

WINDSTREAM CORP
Form DEF 14A
March 27, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

WINDSTREAM CORPORATION

(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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) 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:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

WINDSTREAM CORPORATION

4001 Rodney Parham Road

Little Rock, Arkansas 72212

Telephone: (501) 748-7000

www.windstream.com

NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS

To be Held May 9, 2012

To the Stockholders of Windstream Corporation:

Notice Is Hereby Given That the 2012 Annual Meeting of Stockholders of Windstream Corporation (Windstream) will be held at the Capital Hotel, 111 West Markham, Little Rock, Arkansas 72201, on Wednesday, May 9, 2012 at 11:00 a.m. (local time), for the following purposes:

1. To elect nine directors to serve until the 2013 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death;
2. To approve Windstream's Performance Incentive Compensation Plan;
3. To vote on an advisory (non-binding) resolution on executive compensation;
4. To ratify the appointment of PricewaterhouseCoopers LLP as Windstream's independent registered public accountant for 2012;
5. To vote on two stockholder proposals; and
6. To transact such other business as may properly come before the meeting or any postponement or adjournment thereof.

Only holders of Common Stock of record at the close of business on March 15, 2012 are entitled to notice of and to vote at the meeting or at any adjournment or postponement thereof.

Beginning on March 27, 2012, we began mailing our stockholders a notice containing instructions on how to access our 2011 Annual Report, Proxy Statement and Annual Report on Form 10-K and to vote online. The notice also included instructions on how to receive those Annual

Edgar Filing: WINDSTREAM CORP - Form DEF 14A

Meeting materials by mail. If you received those Annual Meeting materials by mail, the proxy card from the Board of Directors was enclosed with this notice and those materials.

By Order of the Board of Directors,

John P. Fletcher
Secretary

Little Rock, Arkansas

March 27, 2012

WHETHER OR NOT YOU PLAN TO ATTEND THIS MEETING, PLEASE VOTE AS SOON AS POSSIBLE TO RECORD YOUR VOTE PROMPTLY. PRIOR TO THE MEETING YOU MAY VOTE ON THE INTERNET, BY TELEPHONE OR BY MAIL.

Important notice regarding the availability of proxy materials for the 2012 Annual Meeting of Stockholders to be held on May 9, 2012. Windstream's Proxy Statement and Annual Report to security holders for the fiscal year ended December 31, 2011 are also available at www.windstream.com.

Table of Contents

WINDSTREAM CORPORATION

4001 Rodney Parham Road

Little Rock, Arkansas 72212

Telephone: (501) 748-7000

www.windstream.com

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of Windstream Corporation (Windstream) to be used at its 2012 Annual Meeting of Stockholders. The meeting will be held at the Capital Hotel, 111 West Markham, Little Rock, Arkansas 72201 on Wednesday, May 9, 2012 at 11:00 a.m. (local time).

TABLE OF CONTENTS

	Page No.
<u>Internet Availability of Proxy Materials</u>	2
<u>Voting Information</u>	2
<u>Proposal No. 1 - Election of Directors</u>	4
<u>Board and Board Committee Matters</u>	8
<u>Stock Ownership Guidelines</u>	11
<u>Security Ownership of Directors and Executive Officers</u>	13
<u>Security Ownership of Certain Beneficial Owners</u>	14
<u>Compensation Committee Report on Executive Compensation</u>	15
<u>Audit Committee Report</u>	16
<u>Management Compensation</u>	17
<u>Compensation Discussion and Analysis</u>	17
<u>Compensation of Directors</u>	25
<u>Compensation of Named Executive Officers</u>	26
<u>Information on Plan-Based Awards</u>	28
<u>Pension Benefits</u>	30
<u>Non-Qualified Deferred Compensation</u>	32
<u>Potential Payments Upon Termination or Change-in-Control</u>	33
<u>Clawback Policy</u>	37
<u>Risks Presented by Windstream's Compensation Programs</u>	38
<u>Compensation Committee Interlocks and Insider Participation</u>	38
<u>Proposal No. 2 - Approval of Windstream's Performance Incentive Compensation Plan</u>	39
<u>Proposal No. 3 - Advisory Vote on Executive Compensation</u>	43
<u>Proposal No. 4 - Ratification of Appointment of Independent Auditors</u>	45
<u>Proposal No. 5 - Stockholder Proposal - Ban on Accelerated Vesting of Stock</u>	45

Edgar Filing: WINDSTREAM CORP - Form DEF 14A

<u>Proposal No. 6 - Stockholder Proposal - Transparency And Accountability In Corporate Spending On Political Activities</u>	48
<u>Stockholder Proposals for 2013 Annual Meeting</u>	50
<u>Certain Relationships and Related Transactions</u>	51
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	52
<u>Annual Report</u>	52
<u>Audit and Non-Audit Fees</u>	53
<u>Other Matters</u>	53
<u>Appendix A - Windstream Performance Incentive Compensation Plan</u>	A-1

