

WINDSTREAM HOLDINGS, INC.

Form PRE 14A

March 13, 2015

**SCHEDULE 14A**

**(Rule 14A-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

Filed by the Registrant

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 under Rule 14a-12

**WINDSTREAM HOLDINGS, INC.**

(Name of Registrant as Specified In Its Charter)

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

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- 2) Form, Schedule or Registration State No.:

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**PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION**

4001 Rodney Parham Road  
Little Rock, Arkansas 72212  
Telephone: (501) 748-7000  
**www.windstream.com**

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**NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS**

**To be Held May 14, 2015  
10:00 a.m. (central time)**

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To the Stockholders of Windstream Holdings, Inc.:

*Notice Is Hereby Given That* the 2015 annual meeting of stockholders (the Annual Meeting ) of Windstream Holdings, Inc. ( Windstream ) will be held on Thursday, May 14, 2015, at 10:00 a.m. (central time). This year s Annual Meeting will be a virtual meeting which means that you will be able to participate in the Annual Meeting, vote and submit your questions during the Annual Meeting via live webcast by visiting [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15). **Because the Annual Meeting this year is virtual and being conducted electronically, stockholders will not be able to attend the Annual Meeting in person.**

The Annual Meeting is being held for the following purposes:

1. To elect the ten directors listed in the Proxy Statement to serve until the 2016 annual meeting of stockholders or until successors are duly elected or until their earlier removal, resignation, or death;
2. To vote on a non-binding advisory resolution on executive compensation;
3. To approve amendments to the Certificate of Incorporation and Bylaws of Windstream to enable stockholders to call special meetings of stockholders under certain circumstances;
4. To approve amendments to the Certificate of Incorporation and Bylaws of Windstream to eliminate super-majority voting provisions;
5. To ratify the appointment of PricewaterhouseCoopers LLP as Windstream s independent registered public accountant for 2015; 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 19, 2015 are entitled to notice of and to vote during the Annual Meeting or at any adjournment or postponement thereof.

Beginning on [ ], 2015, we began mailing to many of our stockholders a notice of internet availability of proxy materials. This notice contains instructions on how to access our Annual Meeting materials, including our Proxy Statement and Annual Report on Form 10-K, and to vote online. The notice also includes instructions on obtaining a paper copy of the Annual Meeting materials. All stockholders who do not receive such a notice will receive a full set of Annual Meeting materials in printed form by mail or electronically by e-mail.

You are cordially invited to attend the Annual Meeting. To ensure that your vote is counted at the Annual Meeting, however, please vote as promptly as possible.

**YOUR VOTE IS IMPORTANT. Your failure to vote will constitute a vote AGAINST two important corporate governance proposals (see Proposal Nos. 3 and 4).**

By Order of the Board of Directors,

Kristi Moody  
*Secretary*

Little Rock, Arkansas  
[ ], 2015

**Important notice regarding the availability of proxy materials for the 2015 Annual Meeting of Stockholders to be held on May 14, 2015: Windstream's Proxy Statement and Annual Report to security holders for the fiscal year ended December 31, 2014 are also available at [www.windstream.com/investors](http://www.windstream.com/investors).**

## PROXY SUMMARY

*This summary highlights information contained elsewhere in this proxy statement, but does not contain all of the information you should consider before voting your shares. For more complete information regarding the proposals to be voted on at the Annual Meeting and our fiscal year 2014 performance, please review the entire proxy statement and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.*

### INFORMATION ABOUT OUR 2015 ANNUAL MEETING OF STOCKHOLDERS

**Date:** Thursday, May 14, 2015  
**Time:** 10:00 a.m. (central time)  
**Location:** Via the internet: [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15)  
**Record Date:** Holders of our common stock at the close of business on March 19, 2015 may vote during the Annual Meeting

### STOCKHOLDER FORUM

You can access these materials and vote by accessing our online stockholder forum at [www.theinvestornetwork.com/forum/WIN](http://www.theinvestornetwork.com/forum/WIN). To access the forum, you must have your control number, which can be found on your notice of Internet availability of the proxy materials, proxy card or voting instruction form.

### ADVANCE VOTING

Even if you plan to attend the Annual Meeting virtually via the internet, please vote right away. You can vote in advance using one of the following advance voting methods:

Visit the website listed on your proxy card/voting instruction form to vote online.

Call the telephone number on your proxy card/voting instruction form to vote by telephone.

Sign, date and return your proxy card/voting instruction form in the enclosed envelope by mail.

### PROPOSALS AND VOTING RECOMMENDATIONS

|    | Proposal   | Board Recommendation | Votes Required for Approval                                       | Page # |
|----|--|----------------------|---|--------|
| 1. | Election of the ten directors listed in this Proxy Statement | FOR                  | Majority of votes cast  | [ ]    |
| 2. | Advisory vote on executive compensation                      | FOR                  | Majority of votes cast  | [ ]    |
| 3. | Amendments to enable stockholders to call special meetings   | FOR                  | 66 <sup>2</sup> / <sub>3</sub> % of shares issued and outstanding | [ ]    |
| 4. | Amendments to eliminate super-majority voting provisions     | FOR                  | 66 <sup>2</sup> / <sub>3</sub> % of shares issued and outstanding | [ ]    |
| 5. | Ratification of appointment of independent accountant        | FOR                  | Majority of votes cast  | [ ]    |

**DIRECTOR NOMINEES**

The following table contains information about the ten candidates who have been nominated for election to our board of directors. Each nominee is currently a director of Windstream.

| Name                        | Age | Director Since | Independent | Audit Committee | Governance Committee | Compensation Committee |
|-----------------------------|-----|----------------|-------------|-----------------|----------------------|------------------------|
| Carol B. Armitage           | 57  | 2007           | Yes         |                 | C                    |                        |
| Samuel E. Beall, III        | 64  | 2006           | Yes         |                 |                      | C, S                   |
| Francis X. ( Skip ) Frantz  | 61  | 2006           | Yes         | C, FE           |                      |                        |
| Jeffrey T. Hinson, Chairman | 60  | 2006           | Yes         |                 |                      |                        |
| Judy K. Jones               | 71  | 2006           | Yes         | FE              |                      |                        |
| William G. LaPerch          | 59  | 2014           | Yes         |                 |                      | S                      |
| William A. Montgomery       | 66  | 2006           | Yes         |                 |                      | S                      |
| Michael G. Stoltz           | 64  | 2014           | Yes         | FE              |                      |                        |
| Anthony W. Thomas           | 43  | 2014           | No          |                 |                      |                        |
| Alan L. Wells               | 55  | 2010           | Yes         |                 |                      |                        |

C Chairperson      FE Audit Committee Financial Expert      S Member of 162(m) Subcommittee

**CORPORATE GOVERNANCE HIGHLIGHTS**

Windstream is committed to good corporate governance, which promotes the long-term interests of stockholders, strengthens Board of Directors and management accountability, and helps build public trust in Windstream. Highlights of our corporate governance practices include:

|                               |   |
|-------------------------------|---|
| <b>Board Independence</b>     | <ul style="list-style-type: none"> <li>9 out of 10 directors are independent</li> <li>CEO is the only management director</li> <li>Director resignation policy for directors who fail to receive majority of votes cast</li> </ul>  |
| <b>Board Composition</b>      | <ul style="list-style-type: none"> <li>The Board regularly assesses its performance through board and committee self-evaluations</li> <li>Governance Committee takes a leading role in considering Board structure and refreshment in light of company circumstances</li> </ul>   |
| <b>Leadership Structure</b>   | <ul style="list-style-type: none"> <li>Separation of Chairman and CEO roles since company inception</li> <li>Structure contributes to effective Board oversight of management and significant independent director leadership</li> <li>Board oversees management risk oversight responsibilities</li> </ul>   |
| <b>Risk Oversight</b>         | <ul style="list-style-type: none"> <li>Involvement at both full Board and key committee level</li> <li>Board reviews annual risk assessment prepared by Internal Audit Department</li> <li>Company support of governance changes (e.g., special meeting rights, elimination of supermajority provisions) in light of stockholder feedback</li> <li>Robust stockholder engagement program</li> </ul> |
| <b>Stockholder Attributes</b> | <ul style="list-style-type: none"> <li>Interactive online forum allows for stockholder participation and questions; designed to drive voter turnout</li> <li>Annual stockholder advisory vote on executive compensation</li> <li>No poison pill</li> </ul>  |
| <b>Succession Planning</b>    | <ul style="list-style-type: none"> <li>Governance Committee monitors succession planning processes</li> </ul>   |

We are responsive to stockholder concerns. Based on stockholder approval of a proposal in 2013, we implemented majority of votes cast as our general voting standard and, at the 2014 Annual Meeting of Stockholders (the 2014 Annual Meeting ), recommended to stockholders amendments to Windstream's charter and bylaws to eliminate super-majority voting requirements. Also at the 2014 Annual Meeting, we recommended to stockholders amendments to Windstream's charter and bylaws that would enable stockholders holding 20% or more of our outstanding common stock to call a special meeting of stockholders under certain circumstances. While both of these proposals failed to garner the support necessary to pass (both requiring approval by 66 2/3% of our outstanding common stock), the proposals received the support of 47.75% and 48.27% of our outstanding common stock, respectively, and of those that did vote approximately 98% of the votes cast were in support of each proposal at the 2014 Annual Meeting (excluding abstentions and broker non-votes).

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Considering the level of support for those proposals, we are again presenting them for stockholder approval at the Annual Meeting. This year's proposal regarding elimination of Windstream's super-majority voting requirements also includes proposed amendments to Windstream's charter and bylaws to lower the stockholder approval requirement for bylaws amendments from the affirmative vote of a majority of Windstream's outstanding common stock (the current standard for amending the bylaws) to a majority of the votes cast. For more information on these amendments, refer to Proposal 3 (regarding amendments to Windstream's charter and bylaws to enable stockholders to call special meetings) and Proposal 4 (regarding amendments to Windstream's charter and bylaws to eliminate super-majority voting requirements) in this Proxy Statement on pages [ ] and [ ], respectively.

In an effort to obtain stockholder approval of Proposals No. 3 and 4, we have implemented measures to increase voter participation, including:

- providing stockholders an interactive stockholder forum, which allows validated stockholders the ability to learn more about our Company and submit questions in advance of the meeting;
- hosting the Annual Meeting online, which we believe will allow more stockholders to attend and vote during the meeting; and
- conducting face-to-face meetings with certain of our larger stockholders to discuss their questions and concerns regarding these Proposals.

## STOCKHOLDER OUTREACH

We are committed to an ongoing dialogue with our stockholders, and value their input on governance and compensation matters. In the first quarter of 2015, Windstream management reached out to stockholders representing approximately 32% of our outstanding shares to ensure that we understand and, to the extent possible, address our stockholders' concerns and observations with respect to our governance and compensation policies.

