WINDSTREAM CORP
Form DEF 14A
March 24, 2011



**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 x

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))**
x 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):

x No fee required.
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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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# WINDSTREAM CORPORATION

4001 Rodney Parham Road

Little Rock, Arkansas 72212

Telephone: (501) 748-7000

**www.windstream.com**

## NOTICE OF 2011 ANNUAL MEETING OF STOCKHOLDERS

**To be Held May 4, 2011**

To the Stockholders of Windstream Corporation:

*Notice Is Hereby Given That* the 2011 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 4, 2011 at 11:00 a.m. (local time), for the following purposes:

1. To elect nine directors to serve until the 2012 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death;

2. To vote on an advisory (non-binding) resolution on executive compensation;

3. To vote on an advisory (non-binding) resolution on the frequency of advisory votes on executive compensation;

4. To ratify the appointment of PricewaterhouseCoopers LLP as Windstream s independent registered public accountant for 2011;

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, 2011 are entitled to notice of and to vote at the meeting or at any adjournment or postponement thereof.

Beginning on March 24, 2011, we began mailing our stockholders a notice containing instructions on how to access our 2010 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

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 24, 2011

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 2011 Annual Meeting of Stockholders to be held on May 4, 2011. Windstream s Proxy Statement and Annual Report to security holders for the fiscal year ended December 31, 2010 is also available at www.windstream.com.**

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# 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 2011 Annual Meeting of Stockholders. The meeting will be held at the Capital Hotel, 111 West Markham, Little Rock, Arkansas 72201 on Wednesday, May 4, 2011 at 11:00 a.m. (local time).

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## 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 24, 2011, 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 access your proxy card 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, you will continue to receive these materials via e-mail 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, 2011 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 509,982,073 shares of Common Stock. This proxy statement is being made available to stockholders beginning on March 24, 2011.

*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 2011 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 2011, all director nominees are currently serving on the Board.

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Except for the non-binding advisory vote on the frequency of advisory votes on executive compensation, all 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. However, because the vote on the frequency of advisory votes on executive compensation is advisory and non-binding, and because the presence of three frequency options on the ballot creates the potential that no option will receive majority support, the frequency option that receives the greatest number of votes will be considered the frequency recommended by the Company s stockholders.

*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 2011 (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 advisory votes on executive compensation and the frequency of advisory votes 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.

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## 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 2011 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 2012 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 53, has served as a director of Windstream since September 2007 and serves on the Audit Committee and the Governance 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 60, has served as a director of Windstream since November 2006 and serves on the Compensation Committee and Governance 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.

**Dennis E. Foster**, age 70, 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 was a director of Alltel Holding Corp. (a predecessor corporation to Windstream) from June 2006 to July 2006. Mr. Foster serves as Chairman of

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the Governance Committee and is a member of 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 is also a director and serves on the Compensation and Governance Committees of YRCW (Yellow Roadway Corporation Worldwide) and is a director and Chairman of the Audit Committee of NiSource Inc.

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 as a director of two other public companies (which directorships include serving as chairman of Windstream s governance committee and a member of its compensation committee, chairman of YRCW s compensation committee, and chairman of NiSource Inc. s audit committee), 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 57, has served as a director of Windstream since 2006 and served as Chairman of the Board of Alltel Holding Corp. from December 2005 to July 2006 and of Windstream from 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 2013). Mr. Frantz has served as Chairman of Swyft Technology, LLC (a provider of interaction management technology) 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 USTelecom, a telecom trade association. Because Mr. Frantz is not independent , he is disqualified, under applicable stock exchange rules, from being a member of 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 USTelecom provides Mr. Frantz with additional experience and insight in telecommunications policy and regulation. Through his current position as Chairman 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, and capital market transactions, in addition to the specific aspects of the telecom industry.

**Jeffery R. Gardner,** age 51, President and Chief Executive Officer of Windstream since July 2006. Mr. Gardner has been a director of Windstream since July 2006 and was a director of Alltel Holding

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Corp. from December 2005 to July 2006. Alltel Corporation appointed Mr. Gardner in December 2005 to serve as President and Chief Executive Officer of Alltel Holding Corp. Prior to January 2006, Mr. Gardner was the Executive Vice President and Chief Financial Officer of Alltel. Mr. Gardner has been in the communications industry since 1986 and joined Alltel in 1998 when Alltel and 360º Communications merged. While with 360° Communications, he held a variety of other senior management positions such as Senior Vice President of Finance, President of the Mid-Atlantic Region, Vice President and General Manager of Las Vegas and Director of Finance. Since 2008, he has served as a member of the Executive Committee of USTelecom, a telecom trade association. He is a director and a member of the Audit Committee of RF Micro Devices, based in Greensboro, North Carolina.

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 s service on the board 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 56, has served as a director of Windstream since July 2006 and served as a director of Alltel Holding Corp. from June 2006 to July 2006. Mr. Hinson also serves as Chairman of the Audit Committee and as a member of the Governance 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.

**Judy K. Jones,** age 67, has served as a director of Windstream since July 2006 and served as a director of Alltel Holding Corp. from June 2006 to July 2006. Ms. Jones also 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 and of Lovelace Scientific Resources. 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.

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Ms. Jones qualifications for election to the Board include her expertise in financial and accounting matters. Through her prior experience as a senior executive at a state university and in state government and her experience 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 colleges and universities, which are an important customer segment for Windstream; and information technology and strategic planning.

