

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEF 14A  
April 14, 2011

[QuickLinks](#) -- Click here to rapidly navigate through this document

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 Pursuant to §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.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to 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):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

o Fee paid previously with preliminary materials.

o 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:

---

**TELEPHONE AND DATA SYSTEMS, INC.**

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

April 14, 2011

Dear Shareholders:

You are cordially invited to attend our 2011 Annual Meeting of shareholders of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 19, 2011, at 10:00 a.m., Chicago time, at The Standard Club, 320 South Plymouth Court, Chicago, Illinois.

The formal notice of the meeting and our board of directors' Proxy Statement are enclosed. Also enclosed is our 2010 Annual Report to Shareholders. At our 2011 Annual Meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors nominated by the TDS board of directors and named in the attached Proxy Statement;
2. ratify the selection of independent registered public accountants for the current fiscal year;
3. approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement (commonly known as "Say-on-Pay"); and
4. 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 a vote "**FOR**" its nominees for election as directors, "**FOR**" the proposal to ratify accountants and "**FOR**" approval of the Say-on-Pay proposal. The board of directors also unanimously recommends that shareholders vote for holding future Say-on-Pay votes "**EVERY YEAR**".

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

As noted above, the Say-on-Pay proposal asks shareholders to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement.

TDS operates in highly competitive markets through its primary business units, United States Cellular Corporation ("U.S. Cellular") and TDS Telecommunications Corporation ("TDS Telecom"), and needs to and has been able 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.

Highlights of the TDS compensation programs:

We have a Compensation Committee, comprised solely of independent directors, that reviews and approves the salaries, bonuses and long-term compensation of executive officers (other than U.S. Cellular).

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

We develop our compensation programs to motivate executive officers to act in the best long-term interests of TDS.

We benchmark our executive officer compensation levels using market data supplied by our Compensation Committee's independent compensation consultant, Compensation Strategies, Inc., and by our compensation consultant, Towers Watson.

Our compensation goal is to provide compensation and benefit programs that are both attractive and fiscally responsible.

---

We provide few perks to our officers.

We don't enter into employment contracts as a general practice.

We believe that we are in accord with widely accepted compensation practices as defined by leading proxy advisory firms.

Our executive bonus program is balanced between individual and company performance. Over the past few years, we have adjusted the ratio to put more emphasis on company performance.

We have not entered into agreements to provide substantial termination benefits, such as "golden parachutes".

#### *2010 Compensation*

Our executive officers' compensation is comprised of a mix of base salary, annual cash bonuses and equity-based, long-term incentive awards.

When setting base salaries, we consider the benchmarking analyses performed by our compensation consultants, the executives' personal accomplishments and their overall contribution to the success of the organization. Please refer to the detailed description of those considerations for each named executive under "Compensation Discussion and Analysis Annual Cash Compensation Base Salary".

Bonus awards are based on a combination of company and individual performance. For 2010, the weighting was based 55% on individual performance and 45% on company performance. Using both quantitative and qualitative assessments designed to provide a balanced approach to measuring performance for both U.S. Cellular (weighted at 75%) and TDS Telecom (weighted at 25%), we determined that the company performance portion of the TDS bonus would be paid at 77.5% of the targeted amount. Though U.S. Cellular's performance related to its financial objectives was mixed, the company accomplished a number of significant undertakings during the year, including a major leadership transition and the successful launch of The Belief Project<sup>SM</sup>. TDS Telecom achieved most of its financial objectives and a number of important strategic initiatives, such as the expansion of its hosted and managed services business, and was awarded \$105 million in grants for \$136 million of Federal broadband stimulus projects. Consideration was also given to the weak economic and intense competitive environments in which both companies operated throughout 2010. Please refer to a description of TDS' performance under "Compensation Discussion and Analysis Company Performance" and a description of each named executive's bonus under "Compensation Discussion and Analysis Annual Cash Compensation Bonus".

We make long-term compensation decisions for executives in a manner similar to that described above for bonus decisions. Stock options, restricted stock units and bonus match units, however, will generally vest over several years, to reflect the goal of relating long-term executive compensation to increases in shareholder value over the same period. Please refer to the detailed description of those considerations for each named executive under "Compensation Discussion and Analysis Long-Term Equity Compensation".

We encourage you to read the Compensation Discussion and Analysis for a detailed discussion and analysis of our executive compensation program, including information about the fiscal 2010 compensation of the named executive officers.

