in street name.

A complete list of stockholders entitled to vote at the annual meeting will be available for examination by any stockholder at our corporate headquarters, 121 South 17th Street, Mattoon, Illinois 61938, during normal business hours for a period of ten days before the annual meeting and at the time and place of the annual meeting.

### **What is the difference between a stockholder of record and a beneficial holder of shares?**

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered a stockholder of record with respect to those shares. If this is the case, the stockholder proxy materials have been sent or provided directly to you by us.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. If this is the case, the proxy materials have been forwarded to you by your brokerage firm, bank or other nominee, which is considered the stockholder of record with respect to these shares. As the beneficial holder, you have the right to direct your broker, bank or other nominee how to vote your shares. Please contact your broker, bank, or other nominee for instructions on how to vote any shares you beneficially own.

### **Who can attend the meeting?**

All stockholders of record as of March 17, 2010, or their duly appointed proxies, may attend the meeting. Cameras, recording devices and other electronic devices will not be permitted at the meeting. If you hold your shares in street name, you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date and check in at the registration desk at the meeting.

### **What constitutes a quorum?**

A quorum of stockholders is necessary to hold the annual meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares of common stock outstanding on the record date will constitute a quorum. As of March 17, 2010, the record date, 29,822,460 shares of our common stock were outstanding. Proxies received but marked as withheld, abstentions or broker non-votes will be included in the calculation of the number of shares considered present at the meeting for purposes of establishing a quorum. In the event that a quorum is not present at the annual meeting, we expect that the annual meeting will be adjourned or postponed to solicit additional proxies.

### **How do I vote?**

You may vote by any of the following methods:

*Internet.* Electronically through the Internet by accessing our materials at [www.edocumentview.com/cnsl](http://www.edocumentview.com/cnsl). To vote through the Internet, you should sign on to this website and follow the procedures described at the website. Internet voting is available 24 hours a day, and the procedures are designed to authenticate votes cast by using a personal identification number located on your proxy card. These procedures allow you to give a proxy to vote your shares and to confirm that your instructions have been properly recorded. If you vote through the Internet, you should not return your proxy card. If you vote through the Internet, your proxy will be voted as you direct on the website.

*Mail.* By returning your proxy through the mail. If you complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct on the proxy card. You should follow the instructions set forth on the proxy card, being sure to complete it, to sign it and to mail it in the enclosed postage-paid envelope.

*In Person.* In person at the meeting.

## **Table of Contents**

We recommend that you vote in advance even if you plan to attend the meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting. If you are a stockholder of record and attend the meeting, you may vote at the meeting or deliver your completed proxy card in person.

If your shares are held in street name, please refer to the information forwarded to you by your bank, broker or other holder of record to see what you must do in order to vote your shares, including whether you may be able to vote electronically through your bank, broker or other record holder. If so, instructions regarding electronic voting will be provided by the bank, broker or other holder of record to you as part of the package that includes this proxy statement. If you are a street name stockholder and you wish to vote in person at the meeting, you will need to obtain a proxy from the institution that holds your shares and present it to the inspector of elections with your ballot when you vote at the annual meeting.

### **Can I change my vote after I return my proxy card?**

Yes. Even after you have submitted your proxy, you may change your vote at any time before the proxy is voted by:

delivering to our Secretary at the address on the first page of this proxy statement a written notice of revocation of your proxy by mail or through the Internet;

delivering a duly executed proxy bearing a later date; or

voting in person at the annual meeting.

If your shares are held in street name, you may vote in person at the annual meeting if you obtain a proxy as described in the answer to the previous question.

### **Can I vote by telephone?**

No. We do not provide for telephonic voting.

### **How many votes are required for the proposals to pass?**

Directors are elected by a plurality vote. Accordingly, the two director nominees who receive the greatest number of votes cast will be elected. The proposal to ratify the selection of our independent auditors and the proposal to approve the amendment of the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan each requires the approval of a majority of the votes present, in person or by proxy, and entitled to vote on the matter.

### **How are abstentions and broker non-votes treated?**

If a stockholder abstains from voting on any proposal, it will have the same effect as a vote AGAINST that proposal, except with respect to Proposal No. 1, where it will have no effect. Broker non-votes and shares as to which proxy authority has been withheld with respect to any matter are not entitled to vote for purposes of determining whether stockholder approval for that matter has been obtained and, therefore, will have no effect on the outcome of the vote on any such matter. A broker non-vote occurs on a proposal when shares held of record by a broker are present or represented at the meeting but the broker is not permitted to vote on that proposal without instruction from the beneficial owner of the shares and no instruction has been given.

### **What if I do not specify a choice for a matter when returning a proxy?**

Stockholders should specify their choice for each matter on the enclosed proxy. If no specific instructions are given, proxies that are signed and returned will be voted FOR the election of Roger H. Moore and Jack W. Blumenstein for Class II directors, FOR the proposal to ratify the appointment of our independent auditors, and FOR the proposal approving the amendment of the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan.

**Will anyone contact me regarding this vote?**

No arrangements or contracts have been made or entered into with any solicitors as of the date of this proxy statement, although we reserve the right to engage solicitors if we deem them necessary. If done, such solicitations may be made by mail, telephone, facsimile, e-mail, the Internet or personal interviews.

**Table of Contents**

**What are the board's recommendations?**

Unless you give other instructions on your proxy card, the persons named as proxy holders on the enclosed proxy card will vote in accordance with the recommendations of the board of directors.

The board's recommendations, together with the description of each proposal, are set forth in this proxy statement. In summary, the board recommends that you vote:

FOR the election of Roger H. Moore and Jack W. Blumenstein as Class II directors (see page 6);

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors (see page 16); and

FOR the approval of the amendment of the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan (see page 17).

**What happens if additional matters are presented at the annual meeting?**

Other than the three proposals described in this proxy statement, we are not aware of any other business to be acted upon at the annual meeting. If you grant a proxy, the persons named as proxy holders on the enclosed proxy card will vote your shares on any additional matters properly presented for a vote at the meeting as recommended by the board or, if no recommendation is given, in their own discretion.

Pursuant to the provisions of Rule 14a-4(c) under the Securities Exchange Act of 1934, as amended (the Exchange Act), with respect to any other matter that properly comes before the meeting, the proxy holders will vote as recommended by the board of directors or, if no recommendation is given, in their own discretion.

**Who will tabulate and certify the vote?**

Representatives of Computershare Trust Company, N.A., our transfer agent, will tabulate the votes and act as Inspector of Elections.

**ANNUAL REPORT**

**Will I receive a copy of Consolidated's 2009 Annual Report to Stockholders?**

We have enclosed our 2009 annual report to stockholders for the fiscal year ended December 31, 2009 with this proxy statement. The annual report includes our audited financial statements, along with other financial information about us, which we urge you to read carefully.

**How can I receive a copy of Consolidated's Annual Report on Form 10-K?**

Our annual report on Form 10-K for the fiscal year ended December 31, 2009, as filed with the SEC on March 8, 2010, is included in the 2009 annual report to stockholders, which accompanies this proxy statement.

You can also obtain, free of charge, a copy of our annual report on Form 10-K, including all exhibits filed with it, by:

Edgar Filing: Consolidated Communications Holdings, Inc. - Form DEF 14A

accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the SEC Filings link;

accessing the materials online at [www.edocumentview.com/cnsl](http://www.edocumentview.com/cnsl);

writing to:

Consolidated Communications Holdings, Inc. Investor Relations  
121 South 17<sup>th</sup> Street  
Mattoon, Illinois 61938; or

telephoning us at: (217) 258-9522.

You can also obtain a copy of our annual report on Form 10-K and other periodic filings that we make with the SEC from the SEC's EDGAR database at <http://www.sec.gov>.



**Table of Contents****STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information that has been provided to us with respect to the beneficial ownership of shares of our common stock for (i) each stockholder who is known by us to own beneficially more than 5.0% of the outstanding shares of our common stock, (ii) each of our directors, (iii) each of our executive officers named in the Summary Compensation Table on page 33, and (iv) all of our directors and executive officers as a group. Unless otherwise indicated, each stockholder shown on the table has sole voting and investment power with respect to all shares shown as beneficially owned by that stockholder. Unless otherwise indicated this information is current as of March 1, 2010, and the address of all individuals listed in the table is as follows: Consolidated Communications Holdings, Inc., 121 South 17th Street, Mattoon, Illinois 61938-3987.

Name of Beneficial Owner	Aggregate Number of Shares Beneficially	Percentage of Shares
	Owned	Outstanding
Central Illinois Telephone, LLC(a)	4,206,533	14.2%
Jennison Associates LLC(b)	2,665,500	9.0%
Prudential Financial, Inc.(b)	2,666,815	9.0%
BlackRock, Inc.(c)	1,782,289	6.0%
Richard A. Lumpkin(d)	4,210,033	14.2%
Robert J. Currey	282,223	*
Steven J. Shirar	90,952	*
Steven L. Childers	81,333	*
Joseph R. Dively	90,828	*
C. Robert Udell, Jr.	62,697	*
Maribeth S. Rahe	19,604	*
Jack W. Blumenstein	12,171	*
Roger H. Moore	12,171	*
<b>All directors and executive officers as a group (10 persons)</b>	<b>4,911,748</b>	<b>16.6%</b>

\* Less than 1.0% ownership.

(a) The equity interests in Central Illinois Telephone, LLC ( Central Illinois Telephone ) are owned by SKL Investment Group, LLC, a Delaware limited liability company ( SKL Investment Group ). Richard A. Lumpkin and members of his family own all of the equity interests in SKL Investment Group. Mr. Lumpkin is the sole manager of the SKL Investment Group fund that owns Central Illinois Telephone and he has the sole power to direct the voting and disposition of its investments. Mr. Lumpkin is also the sole manager of Central Illinois Telephone and has the sole investment and voting power with respect to the shares of common stock held by Central Illinois Telephone. As a result of the above, Mr. Lumpkin may be deemed to have beneficial ownership of the shares owned by Central Illinois Telephone. He disclaims this beneficial ownership except to the extent of his pecuniary interest in those securities. The address of Central Illinois Telephone and Mr. Lumpkin is P.O. Box 1234, Mattoon, Illinois 61938.

(b)

Beneficial and percentage ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 3, 2010 by Prudential Financial, Inc. and in a Schedule 13G/A filed with the SEC on February 12, 2010 by Jennison Associates LLC. The schedule contains the following information regarding beneficial ownership of the shares: Prudential Financial, Inc., as the parent holding company and the direct or indirect parent of Jennison Associates LLC, may be deemed the beneficial owner of securities beneficially owned by Jennison Associates LLC and may have direct or indirect voting and/or investment discretion over 2,665,500 shares that are held for its own benefit or for the benefit of its clients by its separate accounts, externally managed accounts, registered investment companies, subsidiaries and/or other affiliates. The address of Jennison Associates LLC is 466 Lexington Avenue, New York, New York 10017. The address of Prudential Financial, Inc. is 751 Broad Street, Newark, New Jersey 07102-3777.

**Table of Contents**

- (c) Beneficial and percentage ownership information is based on information contained in a Schedule 13G filed with the SEC on January 29, 2010 by BlackRock, Inc. The address of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022.
- (d) Includes shares owned by Central Illinois Telephone (see note (a) above) and 3,500 shares owned by Mr. Lumpkin's wife.

**PROPOSAL NO. 1 ELECTION OF ROGER H. MOORE AND  
JACK W. BLUMENSTEIN AS DIRECTORS**

Our amended and restated certificate of incorporation provides for the classification of our board of directors into three classes of directors, designated Class I, Class II and Class III, as nearly equal in size as is practicable, serving staggered three-year terms. One class of directors is elected each year to hold office for a three-year term or until successors of such directors are duly elected and qualified. The corporate governance committee has recommended, and the board also recommends, that the stockholders elect Mr. Moore and Mr. Blumenstein, the nominees designated below as the Class II directors, at this year's annual meeting to serve for a term of three years expiring in 2013 or until his respective successor is duly elected and qualified. Each nominee for election to the position of Class II director, and certain information with respect to his background and the backgrounds of non-nominee directors, are set forth below.

It is the intention of the persons named in the accompanying proxy card, unless otherwise instructed, to vote to elect the nominees named herein as the Class II directors. Each nominee named herein presently serves on our board of directors, and has consented to serve as a director if elected at this year's annual meeting. In the event that either of the nominees named herein is unable to serve as a director, discretionary authority is reserved to the board to vote for a substitute. The board has no reason to believe that the nominees named herein will be unable to serve if elected.

**Nominees standing for election to the board**

Name	Age	Current Position With Consolidated
Jack W. Blumenstein (Class II Director term expiring in 2010)	66	Director
Roger H. Moore (Class II Director term expiring in 2010)	68	Director

**Directors continuing to serve on the board**

Name	Age	Current Position With Consolidated
Richard A. Lumpkin (Class I Director term expiring in 2012)	75	Chairman of the Board and Director
Robert J. Currey (Class III Director term expiring in 2011)	64	President, Chief Executive Officer and Director
Maribeth S. Rahe (Class III Director term expiring in 2011)	61	Director

Set forth below is information with respect to each nominee to the board and continuing director regarding their experience. After the caption Board Contributions, we describe some of the specific experience, qualifications, attributes or skills that led to the conclusion that the person should serve as a director for the Company.

**Table of Contents**

**Business experience of nominees to the board**

*Jack W. Blumenstein* has served as a director since July 2005. Mr. Blumenstein served as Chief Executive Officer of AirCell LLC, a provider of airborne cellular and satellite telecommunications systems and services from August 2002 until August 2010 and remains a director of that company. He has been the co-President of Blumenstein/Thorne Information Partners, LLC since October 1996 and is a co-founder of that private equity investment firm. Blumenstein/Thorne focuses on capital transactions in the telecommunications and information industry. From October 1992 to September 1996, Mr. Blumenstein held various positions with The Chicago Corporation, serving most recently as Executive Vice President, Debt Capital Markets Group and a member of the Board of Directors. Prior to that Mr. Blumenstein was President and Chief Executive Officer of Ardis, a joint venture of Motorola and IBM, and has held various senior management positions in product development and sales and marketing for Rolm Corporation and IBM.

**Board Contributions:** Mr. Blumenstein is an experienced and sophisticated private investor and entrepreneur, and has the ability to analyze industry developments and help the Company to focus on the secular trends which are and will affect our industry and our Company over the long run. He brings perspective from service on other boards. He also qualifies as an audit committee financial expert under SEC guidelines.