**William A. Montgomery**, age 62, has served as a director of Windstream since July 2006 and served as a director of Alltel Holding Corp. from June 2006 to July 2006. Mr. Montgomery also 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 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 51, has served as a director of Windstream since June 2010, and served as Chief Executive Officer of Iowa Telecommunication Services, Inc. ( Iowa Telecom ) and Chairman of the board of directors from 2004 to 2010. 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 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 qualification 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.**

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## BOARD AND BOARD COMMITTEE MATTERS

During 2010, there were ten 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 2010 Annual Meeting of Stockholders except for Mr. Wells who was not a nominee for election or a member of the Board at the date of the 2010 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. With the exception of Mr. Wells, each of the director nominees was elected at the 2010 Annual Meeting of Stockholders. Mr. Wells was the Chief Executive Officer of Iowa Telecom and was appointed as a non-executive director of Windstream at the time of the closing of Windstream s acquisition of Iowa Telecom in June 2010.

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 from, Windstream in any fiscal year in an amount representing less than $500,000 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 entity s consolidated gross revenues for the year in question.

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 three years, he is not independent and, as currently defined, would not qualify as independent prior to 2013, 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.

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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 2010, 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 five meetings during 2010. 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 Mses. 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 four meetings during 2010. 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 2010. In February 2010, the Board of Directors expanded the Governance Committee to include all independent directors of Windstream. 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, and compliance with Windstream s related party transaction policy and stock ownership guidelines. 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.

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 Committee recommends director nominees to the Board for approval. 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.

## 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 (or, for incumbent directors as of November 2006, until the date of the 2011 Annual Meeting of Stockholders), 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

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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 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 2011 Annual Meeting of Stockholders, which amounts were determined based on each person s position with Windstream and base salary as of the date of Windstream s 2010 Annual Meeting of Stockholders:

| Named Executive Officers | Guideline Share Amount |
|---|---|
| Jeffery R. Gardner | 900,909 |
| Anthony W. Thomas | 197,142 |
| Brent Whittington | 272,727 |
| John P. Fletcher | 200,000 |
| Cynthia B. Nash | 102,857 |

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 2011 Annual Meeting of Stockholders. Following the 2011 Annual Meeting of Stockholders, the executive officers will have until 2012 Annual Meeting of Stockholders to meet increased share guidelines resulting from changes in stock price, annual base salary or ownership levels since the 2011 Annual Meeting of Stockholders. The actual shares held by the executive officers can be found in the Security Ownership of Directors and Executive Officers table.

The table below sets forth the number of shares of Common Stock that each non-management director is expected to own and which Annual Meeting of Stockholders is the deadline for achieving such ownership level. 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 2011 Annual Meeting of Stockholders.

| Non-Management Director | Guideline Share Amount | Deadline for Achieving Guideline Amount |
|---|---|---|
| Carol Armitage | 21,216 | 2012 Annual Meeting |
| Samuel Beall | 21,929 | 2011 Annual Meeting |
| Dennis Foster | 21,929 | 2011 Annual Meeting |
| Francis Frantz | 21,929 | 2011 Annual Meeting |
| Jeffrey Hinson | 21,929 | 2011 Annual Meeting |
| Judy Jones | 21,929 | 2011 Annual Meeting |
| Bill Montgomery | 21,929 | 2011 Annual Meeting |
| Alan Wells | 28,116 | 2015 Annual Meeting |

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## SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Set forth below is certain information, as of March 1, 2011, as to shares of Windstream Common Stock beneficially owned by each director, named executive officer who was serving as an executive officer at the end of 2010, 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 Shares Beneficially Owned(1) | Unvested Restricted Shares(2) | Total Shares Beneficially Owned(3) | Percent of Class (if 1% or more) |
|---|---|---|---|---|
| **Non-Management Directors** | | | | |
| Carol B. Armitage | 26,266 | 6,074 | 32,340 | * |
| Samuel E. Beall, III | 38,901 | 6,074 | 44,975 | * |
| Dennis E. Foster | 148,005 | 6,074 | 154,079 | * |
| Francis X. Frantz | 635,120 | 6,074 | 641,194 | * |
| Jeffrey T. Hinson | 31,714 | 6,074 | 37,788 | * |
| Judy K. Jones | 29,470 | 6,074 | 35,544 | * |
| William A. Montgomery | 46,124 | 6,074 | 52,198 | * |
| Alan L. Wells | 209,719 | 16,070 | 225,789 | * |
| **Named Executive Officers** | | | | |
| Jeffery R. Gardner | 929,043 | 522,958 | 1,452,001 | * |
| Anthony W. Thomas | 88,660 | 137,537 | 226,197 | * |
| Brent Whittington | 186,550 | 195,956 | 382,506 | * |
| John P. Fletcher | 166,409 | 160,673 | 327,082 | * |
| Cynthia B. Nash | 170,329 | 89,922 | 260,251 | * |
| **All Directors and Executive Officers as a Group** | 2,706,310 | 1,165,634 | 3,871,944 | * |

* indicates less than 1 percent

(1) Excludes unvested restricted shares and includes shares of Common Stock owned directly and shares held in the person s account under the Windstream 401(k) Plan, which are as follows: Gardner 678, Thomas 301, Whittington 2,077, Fletcher 11,137, and Nash -0-.

(2) Unvested shares of restricted stock are deemed beneficially owned because grantees of unvested restricted stock under Windstream s equity compensation plans hold the sole right to vote such shares. To date, Windstream has not granted stock options or other similar instruments that would provide the right to acquire beneficial ownership of Common Stock.