Table of Contents

INTERNET AVAILABILITY OF PROXY MATERIALS

Under U.S. Securities and Exchange Commission (SEC) rules, we are furnishing proxy materials to our stockholders primarily via the Internet, instead of mailing printed copies of those materials to each stockholder. Beginning March 27, 2012, we mailed to our stockholders (other than those who previously requested electronic or paper delivery) a notice containing instructions on how to access our proxy materials, including our proxy statement and our annual report. The notice also instructs you on how to vote through the Internet or by telephone.

This process is designed to expedite stockholders' receipt of proxy materials, lower the cost of the annual meeting, and help conserve natural resources. However, if you would prefer to receive printed proxy materials, please follow the instructions included in the notice. If you have previously elected to receive our proxy materials electronically or in paper, you will continue to receive these materials via e-mail in accordance with your election unless you elect otherwise.

VOTING INFORMATION

Shares represented by properly executed proxies will be voted at the annual meeting of stockholders (the Annual Meeting). If a choice is specified by a stockholder, the proxy will be voted in accordance with that choice. If no choice is specified by a stockholder, the proxy will be voted in accordance with the recommendations of the Windstream Board of Directors.

Any stockholder executing a proxy retains the right to revoke it at any time prior to exercise at the Annual Meeting. A proxy may be revoked by delivery of written notice of revocation to the Secretary of Windstream, by execution and delivery of a later proxy or by voting the shares in person at the Annual Meeting. If not revoked, all shares represented by properly executed proxies will be voted as specified therein.

The close of business on March 15, 2012 has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting or any adjournment thereof. On the record date, there were outstanding and entitled to vote 588,276,395 shares of Common Stock. This proxy statement is being made available to stockholders beginning on March 27, 2012.

Required Vote. On all matters to be acted upon at the meeting, each share of Common Stock is entitled to one vote per share. Windstream's Bylaws require that, in an uncontested election, each director be elected by the affirmative vote of a majority of the votes cast at the meeting, either in person or by proxy (in other words, the number of shares voted for a director nominee must exceed the number of votes cast against that director nominee). In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), a plurality standard would apply to election of directors, and under a plurality standard the nominees for election of directors who receive the greatest number of votes cast for the election of directors at the meeting by the shares represented in person or by proxy and entitled to vote would be elected directors. The 2012 election has been determined to be an uncontested election, and the majority vote standard will apply.

If a nominee who is serving as a director is not elected at the Annual Meeting, Delaware law provides that the director would continue to serve on the Board as a holdover director. However, under our Bylaws, each director annually submits an advance, contingent, irrevocable resignation that the Board may accept if the director fails to be elected through a majority vote. In that situation, the Governance Committee of the Board of Directors would consider the tendered resignation of any nominee who failed to receive a majority vote and make a recommendation to the Board about whether to accept or reject the resignation, or whether to take other action. The Board will act on the Governance Committee's recommendation to it within 90 days from the date the election results are certified and then publicly disclose its decision and the rationale behind it. If a nominee who was not already serving as a director fails to receive a majority of votes cast at the annual meeting, Delaware law provides that the nominee does not serve on the Board as a holdover director. In 2012, all director nominees are currently serving on the Board.

Table of Contents

All other matters to be submitted to a vote by the stockholders at the Annual Meeting must be approved by the affirmative vote of the majority of the shares present in person or by proxy and entitled to vote on the matter.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote.

The ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accountant for 2012 (Proposal No. 4) is considered routine under applicable rules. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal No. 4.

The election of directors (Proposal No. 1), the approval of Windstream's Performance Incentive Compensation Plan, the advisory vote on executive compensation (Proposals No. 2 and 3) and the shareholder proposals (Proposals No. 5 and 6) are matters considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals No. 1, No. 2, No. 3, No. 5 and No. 6.

Effect of Broker Non-Votes and Abstentions. Broker non-votes and abstentions are counted for purposes of determining whether a quorum is present. Broker non-votes and abstentions will have no effect on the outcome of the election of directors because they will not be considered votes cast. In the case of each proposal other than election of directors, broker non-votes will have no effect on the outcome of each vote, but abstentions will have the same effect as a vote AGAINST each item. In order to minimize the number of broker non-votes, Windstream encourages you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the notice of internet availability of proxy materials.

Table of Contents

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The number of directors that serve on the Windstream Board of Directors is currently set at nine and may be fixed from time to time in the manner provided in Windstream's Bylaws. The nine current members of the Board of Directors will stand for election as directors at the 2012 Annual Meeting of Stockholders, and the size of the Board is expected to be fixed at nine at such time. Directors are elected to serve until the 2013 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death. The slate of nine nominees set forth below has been chosen by the Board upon the recommendation of the Governance Committee.

