

TELEPHONE & DATA SYSTEMS INC /DE/
Form DEF 14A
April 11, 2018

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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 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Telephone and Data Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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(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

April 11, 2018

Dear Shareholders

You are cordially invited to attend the 2018 annual meeting of shareholders ("2018 Annual Meeting") of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 24, 2018, at 9:00 a.m., central time, at The Standard Club, 320 S. Plymouth Court, Chicago, Illinois.

The formal Notice of 2018 Annual Meeting of Shareholders and Proxy Statement ("2018 Proxy Statement") of our board of directors is attached. Also enclosed is our 2017 Annual Report to Shareholders ("2017 Annual Report"). At our 2018 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 accountant for the current fiscal year;
3. approve an amendment and restatement of TDS' Restated Compensation Plan for Non-Employee Directors, which includes approval of 200,000 Common Shares for issuance under the plan;
4. approve, on an advisory basis, the compensation of our named executive officers as disclosed in the attached 2018 Proxy Statement (commonly known as "Say-on-Pay"); and
5. Consider a proposal submitted by a shareholder.

Your board of directors recommends a vote "FOR" its nominees for election as directors, "FOR" the proposal to ratify accountants, "FOR" approval of the amendment and restatement of TDS' Restated Compensation Plan for Non-Employee Director and "FOR" approval of the Say-on-Pay proposal.

In addition, as required by the rules of the Securities and Exchange Commission ("SEC"), the 2018 Proxy Statement includes a proposal submitted by a shareholder of TDS calling for the board of directors to take steps to adopt a plan for all of TDS' outstanding stock to have one vote per share. The board of directors unanimously recommends that you vote "AGAINST" this proposal.

We would like to have as many shareholders as possible represented at the 2018 Annual Meeting. Therefore, whether or not you plan to attend the meeting, please sign, date and return the enclosed proxy card(s), or vote on the Internet in accordance with the instructions set forth on the proxy card(s).

We look forward to visiting with you at the 2018 Annual Meeting.

Very truly yours,

LeRoy T. Carlson, Jr.

Walter C. D. Carlson

President and
Chief Executive Officer

Chairman of the Board

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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, 3, and 4 and AGAINST proposal 5. In addition to voting by mail, Internet voting is available. Simply follow the instructions on the enclosed proxy card.

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

1407 Broadway, 27th Floor
New York, New York 10018
TDS@mackenziepartners.com
Call Collect: (212) 929-5500
Or Toll-Free: (800) 322-2885
Fax: (646) 439-9201

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TELEPHONE AND DATA SYSTEMS, INC.

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

Dear Shareholders,

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 continuously grow our businesses, create opportunities for our associates and employees, and steadily build value over the long term for our shareholders.

We embraced a number of opportunities and challenges in 2017. It is an exciting time to be expanding our communications business with leading-edge wireless and broadband technology. Our strong rural and suburban footprint and modest size enable us to be nimble and better understand evolving customer and business needs.

U.S. Cellular Offering high-quality and reliable national wireless service in the Middle of Anywhere enables us to achieve our first priority: to attract new customers and retain our loyal customer base. While revenue declined in 2017 due to competitive pricing pressures, our strategic focus on cost reductions helped us to achieve a modest increase in profitability.

TDS Telecom In 2017, TDS Telecom increased its wireline and cable revenues, while hosted and managed service revenues declined. TDS Telecom, in total, significantly increased its profitability. Our wireline and cable businesses share a common strategy. Our goal is to grow high-margin broadband services, bundled with video and voice services to reduce churn.

OneNeck IT Solutions In 2018, OneNeck transitioned to its own business unit within the TDS family of companies, better positioning the company to leverage TDS corporate IT resources. In this hosted and managed services business, we seek to grow recurring revenues in high-margin IT services for mid-market clients.

Creating long-term shareholder value

Our TDS corporate capital allocation strategy calls for investing available cash resources into the business and returning value to shareholders. TDS has increased its dividend every year for the past 43 years and announced another increase for 2018.

2018

We are focused on our strategic imperatives at each business unit. U.S. Cellular is working diligently to attract new customers and protect its customer base, increase revenues, reduce costs, and invest in our future. TDS Telecom is deploying more fiber where economically sound, increasing broadband penetration and evaluating potential cable acquisitions. OneNeck is working to grow recurring service revenues, to add new customers and to improve and standardize its processes.