(3) In February 2011, Windstream granted performance-based restricted stock units (PBRSUs) to its executive officers. Because unvested PBRSUs do not provide the recipients the right to vote or other elements of beneficial ownership as defined under SEC rules, all unvested outstanding PBRSUs are omitted from this table. For informational purposes, the following table shows the outstanding unvested PBRSUs granted to each named executive officer:

| Named Executive Officers | Total Shares Beneficially Owned | Unvested Performance Based Restricted Stock Units (PBRSUs) | Total Shares Beneficially Owned Including PBRSUs |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Jeffery R. Gardner | 1,452,001 | 273,348 | 1,725,349 |
| Anthony W. Thomas | 226,197 | 30,372 | 256,569 |
| Brent Whittington | 382,506 | 37,965 | 420,471 |
| John P. Fletcher | 327,082 | 30,372 | 357,454 |
| Cynthia B. Nash | 260,251 | 15,186 | 275,437 |

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Set forth below is information, as of March 1, 2011, with respect to any person known to Windstream to be the beneficial owner of more than 5% of any class of Windstream s voting securities, all of which are shares of Common Stock:

| Title of Class | Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Percent of Class |
|---|---|---|---|
| Common Stock | BlackRock, Inc.<br>40 East 52nd Street<br>New York, NY 10022 | 28,417,786 | 5.57% |

(1) Based upon information contained in the Schedule 13G filed on February 9, 2011, BlackRock, Inc. has sole voting and investment control over these shares.

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## COMPENSATION COMMITTEE REPORT

## ON EXECUTIVE COMPENSATION

This report provides information concerning the Compensation Committee of Windstream Corporation s Board of Directors. The Compensation Committee s Charter is available on the Investor Relations page of Windstream Corporation s website at www.windstream.com/investors. The Compensation Committee is comprised entirely of independent directors, as defined and required by NASDAQ listing standards.

The Compensation Committee has reviewed the disclosures under the caption Compensation Discussion and Analysis contained in Windstream Corporation s Proxy Statement on Schedule 14A for the 2011 Annual Meeting of Stockholders and has discussed such disclosures with the management of Windstream Corporation. Based on such review and discussion, the Compensation Committee recommended to the Windstream Board of Directors that the Compensation Discussion and Analysis be included in Windstream Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Windstream Corporation s Proxy Statement on Schedule 14A for the 2011 Annual Meeting of Stockholders for filing with the Securities and Exchange Commission.

The Compensation Committee

William A. Montgomery, Chairman
Samuel E. Beall, III
Dennis E. Foster

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## AUDIT COMMITTEE REPORT

This report provides information concerning the Audit Committee of Windstream Corporation s Board of Directors. The Audit Committee s Charter is available on the Investor Relations page of Windstream Corporation s website at www.windstream.com/investors. The Audit Committee is comprised entirely of independent directors, as defined and required by NASDAQ listing standards and comprised entirely of directors who are financially literate. Additionally, Mr. Hinson and Ms. Jones qualify as audit committee financial experts.

In connection with its function to oversee and monitor Windstream Corporation s financial reporting process, the Audit Committee has reviewed and discussed with Windstream Corporation s management the audited consolidated financial statements for the year ended December 31, 2010; discussed with PricewaterhouseCoopers LLP, Windstream Corporation s independent registered public accountant, the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence.

Based on the reviews and discussions referred to above, the Audit Committee recommended to Windstream Corporation s Board of Directors that the audited consolidated financial statements for the year ended December 31, 2010 be included in Windstream Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 for filing with the Securities and Exchange Commission.

The Audit Committee

Jeffrey T. Hinson, Chairman
Carol B. Armitage
Judy K. Jones

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## MANAGEMENT COMPENSATION

**Compensation Discussion and Analysis**

**Executive Summary**

Compensation Philosophy. Windstream s executive compensation program is designed to achieve the following objectives:

- Provide a high correlation between pay and performance;
- Align management s interests with the long-term interests of Windstream s stockholders; and
- Provide competitive compensation and incentives to attract and retain key executives.

Our core program consists of base salary, annual cash incentives and long-term equity incentives.

The following is a summary of key considerations that stockholders should take into account when assessing our executive compensation program:

- During 2010, we delivered industry-leading financial and operational performance while successfully executing on a wide range of key strategic initiatives. Those initiatives were designed to grow and transform the Company into a next-generation communications company. As a result of these efforts, 58% of 2010 revenues (pro forma to reflect all acquisitions as if they closed prior to January 1, 2010) come from broadband and business, the growth segments of the Company. Our annual (short-term) incentive plan recognized these results with a payout of 181% of target levels and our performance-based equity awards were earned at target level. These payouts demonstrate our desired correlation between pay and performance.

- Our dividend is a key component of our total shareholder return and we believe Adjusted Operating Income Before Depreciation and Amortization (Adjusted OIBDA) is the right performance metric to motivate management to maintain and increase the cash flows of the business to support the dividend. For 2011, the short-term incentive program will be based 100% on Adjusted OIBDA.

- We seek to align management with the long-term interests of our shareholders and in 2011, the performance-based restricted stock units were modified to raise the performance bar five hundred basis points over 2010 goals, and a three-year revenue goal has been added to the program. These changes, along with our robust stock ownership guidelines, including ten times base salary for the CEO, and clawback policy that allows Windstream to recover both incentive and non-incentive based compensation in certain situations, strengthen our executive compensation program without creating incentives for excessive risk taking.