We would like to have as many shareholders as possible represented at the meeting. Therefore, whether or not you plan to attend the meeting, please sign and return the enclosed white 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 Annual Meeting.

Very truly yours,

Walter C.D. Carlson  
Chairman of the Board

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

---

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT  
AND  
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 19, 2011**

TO THE SHAREHOLDERS OF

**TELEPHONE AND DATA SYSTEMS, INC.**

The 2011 Annual Meeting of shareholders of Telephone and Data Systems, Inc., a Delaware corporation, will be held at The Standard Club, 320 South Plymouth Court, Chicago, Illinois, on Thursday, May 19, 2011, at 10:00 a.m., Chicago time, for the following purposes:

1. To elect members of the board of directors nominated by the TDS board of directors and named in the attached Proxy Statement. Your board of directors unanimously recommends that you vote **FOR** the directors nominated by the TDS board of directors.
2. To consider and ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2011. Your board of directors unanimously recommends that you vote **FOR** this proposal.
3. To approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement (commonly known as "Say-on-Pay"). Your board of directors unanimously recommends that you vote **FOR** approval of the Say-on-Pay proposal.
4. To 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"). Your board of directors unanimously recommends that you vote for holding future Say-on-Pay votes **EVERY YEAR**.
5. If properly presented at the Annual Meeting, to consider and vote upon 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. Your board of directors unanimously recommends that you vote **AGAINST** this proposal.
6. To transact such other business as may properly come before the meeting or any adjournments thereof.

We are first mailing this Notice of Annual Meeting and Proxy Statement to you on or about April 15, 2011. We have fixed the close of business on March 30, 2011, as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof.

The following additional information is being provided as required by SEC rules:

**The Proxy Statement and Annual Report to Shareholders are available at [www.teldta.com](http://www.teldta.com) under Investor Relations Proxy Vote, or at [www.teldta.com/proxyvote](http://www.teldta.com/proxyvote).**

The following items have been posted to this website:

1. Proxy Statement for the 2011 Annual Meeting
2. Annual Report to Shareholders for 2010
- 3.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

### Forms of Proxy Cards

Any control/identification numbers that you need to vote are set forth on your proxy card(s) if you are a record holder, or on your voting instruction card if you hold shares through a broker, dealer or bank.

The location where the Annual Meeting will be held is the Standard Club in Chicago, Illinois. This is located in the Chicago loop area between Jackson Boulevard and Van Buren Street at 320 South Plymouth Court, which is between State Street and Dearborn Street.



**SUMMARY**

*The following is a summary of the actions being taken at the 2011 Annual Meeting and does not include all of the information that may be important to you. You should carefully read this entire Proxy Statement and not rely solely on the following summary.*

**Proposal 1 Election of Directors**

Under TDS' Restated Certificate of Incorporation, as amended, the terms of all incumbent directors will expire at the 2011 Annual Meeting.

Holders of Series A Common Shares and Preferred Shares, voting as a group, will be entitled to elect eight directors. Your board of directors has nominated the following incumbent directors for election by the holders of Series A Common Shares and Preferred Shares: LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D., Prudence E. Carlson, Walter C.D. Carlson, Kenneth R. Meyers, Donald C. Nebergall, George W. Off and Mitchell H. Saranow.

Holders of Common Shares and Special Common Shares, voting as a group, will be entitled to elect four directors. Your board of directors has nominated the following incumbent directors for election by the holders of Common Shares and Special Common Shares: Clarence A. Davis, Christopher D. O'Leary, Gary L. Sugarman and Herbert S. Wander.

Your board of directors unanimously recommends that you vote "**FOR**" its nominees for election as directors.

**Proposal 2 Ratification of Independent Registered Public Accounting Firm for 2011**

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2011.

Your board of directors unanimously recommends that you vote "**FOR**" this proposal.

**Proposal 3 Advisory Vote on Executive Compensation or "Say-on-Pay"**

As required by the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), beginning at the 2011 Annual Meeting, shareholders are being asked to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement.

Your board of directors unanimously recommends that you vote "**FOR**" this proposal.

**Proposal 4 Advisory Vote on Frequency of Say-on-Pay Votes or "Say-on-Frequency"**

As required by the Dodd-Frank Act, beginning at the 2011 Annual Meeting, shareholders are being asked to vote to advise whether future Say-on-Pay votes should be held every one, two or three years.

Your board of directors unanimously recommends that you vote for holding future Say-on-Pay votes **EVERY YEAR**.

