

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEF 14A  
April 12, 2017

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.  
(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.

Title of each  
class of  
securities to  
1. which  
transaction  
applies:

Aggregate  
number of  
securities to  
2. which  
transaction  
applies:

3. Per unit price  
or other

underlying  
value of  
transaction  
computed  
pursuant to  
Exchange  
Act Rule  
0-11 (set  
forth the  
amount on  
which the  
filing fee is  
calculated  
and state  
how it was  
determined):

Proposed  
maximum  
4. aggregate  
value of  
transaction:

5. Total fee  
paid:

Fee paid  
 previously with  
preliminary  
materials.

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.

Amount

1. Previously  
Paid:

Form,  
Schedule or

2. Registration  
Statement  
No.:

3. Filing Party:

4. Date Filed:

TELEPHONE AND DATA SYSTEMS, INC.

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

April 12, 2017

Dear Shareholders

You are cordially invited to attend the 2017 annual meeting of shareholders ("2017 Annual Meeting") of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 25, 2017, at 9:00 a.m., central time, at The Standard Club, 320 S. Plymouth Court, Chicago, Illinois.

The formal Notice of 2017 Annual Meeting of Shareholders and 2017 Proxy Statement ("2017 Proxy Statement") of our board of directors is attached. Also enclosed is our 2016 Annual Report to Shareholders ("2016 Annual Report"). At our 2017 Annual Meeting, shareholders are being asked to take the following actions:

Your board of directors unanimously recommends a vote "FOR" its nominees for election as directors, "FOR" the proposal to ratify accountants, "FOR" approval of the Telephone and Data Systems, Inc. Incentive Plan; "FOR" approval of the Say-on-Pay proposal and recommends that shareholders vote for holding future Say-on-Pay votes "EVERY YEAR".

1. elect members of the board of directors;
2. ratify the selection of independent registered public accountant for the current fiscal year;
3. approve the Telephone and Data Systems, Inc. Incentive Plan;
4. approve, on an advisory basis, the compensation of our named executive officers as disclosed in the attached 2017 Proxy Statement (commonly known as "Say-on-Pay");
5. provide, an advisory vote on whether future Say-on-Pay votes should be held every year, every two years or

In addition, as required by the rules of the Securities and Exchange Commission ("SEC"), the 2017 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 2017 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).

- every three years (commonly known as "Say-on-Frequency"); and
6. Consider a proposal submitted by a shareholder.

We look forward to visiting with you at the 2017 Annual Meeting.

Very truly yours,

LeRoy T. Carlson, Jr.    Walter C. D. Carlson

President and                      Chairman of the Board  
Chief Executive Officer

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, vote EVERY YEAR on proposal 5, and AGAINST proposal 6. 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

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

TELEPHONE AND DATA SYSTEMS, INC.

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

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.

It is an exciting time for our portfolio of businesses that offer leading edge technology, including broadband, data, and wireless services. The telecommunications industry, where we have established roots, is undergoing significant changes. With constant change comes many new opportunities, and also challenges.

In an era of increased dependence on data communication, our real advantages are our exceptional, high-quality networks and outstanding customer service. Due to rapidly growing demand for data and developments in technology, we are investing in our networks, because it is fundamental to the continued growth and profitability of our businesses.

Customers appreciate our unwavering commitment to the nation's rural and suburban communities. With a strong rural footprint and our relatively modest size, we are able to move quickly to understand and address evolving consumer and business needs.

#### Creating long-term value

TDS has been a family-controlled company since our founding in 1969, and this allows us to make decisions that benefit the growth of the business over the long term. We intend to continue supplementing organic growth with strategic acquisitions. In order to do so, we maintain a financially sound foundation to support our TDS businesses. We work to maintain sufficient capacity on revolving credit facilities, seek long-term debt offerings that align with long-term assets, and keep significant cash balances to provide short-term financial flexibility, all as key elements of our conservative financial approach. Our sound balance sheet and efficient parent company operations are essential to our strategy to build shareholder value.



TDS returns value to our shareholders through payment of regular quarterly cash dividends. In 2016, TDS paid \$65 million in regular quarterly cash dividends, increasing its dividend for the 42nd consecutive year.