Compensation Committee. Windstream s Compensation Committee is presently comprised of William A. Montgomery, Chair, Dennis E. Foster and Samuel E. Beall, III. The Windstream Board has determined that each member of the Compensation Committee is an independent director under NASDAQ listing standards, a non-employee director for purposes of Section 16 of the Securities Exchange Act of 1934, and an outside director as defined in Section 162(m) of the Internal Revenue Code.

The Compensation Committee assists the Board in fulfilling its oversight responsibility related to the compensation programs, plans, and awards for Windstream s directors and principal officers. The Compensation Committee annually reviews and approves goals relevant to Mr. Gardner s compensation and, based on an annual evaluation of these performance goals, determines and approves Mr. Gardner s compensation. The Committee conducts this review using a survey of compensation data of comparable employers that is prepared by the Committee s outside compensation consultant based on criteria specified by the Committee.

Independent Consultant

The Compensation Committee has the sole authority to retain and terminate any executive compensation consultant to be used in the evaluation of director, CEO or executive officer compensation and to approve the

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consultant s fees and other retention terms. It is the policy of the Compensation Committee that the compensation consultant should perform no services for Windstream other than services as consultant to the Compensation Committee. During 2009 and into 2010, the Compensation Committee engaged Watson Wyatt & Company ( Watson Wyatt ) to assist the Committee in the review and design of Windstream s executive compensation program for 2009 and 2010, and to provide information on competitive market practices and survey data for both plan design and compensation levels. This information was used by the Committee, along with all other relevant information, to assist in the Committee s decisions regarding the 2010 executive compensation program. During 2009 and into 2010, Watson Wyatt performed no other services for the Company outside of these services.

Following the merger of Watson Wyatt and Towers Perrin in January 2010, we determined that Watson Wyatt would no longer comply with the Compensation Committee s policy limiting services to the Compensation Committee due to other services performed for Windstream by Towers Perrin. Accordingly, the Compensation Committee conducted a search for a new independent consultant and selected Pearl Meyer & Partners (PM&P). PM&P reports directly to the Compensation Committee and provides no other services to the Company. During 2010 and into 2011, PM&P conducted a competitive review of the Company s executive pay levels and executive pay program designs, with such data and information being used by the Committee, along with all other relevant information, to inform the Committee s decisions regarding the 2011 executive compensation program.

Windstream Management

Windstream s management assists the consultant in its survey of executive compensation by providing historical compensation information and by reviewing and commenting on preliminary drafts of the survey reports. At the first Compensation Committee meeting of each year (which is expected to be held in early February of each year), the Compensation Committee reviews and approves executive compensation for such year. Based on the compensation surveys and compensation principles previously specified by the Compensation Committee, Mr. Gardner and members of Windstream s Human Resources department prepare recommendations for compensation levels for executive officers in consultation with the Compensation Committee s consultant, except that no recommendation is made for Mr. Gardner s compensation. The Compensation Committee then meets to review and determine Mr. Gardner s compensation and reviews and recommends the compensation for all other executive officers. The Compensation Committee determines Mr. Gardner s compensation, and recommends the compensation of all other executive officers, based on an evaluation of a number of factors, including historical compensation, individual performance, retention considerations, discussions with Windstream management including Mr. Gardner, compensation survey data, the strategic importance of each position, general economic conditions, and discussions with the compensation consultant. The Windstream Board approves or, in the case of Mr. Gardner s compensation, ratifies the actions of the Compensation Committee.

Competitive Market Analysis

As part of the process of approving executive compensation levels and plan designs for 2010, the Compensation Committee used market data compiled by Watson Wyatt from published compensation surveys, and attached to this proxy statement as Appendix A is the list of companies who participated in those surveys. Regression analysis was used to normalize for differences in revenue between companies. In addition, at the request of the Compensation Committee, data was summarized from the proxy statement filings of the following companies: CenturyTel, Embarq, Frontier, Qwest, AT&T, Verizon, Sprint/Nextel, Comcast, DirecTV, Time Warner Cable, Dish Network Corp., Cablevision, Charter and Scripps. The summary of compensation from proxy statement filings is prepared at the Compensation Committee s request, and it serves as an additional reference to assist the Compensation Committee in its assessment and use of the primary market data.

While consideration was given to the comparative market survey data, the Compensation Committee used it primarily as a reference point for determining competitive market levels of compensation and did not

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specifically target compensation to any market percentile based on the market data. The Compensation Committee utilizes the survey data in this manner due to a variety of factors, including the limited number of direct industry competitors of comparable size pursuing a similar business strategy, the variability of the data over the past few years, and the Committee s focus on aligning pay and performance as opposed to simply paying competitively.

Elements of Compensation. The compensation of Windstream s executive officers consists of three principal components:

- Base salary;
- Short-term (annual) cash incentive payments; and
- Long-term incentives in the form of equity-based compensation.

The compensation program for all executive officers also includes the Windstream 2007 Deferred Compensation Plan, the Windstream 401(k) Plan, a change-in-control agreement, and limited perquisites. Windstream has also entered into an employment agreement with Mr. Gardner, and certain executive officers were eligible to participate, on a grandfathered-basis, in the Windstream Pension Plan and the related Windstream Benefit Restoration Plan.

2010 Compensation Philosophy. The Compensation Committee considers the total compensation of each executive officer as well as the allocation of compensation among base salary, short-term incentive compensation, and equity-based compensation for determining compensation levels. For 2010, the Compensation Committee approved increases in elements of total direct compensation for named executive officers after considering individual performance, Company performance, strategic importance of the role, retention risk, and current compensation compared to competitive market data.