**Proposal 5 Proposal Submitted by a Shareholder**

As required by the rules of the SEC, the 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.

Your board of directors unanimously recommends that you vote "**AGAINST**" this proposal.

**VOTING INFORMATION**

**What is the record date for the meeting?**

The close of business on March 30, 2011 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting or any adjournments thereof.

A complete list of shareholders entitled to vote at the Annual Meeting, arranged in alphabetical order and by voting group, showing the address of and number of shares held by each shareholder, will be made available at the offices of TDS, 30 North LaSalle Street, 40th Floor, Chicago, Illinois 60602, for examination by any shareholder during normal business hours, for a period of at least ten days prior to the Annual Meeting.

**What shares of stock entitle holders to vote at the meeting?**

We have the following classes of stock outstanding, each of which entitles holders to vote at the meeting:

Common Shares;

Special Common Shares;

Series A Common Shares; and

Preferred Shares.

The Common Shares are listed on the New York Stock Exchange ("NYSE") under the symbol "TDS." The Special Common Shares are listed on the NYSE under the symbol "TDS.S."

No public market exists for the Series A Common Shares, but the Series A Common Shares are convertible on a share-for-share basis into Common Shares or Special Common Shares.

No public market exists for the Preferred Shares. The Preferred Shares are divided into series, none of which is currently convertible into any class of common stock. All holders of Preferred Shares vote together with the holders of Common Shares and Series A Common Shares, except in the election of directors. In the election of directors, all holders of Preferred Shares vote together with the holders of Series A Common Shares.

**What is the voting power of the outstanding shares in the election of directors?**

The following shows information relating to the outstanding shares and voting power of such shares in the election of directors as of the record date:

<b>Class of Stock</b>	<b>Outstanding Shares</b>	<b>Votes per Share</b>	<b>Voting Power</b>	<b>Total Number of Directors Elected by Voting Group and Standing for Election</b>
Series A Common Shares	6,509,968	10	65,099,680	
Preferred Shares	8,300	1	8,300	

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

Subtotal			65,107,980	8
Common Shares	49,896,824	1	49,896,824	
Special Common Shares	47,288,552	1	47,288,552	
Subtotal			97,185,376	4
Total Directors				12

**What is the voting power of the outstanding shares in matters other than the election of directors?**

The following shows information relating to the outstanding shares and voting power of such shares in matters other than the election of directors as of the record date:

<b>Class of Stock</b>	<b>Outstanding Shares</b>	<b>Votes per Share</b>	<b>Total Voting Power</b>	<b>Percent</b>
Series A Common Shares	6,509,968	10	65,099,680	56.6%
Common Shares	49,896,824	1	49,896,824	43.4%
Preferred Shares	8,300	1	8,300	*
			115,004,804	100.0%

\*  
Less than .1%

Other than as required by law or regulation, holders of Special Common Shares do not have any right to vote on any matters except in the election of certain directors, as described above. Accordingly, actions submitted to a vote of shareholders other than the election of directors will be voted on only by holders of Common Shares, Series A Common Shares and Preferred Shares.

**How may shareholders vote with respect to the election of directors in Proposal 1?**

Shareholders may, with respect to directors to be elected by such shareholders:

vote FOR the election of such director nominees, or

WITHHOLD authority to vote for such director nominees.

Your board of directors unanimously recommends a vote **FOR** its nominees for election as directors.

**How may shareholders vote with respect to the ratification of our independent registered public accounting firm for 2011 in Proposal 2?**

Shareholders may, with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2011:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

Your board of directors unanimously recommends a vote **FOR** this proposal.

**How may shareholders vote with respect to Say-on-Pay in Proposal 3?**

Shareholders may, with respect to Say-on-Pay:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

Your board of directors unanimously recommends a vote **FOR** this proposal.

**How may shareholders vote with respect to Say-on-Frequency in Proposal 4?**

Shareholders may, with respect to Say-on-Frequency in Proposal 4, vote for the Say-on-Pay vote to be held:

Every year, or

Every two years, or

Every three years, or

ABSTAIN from voting on this proposal.

Your board of directors unanimously recommends a vote for holding future Say-on-Pay votes **EVERY YEAR**.

**How may shareholders vote with respect to the shareholder proposal in Proposal 5?**

Shareholders may, with respect to the shareholder proposal:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

Your board of directors unanimously recommends a vote **AGAINST** this proposal.