*Roger H. Moore* has served as a director since July 2005. Mr. Moore was President and Chief Executive Officer of Illuminet Holdings, Inc., a provider of network, database and billing services to the communications industry, from October 1998 to December 2001, a member of its board of directors from July 1998 to December 2001, and its President and Chief Executive Officer from January 1996 to August 1998. In December of 2001, Illuminet was acquired by VeriSign, Inc. and Mr. Moore retired at that time. From September 1998 to October 1998, he served as President, Chief Executive Officer and a member of the board of directors of VINA Technologies, Inc., a telecommunications equipment company. From June 2007 to November 2007 Mr. Moore served as interim President and CEO of Arbinet. Since December 2007 to May 2009, Mr. Moore served as a consultant to VeriSign Corporation. Mr. Moore also presently serves as a director of VeriSign, Inc. and Western Digital Corporation.

**Board Contributions:** Mr. Moore is a seasoned telecommunications executive with deep background in the industry and very strong technical aptitude. He has a strong entrepreneurial bent and is a knowledgeable analyst of the evolution of telecommunications and the impact of new technologies on our business. He brings perspective from service on other boards. He also qualifies as an audit committee financial expert under SEC guidelines.

**Business experience of continuing directors**

*Richard A. Lumpkin* is the Chairman of our board of directors. Mr. Lumpkin has served in this position and as a director with us and our predecessor since 2002. From 1997 to 2002, Mr. Lumpkin served as Vice Chairman of McLeodUSA, which acquired our predecessor in 1997. From 1963 to 1997, Mr. Lumpkin served in various positions at our predecessor, including Chairman, Chief Executive Officer, President and Treasurer. Mr. Lumpkin is currently a director of Agracel, Inc., a real estate investment company, and serves on the advisory board of Eastern Illinois University, and is Treasurer of The Lumpkin Family Foundation, formerly a Trustee of The Lumpkin Family Foundation. Mr. Lumpkin is also a former director, former President and former Treasurer of the USTelecom Association, a former president of the Illinois Telecommunications Association, a former director of First Mid-Illinois Bancshares, Inc. ( First Mid-Illinois ), a financial services holding company and a former director of Ameren Corp., a public utility holding company. Mr. Lumpkin has also served on the University Council Committee on Information Technology for Yale University.

*Board Contributions:* Mr. Lumpkin is a long-time telecommunications industry veteran and is a significant stockholder in the Company. He is well known and respected by other industry participants and enjoys access to, and a long-standing relationship with, the senior executives, ownership, and board members of many public and private telecommunications companies with whom the Company considers its relationships to be important. By virtue of his significant ownership, Mr. Lumpkin represents a strong voice for stockholders in the Board's deliberations.

Mr. Lumpkin was employed by McLeodUSA during 2002. In January 2002, in order to complete a recapitalization, McLeodUSA filed a pre-negotiated plan of reorganization through a Chapter 11 bankruptcy

## **Table of Contents**

petition in the United States Bankruptcy Court for the District of Delaware. In April 2002, McLeodUSA's plan of reorganization became effective and McLeodUSA emerged from Chapter 11 protection. Mr. Lumpkin resigned from McLeodUSA in April 2002.

*Robert J. Currey* serves as the President, Chief Executive Officer and a director. Mr. Currey has served as one of our directors and as a director of our predecessors since 2002 and as our President and Chief Executive Officer since 2002. From 2000 to 2002, Mr. Currey served as Vice Chairman of RCN Corporation, a competitive telephone company providing telephony, cable and Internet services in high-density markets nationwide. From 1998 to 2000, Mr. Currey served as President and Chief Executive Officer of 21st Century Telecom Group. From 1997 to 1998, Mr. Currey served as Director and Group President of Telecommunications Services of McLeodUSA, which acquired our predecessor in 1997. Mr. Currey joined our predecessor in 1990 and served as President through its acquisition in 1997. Mr. Currey is also a director of The Management Network Group, Inc. (a professional services company), the USTelecom Association and the Illinois Business RoundTable.

**Board Contributions:** Mr. Currey is a long-time industry veteran and has significant experience leading other companies in the telecommunications and media sector. He is well known throughout the Telecom Industry and is respected as an opinion leader especially among the mid-sized telecom carriers. Mr. Currey also has substantial institutional knowledge regarding the Company, including its operations and strategies.

Mr. Currey was employed by RCN Corporation from 2000 to 2002. In May 2004, RCN filed a plan of reorganization through a Chapter 11 bankruptcy petition on a voluntary basis.

*Maribeth S. Rahe* has served as a director since July 2005. Ms. Rahe has served as President and Chief Executive Officer of Fort Washington Investment Advisors, Inc. since November 2003. From January 2001 to October 2002, Ms. Rahe was President and a member of the board of directors of U.S. Trust Company of New York, and from June 1997 to January 2001, was its Vice Chairman and a member of the board of directors.

**Board Contributions:** Ms. Rahe has deep background as a senior executive in the banking industry and is well attuned to developments in the capital markets and their potential impact on the Company. She provides a strong risk-management perspective and oversees the Board's succession planning efforts. She also qualifies as an audit committee financial expert under SEC guidelines.

## **Board recommendation and stockholder vote required**

The board of directors recommends a vote **FOR** the election of the nominees named above (Proposal No. 1 on the accompanying proxy card).

The affirmative vote of a plurality of the votes cast at the meeting at which a quorum is present is required for the election of each nominee named above.

## **CORPORATE GOVERNANCE AND BOARD COMMITTEES**

### **Are a majority of the directors independent?**

Yes. The corporate governance committee undertook its annual review of director independence and reviewed its findings with the board of directors. During this review, the board of directors considered relationships and transactions between each director or any member of his or her immediate family and Consolidated and its subsidiaries and affiliates, including those reported under **Certain Relationships and Related Transactions** below. The board of directors also examined relationships and transactions between directors or their affiliates and members of

our senior management. The purpose of this review was to determine whether any such transactions or relationships compromised a director's independence.

As a result of this review, our board of directors affirmatively determined that Messrs. Blumenstein and Moore and Ms. Rahe are independent for purposes of both Rule 5605(a)(2) of The NASDAQ Stock Market, Inc.'s (NASDAQ) Marketplace Rules and Rule 10A-3(b)(1) of the Exchange Act.



**Table of Contents**

The board considered the relationship between the Company and VeriSign, Inc., a company from which the Company purchases network signaling and user authentication services in the ordinary course of business, because Mr. Moore is a director of VeriSign, Inc. VeriSign, Inc. received approximately \$616,366 in payments from the Company in 2009, and such purchases were made on customary terms. The board concluded that, under these facts and circumstances, the relationship during 2009 was not a material one for purposes of the NASDAQ listing standards after determining that Mr. Moore's interest in these transactions is not material and would not influence his actions or decisions as a director of the Company.

**How are directors compensated?**

The Company put in place an independent director compensation plan in 2005 at the time of its initial public offering. In 2008, in order to properly establish compensation for the non-employee independent directors, the compensation committee engaged an outside consultant to complete a benchmark study. The outside consultant developed a peer group of 16 companies, which are of similar in size and scope to the Company, and with whom we compete for investors. For more information regarding our peer group, see Compensation Discussion and Analysis Executive Compensation Objectives.

Based on that study, the compensation committee recommended certain modifications to the Board of Directors compensation plan, effective October 24, 2008. For 2009, the Company implemented these recommendations, which were as follows: (1) the annual cash retainers were increased from \$12,500 to \$25,000; (2) the board meeting fees were increased from \$1,000 to \$1,250 for board meetings attended in person and from \$500 to \$750 for committee meetings attended in person, and meeting fees were halved for each board or board committee meeting attended by means of telephone conference call; and (3) the chairperson of the audit committee receives an additional annual cash retainer of \$15,000 (which had been unchanged from 2005), and the chairpersons of each of the compensation committee and the corporate governance committee each receive an additional annual retainer of \$10,000 (which was an increase from the previous level of \$5,000). We reimburse all non-employee directors for reasonable expenses incurred to attend board or board committee meetings.

In addition, the annual restricted share award made beginning in 2009 under the Long-Term Incentive Plan of 2005 was changed from 2,000 shares to a number of shares determined by dividing \$40,000 by the 20-day average closing price of the stock as of two trading days before the award date. The restricted share award of 4,171 shares made to each of the independent directors in March 2009 was determined under this revised methodology. One quarter of such shares will vest on each December 5th from 2009 through 2012.

Mr. Lumpkin and Mr. Currey, a director who also serves as Chief Executive Officer, do not receive any additional compensation for their service on the board. Mr. Currey's compensation is set forth in the Summary Compensation Table. Mr. Lumpkin is not a named executive officer.

This table discloses all compensation provided to each non-employee director of the Company in 2009.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards \$(1)</b>	<b>Total (\$)</b>
Jack W. Blumenstein	\$ 59,250	\$ 37,748	\$ 96,998
Roger H. Moore	\$ 51,125	\$ 37,748	\$ 88,873
Maribeth S. Rahe	\$ 54,250	\$ 37,748	\$ 91,998

- (1) *Stock Awards*. The amounts in this column represent the grant date fair value of the restricted share award made on March 16, 2009, computed in accordance with Financial Accounting Standards Board Statement Accounting Standards Codification Topic 718. Also see Footnote 17 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for an explanation of the assumptions made by the Company in the valuation of these awards. Each non-employee director had 12,171 restricted shares outstanding at December 31, 2009.

**Table of Contents****How often did the board meet during 2009?**

The board met seven times during calendar 2009. Each director attended at least 75% of the board meetings and meetings of board committees on which they served. During 2009, the independent directors held four meetings at which only independent directors were present in connection with regularly scheduled meetings of the board or committees of the board.

**What is the policy regarding director attendance at annual meetings?**

Absent special circumstances, each director is expected to attend the annual meeting of stockholders. Four out of five of the Company's directors attended the 2009 annual meeting of stockholders.

**What is the leadership structure of the board?**

The board currently separates the Chairman's role from the Chief Executive Officer's role. The merits of various structural features were discussed at the time of the Company's initial public offering in 2005, and that discussion has been refreshed from time to time by the corporate governance committee in the context of its periodic review of succession planning. Accordingly, the board may, at any time, change the structure in the event that the board determines a different structure would be in the best interest of the Company under then-existing circumstances. In the event that the Chairman and Chief Executive Officer positions were to be held by the same person, the board would appoint a lead independent director. The particular attributes that our current Chairman, Richard A. Lumpkin, brings to the board—a profile and relationships in the industry developed over many years of industry experience, and a substantial equity stake in the Company—make his service as Chairman particularly useful. At the same time, Mr. Currey, our President and Chief Executive Officer, is himself a long-time industry veteran. The separation of their roles, on the one hand, and their long-standing mutual respect and open working relationship, on the other, provides the board with a climate of informed and open dialogue, debate, and decisionmaking on topics important to the Company and its stockholders.

**What committees has the board established?**

The board has standing audit, corporate governance and compensation committees. The membership of the standing committees was as of December 31, 2009, and currently is, as follows:

Name	Audit Committee	Corporate Governance Committee	Compensation Committee
Jack W. Blumenstein	Chairperson	*	*
Roger H. Moore	*	*	Chairperson
Maribeth S. Rahe	*	Chairperson	*

\* indicates member

*Audit Committee.* The audit committee consists of Messrs. Blumenstein and Moore and Ms. Rahe. The board has determined that all members of the audit committee are independent for purposes of Rule 5605(a)(2) of NASDAQ's Marketplace Rules and Rule 10A-3(b)(1) of the Exchange Act. Each of the audit committee members is financially

literate as determined by our board in its business judgment. The board has also determined that in addition to being independent, each of Mr. Blumenstein, Mr. Moore and Ms. Rahe is an audit committee financial expert as such term is defined under the applicable SEC rules.

The audit committee met five times during 2009. The board has adopted an audit committee charter, which may be found by accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the Corporate Governance link.

The principal duties and responsibilities of the audit committee are to assist the board in its oversight of:

the integrity of our financial statements and reporting process;

our compliance with legal and regulatory matters;

**Table of Contents**

the independent auditor's qualifications and independence; and

the performance of our independent auditors.

Our audit committee is also responsible for the following:

conducting an annual performance evaluation of the audit committee;

compensating, retaining, and overseeing the work of our independent auditors;

establishing procedures for (a) receipt and treatment of complaints on accounting and other related matters and (b) submission of confidential employee concerns regarding questionable accounting or auditing matters;

approving all related party transactions required to be disclosed in our proxy statement pursuant to our Related Person Transactions Policy, which we describe beginning on page 38; and

preparing reports to be included in our public filings with the SEC.

The audit committee has the power to investigate any matter brought to its attention within the scope of its duties. It also has the authority to retain counsel and advisors to fulfill its responsibilities and duties. See the Report of the Audit Committee of the Board of Directors on page 15.

*Corporate Governance Committee.* The corporate governance committee consists of Messrs. Blumenstein and Moore and Ms. Rahe, who serves as the Chairperson. The board has determined that each of Ms. Rahe, Mr. Blumenstein, and Mr. Moore are independent for purposes of Rule 5605(a)(2) of NASDAQ's Marketplace Rules.

The corporate governance committee met four times during 2009. The board has adopted a corporate governance committee charter, a copy of which may be found by accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the Corporate Governance link.

The principal duties and responsibilities of the corporate governance committee are as follows:

to identify individuals qualified to become directors and to select, or recommend that the board select, director nominees;

to develop and recommend to the board the content of our corporate governance principles, a copy of which may be found by accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the Corporate Governance link; and

to oversee the evaluation of our board and management team.

In evaluating candidates for directorships, our board, with the assistance of the corporate governance committee, will take into account a variety of factors it considers appropriate, which may include strength of character and leadership skills; general business acumen and experience; broad knowledge of the telecommunications industry; knowledge of strategy, finance, internal business and relations between telecommunications companies and government; age; number of other board seats; and willingness to commit the necessary time to ensure an active board whose members work well together and possess the collective knowledge and expertise required by the board. We have not previously paid a fee to any third party in consideration for assistance in identifying potential nominees for the board. While the

board has not adopted a specific policy regarding diversity, it believes the diverse backgrounds and perspectives of its current directors, as described above for each nominee and current director under the heading Board Contributions, are well suited to the oversight of the Company's management team, its business plans, and performance.

*Compensation Committee.* The compensation committee consists of Messrs. Blumenstein and Moore, who serves as its Chairperson, and Ms. Rahe. The board has determined that each of Mr. Blumenstein, Mr. Moore and Ms. Rahe is independent for purposes of Rule 5605(a)(2) of NASDAQ's Marketplace Rules.

## **Table of Contents**

The compensation committee met six times during 2009. The board has adopted a compensation committee charter, a copy of which may also be found by accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the Corporate Governance link.

The principal duties and responsibilities of the compensation committee are as follows:

- to review and approve goals and objectives relating to the compensation of our Chief Executive Officer and, based upon a performance evaluation, to determine and approve the compensation of the Chief Executive Officer;

- to make recommendations to our board on incentive compensation and equity-based plans; and

- to prepare reports on executive compensation to be included in our public filings with the SEC.