Retention remains a key driver of the equity compensation program. Significant demands are imposed on the senior leadership team by the Company s difficult financial and operational targets and high volume of strategic initiatives. The relatively young team has achieved tremendous success in a consolidating industry with intense competition. After reviewing the unvested equity values, the Compensation Committee approved additional grants of time-based restricted stock in August 2010 for executive officers (excluding Mr. Gardner) and other key members of the Company s leadership team. These equity awards have a three year cliff-vesting provision. The following table shows for each named executive officer the amount awarded as part of this special equity grant along with the amount awarded for the 2010 annual equity grant for comparison purposes.

| Named Executive Officer | Special Equity Grant<br>$ | 2010 Annual Equity Grant<br>$ |
|---|---|---|
| Jeffery R. Gardner | -0- | 3,599,994 |
| Anthony W. Thomas | 749,996 | 499,983 |
| Brent Whittington | 749,996 | 899,993 |
| John P. Fletcher | 749,996 | 649,992 |
| Cynthia B. Nash | 499,997 | 319,080 |

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The Compensation Committee believes that a substantial portion of executive compensation should be at risk through allocation of compensation to short-term cash incentives and long-term equity-based incentives. The following table illustrates the allocation for each named executive officer for 2010:

| Named Executive Officer | Percentage of Annual Total Direct Compensation Allocated to Short-term Incentive and Performance-Based Equity Compensation (%) | Percentage of Annual Total Direct Compensation Allocated to Equity-Based Compensation (%) |
|---|---|---|
| Jeffery R. Gardner | 83% | 62% |
| Anthony W. Thomas | 45% | 42% |
| Brent Whittington | 47% | 45% |
| John P. Fletcher | 47% | 45% |
| Cynthia B. Nash | 41% | 39% |

Total direct compensation for these purposes equals base salary, short-term cash incentive payment at target levels and the full up-front fair value of the annual equity-based awards determined in accordance with authoritative guidance on share-based compensation. The August 2010 grants are excluded from the calculations because they were special equity grants designed for long-term retention and are not part of the Company s ongoing annual compensation program.

2011 Compensation. The Compensation Committee has approved an executive compensation program for 2011 that is consistent with past practice subject to the following principal changes in program design. For 2011, the Compensation Committee has established the performance objective for its annual cash incentive plan based on achievement of Windstream s adjusted operating income before depreciation and amortization ( Adjusted OIBDA ). As in prior years, the performance measure for Adjusted OIBDA is set at levels that are difficult but achievable and designed to drive industry leading results. The Compensation Committee also replaced the grants of performance-based restricted stock with performance-based restricted stock units ( PBRSUs ), which will accrue dividend equivalents to be paid if performance-based conditions have been satisfied. The performance threshold for vesting of all outstanding performance-based equity awards has been increased five hundred basis points over previous years. The PBRSUs will provide for additional shares (which will not accrue dividends) for achievement of revenue performance over a three-year period, as well as reduced amounts if adjusted OIBDA performance falls between threshold and target criteria. In addition to his annual PBRSU grant as part of our long-term incentive program, Mr. Gardner received a grant of time-based restricted stock subject to three-year cliff vesting in 2014. This special award was intended to recognize Mr. Gardner s continued leadership in transforming our company, reward him for our strong financial results relative to industry peers, and provide additional retention incentives for him to remain at Windstream during this period of industry consolidation. In determining the size and structure of the grant, the Committee also reviewed and considered peer company practices, broader market pay data, and the fact that Mr. Gardner did not participate in our latest retention grant program in August 2010; at which time other key executives, including the other NEOs, received grants of time-based restricted stock.

Base Salary. Base salary is designed primarily to provide competitive compensation that reflects the contributions and skill levels of each executive.

Short-Term Cash Incentive Payments. Windstream maintains short-term cash incentive plans which are designed primarily to motivate executives to achieve Company-wide performance goals over annual or quarterly periods. Under these plans, the Compensation Committee sets different target payout amounts (as a percentage of base salary) for all executive officers in order to reflect such individual s contributions to Windstream and the market level of compensation for such position. The Compensation Committee has adopted short-term incentive plans as part of its goal to make a substantial portion of total direct compensation at risk.

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During 2010, the executive officers participated in a short-term cash incentive plan based on (1) Windstream s achievement of Adjusted OIBDA, which is a non-GAAP financial measure and is one of the principal measures used by Windstream to communicate its financial performance in its quarterly earnings releases and (2) achievement of certain strategic initiatives during 2010, which were the migration of data center services for most IT systems to new locations and providers, the integration of the acquisitions of D&E Communications, Inc., Lexcom, Inc., NuVox, Inc. and Iowa Telecommunication Services, Inc., and revenues from business sales. Windstream provides the methodology for calculating non-GAAP measures in the Current Report on Form 8-K that accompanies its quarterly earnings releases. The Adjusted OIBDA measure excluded non-cash pension expense, equity compensation expense and restructuring expense and excluded the results of operations of Q-Comm Corporation and Hosted Solutions which were acquired in December 2010 and were not included in the calculation of the performance goals for the year. Windstream utilized Adjusted OIBDA as a performance metric for 2010 because it is a critical indicator of Windstream s ability to generate sustainable cash flows over a long period of time**.** The Adjusted OIBDA component was weighted at 80% of the plan. The strategic initiatives component, weighted at 20% of the plan, recognized the importance of several strategic goals necessary for the success of an aggressive, transformational business plan. The Compensation Committee did not use pre-established targets, weightings or formulas to determine the payout for the strategic component.