**How does the TDS Voting Trust intend to vote?**

The Voting Trust under Agreement dated June 30, 1989, as amended (the "TDS Voting Trust"), holds 6,159,631 Series A Common Shares on the record date, representing approximately 94.6% of the Series A Common Shares. By reason of such holding, the TDS Voting Trust has the voting power to elect all of the directors to be elected by the holders of Series A Common Shares and Preferred Shares and has approximately 53.6% of the voting power with respect to matters other than the election of directors. The TDS Voting Trust holds 6,083,574 Special Common Shares on the record date, representing approximately 12.9% of the Special Common Shares. By reason of such holding, the TDS Voting Trust has approximately 6.3% of the voting power with respect to the election of directors elected by the holders of Common Shares and Special Common Shares. The TDS Voting Trust does not currently own Common Shares or Preferred Shares.

The TDS Voting Trust has advised us that it intends to vote:

FOR the board of directors' nominees for election by the holders of Series A Common Shares and Preferred Shares, and  
FOR the board of directors' nominees for election by the holders of Common Shares and Special Common Shares,

FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2011,

FOR the Say-on-Pay proposal,

for holding future Say-on-Pay votes EVERY YEAR, and

AGAINST the shareholder proposal.

**How do I vote?**

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

Proxies are being requested from the holders of Common Shares in connection with the election of four directors in Proposal 1 and in connection with Proposals 2, 3, 4 and 5.

Proxies are being requested from the holders of Special Common Shares only in connection with the election of four directors in Proposal 1.

Proxies are being requested from the holders of Series A Common Shares and Preferred Shares in connection with the election of eight directors in Proposal 1 and in connection with Proposals 2, 3, 4 and 5.

Whether or not you intend to be present at the 2011 Annual Meeting, please sign and mail your proxy card(s) in the enclosed self-addressed envelope to Computershare Trust Company, N.A., P.O. Box 43126, Providence, Rhode Island 02940-5138, or vote on the Internet using the control/

identification number on your proxy card(s) and in accordance with the instructions set forth on the proxy card(s). If you hold more than one class of our shares, you will find enclosed a separate proxy card for each holding. To assure that all your shares are represented, please vote on the Internet or return the enclosed proxy card(s) by mail as follows:

a proxy card for Common Shares, including Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;

a proxy card for Special Common Shares, including Special Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;

a proxy card for Series A Common Shares, including Series A Common Shares owned through the TDS dividend reinvestment plan; and

a proxy card for Preferred Shares.

#### **How will proxies be voted?**

All properly executed and unrevoked proxies received in the enclosed form in time for our 2011 Annual Meeting of shareholders will be voted in the manner directed on the proxies.

If no direction is made on the applicable proxy card(s), a proxy by any shareholder will be voted FOR the election of the board of directors' nominees to serve as directors in Proposal 1, FOR Proposal 2, FOR Proposal 3, for holding Say-on-Pay votes EVERY YEAR in Proposal 4 and AGAINST Proposal 5.

Proxies given pursuant to this solicitation may be revoked at any time prior to the voting of the shares at the Annual Meeting by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the Annual Meeting.

Because the board of directors has no knowledge of any other proposals to be presented at the 2011 Annual Meeting and because no other proposals were received by TDS by the date specified by the advance notice provision in TDS' Bylaws, the proxy solicited by the board of directors for the 2011 Annual Meeting confers discretionary authority to the proxies named therein to vote on any matter that may properly come before such meeting or any adjournment, postponement, continuation or rescheduling thereof, other than the foregoing proposals.

#### **How will my shares be voted if I own shares through a broker?**

If you are the beneficial owner of shares held in "street name" by a broker, bank, or other nominee ("broker"), such broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give specific instructions to the broker or have standing instructions on file with the broker, under Rule 452 of the NYSE as amended in 2009, depending on the timing of certain actions, the broker may be entitled to vote the shares with respect to "discretionary" items but will not be permitted to vote the shares with respect to "non-discretionary" items (in which case such shares will be treated as "broker non-votes"). In addition, whether the broker can or will vote your shares with respect to discretionary items if you have not given instructions to the broker and how such shares may be voted by the broker (i.e., proportionately with voting instructions received by the broker from other shareholders or pursuant to the recommendation of management, etc.) depend on the particular broker's policies. As a result, we cannot advise you whether your broker will or will not vote your shares or how it may vote the shares if it does not receive or have voting instructions from you and, accordingly, recommend that you contact your broker. In general, the ratification of auditors is a discretionary item. On the other hand, matters such as the election of directors (whether contested or not), votes on Say-on-Pay and Say-on-Frequency, the approval of an equity compensation plan and shareholder proposals are non-discretionary items. In such cases, if your broker does not have specific or standing instructions, your shares will be treated as "broker non-votes" and will not be voted on such matters. Accordingly, we urge you to provide instructions to your broker so that your votes may be counted on all matters. If your shares are held in street name, your broker will include a voting instruction card with this Proxy Statement. We strongly encourage you to vote your shares by following



the instructions provided on the voting instruction card. Please return your voting instruction card to your broker and/or contact your broker to ensure that a proxy card is voted on your behalf.

