Consolidated Communications Holdings, Inc.
Form DEF 14A
April 04, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant o

Check the appropriate box:
þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Rule 14a-12

Consolidated Communications Holdings, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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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:

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Table of Contents

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD MAY 6, 2008

To Our Stockholders:

The 2008 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 6, 2008, at 9:00 a.m., central time. The 2008 annual meeting of stockholders is being held for the following purposes:

1. To elect two Class III 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, 2008 (Proposal No. 2); and

3. 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 19, 2008 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. Sending in your proxy will not prevent you from voting in person at the meeting.

By Order of the Board of Directors,

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

April 4, 2008

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

CONSOLIDATED COMMUNICATIONS HOLDINGS, INC.
121 South 17th Street
Mattoon, Illinois 61938

PROXY STATEMENT

This proxy statement contains information related to the 2008 annual meeting of stockholders of Consolidated Communications Holdings, Inc., a Delaware corporation (the Company, Consolidated, we or us), that will be held a our corporate headquarters, 121 South 17th Street, Mattoon, Illinois 61938 on Tuesday, May 6, 2008, 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 2007 annual report to stockholders and annual report on Form 10-K for the year ended December 31, 2007, is April 4, 2008.

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 2008 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 2008 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 David J. Doedtman 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 two Class III 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, 2008 (Proposal No. 2); 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 19, 2008, are entitled to receive notice of the annual meeting and to vote the shares of common stock that they held on that date at 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.

Table of Contents

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 19, 2008, 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 19, 2008, the record date, 29,511,486 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 in person at the meeting or by proxy. We recommend that you vote by proxy 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 complete and properly sign the accompanying proxy card and return it to us, it will be voted as you direct on the proxy card. 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. 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.

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. 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;
- delivering a duly executed proxy bearing a later date; or
- voting in person at the annual meeting.

Table of Contents

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. The powers of the proxy holders with regard to your shares will be suspended if you attend the meeting in person and so request, although attendance at the meeting will not, by itself, revoke a previously granted proxy.

Can I vote by telephone or electronically?

No. We have not instituted any mechanism for telephone or electronic voting. Street name stockholders, however, may be able to vote electronically through their bank, broker or other holder of record. 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.

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 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 each of the nominees for Class III director and FOR the proposal to ratify the appointment of our independent auditors.

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 or personal interviews.

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 each nominee for Class III director (see page 8);

FOR the ratification of the appointment of Ernst & Young LLP as our independent auditors (see page 20).

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

Other than the two 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.

Table of Contents

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 2007 Annual Report to Stockholders?

We have enclosed our 2007 annual report to stockholders for the fiscal year ended December 31, 2007 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, 2007, as filed with the SEC, is included in the 2007 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:

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

writing to:

Consolidated Communications Holdings, Inc. Investor Relations
121 South 17th 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 32, 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 19, 2008, 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 Owned	Percentage of Shares Outstanding
Central Illinois Telephone, LLC(a)	5,634,106	19.09%
Jennison Associates LLC(b)	2,519,000	8.54%
Prudential Financial, Inc.(b)	2,523,600	8.55%
OppenheimerFunds, Inc.(c)	1,815,800	6.15%
Richard A. Lumpkin(a)	5,634,106	19.09%
Robert J. Currey(d)	309,072	1.05%
Steven J. Shirar(e)	88,246	*
Steven L. Childers(f)	88,627	*
Joseph R. Dively(g)	88,122	*
C. Robert Udell, Jr.(h)	71,631	*
Maribeth S. Rahe(i)	15,433	*
Jack W. Blumenstein(j)	8,000	*
Roger H. Moore(k)	8,000	*
All directors and executive officers as a group (10 persons)	6,357,874	21.54%

* Less than 1.00% 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. Includes 1,500 shares owned by Mr. Lumpkin s wife.

(b) Beneficial and percentage ownership information is based on information contained in a Schedule 13G/A filed with the SEC on February 6, 2008 by Prudential Financial, Inc. and in a Schedule 13G/A filed with the SEC on February 14, 2008 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 2,519,000 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.

(c) Beneficial and percentage ownership information is based on information contained in a Schedule 13G filed with the SEC on February 4, 2008 by OppenheimerFunds, Inc. The address of Jennison Associates LLC is 466 Lexington Avenue, New York, New York 10017. The address of OppenheimerFunds, Inc. is Two World Financial Center, 225 Liberty Street, New York, New York 10281.