Unless otherwise directed, the persons named in the form of proxy for the Annual Meeting will vote that proxy for the election of the nine persons named below. In case any nominee is unable to serve (which is not anticipated), the persons named in the proxy may vote for another nominee of their choice. For each nominee, there follows a brief listing of principal occupations for at least the past five years, other major affiliations, Windstream Board Committees, age, and the year in which each such person was initially elected as a Windstream director. The following description of each director also outlines the specific experience, qualifications, attributes or skills that support the Board's conclusion that the nominee should serve as a director.

Carol B. Armitage, age 54, has served as a director of Windstream since September 2007 and serves as Chair of the Governance Committee and is a member of the Audit Committee. Ms. Armitage has served as a telecommunications consultant since 1998. From 1995 to 1997 she served as Senior Vice President, Technology and Strategy at General Instrument. Prior to 1995 she held various management and engineering positions during sixteen years of service with Bell Laboratories and Network Systems (which later became Lucent). Since March 2010, Ms. Armitage has served as Chairman of the Board of SCALA, Inc., a provider of digital signage and advertising management solutions. From 2000 to February 2010, she served as Vice Chairman of SCALA. From 2003-2004, Ms. Armitage served as Chairman of the Board and was on the Audit Committee of YDI Wireless, a public company engaged in the development and provision of wireless fiber technologies.

Ms. Armitage's qualifications for election to the Board include her extensive knowledge of technologies impacting the communications industry based on her deep industry experience and her educational training including an M.S. in electrical engineering from Princeton University. Her service on the boards of other companies has given her additional experience in strategic planning, financial reporting, and mergers and acquisitions.

Samuel E. Beall, III, age 61, has served as a director of Windstream since November 2006 and serves on the Compensation Committee and Governance Committee. Beginning in May 2012, Mr. Beall will serve as Chair of the Compensation Committee. Mr. Beall has served as Chairman of the Board and Chief Executive Officer of Ruby Tuesday, Inc. since May 1995 and also as President of Ruby Tuesday, Inc. since July 2004. Ruby Tuesday, Inc. is a New York Stock Exchange listed company that owns and operates casual dining restaurants under the Ruby Tuesday brand.

Mr. Beall's qualifications for election to the Board include his ability to provide the perspective of an active chief executive officer of a public company, which gives him unique insights into Windstream's challenges and opportunities. As a current chief executive officer of a public company and a director of several private businesses, he has insight on managing complex business operations, overseeing business risk, designing compensation programs that motivate people, and developing national advertising campaigns.

Table of Contents

Dennis E. Foster, age 71, has served as Chairman of the Board of Windstream since February 2010. From July 2006 to February 2010, he served as Lead Director, and Mr. Foster continues to perform the role of Lead Director in his role as Chairman. Mr. Foster serves on the Compensation Committee. Mr. Foster is a principal in Foster Thoroughbred Investments (thoroughbred racing, breeding and training operations) in Lexington, Kentucky, which he joined in June 1995. Mr. Foster served as a director of Alltel Corporation from 1998 through 2006. Prior to his retirement in 2000, Mr. Foster held a number of leadership positions in the telecommunications industry, including President and Chief Executive Officer of 360° Communications and Senior Vice President of the Local Telecommunications Division of Sprint Corporation, and he has over 40 years of experience in the telecommunications industry.

Mr. Foster's qualifications for election to the Board include his ability to provide the insight and perspectives of a successful and long-serving senior executive in the telecommunications industry. Having formerly served as president and chief executive officer of a telecommunications company, he has insight on managing people, overseeing business risk and understanding financial statements. As a result of currently serving as chairman of Windstream and his prior service as a director of other public companies (which directorships include past service as chairman of Windstream's governance committee and current service as a member of its compensation committee, and past service as chairman of the compensation committee and audit committee of other public companies), Mr. Foster also has particular experience with corporate governance issues, as well as the capital markets, the challenges of financing in the current economy, and the merger and acquisitions environment.