Sincerely,

LeRoy T. Carlson, Jr.      Walter C. D. Carlson  
President and              Chairman of the Board  
Chief Executive Officer

2017 Proxy Statement Summary

Annual Meeting  
Information

Time and Date May 25, 2017, at 9:00 a.m. central time  
The Standard Club

Place 320 South Plymouth Court

Chicago, IL 60604

Record Date March 29, 2017

Webcast investors.tdsinc.com

|  |   |
|--|---|
| <p>Strong Corporate Governance Practices</p> <ul style="list-style-type: none"> <li>◆ Annual election of all directors</li> <li>◆ Annual "Say on Pay"</li> <li>◆ Executive sessions with only independent directors present</li> <li>◆ Policy prohibiting pledging and hedging of company shares</li> <li>◆ Charter and bylaws can be amended by a simple majority vote</li> <li>◆ Authority to retain independent advisors by each committee</li> <li>◆ The positions of (i) Chairman of the Board and (ii) President and Chief Executive Officer are separate</li> <li>◆ Guidelines recommending that TDS Directors limit to three the number</li> </ul> | <p>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.</p> <p>The TDS Compensation Committee, which is comprised entirely of independent directors, operates under a formal charter. To better align with shareholder interests, the Compensation Committee added performance-based shares to the 2016 Long-Term Incentive Program in response to shareholder feedback and best practices.</p> <p>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.</p> <p>Shareholder Engagement</p> <p>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.</p> <p>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.</p> <p>Board Refreshment in 2017</p> <p>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. Our long-serving director Herbert S. Wander is retiring from the board of directors as of the 2017 Annual Meeting. We are</p> |
|--|---|

of other public company boards they serve on pleased that Kim D. Dixon has agreed to join TDS' Board. Ms. Dixon will bring valuable insight and direction to the TDS board along with strong operational experience.

- ◆ 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

Voting Matters and Board Recommendations

| Voting Matters  | Board's Recommendations    | Rationale   | Page Reference |
|---|----------------------------|---|----------------|
| Election of 12 Director nominees  | FOR all TDS Board nominees | <ul style="list-style-type: none"> <li>◆ Broad, relevant expertise</li> <li>◆ Progress on strategic initiatives</li> </ul>  | 9              |
| Ratify independent registered public accountants  | FOR                        | <ul style="list-style-type: none"> <li>◆ Independent</li> </ul>   | 29             |
| Approve the Telephone and Data Systems, Inc. Incentive Plan   | FOR                        | <ul style="list-style-type: none"> <li>◆ Strong oversight by compensation committee</li> <li>◆ Further aligns incentive pay with performance</li> </ul>   | 32             |
| Approve, on an advisory basis, the compensation of named executive officers ("Say on Pay")                                  | FOR                        | <ul style="list-style-type: none"> <li>◆ Strong oversight by Compensation Committee</li> <li>◆ Aligned with shareholders through a mix of cash and equity</li> <li>◆ Added performance-based shares to 2016 Long-Term Incentive Plan</li> </ul> | 35             |
| Provide an advisory vote on whether future Say-on-Pay votes should be held every year, every two years or every three years | EVERY YEAR                 | <ul style="list-style-type: none"> <li>◆ Strong oversight by Compensation Committee</li> </ul>  | 36             |
| Proposal submitted by a shareholder   | AGAINST                    | <ul style="list-style-type: none"> <li>◆ The TDS Voting Trust opposes and intends to vote against this proposal</li> </ul>  | 97             |

Proposal 1 – Director Nominees

Our Board of Directors has nominated 12 directors for election at the 2017 Annual Meeting (Proxy Item No. 1) beginning on page 9.