(d) Consists 204,566 shares of common stock awarded under our restricted share plan, 77,034 shares of common stock awarded under our Long-Term Incentive Plan of 2005, and 27,472 shares owned personally by Mr. Currey.

(e) Consists of 69,440 shares of common stock awarded under our restricted share plan and 18,806 shares of common stock awarded under our Long-Term Incentive Plan of 2005.

(f) Includes 70,822 shares of common stock awarded under our restricted share plan and 17,805 shares of common stock awarded under our Long-Term Incentive Plan of 2005.

(g) Includes 69,316 shares of common stock awarded under our restricted share plan and 18,806 shares of common stock awarded under our Long-Term Incentive Plan of 2005.

(h) Includes 19,965 shares of common stock awarded under our restricted share plan, 43,939 shares of common stock awarded under our Long-Term Incentive Plan of 2005 and 7,727 shares of common stock owned by Mr. Udell.

(i) Includes 8,000 shares of common stock awarded under our Long-Term Incentive Plan of 2005 and 7,433 shares of common stock owned by Ms. Rahe.

(j) Consists of 8,000 shares of common stock awarded under our Long-Term Incentive Plan of 2005.

(k) Consists of 8,000 shares of common stock awarded under our Long-Term Incentive Plan of 2005.

PROPOSAL NO. 1 ELECTION OF 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. Currey and Ms. Rahe, the nominees designated below as the Class III directors, at this year s annual meeting to serve for a term of three years expiring in 2011 or until their successors are duly elected and qualified. The nominees for election to the position of Class III director, and certain information with respect to their backgrounds 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 two nominees named herein as the Class III directors. Each of the nominees named herein presently serves on our board of directors, and each has consented to serve as a director if elected at this year s annual meeting. In the event either nominee 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 either nominee named herein will be unable to serve if elected.

Nominees standing for election to the board

Name	Age	Current Position With Consolidated
Robert J. Currey (Class III Director term expiring in 2011)	62	President, Chief Executive Officer and Director
Maribeth S. Rahe (Class III Director term expiring in 2011)	59	Director

Directors continuing to serve

Name	Age	Current Position With Consolidated
Jack W. Blumenstein (Class II Director term expiring in 2010)	64	Director
Roger H. Moore (Class II Director term expiring in 2010)	66	Director
Richard A. Lumpkin (Class I Director term expiring in 2009)	73	Chairman of the Board

Business experience of nominees to the board

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., the USTelecom Association and the Illinois Business RoundTable.

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.

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 as 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.

Jack W. Blumenstein has served as a director since July 2005. Mr. Blumenstein is President and Chief Executive Officer of AirCell LLC, a provider of airborne cellular and satellite telecommunications systems and services. 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. 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. Mr. Blumenstein also presently serves on the boards of AirCell LLC and ShopperTrak, Inc.

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,

Table of Contents

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. Mr. Moore also presently serves as a director of VeriSign, Inc. and Western Digital Corporation.

Board recommendation and stockholder vote required

The board of directors recommends a vote FOR the election of each nominee 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.

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 4200(a)(15) of The NASDAQ Stock Market, Inc. s (NASDAQ) Marketplace Rules and Rule 10A-3(b)(1) of the Exchange Act.

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 $1.5 million in payments from the Company in 2007, and such purchases were made on customary terms. The board concluded that, under these facts and circumstances, the relationship during 2007 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?

We pay our non-employee directors an annual cash retainer of $12,500. Board members also are paid $1,000 for each board meeting attended in person and $500 for each board committee meeting attended in person. Meeting fees are halved for each board or board committee meeting attended by means of telephone conference call. We reimburse all non-employee directors for reasonable expenses incurred to attend board or board committee meetings.

In addition, the chairperson of the audit committee receives an annual cash retainer of $15,000, and the chairperson of the compensation committee and the corporate governance committee each receive an annual retainer of $5,000.

Each non-employee director is eligible to receive grants of stock options, stock, stock units, stock appreciation rights and cash bonuses pursuant to one or more cash incentive programs that may be adopted under our Long-Term Incentive Plan of 2005, subject to certain limitations on the number and amount of such grants contained in the plan. In 2007, each non-employee director of the Company received a restricted share award of 2,000 shares on March 14, 2007 under this plan. One quarter of such shares will vest on each December 5th from 2007 through 2010.

Table of Contents

Mr. Lumpkin and Mr. Currey, directors who also serve as executive officers, do not receive any additional compensation for their service on the board.