## 2014 EXECUTIVE COMPENSATION

Our compensation objectives are to pay for performance, align management's interests with those of our stockholders, and attract and retain key executives. Highlights of our compensation practices include:

### What We Do:

- Link pay to performance
- Employ a clawback policy
- Maintain robust stock ownership guidelines
- Utilize independent compensation consultants
- Regularly evaluate equity plan overhang levels and run rates

### What We Don't Do:

- x No dividends on unvested performance-based restricted stock
- x No excise tax gross-ups in any circumstance
- x No hedging transactions for directors and executive officers
- x No special perquisites for former executives

## Overview of 2014

The Windstream Board of Directors believes that the 2014 actual pay results are aligned with the Company's actual 2014 performance results and support the view that the executive compensation program overseen by the Compensation Committee creates a strong linkage between pay and performance. Windstream's financial and operating performance fell short of expectations during 2014, and this performance resulted in a significant reduction in executive compensation payouts compared to the target opportunities available to our executives.



In addition, in 2014, the Board and Mr. Jeffery R. Gardner, who had served as Windstream's CEO since its formation in 2006, each determined a change in perspective was needed in order to accelerate the pace of change within the Company and to more effectively respond to the rapidly evolving needs of our customers. As a result, effective December 11, 2014, Mr. Gardner resigned as President and Chief Executive Officer, and Mr. Anthony W. Thomas was appointed President and Chief Executive Officer. The Board believes that Mr. Thomas is the right executive to lead Windstream and position the Company for long-term success.

Elements of 2014 Compensation. Consistent with our historical compensation practices, our fiscal 2014 executive compensation program, which is discussed in detail in this Proxy Statement under the section titled "Compensation Discussion and Analysis," featured the following attributes:

|                             |   |
|-----------------------------|---|
| <b>At Risk Compensation</b> | A substantial portion of our executive officers' compensation in 2014 was at-risk through allocation of short-term cash incentives and long-term equity-based incentives.   |
| <b>Base Salary</b>          | Base salaries for executive officers not receiving promotions in fiscal 2014 were subject to modest increases.  |
| <b>Incentive Awards</b>     | As with previous years, executive officers participated in short term and long term incentive programs in 2014 based principally on Windstream's achievement of certain Adjusted OIBDA amounts (OIBDA is operating income before depreciation and amortization). The Compensation Committee sets target amounts for Adjusted OIBDA, and the other incentive award performance measures, at levels it believes are difficult but achievable and designed to drive industry leading results.<br><br>Illustrative of our goal to link pay to performance, because operating results fell below expectations in fiscal 2014, our executive officers' cash bonuses fell well below their targeted amounts and no performance units allocated to the 2014 performance period vested which represented approximately 50% of total equity awards scheduled to vest during such time for our executive officers. |

## 2014 COMPANY PERFORMANCE

### Financial Performance

During 2014, Windstream delivered \$5.8 billion in total annual revenue, representing a decline of 2.6% year-over-year. Adjusted OIBDA totaled \$2.1 billion, equating to margins of 36.7%, which were aided by disciplined cost management. Windstream generated substantial adjusted free cash flow, which totaled \$794 million for the year. We returned approximately \$600 million to our stockholders, representing a payout ratio of 76%. Operating income for 2014 was \$507.1 million (a reconciliation of Adjusted OIBDA and adjusted free cash flow to operating income is set forth on [Appendix A](#) to this Proxy Statement.)

### Strategic Highlights

During 2014, Windstream announced plans to spin off certain network assets including fiber, copper, real-estate and other fixed assets into an independent, publicly traded real estate investment trust, or REIT, named Communications Sales & Leasing, Inc. (CS&L). Windstream and CS&L will enter into a long-term, exclusive lease allowing Windstream to operate the network and continue to provide advanced network communications services to businesses and consumers. CS&L will become a new publicly traded real-estate investment trust that invests in telecom assets.

Following the spin-off, Windstream stockholders will continue to own their Windstream shares and will also receive 1 share of CS&L for every 5 Windstream shares held.

#### **Transaction Provides Multiple Benefits to Investors and Customers**

Improves Windstream's financial position and enables the Company to reduce debt by roughly 50%

Allows increased investments to drive growth, improve long-term competitiveness, and enable Windstream to better meet customers' changing needs

Creates two focused businesses with separate paths for growth

Unlocks stockholder value by providing the ability to evaluate each entity separately using valuation techniques aligned with each company's asset mix, business outlook and strategic objections

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Telephone: (501) 748-7000  
[www.windstream.com](http://www.windstream.com)

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## PROXY STATEMENT

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### Why am I receiving Windstream's Annual Meeting materials?

Windstream Holdings, Inc. (Windstream or the Company) delivered these materials to you in connection with Windstream's solicitation of proxies for use at the 2015 annual meeting of stockholders (the Annual Meeting) to be held on May 14, 2015 at 10:00 a.m. (central time), and at any postponement(s) or adjournment(s) thereof. These materials were first sent or made available to stockholders on [ ], 2015. You are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement (this Proxy Statement). The Annual Meeting will be held via the internet at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15).

### Why did I receive a notice of online availability of proxy materials instead of a full set of Windstream's Annual Meeting materials, or vice versa?

In accordance with rules and regulations of the Securities and Exchange Commission (the SEC), we are providing online access to Windstream's Annual Meeting materials over the internet to many of our stockholders (other than those who previously requested electronic or paper delivery or to whom we have elected to furnish a full set of materials). We mailed to these stockholders a notice of online availability of proxy materials containing instructions on how to access our Annual Meeting materials, including this Proxy Statement and our annual report, and to vote online, as well as instructions on obtaining a paper copy of the materials, including a proxy card. The notice also instructs stockholders on how to request delivery of proxy materials in printed form by mail or electronically by e-mail on an ongoing basis for future stockholder meetings. All stockholders who did not receive this notice will receive a full set of the Annual Meeting materials in printed form by mail or electronically by e-mail.

### What is included in Windstream's Annual Meeting materials?

Windstream's Annual Meeting materials include:

This Proxy Statement for the Annual Meeting;

Windstream's Annual Report on Form 10-K for the year ended December 31, 2014 (the Annual Report); and

If you received a full set of Windstream's Annual Meeting materials, the proxy card or, if you are a beneficial owner of shares held in street name, a voting instruction form.

### What items will be voted on at the Annual Meeting?

Stockholders will vote on five items at the Annual Meeting as summarized in the Notice for the Annual Meeting accompanying this Proxy Statement.

### Who may vote during the Annual Meeting?

Each share of Windstream's common stock has one vote on each matter. Only stockholders of record as of the close of business on March 19, 2015 (the Record Date) are entitled to receive notice and to vote during the Annual Meeting. As of the Record Date, there were [ ] shares of Windstream's common stock issued and outstanding, held by [ ] holders of record.



**How can I access the stockholder forum?**

Stockholders may access our stockholder forum at [www.theinvestornetwork.com/forum/WIN](http://www.theinvestornetwork.com/forum/WIN). The forum provides validated stockholders the ability to learn more about our Company and submit questions in advance of the Annual Meeting. Stockholders may also view Windstream's proxy materials, vote online, and access the live webcast of the meeting through the stockholder forum. To access the forum, you must have your control number available, which can be found on your notice of internet availability of the proxy materials, proxy card or voting instruction form.

**How can I attend the Annual Meeting?**

Stockholders may attend the Annual Meeting virtually via the internet at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15). In order to vote or submit a question during the meeting, you will need to follow the instructions posted at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15) and will need the control number provided on your notice of internet availability of the proxy materials, proxy card or voting instruction form. Broadridge Financial Solutions is hosting our virtual annual meeting and, on the date of the Annual Meeting, will be available via telephone at 1-855-449-0991 to answer your questions regarding how to attend and participate in the Annual Meeting virtually via the internet.

**If I am unable to attend the Annual Meeting on the internet, can I listen to the Annual Meeting by telephone?**

Yes. Although you will not be considered present at the Annual Meeting and will not be able to vote unless you attend the Annual Meeting via the internet, stockholders unable to access the Annual Meeting on the internet will be able to call 1-877-317-6789 and listen to the Annual Meeting if they provide the control number that appears on the proxy card or the voting instructions. If you do not intend to attend the Annual Meeting, it is important to vote in advance of the Annual Meeting.

**What is the difference between a stockholder of record and a beneficial owner of shares held in street name?**

**Stockholder of Record.** If your shares are registered directly in your name with Windstream's transfer agent, Computershare Investor Services, LLC (Computershare), you are considered the stockholder of record with respect to those shares, and the proxy materials were sent directly to you by Windstream.

**Beneficial Owner of Shares Held in Street Name.** If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the proxy materials were forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. Those instructions are contained in a voting instruction form.

**If I am a stockholder of record of the Company's shares, how do I vote?**

If you are a stockholder of record, there are four ways to vote:

*During the Annual Meeting.* You may vote virtually via the internet at the Annual Meeting by following the instructions for attending and voting at the Annual Meeting posted at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15). All proxy cards and ballots must be received by the independent inspector before the polls close at the meeting.

*Via Online.* You may vote online prior to the Annual Meeting by proxy via the internet by following the instructions provided in the proxy card, the notice of availability of proxy materials, or by following the instructions at our stockholder forum at [www.theinvestornetwork.com/forum/WIN](http://www.theinvestornetwork.com/forum/WIN).

*By Telephone.* You may vote by proxy by calling the toll free number found on the proxy card.

*By Mail.* You may vote by proxy by following the instructions provided in the proxy card.

**If I am a beneficial owner of shares held in street name, how do I vote?**

If you are a beneficial owner of shares held in street name, there are four ways to vote:

*During the Meeting.* If you desire to vote virtually via the internet at the meeting, please follow the instructions for attending and voting at the Annual Meeting posted at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15). All proxy cards and ballots must be received by the independent inspector before the polls close at the meeting.

*Via Online.* You may vote online prior to the Annual Meeting by proxy via the internet by following the instructions provided in the voting instruction form, the notice of online availability of proxy materials, or by following the instructions at our stockholder forum at [www.theinvestornetwork.com/forum/WIN](http://www.theinvestornetwork.com/forum/WIN).

*By Telephone.* You may vote by proxy by calling the toll free number found on the voting instruction form.

*By Mail.* You may vote by proxy by filling out the voting instruction form and returning it in the envelope provided.

**What is the quorum requirement for the Annual Meeting?**

The holders of a majority of the outstanding shares of Common Stock entitled to vote must be present or represented by proxy to hold the Annual Meeting. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum if you:

Are entitled to vote and you are present or represented by proxy at the Annual Meeting; or

Have properly voted online, by telephone or by submitting a proxy card or voting instruction form by mail.

If a quorum is not present, the Annual Meeting will be adjourned until a quorum is obtained.

**How are proxies voted?**

All shares represented by valid proxies received prior to the Annual Meeting will be voted by the proxies named therein and, where a stockholder specifies by means of the proxy a choice with respect to any matter to be acted upon, the shares will be voted in accordance with the stockholder's instructions.

**What happens if I do not give specific voting instructions?**

Stockholders of Record. If you are a stockholder of record and you:

Indicate when voting on the internet or by telephone that you wish to vote as recommended by the Board; or

Sign and return a proxy card without giving specific voting instructions, then the persons named as proxy holders on the proxy card will vote your shares in the manner recommended by the Board on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote during the Annual Meeting.