Francis X. (Skip) Frantz, age 58, has served as a director of Windstream since 2006 and served as Chairman of the Board of Windstream from its formation in July 2006 until February 2010 when, to enhance Windstream's corporate governance profile, Mr. Frantz and the Board determined to select a Chairman who is independent, as defined by applicable stock exchange rules (because of compensation arrangements implemented in connection with the 2006 spin-off of Windstream from Alltel Corporation, Mr. Frantz is not independent and, as currently defined, would not qualify as independent until August 2012). Mr. Frantz has served as Chairman of Central Bank (a community bank) in Little Rock, Arkansas, since February 2007 and as non-executive Chairman of Swyft Technology, LLC, fka XSell, LLC (a software-as-a-service technology provider) in Jacksonville, Florida, since February 2010. Prior to January 2006, Mr. Frantz was Executive Vice President-External Affairs, General Counsel and Secretary of Alltel Corporation. Mr. Frantz joined Alltel in 1990 as Senior Vice President and General Counsel and was appointed Secretary in January 1992 and Executive Vice President in July 1998. While with Alltel, he was responsible for Alltel's mergers and acquisitions negotiations, wholesale services group, federal and state government and external affairs, corporate communications, administrative services, and corporate governance, in addition to serving as Alltel's chief legal officer. Mr. Frantz served as the 2006 and 2007 Chairman of the Board and of the Executive Committee of the United States Telecom Association. Until Mr. Frantz qualifies as independent in August 2012, he is disqualified, under applicable stock exchange rules, from serving on the Audit, Compensation, or Governance Committees.

Mr. Frantz's qualifications for election to the Board include his ability to provide insight and perspective on a wide range of issues facing business enterprises based on his long tenure as a senior executive in the telecommunications industry. Mr. Frantz's over 15-year career as a senior telecom executive in various capacities provides him with a thorough understanding of all aspects of Windstream's business, and his service as a director and Chairman of the United States Telecom Association provides Mr. Frantz with additional experience and insight in telecommunications policy and regulation. Through his current involvement with a financial services company and of an emerging technology company and his prior role as Chairman of Windstream and, before that, as a senior executive at Alltel Corporation, Mr. Frantz has extensive experience in corporate governance, mergers and acquisitions, risk management, government policy and regulation, and capital market transactions, in addition to the specific aspects of the telecom industry.

Table of Contents

Jeffery R. Gardner, age 52, is President and Chief Executive Officer of Windstream. Mr. Gardner was appointed to his current position in December 2005, and he has served as a director of Windstream since its formation in 2006. He previously served as executive vice president and chief financial officer of Alltel Corp. He joined Alltel in 1998 when it merged with 360° Communications.

Mr. Gardner is a member of the Business Roundtable, an association of chief executive officers of leading U.S. companies. He also is Chairman of the United States Telecom Association. He serves on the board of directors of RF Micro Devices, Inc., Arkansas Children's Hospital, Darlington School, and Loras College. He serves as chairman of the Arkansas Research Alliance and as chairman of the advisory board for the University of Arkansas for Medical Sciences (UAMS) Center for Distance Health. He also serves on the foundation board at UAMS. Mr. Gardner was named a national finalist for the Ernst & Young LLP Entrepreneur of the Year 2010® Award in telecommunications. Mr. Gardner earned a degree in finance from Purdue University and an MBA from William and Mary. He is a certified public accountant.

The Board believes it is important that Windstream's Chief Executive Officer serve on the Board, as the position of Chief Executive Officer puts Mr. Gardner in a unique position to understand the challenges and issues facing Windstream. Mr. Gardner's qualifications for election to the Board include the demonstrated leadership skills and experience that qualify him to serve as Chief Executive Officer of Windstream. Mr. Gardner has worked in the telecommunications industry for more than 25 years and is executing a focused strategy to transform Windstream and create value for shareholders. Windstream has completed nine acquisitions since its spin-off from Alltel Corp. in 2006, adding more than \$4 billion in revenue and creating approximately \$300 million in operating and capital synergies. Windstream completed four acquisitions in 2010 alone totaling \$2.2 billion. In 2011, Windstream acquired PAETEC, a leading communications provider for \$2.3 billion. Mr. Gardner's service on the boards of another public company and several non-profit organizations also provides him with a broad perspective on the challenges and opportunities facing Windstream and the communities it serves.

Jeffrey T. Hinson, age 57, has served as a director of Windstream since its formation in 2006. Mr. Hinson serves as Chairman of the Audit Committee. Mr. Hinson has served as President of YouPlus Media, LLC, since June 2009. From July 2007 to July 2009, Mr. Hinson served as the President and Chief Executive Officer and a member of the board of directors of Border Media Partners, LLC. Mr. Hinson served as a financial consultant from January 1, 2006 to June 30, 2007. Mr. Hinson served as a consultant to Univision Communications Inc., a Spanish language media company in the United States from July 2005 to December 2005. Mr. Hinson served as Executive Vice President and Chief Financial Officer of Univision Communications from March 2004 to June 2005. He served as Senior Vice President and Chief Financial Officer of Univision Radio, the radio division of Univision Communications, from September 2003 to March 2004. From 1997 to 2003, Mr. Hinson served as Senior Vice President and Chief Financial Officer of Hispanic Broadcasting Corporation, which was acquired by Univision Communications in 2003 and became the radio division of Univision Communications. Mr. Hinson is a director and Chairman of the Audit Committee of LiveNation and a director and Chairman of the Audit Committee of TiVo, Inc.