Under the Windstream short-term incentive plan, executive officers were eligible to receive payments in proportion to Windstream s achievement of the performance goal that was set at minimum (or threshold), target and maximum levels. The executive officers were eligible to receive 50% to 200% of these target payout amounts if threshold or maximum levels, respectively, were achieved. No payout would be made if performance was below the threshold level and performance between threshold, target and maximum levels results in prorated payouts. During 2010, the target performance goal was the achievement of Adjusted OIBDA of $1,899 million. Windstream s actual performance for Adjusted OIBDA for 2010 was $1,944 million, which reflected an approximate 176% achievement against the target performance goal for Adjusted OIBDA. The Compensation Committee considered the achievement of the strategic goals to be well above target levels and approved payment of 200% for that component. The following table shows the target and actual payouts under the short-term incentive plan for 2010:

| Named Executive Officer | Target Payout Percentage | Actual Payout Percentage |
|---|---|---|
| Jeffery R. Gardner | 125% | 226% |
| Anthony W. Thomas | 70% | 127% |
| Brent Whittington | 80% | 145% |
| John P. Fletcher | 80% | 145% |
| Cynthia B. Nash | 55% | 100% |

The Compensation Committee believes the payouts reflect the outstanding financial performance driven by Windstream s management while delivering industry-leading financial and operating results and successfully completing four acquisitions and a highly complex migration of Windstream s entire data center platform to new third party providers.

Equity-Incentive Awards. Windstream maintains an equity-based compensation program for executive officers to provide long-term incentives, to better align the interests of executives with stockholders and to provide a retention incentive. The Compensation Committee has implemented its equity-compensation program as part of its goal to make a substantial portion of total direct compensation at risk. The Compensation Committee also prefers equity incentives over cash and has used it exclusively in lieu of cash as the method of providing long-term compensation incentives. Each officer receives a portion of his or her total direct annual compensation for a given year in the form of long-term equity-based incentive compensation.

All Windstream equity compensation awards have been issued as either time-based restricted stock, performance-based restricted stock or performance-based restricted stock units under the Windstream Amended

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and Restated 2006 Equity Incentive Plan ( Equity Plan ). Windstream has not issued any stock options or other forms of equity compensation to its directors, executive officers or other employees. The Compensation Committee believes that restricted stock or performance-based restricted stock or unit awards are a preferred mechanism of equity compensation compared to stock options or other devices that derive value from future stock price appreciation due to the high-dividend, low-growth profile of Windstream.

For grants of restricted stock made in 2009 and prior years, executive officers have received the rights of a stockholder to vote the restricted stock and to receive any cash dividends paid with respect to the restricted shares during the vesting period. Beginning with equity compensation granted in 2010, the dividends on performance-based restricted stock are accrued and paid out only when and if the performance conditions are satisfied. Windstream places performance targets on 100% of the grants of restricted stock to Mr. Gardner and 50% for all other executive officers.

The Windstream Board of Directors has delegated responsibility for administration of the Equity Plan, including the authority to approve awards, to the Compensation Committee. It is the Compensation Committee s policy to review and approve all equity compensation awards to directors, executive officers and all other eligible employees at its first regularly scheduled meeting of each year, which is expected to occur each February. In determining the number of shares of restricted stock or performance-based restricted stock to award to any individual under the Equity Plan, the Compensation Committee divides the approved grant value for such individual by the closing stock price of Windstream Common Stock on the date that the Compensation Committee approves the award (rounded down to the nearest whole share). As a matter of policy, the Compensation Committee does not approve awards of equity compensation through the adoption of a unanimous written consent in lieu of a meeting. The following discussion addresses our annual equity compensation program during 2010 and does not address the special equity grants made in August 2010 that have been previously discussed above.

During 2010, the Compensation Committee approved the following categories of annual equity compensation awards to executive officers:

- Time-Based Vesting Awards For each executive officer other than Mr. Gardner, fifty percent (50%) of each 2010 stock award vests ratably over three years.
- Performance-Based Vesting Awards Mr. Gardner received one hundred percent (100%), and each other executive officer received fifty percent (50%), of his or her stock grants in the form of performance-based restricted stock. The stock vests ratably over a three-year period with each year set as a separate performance period. The stock vests only if the performance threshold is met and the executive is still employed on the date of vesting. For 2010, the performance criteria was set at 90% of the Adjusted OIBDA goal of $1,899 million, and this goal was achieved.

For the performance period from January 1 to December 31, 2011, the Compensation Committee has set the performance measure at 95% of the Adjusted OIBDA goal established by the Company for the internal forecast.

Retention is a key driver of the decision to grant time-based vesting restricted stock. In addition, performance-based vesting restricted stock is also granted to align executives with key long-term Company objectives and to preserve the deductibility of compensation related to awards under Section 162(m) of the Internal Revenue Code.

As discussed above, Windstream has adopted minimum share ownership guidelines that apply to Mr. Gardner and all other executive officers. The minimum share ownership guidelines are intended in part to ensure that executive officers retain a sufficient number of shares of Windstream Common Stock such that they continue to have a material financial interest in Windstream which is aligned with the shareholders. In addition, under Windstream s insider trading compliance policy, directors and executive officers are prohibited from engaging in any transaction involving derivative securities intended to hedge the market risk in equity securities of Windstream other than purchases of long call options or the sale of short put options that are not closed prior to their exercise or expiration date. The policy also prohibits the purchase of shares on loan or margin and short sales.