Additional information on the compensation committee's processes and procedures for the consideration and determination of executive and director compensation are addressed in the Compensation Discussion and Analysis section of this proxy statement.

## **Role of Independent Compensation Consultant**

In 2008, the compensation committee directly engaged Towers Watson (formerly Watson Wyatt & Company, prior to its early 2010 merger with Towers Perrin) as its outside consultant to assist it in reviewing the effectiveness and competitiveness of the Company's executive compensation and outside director programs and policies, for which the Company paid Towers Watson \$20,552 in 2009. In particular, Towers Watson assisted the compensation committee with the following:

- construction of the benchmark group companies to be used in compensation analysis;

- analysis of the Company's total direct compensation, including base salary, annual bonus, and long-term incentives;

- evaluation of the prevalence and type of perquisite programs provided by other benchmark companies;

- review and consulting on compensation design and performance linkage;

- evaluation of the Company's Employment Security Agreements relative to broad market trends and the industry peer group used for benchmarking;

- evaluation of share availability under the LTIP and broad industry benchmarks regarding shares held for issuance, stock overhang, and use-up rate of shares granted under long term incentive plans of similarly-situated companies; and

- ad hoc issue analysis as requested by the compensation committee.

Towers Watson also provided pension actuarial services and individual employee pension benefit calculations support to the Company during 2009 for which the Company paid Towers Perrin \$193,828. The decision to engage Towers Watson for these other services was made by management. This is a long-standing relationship pre-dating the Company's initial public offering of stock and neither the compensation committee nor the board approved such other services.

**Board oversight of risk**

The board has assigned the general oversight of risk management of the Company to the audit committee. As set forth in the Audit Committee Charter, the audit committee reviews with management and the Company's independent auditors the areas of material risk to the operations and financial results of the Company, such as safety of operations, environmental regulations, major pending litigation, matters pertaining to financing costs, tax issues, any other major financial risks and exposures and the Company's guidelines and policies with respect to risk assessment and risk management. Other committees, including the compensation committee, review risks relevant to their particular areas of responsibility. These matters are reviewed in meetings in which, except for executive session portions, management directors participate with all of our independent directors, and can be the subject of



## **Table of Contents**

discussion at board meetings as well. At the management level, we have an active, ongoing, steering committee process in place which includes the CFO and other key executives, representatives of the Company's independent registered public accounting firm, and representatives from an outside testing firm which performs quarterly updates of the control documentation and annual independent blind testing of the controls. The results of these efforts are discussed with our audit committee as a standing item at each audit committee meeting, and the chair of our audit committee is a regular participant in the steering committee's meetings with our independent registered public accounting firm. In addition, the audit committee meets privately with representatives of the Company's independent registered public accounting firm in order to assess the overall climate and tone at the top and to provide the audit committee with direct feedback as to any control or oversight issues. The management team has the primary responsibility for identifying and managing the known, material risks which could affect the Company's operating and financial performance. At least annually, upon reviewing and establishing the financial and operating targets for the next fiscal year, the management team reviews with the full board the key risks facing the Company during the upcoming year and the plans the Company has put in place to mitigate those risks.

## **Stockholder recommendations for director nominations**

As noted above, the corporate governance committee considers and establishes procedures regarding recommendations for nomination to the board, including nominations submitted by stockholders. Recommendations of stockholders should be timely sent to us, either in person or by certified mail, to the attention of the Secretary, Consolidated Communications Holdings, Inc., 121 South 17th Street, Mattoon, Illinois 61938-3987. Any recommendations submitted to the Secretary should be in writing and should include whatever supporting material the stockholder considers appropriate in support of that recommendation, but must include the information that would be required to be disclosed under the SEC's rules in a proxy statement soliciting proxies for the election of such candidate and a signed consent of the candidate to serve as our director if elected. The corporate governance committee will evaluate all potential candidates in the same manner, regardless of the source of the recommendation. Based on the information provided to the corporate governance committee, it will make an initial determination whether to conduct a full evaluation of a candidate. As part of the full evaluation process, the corporate governance committee may, among other things, conduct interviews, obtain additional background information and conduct reference checks of the candidate. The corporate governance committee may also ask the candidate to meet with management and other members of the board.

## **Communications with directors**

Stockholders interested in communicating directly with the board or the independent directors may do so by writing to the Secretary, Consolidated Communications Holdings, Inc., 121 South 17th Street, Mattoon, Illinois 61938-3987. The Secretary will review all such correspondence and forward to the board or the independent directors a summary of that correspondence and copies of any correspondence that, in his opinion, deals with functions of the board or that he otherwise determines requires their attention. Any director or any independent director may at any time review a log of all correspondence received by the Company that is addressed to members of the board or independent directors and request copies of such correspondence. Any concerns relating to accounting, internal controls or auditing matters will be brought to the attention of the audit committee and handled in accordance with the procedures established by the audit committee with respect to such matters.

## **Code of Business Conduct and Ethics**

The board has adopted a Code of Business Conduct and Ethics (the "Code"), a copy of which may be found by accessing the investor relations section of our website at <http://ir.consolidated.com> and clicking on the "Corporate Governance" link. Under the Code, we insist on honest and ethical conduct by all of our directors, officers, employees and other representatives, including the following:

Our directors, officers and employees are required to deal honestly and fairly with our customers, collaborators, competitors and other third parties.

Our directors, officers and employees should not be involved in any activity that creates or gives the appearance of a conflict of interest between their personal interests and the interests of Consolidated.

**Table of Contents**

Our directors, officers and employees should not disclose any of our confidential information or the confidential information of our suppliers, customers or other business partners.

We are also committed to providing our stockholders and investors with full, fair, accurate, timely and understandable disclosure in the documents that we file with the SEC. Further, we will comply with all laws, rules and regulations that are applicable to our activities and expect all of our directors, officers and employees to obey the law.

Our board of directors and audit committee have established the standards of business conduct contained in this Code and oversee compliance with this Code. Training on this Code is included in the orientation of new employees and has been provided to existing directors, officers and employees.

If it is determined that one of our directors, officers or employees has violated the Code, we will take appropriate action including, but not limited to, disciplinary action, up to and including termination of employment. If it is determined that a non-employee (including any contractor, subcontractor or other agent) has violated the Code, we will take appropriate corrective action, which could include severing the contractor, subcontractor or agency relationship.

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS**

The audit committee is made up solely of independent directors, as defined in the applicable NASDAQ and SEC rules, and it operates under a written charter, dated July 2005, which is available by accessing the investor relations section of our website at <http://ir.consolidated.com>. The charter of the audit committee specifies that the purpose of the audit committee is to assist the Board in fulfilling its oversight responsibility for:

- the quality and integrity of the company's financial statements;
- the company's compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of the company's independent auditors.

In carrying out these responsibilities, the audit committee, among other things, supervises the relationship between the Company and its independent auditors including making decisions with respect to their appointment or removal, reviewing the scope of their audit services, pre-approving audit engagement fees and non-audit services and evaluating their independence. The audit committee oversees and evaluates the adequacy and effectiveness of the Company's systems of internal and disclosure controls and internal audit function. The audit committee has the authority to investigate any matter brought to its attention and may engage outside counsel for such purpose.

The Company's management is responsible, among other things, for preparing the financial statements and for the overall financial reporting process, including the Company's system of internal controls. The independent auditor's responsibilities include (i) auditing the financial statements and expressing an opinion on the conformity of the audited financial statements with U.S. generally accepted accounting principles and (ii) auditing the financial statements and expressing an opinion on management's assessment of, and the effective operation of, the Company's internal control over financial reporting.

The audit committee met five times during fiscal year 2009. The audit committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The audit committee's meetings include executive sessions with the Company's independent auditor and, at least quarterly and at other times as necessary, sessions without the presence of the Company's management.

As part of its oversight of the Company's financial statements, the audit committee reviewed and discussed with management and Ernst & Young LLP, the Company's independent auditor, the audited financial statements of the Company for the fiscal year ended December 31, 2009. The audit committee discussed with Ernst & Young LLP, such matters as are required to be discussed by *Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees)*, relating to the conduct of the audit. The audit committee also has discussed with Ernst & Young LLP, the auditor's independence from the Company and its management, including the matters in the written disclosures the audit committee received from the independent auditor as required by applicable requirements of the Public Company Accounting Oversight board regarding the independent accountant's communications with the Audit Committee concerning independence, and considered the compatibility of non-audit services with the auditor's independence.

Based on its review and discussions referred to above, the audit committee has recommended to the board of directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year

ended December 31, 2009, for filing with Securities and Exchange Commission. The audit committee has also selected Ernst & Young LLP as the Company's independent auditors for 2010.

**MEMBERS OF THE AUDIT COMMITTEE**

**Jack W. Blumenstein**

**Maribeth S. Rahe**

**Roger H. Moore**

**Table of Contents****PRINCIPAL INDEPENDENT ACCOUNTANT FEES AND SERVICES****Audit Committee's Pre-Approval Policies and Procedures**

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee Charter, all audit and audit-related work performed by the independent public registered accounting firm, Ernst & Young LLP, must be submitted to the Audit Committee for specific approval in advance by the Audit Committee, including the proposed fees for such work. The Audit Committee has not delegated any of its responsibilities under the Sarbanes-Oxley Act to management.

**Principal Accounting Firm Fees**

Fees (including reimbursement for out-of-pocket expenses) paid to our independent registered public accounting firm for services in 2009 and 2008 were as follows:

	<b>Audit Fees</b>	<b>Audit Related Fees      Tax Fees (In millions)</b>	<b>All Other Fees</b>
2009			
E&Y	\$ 1.3		\$ 0.3
2008			
E&Y	\$ 1.2		\$ 0.4

Audit Fees include fees billed for professional services rendered by Ernst & Young LLP for the audit of our consolidated financial statements for fiscal 2009 and 2008, including the audit of internal controls over financial reporting under Sarbanes-Oxley Act of 2002.

There were no audit-related services rendered by Ernst & Young LLP during fiscal 2009 and 2008.

Tax Fees include fees billed for professional services rendered by Ernst & Young LLP related to tax advice, tax planning and tax compliance services.

For fiscal 2009, no Audit-Related Fees, Tax Fees or All Other Fees disclosed above were approved in the reliance on the exceptions to the pre-approval process set forth in 17 CFR 219.2-01(c)(7)(i)(C).

**PROPOSAL NO. 2    RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The audit committee of the board of directors has appointed Ernst & Young LLP as our independent auditors for the year ending December 31, 2010. Our stockholders are being asked to ratify this appointment at the annual meeting. Ernst & Young LLP has served as our auditors since December 31, 2002, when Homebase Acquisition, LLC, one of our predecessors, acquired our Illinois operations from McLeodUSA.

**Board Recommendation and Stockholder Vote Required**

The board of directors recommends a vote **FOR** the ratification of the appointment of Ernst & Young LLP as our independent auditors for the year ending December 31, 2010 (Proposal No. 2 on the proxy card).

The affirmative vote of the holders of a majority of the votes represented at the annual meeting in person or by proxy will be required for approval. Representatives of Ernst & Young LLP, expected to be present at the 2010 annual meeting, will have the opportunity to make a statement at the meeting if they desire to do so and are expected to be available to respond to appropriate questions.

If the appointment is not ratified, the audit committee will reconsider the appointment.

**Table of Contents**

**PROPOSAL NO. 3 APPROVAL OF THE AMENDMENT OF THE  
CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.  
2005 LONG-TERM INCENTIVE PLAN**

On May 5, 2009, the Company's stockholders approved the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan, as Amended and Restated Effective May 5, 2009 (the Plan). The Plan is a compensation plan that provides for grants of stock options, stock appreciation rights, stock awards and stock unit awards to eligible employees and non-employee directors and grants of cash awards to eligible employees. The purpose of the Plan is to attract and retain key employees and directors, provide them with additional incentive to increase the long-term value of the Company, and link their financial interests with those of the Company's stockholders.

The Plan is an amended and restated version of the long-term incentive plan adopted in 2005, immediately before the Company's initial public offering. The amendments made in 2009 did not increase the number of shares of the Company's common stock that may be issued under the Plan. The Company has used a significant number of the currently issued shares under the Plan for awards. As of March 1, 2010, 360,000 shares remained available for issuance as awards under the Plan. The Company expects that, at the end of 2010, only approximately 80,000 shares will remain available for issuance under the Plan. Accordingly, on March 1, 2010, the Board of Directors of the Company approved an amendment to the Plan to increase the number of shares available under the Plan by 900,000, which represents an increase from 750,000 to 1,650,000 shares. This increase is subject to approval by the Company's stockholders.

The following is a summary of the Plan. It is qualified by reference to the full text of the Plan, which is attached as Exhibit A to this proxy statement. Stockholders are encouraged to review the Plan carefully.

**Description of the Plan as Amended and Restated**

*Number of Shares and Maximum Cash Incentive Payments.* The number of shares of the Company's common stock that may be issued under the Plan would, if this amendment is adopted, increase from 750,000 shares to 1,650,000 shares. Of these 1,650,000 shares: (i) the maximum number of shares issued as stock options to any participant in any calendar year is 300,000; (ii) the maximum number of shares pursuant to which stock appreciation rights are issued to any participant in any calendar year is 300,000; (iii) no stock awards or stock unit awards made in any calendar year can relate to shares having a fair market value on the date of grant that exceeds \$6,000,000; and (iv) the maximum number of non-forfeitable shares subject to stock awards or stock unit awards that may be issued under the Plan to any participant in any calendar year is 300,000. In addition, no more than \$5,000,000 may be paid to a participant for each year in any performance period under a Cash Incentive Program.

Shares issuable under the Plan may be authorized but unissued shares or treasury shares. If there is a lapse, forfeiture, expiration, termination or cancellation of any award made under the Plan for any reason, the shares subject to the award will again be available for issuance. In addition, any shares subject to an award that are delivered to the Company by a participant, or withheld by the Company on behalf of a participant, as payment for an award or payment of withholding taxes due in connection with an award will again be available for issuance, and such shares will not count toward the number of shares issued under the Plan. The number of shares of common stock issuable under the Plan is subject to adjustment, in the event of any reorganization, recapitalization, stock split, stock distribution, merger, consolidation, split-up, spin-off, combination, subdivision, consolidation or exchange of shares, any change in the capital structure of the Company or any similar corporate transaction. In each case, the Company has the discretion to make adjustments it deems necessary to preserve the intended benefits under the Plan.



No award granted under the Plan may be transferred, except by will and the laws of descent and distribution, or as permitted by the Committee with respect to a stock-based award transferred without value by the participant during his lifetime for estate planning purposes.