**What constitutes a quorum for the meeting?**

A majority of the voting power of shares of capital stock in matters other than the election of directors and entitled to vote, represented in person or by proxy, will constitute a quorum to permit the Annual Meeting to proceed. Withheld votes and abstentions of shares entitled to vote and broker "non-votes" will be treated as present in person or represented by proxy for purposes of establishing a quorum for the meeting. If such a quorum is present or represented by proxy, the meeting can proceed. If the shares beneficially owned by the TDS Voting Trust are present in person or represented by proxy at the Annual Meeting, such shares will constitute a quorum at the Annual Meeting to permit the meeting to proceed. In addition, where a separate vote by a class or group is required with respect to a proposal, a quorum is also required with respect to such proposal for the vote to proceed with respect to such proposal.

In the election of directors, the holders of a majority of the votes of the stock of such class or group issued and outstanding and entitled to vote with respect to such director, present in person or represented by proxy, will constitute a quorum with respect to such election. Withheld votes by shares entitled to vote with respect to a director and broker "non-votes" with respect to such director will be treated as present in person or represented by proxy for purposes of establishing a quorum for the election of such director. If Series A Common Shares beneficially owned by the TDS Voting Trust are present in person or represented by proxy at the Annual Meeting, such shares will constitute a quorum at the Annual Meeting in connection with the election of directors by the holders of Series A Common Shares and Preferred Shares. If a quorum of the holders of Common Shares and Special Common Shares is not present at the time the Annual Meeting is convened, the chairman of the meeting or holders of a majority of the voting power in matters other than the election of directors represented in person or by proxy may adjourn or postpone the Annual Meeting.

With respect to Proposals 2, 3, 4 and 5, the holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to such proposals, present in person or represented by proxy, will constitute a quorum at the Annual Meeting in connection with such proposals. Abstentions from voting on such proposals by shares entitled to vote on such proposals and broker "non-votes" with respect to such proposals will be treated as present in person or represented by proxy for purposes of establishing a quorum for such proposals. If TDS shares beneficially owned by the TDS Voting Trust are present in person or represented by proxy at the Annual Meeting, such shares will constitute a quorum at the Annual Meeting in connection with such proposals.

Even if a quorum is present, holders of a majority of the voting stock represented in person or by proxy may adjourn or postpone the Annual Meeting. Because it holds a majority of the voting power of all classes of stock, the TDS Voting Trust has the voting power to approve an adjournment or postponement. TDS does not currently have any expectation that the Annual Meeting would be adjourned or postponed for any reason. However, if there is a proposal to adjourn or postpone the Annual Meeting by a vote of the stockholders, the persons named in the enclosed proxy will have discretionary authority to vote with respect to such adjournment or postponement.

**What vote is required to elect directors in Proposal 1?**

Directors will be elected by a plurality of the votes cast in the election of directors by the class or group of stockholders entitled to vote in the election of such directors which are present in person or represented by proxy at the meeting.

Accordingly, if a quorum exists, the persons receiving a plurality of the votes cast by shareholders entitled to vote with respect to the election of such directors will be elected to serve as a director. Withheld votes and broker non-votes with respect to the election of such directors will not be counted as votes cast for purposes of determining if a director has received a plurality of the votes.

**What vote is required with respect to Proposals 2, 3 and 5?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposals 2, 3 and 5. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name. Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

If a quorum is present at the Annual Meeting, the approval of Proposals 2, 3 and 5 will require the affirmative vote of the holders of stock having a majority of the votes which could be cast by the holders of all stock entitled to vote on such question which are present in person or represented by proxy at the meeting. Abstentions by shares entitled to vote on such proposals will be treated as votes which could be cast that are present for such purposes and, accordingly, will effectively count as a vote cast against such proposal. Broker non-votes with respect to such proposals will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposals are approved, even though they may be included for purposes of determining a quorum.

