

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEFC14A  
April 17, 2015

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

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 §240.14a-12

**Telephone and Data Systems, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**TELEPHONE AND DATA SYSTEMS, INC.**

30 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60602  
Phone: (312) 630-1900  
Fax: (312) 630-9299

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April 17, 2015

**Dear Shareholders**

You are cordially invited to attend the 2015 annual meeting of shareholders ("2015 Annual Meeting") of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 21, 2015, at 8:00 a.m., central time, at City Center West Conference Center, 525 Junction Road, Madison, Wisconsin.

The formal Notice of 2015 Annual Meeting of Shareholders and 2015 Proxy Statement ("2015 Proxy Statement") of our board of directors is attached. Also enclosed is our 2014 Annual Report to shareholders ("2014 Annual Report"). At our 2015 Annual Meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors;
2. ratify the selection of independent registered public accountants for the current fiscal year; and
3. approve, on an advisory basis, the compensation of our named executive officers as disclosed in the attached 2015 Proxy Statement (commonly known as "Say-on-Pay").

Your board of directors unanimously recommends a vote "FOR" its nominees for election as directors, "FOR" the proposal to ratify accountants and "FOR" approval of the Say-on-Pay proposal.

We would like to have as many shareholders as possible represented at the 2015 Annual Meeting. Therefore, whether or not you plan to attend the meeting, please sign, date and return the enclosed **WHITE** proxy card(s), or vote by phone or on the Internet in accordance with the instructions set forth on the **WHITE** proxy card(s).

We look forward to visiting with you at the 2015 Annual Meeting.

Very truly yours,

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LeRoy T. Carlson, Jr.  
President and  
Chief Executive Officer

Walter C.D. Carlson  
Chairman of the Board

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**IMPORTANT**

Your vote is important. No matter how many shares you own, we urge you to please vote FOR the election of the nominees nominated by the board of directors and FOR proposals 2 and 3. In addition to voting by mail, telephone and Internet voting is available. Simply follow the instructions on the enclosed proxy card.

In addition, we ask that you do not return any proxy card you may receive from GAMCO.

If you have questions or need assistance voting your shares please contact

105 Madison Avenue  
New York, New York 10016  
TDS@mackenziepartners.com  
Call Collect: (212) 929-5500  
Or Toll-Free: (800) 322-2885  
Fax: (212) 929-0308

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## Dear Fellow Shareholders

The TDS mission is to provide outstanding communication services to our customers and meet the needs of our shareholders, our people and our communities. In pursuing this mission, we seek to grow our businesses, create opportunities for our associates and employees, and steadily build value over the long term for our shareholders.

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### **Total Company Performance**

2014 was a pivotal year for TDS as we started to build momentum from our recent strategic actions across our portfolio of companies.

Our two principal business units are U. S. Cellular, where we own 84%, and wholly-owned TDS Telecom. We are able to differentiate ourselves by being a local provider, primarily in suburban and rural markets. A common factor in our businesses is our focus on providing exceptional customer experiences. At our core, this focus includes everything from offering best-in-class products and services, to the dedication and professionalism of the associates and employees who deliver those services. Another common factor is that our businesses converge around data. For consumers and business customers alike, that means we have the networks to efficiently transport their data, and a whole host of plans, services, and products that enable them to use their data, when and how they want. For shareholders, it's about our plan to monetize the usage of data on our networks over time.

Our financial and operating results continue to reflect the intensely competitive environment in which we operate, and the impact of investments to support our long-term strategy for growth. We believe the investments and other actions we've taken to position our businesses in this manner will enable us to continue improving our performance over time. This past year we made progress in a number of important areas.

U.S. Cellular began to once again drive postpaid customer growth. We did so with our value proposition of best-in-class network; competitive devices, plans, and pricing; and award-winning customer service. The

company increased smartphone penetration and offered more products and services that expand customers' data use.

Our 4G LTE network now reaches 94% of customers and, by the fourth quarter, was supporting 78% of customers' data traffic, further enhancing U.S. Cellular's competitive advantage and ability to retain and attract customers.

At TDS Telecom, our fiber investments and bundling strategy has enabled TDS Telecom to achieve strong growth in TDS TV penetration and broadband adoption in our wireline business. In our cable business, Baja Broadband is proving that the company's expansion into cable is complementing our wireline business, as intended. In September we acquired a second cable company, BendBroadband, which already has delivered strong contributions as well. At OneNeck IT Solutions, which is our hosted and managed services business targeting mid-market customers, we are delivering continued growth in recurring service revenues.

### **Building Shareholder Value**

Our strategic imperative is to build the value of our businesses. We intend to do so by leveraging our improved competitive positioning and allocating our resources effectively to support customer and revenue growth initiatives. In rapidly changing and intensely competitive industries, we are constantly evaluating our operational, developmental, and financial opportunities, and the use of our resources, to strengthen the company. As part of this effort, during 2014 U.S. Cellular monetized non-core assets including spectrum and cell towers. At TDS Telecom, we expanded our presence in the cable business through a second acquisition and divested some small ILEC markets.