*Administration.* The Plan is administered by a committee comprised of two or more directors who satisfy the non-employee director definition under Rule 16b-3 of the Securities Exchange Act of 1934 and the outside director definition under Section 162(m) of the Code (the Committee ). If there are not two directors who satisfy

## **Table of Contents**

this criteria, the Plan will be administered by the Board. The Plan is currently administered by the Compensation Committee of the Board. The Committee has full authority to select the individuals who will receive awards under the Plan, determine the form and amount of each of the awards to be granted and establish the terms and conditions of awards.

*Eligibility.* All employees of the Company designated by the Committee and all non-employee directors of the Company are eligible to receive awards under the Plan. On March 1, 2010, approximately 28 employees and all non-employee directors were eligible to participate in the Plan.

*Awards to Participants.* The Plan provides for awards of stock options, stock appreciation rights, stock awards and stock unit awards to all participants and for cash awards to participants who are employees. Each stock-based award made under the Plan will be evidenced by a written award agreement specifying the terms and conditions of the award as determined by the Committee in its sole discretion, consistent with the terms of the Plan.

*Stock Options.* The Committee has the discretion to grant non-qualified stock options and incentive stock options to participants and to set the terms and conditions applicable to the options, including the type of option, the number of shares subject to the option and the vesting schedule; provided that the exercise price of each stock option shall not be less than the closing sales price of the Company's common stock on the date which the option is granted ( fair market value ) and each option shall expire 10 years from the date of grant.

An incentive stock option, which may be granted only to employees, is subject to the following rules: (i) the aggregate fair market value (determined at the time the option is granted) of the shares of common stock with respect to which incentive stock options are exercisable for the first time by an employee during any calendar year (under all incentive stock option plans of the Company and its subsidiaries) shall not exceed \$100,000, and if this limitation is exceeded, that portion of the incentive stock option that does not exceed the applicable dollar limit shall be an incentive stock option and the remainder will be a non-qualified stock option; (ii) if an incentive stock option is granted to an employee who owns stock possessing more than 10% of the total combined voting power of all class of stock of the Company, the exercise price of the incentive stock option shall be 110% of the closing price of the common stock on the date of grant and the incentive stock option shall expire no later than five years from the date of grant; and (iii) no incentive stock option shall be granted after 10 years from the date the Plan was adopted.

*Stock Appreciation Rights.* The Committee has the discretion to grant stock appreciation rights to participants. Each right entitles the participant to receive the difference between the fair market value of the common stock on the date of exercise of the right and the exercise price thereof, multiplied by the number of shares with respect to which the right is being exercised. The stock appreciation right may be issued independently or together with a stock option, in which case the exercise of a stock appreciation right will cancel the related option with respect to the same number of shares for which the stock appreciation right was exercised, and the exercise of an option will cancel the related stock appreciation right with respect to the same number of shares for which the option was exercised. Upon exercise, the stock appreciation right will be paid in cash or in shares of common stock (based upon the fair market value on the date of exercise) or a combination thereof, as set forth in the award agreement. The Committee has the discretion to set the terms and conditions applicable to stock appreciation rights, provided that (i) the exercise price of each stock appreciation right will be not less than the fair market value of the common stock on the date of grant, and (ii) each stock appreciation right will expire 10 years from the date of grant.

*Stock Awards.* The Committee has the discretion to grant stock awards to participants. The number of shares awarded to each participant, and the restrictions, terms and conditions of the award, will be at the discretion of the Committee. Subject to the restrictions, a participant will be a stockholder with respect to the shares awarded to him and will have the rights of a stockholder with respect to the shares, including the right to vote the shares and receive dividends on the shares; provided that dividends otherwise payable on any performance-based stock award, or stock dividends

otherwise payable with respect to any stock award, will be held by the Company and will be paid only to the holder of the stock award to the extent the restrictions on such stock award lapse.

Stock Unit Awards. The Committee has the discretion to grant stock unit awards to participants. Each stock unit entitles the participant to receive, on a specified date or event set forth in the award agreement, one share of common stock of the Company or cash equal to the fair market value of one share on such date or event, as provided in the award agreement. The number of stock units awarded to each participant, and the terms and conditions of the

## **Table of Contents**

award, will be at the discretion of the Committee. A participant will not be a stockholder with respect to the stock units awarded to him prior to the date they are settled in shares of common stock. Until the restrictions on the stock units lapse, the participant will be paid an amount equal to the dividends that would have been paid had the stock units been actual shares; provided that such dividend equivalents otherwise payable on any performance-based stock unit award, or stock dividend equivalents otherwise payable on any stock unit award, will be held by the Company and will be paid only to the holder of the stock unit award to the extent the restrictions on such stock unit award lapse.

**Cash Incentive Awards.** The Committee has the discretion to adopt one or more Cash Incentive Programs, pursuant to which employees will be eligible for cash payments based upon the level of attainment of pre-established performance goals set by the Committee with respect to a performance period (which the Committee sets with a duration of one to five years). The Committee has the discretion to set the terms and conditions applicable to the cash incentive award, including the eligible employees, the performance criteria and goals and the amount of payments to be made upon attainment of the goals.

**Performance-Based Compensation.** The Committee in its discretion may provide that any stock award or stock unit award will be subject to attainment of performance goals, including those that qualify the awards as performance-based compensation under Section 162(m) of the Code so that they are fully deductible by the Company for federal income tax purposes. Payments under any Cash Incentive Program shall be subject to the attainment of performance goals, including those that qualify the payment as performance-based compensation under Section 162(m) of the Code. In such case, the Committee will establish performance goals for certain performance periods and targets for achievement of the performance goals, and the performance-based restrictions on the stock award or stock unit award will lapse, and cash incentive payments will be made, if the performance goals and targets are achieved for the designated performance period. The performance goals will be based on one or more of the following criteria: (i) free cash flow; (ii) free cash flow per share; (iii) earnings before interest, taxes, depreciation, and amortization ( EBITDA ); (iv) improvement in EBITDA margins; (v) revenue growth; (vi) maintenance of targeted capital structure and leverage ratios; (vii) pre- or after-tax net income; (viii) earnings per share; (ix) share price performance; (x) total stockholder returns; (xi) economic value added; (xii) dividend payout ratio; (xiii) broadband subscriber net additions; (xiv) customer service operating results; (xv) network performance; and (xvi) any other criteria the Committee deems appropriate. Performance goals may be absolute in their terms or measured against or in relationship to the performance of other companies or indices selected by the Committee. The performance goals may be particular to one or more lines of business or subsidiaries or may be based on the performance of the Company and its subsidiaries as a whole. The performance goals may be identical for all participants for a given performance period or, at the discretion of the Committee, may differ among participants. In addition, performance goals may be adjusted for any extraordinary items or other unusual or non-recurring items (including acquisition expenses, extraordinary charges, losses from discontinued operations, restatements and accounting charges and restructuring expenses), as may be determined by the Committee.

**Payment for Stock Options and Withholding Taxes.** The Committee may make one or more of the following methods available for payment of the exercise price of a stock option, and for payment of the minimum required tax obligation associated with an award: (i) in cash; (ii) in cash received from a broker-dealer to whom the holder has submitted an exercise notice together with irrevocable instructions to deliver promptly to the Company the amount of sales proceeds from the sale of the shares subject to the award to pay the exercise price or tax withholding; (iii) by directing the Company to withhold shares of common stock otherwise issuable in connection with the award having a fair market value equal to the amount required to be withheld; and (iv) by delivery of previously acquired shares of common stock that are acceptable to the Committee.

**Provisions Relating to a Change in Control of the Company.** The Plan provides that if there is a change in control of the Company, and there is no assumption of outstanding awards by the successor entity, or conversion of outstanding awards into comparable equity awards of the successor entity, then as of the effective date of the change

in control all stock options and stock appreciation rights will vest and all restrictions on all outstanding stock awards and stock unit awards will lapse, and if any restrictions relate to satisfying performance goals, the performance goals will be deemed satisfied at target levels (unless the target level was exceeded for any performance goal before the effective date of the change in control, in which case the restrictions will lapse based on actual attainment of the performance goal). If required by the terms of the transaction, the Committee has the right to cancel such grants

## **Table of Contents**

after having given the participants a reasonable time to exercise the options and stock appreciation rights and take necessary action to receive stock or cash pursuant to stock and stock unit awards. The Plan also provides that if in connection with the change in control the Plan awards are assumed or converted by the successor entity as described above, and within 24 months following the effective date of the change in control the participant's employment is terminated without cause or the participant terminates employment for good reason, or a participant who is a director is asked to resign for other than cause, all stock options and stock appreciation rights will vest and all restrictions on all outstanding stock awards and stock unit awards will lapse, and if any restrictions relate to satisfying performance goals, the performance goals will be deemed satisfied at target levels (unless the target level was exceeded for any performance goal before the date of termination of employment or service, in which case the restrictions will lapse based on actual attainment of the performance goal). See Section 15 of the Plan for the definition of change in control .

*Amendment and Termination of the Plan; Term of the Plan.* The Board may terminate, suspend or amend the Plan from time to time, without the approval of the stockholders, unless such approval is required by applicable law or stock exchange rule, provided that (i) no amendment shall be made to the Plan's change in control provisions after the date of the change in control which would adversely affect any rights that would vest on the effective date of the change in control, and (ii) no amendment shall result in the modification or cancellation of an award without the written consent of the participant, unless there is a dissolution, liquidation, change in control or change in capital structure of the Company. Notwithstanding the foregoing, there shall be no amendment to the Plan or any award agreement that results in the repricing of stock options without stockholder approval (except in the case of an equitable adjustment to the awards to reflect changes in the capital structure of the Company or similar events).

No awards may be granted under the Plan on or after May 5, 2019.

*Awards Granted Under the Plan.* It is not possible to determine the awards that will be made under the Plan, since the Plan does not require that any awards be made to any individual and all awards under the Plan are at the discretion of the compensation committee.

## **Description of Material Changes from Existing Plan**

The only material change from the Plan as in effect prior to this amendment is the increase of 900,000 shares available for issuance under the Plan, from 750,000 shares to 1,650,000 shares.

## **Summary of Federal Income Tax Consequences**

The following is a summary of the federal income tax consequences of the Plan. It is based on the federal tax laws and regulations currently in effect and existing administrative rulings of the Internal Revenue Service. Participants may also be subject to state and local taxes in connection with the grant of awards under the Plan. Participants should consult with their individual tax advisers to determine the tax consequences associated with awards granted under the Plan. This information may not be applicable to employees of foreign subsidiaries or to employees who are not residents of the United States.

*Non-Qualified Stock Options.* A participant will not recognize any income at the time the participant is granted a non-qualified stock option. On the date the participant exercises the non-qualified stock option, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price. The participant will be responsible for remitting to the Company the withholding tax obligation that arises at the time the option is exercised. The Company generally will receive a tax deduction for the same amount of ordinary income recognized by the participant. When the participant sells these shares, any gain or loss recognized by the participant is treated as either short-term or long-term capital gain or loss depending on whether the participant has held the shares more than one year.

*Incentive Stock Options.* A participant will not recognize any income at the time the participant is granted an incentive stock option. If the participant is issued shares pursuant to the exercise of an incentive stock option, and if the participant does not make a disqualifying disposition of the shares within one year after the date of exercise or within two years after the date of grant, the participant will not recognize any income, for federal income tax purposes, at the time of the exercise. When the participant sells the shares issued pursuant to the incentive stock

## **Table of Contents**

option, the participant will be taxed, for federal income tax purposes, as a long-term capital gain on any amount recognized by the participant in excess of the exercise price, and any loss sustained by the participant will be a long-term capital loss. No deduction will be allowed to the Company for federal income tax purposes. If, however, the participant sells the shares before the expiration of the holding periods, the participant will recognize ordinary income on the difference between the exercise price and the fair market value at exercise, and the Company generally will receive a tax deduction in the same amount. Upon exercise of an incentive stock option, the excess of the fair market value over the exercise price is an item of tax preference to the participant for purposes of determining the alternative minimum tax.

In order to qualify as an incentive stock option, the option must be exercised within three months after the participant's termination of employment for any reason other than death or disability and within one year after termination of the participant's employment due to disability. If the option is not exercised within this time period, it will be treated as a non-qualified stock option and taxed accordingly.

*Stock Appreciation Rights.* A participant will not recognize any income at the time of the grant of the stock appreciation right. Upon exercise of the stock appreciation right, the participant will recognize ordinary income equal to the amount received upon exercise. The participant will be responsible for remitting to the Company the withholding tax obligation that arises at the time the ordinary income is recognized. The Company generally will be entitled to a deduction with respect to the ordinary income recognized by the participant.

*Stock Awards/Units.* If the participant receives a stock award, the participant will recognize ordinary income upon becoming entitled to transfer the shares at the end of any restriction period without forfeiture. If the participant receives a stock unit award, he generally will recognize ordinary income when he receives shares or cash pursuant to the settlement of the award, provided that if the shares are subject to any restrictions on transfer, the participant will recognize ordinary income upon becoming entitled to transfer the shares at the end of the restriction period without forfeiture. The amount of income the participant recognizes will be equal to the fair market value of the shares on such date, or the amount of cash received. This amount will also be the participant's tax basis for the shares. The participant will be responsible for remitting to the Company the withholding tax obligation that arises at the time the ordinary income is recognized. In addition, the holding period begins on the day the restrictions lapse, or the date the shares are received if not subject to any restrictions, for purposes of determining whether the participant has long-term or short-term capital gain or loss on a subsequent sale of the shares. The Company generally will be entitled to a deduction with respect to the ordinary income recognized by the participant.

If a participant who receives a stock award subject to restrictions makes an election under Section 83(b) of the Code within 30 days after the date of the grant, the participant will have ordinary income equal to the fair market value on the date of grant, less the amount paid by the participant for the shares, and the participant will recognize no additional income until the participant subsequently sells the shares. The participant will be responsible for remitting to the Company the withholding tax obligation that arises at the time the ordinary income is recognized. When the participant sells the shares, the tax basis will be equal to the fair market value on the date of grant, and the holding period for capital gains purposes begins on the date of the grant. If the participant forfeits the shares subject to the Section 83(b) election, the participant will not be entitled to any deduction, refund, or loss for tax purposes (other than a capital loss with respect to the amount previously paid by the participant), and the Company will have to include the amount that it previously deducted from its gross income in the taxable year of the forfeiture.

*Cash Incentive Awards.* A participant who receives a cash incentive award will recognize ordinary income equal to the amount received. The Company generally will be entitled to a deduction with respect to the ordinary income recognized by the participant.

## **Board Recommendation and Stockholder Vote Required**



The board of directors recommends a vote **FOR** approval of the amendment of the Consolidated Communications Holdings, Inc. 2005 Long-Term Incentive Plan (Proposal No. 3 on the proxy card).