**What vote is required with respect to Proposal 4?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 4. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name. Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

Accordingly, if a quorum exists, the frequency receiving a plurality of the votes cast by shareholders entitled to vote with respect to Proposal 4 will be considered to be the shareholders' recommendation as to the frequency of future Say-on-Pay votes. Withheld votes and broker non-votes with respect to Proposal 4 will not be counted as votes cast for purposes of Proposal 4.

**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

The terms of all incumbent directors will expire at the 2011 Annual Meeting. The board of directors' nominees for election of directors are identified in the tables below. Each of the nominees has consented to be named in the Proxy Statement and consented to serve if elected. In the event any such nominee fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee if one is designated by the board of directors.

**To be Elected by Holders of Common Shares and Special Common Shares**

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Clarence A. Davis	69	Director of TDS and Business Consultant	2009
Christopher D. O'Leary	51	Director of TDS and Executive Vice President, Chief Operating Officer International of General Mills, Inc.	2006
Gary L. Sugarman	58	Director of TDS, Executive Chairman of FXecosystem, Inc., Managing Member Richfield Capital Partners and Principal of Richfield Associates, Inc.	2009
Herbert S. Wander	76	Director of TDS and Partner, Katten Muchin Rosenman LLP, Chicago, Illinois	1968

**To be Elected by Holders of Series A Common Shares and Preferred Shares**

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
LeRoy T. Carlson, Jr.	64	Director and President and Chief Executive Officer of TDS	1968
Letitia G. Carlson, M.D.	50	Director of TDS and Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Prudence E. Carlson	59	Director of TDS and Private Investor	2008
Walter C.D. Carlson	57	Director and non-executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Kenneth R. Meyers	57	Director and Executive Vice President and Chief Financial Officer of TDS	2007
Donald C. Nebergall	82	Director of TDS and Consultant	1977
George W. Off	64	Director of TDS, Private Investor and retired Director and Chairman of Checkpoint Systems, Inc.	1997
Mitchell H. Saranow	65	Director of TDS and Chairman of The Saranow Group, L.L.C.	2004

**Background of Board of Directors' Nominees**

The following briefly describes the business experience during at least the past five years of each of the nominees, including each person's principal occupation(s) and employment during at least the past five years; the name and principal business of any corporation or other organization in which such occupation(s) and employment were carried on; and whether such corporation or organization is a parent, subsidiary or other affiliate of TDS. The following also indicates any other directorships held, including any other directorships held during at least the past five years, by each nominee in any SEC registered company or any investment company, and the identity of such company.

In addition, the following also briefly discusses the specific experience, qualifications, attributes or skills that led to the conclusion that each such person should serve as a director for TDS, in light of TDS'



business and structure, including information about the person's particular areas of expertise or other relevant qualifications. As discussed below under "Director Nomination Process", TDS does not have any specific, minimum qualifications that the board believes must be met by a nominee for a position on the TDS board of directors, or any specific qualities or skills that the board believes are necessary for one or more of the TDS directors to possess. The TDS board believes that substantial judgment, diligence and care are required to identify and select qualified persons as directors. The TDS board has consistently sought to nominate to the board of directors eminently qualified individuals whom the board believes would provide substantial benefit and guidance to TDS. Also as discussed below, TDS believes that it is desirable for directors to have diverse backgrounds, experience, skills and other characteristics. In addition, the conclusion of which persons should serve as directors of TDS is based in part on the fact that TDS is a controlled company with a capital structure in which different classes of stock vote for different directorships. In particular, as discussed under "Director Nomination Process", because the TDS Voting Trust has over 90% of the voting power in the election of directors elected by holders of Series A Common Shares and Preferred Shares, nominations of directors for election by the holders of Series A Common Shares and Preferred Shares are based on the recommendation of the trustees of the TDS Voting Trust.

#### **Nominees for Election by Holders of Common Shares and Special Common Shares**

**Clarence A. Davis.** Clarence A. Davis initially was nominated to the TDS board of directors pursuant to a Settlement Agreement dated April 24, 2009 between GAMCO Asset Management, Inc. and TDS (the "Settlement Agreement"). Although TDS initially nominated Mr. Davis to the TDS board of directors in 2009 as part of such settlement, after observing the performance and contributions of Mr. Davis on the TDS board of directors since that time, the TDS board of directors determined to re-nominate Mr. Davis to the TDS board of directors in 2010 and 2011. In addition, Mr. Davis was appointed to the TDS Audit Committee in 2010. The following provides information on the background of Mr. Davis, including the specific factors that led to the conclusion that he should serve as a director of TDS.