Mr. Hinson's qualifications for election to the Board include his extensive financial and accounting experience. Through his current service on the audit committees of three public companies and his prior service as a chief financial officer of two public companies, Mr. Hinson has deep experience in overseeing financial reporting processes, internal accounting and financial controls, independent auditor engagements, and the other functions of an audit committee of a public company. The Windstream Board has also determined that Mr. Hinson qualifies as an audit committee financial expert, as defined by the rules of the Securities and Exchange Commission (SEC). His service on the boards of other public companies in diverse industries also allows him to offer a broad perspective on the challenges and opportunities facing Windstream.

Table of Contents

Judy K. Jones, age 68, has served as a director of Windstream since its formation in 2006. Ms. Jones serves as a member of the Audit Committee and the Governance Committee. She is currently a member of the board of directors of Lovelace Respiratory Research Institute (LRRI) and of the Mind Research Network, a wholly-owned non-for-profit subsidiary of LRRI. She held various senior administrative positions at the University of New Mexico from 1988 to 2006, including Vice President for Advancement, Associate Vice President for Strategic Initiatives (Health Sciences Center) and Chief of Staff to the President of the University. She also held senior administrative positions with New Mexico state government and is a former management consultant serving public sector clients for a major national accounting firm.

Ms. Jones' qualifications for election to the Board include her expertise in financial accounting matters. Through her prior experience as a senior executive at a state university and in state government and on the boards of non-profit institutions, Ms. Jones has experience in reviewing and evaluating financial statements, financial budgets and forecasts, investment portfolios of public endowments, and other public finance matters. The Windstream Board has determined that Ms. Jones qualifies as an audit committee financial expert, as defined by the rules of the SEC. Her broad state government and higher education experience also allows her to offer insights and perspectives on government policy, structure and operations; public relations and marketing issues; the needs of higher education and government entities, which are an important customer segment for Windstream; and information technology and strategic planning.

William A. Montgomery, age 63, has served as a director of Windstream since its formation in 2006. Mr. Montgomery serves as Chairman of the Compensation Committee and is a member of the Governance Committee. Mr. Montgomery has been a private investor since 1999. From 1989 to 1999, Mr. Montgomery was Chief Executive Officer of SA-SO Company, a company engaged in the distribution of municipal and traffic control products based in Dallas, Texas. Prior to 1989, Mr. Montgomery worked as a registered representative in the financial services industry and has over 12 years of experience in the financial services industry, most recently serving with Morgan Stanley in the Private Client Services group from 1985 to 1989. Mr. Montgomery currently serves as a director of Hicks Acquisition Corp. II, Inc., whose equity securities are registered under the Securities Exchange Act of 1934. Hicks Acquisition Corp. II, Inc. does not have any operations and was formed for the purpose of effecting a merger or other business combination with one or more businesses. Mr. Montgomery previously served as a director with Hicks Acquisition Corp. I, Inc., from its inception in 2007 through the consummation of a business combination with Resolute Energy Corporation in 2009.

Mr. Montgomery's qualifications for election to the Board include his wide range of financial and business experience. In his current role as Chair of the Compensation Committee of Windstream and through his professional career including his prior role as a chief executive officer of a private company, Mr. Montgomery has experience in strategic planning, risk management, compensation plans and policies, and capital market transactions. Mr. Montgomery's service on the boards of non-profit organizations also provides him with a broad perspective on the challenges and opportunities facing Windstream and the communities it serves.

Alan L. Wells, age 52, has served as a director of Windstream since June 2010 and served as Chief Executive Officer of Iowa Telecommunication Services, Inc. (Iowa Telecom) from 2002 to 2010 and Chairman of the board of directors from 2004 to 2010. In 2011, Mr. Wells became a founding partner of Financial Advisory Partners, LLC, located in Johnston, Iowa, which makes private equity investments and provides financial advisory services to mid-sized companies in the Midwest. He joined Iowa Telecom in 1999 as President and Chief Operating Officer, and was appointed to the role of President and Chief Executive Officer in 2002. Prior to joining Iowa Telecom, Mr. Wells was Senior Vice President and Chief Financial Officer at MidAmerican Energy Holdings Company (MidAmerican), a Des Moines, Iowa-based electric and gas utility holding company, from 1997 until 1999. During the same period, Mr. Wells also

Table of Contents

served as President of MidAmerican's non-regulated businesses. Mr. Wells held various executive and management positions with MidAmerican, its subsidiaries, and Iowa-Illinois Gas and Electric, one of its predecessors, from 1993 through 1999. Prior to that, Mr. Wells was with Deloitte Consulting (previously Deloitte & Touche Consulting) and previously held various positions with the Public Utility Commission of Texas and Illinois Power Company.