The affirmative vote of the holders of a majority of the votes represented at the annual meeting in person or by proxy will be required for approval

**Table of Contents**

**BUSINESS EXPERIENCE OF EXECUTIVE OFFICERS**

The following is a description of the background of our executive officers who are not directors:

*Steven L. Childers*, age 54, serves as our Senior Vice President & Chief Financial Officer. Mr. Childers has served in this position since April 2004. From April 2003 to April 2004, Mr. Childers served as Vice President of Finance. From January 2003 to April 2003, Mr. Childers served as the Director of Corporate Development. From 1997 to 2002, Mr. Childers served in various capacities at McLeodUSA, including as Vice President of Customer Service and, a Vice President of Sales as a member of its Business Process Teams, leading an effort to implement new revenue assurance processes and controls. Mr. Childers joined our predecessor in 1986 and served in various capacities through its acquisition in 1997, including as President of its former Market Response division and in various finance and executive roles. Mr. Childers just completed a six year term on the Board of Directors of the Eastern Illinois University Foundation, including serving as President for three years.

*Joseph R. Dively*, age 50, serves as our Senior Vice President. Mr. Dively has served in this position since 2002. From 1999 to 2002, Mr. Dively served as Vice President and General Manager of Illinois Consolidated Telephone Company. In 2001, Mr. Dively also assumed responsibility for the then existing non-regulated subsidiaries of our predecessor, including Operator Services, Public Services and Market Response. From 1997 to 1999, Mr. Dively served as Senior Vice President of Sales of McLeodUSA. Mr. Dively joined our predecessor in 1991 and served in various capacities through its acquisition in 1997, including Vice President and General Manager of Consolidated Market Response and Vice President of Sales and Marketing of Consolidated Communications. Mr. Dively is currently a director of First Mid-Illinois Bancshares, Inc. (a financial holding company). Mr. Dively served as the Chairman of Sarah Bush Lincoln Health System, and is immediate past Chairman of the Illinois Chamber of Commerce Board of Directors. He is also past president of the Charleston Area Chamber of Commerce and Eastern Illinois University's Alumni Association. He previously chaired Eastern Illinois University's Business School Advisory Board and served on the board of the USTelecom Association.

*Steven J. Shirar*, age 51, serves as our Senior Vice President and Corporate Secretary. Mr. Shirar has served as Secretary since February 2006 and has served as Senior Vice President and President of Enterprise Operations since 2003. From 1997 to 2002, Mr. Shirar served in various capacities at McLeodUSA, progressing from Chief Marketing Officer to Chief Sales and Marketing Officer. From 1996 to 1997, Mr. Shirar served as President of our predecessor's then existing software development subsidiary, Consolidated Communications Systems and Services, Inc.

*C. Robert Udell, Jr.*, age 44, serves as our Senior Vice President. Mr. Udell has served in this position since 2004. From 1999 to 2004, Mr. Udell served in various capacities at the predecessor of our Texas operations, including Executive Vice President and Chief Operating Officer. Prior to joining the predecessor of our Texas operations in March 1999, Mr. Udell was employed by our predecessor from 1993 to 1999 in a variety of senior roles, including Senior Vice President, Network Operations, and Engineering. Mr. Udell is a member of the USTelecom Association Advisory Committee. He serves on the boards of the Katy Economic Development Council, Greater Conroe Economic Development Council, and the Montgomery County United Way and Board of trustees for The John Cooper School.

*Christopher A. Young*, age 54, serves as our Chief Information Officer. Mr. Young has served in this position since 2003. From 2000 to 2003, Mr. Young served as Chief Information Officer of NewSouth Communications, Inc., a broadband communications provider. From 1998 to 2000, Mr. Young served as Chief Information Officer for 21st Century Telecom Group.

Each of Messrs. Shirar, Dively and Childers were employed by McLeodUSA during 2002. In January 2002, in order to complete a recapitalization, McLeodUSA filed a pre-negotiated plan of reorganization through a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the District of Delaware. In April 2002, McLeodUSA's plan of reorganization became effective and McLeodUSA emerged from Chapter 11 protection. Mr. Shirar resigned from McLeodUSA in June 2002.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

Immediately prior to the closing of our initial public offering in July 2005, our stockholders approved the 2005 Long-Term Incentive Plan (the "LTIP"), which was effective upon completion of our initial public offering. At the 2009 annual meeting of stockholders, the stockholders approved the amendment and restatement of the Plan. Stockholders are being asked at the 2010 annual meeting of stockholders to approve an amendment to the Plan increasing the number of shares available under the Plan. Those additional shares are not included in the chart below.

The following table sets forth information regarding our equity compensation plans as of December 31, 2009:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)(1)</b>
Equity compensation plans approved by security holders			360,849
Equity compensation plans not approved by security holders			
<b>Total</b>			<b>360,849(1)</b>

(1) 360,849 shares remain available for future issuance under our Amended and Restated 2005 Long-Term Incentive Plan, as described above.

**Table of Contents**

**COMPENSATION COMMITTEE REPORT**

The compensation committee of the board of directors has furnished the following report to the stockholders of the Company in accordance with rules adopted by the Securities and Exchange Commission.

The compensation committee reviewed and discussed with management the Company's Compensation Discussion and Analysis contained in this Proxy Statement.

Based upon the review and discussions referred to above, the compensation committee recommended to the Board of Directors that the Company's Compensation Discussion and Analysis be included in this Proxy Statement.

The information in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filings.

This report is submitted on behalf of the members of the compensation committee:

**Roger H. Moore, Chairperson**

**Jack W. Blumenstein**

**Maribeth S. Rahe**

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Compensation Objectives**

Our compensation committee has designed our executive compensation program to achieve the following objectives:

provide incentives to our executives to maximize stockholder return;

enable us to attract, retain and reward talented, results-oriented managers capable of leading key areas of the Company's business; and

reward the management team for achieving key financial and operational objectives which will promote the long-term health of the business.

Each key element of total compensation serves a specific purpose that helps achieve the objectives of the executive compensation program.

The three key elements of the current executive compensation program are annual base salary, cash bonuses, and long-term, equity-based incentives. The Company also provides its executive officers with severance and change-in-control benefits as well as a limited number of perquisites and other personal benefits. Our discussion below, under the caption *Elements of Executive Compensation* contains an additional explanation of each of these elements. In evaluating the mix of these compensation components, as well as the short-term and long-term value of the executive compensation plans, the compensation committee considers both the performance and skills of each executive, as well as the compensation paid to those in similar organizations with similar responsibilities.

The following discussion explains how the compensation committee uses the three key compensation elements to meet the objectives of its executive compensation program.

*Objective #1: Provide incentives to our executives to maximize stockholder return.* The compensation committee uses restricted shares in an effort to unify the interests of the Company's executives and stockholders. The Company granted restricted shares to our CEO, Mr. Currey, in March 2009, as described under the caption *Long-Term, Equity-Based Incentives* on page 30. Other senior executives, including the other named executive officers, had received in March 2007 restricted share awards that vest over four years beginning at the end of the year of the award. The compensation committee believes that granting restricted shares that vest incrementally over time, but only so long as an executive remains employed by the Company, encourages an executive to increase the Company's stock value over time so the executive can realize a greater value of those shares once they vest. We also granted performance shares to all of our executives in March 2009, pursuant to which restricted shares may be awarded in the following year based on the attainment of certain performance goals for 2009. The time-based vesting schedule attached to these restricted shares serves the same purpose.

*Objective #2: Enable us to attract, retain and reward talented, results-oriented managers capable of leading key areas of the Company's business.* In order to achieve this objective, the compensation committee believes that it must pay our executives competitive compensation.

In order to assist the compensation committee in setting compensation levels for 2009, the compensation committee obtained from its outside consultant in October 2008 a custom survey of compensation paid by the following

companies (our benchmark group ) that operate in the integrated communications, wireless telecommunications, communications equipment and broadcasting and cable television industries and that had annual revenues ranging from \$150 million to \$1.3 billion.

Alaska Communications Systems Group, Inc.	Centennial Communications Corp.	Syniverse Holdings, Inc.
Ntelos Holdings Corp.	D&E Communications, Inc.	Mediacom Communications Corporation
Fairpoint Communications, Inc.	General Communication, Inc.	Shenandoah Telecommunications Company
Iowa Telecommunications Services, Inc.	Mediacom Communications Corporation	Cincinnati Bell Inc.
Rural Cellular Corporation tw telecom inc. (f/k/a Time Warner Telecom, Inc.)	SureWest Communications	PAETEC Holding Corp.

## **Table of Contents**

The compensation committee selected these companies because the Company competes with them for executive talent, and because these companies also compete with the Company in the capital markets for investors. In future years, the compensation committee will continue to assess the benchmark group and update it as appropriate. This information provided guidance for decisions regarding various elements of the Company's executive compensation program for 2009, including:

levels of salary, annual bonus, long-term incentives and total direct compensation;

percentage of total compensation that is cash and percentage that is equity;

percentage of total compensation that is current and percentage that is long-term;

types and features of equity-based compensation awards;

amounts and types of perquisites and other personal benefits; and

components of potential change-in-control benefits.

The report provided by the outside compensation consultant in October 2008 showed that, as of August 1, 2008, the Company paid aggregate total direct compensation to its executives at a level that ranked the Company 16% below the 50<sup>th</sup> percentile of the benchmark group. On the basis of this analysis, the outside consultant identified that minor adjustments in the overall compensation mix would be needed to keep the Company's total compensation at approximately the 50<sup>th</sup> percentile to the benchmark group. The compensation committee then re-evaluated the elements of its compensation program but, in light of overall business conditions and in the interest of containing costs during the recessionary period, the committee declined to make any changes in executive compensation for 2009.

In November 2009, in order to assess any changes in the compensation practices among the benchmark group, the compensation committee directed the outside compensation consultant to refresh the study. On December 22, 2009, the consultant provided the compensation committee with a report that showed that the Company paid aggregate total direct compensation to its executives at a level that ranked the Company 15% below the 50<sup>th</sup> percentile of the benchmark group. At that time, the compensation committee also re-evaluated the elements of its compensation program. In light of overall market conditions as of such time and in the interest of containing costs, the Committee declined to make any changes in the executives' base salaries or cash bonus targets for 2010. However, the Committee did approve an increase of approximately 33% in the annual LTIP target value to each of Mr. Childers, Mr. Dively, Mr. Shirar, and Mr. Udell.

In general, the Company's compensation structure encourages executives to remain with the Company by paying annual cash bonuses, which motivates executives to remain employed through the year, and by granting restricted shares and performance shares, which grants require a long-term commitment to the Company since executives must generally remain employees for at least four years (in the case of restricted shares) or five years (in the case of performance shares) in order to realize the full value of the shares when they vest.

*Objective #3: Reward the management team for achieving key financial and operational objectives which will promote the long-term health of the business.* Our cash incentive bonus plan ties the level of achievement of Company annual financial and operational performance goals to the amount of annual incentive compensation that we pay to each of our executives. In addition, the Company makes annual LTIP awards in the form of performance shares which are only earned when performance criteria are met. This provides a strong linkage between the number of restricted shares ultimately awarded and the Company's achievement of its performance goals. As a result, a



significant portion of our executives' total compensation is dependent on the degree to which we achieve these performance goals. This provides an incentive for our executives to increase our performance with respect to these measures, and in turn increase stockholder value.

**Table of Contents**

**Processes and Procedures for the Consideration and Determination of Executive and Director Compensation**

The Board of Directors approves and establishes the annual operating and performance goals for the Company, and the compensation committee then determines the appropriate criteria for linking compensation of the named executive officers and the non-employee directors to this performance, including the establishment of:

base salary amounts for the Company's executive officers;

annual incentive programs for the Company's executive officers;

long-term equity incentive compensation and all policies related to the issuance of restricted shares and performance shares by the Company, including grants of restricted shares to directors;

annual performance goals and payouts for the Company under the bonus plan and the Company's long-term incentive plan; and

amounts of the annual retainers and other fees for the Company's non-employee directors.

**Role of Executive Officers, Management and Independent Compensation Consultant**

The Chief Executive Officer prepares a performance review for each of the other executives each year. Based on his assessment of each individual's performance during the preceding calendar year, as well as a review of how each executive's compensation compares with the benchmark group companies, the Chief Executive Officer recommends to the compensation committee, for each such executive, base salary amounts, restricted share and performance share awards and annual performance goals under the bonus plan and the long-term incentive plan.

In 2008, the compensation committee directly engaged Towers Watson (formerly Watson Wyatt & Company, prior to its early 2010 merger with Towers Perrin) as its outside consultant to assist it in reviewing the effectiveness and competitiveness of the Company's executive compensation and outside director programs and policies. In particular, Towers Watson assisted the compensation committee with the following:

construction of the benchmark group of companies to be used in compensation analysis for 2009;

analysis of the Company's total direct compensation, including base salary, annual bonus, and long-term incentives;

evaluation of the prevalence and type of perquisite programs provided by other benchmark companies; and

review and consultation on compensation design and performance linkage.

In 2009, the compensation committee also engaged Towers Watson directly to perform certain other market assessments and industry best practices analysis regarding:

evaluation of the Company's Employment Security Agreements relative to broad market trends and the industry peer group used for benchmarking; and

evaluation of share availability under the LTIP and broad industry benchmarks regarding shares held for issuance, stock overhang, and use-up rate of shares granted under long term incentive plans of similarly-situated companies.

Finally, the compensation committee maintains (and has maintained since late 2006) an ongoing relationship with Towers Watson whereby Towers Watson performs ad hoc issue analysis as requested from time-to-time by the compensation committee.

## **Table of Contents**

### **Elements of Executive Compensation for 2009**

The key elements of the compensation committee's executive compensation program for 2009 were:

an annual base salary;

cash bonuses directly linked to achievement of the Company's annual financial and operational performance goals; and

(a) an award of time-vesting restricted shares for our CEO, Mr. Currey; (b) the continuing vesting of previously awarded time-vesting restricted shares for other executives; and (c) a 2009 grant of performance-based restricted shares for all of our executive officers.

In addition, the Company provides severance and change-in-control benefits, as well as a limited number of perquisites and other personal benefits to all of its executive officers.

For 2009, as in prior years, the compensation committee determined that each of the named executive officers was eligible to receive an annual base salary and a cash bonus opportunity. The compensation committee also made a restricted share grant to Mr. Currey, as detailed in the Summary Compensation Table, and set performance-based targets for restricted shares to be awarded to all named executive officers if certain performance goals were met. The Summary Compensation Table shows the compensation of each of the named executive officers for 2007, 2008, and 2009.

In general, the compensation committee reviews executive compensation and executive performance on an annual basis, in the first quarter, following the completion of the previous performance year. For 2009 performance, the review took place in February of 2010.