Mr. Davis is currently a business consultant.

Mr. Davis was previously a director of Nestor, Inc., a software solutions company (formerly NASDAQ: NEST), and was a member and the chairman of Nestor's audit committee. He was the chief executive officer of Nestor from August 2007 until January 2009. Within the last ten years, Nestor successfully petitioned the Rhode Island Superior Court for a court-appointed receiver who assumed all aspects of the company's operations in June 2009. The receiver sold the assets of Nestor to American Traffic Solutions in September 2009. Mr. Davis ceased to be a director of Nestor at that time.

From May 2006 to August 2007, Mr. Davis was an independent consultant, and from September 2005 through May 2006, he served as consultant to the National Headquarters, American Red Cross.

Prior thereto, Mr. Davis was employed by the American Institute of Certified Public Accountants ("AICPA"), serving as chief financial officer from 1998 through 2000 and chief operating officer from 2000 through 2005. Mr. Davis was an accountant at the public accounting firm of Spicer & Oppenheim and a predecessor public accounting firm between 1967 and 1990, and was a partner at such firm between 1979 and 1990. Mr. Davis is a Certified Public Accountant (inactive). Mr. Davis has a Bachelor of Science degree in Accounting from Long Island University.

Mr. Davis is, and has been since 2007, a member of the board of directors and board of trustees of The Gabelli SRI Fund and The Gabelli Global Deal Fund, respectively, which are registered investment companies that are managed by an affiliate of GAMCO Asset Management, Inc. Mr. Davis is a member of the audit committee of each of such funds. (As noted above, TDS entered into a Settlement Agreement with GAMCO Asset Management, Inc. in 2009 that resulted in the nomination of Mr. Davis as a director of TDS.)

In addition, since 2009, Mr. Davis has been a director of Pennichuck Corp. (Nasdaq: PNNW), a water utility company in New Hampshire, and Sonesta International Hotels (Nasdaq: SNSTA), a company that operates hotels. Mr. Davis is a member of the audit committee of each of such companies.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

Also, in 2011, Mr. Davis was appointed as a director of Bizequity.com, a private company and website that provides capital, knowledge and talent for emerging growth companies.

Mr. Davis was appointed to the TDS Audit Committee on May 26, 2010. The board of directors determined that his simultaneous service on the foregoing two public company audit committees and the two fund audit committees would not impair his ability to effectively serve on the TDS Audit Committee.

Between 2005 and 2006, Mr. Davis was a director of Oneida Ltd., a privately-held company which designs and distributes stainless steel and silverplated flatware.

Mr. Davis has been a member of the Finance Council of the Diocese of Savannah, Georgia, since 2010.

Mr. Davis brings to the TDS board of directors substantial experience, expertise and qualifications as a director and former chief executive officer of a public technology company, as a chief financial officer and chief operating officer of the AICPA and as a director or trustee of investment funds. In addition, he has substantial experience, expertise and qualifications in accounting as a result of having been a chief financial officer of the AICPA and a Certified Public Accountant in a public accounting firm for many years, and as a result of being or having been a member of six audit committees, including the TDS Audit Committee since 2010. Further, his background and attributes bring diversity to the board.

**Christopher D. O'Leary.** Christopher D. O'Leary has been a director of TDS since 2006 and was initially nominated as a director based on a search conducted by TDS' executive search firm. He is also a member of the TDS Compensation Committee. The following provides information on the background of Mr. O'Leary, including the specific factors that led to the conclusion that he should serve as a director of TDS.

In June 2006, Christopher D. O'Leary was appointed executive vice president, chief operating officer international of General Mills, Inc. (NYSE: GIS), which manufactures and markets branded consumer foods on a worldwide basis. In this capacity, he oversees over 14,000 employees in over 100 countries. Before that, he was a senior vice president of General Mills since 1999. In addition, he was the president of the General Mills Meals division between 2001 and 2006 and was president of the Betty Crocker division between 1999 and 2001. Mr. O'Leary joined General Mills in 1997.

Prior to his employment with General Mills, Mr. O'Leary was employed for 17 years with PepsiCo (NYSE: PEP), which manufactures, markets, and sells various snacks, beverages and foods on a worldwide basis. His assignments included leadership roles for the Walkers-Smiths business in the United Kingdom and the Hostess Frito-Lay business in Canada.

Mr. O'Leary has an MBA from New York University.