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 then, under applicable rules, 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, that organization 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.

**Which ballot measures are considered routine or non-routine ?**

The ratification of the appointment of PricewaterhouseCoopers LLP as Windstream's independent registered public accountant for 2015 (Proposal No. 5) 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. 5. All other matters to be voted on at the Annual Meeting are considered non-routine under applicable rules. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore broker non-votes may exist in connection with all proposals other than Proposal No. 5.

**What is the voting requirement to approve each of the proposals?**

Election of Directors. Windstream's Bylaws require that, in an uncontested election, each director be elected by the affirmative vote of a majority of the votes cast for his or her election. In other words, election of a director nominee requires that the number of shares voted for his or her election must exceed the number of votes cast against such election. In a contested election (a situation in which the number of nominees exceeds the number of directors to be elected), the election of directors will be decided by a plurality voting standard, under which the nominees who receive the greatest number of votes cast for their election would be elected as directors. The 2015 election has been determined to be an uncontested election, and the majority-of-votes-cast standard will apply.

If a nominee who is presently serving as a director is not elected at an 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 by a majority of the votes cast. In that situation, the Governance Committee of the Board of Directors would consider the director's tendered resignation and make a recommendation to the Board on whether to accept or reject the resignation or take other action. The Board will act on the Governance Committee's recommendation 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 an annual meeting, Delaware law provides that the nominee does not serve on the Board as a holdover director. All director nominees nominated by the Board for election at the Annual Meeting are currently serving on the Board.

Other Matters. The stockholder vote required to approve each of the other proposals is set forth below.

| Proposal |  | Votes Required for Approval           |
|----------|--|---------------------------------------|
| 2.       | Advisory vote on executive compensation                    | Majority of votes cast                |
| 3.       | Amendments to enable stockholders to call special meetings | 66 % of shares issued and outstanding |
| 4.       | Amendments to eliminate super-majority voting provisions   | 66 % of shares issued and outstanding |
| 5.       | Ratification of appointment of independent accountant      | Majority of votes cast                |

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

Broker non-votes and abstentions (which occur when a stockholder chooses to abstain from voting on any or all proposals) are counted for purposes of determining whether a quorum is present. However, broker non-votes and abstentions will have no effect on certain of the proposals presented in this Proxy Statement because they are not considered votes cast under the majority of votes cast voting standard. The effect of broker non-votes and abstentions on each of the proposals presented in this Proxy Statement is as follows:

| Proposal |  | Broker Non-Votes | Abstentions  |
|----------|--|------------------|--------------|
| 1.       | Election of directors                                      | No effect        | No effect    |
| 2.       | Advisory vote on executive compensation                    | No effect        | No effect    |
| 3.       | Amendments to enable stockholders to call special meetings | Vote against     | Vote against |
| 4.       | Amendments to eliminate super-majority voting provisions   | Vote against     | Vote against |
| 5.       | Ratification of appointment of independent accountant      | Not Applicable   | No effect    |

**Can I change my vote after I have voted?**

You may revoke your proxy and change your vote at any time before the final vote during the Annual Meeting. You may change your vote on a later date via the internet or by telephone (in which case only your latest internet or telephone proxy submitted prior to the Annual Meeting will be counted), by signing and returning a new proxy card or voting instruction form with a later date, or by attending the Annual Meeting and voting virtually via the internet at [www.virtualshareholdermeeting.com/WIN15](http://www.virtualshareholdermeeting.com/WIN15). However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you properly vote during the Annual Meeting or specifically request that your prior proxy be revoked by delivering written notice to the Company's Corporate Secretary prior to the Annual Meeting.

**Is my vote important?**

Yes. The agenda for this Annual Meeting contains two important corporate governance proposals (Proposals No. 3 and 4) which require the affirmative vote of 66 % of our outstanding shares. If you fail to vote, it will have the effect of a vote AGAINST these important proposals.



## BOARD AND BOARD COMMITTEE MATTERS

The number of directors that serve on the Windstream Board of Directors is currently set at ten and may be fixed from time to time in the manner provided in Windstream's Bylaws. Our Board currently consists of: Carol B. Armitage, Samuel E. Beall, III, Francis X. (Skip) Frantz, Jeffrey T. Hinson, Judy K. Jones, William G. LaPerch, William A. Montgomery, Michael G. Stoltz, Anthony W. Thomas and Alan L. Wells. Each director, with the exception of Messrs. LaPerch, Stoltz and Thomas, was elected at the 2014 Annual Meeting. Messrs. LaPerch and Stoltz were appointed to serve on our Board effective September 9, 2014, and Mr. Thomas was appointed to serve on the Board effective December 11, 2014, in connection with his appointment as President and Chief Executive Officer (CEO) of Windstream.

**Independence.** The Windstream Board of Directors has affirmatively determined that all directors, except Mr. Anthony W. Thomas, are independent directors under NASDAQ listing standards. In making these determinations, the Board considered the types and amounts of the commercial dealings between the Company and its business partners with which the directors are affiliated. All transactions with these business partners were entered into in the ordinary course of business, the amounts involved are not material and none of these individuals has a personal interest in the respective relationships. The Board of Directors determined that none of these relationships constitutes a related-person transaction under applicable SEC rules or would interfere with the directors' exercise of independent judgment in carrying out their responsibilities as directors.

**Leadership Structure.** Since the inception of Windstream, the positions of Chief Executive Officer and Chairman have been held by separate individuals. Mr. Jeffery R. Gardner served as Windstream's CEO from 2006 until his resignation, and Mr. Thomas's appointment as Windstream's CEO, on December 11, 2014. Mr. Hinson, an independent director, is the current Chairman of the Board. The Board of Directors continues to believe this board leadership structure improves the ability of the Board of Directors to exercise its oversight role over management and ensures a significant role for independent directors in the leadership of Windstream. Having an independent Chairman also strengthens Windstream's corporate governance structure by allowing the Chairman to convene executive sessions with independent directors.

**Executive Sessions.** 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, or the Lead 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. Hinson to serve as the Lead Director. During 2014, executive sessions of the independent directors generally occurred at the start of or the end of each regular meeting of the Board.

**Board Meetings.** During 2014, there were nineteen meetings of Windstream's Board of Directors. All of the directors attended 75% or more of the meetings of the Board and Board committees on which they served during the periods in which they served. Directors are expected to attend each annual meeting of stockholders. At the 2014 Annual Meeting, all directors then serving on the Board were in attendance.

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

**Audit Committee.** The Audit Committee held four meetings during 2014. 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 accountant's 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 members of the Audit Committee are Messrs. Frantz, as Chair, and Stoltz and Mes. Armitage and Jones. Until August 6, 2014, Mr. Wells served as a member of the Audit Committee. As previously announced, Mr. Frantz will serve as chairman of the Board of Directors of Communications Sales & Leasing, Inc., a Maryland corporation and wholly-owned subsidiary of Windstream (CS&L), following Windstream's proposed spin-off of CS&L as an independent, publicly-traded real estate investment trust. If the spin-off is consummated and Mr. Frantz joins the CS&L Board of Directors, Mr. Frantz will not stand for re-election at the Annual Meeting, and Mr. Stoltz will assume the role of chair of the Audit Committee. The Windstream Board of Directors has determined that each of Mr. Frantz, Ms. Jones and Mr. Stoltz is an audit committee financial expert, as defined by the rules of the SEC.

Compensation Committee. The Compensation Committee held seven meetings during 2014. 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 Compensation Discussion and Analysis. The members of the Compensation Committee are Messrs. Beall, as Chair, LaPerch, and Montgomery. Mr. Dennis Foster served as a member of the Compensation Committee during 2014 and 2015, until his resignation from the Board effective February 1, 2015. Mr. Wells served as a member until August 6, 2014.

Compensation Committee Interlocks and Insider Participation. As stated above, during 2014 the Compensation Committee consisted of Messrs. Beall, Foster, Montgomery and Wells (through August 6, 2014). Mr. LaPerch began serving on the Compensation Committee effective September 2014. No member of the Compensation Committee serving during 2014 had any relationship requiring disclosure under the section titled Relationships and Certain Related Transactions in this Proxy Statement. During 2014, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on either our Compensation Committee or our Board of Directors.

Governance Committee. The Governance Committee held three meetings during 2014. As part of the director nomination and screening process, the Governance Committee also had several discussions to review and screen potential candidates to join the Board, resulting in the addition of two new directors, Messrs. LaPerch and Stoltz, to the Board in 2014. The Governance Committee is comprised of Ms. Armitage, as the current Chair, Ms. Jones, Mr. LaPerch and Mr. Montgomery. Ms. Jones will become chairperson of the Governance Committee in May 2015. 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 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.

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 at the address provided below in Stockholder Communications. 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.

**Risk Oversight.** Management of Windstream has the primary responsibility for managing the risks facing the Company, subject to the oversight of the Board of Directors. Each Committee assists the Board in discharging its risk oversight role by performing the subject matter responsibilities outlined above in the description of each Committee. The Board 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 supplements its ability to discharge its risk oversight role by receiving and reviewing a report on the results of an annual risk assessment of Windstream as prepared by the Internal Audit Department. This report is used primarily to assist Internal Audit in determining the nature and scope of its annual audit plan, subject to the review and approval of the Audit Committee. Internal Audit prepares the risk assessment by conducting interviews and surveys with Windstream's management and other analysis to identify individual process level, Company-wide and industry risks. A summary of the top risks identified by this assessment process is presented to the Audit Committee and the Board at least annually.

The Board's discharge of its risk oversight role has not specifically affected the Board's leadership structure discussed above. Rather, in establishing the current leadership structure of the Board of Directors, risk oversight was one factor among many considered. The Board regularly reviews its leadership structure and evaluates whether it, and the Board as a whole, is functioning effectively. If in the future the Board believes that a change in its leadership structure is required to, or potentially could, improve the Board's risk oversight role, it may make any change it deems appropriate.

With respect to compensation matters, the Compensation Committee has assessed the risks that could arise from its compensation policies for all employees, including employees who are not officers, and has concluded that such policies are not reasonably likely to have a material adverse effect on Windstream. To the extent that Windstream's compensation programs create a potential misalignment of risk incentives, the Compensation Committee believes that it has adequate compensating controls to mitigate against the potential impact of any such misalignment. These compensating controls include strong internal controls over financial reporting, robust stock ownership guidelines, a clawback policy for senior executives, and a three-year vesting cycle for equity-based compensation. The result is a strong alignment between the interests of management and stockholders.

**Corporate Governance Documents.** 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 our website at [www.windstream.com/investors](http://www.windstream.com/investors). Copies of each of these documents are also available to stockholders who submit a request to Windstream Holdings, Inc., ATTN: Investor Relations, 4001 Rodney Parham Road, Little Rock, AR 72212.

**Stockholder Communications.** Stockholders and other interested parties may contact the Chairman of the Board, a Board Committee or the non-management directors of the Windstream Board of Directors by writing to Windstream Holdings, Inc., ATTN: Chairman of the Board, the Board Committee or Non-Management Directors, c/o Corporate Secretary, 4001 North Rodney Parham Road, Little Rock, AR 72212.