### **Salary**

The Company pays all of its executive officers a fixed, annual salary, which the compensation committee believes provides financial stability for executives and reflects their level of responsibility with the Company. The compensation committee also believes that that salary increases should reward an individual's contributions to the Company and may reflect business conditions.

The compensation committee reviews, and may revise at its discretion, salaries for executive officers when it feels those changes are warranted. In its annual review of the salaries of executive officers for 2009, the committee considered the following principal factors:

performance of the executive during the previous year, including that individual's contribution to the Company's attainment of its pre-established performance goals;

achievement by the Company during the previous year of its performance goals; and

salary levels of comparable positions at companies in the Company's benchmark group.

For 2009, despite the fact that the executive officers' individual and collective performance was deemed satisfactory, and notwithstanding the outside compensation consultant's report indicating that the total compensation paid to the

Company's executives averaged 16% below the market 50 percentile among the benchmark companies, the compensation committee declined to make any changes to base salaries for 2009. The principal reason for such was the compensation committee's view of overall market conditions and the desire to contain costs during the recessionary period.

### **Cash Bonuses**

The Company maintains a cash incentive bonus plan that is designed to reward achievement of annual Company performance goals. The compensation committee believes that consistent attainment of these goals is critical to the Company's long-term success. In 2009, each of the named executive officers was eligible to participate in the bonus plan, which provided them with the opportunity to earn a cash bonus payment. The payment was measured as a percentage of the named executive officer's salary and was based on the achievement of objective

## **Table of Contents**

criteria established by the compensation committee. For 2009, the compensation committee based its performance targets on the following measures and in the following amounts:

40% on the Company's adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) for 2009 (target of \$192.5 million);

25% on dividend payout ratio for 2009 (target of 69.9% or less);

25% on broadband subscriber net additions for 2009 (target of 15,000 net additions), which consisted of the number of the Company's subscribers to its digital subscriber lines (DSL) and Internet protocol television (IPTV) lines; and

10% on a set of eleven related other operating goals which the compensation committee set for the Company's executive team to meet as a group. These other operating goals contain a mix of qualitative and quantitative goals which are established by the compensation committee to guide the management team in achieving the company's operating, strategic, and public policy goals. The goals are the same for all the named executive officers, and the achievement score is determined by the compensation committee as a part its annual evaluation of the CEO's and officer team's performance. For 2009 these other operating goals included, among other items, specific goals related to the Company's planned capital expenditures and network development, quality of service metrics, advancement of the Company's interests in the regulatory and public policy arena, management development and succession, fine-tuning of the Company's capital structure, and corporate development/business development.

In February 2009, the compensation committee determined these measures and established a formula to link the results with payout levels. The compensation committee used these specific performance measures, target levels and a simple weighting of the measures because it believed that they served to most effectively promote the Company's primary short-term goals of increasing earnings, sustaining its dividend, and adding broadband subscribers.

For 2009, the compensation committee established the bonus payouts for each executive, as a percentage of 2009 salary level, based on its assessment of appropriate balance and mix between base salary and short-term bonus in determining the total cash to be paid to each executive.

For 2009, as in prior years, the bonus payout target for our Chief Executive Officer was 120% of salary, and in the case of the other named executive officers, 50% of salary. The compensation committee used these levels because, in past years, achieving the targeted payouts at those levels resulted in an annual bonus payout such that each officer's total direct compensation would be at roughly the 50<sup>th</sup> percentile of the total compensation paid to executives in comparable positions at companies in the benchmark group. In the case of the Chief Executive Officer, his higher target payout level reflects the difference in the level of his responsibilities and accountability for overall Company performance.

As previously discussed, the compensation committee did not make any changes to the bonus payout levels for 2009 due to its overarching goal of prudently managing expenses during what was then a period of considerable economic uncertainty.

The compensation committee also set a maximum payment equal to 120% of the target amount if the goals were attained above 105% of the target level and a threshold level such that attainment of below 90% of the target level would have resulted in no bonus payment.

For 2009, the Company achieved the Company performance targets at the following levels:

<b>Performance Measure</b>	<b>Actual</b>	<b>Target</b>	<b>% of Target</b>
Adjusted EBITDA	\$188.9 million	\$192.5 million	98.1%
Dividend Payout Ratio	58.3%	69.9%	116.0%
Broadband Subscriber Net Adds	14,811	15,000	98.7%
Other Operating Goals	80%	100.0%	80.0%

**Table of Contents**

In the compensation committee's review of 2009 performance, the compensation committee first determined the amounts earned by the executives by computing the weighted average of the actual achievement of the performance targets at the levels described above. This weighted average was 101.1% of target.

The resulting bonuses, all of which were paid in March 2010, represented the following percentages of each named executive officer's respective 2009 annual salary level:

Name	2009 Bonus Payout as a Percentage of 2009 Salary	
	Actual Percentage of Salary Paid	Target Opportunity, as a Percentage of Salary
Robert J. Currey	121.3%	120%
C. Robert Udell, Jr.	50.5%	50%
Steven J. Shirar	50.5%	50%
Joseph R. Dively	50.5%	50%
Steven L. Childers	50.5%	50%

The Non-Equity Incentive Plan Compensation column of the Summary Compensation Table shows the cash bonus the compensation committee awarded to each of the named executive officers for 2009 pursuant to this bonus plan.

The compensation committee believes that the level of the cash bonus opportunities and the cash bonuses actually paid in 2009 to the named executive officers helped serve the compensation committee's executive compensation program objectives to:

retain and reward its named executive officers by providing them with a cash bonus opportunity at a level competitive with the Company's benchmark group; and

reward the named executive officers for achieving key financial and operational objectives, all of which were obtained in 2009.

**Long-Term, Equity-Based Incentives**

The Company maintains a stockholder-approved Long-Term Incentive Plan (the "LTIP") that provides for grants of stock options, stock, stock units and stock appreciation rights and for the adoption of one or more cash incentive programs. Our non-employee directors and certain employees, including each of the named executive officers, are eligible for grants under the plan. The principal purposes of the plan are to:

provide these individuals with incentives to maximize stockholder return and otherwise contribute to our success; and

enable us to attract, retain and reward the best available individuals for positions of responsibility.

Our compensation committee administers the plan and determines if, when, and in what amount awards should be granted.



In February 2007 the compensation committee adopted the Executive Long-Term Incentive Program (the program), which provides a methodology for determining the equity compensation to be granted each year under the LTIP. Under the program, each year the compensation committee determines for each executive eligible to participate, including each named executive officer, and by comparable job position, the economic value of target annualized long-term incentive compensation at the 50<sup>th</sup> percentile of the benchmark group. The Company pays 50% of this annualized target to the executives in the form of performance shares. If in any year the compensation committee decides to make restricted share grants, the awards will be based on 50% of this annualized target value.

### ***Performance Shares***

In March 2009, the compensation committee established a target value of long-term incentive compensation and made performance share awards equal to 50% of this target value. The compensation committee also approved Company performance goals and minimum, target and maximum payouts. The goals and pay out levels were the same as those approved for the cash incentive bonus plan.

**Table of Contents**

The 2009 performance share target award levels were determined by taking half of the annual target LTIP grant value for each of the named executive officers, and converting that value to a number of shares based on the 20-day average closing price for our stock as of two trading days before the award date (discounted 10% to reflect the challenge associated with attaining the performance goals.)

The performance share awards entitled the executives to receive awards of restricted shares in 2010 depending on the level of attainment of the performance goals. Attainment of the goals at the target levels would result in the target number of performance shares awarded as restricted shares, and attainment of the goals at above or below the target levels would result in an increased or decreased number of restricted shares awarded, using the same formulas as those with respect to annual cash bonuses.

In March 2010, the compensation committee approved awards of restricted shares based on 2009 performance, as follows:

<b>Named Executive Officer</b>	<b>2009 Performance Share Target</b>	<b>March 2010 Restricted Shares Earned/Awarded</b>
Robert J. Currey	38,766	39,192
C. Robert Udell	9,464	9,568
Steven J. Shirar	9,464	9,568
Joseph R. Dively	9,464	9,568
Steven L. Childers	9,464	9,568

The number of restricted shares granted in March 2010 were determined based on an achievement level of 101.1 percent of the target performance goals, as previously described in the *Cash Bonus* section above. The restricted shares also vest at a rate equal to 25% per year on each December 5th following the date of grant, except for our Chief Executive Officer, which vest 100% on the first December 5th following the date of grant.

***Restricted Stock***

All the named executive officers, including Mr. Currey, received a time-based restricted stock award in 2007. The awards to the named executive officers other than Mr. Currey vest at a rate equal to 25% per year on December 5<sup>th</sup> following the date of the grant and were made for an amount equal to 50% of the annual target value of long-term incentive compensation, multiplied by three. Accordingly, no time-based restricted stock awards were granted to these named executive officers in 2009. Because the 2007 grant to Mr. Currey covered a two-year period (2007-2008), the compensation committee in 2009 approved an award to him of 70,484 shares of restricted stock. The award covered a two-year period (2009-2010) and was made for an amount equal to 50% of the annual target value multiplied by two. The 2009 grant to Mr. Currey vests at a rate equal to 50% on each December 5<sup>th</sup> following the date of grant.

The compensation committee believes that the long-term, equity-based incentives it awarded to its named executive officers in 2009 helped meet its objectives to:

retain and reward its named executive officers by providing them with long-term, equity-based compensation at a level competitive with the Company's benchmark group; and

reward the named executive officers for achieving key financial and operational objectives, which were attained at a 101.1 percent level in 2009.

**All Other Compensation**

As part of our executive compensation program, we provide certain of our executives with the following other benefits:

personal use of a Company automobile;

living expenses if the executive's responsibilities require repeated and extended stays away from home;

expenses paid for business related meals and travel for spouses;

tax reimbursement for Company automobile and business related travel; and

Company matching contributions to its 401(k) plan.

## **Table of Contents**

The All Other Compensation column of the Summary Compensation Table on page ?? shows the aggregate amounts of such compensation paid for 2009 to each of the named executive officers.

The compensation committee reviewed the amounts and types of perquisites and other benefits the Company provides to its executive officers as part of its benchmark group survey in the fourth quarter of 2006 and expects to revisit it periodically to determine if adjustments are appropriate.

## **Employment Security Agreements**

On February 20, 2007 the Company adopted Employment Security Agreements ( ESAs ) with each of its named executive officers, as well as certain other executives. Please see the caption Potential Payments upon Termination or Change in Control of the Company Employment Security Agreements below for an explanation of the terms of the ESAs. In November 2009, the compensation committee asked its outside compensation consultant to evaluate the ESAs compared to general market and peer company best practices. As a result of this review, the compensation committee determined that it was in the best interest of the Company to make certain modifications to the ESAs. In December 2009, the ESAs were amended, as follows:

Cash severance payments due to the Chief Executive Officer under his ESA increased from an amount equal to one times annual salary and bonus and one year of benefit continuation to three times annual salary and bonus and three years of benefit continuation,

Cash severance payments due to the other named executive officers under the ESA increased from an amount equal to one times annual salary and bonus and one year of benefit continuation to two times annual salary and bonus and two years of benefit continuation, and

The tax gross-up provision for any excess parachute payments was eliminated and replaced with a cut-back provision, which limits the amount of payments to be made under the ESAs to the extent necessary to avoid the imposition of any excise tax pursuant to Section 280G of the Internal Revenue Code.

The outside compensation consultant also reviewed other provisions of the ESAs prior to the amendment, including the definitions of change in control , good reason and cause and the requirement that termination occur within two years following the change of control trigger ESA benefits. The compensation committee found the current provisions to be in the best interest of stockholders and consequently were left unchanged.

The Company believes that the protections afforded by the agreements are a valuable incentive for attracting and retaining top managers. It believes that the agreements are particularly important because the Company does not have employment agreements or long-term arrangements with its executives. The Company also believes that, in the event of an extraordinary corporate transaction, the agreements could prove crucial to the Company s ability to retain top management through the transaction process.

## **Deductibility of Compensation**

Section 162(m) of the Internal Revenue Code limits the deductibility of executive compensation paid to the chief executive officer and to each of the three other most highly compensated officers of a public company (other than the chief financial officer) to \$1 million per year. However, compensation that is considered qualified performance-based compensation generally does not count toward the \$1 million deduction limit. Section 162(m) contains a transition rule that delays the application of its deductibility limits to compensation paid by a company that becomes public pursuant to an initial public offering. The Company relied upon this transition rule with respect to its compensation

arrangements until the 2009 annual meeting of stockholders. At the 2009 annual meeting of stockholders, the Company obtained stockholder approval of the LTIP to assure future deductibility of its performance-based compensation.

The Company now annually reviews the compensation paid to its Chief Executive Officer and each of the three other most highly compensated officers to determine the deductibility of compensation under Section 162(m). Base salary, by its nature, does not qualify as performance-based under Section 162(m). The Company's grants of performance-based restricted stock and annual cash bonus payments under the LTIP made after the 2009 annual meeting qualify as performance-based compensation.

For 2009, the Company believes all compensation paid to its executives is fully deductible by the Company without regard to Code Section 162(m).

Table of Contents**EXECUTIVE COMPENSATION****2009 Summary Compensation Table**

The following table lists information regarding the compensation for the years ended December 31, 2009, 2008 and 2007, of our Chief Executive Officer, Chief Financial Officer and each of the other executive officers named in this section, to whom we refer to, collectively, as the named executive officers.

