



## Political Transparency and Accountability Profile (2011)

### Windstream Corporation (WIN)

[www.windstream.com](http://www.windstream.com)

Sector: Telecommunications Services

#### Recent Corporate Political Spending Developments

The January 2010 U.S. Supreme Court decision in *Citizens United v. Federal Election Commission* overturned several long-standing restrictions on corporate political spending activities. The Court's decision struck down part of the Tillman Act of 1907 that first limited corporate political spending. Under the new ruling companies may spend unlimited corporate funds on independent expenditures to support or oppose a candidate as long as they do not coordinate their efforts with the candidates, although they are still prohibited from contributing directly to federal candidates. Third-party groups such as trade associations also may use unlimited general purposes funds for independent expenditures.

Companies may also continue to contribute at the state and local level and to 527 groups. These groups—named for the section of the tax code under which they are organized—raise money for political purposes and may significantly impact federal, state and local elections. Companies also engage in political spending indirectly through their payments to trade associations, organized as 501(c)(6) organizations and other tax-exempt groups, which include social welfare organizations known as 501(c)(4)s. Trade associations and 501(c)(4) groups gained popularity during the 2008 election cycle in the wake of the Federal Election Commission's crackdown on 527 groups for violating campaign finance law during 2004 elections.<sup>1</sup> Another way companies can contribute to the political process is by supporting events such as Presidential inauguration celebrations and the Republican or Democratic Party conventions, a growing source of corporate support in recent years.<sup>2</sup> Company funds are also used to pay for trade associations' grassroots lobbying communications.

#### Windstream's Political Spending Policy and Activity: Overview

Windstream's political spending policy allows for corporate funds to be used for political activities and requires advance authorization by the company's compliance committee.<sup>3</sup>

The company has spent approximately \$160,000 in corporate funds on political activities since 2002, according to publicly available data.<sup>4</sup> The exact figure is difficult to determine because reporting at the

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<sup>1</sup> See *Soft Money in the 2006 Election and the Outlook for 2008: The Changing Nonprofits Landscape*, Campaign Finance Institute, 2007. Approximately \$90 million in 501(c) spending on federal election activities was reported in 2006. T.W. Farnam & Brody Mullins, "Interest-Group Campaign Spending Nears Record", *Wall Street Journal*, Feb. 5, 2008.

<sup>2</sup> See "Inside Fundraising for the 2008 Party Conventions: Party Surrogates Gather Soft Money While Federal Regulators Turn a Blind Eye," The Campaign Finance Institute, 2008. See: "The Inauguration: Brought to you by the Few, the Wealthy," Public Citizen, Jan. 14, 2009 available at <http://www.citizen.org/pressroom/release.cfm?ID=2799>, and "Lawmakers and Lobbyists Celebrate Inauguration," *The Washington Independent*, Jan. 20, 2009, available at <http://washingtonindependent.com/26340/lawmakers-celebrate-inauguration-with-lobbyists>.

<sup>3</sup> See Political Contributions and Activities section of Windstream's Ethics Policy, available in the corporate governance section of the company's website at <http://www.sn1.com/irweblinkx/GenPage.aspx?IID=4121400&GKP=1073743168#14>

state level is incomplete and can be misleading, and companies are not required to disclose other types of spending such as their indirect political purpose expenditures via third party groups. The above estimate also excludes payments Windstream has made to trade associations or other tax-exempt organizations that fund political activities.

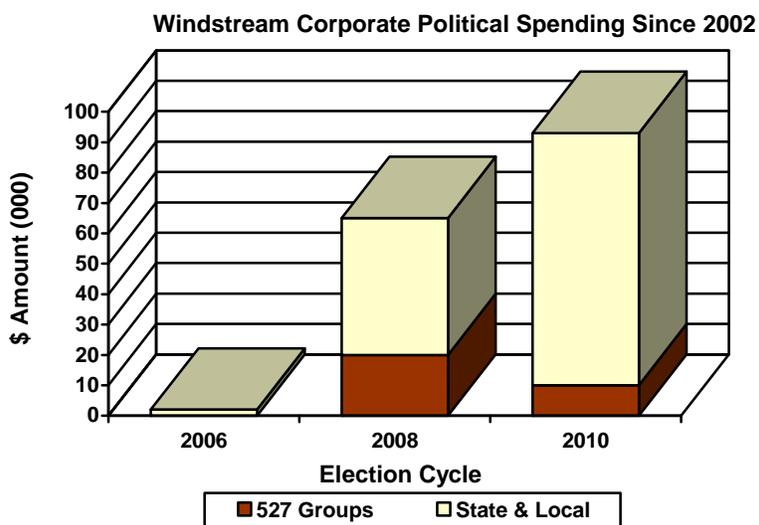
Windstream does not publicly disclose its political contributions or its memberships in trade associations and the portions of payments it makes to them that are used for political purposes. Also, the company's board of directors does not oversee the company's political activity. These gaps in transparency and accountability may expose the company to reputational and business risks that could threaten shareholder value.<sup>5</sup>

A growing number of companies have adopted disclosure and oversight of their political spending. Currently 78 companies in the S&P 500, including more than half in the S&P 100, have committed to disclosure of their political spending policies, the details of the spending, and oversight.