**Compensation of Directors.** Windstream's director compensation program, which has been in place since 2013, consists of: (1) a cash retainer of \$85,000; (2) a restricted stock grant of \$100,000; (3) an additional retainer of \$100,000 for the Chairman of the Board of Directors; (4) additional retainers of \$22,000 for the chairs of the Governance and Compensation Committees and \$30,000 for the chair of the Audit Committee; and (5) additional retainers of \$10,000 for members of the Governance and Compensation Committees and \$15,000 for members of the Audit Committee. 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 March 1 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. All non-employee directors have the option to elect to receive any cash retainer in the form of Windstream Common Stock. The Compensation Committee periodically reviews outside director compensation data provided by its independent compensation consultant, Pearl Meyer & Partners, LLC, to ensure our director compensation program is consistent with industry and peer group practices.

Board members generally receive pro-rated amounts of the annual cash retainer 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 2014:

| 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              | 122,000                          | 99,992                | N/A   | 247                             | 222,239    |
| Samuel E. Beall, III           | 107,000                          | 99,992                | N/A   | 247                             | 207,239    |
| Francis X. ( Skip ) Frantz     | 115,000                          | 99,992                | 364,003 (3)   | 247                             | 579,242    |
| Jeffrey T. Hinson,<br>Chairman | 185,000                          | 99,992                | N/A   | 247                             | 285,239    |
| Judy K. Jones                  | 110,000                          | 99,992                | N/A   | 247                             | 210,239    |
| William G. LaPerch             | 29,671                           | 131,224               | N/A   | 247                             | 161,142    |
| William A. Montgomery          | 105,000                          | 99,992                | N/A   | 247                             | 205,239    |
| Michael G. Stoltz              | 31,233                           | 131,224               | N/A   | 247                             | 162,704    |
| Alan L. Wells                  | 110,000                          | 99,992                | N/A   | 247                             | 210,239    |
| Dennis E. Foster               | 95,000                           | 99,992                | N/A   | 247                             | 195,239    |

(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) Amount is for travel insurance available for all directors.

(3) Amount reflects change in pension value for the Windstream Pension Plan and Benefit Restoration Plan.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The Board, upon the recommendation of the Governance Committee, has nominated the ten current members of the Board to stand for election at the Annual Meeting. Each nominee elected will serve until the 2016 Annual Meeting of Stockholders or until their successors are duly elected and qualified or until their earlier removal, resignation or death.

Holders of proxies solicited by this Proxy Statement will vote the proxies received by them as directed on the proxy card or, if no direction is made, for the election of the Board's ten nominees. If any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxy holders will vote for a nominee designated by the present Board to fill the vacancy or, in the event no such designation is made, proxies will be voted for a lesser number of nominees. As previously announced, Mr. Frantz will serve as chairman of the Board of Directors of CS&L following Windstream's proposed spin-off of CS&L as an independent, publicly-traded real estate investment trust. If the spin-off is consummated prior to the Annual Meeting, Mr. Frantz will not stand for election to the Board, and the size of the Board will be automatically reduced to nine members.

Set forth below is biographical information for each nominee, including age, a brief listing of principal occupations for at least the past five years, other major affiliations, and the specific experience, qualifications, attributes and skills that qualify each candidate to serve on Windstream's Board of Directors.

**Carol B. Armitage**, age 57, has served as a director of Windstream since September 2007, is 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 2000, Ms. Armitage has served and held various leadership positions on the board of directors of SCALA, Inc., a provider of digital signage and advertising management solutions. From March 2010 to March 2012, Ms. Armitage served as Chairman of SCALA, Inc. From 2000 until February 2010, and again starting in March 2012, she served as Vice Chairman. From 2002 to 2004, Ms. Armitage served as Chairman of the Board and was on the Audit Committee of YDI Wireless (now known as Proxim Wireless Corporation), then 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 64, has served as a director of Windstream since November 2006 and is Chairman of the Compensation Committee. Mr. Beall is Strategic Partner of Arlington Capital Advisors, a boutique investment bank, and is a principal in Beall Investments LLC, a private investment company. Mr. Beall served as Chairman of the Board and Chief Executive Officer of Ruby Tuesday, Inc., a New York Stock Exchange listed company that owns and operates casual dining restaurants under the Ruby Tuesday brand, from May 1995 to June 2012, and as President of Ruby Tuesday, Inc. from July 2004 until June 2012.

Mr. Beall's qualifications for election to the Board include his experience as the chief executive officer of a public company, which provides him the ability to understand and address Windstream's challenges and opportunities as a public company. As a former 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.

**Francis X. ( Skip ) Frantz**, age 61, has served as a director of Windstream since 2006 and has served on its Audit Committee since August 1, 2012 and as the Audit Committee chairperson since May 1, 2013. Mr. Frantz is the designated chairman of the board of directors of CS&L, the wholly-owned subsidiary that Windstream intends to spin off as an independent, publicly traded real estate investment trust, or REIT. From July 2006 to February 2010, he served as Chairman of the Windstream Board. From February 2007 to May 2014, he served as Chairman of Central Bank (a community bank in Little Rock, Arkansas). Mr. Frantz served as the 2006 and 2007 Chairman of the Board and of the Executive Committee of the United States Telecom Association. 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'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 number of private companies 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. Based on his role as a director of various private commercial businesses, including serving as chairman of a regulated commercial bank, his service on the Windstream Audit Committee and prior service as an executive officer at Alltel, the Windstream Board has determined that Mr. Frantz qualifies as an audit committee financial expert, as defined by the rules of the SEC.

**Jeffrey T. Hinson**, age 60, has served as a director of Windstream since its formation in 2006 and has served as Chairman of the Board since May 2013. Mr. Hinson served as a member of the Audit Committee from 2006 to May 2013 and served as Chairman of the Audit Committee from May 2010 to May 2013. Mr. Hinson has been the President of YouPlus Media LLC, a video content marketing firm, since 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, a Hispanic-focused radio broadcasting company. Mr. Hinson previously served in a number of roles at Univision Communications Inc., a Spanish language media company, including as Executive Vice President and Chief Financial Officer from March 2004 to June 2005 and 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 Univision Radio. Since 2005, Mr. Hinson has been a director and Chairman of the Audit Committee of Live Nation Entertainment, Inc. (NYSE: LYV), a global entertainment company that promotes live music events, operates music venues, sells tickets to entertainment and sporting events, and provides management services to music recording artists. He also serves as a director, as Chairman of the Audit Committee, and on the Strategy Committee of TiVo, Inc., a provider of subscription-based DVR services and interactive video advertising. Until 2014, Mr. Hinson served as a director, Audit Committee member and Chairman of the Nominating and Governance Committee of Ares Commercial Real Estate Corporation (NYSE: ACRE), a specialty finance company focused on originating, investing in and managing middle-market commercial real estate loans and investments.

Mr. Hinson's qualifications for election to the Board include his professional background and experience, his previously held senior-executive level positions for two public companies, his service on other public company boards, and his financial expertise. His service on the board of other public companies in diverse industries gives him unique insight to corporate governance matters affecting public companies and also allows him to offer a broad perspective on the challenges and opportunities facing Windstream.

**Judy K. Jones**, age 71, 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. From 2006 until January 2015, she was a member of the board of directors of Lovelace Respiratory Research Institute (LRRI) and of the Mind Research Network, a wholly-owned not-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 G. LaPerch**, age 59, has served as a director of Windstream since September 2014 and is a member of the Compensation and Governance Committees. Mr. LaPerch has been President of LaPerch Consulting, LLC (a provider of consulting services to private equity firms) from September 2012 to the present. From 2003 to 2012, Mr. LaPerch served as the President and Chief Executive Officer and a member of the board of directors of AboveNet, Inc. (formerly NYSE: ABVT), then a publicly traded provider of bandwidth infrastructure services, prior to which he served as Senior Vice President Operations at AboveNet. Prior to joining AboveNet, Mr. LaPerch served in executive management positions at Metromedia Fiber Network (a provider of metro fiber services) from 2000 to 2003, several leadership roles in the operations and engineering groups at MCI Worldcom, Inc. (a global communications company) from 1989 to 2000, and key operations and engineering positions at NYNEX Corporation (a regional telephone company) from 1982 to 1989. Mr. LaPerch is currently a member of the Board of Directors of Imation Corp. (NYSE: IMN), serving as a member of its Audit and Finance Committee and the chair of its Compensation Committee; a member of the Board of Directors and Audit Committee of Digital Realty Trust, Inc. (NYSE: DLR); and a member of the board of directors of several privately held network services companies.

Mr. LaPerch's qualifications for election to the Board include his ability to provide guidance and perspective on a wide range of issues facing Windstream based on his long tenure as a senior executive in the telecommunications industry and as former President and CEO of a publicly-traded telecommunications company. His operational experience in unique aspects of Windstream's business, including bandwidth consumption, colocation, interconnection, and the complex regulatory framework in which the company operates, provides Mr. LaPerch with a deep understanding of Windstream's business and opportunities available to the Company. Through his current board service for two public companies, including serving on the Audit and Compensation Committees of those companies, and his past and present involvement with several private companies, Mr. LaPerch has valuable expertise regarding corporate governance matters and can provide key insight to the Board on these matters.

**William A. Montgomery**, age 66, has served as a director of Windstream since its formation in 2006 and is a member of the Compensation Committee and the Governance Committee. From 2007 to 2012, Mr. Montgomery served as Chairman of the Compensation 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 previously served as a director of Hicks Acquisition Corp. I, Inc., a special purpose entity formed for the purpose of effecting a merger or other business combination with one or more businesses, 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 role as a member 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.

**Michael G. Stoltz**, age 64, has served as a director of Windstream since September 2014. Mr. Stoltz currently serves as a member of the Audit Committee. He was an audit partner of Ernst & Young LLP (E&Y) from 2002 to 2014, primarily focusing on the communications, media and entertainment industries. He led E&Y's Communications Advisory Services Group from 2002 until mid-2004, which focused on providing advisory services to communications companies. Prior to joining E&Y, Mr. Stoltz was a partner with Arthur Andersen where he provided audit, finance and specialize project services to clients in the energy, governmental and telecommunications sectors.

Mr. Stoltz's qualifications for election to the Board include his approximately 40 years of experience serving in an auditor capacity in the telecommunications, media and entertainment industries, with a focus on large global companies. His broad prior experience as the former audit partner for publicly-traded communications companies uniquely qualifies Mr. Stoltz to advise not only on general financial and accounting matters, but also various technical accounting and corporate governance matters that the Board may address from time to time. He possesses key insight on financial reporting processes and external reporting issues. The Windstream Board has determined that Mr. Stoltz qualifies as an audit committee financial expert, as defined by the rules of the SEC. Mr. Stoltz's lengthy involvement with telecommunications companies provide him with valuable expertise regarding issues facing Windstream and the complex regulatory environment in which the company operates.