Name and Principal Position	Year	Salary(\$)	Stock Awards(\$)(1)	Non-Equity Incentive		Total(\$)
				Plan Compensation(\$)	All Other Compensation(\$)	
Robert J. Currey, President and Chief Executive Officer	2009	\$ 370,000	\$ 988,712	\$ 448,884	\$ 17,673(2)	\$ 1,825,269
	2008	\$ 368,173	\$ 361,377	\$ 377,400	\$ 14,000	\$ 1,120,950
	2007	\$ 358,481	\$ 1,541,451	\$ 449,471	\$ 13,500	\$ 2,362,903
C. Robert Udell, Jr., Senior Vice President	2009	\$ 222,000	\$ 85,649	\$ 112,221	\$ 14,327(3)	\$ 434,197
	2008	\$ 220,904	\$ 88,222	\$ 94,350	\$ 17,472	\$ 420,948
	2007	\$ 215,088	\$ 376,308	\$ 112,368	\$ 13,640	\$ 717,404
Steven J. Shirar, Senior Vice President and Secretary	2009	\$ 222,000	\$ 85,649	\$ 112,221	\$ 36,207(4)	\$ 456,077
	2008	\$ 220,904	\$ 88,222	\$ 94,350	\$ 42,382	\$ 445,858
	2007	\$ 215,088	\$ 376,308	\$ 112,368	\$ 28,156	\$ 731,920
Joseph R. Dively, Senior Vice President	2009	\$ 222,000	\$ 85,649	\$ 112,221	\$ 18,349(5)	\$ 438,309
	2008	\$ 220,462	\$ 88,222	\$ 94,350	\$ 16,138	\$ 419,172
	2007	\$ 211,308	\$ 376,308	\$ 111,173	\$ 21,205	\$ 719,994
Steven L. Childers, Senior Vice President and Chief Financial Officer	2009	\$ 222,000	\$ 85,649	\$ 112,221	\$ 13,620(6)	\$ 433,490
	2008	\$ 219,692	\$ 88,222	\$ 94,350	\$ 12,525	\$ 414,789
	2007	\$ 207,115	\$ 376,308	\$ 109,095	\$ 9,600	\$ 702,118

(1) *Stock Awards.* The amounts in this column represent the grant date fair value, computed in accordance with Financial Accounting Standards Board Statement Accounting Standards Codification Topic 718, of the restricted stock granted in 2009, 2008 and 2007 and the target number of performance shares awarded in 2009, 2008 and 2007. The grant date value of the performance shares in 2009, assuming the performance conditions were met at the maximum level was, for Mr. Currey, \$405,523 and was, for each of the other named officers, \$99,000. See the discussion below under the caption *Stock Awards.* Also, see Footnote 17 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and see Footnote 16 to the Consolidated Financial Statements contained in each of the Company's Annual Reports on Form 10-K for the years ended December 31, 2008 and 2007 for an explanation of the assumptions made by the Company in the valuation of these awards.

(2) *All Other Compensation - Robert J. Currey.* This column includes \$14,700 of matching contributions made in 2009 under the Company's 401(k) Plan on behalf of Mr. Currey.

(3)

*All Other Compensation C. Robert Udell.* This column includes \$9,759 of matching contributions made in 2009 under the Company's 401(k) Plan on behalf of Mr. Udell. Mr. Udell is also provided with personal use of a Company automobile and a tax gross-up reimbursement in connection with payment for his personal use of a Company automobile (\$1,208).

(4) *All Other Compensation Steven J. Shirar.* This column includes \$14,556 of matching contributions made in 2009 under the Company's 401(k) Plan on behalf of Mr. Shirar. The Company also provides Mr. Shirar with living expenses while working at its Mattoon headquarters location (\$6,156), with personal use of a Company automobile (\$8,102) and a tax gross-up reimbursement in connection with payment for his personal use of a Company automobile (\$7,393).

(5) *All Other Compensation Joseph R. Dively.* This column includes \$14,700 of matching contributions made in 2009 under the Company's 401(k) Plan. Mr. Dively is also provided with personal use of a Company automobile and a tax gross-up reimbursement in connection with payment for his personal use of a Company automobile (\$1,074).

**Table of Contents**

(6) *All Other Compensation* Steven L. Childers. This column includes \$13,620 of matching contributions made in 2009 under the Company's 401(k) Plan.

*Salary.* The Salary column of the Summary Compensation Table shows the salaries paid in 2009, 2008 and 2007 to each of the named executive officers. Annual salary increases are effective approximately as of March 1<sup>st</sup> of each year, although no salaries were increased for 2009. The salary rates in effect as of March 1, 2009 were:

Robert J. Currey	\$ 370,000
C. Robert Udell, Jr.	\$ 222,000
Steven J. Shirar	\$ 222,000
Joseph R. Dively	\$ 222,000
Steven L. Childers	\$ 222,000

*Stock Awards.* In March 2009, the Company granted Mr. Currey restricted shares and all named executive officers performance shares pursuant to the LTIP. Please see the caption Long-Term, Equity-Based Incentives of the Compensation Discussion and Analysis on page 30 for an explanation of these stock awards.

*Non-Equity Incentive Compensation.* The Non-Equity Incentive Plan Compensation column of the Summary Compensation Table shows the cash bonus the Company awarded to each of the named executive officers for 2009, 2008 and 2007 pursuant to the Company's bonus plan. For more information, please refer to the Compensation Discussion and Analysis section of this proxy statement on page 25. The Company paid all of these amounts in March 2010, March 2009 and March 2008, respectively.

**2009 Grants of Plan-Based Awards**

This table sets forth information for each named executive officer with respect to (1) estimated possible payouts under non-equity incentive plan awards and (2) equity incentive plan awards that could have been earned for 2009.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units(3)	Grant Date of Stock and Option Awards(4)
		Threshold(\$)	Target(\$)	Maximum(\$)	Threshold	Target	Maximum		
Robert J. Currey	3/16/09	\$ 222,000	\$ 444,000	\$ 532,800	19,383	38,766	46,519	70,484	\$ 988,712
C. Robert Udell, Jr.		\$ 55,500	\$ 111,000	\$ 133,200	4,732	9,464	11,356		\$ 85,649
Steven J. Shirar		\$ 55,500	\$ 111,000	\$ 133,200	4,732	9,464	11,356		\$ 85,649
Joseph R. Dively		\$ 55,500	\$ 111,000	\$ 133,200					



				4,732	9,464	11,356	\$ 85,649
Steven L. Childers	\$ 55,500	\$ 111,000	\$ 133,200	4,732	9,464	11,356	\$ 85,649

(1) *Estimated Possible Payouts Under Non-Equity Incentive Plan Awards.* Payouts under the bonus plan were based on performance in 2009, which has now occurred. The performance targets were set in February 2009, as described in the Compensation Discussion and Analysis section under the caption Annual Incentive Compensation. The amounts actually paid under the bonus plan for 2009 appear in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. Pursuant to the bonus plan for 2009, the compensation committee established a performance award formula which linked the payouts to the weighted average achievement across the four goal areas it had established. Target payout was to be made if the performance goals were attained at target level, and the payout was to be capped at a maximum payment of 120% of the target level if the goals were attained at or above the 105% level and payout was to be zero if the performance goals were attained below the 90% level (payout at the 90% level of attainment resulted in a

**Table of Contents**

payment of 50% of the target payout level). The compensation committee had discretion to determine payouts for achievement between threshold and target, and target and maximum.

- (2) *Estimated Possible Payouts Under Equity Incentive Plan Awards.* These columns show the threshold, target and maximum number of shares of restricted stock that could have been awarded in 2010 pursuant to performance shares previously granted in March 2009. These awards of restricted stock were based on performance in 2009, which has now occurred. Pursuant to the LTIP for 2009, the compensation committee granted performance shares to executives, which reflected the target number of shares of restricted stock to be granted in 2010 if target performance goals set by the compensation committee for 2009 were met. The target award was subject to adjustment based on the weighted average level of attainment of the performance goals, subject to a maximum award of 120% of the target number of shares if the goals were attained at a 105% level and a minimum of zero shares if the goals were attained below an 90% level (attainment of goals at the 90% level resulted in an award of 50% of the target number of shares). The LTIP is described in the Compensation Discussion and Analysis section under the caption Long-Term, Equity Based Incentives.
- (3) *All Other Stock Awards: Number of Shares of Stock or Units.* This column shows the number of restricted shares awarded to the named executive officers in 2009.
- (4) *Grant Date Fair Value of Stock and Option Awards.* This column shows the grant date fair value, computed in accordance with Financial Accounting Standards Board Statement Accounting Standards Codification Topic 718, of the restricted stock award and the target performance share award made in 2009 to the named executive officers. See Footnote 17 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for an explanation of the assumptions made by the Company in the valuation of these awards.

**Outstanding Equity Awards at 2009 Fiscal Year-End**

This table sets forth information for each named executive officer with respect to each award of restricted shares that had been made at any time, had not vested, and remained outstanding at December 31, 2009.

Name	Stock Awards	
	Number of Shares or Units of Stock That Have Not Vested (#)(1)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(2)
Robert J. Currey	35,242	\$ 616,030
C. Robert Udell, Jr.	10,439	\$ 182,473
Steven J. Shirar	10,439	\$ 182,473
Joseph R. Dively	10,439	\$ 182,473
Steven L. Childers	10,439	\$ 182,473

- (1) *Number Of Shares Or Units Of Stock That Have Not Vested.* The Company granted Mr. Currey 70,484 restricted shares in March 2009, based on 2008 performance, 50% of which award vested on December 5, 2009.
- (2) *Market Value Of Shares Or Units Of Stock That Have Not Vested.* Represents the number of shares of common stock covered by the restricted shares valued using \$17.48 (the closing market price of the Company's common stock as reported in *The Wall Street Journal* for December 31, 2009).



**Table of Contents****2009 Option Exercises and Stock Vested**

This table sets forth information concerning the number of restricted shares that vested during 2009 and the value of those vested shares.

Name	Stock Awards	
	Number of Shares Acquired On Vesting (#)	Value Realized On Vesting \$(1)
Robert J. Currey	59,463	\$ 957,949
C. Robert Udell, Jr.	13,680	\$ 217,014
Steven J. Shirar	6,180	\$ 99,564
Joseph R. Dively	6,180	\$ 99,564
Steven L. Childers	6,180	\$ 99,564

(1) *Value Realized on Vesting.* Represents the number of shares of common stock covered by the restricted shares acquired on vesting of such restricted shares, as shown in the Number of Shares Acquired on Vesting column valued using the closing market price of the common stock as reported in *The Wall Street Journal* for the date of vesting of the restricted shares.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL OF THE COMPANY**

Pursuant to its Employment Security Agreements and 2005 Long-Term Incentive Plan, the Company provides eligible employees, including the named executive officers, with certain benefits upon a change in control of the Company or upon certain types of termination of employment following a change in control of the Company. These benefits are in addition to those benefits to which employees would be entitled upon a termination of employment generally (i.e., vested retirement benefits accrued as of the date of termination, stock awards that are vested as of the date of termination, and the right to elect continued health benefits pursuant to COBRA). Those incremental benefits as they pertain to the named executive officers are described below:

**Employment Security Agreements**

The Company has Employment Security Agreements with the named executive officers and certain other executives, which provide benefits upon the occurrence of certain terminations of employment following a change in control of the Company. These Agreements were modified in December 2009. The Agreements with named executive officers provide for benefits upon the following types of employment termination:

an involuntary termination of the executive's employment by the Company without cause that occurs within 24 months after a change in control of the Company; or

a voluntary termination of employment by the executive for good reason that occurs within 24 months after a change in control of the Company.

The benefits provided upon such a termination of employment include the following:

A lump sum cash payment, payable within 30 days of the termination of employment, equal to two times (three times in the case of the CEO) the sum of (i) the executive's annual base salary rate, determined as of the date of the change in control or, if higher, the date of employment termination. and (ii) the annual target amounts payable to the executive under all cash-based incentive plans of the Company for the year in which the change in control occurs, or if higher, the date of employment termination.

A pro rata portion of the amounts that would have been paid to the executive under the Company's cash-based incentive plans for the year in which the termination of employment occurs (determined at the target levels), if such amounts would not otherwise be paid to the executive.

Continuation of coverage under all welfare plans of the Company during the two-year severance period (three years for the CEO), or if earlier, until the executive is eligible for coverage under similar plans from a new employer. Such coverage will be on the same basis and at same cost as in effect prior to the change in

**Table of Contents**

control, or anytime after, if more favorable to the executive. If such coverage is not available under the plan, the Company shall provide substantially similar benefits. The COBRA period for benefit continuation begins after the end of the initial continuation period described above.

Reimbursement of out-of-pocket expenses, including attorney's fees, incurred by the executive in connection with the successful enforcement of any provision of the Agreement.

The Agreements will reduce the benefits described above to the extent necessary to avoid the imposition of any excise tax pursuant to Section 280G of the Internal Revenue Code.

The Agreements contain restrictive covenants that prohibit the executive from (i) associating with a business that is competitive with any line of business of the Company for which the executive provided substantial services, in any geographic area in which such line of business was active at the time of the executive's termination, without the Company's consent and (ii) soliciting the Company's customers, agents or employees. These restrictive covenants remain in effect during the 12-month period following termination of employment.

For purposes of the Agreements:

(a) change in control means (i) the acquisition, by a person other than an affiliate of Richard A. Lumpkin, of a majority of the voting power of the Company's outstanding securities; (ii) during any period of two consecutive years or less, the incumbent directors cease to constitute a majority of the Board, unless any new direction's election or nomination was approved by at least 2/3 of the incumbent directors; (iii) a reorganization, merger, consolidation or share exchange resulting in the conversion or exchange of the Company's common stock into securities of another company, or any dissolution or liquidation, or a sale of 50% or more of all the Company's assets; or (iv) a merger, consolidation, reorganization or share exchange, unless following such transaction at least a majority of the voting power of the outstanding securities of the surviving entity is owned, in the same proportion, by substantially the persons who owned the Company's outstanding voting securities immediately prior to the transaction.

(b) cause means the executive's (i) conviction or admission of guilt with respect to any felony, fraud, misappropriate or embezzlement, (ii) malfeasance or gross negligence in the performance of his duties that is materially detrimental to the Company, or (iii) breach of any Company code of conduct, if the consequence would be termination of employment. In each case, the Company must give the executive written notice of the existence of cause, and if the act is capable of being cured, 30 days in which to cure.

(c) good reason means (i) a reduction in the executive's base salary and/or bonus opportunity without his consent, (ii) a reduction in the scope or importance of the executive's duties and responsibilities without his consent, or (iii) a transfer of the executive's primary worksite of more than 30 miles (unless the new worksite is closer to the executive's residence). In each case, the executive must give written notice within 90 days and the Company has 30 days in which to cure the action constituting good reason.

**Amended and Restated Consolidated Communications, Inc., 2005 Long-Term Incentive Plan**

The Amended and Restated Consolidated Communications, Inc., 2005 Long-Term Incentive Plan provides that if there is a change in control of the Company, and there is no assumption of outstanding awards by the successor entity, or conversion of outstanding awards into comparable equity awards of the successor entity, then as of the effective date of the change in control all stock options and stock appreciation rights will vest and all restrictions on all outstanding stock awards and stock unit awards will lapse, and if any restrictions relate to satisfying performance goals, the performance goals will be deemed satisfied at target levels (unless the target level was exceeded for any performance goal before the effective date of the change in control, in which case the restrictions will lapse based on

actual attainment of the performance goal). The Plan also provides that if in connection with the change in control the Plan awards are assumed or converted by the successor entity as described above, and within 24 months following the effective date of the change in control the participant's employment is terminated without cause or the participant terminates employment for good reason, or a participant who is a director is asked to resign for other than cause, all stock options and stock appreciation rights will vest and all restrictions on all outstanding stock awards and stock unit awards will lapse, and if any restrictions relate to satisfying performance goals, the performance goals will be deemed satisfied at target levels (unless the target level

**Table of Contents**

was exceeded for any performance goal before the date of termination of employment or service, in which case the restrictions will lapse based on actual attainment of the performance goal).