Each of the four TDS Board Common Share nominees brings a broad range of experiences and necessary skills to provide effective oversight of the Board. See biographies on pages 11-17. The board of directors unanimously recommends that you vote "FOR" the nominated directors.

| Director Name | Since | Age | Primary Occupation | Committee Memberships |
|---------------|-------|-----|--------------------|-----------------------|
|               |       |     |                    | Independent ACCCGNC   |

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|                                    |      |    |   |   |  |  |   |    |   |
|------------------------------------|------|----|---|---|--|--|---|----|---|
| LeRoy T. Carlson, Jr.              | 1968 | 70 | President and CEO, TDS  |   |  |  |   |    | x |
| Letitia G. Carlson, MD             | 1996 | 56 | Physician and Associate Clinical Professor at George Washington University Medical Faculty Associates |   |  |  |   |    |   |
| Prudence E. Carlson                | 2008 | 65 | Private Investor  |   |  |  |   |    |   |
| Walter C. D. Carlson               | 1981 | 63 | Partner at Sidley Austin LLP  |   |  |  |   |    | C |
| Clarence A. Davis*                 | 2009 | 75 | Former Director and CEO of Nestor, Inc.   | x |  |  |   | FE |   |
| Kim D. Dixon*                      | N/A  | 54 | Executive Vice President and Chief Operating Officer at FedEx Office                                  | x |  |  |   |    |   |
| Kenneth R. Meyers                  | 2007 | 63 | President and CEO, U.S. Cellular  |   |  |  |   |    |   |
| Christopher D. O'Leary             | 2006 | 57 | Executive Vice President, Strategic Advisor, General Mills Inc.                                       | x |  |  | x |    | C |
| George W. Off Mitchell H. Saranow* | 1997 | 70 | Former Chairman and CEO of Checkpoint Systems, Inc.   | x |  |  |   | C  | x |
| Mitchell H. Saranow*               | 2004 | 71 | Chairman of The Saranow Group LLC   | x |  |  |   | FE | x |
| Gary L. Sugarman*                  | 2009 | 64 | Managing member-Richfield Capital Partners  | x |  |  |   |    | x |
| David A. Wittwer                   | 2014 | 56 | President and CEO, TDS Telecom  |   |  |  |   |    |   |

\*To be elected by Common Shares C - Chairperson FE - Designated Financial Expert as such term is defined by the SEC

## Proposal 2 – Independent Public Accountant

As a matter of good corporate governance and consistent with our past practices, we are requesting shareholders to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017. The board of directors unanimously recommends that you vote "FOR" this proposal.

## Proposal 3 – Approve the Telephone and Data Systems, Inc. Incentive Plan

We are adopting the Telephone and Data Systems, Inc. Incentive Plan and requesting shareholders to approve the plan, including the material terms of the performance measures to be used for certain incentive compensation awards under the plan, so that certain compensation paid under the plan may qualify as performance-based compensation and be deductible under Section 162(m) of the Internal Revenue Code.

Proposal 4 – Approve, on an advisory basis, the compensation of named executive officers ("Say on Pay")

### Executive Compensation Programs

Our executive compensation programs are designed to attract and retain high-quality executives. We believe that our compensation practices are transparent and reflect our commitment to align compensation with our business strategy and our short- and long-term performance.

### Introduced Performance Share Awards

In response to feedback from shareholders, beginning in 2016 the Compensation Committee added Performance Share awards to the long-term equity mix for senior executives. Return on Capital, Total Revenue and Relative Total Shareholder Return will be measured over a three year performance period with a target opportunity in TDS Common shares equal to 0% to 200% based on performance.

### Compensation Beliefs

- ◆ Compensation should be attractive and fiscally responsible
- ◆ Compensation is a mix of salary, cash bonuses and equity-based long-term incentive awards
- ◆ Link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives
- ◆ Compensation programs designed to motivate executive officers to act in the long-term interests of TDS
- ◆ Compensation Committee utilizes services of both an independent compensation consultant (Compensation Strategies) and TDS' compensation consultant (Willis Towers Watson)
- ◆ Few perquisites

## Proposal 5 – Advisory Vote on Frequency of Say-on-Pay Votes or Say-on-Frequency

As required by Dodd-Frank, provide an advisory vote on whether future Say-on-Pay votes should be held every year, every two years or every three years (commonly known as Say-on-Frequency). The board of directors unanimously recommends that you vote for holding future Say-on-Pay votes "EVERY YEAR".