Dear Fellow Shareholders (continued)

**Returning Value to Our Shareholders**

Across the business portfolio, TDS has invested in substantial initiatives over the past few years to position our companies to compete more effectively and operate more efficiently. Our capital allocation strategy is to invest approximately 75% of available resources in this way, and return the remaining 25% to our shareholders through cash dividends and share repurchases. In line with this strategy, we recently announced our 41st consecutive annual dividend increase, increasing our dividend rate by 5.2%. And during 2014, we repurchased \$39.1 million of TDS shares.

**Corporate Governance**

As the following Proxy Statement Summary highlights, we continue to take steps to improve the effectiveness of our Board of Directors. We have an active refreshment process that led to David Wittwer joining our Board, bringing significant and desired skills in the broadband and cable industry. Our Audit Committee continues to function at a high level, earning top marks in proxy advisor scores and our Compensation Committee continues to evolve programs to better align pay with performance. We began a program this year to hold conversations with our shareholders to better understand their priorities from a corporate governance standpoint and to encourage dialogue regarding ongoing improvements. We appreciate their candor.

We ask for your support this year to re-elect the TDS slate of nominees. We feel we are making progress in our strategy and continuity at this stage is critical.

Thank you to our fellow shareholders and debt holders for your continuing support of our long-term strategies.

Sincerely,

LeRoy T. Carlson, Jr.  
President and Chief  
Executive Officer

Walter C. D. Carlson  
Chairman of the Board

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## 2015 Proxy Statement Summary

### Annual Meeting Information

Time and Date	May 21, 2015, at 8:00 a.m. central time
Place	City Center West Conference Center 525 Junction Road Madison, WI 53717
Record Date	March 30, 2015
Webcast	investors.tdsinc.com

### Strong Corporate Governance Practices

TDS has adopted Corporate Governance Guidelines that are intended to reflect good corporate governance and other best practices.

Annual election of all directors

Annual "Say on Pay"

Executive sessions with only independent directors present

Policy prohibiting pledging and hedging of company shares

Charter and bylaws can be amended by a simple majority vote

Authority to retain independent advisors by each committee

TDS has established a Corporate Governance and Nominating Committee even though, as a controlled company, TDS is not required to do so

The Corporate Governance and Nominating Committee operates under a formal charter and in a manner that is intended to reflect good corporate governance and other best practices

The positions of (i) Chairman of the Board and (ii) President and Chief Executive Officer are separate

The TDS Audit Committee, which is comprised entirely of independent directors, operates under a formal charter and in a manner that is intended to reflect good corporate governance and other best practices

### Shareholder Engagement



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TDS has an open-door policy for its shareholders to meet with management. Our goal is ongoing engagement with our shareholders and we value the views and opinions of our shareholders.

In 2014, TDS implemented a more formal shareholder engagement program to hold conversations with our shareholders to better understand their priorities regarding corporate governance practices and to encourage dialogue regarding ongoing improvements.

### Voting Matters and Board Recommendations

<b>Voting Matters</b>	<b>Board's Recommendations</b>	<b>Rationale</b>	<b>Page Reference</b>
Election of 12 Director nominees	FOR all TDS Board nominees	Broad relevant expertise  Strong skills	14
Ratify independent registered public accountants	FOR	Independent	38
Approve, on an advisory basis, the compensation of named executive officers ("Say on Pay")	FOR	Strong oversight by compensation committee  Aligned with shareholders through a mix of cash and equity	42

## 2015 Proxy Statement Summary (continued)

### Proposal 1 Director Nominees

Our Board of Directors has nominated 12 directors for election at the 2015 Annual Meeting (Proxy Item No. 1) beginning on page 14. The Board believes that the background and experience of the TDS Board Common Share nominees are more significant and more relevant to TDS than the GAMCO candidates.

Each of the four TDS Board Common Share nominees has experience as a director of TDS, a Fortune 1000 company, ranging from about 6 to 18 years. In addition, the TDS Board Common Share nominees have other more relevant public company board experience [see biographies pages 14-19]. In comparison, it is believed that the GAMCO candidates have minimal public company experience. [pages 10-13]

Accordingly, the TDS Corporate Governance and Nominating Committee and the TDS Board of Directors believe that the GAMCO candidates have substantially less experience and qualifications compared to each of the four TDS Board Common Share nominees.

LeRoy T. Carlson, Jr.	1968	68	President and CEO, TDS
Letitia G. Carlson, M.D.	1996	54	Physician and Associate Clinical Professor at George Washington University
Prudence E. Carlson	2008	63	Private Investor

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