This table discloses all compensation provided to each non-employee director of the Company in 2007.

Name	Fees Earned or Paid in Cash($)	Stock Awards ($)(1)	Total ($)
Jack W. Blumenstein	$ 41,000	$ 23,718	$ 64,718
Roger H. Moore	$ 29,000	$ 23,718	$ 52,718
Maribeth S. Rahe	$ 31,000	$ 23,718	$ 54,718

(1) *Stock Awards.* The amounts in this column represent the Company s expense for the year ended December 31, 2007 with respect to all outstanding restricted shares held by each non-employee director, disregarding any adjustments for estimated forfeitures, in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share Based Payment (123(R)). The grant date fair value of restricted shares awarded to each non-employee director in 2007, computed in accordance with 123(R), was $40,020. Each non-employee director had 6,000 restricted shares outstanding at December 31, 2007. Also see Footnote 16 to the Consolidated Financial Statements contained in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 for an explanation of the assumptions made by the Company in the valuation of these awards.

How often did the board meet during 2007?

The board met 11 times during calendar 2007. Each director attended at least 75% of the board meetings and meetings of board committees on which they served. During 2007, 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. All of the Company s directors attended the 2007 annual meeting of 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, 2007, and currently is, as follows:

Name	Audit Committee	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 4200(a)(15) 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 2007. 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;
- 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 43; 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 17.

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 4200(a)(15) of NASDAQ s Marketplace Rules.

The governance committee met twice during 2007. 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.

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 4200(a)(15) of NASDAQ s Marketplace Rules.

Table of Contents

The compensation committee met three times during 2007. 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.

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.

Table of Contents

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.

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 employers 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 will be 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.

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 2007. 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, 2007. 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 *Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees)*, 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, 2007, for filing with Securities and Exchange Commission. The audit committee has also selected Ernst & Young LLP as the Company s independent auditors for 2008.

MEMBERS OF THE AUDIT COMMITTEE

Jack W. Blumenstein
Maribeth S. Rahe
Roger H. Moore

PRINCIPAL INDEPENDENT ACCOUNTANT FEES AND SERVICES

Pre-approval Policy

In accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the Audit Committee Charter, all audit and audit-related work and all non-audit work performed by the independent auditors, 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.

Audit Fees

The aggregate fees billed for professional services rendered by Ernst & Young LLP for the audit of our consolidated financial statements for fiscal 2007 and 2006 (including services rendered by Ernst & Young LLP for the audit of our internal controls over financial reporting under the Sarbanes-Oxley Act of 2002) totaled approximately $1.3 million and $1.1 million, respectively. Audit fees for fiscal 2007 also included fees billed for professional services rendered with respect to engagements, consents, comfort letters, and assistance with the review of our filings with the SEC in connection with our acquisition of North Pittsburgh Systems, Inc. and the related SEC registered security offering.

Audit-Related Fees

The aggregate fees billed professional services rendered by Ernst & Young LLP for the audit-related fees in 2007 was $0.2 million. The audit-related work performed by Ernst & Young LLP in 2007 primarily related to diligence engagements on acquisitions. There were no additional audit-related services rendered by Ernst & Young LLP during fiscal year 2006.

Tax Fees

The aggregate fees billed for professional services rendered by Ernst & Young LLP during fiscal 2007 and 2006 for tax compliance, tax advice and tax planning in connection with our tax returns totaled approximately, $0.2 million and $0.1 million, respectively.

All Other Fees

None.

For the fiscal 2007, no Audit-Related Fees, Tax Fees or All Other Fees disclosed above were approved in reliance on the exceptions to pre-approval requirements set forth in 17 CFR 210.2-01(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, 2008. 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, 2008 (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 2008 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

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 52, 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 then existing Market Response division and in various finance and executive roles. Mr. Childers is a member of the board of directors and serves as President of the Eastern Illinois University Foundation.

Joseph R. Dively, age 48, serves as our Senior Vice President and President of Illinois Telephone Operations. 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. Mr. Dively also serves as the Chairman of Sarah Bush Lincoln Health System, and the Illinois State 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 49, serves as our Corporate Secretary and Senior Vice President and President of Enterprise Operations. 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 42, serves as our Senior Vice President and President of Texas Telephone Operations. 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 currently serves as Chairman of the Independent Telephone and Telecommunications Alliance and is a member of the USTelecom Association Policy committee. He serves on the boards of the Katy Economic Development Council, South Montgomery County/The Woodlands Economic Development Partnership, Greater Conroe Economic Development Council, The Woodlands Advisory Council for Memorial Hermann Hospital and serves as Vice Chairman of the Montgomery County United Way.