Mr. Wells' qualifications for election to the Board include his wide range of operational and financial experiences in regulated industries and associated businesses. Through his prior experience as a senior executive in the telecommunications and other regulated industries, he has insight on managing complex regulated enterprises, developing strategic plans in changing regulatory environments, overseeing financial reporting processes, and executing large capital market transactions.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR EACH OF THE FOREGOING NOMINEES. PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE VOTED FOR EACH OF THE FOREGOING NOMINEES UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.

BOARD AND BOARD COMMITTEE MATTERS

During 2011, there were eleven meetings of Windstream's Board. All of the directors attended 75% or more of the meetings of the Windstream Board of Directors and Board Committees on which they served during the periods in which they served. Directors are expected to attend each annual meeting of stockholders. Each director attended the 2011 Annual Meeting of Stockholders.

The Windstream Board of Directors has affirmatively determined that all of the nominees for director, except Messrs. Francis X. Frantz, Jeffery R. Gardner and Alan L. Wells, have no material relationship with Windstream and are independent directors under NASDAQ listing standards. Each of the director nominees was elected at the 2011 Annual Meeting of Stockholders.

The Board has adopted categorical standards for use in determining whether any relationship between a director and Windstream is a material relationship that would impair the director's independence. Specifically, the Board has determined that one or more relationships between a director and Windstream during the past three fiscal years will not constitute a material relationship that would interfere with the director's exercise of independent judgment if each such relationship falls within one or more of the following categorical standards:

- (1) The director, or one or more members of the director's immediate family, purchased services or products from Windstream in the ordinary course of business and on terms generally available to employees or customers;
- (2) The director, or one or more members of the director's immediate family, was either a director of an entity or owned five percent or less of an entity, or both, that has a business relationship with Windstream, as long as the director or immediate family member was not an executive officer or employee of such entity;
- (3) The director or one or more members of the director's immediate family was a director or trustee of an entity that had a charitable relationship with Windstream and that made payments to, or received payments from, Windstream in any fiscal year in an amount representing less than \$100,000 for the year in question;
- (4) The director or a member of the director's immediate family was a partner, controlling shareholder, executive officer or employee of an entity that made payments to, or received payments from, Windstream in any year in question that account for less than \$200,000 or, if greater, five percent of the recipient's consolidated gross revenues for the year in question.

Table of Contents

Since the inception of Windstream, the positions of Chief Executive Officer and Chairman have been held by separate individuals. The Board of Directors believes this board leadership structure improves the ability of the Board of Directors to exercise its oversight role over management by having a director who is not an officer or member of management to serve in the role of Chairman. Mr. Gardner has served as Windstream's CEO from 2006 to the present, and Mr. Frantz served as Chairman of Windstream from 2006 to 2010. In 2010, in order to enhance Windstream's corporate governance profile, Mr. Frantz and the Board of Directors chose to select a Chairman who is independent, as defined by applicable stock exchange rules. Although Mr. Frantz has not been an officer or employee of Windstream for more than four years, he is not independent and, as currently defined, would not qualify as independent prior to August 2012 because of compensation arrangements implemented in connection with his departure from Alltel and the 2006 spin-off of Windstream from Alltel Corporation. Having an independent Chairman also simplifies Windstream's corporate governance structure by allowing the Chairman to convene executive sessions with independent directors and dispensing with the need for a separate director to discharge the role of Lead Director.

The standing Committees of the Windstream Board of Directors are the Audit Committee, Compensation Committee and the Governance Committee. Each of the Audit, Compensation, and Governance Committees has a written charter and is comprised entirely of independent directors, as defined under NASDAQ listing standards. A brief description of the functions of the Audit, Compensation, and Governance Committees is set forth below.

The Windstream Corporate Governance Board Guidelines specify that the independent directors of the Board must meet at regularly scheduled executive sessions without management and that an independent director selected from time to time by the independent directors shall preside at executive sessions of independent directors. The Windstream Board of Directors has designated Mr. Foster, Chairman of the Board, to serve as the Lead Director to preside at the executive sessions until his successor is appointed. During 2011, the executive sessions of the independent directors specified in the Board Guidelines generally occurred at the end of each regular meeting of the Board.