**Anthony W. Thomas**, age 43, was appointed President and Chief Executive Officer (CEO) of Windstream and to the Board of Directors on December 11, 2014. He previously held the following positions at Windstream prior to being appointed President and CEO: President-REIT Operations from September to December 2014; Chief Financial Officer (CFO) from August 2009 to September 2014; Treasurer from May 2012 to August 2013; and Controller from July 2006 to August 2009. Mr. Thomas also served as Controller of Alltel Holding Corp. from June 2006 to July 2006, and held various other leadership positions with Alltel Corporation from 1998 to 2006, including Vice President of Investor Relations and Vice President of Southeast Regional Finance. Mr. Thomas joined Alltel Corporation after its merger with 360 Communications in 1998. Prior to entering the communications industry, Mr. Thomas was a senior auditor with E&Y focusing on the telecom practice.

The Board believes it is important for Windstream's CEO to serve on the Board, as the position of CEO puts Mr. Thomas in a unique position to understand the challenges and issues facing Windstream. Mr. Thomas's qualifications for election to the Board include the same demonstrated skills and experience that qualify him to serve as CEO of Windstream. Mr. Thomas has worked in the communications industry for more than 20 years and has been instrumental in executing Windstream's strategy to transform into the premier enterprise communications and service provider in the United States and to create value for its stockholders. Mr. Thomas has served as a key leader and driving force in the development of strategy regarding Windstream's proposed spin-off of CS&L. Mr. Thomas has also played an integral role in Windstream's growth, as during his five-year tenure as CFO, the company completed seven acquisitions totaling more than \$5.6 billion in transaction value. Mr. Thomas has deep capital market expertise, having led almost \$10 billion in debt transactions, as CFO and Treasurer of Windstream. Mr. Thomas's knowledge of the company and his experience as a company leader since its spin-off from Alltel Corporation in 2006 provide him with a wide-ranging perspective regarding Windstream's opportunities and challenges and qualify him to serve as both CEO and as a director on the Board.

**Alan L. Wells**, age 55, has served as a director of Windstream since 2010. He is a founding partner of Financial Advisory Partners, LLC, which makes private equity investments and provides financial advisory services to mid-sized companies in the Midwest. He served as Chief Executive Officer of Iowa Telecommunication Services, Inc. (Iowa Telecom) (NYSE: IWA) from 2002 to 2010 and Chairman of its 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) (NYSE: MEC), 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' qualifications for election to the Board include his broad background and experience, his wide range of operational and financial experiences in regulated industries, and his prior experience as a senior executive with two public companies. 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.

**Board Recommendation**

**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.**

## SECURITY OWNERSHIP

**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 and General Counsel; and two to 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 (measured from the date of each annual meeting) 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 equity awards or the exercise of stock options. For the purposes of the guidelines, unvested shares or units of restricted stock are considered to be owned.

Based on the foregoing, the table below sets forth the number of shares of Windstream common stock that each named executive officer currently employed by Windstream is expected to own (based on the closing price of Windstream common stock on the date of the 2014 Annual Meeting) and the number of shares deemed owned under the guidelines as of March 1, 2015. 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 Annual Meeting. Following the Annual Meeting and except as set forth in the footnote (2) to the table below regarding Messrs. Thomas and Gunderman, the executive officers will have until 2016 Annual Meeting of Stockholders to meet any increased share guidelines resulting from changes in stock price, annual base salary or ownership levels since the date of the Annual Meeting.

| Named Executive Officers | Guideline Share Amount | Shares Owned (1) |
|--------------------------|------------------------|------------------|
| Anthony W. Thomas        | - (2)                  | 609,616          |
| Robert E. Gunderman      | - (2)                  | 164,828          |
| John P. Fletcher         | 282,967                | 513,133          |
| J. David Works, Jr.      | 97,579                 | 159,610          |
| John C. Eichler          | 63,736                 | 108,221          |

- (1) This amount differs from the amount reported in the Security Ownership of Directors and Executive Officers table because unvested performance-based restricted stock units 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.
- (2) Pursuant to the stock ownership guidelines, the guideline share amount for a newly appointed executive officer or an executive officer that is promoted into a new position is determined at the first stockholder meeting following the executive officer's appointment or promotion. Accordingly, the new guideline share amounts for Messrs. Thomas and Gunderman resulting from their appointments as President and Chief Executive Officer and Chief Financial Officer and Treasurer, respectively, will be determined at the Annual Meeting. Each will have until the 2018 Annual Meeting of Stockholders to meet the new ownership guidelines.

The table below sets forth the number of shares of Common Stock that each non-management director is expected to own by the Annual Meeting (based on the closing price of Windstream common stock on the date of the 2014 Annual Meeting) and the number of shares deemed owned under the guidelines as of March 1, 2015. 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 Annual Meeting.

| Non-Management Director    | Guideline Share Amount |     | Shares Owned |
|----------------------------|------------------------|-----|--------------|
| Carol B. Armitage          | 46,703                 | (1) | 63,687       |
| Samuel E. Beall, III       | 46,703                 | (1) | 109,850      |
| Francis X. ( Skip ) Frantz | 46,703                 | (1) | 695,741      |
| Jeffrey T. Hinson          | 46,703                 | (1) | 66,635       |
| Judy K. Jones              | 46,703                 | (1) | 64,891       |
| William G. LaPerch         | -                      | (2) | 11,623       |
| William A. Montgomery      | 46,703                 | (1) | 97,417       |
| Michael G. Stoltz          | -                      | (2) | 13,623       |
| Alan L. Wells              | 28,116                 | (1) | 285,136      |

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

(2) Pursuant to the stock ownership guidelines, a director's guideline share amount is determined at the first stockholder meeting following his or her appointment to the Board. Accordingly, Messrs. LaPerch and Stoltz's guideline share amounts will be determined at the Annual Meeting. Each will have until the 2020 Annual Meeting of Stockholders to meet the new ownership guidelines.

**Security Ownership of Directors and Executive Officers.** Set forth below is certain information, as of March 1, 2015, as to shares of Windstream common stock beneficially owned by each director, by each named executive officer, 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                              | Shares Beneficially Owned (1) | Unvested Restricted Shares (2) | Total Shares Beneficially Owned (3) | Percent of Class (if 1% or more) |
|--|-------------------------------|--------------------------------|-------------------------------------|----------------------------------|
| <b>Non-Management Directors</b>                        |                               |                                |                                     |                                  |
| Carol B. Armitage                                      | 63,687                        | -0-                            | 63,687                              | *                                |
| Samuel E. Beall, III                                   | 109,850                       | -0-                            | 109,850                             | *                                |
| Francis X. ( Skip ) Frantz                             | 695,741 (4)                   | -0-                            | 695,741                             | *                                |
| Jeffrey T. Hinson                                      | 66,635                        | -0-                            | 66,635                              | *                                |
| Judy K. Jones  | 64,891                        | -0-                            | 64,891                              | *                                |
| William G. LaPerch                                     | 11,623                        | -0-                            | 11,623                              | *                                |
| William A. Montgomery                                  | 97,417                        | -0-                            | 97,417                              | *                                |
| Michael G. Stoltz                                      | 13,623                        | -0-                            | 13,623                              | *                                |
| Alan L. Wells  | 285,136                       | -0-                            | 285,136                             | *                                |
| Dennis E. Foster                                       | - (5)                         | -0-                            | - (5)                               | *                                |
| <b>Named Executive Officers</b>                        |                               |                                |                                     |                                  |
| Anthony W. Thomas                                      | 334,118                       | 195,686                        | 529,804                             | *                                |
| Robert E. Gunderman                                    | 73,949                        | 74,408                         | 148,357                             | *                                |
| John P. Fletcher                                       | 377,959                       | 67,587                         | 445,546                             | *                                |
| J. David Works, Jr.                                    | 77,250                        | 41,180                         | 118,430                             | *                                |
| John C. Eichler  | 78,199                        | 15,011                         | 93,210                              | *                                |
| Jeffery R. Gardner                                     | - (6)                         | - (6)                          | - (6)                               | *                                |
| Brent Whittington                                      | - (7)                         | - (7)                          | - (7)                               | *                                |
| <b>All Directors and Executive Officers as a Group</b> | 2,350,078                     | 393,872                        | 2,743,950                           | *                                |

\*indicates less than one percent

- (1) Excludes unvested restricted shares and includes shares of Windstream common stock owned directly and shares held in the person's account under the Windstream 401(k) Plan, which are as follows: Thomas 10,557.5695, Gunderman 2,887.5777, Fletcher 24,183.2422, Works 2,887.5777, and Eichler 2,940.6336.
- (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.
- (3) Windstream grants 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 and will not vest within 60 days from March 1, 2015, 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 |
|--------------------------|---------------------------------|--|--|
| Anthony W. Thomas        | 529,804                         | 79,812   | 609,616  |
| Robert E. Gunderman      | 148,357                         | 16,471   | 164,828  |
| John P. Fletcher         | 445,546                         | 67,587   | 513,133  |
| J. David Works, Jr.      | 118,430                         | 41,180   | 159,610  |
| John C. Eichler          | 93,210                          | 15,011   | 108,221  |
| Jeffery R. Gardner       | -                               | -0-  | -  |
| Brent K. Whittington     | -                               | -0-  | -  |

- (4) Includes 27,499 shares held in trust for the benefit of Mr. Frantz's spouse and children. Mr. Frantz's spouse is the trustee of the trust. These shares are deemed beneficially owned under SEC rules, but Mr. Frantz disclaims beneficial ownership.
- (5) Mr. Foster resigned as a director of Windstream effective February 1, 2015 and is no longer affiliated with Windstream. As a result, no current information on his holdings of Windstream common stock is available.
- (6) Mr. Gardner resigned from Windstream effective February 1, 2015 and is no longer affiliated with Windstream. As a result, no current information on his holdings of Windstream common stock is available.
- (7) Mr. Whittington resigned from Windstream effective September 1, 2014 and is no longer affiliated with Windstream. As a result, no current information on his holdings of Windstream common stock is available.

**Security Ownership of Certain Beneficial Owners.** Set forth below is information, as of March 1, 2015, 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 | Percent of Class |
|----------------|---|---|------------------|
| Common Stock   | Blackrock, Inc.<br>55 East 52nd Street<br>New York, NY 10022  | 35,541,514 <sup>(1)</sup>                 | 5.9%             |
| Common Stock   | The Vanguard Group<br>100 Vanguard Blvd.<br>Malvern, PA 19355 | 46,957,252 <sup>(2)</sup>                 | 7.8%             |

- (1) Based upon information contained in Schedule 13G filed on February 9, 2015, Blackrock, Inc. has sole voting power over 30,618,430 shares and sole dispositive power over 35,541,514 shares.
- (2) Based upon information contained in Schedule 13G filed on February 10, 2015, The Vanguard Group has sole voting power over 1,050,753 shares, sole dispositive power over 45,992,058 shares, and shared dispositive power over 965,194 shares.

### AUDIT COMMITTEE REPORT

This report provides information concerning the Audit Committee of Windstream Holdings, Inc.'s Board of Directors. The Audit Committee's Charter is available on the Investor Relations page of Windstream Holdings, Inc.'s website at [www.windstream.com/investors](http://www.windstream.com/investors). The Audit Committee is comprised entirely of independent directors, as defined and required by SEC rules and regulations and NASDAQ listing standards, and directors who are financially literate. Additionally, Messrs. Stoltz and Frantz and Ms. Jones qualify as audit committee financial experts.