Christopher A. Young, age 52, 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.

Table of Contents

EQUITY COMPENSATION PLAN INFORMATION

Equity Compensation Plans Approved by Stockholders

Immediately prior to the closing of our initial public offering in July 2005, our stockholders approved our long-term incentive plan to be effective upon completion of our initial public offering. The plan 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 are eligible for grants under the plan. The purpose of the plan is to provide these individuals with incentives to maximize stockholder return, 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 and when awards should be granted. Our board also has the authority to administer the plan. The terms and conditions of each award made under the plan, including any vesting or forfeiture conditions, are set forth in the certificate evidencing the grant.

Equity Plans Not Approved by Stockholders

In August 2003, the board of managers of our predecessor company adopted a restricted share plan to which we succeeded upon completion of our initial public offering in July 2005. The restricted share plan authorized the board of directors to grant to members of management, as incentive compensation, awards of restricted shares of common stock or securities convertible into shares of common stock. In connection with our initial public offering, the restricted share plan was amended to eliminate our board s ability to make any future awards of restricted common stock under the plan.

The following table sets forth information regarding our equity compensation plans as of December 31, 2007:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)(1)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)(2)
Equity compensation plans approved by security holders			507,916
Equity compensation plans not approved by security holders			
Total			507,916

16

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

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 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 its executives in March 2007, as described below under the caption Long-Term, Equity-Based Incentives on page 28. 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 our executives in March 2007, pursuant to which restricted shares may be awarded in the following year based on the attainment of certain performance goals for 2007. 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 2007, the compensation committee obtained from its outside consultant in October 2006 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 $100 million to $1 billion:

Alaska Communications Systems Group	Centennial Communications	Commonwealth Telephone Enterprises
CT Communications, Inc.	D&E Communications, Inc.	Eschelon Telecom, Inc.
Fairpoint Communications, Inc.	General Communication	Harmonic, Inc.
Iowa Telecommunications Services, Inc.	Mediacom Communications Corp.	North Pittsburgh Systems
Rural Cellular Corp.	Surewest Communications	Talk America Holdings, Inc.
Time Warner Telecom		

Table of Contents

The compensation committee selected these companies for its benchmark study in late 2006, 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:

- 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.

In October 2006, the Company s outside compensation consultant also provided the compensation committee with a report that showed that, as of August 2006, the Company paid total direct compensation to its executives at a level that ranked the Company in the 40th percentile of the benchmark group. The compensation committee then re-evaluated the elements of its executive compensation program and made certain changes, which we describe more specifically below, which the compensation committee felt were appropriate and necessary given its objective of paying total direct compensation (consisting of salary, annual bonus and long-term equity) at approximately the 50th percentile of the benchmark group.

In general, the compensation committee 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 we pay to each of our executives. The performance share component of the equity plan also ties the amount of restricted shares awarded to meeting Company 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.

Elements of Executive Compensation

The key elements of the compensation committee s executive compensation program for 2007 were:

- an annual base salary;
- cash bonuses directly linked to achievement of the Company s annual financial and operational performance goals; and

long-term, equity-based incentives using restricted shares and performance-based restricted shares.

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 2007, as in 2006, 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 restricted share grants as detailed in the Summary Compensation Table, and set performance-based restricted share targets to be awarded if certain performance goals were met. The Summary Compensation Table shows the compensation of each of the named executive officers for 2006 and 2007.

Table of Contents

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 2007 performance, the review took place in February of 2008.

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 salary increases should reward an individual s contributions to the Company and may reflect market 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 2007, 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 preestablished 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 2007, the compensation committee increased base salary levels for Messrs. Currey, Udell and Shirar by three percent from their 2006 levels and for Messrs. Dively and Childers by approximately seven percent from their 2006 levels. The compensation committee approved the increases, which were effective as of March 1, 2007, in order to bring the named executive officers total direct compensation more in line with the total direct compensation of comparable executives in the benchmark group in order the meet the Company s objective of paying total direct compensation at approximately the 50^{th} percentile of that group. The compensation committee believes that the salary levels in 2007 for the named executive officers served the compensation committee s objective to retain and reward these officers. The compensation committee pays Mr. Currey a higher salary because it believes that the difference in his salary level versus those of the other named executive officers is proportional to the higher level of his responsibilities and his accountability for Company performance.