Sincerely,

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

Walter C. D. Carlson
Chairman of the Board

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Dear Shareholders (continued)

2018 Proxy Statement Summary

Annual Meeting Information

| | |
|----------------------|--|
| Time and Date | May 24, 2018, at 9:00 a.m. central time |
| Place | The Standard Club 320 South Plymouth Court Chicago, IL 60604 |
| Record Date | March 28, 2018 |
| Webcast | investors.tdsinc.com |

Strong Corporate Governance Practices

Annual election of all directors

Annual "Say on Pay" vote

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

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

Guidelines recommending that TDS Directors limit to three the number of other public company boards they serve on

Succession planning sessions are held in Executive Session at least annually

Establishment of a Technology Advisory Group to review, monitor and inform the full Board on technology matters

Cyber security oversight by the full Board, the Audit Committee and the Technology Advisory Group

Stock ownership requirements for board members

Annual self-assessment of board

TDS has a Corporate Governance and Nominating Committee (CGNC) even though, as a controlled company, TDS is not required to do so. The CGNC operates under a formal

charter and in a manner that is intended to reflect good corporate governance and other best practices, including an effective self-assessment process.

In order to tie compensation to performance, the Compensation Committee began issuing performance-based shares in 2016.

The TDS Audit Committee, which is comprised entirely of independent directors, operates under a formal charter and continues to earn high scores on Audit Quality from proxy advisory services.

Shareholder Engagement

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

TDS has a 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.

Board Refreshment in 2017

TDS believes that new perspectives can be important to a well-run Board. At the same time, it is equally important to benefit from the valuable experience that longer-serving Directors bring to the Boardroom. After assessing the Board's composition, TDS embarked on an initiative to refresh the board and Kimberly D. Dixon joined the TDS board in May 2017.

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Dear Shareholders (continued)

| Voting Matters | Board's Recommendations | Rationale | Page Reference |
|--|------------------------------------|---|---------------------------|
| Election of 12 Director nominees | FOR all TDS Board nominees | Broad, relevant expertise Progress on strategic initiatives | 9 |
| Ratify independent registered public accountants | FOR | Independent | 29 |
| Approve an amendment and restatement of TDS' Restated Compensation Plan for Non-Employee Directors | FOR | Provide appropriate compensation to qualified Board of Directors | 32 |
| 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 Added performance-based shares to Long-Term Incentive Plan grants made in 2016 and 2017 | 35 |
| Proposal submitted by a shareholder | AGAINST | The TDS Voting Trust opposes and intends to vote against this proposal | 87 |

Proposal 1 Director Nominees

Our Board of Directors has nominated 12 directors for election at the 2018 Annual Meeting (Proposal Item No. 1) beginning on page 9.

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Dear Shareholders (continued)

Each of the nominees brings a broad range of experiences and skills to provide effective oversight of the Board. See biographies on pages 11-16. The board of directors unanimously recommends that you vote "FOR" the nominees.

| | | | | | | | |
|------------------------|------|----|---|---|--|----|---|
| James W. Butman | N/A | 60 | President and CEO, TDS Telecommunications LLC (TDS Telecom) | | | | |
| LeRoy T. Carlson, Jr. | 1968 | 71 | President and CEO, TDS | | | | x |
| Letitia G. Carlson, MD | 1996 | 57 | Physician and Associate Clinical Professor at George Washington University Medical Faculty Associates | | | | |
| Prudence E. Carlson | 2008 | 66 | Private Investor | | | | |
| Walter C. D. Carlson | 1981 | 64 | Partner at Sidley Austin LLP | | | | C |
| Clarence A. Davis* | 2009 | 76 | Former Director and CEO of Nestor, Inc. | x | | FE | |
| Kimberly D. Dixon* | 2017 | 55 | Executive Vice President and Chief Operating Officer at FedEx Office | x | | | x |
| Kenneth R. Meyers | 2007 | 64 | President and CEO, U.S. Cellular | | | | |
| Christopher D. O'Leary | 2006 | 58 | Senior Advisor at KKR | x | | x | C |
| George W. Off | 1997 | 71 | Former Chairman and CEO of Checkpoint Systems, Inc. | x | | C | x |
| Mitchell H. Saranow* | 2004 | 72 | Chairman of The Saranow Group LLC | x | | FE | x |