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Severance Benefits. Except for Mr. Gardner, Windstream has no agreement or plan to provide severance benefits to executive officers other than benefits that are generally available to all employees under Windstream s severance plan and benefits available under the change-in-control agreements discussed below. During 2009, the Compensation Committee approved an extension of the employment agreement with Mr. Gardner that includes a severance benefit of three times base salary (at the time of severance), or $2.973 million based on Mr. Gardner s base salary during 2010. The employment agreement provides for no gross up of taxes for severance outside of a change-in-control situation. The employment agreement provides that Mr. Gardner s base salary will be no less than $700,000 per year. If Mr. Gardner experiences a separation from service following a change of control, the severance benefits provided under the terms of the change-in-control agreements discussed below will govern, and no severance is available under the employment agreement in such circumstance. The Compensation Committee approved the foregoing severance benefit to Mr. Gardner to recognize the importance of his service and contributions to Windstream, to recognize that it would be difficult for him to find comparable employment during a short period of time following a separation, and to reflect market practice of providing similar severance benefits to the CEO position.

Retirement Plans. Windstream maintains a defined benefit pension plan and a qualified 401(k) defined contribution plan for its executive officers and employees. Participation in the pension plan is frozen except for a 5 year transition period for participants who were above the age of 40 with at least two years of service at the end of 2005 and bargaining unit employees. Mr. Gardner was eligible to accrue benefits under the pension plan until December 31, 2010, which time accruals were frozen for non-bargaining participants.

Windstream maintains a 401(k) plan which provides for potential matching employer contributions of up to 4% of a participant s compensation. The Compensation Committee maintains the 401(k) plan in order to provide employees with an opportunity to save for retirement with pre-tax dollars. The 401(k) plan also allows Windstream to fund its contributions to this plan in a predictable, consistent manner.

Deferred Compensation Plans. Windstream maintains the 2007 Deferred Compensation Plan to provide a non-qualified deferred compensation plan for its executive officers and other key employees. The Compensation Committee adopted this plan as part of its effort to provide a total compensation package that was competitive with the compensation arrangements of other companies. The plan also offers participants the ability to defer compensation above the IRS qualified plan limits.

Change-In-Control Agreements. During 2006, the Compensation Committee approved change-in-control agreements for Mr. Gardner and each executive officer in order to provide some protection to those individuals from the risk and uncertainty associated with a potential change-in-control. The Compensation Committee also adopted the change-in-control agreements as part of its efforts to provide a total compensation package that was competitive with the compensation arrangements of other market participants. Prior to approving the change-in-control agreements in 2006, the Compensation Committee specifically engaged its compensation consultant at the time to review the payment multiples and other terms of the change-in-control agreements, to compare such provisions against prevailing market practices, and to provide recommendations on the final terms of the agreements. When it approved the change-in-control agreements, the Compensation Committee considered the total amount of compensation that Mr. Gardner and each other executive officer would receive in a hypothetical termination under all of the change-in-control benefits described below.

Based on the foregoing, the Compensation Committee approved the payment of change-in-control benefits to Mr. Gardner and the other executive officers on a double-trigger basis, which means that a change-in-control of Windstream must occur and the officer must terminate employment with Windstream through either a resignation for good reason or a termination without cause (as those terms are defined in the change-in-control agreement). Upon a qualifying separation from service, the executive officers are eligible for a cash, lump sum payment based upon a multiple of base salary and target bonus of three times for Messrs. Gardner, Whittington, and Fletcher and two times for all other named executive officers.

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In the event of a change-in-control, Windstream has also agreed to provide lump sum cash payments equal to the value of medical and dental benefits for a period of 36 months for Messrs. Gardner, Whittington, and Fletcher and 24 months for all other named executive officers. Windstream has also agreed to provide, at its expense, outplacement services from a recognized outplacement provider, except that Windstream s cost for such services will not exceed $50,000 in the case of Messrs. Gardner, Whittington, and Fletcher and $25,000 in the case of any other named executive officer. Also, under the terms of Windstream s agreements for its equity compensation awards of restricted stock or performance-based restricted stock or units, the unvested equity awards held by the executive officers will vest on a double-trigger basis that is substantially similar to the events that trigger the cash payments under the change-in-control agreements. For change-in-control agreements adopted prior to 2009, Windstream is obligated to reimburse each executive officer for excise taxes imposed on such individual pursuant to Section 4999 of the Internal Revenue Code as a result of the foregoing payments if the payments exceed 110% of the greatest amount payable to the executive without triggering excise taxes. The change-in-control agreements were amended in 2008 to comply with the final regulations issued under Section 409A of the Internal Revenue Code and to clarify the scope of the non-compete provisions. In consideration of these changes, the term of the agreements was extended by one year to expire January 1, 2013. No changes have been made to the change-in-control agreements since 2008, except that change-in-control agreements entered into with executive officers since 2008 have not included a gross-up provision for excise taxes imposed by Section 4999. Ms. Nash s change-in-control agreement does not include a gross-up provision.

Perquisites and Other Benefits. Beginning in 2009, the reimbursement of country club and financial planning expenses was discontinued for all participants with no adjustment to compensation and no new perquisite programs.