The Audit Committee held four meetings during 2011. The Audit Committee assists the Windstream Board of Directors in overseeing Windstream's consolidated financial statements and financial reporting process, disclosure controls and procedures and systems of internal accounting and financial controls, independent auditors' engagement, performance, independence and qualifications, internal audit function, and legal and regulatory compliance and ethics programs as established by Windstream management and the Board of Directors. The Audit Committee has been established by the Windstream Board of Directors for the purpose of overseeing the accounting and financial reporting processes of Windstream and the audits of the consolidated financial statements of Windstream as contemplated by Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The members of the Audit Committee are Mr. Hinson and Ms. Armitage and Jones, and the Windstream Board of Directors has determined that each of Mr. Hinson and Ms. Jones is an audit committee financial expert, as defined by the rules of the SEC.

The Compensation Committee held three meetings during 2011. The Compensation Committee assists the Windstream Board of Directors in fulfilling its oversight responsibility related to the compensation programs, plans, and awards for Windstream's directors and principal officers. For more information regarding the Compensation Committee, see Management Compensation Compensation Discussion and Analysis.

The Governance Committee held two meetings during 2011. The Governance Committee included all independent directors of Windstream. Since February 2012, the Governance Committee has been comprised of Ms. Armitage, as Chair, and Ms. Jones and Mr. Montgomery. The Governance Committee oversees Windstream's director nomination and screening process, succession planning for the Chief Executive Officer position, the annual self-evaluation of the Board and each Board Committee, compliance with Windstream's related party transaction policy and stock ownership guidelines, and oversees spending on political activities by Windstream. On an annual basis, the Governance Committee reviews and assesses Windstream's Corporate Governance Board Guidelines and recommends any proposed changes to the Board of Directors for approval.

Table of Contents

The Governance Committee identifies individuals qualified to become members of the Windstream Board of Directors and recommends director nominees to the Board for each annual meeting of stockholders. The Governance Committee identifies candidates through various methods, including recommendation from directors, management, and stockholders. The Governance Committee has the sole authority to retain and terminate search firms to be used to identify director candidates and to approve the search firm's fees and other retention terms. The Governance Committee periodically reviews with the Chairman and the Chief Executive Officer the appropriate skills and characteristics required of Board members in the context of the composition of the Board and an assessment of the needs of the Board from time to time. The Governance Committee considers applicable Board and Board committee independence requirements imposed by Windstream's Corporate Governance Board Guidelines, NASDAQ listing standards, and applicable law. The Governance Committee also considers, on a case-by-case basis, the number of other boards and board committees on which a director candidate serves. The Governance Committee seeks candidates who evidence personal characteristics of high personal and professional integrity; intelligence and independent judgment; broad training and experience at the policy-making level in business; strong interpersonal and communication skills; demonstrated ability to solve problems and to build consensus among diverse viewpoints; a commitment to serve on the Board over a period of several years to develop knowledge about Windstream, its strategy, and its principal operations; a willingness to evaluate management performance objectively; and the absence of activities or interests that could conflict with the director's responsibilities to Windstream. The Governance Committee does not have a formal policy on diversity with regard to consideration of director nominees, but the Governance Committee considers diversity in its selection of nominees and seeks to have a board that reflects a diverse range of views, backgrounds and experience.

The Governance Committee will consider director candidates recommended by stockholders. To qualify for such consideration, stockholder recommendations must be submitted to the Governance Committee in accordance with the substantive and procedural requirements set forth in Windstream's Bylaws, as discussed below under the caption "Other Matters." The Governance Committee does not have a specific policy regarding the consideration of stockholder recommendations for director candidates because the Committee intends to evaluate stockholder recommendations in the same manner as it evaluates director candidates recommended by other sources.

Management of Windstream has the primary responsibility for managing the risks facing Windstream, subject to the oversight of the Board of Directors. Each Committee of the Board assists the Board of Directors to discharge its risk oversight role by performing the subject matter responsibilities outlined above in the description of each Committee. The Board of Directors retains full oversight responsibility for all subject matters not assigned to Committees including risks presented by business strategy, competition, regulation, general industry trends including the disruptive impact of technological change, capital structure and allocation, and mergers and acquisitions. The Board of Directors supplements its ability to discharge its risk oversight role by receiving a report on the results of an annual risk assessment of Windstream that is prepared by the Internal Audit Department. This survey is used primarily to assist the Internal Audit Department to prepare the scope of its annual audit plan, subject to the review and approval of the Audit Committee. Internal Audit prepares the risk assessment by conducting risk assessment interviews and surveys with management across the Company to identify individual process and Company-wide risks. An annual report on the top risks to Windstream identified by this assessment process is presented to the Audit Committee and the full Board.

Windstream's Corporate Governance Board Guidelines, its code of ethics policy entitled "Working With Integrity", and the charters for the Audit, Compensation and Governance Committees are available on the Investor Relations page of the Windstream Corporation website at www.windstream.com/investors. Copies of each of these documents are also available to stockholders who submit a request to Windstream Corporation, ATTN: Investor Relations, 4001 Rodney Parham Road, Little Rock, AR 72212. Stockholders and other interested parties may contact the Chairman of the Board or the non-management directors of the Windstream Board of Directors by writing to Windstream Corporation, ATTN: Chairman of the Board or Non-Management Directors, c/o Corporate Secretary, 4001 Rodney Parham Road, Little Rock, AR 72212.