The plan uses the same definitions of change in control, cause and good reason as set forth in the Employment Security Agreements.

The tables set forth below quantify the additional benefits as described above that would be payable to each named executive officer under the arrangements described above.

**Termination of Employment Following a Change in Control**

The additional amounts set forth in this table would be payable pursuant to the Employment Security Agreements, assuming a change in control of the Company and that the named executive officer became eligible for benefits following a termination of employment on December 31, 2009.

Name	Robert J. Currey	C. Robert Udell, Jr.	Steven J. Shirar	Joseph R. Dively	Steven L. Childers
<b>Base Salary(1)</b>	\$ 1,100,000	\$ 444,000	\$ 444,000	\$ 444,000	\$ 444,000
<b>Bonus(1)</b>	\$ 1,332,000	\$ 222,000	\$ 222,000	\$ 222,000	\$ 222,000
<b>Welfare Benefits for Severance Period(2)</b>	\$ 10,277	\$ 15,143	\$ 13,815	\$ 10,778	\$ 9,376

(1) *Base Salary and Bonus.* These amounts represent, in the case of Mr. Currey, three times base salary and target bonus, and in the case of all other named executive officers, two times base salary and target bonus.

(2) *Welfare Benefits for Severance Period.* Amounts in this row consist of projected Company premiums for health (including medical, dental, vision), life, AD&D and disability policies, reduced by the amount of projected employee premiums during the severance period for each named executive officer.

**Benefits Upon Change in Control**

The additional amounts set forth in this table would be realized by each named executive officer under the 2005 Long-Term Incentive Plan, assuming a change of control of the Company occurred on December 31, 2009.

Name	Robert J. Currey	C. Robert Udell, Jr.	Steven J. Shirar	Joseph R. Dively	Steven L. Childers
<b>Value of Unvested Restricted Shares(1)</b>	\$ 616,031	\$ 182,473	\$ 182,473	\$ 182,473	\$ 182,473

(1) Amounts in this row represent the value of the restricted shares that would vest upon the change in control on December 31, 2009 under the terms of the 2005 Long-Term Incentive Plan. The value of the restricted shares is based on the closing market price of the Company's stock as reported in *The Wall Street Journal* for December 31, 2009 (\$17.48). These awards include all awards made through December 31, 2009 and the



restricted shares issuable pursuant to the performance shares (or actual attainment levels, if higher than target) granted in March 2009, based on target performance goal attainment levels at December 31, 2009.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

### **SKL Investment Group**

Mr. Lumpkin, together with members of his family, beneficially owns 100% of SKL Investment Group, LLC, a Delaware limited liability company ( SKL ), which is an investment company serving the Lumpkin family. Mr. Lumpkin and members of his family are the sole voting members of SKL. SKL paid \$45,000 to the Company in 2009 for the use of office space, computers, telephones and for other office related equipment. This amount is based upon actual usage incurred by SKL. For example, in 2009, SKL paid \$32,000 to rent approximately 1,677 square feet of office space, which is equivalent to the Company's base rent per square foot plus a prorated share of real-estate taxes, utilities, and maintenance. The charges for use of equipment and other office related expenses was based on actual third-party charges or SKL's estimated share of usage. The Company believes these terms are

## **Table of Contents**

reasonable and customary, and are comparable to those which would have been obtained in an arms-length transaction.

### **LATEL Sale/Leaseback**

In 2002, in connection with the Company's predecessor company's acquisition of Illinois Consolidated Telephone Company ( ICTC ) and several related businesses from McLeodUSA, each of ICTC and Consolidated Communications Market Response, Inc., an indirect, wholly owned subsidiary of the Company, entered into separate agreements with LATEL, LLC ( LATEL ), pursuant to which each of them sold to LATEL real property for total consideration of approximately \$9.2 million and then leased the property back from LATEL. The sale prices for the properties sold to LATEL were determined based upon an appraisal of each property. Mr. Lumpkin and his immediate family have beneficial ownership of 74.85% of LATEL. Agracel, Inc. ( Agracel ) is a real estate investment company of which Richard A. Lumpkin, together with his family, beneficially owns 49.7%. In addition, Mr. Lumpkin is a director of Agracel. Agracel is the sole managing member and 50% owner of LATEL.

The initial term of both leases was one year beginning on December 31, 2002. Each lease automatically renews for successive one year terms through 2013, unless either ICTC or Consolidated Communications Market Response, Inc. provides one year prior written notice that it intends to terminate its respective lease. On August 1, 2005, LATEL exercised its option in the leases to convert the term of the leases to a fixed term of six years. After the fixed term expires on July 31, 2011, the leases will revert back to the initial lease terms, providing for automatic renewal of one year terms, through 2013.

Collectively, the lease expense for 2009 was approximately \$1.30 million, of which ICTC paid approximately \$230,516 and Consolidated Communications Market Response, Inc. paid the remainder. These lease payments represent 100.0% of the revenues of LATEL. The annual rent for each lease will increase by 2.5% upon each renewal. As of December 31, 2009, the leases are recorded as operating leases of ICTC and Consolidated Market Response, Inc.

### **MACC, LLC**

In 1997, prior to our predecessor company's acquisition of ICTC at the end of 2002, Consolidated Communications Market Response, Inc. entered into a lease agreement with MACC, LLC ( MACC ), an Illinois limited liability company, pursuant to which Consolidated Communications Market Response, Inc. agreed to lease office space for a period of five years. Agracel, in which Mr. Lumpkin together with members of his family own a minority interest, is the sole managing member and 66.7% owner of MACC. Mr. Lumpkin and members of his family directly own the remainder of MACC. The parties initially extended the lease for an additional five years through October 14, 2007. On September 1, 2007, the Parties signed a new 5-year lease, extending through August 31, 2012. Consolidated Communications Market Response, Inc. paid MACC rent for 2009 in the amount of \$245,188. The lease provides for a 2.5% increase to the annual lease payments each year. Neither party has the right to terminate the lease, and the Company has the right to renew the lease for two additional 5-year terms under the same terms and conditions.

### **First Mid-Illinois Bancshares, Inc.**

Pursuant to various agreements with Consolidated Communications, Inc. ( CCI ), First Mid-Illinois Bancshares, Inc. ( First Mid-Illinois ) provides the Company with general banking services, including depository, disbursement and payroll accounts, on terms comparable to those available to other large unaffiliated business accounts. Mr. Lumpkin and members of his family own approximately 30.1% of the common stock and 30.4% of the preferred stock of First Mid-Illinois and Mr. Dively owns less than 1.0% of the common and preferred stock of First Mid-Illinois. In addition, each of Mr. Dively and Benjamin I. Lumpkin, the son of Richard A. Lumpkin, is a director of First Mid-Illinois. The

fees charged and earnings received on deposits, through repurchase agreements, are based on First Mid-Illinois' standard schedule for large customers. During 2009, the Company paid maintenance and activity related charges of \$10,267 to First Mid-Illinois and earned \$6,136 of interest on its deposits. In addition, First Mid-Illinois administers the Company's hourly 401(k) plan. During 2009, CCI paid \$10,518 to First

## **Table of Contents**

Mid-Illinois for this service, which is a competitive market rate based on assets under management that the Company believes is comparable to rates charged by independent third parties.

CCI provides First Mid-Illinois with local dial tone, custom calling features, long distance and other telecommunications services. In 2009, First Mid-Illinois paid CCI approximately \$455,906 for these services. These services are based on standard prices for strategic business customers.

## **Related Person Transactions Policy**

In March 2007, our audit committee adopted a written Related Person Transactions Policy, which provides for procedures for review, approval and ratification of transactions involving the Company and related persons (which consists of directors, director nominees, executive officers and stockholders owning five percent or more of the Company's outstanding stock, any of their immediate family members, and any firm, corporation or other entity in which any of the foregoing persons is employed, is a general partner, principal or in a similar position or has, together with the beneficial ownership interests of all other related persons, a 10% or greater beneficial ownership interest). The policy covers any related person transaction that would be required to be disclosed in our proxy statement under applicable SEC rules (generally, transactions in which the Company is a participant, the amount involved exceeds \$120,000 and in which a related person has a direct or indirect material interest).

Certain transactions are not subject to specific approval under the policy by virtue of being exempt from the set of related person transactions that must be disclosed pursuant to applicable SEC rules. In addition, the audit committee has approved in the policy the provision of products or services by the Company and its subsidiaries to related persons, if conducted in the ordinary course of business and on terms that are no less favorable to the Company than those available to customers who are not related to the Company.

The policy requires, prior to a party entering into any related person transaction covered by the policy, to provide notice to the Company of the proposed related person transaction. The audit committee or its chairperson may approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its stockholders, as the audit committee or its chairperson, as applicable, determines in good faith. In the event the Company becomes aware of a related person transaction that has not been previously approved or previously ratified under the policy that is pending or ongoing, it will be submitted to the audit committee or its chairperson, as applicable, which shall evaluate all options, including but not limited to ratification, amendment or termination of the related person transaction, and (if appropriate) any disciplinary actions recommended. No member of the audit committee may participate in the consideration, approval or ratification of any related person transaction with respect to which such member or any of his or her immediate family members is the related person or in which he, she or they otherwise have an interest.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2009, Roger H. Moore, Jack W. Blumenstein and Maribeth S. Rahe served on the compensation committee. No member of the compensation committee was, during 2009, an officer or employee of the Company, was formerly an officer of the Company, or had any relationship requiring disclosure by the Company as a related party transaction under Item 404 of Regulation S-K. During 2009, none of the Company's executive officers served on the board of directors or the compensation committee of any other entity, any officers of which served either on the Company's board of directors or its Compensation Committee.

## **ANNUAL REPORT TO STOCKHOLDERS**

Our combined 2009 annual report to stockholders and annual report on Form 10-K for the year ended December 31, 2009 accompanies this proxy statement.

**STOCKHOLDER PROPOSALS FOR 2011 ANNUAL MEETING**

The proxy rules of the SEC permit our stockholders, after notice to the Company, to present proposals for stockholder action in our proxy statement where such proposals are consistent with applicable law, pertain to

## **Table of Contents**

matters appropriate for stockholder action and are not properly omitted by our action in accordance with the proxy rules. In order for any stockholder proposal to be considered for inclusion in our proxy statement to be issued in connection with our 2011 annual meeting of stockholders, that proposal must be received at our principal executive offices, 121 South 17th Street, Mattoon, Illinois 61938-3987 (Attention: Secretary), no later than December 3, 2010.

Our amended and restated bylaws provide that certain additional requirements be met in order that business may properly come before the stockholders at the annual meeting. Among other things, stockholders intending to bring business before the annual meeting must provide written notice of such intent to the Secretary of the Company. Such notice must be given not less than 90 days nor more than 120 days prior to the first anniversary of the date on which we mailed our proxy materials for the preceding year's annual meeting. In addition, the following information must be provided regarding each proposal: as to each person whom the stockholder proposes to nominate for election as a director, the name, age, business address and, if known, residential address, principal occupation or employment, the class, series and number of shares beneficially owned by such nominee and all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required by Regulation 14A of the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; a brief description of the business desired to be brought before the meeting; the text of any resolution proposed to be adopted at the meeting; and the reasons for conducting such business at the meeting; and a statement of any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and, in the case of director nominations, a description of all arrangements or understandings between the stockholder and each nominee and any other persons (naming them) pursuant to which the nominations are to be made by the stockholder.

In addition, the following information must be provided regarding the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made: the name and address of such stockholder, as it appears on the Company's stock transfer books, and of such beneficial owner; the class, series and number of shares of the Company which are owned beneficially and of record by such stockholder and such beneficial owner; a representation that the stockholder giving the notice is a stockholder of record and intends to appear in person or by a qualified representative at the annual meeting to bring the business proposed in the notice before the meeting; a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group which intends to solicit proxies from stockholders in support of such proposal or nomination; and any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to the Exchange Act and the rules and regulations promulgated thereunder.

## **GENERAL**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers, and any persons who beneficially own more than 10% of our stock, to file with the SEC initial reports of ownership and reports of changes in ownership of our stock. Such persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. As a matter of practice, our administrative staff assists our executive officers and directors in preparing and filing such reports with the SEC.

To our knowledge, based solely upon a review of filings with the SEC and written representations that no other reports were required, we believe that all of our directors and executive officers complied during 2009 with the reporting requirements of Section 16(a) of the Exchange Act, except that due to inadvertent administrative errors, each of Robert J. Currey, Steven L. Childers, Joseph R. Dively, Steven J. Shirar, C. Robert Udell, Jr. and Christopher A. Young inadvertently filed a late Form 4 with respect to shares withheld to satisfy income tax withholding obligations

in connection with shares of restricted stock that vested.

**Table of Contents**

**Other Information**

The expenses of preparing and mailing this proxy statement and the accompanying proxy card and the cost of solicitation of proxies, if any, will be borne by us. In addition to the use of mailings, proxies may be solicited by personal interview and telephone and by our directors, officers and regular employees without special compensation therefore. We expect to reimburse banks, brokers and other persons for their reasonable out-of-pocket expenses in handling proxy materials for beneficial owners of our common stock.

Unless contrary instructions are indicated on the proxy card, all shares of common stock represented by valid proxies received pursuant to this solicitation (and not revoked before they are voted) will be voted **FOR** all of the proposals described in this proxy statement.

**OTHER MATTERS**

Our board does not know of any other matters that are to be presented for action at the 2009 annual meeting. Should any other matter come before the annual meeting, however, the persons named in the enclosed proxy will have discretionary authority to vote all proxies with respect to such matter in accordance with their judgment.

BY ORDER OF THE BOARD OF DIRECTORS

Steven J. Shirar  
*Senior Vice President, President of Enterprise  
Operations and Secretary*

Dated: March 31, 2010





Edgar Filing: Consolidated Communications Holdings, Inc. - Form DEF 14A

Date (mm/dd/yyyy) date below.	Please print	Signature 1 within the box.	Please keep signature within the box.	Signature 2	Please keep signature within the box.
----------------------------------	--------------	--------------------------------	--	-------------	--

/ /

+

---

**Table of Contents**

**PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN  
THE ENCLOSED ENVELOPE.**

**Proxy CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.**

**CONSOLIDATED COMMUNICATIONS  
121 SOUTH 17TH STREET, MATTOON, IL. 61938**

**Proxy Solicited by Board of Directors for Annual Meeting - May 4, 2010 at 9:00 a.m.**

Steven J. Shirar and Matthew K. Smith, or either of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Stockholders of Consolidated Communications Holdings to be held on May 4, 2010 or at any postponement or adjournment thereof.

**Shares represented by this proxy will be voted by the stockholder. If no such directions are indicated, the Proxies will have authority to vote FOR Election of Directors, FOR Proposal 2 and FOR Proposal 3.**

**In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.**

(Continued and to be voted on reverse side.)