Windstream permits limited personal use of Windstream s corporate aircraft by Mr. Gardner and other named executive officers. Under Windstream s policy, this use cannot interfere with other required business use of the aircraft. Mr. Gardner is allowed to utilize Windstream s corporate aircraft for personal use pursuant to a time-sharing arrangement in which Mr. Gardner reimburses Windstream for the incremental cost of such use, which primarily includes costs for fuel, maintenance charges allocable to such use and contract-pilot charges and excludes depreciation of the aircraft, general maintenance, compensation of Windstream s employee pilots, and other general charges related to ownership of the aircraft. Other executive officers are allowed to have family members accompany them on a business trip on the aircraft, subject to seat availability and prior approval of Mr. Gardner. Any other personal use of the aircraft by the other executive officers is permitted only as approved in advance by Mr. Gardner. The Compensation Committee monitors the use by Mr. Gardner and all executive officers to ensure the amount of usage is reasonable. Windstream believes that personal use of aircraft for Mr. Gardner and other senior executives is a reasonable benefit in light of the significant demands that are imposed on their schedules as a result of their responsibilities to Windstream.

Clawback Policy. The Board of Directors, upon the recommendation of the Compensation Committee, has adopted a clawback policy that requires executive officers to repay or forfeit covered compensation under the conditions set forth in the policy. See Compensation of Named Executive Officers Clawback Policy for a description of the terms of the policy. The Board of Directors of Windstream, acting solely through its independent directors, is the administrator of the policy. The policy applies to covered compensation granted or awarded on or after January 1, 2010, including severance payments that may be issued after January 1, 2010 under Windstream s existing change-in-control agreements. The Compensation Committee intends to modify the clawback policy to comply with the final regulations to be issued by the SEC pursuant to the requirements of in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Other Services Performed By Compensation Consultant. The Compensation Committee has adopted a policy that the compensation consultant to the Compensation Committee should not perform any other services to Windstream, and PM&P performed no services to Windstream during 2010 other than in its role as compensation consultant to the Compensation Committee.

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**Compensation of Directors**

During 2010, Windstream non-employee directors received the following compensation: (1) an annual cash retainer of $60,000, (2) a cash fee of $2,000 for each Board and committee meeting attended, except that no fees are paid for periodic informational update meetings and Governance Committee meetings, and (3) an annual grant of $80,000 in restricted stock under the Equity Plan. The restricted shares granted to non-employee directors vest if the grantee continues to serve on the Board for the period beginning on the date of grant and ending on February 15 of the following year or earlier, if the grantee dies or becomes permanently disabled while serving on the Board or a change of control of Windstream occurs. In addition, in 2010, the chairs of the Audit and Compensation Committees received additional annual cash retainers of $20,000 and $15,000, respectively. The Board chairman received an annual cash retainer of $100,000. Beginning in 2011, all non-employee directors have the option to elect to receive any cash retainer in the form of Windstream Common Stock.

Board members receive pro-rated amounts of the annual cash retainer, committee chair fees and the annual restricted stock grant for the portion of the first year in which they are appointed or elected to serve as a Board member or Committee Chair.

The following table shows the compensation paid to the non-employee directors of the Windstream Board during 2010:

**DIRECTOR COMPENSATION**

| Name | Fees Earned or Paid in Cash ($) | Stock Awards ($) (1) | Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($) | All Other Compensation ($) (2) | Total ($) |
|---|---|---|---|---|---|
| Carol B. Armitage | 86,000 | 79,990 | -0- | 170 | 166,160 |
| Samuel E. Beall, III | 88,000 | 79,990 | -0- | 170 | 168,160 |
| Dennis E. Foster | 188,000 | 79,990 | -0- | 672 | 268,662 |
| Francis X. Frantz | 78,000 | 79,990 | 203,306(3) | 639 | 361,935 |
| Jeffrey T. Hinson | 106,000 | 79,990 | -0- | 406 | 186,396 |
| Judy K. Jones | 88,000 | 79,990 | -0- | 170 | 168,160 |
| William A. Montgomery | 101,000 | 79,990 | -0- | 170 | 181,160 |
| Frank E. Reed(4) | 88,000 | 79,990 | -0- | 170 | 168,160 |
| Alan L. Wells(5) | 49,000 | 106,657 | -0- | 170 | 155,827 |

(1) All stock award amounts in the table above reflect the aggregate fair value on the grant date based on the closing price per share of Windstream Common Stock on the date of grant of the restricted stock, computed in accordance with FASB ASC topic 718.

(2) Includes payments of $170 for travel insurance available for all directors and imputed income for personal use of the corporate aircraft for Messrs. Foster, Frantz, and Hinson in the amounts of $502, $469 and $236, respectively.

(3) Amount reflects change in pension value of $203,306 for the Windstream Pension Plan and Benefit Restoration Plan. During 2010, there were no above-market earnings as defined by SEC rules on a deferred compensation balance of $18.0 million. Mr. Frantz received these benefits under arrangements that were approved by Alltel prior to the spin-off and that were assumed by Windstream as part of the spin-off in exchange for cash payments from Alltel totaling the amount of the benefit obligation at the time of the spin-off. On February 1, 2010, Windstream distributed the total balance, net of applicable withholding taxes, to Mr. Frantz as a lump sum distribution of his deferred compensation arrangement.

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(4) On May 5, 2010, Mr. Reed retired from the Board and did not stand for re-election to the Board due to reaching the mandatory retirement age pursuant to the Company s Corporate Governance Board Guidelines.

(5) Mr. Wells joined the Windstream Board in June 2010 and received an initial grant in the amount of $80,000 in restricted stock, and a prorated amount of the 2010 annual cash and stock retainers.