In connection with its function to oversee and monitor the financial reporting process of Windstream Holdings, Inc. and its subsidiaries, the Audit Committee has reviewed and discussed with management of Windstream Holdings, Inc. and Windstream Corporation, which is a wholly-owned subsidiary of Windstream Holdings, Inc., the audited consolidated financial statements for the year ended December 31, 2014 of Windstream Holdings, Inc. and Windstream Corporation; discussed with PricewaterhouseCoopers LLP, the independent registered public accountant of Windstream Holdings, Inc. and Windstream Corporation, the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board (United States); 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 the Board of Directors of Windstream Holdings, Inc. and Windstream Corporation that the audited consolidated financial statements for the year ended December 31, 2014 be included in the Annual Report on Form 10-K of Windstream Holdings, Inc. and Windstream Corporation for the fiscal year ended December 31, 2014 for filing with the Securities and Exchange Commission.

The Audit Committee  
Francis X. ( Skip ) Frantz, Chairman  
Carol B. Armitage  
Judy K. Jones  
Michael G. Stoltz

## COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides information regarding the compensation paid to our Chief Executive Officer, Chief Financial Officer and certain other current and former executive officers who were the most highly compensated in fiscal year 2014. These individuals, referred to as named executive officers or NEOs, are identified by name in the Summary Compensation Table.

### 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.

Below are certain executive compensation practices we employ to further these objectives. Also listed below are certain compensation practices we do not employ because they are inconsistent with our compensation objectives.

#### What We Do:

*Equity-Based Compensation* A substantial portion of total NEO compensation is paid in equity-based compensation in the form of restricted stock and restricted stock units, whose value is directly correlated to the performance of our stock. This practice achieves a strong alignment between interests of management and our stockholders.

*At-Risk Compensation* A substantial portion of NEO pay is contingent upon achievement of certain corporate performance goals.

*Clawback Policy* We maintain a clawback policy that allows us to recover incentive compensation derived from financial statements that are subsequently subject to restatement and certain other conditions are satisfied.

*Robust Stock Ownership Guidelines* We have robust stock ownership guidelines that apply to all executive officers and require that, among other things, our CEO own Windstream stock valued at 10 times his base salary.

*Independent Compensation Consulting Firm* The Compensation Committee benefits from its utilization of an independent compensation consulting firm which provides no other services to the Company.

*Regular Review of Share Utilization* We evaluate share utilization by reviewing overhang levels (dilutive impact of equity compensation on our stockholders) and annual run rates (the aggregate shares awarded as a percentage of total outstanding shares).

#### What We Don't Do:

*No Dividends or Dividend Equivalents on Unearned Performance-Based Equity Awards* No dividends or dividend equivalents are paid on performance-based equity awards unless and until all performance conditions are met.

*No Single Trigger Change-in-Control Provisions* Our equity awards provide for accelerated vesting of future awards after a change in control if an employee is also terminated within two years of the change in control (a double trigger) rather than upon the closing of the transaction itself (single trigger).

*No Hedging Transactions* Our directors and executive officers are prohibited from engaging in any transaction involving derivative securities intended to hedge the market risk in our stock.

*No Tax Gross-ups* Our compensation programs do not provide for the gross-up or reimbursement of taxes for executive officers in any situation.

*No Special Perquisites for Former Executives* We do not have perquisites for former and/or retired executives that differ materially from those available to employees generally.

2014 Executive Compensation

The Compensation Committee believes that the 2014 actual pay results are aligned with the Company's actual 2014 performance results and support the view that the executive compensation program creates a strong linkage between pay and performance. Windstream's financial and operating performance fell short of expectations during 2014, and this performance resulted in a significant reduction in executive compensation payouts compared to the target opportunities available to our executives. The compensation payouts to Mr. Thomas illustrate the high correlation between executive compensation payouts and performance. A significant portion of Mr. Thomas's total compensation in 2014 was in the form of at-risk compensation, and Mr. Thomas achieved only 37% of his total compensation as reported in the Summary Compensation Table due to the following payouts under our at-risk compensation plans:

100% of his performance-based equity awards that were scheduled to vest in 2015 based on 2014 performance, representing \$576,000 in value based on December 31, 2014 trading prices, lapsed and were forfeited due to the failure to achieve threshold performance objectives.

72% of his target annual incentive awards were not earned due to failure to achieve target performance objectives.

To illustrate the design of our at-risk compensation framework, the following chart compares the actual compensation amounts paid to each NEO currently employed by Windstream during, and following completion of, 2014 (referred to in the table below as Total Realized Compensation) to his total compensation as reported in the Summary Compensation Table. The table is intended to supplement the Summary Compensation Table, which, as required by the SEC rules, provides the grant date fair value of all equity awards granted during 2014.

| NEO                 | Total Compensation as Reported (\$) | At-Risk Compensation | Total Realized Compensation (\$)(1) | Total Realized Compensation as a % of Total Compensation as Reported |
|---------------------|-------------------------------------|----------------------|-------------------------------------|--|
| Anthony W. Thomas   | 3,367,476                           | 78%                  | 1,247,283                           | 37%  |
| Robert E. Gunderman | 1,166,469                           | 59%                  | 517,478                             | 44%  |
| John P. Fletcher    | 2,053,026                           | 76%                  | 1,109,602                           | 54%  |
| J. David Works, Jr. | 1,407,321                           | 71%                  | 970,672                             | 69%  |
| John C. Eichler     | 621,663                             | 57%                  | 444,377                             | 71%  |

(1) Total Realized Compensation for each NEO includes (i) all compensation reported in the Summary Compensation Table except amounts reported in the Stock Awards column and (ii) the value realized upon vesting of time-based equity awards following completion of 2014.

In addition, in 2014 the Windstream Board and Mr. Gardner, who had served as Windstream's CEO since its formation in 2006, each determined a change in perspective was needed in order to accelerate the pace of change within the company and to more effectively respond to the rapidly evolving needs of our customers. As a result, effective December 11, 2014, Mr. Gardner resigned as Chief Executive Officer, and Mr. Thomas was appointed Chief Executive Officer. The Board believes that Mr. Thomas is the right executive to lead Windstream and position the Company for long-term success.

Say on Pay. As required by section 14A of the Exchange Act, stockholders at the 2015 Annual Meeting will be asked again to approve, on an advisory basis, the compensation of our named executive officers. Stockholder advisory votes on executive compensation are currently solicited on an annual basis. The following is a summary of key considerations that stockholders should take into account when assessing our executive compensation program:

Our goal is to improve our customer experience; operate a best-in-class network; and deliver improved financial performance and increased value for stockholders. Our path for creating value for stockholders is to grow revenue and adjusted Operating Income before Depreciation and Amortization (OIBDA), with prudent capital investments.

In 2014, we announced a ground-breaking strategic initiative to create an independent publicly traded real estate investment trust (REIT), Communications Sales & Leasing, Inc. (CS&L). The proposed transaction is expected to close in the second quarter of 2015 and will enable Windstream to significantly reduce debt, accelerate network investments, provide enhanced services to customers, and maximize stockholder value.

Our 2014 financial and operating results were below expectations, and the low compensation payouts received under our executive compensation programs reflect the rigorous performance objectives contained in our at-risk compensation programs and the achievement of a high correlation between pay and performance under our executive compensation plans.

#### **How We Determine Compensation**

Compensation Committee. Windstream's Compensation Committee is presently comprised of Samuel E. Beall, III, Chairman, William G. LaPerch, and William A. Montgomery. The Windstream Board has determined that each member of the Compensation Committee is an independent director under NASDAQ listing standards and a non-employee director for purposes of Section 16 of the Exchange Act and Messrs. Beall, LaPerch and Montgomery are considered outside directors as defined in Section 162(m) of the Internal Revenue Code and comprise the 162(m) subcommittee.

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 our CEO's compensation and, based on an annual evaluation of these performance goals, determines and approves our CEO'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 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 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 2014, the Compensation Committee engaged Pearl Meyer & Partners, LLC (PM&P) to assist the Committee in the review and design of Windstream's executive compensation program. PM&P reports directly to the Compensation Committee. During 2014, PM&P conducted a competitive review of Windstream'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 executive compensation program. PM&P provided a self-assessment to the Compensation Committee in 2014 relative to the independence standards required by the stock exchanges. The self-assessment included the following information:

PM&P performs no other services for Windstream, other than the engagement with the Compensation Committee;

Fees paid by Windstream to PM&P are less than 0.5% of PM&P's total revenue;

PM&P has policies and procedures to prevent conflicts of interest;

The individual advisor to the Compensation Committee does not own any Windstream stock;

There is no business or personal relationship between the individual advisor and a Committee member; and

There is no business or personal relationship between the individual advisor or PM&P and an executive officer of Windstream.

Competitive Market Analysis. As part of the process of approving executive compensation levels and plan designs, the Compensation Committee regularly reviews and considers competitive market data. This competitive market analysis generally takes place in the fall of each year and is used as part of the decision-making process for the following year. During 2013, PM&P provided, and the Compensation Committee reviewed, competitive market data as part of its process for approving 2014 executive compensation levels and plan designs.



Given the limited number of direct industry peers with a similar business model and of comparable size, the competitive market analysis focuses on compensation survey data from reputable surveys that are size-adjusted using regression formulas. The 2013 market analysis used compensation surveys from Watson Wyatt, Mercer, and PM&P, and all data was size-adjusted to reflect annual revenues of \$6 billion. In considering the survey data, the Committee does not request the identity of or review the specific companies that are included in any of the surveys reference above.

In addition to compensation levels, the Committee often requests that PM&P provide proxy data with respect to compensation plan designs and company performance. Because these elements are less impacted by company size, PM&P's 2013 market analysis included plan design and company performance data from a specific group of companies which included:

|                        |                               |
|------------------------|-------------------------------|
| DISH Network Corp.     | NII Holdings                  |
| ADP                    | Western Union                 |
| United States Cellular | Fidelity Information Services |
| Time Warner Telecom    | TDS                           |
| Charter Communications | Frontier                      |
| CenturyLink            | Level 3                       |

The Committee believes that the consideration of plan designs and performance levels among these companies provides an additional useful reference point for the plan designs and degree of pay and performance alignment at Windstream. Examples of plan design include the number and weighting of performance metrics and the types of performance metrics used in incentive plans, the allocation of cash and equity in total direct compensation, and the allocation of fixed compared to performance-based compensation. This group of companies represents a broad group of FORTUNE 500 companies in telecom, technology and services industry.

While consideration is given to the competitive market data, the Compensation Committee uses it primarily as a reference point and does not specifically target compensation to any market percentile. In addition to competitive market data, the Committee reviews and considers factors such as:

- company performance
- individual executive performance
- the critical nature of an individual's role to organizational success
- internal pay equity among colleagues
- retention risks

Only after careful consideration of all relevant facts and circumstances does the Committee exercise judgment and make compensation decisions.