### Election Cycle Spending

Windstream has contributed approximately \$130,000 to state level recipients and \$30,000 to 527 groups and since the 2006 election cycle.<sup>6</sup> See Figure 1.

Figure 1



### 527 Spending

Since 2006, Windstream has contributed a total of \$30,000 to a major 527 group, the Democratic Governors Association. The group was active in the 2010 election cycle, raising more than \$27 million for electioneering purposes.<sup>7</sup>

<sup>4</sup> See Institute for Money in State Politics, [www.followthemoney.org](http://www.followthemoney.org) and CQMoneynline <http://moneyline.cq.com/pml/home.do>. The CPA used these databases to conduct searches on the company's political giving. The search results do not always distinguish between contributions made with corporate funds and those made by the company PAC. Though the CPA made every effort to exclude any PAC contributions, the figure cited in this report may include contributions made with employee funds.

<sup>5</sup> *The Green Canary: Alerting Shareholders and Protecting Their Investments*, Center for Political Accountability, Feb. 2005. See also *Hidden Rivers: How Trade Associations Conceal Corporate Political Spending, Its Threat to Companies, and What Shareholders Can Do*, Center for Political Accountability, May 2006.

<sup>6</sup> See Institute for Money in State Politics, [www.followthemoney.org](http://www.followthemoney.org) and CQMoneynline <http://moneyline.cq.com/pml/home.do>.

## State Level Activity

At the state level, Windstream was politically active in Arkansas, Florida, Ohio and contributed in other states. The company's contributions in these states went to individual candidates, parties, and committees. The table below lists the top state recipients.

**Windstream State Level Spending Since 2002<sup>8</sup>**

State	Total Amount Contributed*
Arkansas	\$30,000
Florida	\$25,000
Ohio	\$19,000
Oklahoma	\$18,000
Georgia	\$9,000

## Independent Expenditures

The *Citizens United* decision allows corporations to fund independent expenditures using unlimited corporate treasury funds. In July 2010, the CPA and its investor partners surveyed the S&P 500, asking whether the companies intended to engage in independent expenditure activity, and if so, whether they planned on disclosing the expenditures and adopting appropriate oversight procedures. A majority of the responding companies stated that they do not intend to engage in this type of activity, while many respondents declined to state their position or commit to additional disclosure. Others noted that their policies were under review. Windstream did not respond to the letter.

## Trade Association Activity

Trade associations serve a variety of purposes. Some engage in political activity through contributions at the state and local level, grassroots lobbying, issue advocacy, and independent expenditures. These activities are funded by dues and other payments from member companies. While not all trade associations are politically active, several major industry groups carry significant political weight.

A complete list of the trade associations or related groups to which Windstream belongs is not publicly available. Most associations only disclose the companies represented on their board of directors, not their entire membership list. Shareholders also do not have access to the amounts Windstream pays to trade associations annually or the portion used for the associations' political spending.

A Center for Political Accountability review of publicly available information found that:

- Windstream CEO Jeffrey R. Gardner is a member of the Business Roundtable (BRT)<sup>9</sup> and also serves on the United States Telecom Association (USTA) Board of Directors.<sup>10</sup>

Both of these associations have been politically active in recent years. From 2007 to 2009, the BRT reported spending an annual average of \$11.7 million on lobbying and political expenditures. From 2006-2008, the USTA reported spending an average of \$10.0 million on these types of expenditures.

<sup>7</sup> Paul Steinhauser, "RGA Breaks Fundraising Record," *CNNPolitics Political Ticker*, Oct. 14, 2010, available at <http://politicalticker.blogs.cnn.com/2010/10/14/rga-breaks-fundraising-record/>

<sup>8</sup> The Institute for Money in State Politics, [www.followthemoney.org/](http://www.followthemoney.org/). The amounts listed for state level spending are approximate because state campaign finance reporting is often incomplete and in many cases contributions from the corporation and its political action committee (PAC) are combined, even though the latter are employee-funded. The CPA makes every effort to exclude donations that appear to come from a company PAC or from an individual employee.

<sup>9</sup> See Business Roundtable "About Us: Members," available at <http://businessroundtable.org/about-us/members/#W>

<sup>10</sup> See U.S. Telecom Association "2010-2011 Board of Directors," available at <http://www.ustelecom.org/WhoWeAre/BoardofDirectors.html>

<b>Business Roundtable</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Reported Dues (\$ millions)	22.4	20.9	20.1
Lobbying and Political Expenditures (\$ millions)	8.4	13.3	13.4
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>37.5</i>	<i>63.6</i>	<i>66.7</i>

(Source: IRS Form 990s, available at Guidestar.org)

<b>U.S. Telecom Association</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Reported Dues (\$ millions)	31.8	15.8	15.9
Lobbying and Political Expenditures (\$ millions)	16.0	5.7	8.2
<i>Percent of Dues and Payments Used for Lobbying and Political Purposes</i>	<i>50.3</i>	<i>36.1</i>	<i>51.6</i>

(Source: IRS Form 990s, available at Guidestar.org)

A portion of the company's payments to these groups likely was used to underwrite some of this political spending. The company could face reputational or business risks from the political activities of trade associations or groups to which it makes payments. This risk is discussed in the *Handbook on Corporate Political Activity*, released by The Conference Board in November 2010. While "corporate leaders are aware that even when their own actions pose little risk," it notes, "the behavior of suppliers, trade associations, and other third parties has the potential to affect how their organizations are viewed."<sup>11</sup> Without disclosure of such payments made by the company, shareholders cannot assess these risks.