The Salary column of the Summary Compensation Table shows the salaries paid for 2007 and 2006 to each of the named executive officers.

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 2007, 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 criteria established by the compensation committee. For 2007, 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 2007 (target of $139.4 million);

25% on dividend payout ratio for 2007 (target of 82.5% or less);

25% on broadband subscriber net additions for 2007 (target of 19,000 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 eight related Other Operating goals which the compensation committee set for the Company s executive team.

In February 2007, 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 2007, the compensation committee established the bonus payouts for each executive, as a percentage of 2007 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 2007, 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 it believed the targeted payouts at those levels would achieve a bonus payout for each named executive officer so that each officer s total direct compensation would be at roughly the 50^{th} percentile of the benchmark group, and, in the case of the Chief Executive Officer, because his higher target payout level reflects the difference in the level of his scope of responsibilities and accountability for Company performance. The compensation committee, as previously described, had put in place in February 2007 a formula which determines the actual payout based on levels of achievement for each of the four major goal areas. The compensation committee has discretion to adjust the amount of bonus payments, including increasing the bonus payment if the target levels are exceeded and decreasing the bonus, or paying no bonus, if target levels are not achieved. For 2007, the committee did not exercise such discretion.

For 2007, the Company achieved the Company performance targets at the following levels:

Performance Measure	**Actual**	**Target**	**% vs. Target**
Adjusted EBITDA	$143.8 million	$139.4 million	103.2%
Dividend Payout Ratio	75.9%	82.5%	108.0%
Broadband Subscriber Net Adds	19,230	19,000	101.2%
Other Operating Goals	100%	100.0%	100.0%

Since the Company exceeded each of its four targets, the compensation committee approved bonus payments to each of the named executive officers in amounts that exceeded the target levels. The compensation committee determined the actual amounts paid by computing the weighted average of the achievement of the performance targets at the levels calculated using the formula described above. The bonuses, all of which were paid in March 2008, represented the following percentages of each named executive officer s respective 2007 annual salary level:

	2007 Bonus Payout as a Percentage of 2007 Salary	
Name	**Actual Percentage of Salary Paid**	**Target Opportunity, as a Percentage of Salary**
Robert J. Currey	124%	120%
C. Robert Udell, Jr.	52%	50%
Steven J. Shirar	52%	50%
Joseph R. Dively	52%	50%
Steven L. Childers	52%	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 2007 pursuant to the Company s bonus plan.

The compensation committee believes that the level of the cash bonus opportunities and the cash bonuses actually paid in 2007 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 2007.

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 and when awards should be granted.

After reviewing its executive compensation program, the compensation committee decided to implement a new equity program under the LTIP, and in February 2007, adopted the Executive Long-Term Incentive Program (the program). The program is intended to provide eligible executives with long-term incentive compensation at or near the 50th percentile of our benchmark group. 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 50th percentile of the benchmark group. In general, if in any year the compensation committee decides to make restricted share grants, the awards will be equal to 50% of this target value. The Company pays the other 50% of the target to the executives in the form of performance shares.

In March of 2007, the compensation committee awarded restricted shares to the named executive officers with a value equal to 150% of the target value of long-term incentive compensation. The increase in the award value from 50% to 150% of the target value was made to compensate the named executive officers for not receiving any equity awards since prior to our initial public offering in 2005 (except for a grant made to Mr. Udell in late 2005). These restricted shares vest at a rate equal to 25% per year on each December 5th following the date of grant, except for our Chief Executive Officer whose restricted shares vest 67% on the December 5th following the date of grant, and 33% on the second December 5th following the date of grant. Holders of our restricted shares are entitled to receive dividends and other distributions, if any, as and when declared by our board of directors.

In March 2007, the compensation committee established annual performance share award targets for each of the named executive officers with a value equal to 50% of the target value of long-term incentive compensation. The performance share awards entitled the executives to receive awards of restricted shares in the next subsequent year, if certain goals based on current year Company performance were attained. The committee used the same performance measures and targets that it used under the incentive cash bonus plan. Under the program, 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. 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.

In March 2008, the compensation committee approved awards of restricted shares based on 2007 performance share award targets, as follows:

	March 2008 Restricted

Named Executive Officer	2007 Performance Share Target	Shares Earned/Awarded
Robert J. Currey	20,619	21,361
C. Robert Udell	5,034	5,215
Steven J. Shirar	5,034	5,215
Joseph R. Dively	5,034	5,215
Steven L. Childers	5,034	5,215