#### Windstream Management

*General.* Windstream's management assists the Compensation Committee's 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 generally held in 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, our CEO 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 our CEO's compensation. The Compensation Committee then meets to review and determine our CEO's compensation and reviews and recommends the compensation for all other executive officers. The Compensation Committee determines our CEO's compensation, and recommends the compensation of all other executive officers, based in part on discussions with Windstream management, including our CEO, and discussions with the compensation consultant. The Windstream Board approves or, in the case of our CEO's compensation, ratifies the actions of the Compensation Committee.

*Stockholder Outreach.* Our Board recognizes the fundamental interest our stockholders have in the compensation of our executive officers. At our 2014 Annual Meeting, 76% of shares cast (excluding abstentions and broker non-votes) voted in favor of the advisory vote on executive compensation. For the 2012 and 2013 annual meetings of stockholders, approval percentages were 93% and 95%, respectively (excluding abstentions and broker non-votes). While it was clear that the majority of stockholders supported our executive 2014 compensation practices, the approval percentage was not as high as it had been in past years. Given the fiscal 2014 say-on-pay results, Windstream management reached out to stockholders representing approximately 32% of our outstanding shares to ensure that we understand and, to the extent possible, address our stockholders' concerns and observations with respect to our compensation policies. The following two themes emerged from these discussions:

Consideration of moving from a 1-year to 3-year measurement period in the Company's long-term incentive performance share program  
Consideration of either (a) aligning performance goals when the same measures are used within the short-term and long-term incentive program or (b) using different performance measures in the short-term and long-term incentive program

The Compensation Committee has reviewed and assessed these views and has determined to change, beginning in the 2016 plan year, the long-term incentive program to (a) use a different measure or measures than are used in the short-term incentive plan and (b) to measure the company's performance over a multi-year period. The Compensation Committee is not implementing these changes for the 2015 plan year due to the recent management transition in December 2014 and the pending closing of the REIT spin-off scheduled for the second quarter of 2015.

### **Our Leadership Transition**

Since Windstream was formed in 2006, we have executed a focused strategy to expand our business into a national provider of advanced communications and technology solutions to businesses, while continuing to provide voice and broadband services to consumers. Windstream has executed on this strategy by, among other things, successfully completing nine acquisitions, adding more than \$4 billion in revenue and creating approximately \$300 million in operating and capital synergies.

Focused on Windstream's growth agenda for 2015 and beyond, the Board determined that a new perspective was needed in order to accelerate the pace of change within the Company and to more effectively respond to the rapidly evolving needs of our customers. The Board believes it found the right leadership team to accomplish these goals in Messrs. Thomas and Gunderman. Mr. Thomas succeeded Jeffery R. Gardner, who, after serving as President and CEO of Windstream since its inception, resigned his position effective December 11, 2014. Mr. Thomas had previously served as Windstream's Chief Financial Officer and, most recently, as President-REIT Operations. The Board chose Mr. Thomas to serve as Windstream's CEO because it believes Mr. Thomas, through his telecom experience and his in-depth knowledge of Windstream gained through years of dedicated service, is the right executive to lead Windstream, position the consumer, carrier, and enterprise businesses for long-term success and drive revenue growth. Prior to his appointment as CFO, Mr. Gunderman was serving as interim CFO and Treasurer, a position he held since October 1, 2014 following Mr. Thomas's transition from CFO to President-REIT Operations. The Board determined that because of his skills as a finance leader and intimate knowledge of Windstream's business and the opportunities lying before it, Mr. Gunderman was the right executive to lead Windstream's finance organization.

Mr. Thomas's Employment Agreement. We entered into an employment agreement with Mr. Thomas in connection with his appointment as President and Chief Executive Officer. The employment agreement provides for an annual base salary of not less than \$1,000,000 and a target annual bonus opportunity, commencing with the 2015 fiscal year, of not less than 125% of his base salary. Under the terms of the agreement, Mr. Thomas received a time-based restricted share award with a grant date value of \$1,000,000, which award will vest in full on the third anniversary of the date of grant. The agreement also provides Mr. Thomas with certain severance benefits in the event he is terminated without cause or leaves the Company for good reason. The terms of Mr. Thomas's employment contract were determined by the Compensation Committee after considering the advice and comparative market analyses provided by Pearl Meyer & Partners, LLC. A more detailed discussion of Mr. Thomas's employment agreement is included below in the Section titled Employment Agreements and Severance Arrangements.

Mr. Gardner's Separation Agreement At the time of his resignation as President and Chief Executive Officer on December 11, 2014, the Board and Mr. Gardner agreed that he would remain employed by Windstream in an advisory capacity and remain on the Board through February 1, 2015 to ensure an orderly leadership transition. During this advisory period, he continued to receive the same base salary and benefits that were in effect on the date he stepped down as President and Chief Executive Officer. Mr. Gardner will not participate in Windstream's annual or long-term incentive programs for 2015 or to receive additional compensation for his services as a member of the Board of Directors in 2015. In connection with his departure, Windstream was obligated to pay Mr. Gardner a lump sum of \$3,000,000 as severance benefits pursuant to the terms of his existing employment contract. This severance benefit equaled three times his annual base salary. In addition, in recognition of Mr. Gardner's leadership and contributions in transforming Windstream from a rural wireline telephone business to a FORTUNE 500 company, the Board elected to vest 250,000 equity awards held by Mr. Gardner. Mr. Gardner's remaining equity awards for the 2015, 2016 and 2017 performance periods (518,285 in total) were forfeited and cancelled. In exchange for these benefits, Mr. Gardner executed a waiver and release of all claims in favor of Windstream. Mr. Gardner remains subject to the confidentiality, non-competition, and non-solicitation provisions contained in his employment agreement for a one year period and remains subject to Windstream's clawback policy. The terms of Mr. Gardner's separation agreement were determined and recommended to the Board by the Compensation Committee after considering the advice of Pearl Meyer & Partners, LLC.

### Elements of 2014 Compensation

For 2014, the compensation of Windstream's named 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 the named executive officers also includes the Windstream 2007 Deferred Compensation Plan, the Windstream 401(k) Plan, change-in-control agreements, and limited perquisites.

**Base Salary.** Base salary represents a stable means of cash compensation to our executive officers. Our goal in setting base salary amounts is to provide competitive compensation that reflects the contributions and skill levels of each executive. However, consistent with our philosophy of tying pay to performance, our executives receive a relatively small percentage of their overall compensation in the form of base salary.

We generally implement any base pay increases on a calendar year basis, with occasional mid-year increases to reflect a promotion or additional experience or responsibilities. The table below includes each named executive officer's base salary as of December 31, 2014 in comparison to his base salary as of December 31, 2013. Messrs. Gardner and Whittington are not included in the table below because they are no longer employed by Windstream.

| NEO                                | Base Salary at<br>December 31, 2013 | Base Salary at<br>December 31, 2014 | % Increase |
|------------------------------------|-------------------------------------|-------------------------------------|------------|
| Anthony W. Thomas                  | \$500,000                           | \$1,000,000                         | 100%       |
| Robert E. Gunderman <sup>(1)</sup> | N/A                                 | \$450,000                           | N/A        |
| John P. Fletcher                   | \$500,000                           | \$515,000                           | 3%         |
| J. David Works, Jr.                | \$430,000                           | \$465,000                           | 8%         |
| John C. Eichler <sup>(1)</sup>     | N/A                                 | \$290,000                           | N/A        |

(1) Messrs. Gunderman and Eichler were not named executive officers in 2013, therefore 2013 base salary information is not presented in this table.

Messrs. Thomas and Gunderman's current base salaries were established in connection with their promotions in December 2014. The Compensation Committee determined their current base salaries after considering the advice and comparative market analyses provided by PM&P and considering the salary they were receiving at the time of promotion.

In February of 2014, based on their performance and anticipated future contributions, and considering the market data described above, the Compensation Committee increased Messrs. Fletcher and Works' salaries from \$500,000 to \$515,000 and from \$430,000 to \$465,000, respectively.

**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 believes these short-term incentive plans are a key part of its goal to make a substantial portion of total direct compensation at-risk.

During 2014, the named executive officers participated in a short-term cash incentive plan based on Windstream's achievement of certain Adjusted OIBDA, total revenue and payout ratio levels. The Compensation Committee selected these financial measures because it believes successful performance against these measures promotes the creation of long-term stockholder value. Set forth below is more detail regarding these financial measures:

| Performance Measure | Description  | Reason Selected by Compensation Committee   |
|---------------------|--|---|
| Adjusted OIBDA      | Operating income before it is reduced by depreciation and amortization   | Is the key indicator of profitability that ensures Windstream's ability to generate sustainable cash flows over a long period of time |
|                     | Excludes merger and integration expense, pension (income) expense, share-based compensation, and restructuring charges   | Is one of the principal measures used by Windstream to communicate its financial performance in its quarterly earnings releases       |
|                     | Adjusted OIBDA is a Non-GAAP Measure   | Is given more weight than other financial measures because it is believed to be more closely related to stockholder value             |
| Total revenue       | GAAP measure included in our audited financial statements  | Is a strong indicator of the Company's performance year-over-year and overall financial condition                                     |
| Payout ratio        | Dividends Paid/Adjusted Free Cash Flow   | Illustrates how well cash flows support our dividend payments   |
|                     | Adjusted free cash flow is a Non-GAAP measure and is defined as Adjusted OIBDA less cash interest, cash taxes and capital expenditures (excluding integration capital) | Is a key metric followed by our stockholders and the capital markets  |

Under the short-term incentive plan, executive officers are eligible to receive payments in proportion to Windstream's achievement of certain levels of each performance measure set at minimum (or threshold), target and maximum levels. The Compensation Committee sets each performance goal at levels it believes to be difficult but achievable and designed to drive industry-leading results. No payout is made if performance is below the threshold levels, and performance between threshold, target and maximum levels results in prorated payouts. The table below sets forth the 2014 performance goal levels:

| Performance Measure | Component of Total Award | Performance Goal Levels<br>(dollars in billions) |         |         |
|---------------------|--------------------------|--|---------|---------|
|                     |                          | Threshold  | Target  | Maximum |
| Adjusted OIBDA      | 60%                      | \$2.155  | \$2.271 | \$2.387 |
| Total revenue       | 20%                      | \$5.741  | \$5.980 | \$6.220 |
| Payout ratio        | 20%                      | 78%  | 73%     | 68%     |

*2014 Actual Results.* Windstream's actual Adjusted OIBDA for 2014 was \$2.140 billion, which was below the threshold amount. Actual Total Revenue for 2014 was \$5.830 billion, which reflected an approximate 68.5% achievement level against the target performance goal. The Payout Ratio for 2014 was 75.8%, which reflected an approximate 71.6% achievement level against the target performance goal. The overall achievement level calculated based on the 2014 financial results was approximately 28%. The following table shows the target payouts and actual payouts (in each case, expressed as a percentage of base salary) for each NEO under the short-term incentive plan for 2014:

| Named Executive Officer | Target Payout Percentage | Actual Payout Percentage |
|-------------------------|--------------------------|--------------------------|
| Anthony W. Thomas       | 80%                      | 22%                      |
| Robert E. Gunderman     | 40%                      | 11%                      |
| John P. Fletcher        | 80%                      | 22%                      |
| J. David Works, Jr.     | 80%                      | 22%                      |
| John C. Eichler         | 40%                      | 11%                      |
| Jeffery R. Gardner      | 135%                     | 38%                      |
| Brent Whittington       | 80%                      | 0%                       |

The Compensation Committee set the target payout percentages for the NEOs at the beginning of the fiscal year based on such individual's contributions to Windstream and the market level of compensation for such position without benchmarking against a specific percentile. The Compensation Committee set Mr. Gardner's target payout percentage level while he was President and Chief Executive Officer of the Company. The Committee set his level above the other NEOs given his position and ability in that role to affect stockholder value relative to other NEOs.