Table of Contents**STOCK OWNERSHIP GUIDELINES**

The Windstream Board of Directors has adopted minimum stock ownership guidelines for Windstream's directors and executive officers. Directors who are not executive officers are expected to maintain beneficial ownership of shares of Windstream Common Stock valued at least five times the annual cash retainer paid to non-management directors. Executive officers are expected to maintain beneficial ownership of shares of Common Stock at the following levels: ten times base salary for the Chief Executive Officer; five times base salary for each of the Chief Financial Officer, Chief Operating Officer and General Counsel; and three times base salary for all other executive officers. Directors have a transition period of five years from their initial election, and executive officers have a transition period of three years from their initial election to meet the applicable ownership guidelines and, thereafter, one year to meet any increased ownership requirements resulting from changes in stock price, annual base fee, annual base salary, or applicable ownership levels occurring since the initial deadline. During the transition period and until the director or officer satisfies the specified ownership levels, the guidelines impose a retention ratio that provides that each officer and director is expected to retain at least 50% of the shares received, net of tax payment obligations, upon the vesting of restricted stock or the exercise of stock options. Directors and officers are also required to hold for at least six months all shares received, net of tax payment obligations, upon vesting of restricted stock or the exercise of stock options. For the purposes of the guidelines, unvested shares or units of restricted stock (including the performance-based restricted stock units granted beginning in 2011) are considered to be owned.

Based on the foregoing, the table below sets forth the number of shares of Common Stock that each named executive officer is expected to own by the 2012 Annual Meeting of Stockholders, which amounts were determined based on each person's position with Windstream, the person's base salary and the closing price of Windstream common stock, in each case as of the date of Windstream's 2011 Annual Meeting of Stockholders, and the number of shares deemed owned under the guidelines:

Named Executive Officers	Guideline Share Amount	Shares Owned (1)
Jeffery R. Gardner	749,622	1,991,632
Anthony W. Thomas	197,142	329,622
Brent Whittington	232,602	509,971
John P. Fletcher	179,652	428,683
Cynthia B. Nash	102,857	305,173

(1) This amount differs from the amount reported in the Security Ownership of Directors and Executive Officers table because unvested performance-based RSUs are deemed to be owned under the guidelines but not for purposes of the SEC rules that drive the disclosure in the Security Ownership of Directors and Executive Officers table.

Based on current ownership amounts, Windstream expects that each of its executive officers will be in compliance with the stock ownership guidelines at the time of the 2012 Annual Meeting of Stockholders. Following the 2012 Annual Meeting of Stockholders, the executive officers will have until 2013 Annual Meeting of Stockholders to meet increased share guidelines resulting from changes in stock price, annual base salary or ownership levels since the 2012 Annual Meeting of Stockholders.

Table of Contents

The table below sets forth the number of shares of Common Stock that each non-management director is expected to own and the number of shares deemed owned under the guidelines. Based on current ownership amounts, Windstream expects that each non-management director will be in compliance with the stock ownership guidelines at the time of the 2012 Annual Meeting of Stockholders.

Non-Management Director	Guideline Share Amount	Shares Owned
Carol B. Armitage	21,216(1)	38,770
Samuel E. Beall, III	22,693(1)	57,433
Dennis E. Foster	22,693(1)	216,232
Francis X. Frantz	22,693(1)	647,624
Jeffrey T. Hinson	22,693(1)	44,218
Judy K. Jones	22,693(1)	41,974
William A. Montgomery	22,693(1)	58,628
Alan L. Wells	28,116(2)	232,219

(1) Guideline to be met by 2012 Annual Meeting.

(2) Guideline to be met by 2015 Annual Meeting.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

Set forth below is certain information, as of March 1, 2012, as to shares of Windstream Common Stock beneficially owned by each director, by each named executive officer who was serving as an executive officer at the end of 2011, and by all directors and executive officers of Windstream as a group. Except as otherwise indicated by footnote, the nature of the beneficial ownership is sole voting and investment power, and no shares are pledged as security:

Name of Beneficial Owners	Amount and Nature of Beneficial Ownership		Total Shares Beneficially Owned (3)	Percent of Class (if 1% or more)
	Shares Beneficially Owned (1)	Unvested Restricted Shares (2)		
Non-Management Directors				
Carol B. Armitage	32,340	6,430	38,770	*
Samuel E. Beall, III	51,003	6,430	57,433	*
Dennis E. Foster	209,802(4)	6,430		