Inadequate disclosure can be problematic for another reason. Shareholders may not be able to evaluate whether the company's political giving aligns with the mission and values of the company. "[G]iven the relative freedom trade associations have to engage in political activity, it may be advisable for companies to inquire about how their own payments to trade associations are spent," the handbook notes. "Without this information about how its contributions are spent, a corporation may unwittingly end up supporting politicians or political causes with which the company may not want to be associated. It may also find its funds being used to promote positions that may not be aligned with its values or business strategies."<sup>12</sup>

## **Transparency and Accountability Checklist**

### ***Publicly Disclosed Standards & Procedures Governing Corporate Political Activity***

The CPA derived the following checklist from existing legal standards, best practice standards among leading corporations and policies that ensure protection of shareholder value. Some of the standards and best practices are included in the *Handbook on Corporate Political Activity*.<sup>13</sup> A company that fulfills most of the criteria listed below likely has good governance of its corporate political spending. The CPA relied on information that is disclosed on the company website and therefore publicly available to all investors. A company will not get credit for policies or procedures that are not publicly available.

#### **Positive Practices**

Windstream discloses some of the policies and procedures that regulate its political spending, including prior authorization by a compliance committee for any political contribution.

#### **Room for Improvement**

<sup>11</sup> *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010, p.15. Available at [www.politicalaccountability.net](http://www.politicalaccountability.net)

<sup>12</sup> Ibid.

<sup>13</sup> *Handbook on Corporate Political Activity: Emerging Corporate Governance Issues*, The Conference Board, Nov. 2010. Available at [www.politicalaccountability.net](http://www.politicalaccountability.net)

Windstream does not disclose its political contributions or the payments it makes to trade associations and other tax-exempt groups that are used for political purposes. The company's board of directors does not appear to oversee its political spending.

### Basic Disclosure

#### *Is the following information disclosed on the company's website?*

Policy on corporate political contributions and expenditures	yes <sup>14</sup>
The recipients and amounts of its political spending	no
Memberships in trade associations and other tax-exempt groups	no
Payments to trade associations and other tax-exempt groups used for political purposes	no

### Standards & Oversight Procedures

#### *Do company policies explicitly include the following items?*

The use of corporate funds for political purposes is prohibited	no
Political contributions permitted only through voluntary employee-funded PAC contributions	no
No contribution will be given in anticipation of, in recognition of, or in return for an official act	yes <sup>15</sup>
Company will not reimburse employees directly or indirectly for political donations or expenses	no
No employees will be pressured to make any personal political expenditures	no
Political contributions policies are included in Code of Conduct	yes <sup>16</sup>
Political contributions policies are disclosed elsewhere on the company website	no
Political contributions policies include specific criteria for approval of political donations	no
Prior approval required for political contributions	yes <sup>17</sup>
Officer or department must approve political contributions	yes <sup>18</sup>

<sup>14</sup> See "Political Contributions and Activities" section of Windstream's "Ethics Policy," available at <http://www1.snl.com/irweblinkx/GenPage.aspx?IID=4121400&GKP=1073743168#14>

<sup>15</sup> Ibid. See "Appearance of Impropriety/Conflicts of Interest" section of Windstream's "Ethics Policy." The policy states that "You are not permitted to make or authorize any offer, payment, promise, or gift that is intended or appears to influence any person or entity to award business opportunities to Windstream or to make a business decision in Windstream's favor."

<sup>16</sup> Ibid.

<sup>17</sup> Ibid. See "Political Contributions and Activities" section of Windstream's "Ethics Policy." According to the policy, "You may not make any contribution on behalf of Windstream, or use Windstream's name, funds, property or services for the support of any political party or candidate, unless the contribution or activity is authorized in advance by the compliance committee."

<sup>18</sup> Ibid.

General counsel or legal department must approve political contributions	<b>yes</b> <sup>19</sup>
An executive officer of the company must approve political contributions	<b>no</b>
Board of directors or board committee oversees political contributions	<b>no</b>
Board of directors or board committee must issue prior approval for political contributions	<b>no</b>
The same standards and oversight procedures apply to payments made to trade associations and other tax-exempt groups that are used for political purposes	<b>no</b>

*This checklist relies on the company's publicly disclosed information and reflects only external company standards and procedures. It does not measure compliance with the company's expressed standards and procedures. Any clear violations of the company's standards and procedures of which the CPA is aware will be included in this report.*

Report Date: February 23, 2011

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<sup>19</sup> Ibid.