Messrs. Thomas and Gunderman's participation amounts were set before they were promoted in the fourth quarter of 2014 and were not adjusted during the 2014 performance cycle to reflect their new positions. Mr. Thomas's 2015 participation level in the short-term incentive plan will be 125%, which will be higher than all other executive officers. The Compensation Committee set this amount when Mr. Thomas was promoted to President and Chief Executive Officer and believes it is consistent with the Committee's view of the level of responsibility and ability to affect stockholder value of the Company's principal executive officer.

Mr. Whittington was not employed by Windstream at the end of 2014 and, therefore, did not receive a payout under the short-term incentive plan.

Long-Term Equity-Based Incentive Awards. Windstream maintains an equity-based compensation program to provide long-term incentives to executive officers, to better align the interests of executives with stockholders and to provide a retention incentive. The equity-based compensation program also furthers the Compensation Committee's goal to make a substantial portion of executive officers' total direct compensation at-risk.

Each year NEOs receive a portion of their total direct annual compensation in the form of long-term equity-based incentive compensation. All Windstream equity compensation awards are issued as either time-based restricted stock or performance-based restricted stock units (PBRsUs) under the Windstream Amended 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 PBRsU 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. In addition, PBRsUs are eligible for deduction for tax purposes under Section 162(m) of the Internal Revenue Code. The table below provides more details regarding the time-based restricted stock and PBRsUs granted in 2014:

| Stock Award                              | Percentage of Total LTI Awards in 2014                            | Vesting  | Dividend Treatment   |
|--|---|--|--|
| Time-Based Restricted Stock              | 50% for all NEOs (other than Mr. Gardner)<br>0% for Mr. Gardner   | 50% vest ratably over three years subject to continuous employment by Windstream through March 1, 2017     | Executive officers have the right to receive any cash dividends paid with respect to the restricted shares during the vesting period |
| Performance-Based Restricted Stock Units | 50% for all NEOs (other than Mr. Gardner)<br>100% for Mr. Gardner | 50% vest each year set as a separate performance period<br>Performance measures set each year              | Dividends are accrued and paid out only when and if the performance conditions are satisfied   |
|  |   | Vest only if the performance thresholds are met and the executive is still employed on the date of vesting |  |



The Windstream Board of Directors 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 annual equity compensation awards to directors, executive officers, and all other eligible employees at its first regularly scheduled meeting of each year, which typically occurs 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.

In the first quarter of 2014, the Compensation Committee approved the amounts and types of equity-based compensation awards described below to the named executive officers. As with other elements of compensation, the Compensation Committee based individual equity-based incentive awards on such individual's contributions to Windstream and the market level of compensation for such position without benchmarking against a specific percentile.

| Named Executive Officer | 2014 Grants of Performance-Based Restricted Stock Units |     | Threshold (\$) | Target (\$) | Total Amount, Including Possible Overachievement (\$) |
|-------------------------|---|-----|----------------|-------------|---|
|                         | 2014 Grants of Time-Based Restricted Stock (\$)         |     |                |             |   |
| Anthony W. Thomas       | 750,000   | (1) | 375,000        | 750,000     | 1,125,000   |
| Robert E. Gunderman     | 149,997   | (1) | 74,999         | 149,997     | 224,996   |
| John P. Fletcher        | 599,995   |     | 299,998        | 599,995     | 899,993   |
| J. David Works, Jr.     | 374,996   |     | 187,498        | 374,996     | 562,494   |
| John C. Eichler         | 129,997   |     | 64,999         | 129,997     | 194,996   |
| Jeffery R. Gardner      | -   |     | 2,324,998      | 4,649,995   | 6,974,993   |
| Brent Whittington       | 799,996   |     | 399,998        | 799,996     | 1,199,994   |

(1) These amounts do not include the retention grants of \$999,993 and \$499,996 made in December 2014 to Messrs. Thomas and Gunderman in connection with their appointments to President and Chief Executive Officer and Chief Financial Officer and Treasurer, respectively. These special retention grants are not considered part of our annual compensation program.

The Compensation Committee sets the performance measures for PBRsUs each year during the three-year vesting period. It is the Compensation Committee's goal to set such amounts at levels that it believes are difficult but achievable and designed to drive industry leading results. For fiscal 2014, the Committee selected Adjusted OIBDA as the baseline performance measure and included an overachievement measure (the Overachievement Measure) based on Windstream total stockholder return. The reasons the Compensation Committee selected Adjusted OIBDA are outlined above in the section titled Short-Term Cash Incentive Payments. The Compensation Committee selected total stockholder return for the Overachievement Measure because it is an objective metric that the Committee believes will further align compensation opportunity of our NEOs to stockholder interests.

The target Adjusted OIBDA metric for the 2014 performance period was set at 97% of an Adjusted OIBDA goal of \$2.271 billion and the threshold was 95% of this amount. No shares are awarded under these grants if actual Adjusted OIBDA is less than the threshold and no additional amounts are awarded if actual Adjusted OIBDA exceeds the target.

*Overachievement Measure.* For the Overachievement Measure, each NEO is entitled to receive an additional number of shares up to 50% of his/her target payout amount if (1) Windstream achieves the Total Stockholder Return goal (as described below) over the three-year vesting period of the PBRsUs, and (2) at least the minimum threshold of the Adjusted OIBDA goal is met in each of the three fiscal performance periods covered by the vesting schedule. The Total Stockholder Return goal is measured by comparing Windstream total stockholder return against the cumulative total return of the S&P 500 index. The Compensation Committee chose the broader S&P 500 index over the S&P telecom index because the telecom index is comprised of only eight (8) companies, including AT&T and Verizon, which are not impacted by the same issues and environment given their larger size and their focus on wireless businesses. Pursuant to the Overachievement Measure, an additional 25% of shares will be issued if Windstream total stockholder return is between the 50-75th percentile of the S&P 500 and an additional 50% of shares will be issued for performance over the 75th percentile.

*2014 Performance Period Actual Results.* Actual Adjusted OIBDA for fiscal 2014 fell below the threshold amount. As such, PBRsUs for the 2014 performance period (specifically, the 2012, 2013 and 2014 grants) did not vest in accordance with their terms. Also, these PBRsUs are no longer eligible for the overachievement measure because the 2014 threshold was not met.

The unvested and cancelled PBRsUs were granted in fiscal years 2012, 2013 and 2014 and represented approximately 50% of each named executive officer's (other than Mr. Gardner) total equity awards that were eligible to vest during the 2014 performance period. PBRsUs represented 100% of Mr. Gardner's total equity awards eligible to vest during the 2014 performance period.

#### **Employment Agreements and Severance Arrangements**

Anthony W. Thomas. Windstream entered into an employment agreement with Mr. Thomas on December 11, 2014 in connection with his appointment as President and Chief Executive Officer. The employment agreement provides that Mr. Thomas will be employed as President and Chief Executive Officer for the period beginning on December 11, 2014 and ending on December 31, 2019, subject to annual renewals thereafter. During the term of his employment, Mr. Thomas's annual base salary will be not less than \$1,000,000 and his target annual bonus opportunity, commencing with the 2015 fiscal year, will not be less than 125% of his base salary. Under the terms of the agreement, Mr. Thomas received a time-based restricted share award with a grant date value of \$1,000,000, which award will vest in full on the third anniversary of the date of grant. Additionally, the contract provides that Mr. Thomas will be eligible to participate in equity incentive, employee benefits and perquisite programs and arrangements that are no less favorable than those provided to other senior executives of Windstream. The agreement also provides that if Mr. Thomas's employment is terminated without Cause (as defined in the employment agreement) or Mr. Thomas terminates his employment for Good Reason (as defined in the employment agreement), then Windstream will pay to Mr. Thomas, in a lump sum, the following amounts:

his annual base salary through the date of termination and any other vested benefits, in each case to the extent not previously paid, and three times his annual base salary.

If Mr. Thomas's employment terminates for any other reason, then the employment agreement will terminate without further obligation to Mr. Thomas other than the obligation to pay his annual base salary through the date of termination and any other vested benefits. Upon termination of employment, Mr. Thomas is prohibited under the agreement from soliciting employees or customers of or competing against Windstream for a one-year period and is subject to confidentiality and non-disparagement restrictions. Moreover, Mr. Thomas is required to sign a waiver and release of all claims against Holdings and its affiliates prior to receiving severance benefits under the Employment Agreement.



Jeffery R. Gardner. Mr. Gardner's employment contract was terminated in connection with his resignation on December 11, 2014. The employment agreement provided for a base salary of not less than \$700,000 per year and severance benefits of three times base salary - which were triggered in connection with his departure from the Company, as described above. The Compensation Committee approved the foregoing severance benefit to Mr. Gardner when his employment agreement was executed in January of 2008. The Committee approved the severance benefits based on the importance of Mr. Gardner's 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.

Severance Arrangements. As part of his offer letter with Windstream, Mr. Works is eligible to receive severance benefits of one times his salary and target bonus if his employment is terminated by Windstream for any reason other than cause or for resignation for good reason (as defined in his change in control agreement) prior to February 1, 2017, which is the five-year anniversary of his employment with Windstream. In addition, as part of their change-in-control agreements, Messrs. Gunderman and Eichler are entitled to receive severance benefits of one times their salary and target bonus if their employment is terminated by Windstream for any reason other than cause or for resignation for good reason (as defined in their change in control agreements).

Change-In-Control Agreements. Windstream has entered into change-in-control agreements with Mr. Thomas and each executive officer (including the NEOs). The Compensation Committee believes that change-in-control agreements provide protection to our executive officers from the uncertainty associated with a potential change-in-control and are a key element in ensuring that our total compensation package is competitive with the compensation arrangements of other market participants. The change-in-control agreements for our NEOs provide that upon a qualifying separation from service the executive officers will be eligible to receive a cash, lump sum payment equal to a multiple times base salary and target bonus. The multiple is three times for Messrs. Thomas, Fletcher and Works, two times for Mr. Gunderman and one time for Mr. Eichler. Such payments will become payable on a double-trigger basis, which means that a change-in-control of Windstream must occur and the officer's employment with Windstream must be terminated through either a resignation for good reason or a termination without cause (as those terms are defined in the change-in-control agreement). Pursuant to the terms of the change-in-control agreements, if excise taxes would be imposed upon payments received under the agreements the executive will either receive all of the benefits to which he or she is entitled under the