Mr. O'Leary brings to the TDS board of directors substantial experience, expertise and qualifications in retail and marketing as a result of over 30 years experience in retail and marketing. In addition, Mr. O'Leary has over 15 years of significant and high-level experience in management of large retail businesses with a large number of employees, including businesses outside the U.S. Because of the retail nature of the TDS businesses, the TDS board of directors believes that it is highly desirable to have a director with significant knowledge and experience in retail and marketing, as well as significant, high-level experience in managing retail businesses.

**Gary L. Sugarman.** Gary L. Sugarman initially was nominated to the TDS board of directors pursuant to the Settlement Agreement between GAMCO Asset Management, Inc. and TDS. Although TDS initially nominated Mr. Sugarman to the TDS board of directors in 2009 as part of such settlement, after observing the performance and contributions of Mr. Sugarman on the TDS board of directors since that time, the TDS board of directors determined to re-nominate Mr. Sugarman to the TDS board of directors in 2010 and 2011. In addition, Mr. Sugarman was appointed to the TDS Compensation Committee in 2010. The following provides information on the background of Mr. Sugarman, including the specific factors that led to the conclusion that he should serve as a director of TDS.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

Mr. Sugarman founded and has been the Managing Member of Richfield Capital Partners, a private venture capital firm since 2010. Mr. Sugarman is also principal of Richfield Associates, Inc., a privately-held telecom investment/merchant banking firm he founded in 1994.

In November 2010, Richfield Capital Partners invested in FXecosystem, Inc., a private infrastructure provider to foreign exchange markets. In connection with this investment, Mr. Sugarman became a director and Executive Chairman of FXecosystem, Inc.

Previously, Mr. Sugarman was the executive chairman of Verosity Technology Partners, a privately held facilities-based fiber network provider, between December 2007 and September 2010.

Mr. Sugarman was on the board of directors of PrairieWave Communications, Inc., a privately-held over-builder providing telecommunications and cable television service in South Dakota, Iowa and Minnesota, from 2003 until it was sold in 2007.

Prior to that, he served as chairman and chief executive officer of Mid-Maine Communications, a privately-held facilities-based telecom company, from the time he co-founded the company in 1994 until it was sold in 2006.

Prior thereto, Mr. Sugarman held various operating positions at Rochester Telephone Company, (now known as Frontier Corporation (NYSE: FTR)), a public telecommunications company, from 1984 to 1991, including as Director of Business Development, in which capacity he was involved in many acquisitions and other development activities in the telecommunications industry.

Mr. Sugarman is currently a director of LICT Corporation, a telecommunications company that is quoted on the Pink Sheets. (Mario J. Gabelli, who is the chairman of and may be deemed to control LICT Corporation, controls GAMCO Asset Management, Inc. As noted above, TDS entered into a Settlement Agreement with GAMCO Asset Management, Inc. in 2009 that resulted in the nomination of Mr. Sugarman as a director of TDS.)

Mr. Sugarman has an MBA from the University at Buffalo State University of New York.

Mr. Sugarman brings to the TDS board of directors substantial experience, expertise and qualifications in the telecommunications industry as a result of his current position at LICT and his many years of prior experience with other companies in the telecommunications industry. Mr. Sugarman also has management experience as executive chairman of Verosity and as chairman and chief executive officer of Mid-Maine Communications, a company that he co-founded, has been a director of business development of a public telecommunications company and has substantial experience in acquisitions and development activities in the telecommunications industry.

**Herbert S. Wander.** Herbert S. Wander has been on the TDS board of directors since the time that TDS was founded in 1968. He is also a member of the TDS Audit Committee and a member and chairperson of the TDS Compensation Committee. The following provides information on the background of Mr. Wander, including the specific factors that led to the conclusion that he should serve as a director of TDS.

Herbert S. Wander has been a partner of the law firm of Katten Muchin Rosenman LLP for more than 30 years. He has been a lawyer for over 50 years, concentrating on all aspects of business law, including corporate governance and business acquisitions. Katten Muchin Rosenman LLP does not provide legal services to TDS or its subsidiaries.

In 2004, Mr. Wander was appointed by the Chairman of the Securities and Exchange Commission ("SEC"), William Donaldson, to Chair the SEC Advisory Committee on smaller public companies, which committee delivered its final report to the SEC in 2006.

Mr. Wander is the former Chair of the Corporate Laws Committee of the American Bar Association's Business Law Section and former Chair of the Business Law Section. Mr. Wander is a frequent lecturer on topics of corporate governance.