

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

KAREN SKYE MCMILLAN, Derivatively)
on Behalf of TELEPHONE AND DATA)
SYSTEMS, INC.,)

Plaintiff,)

v.)

WALTER C.D. CARLSON, JAMES W.)
BUTMAN, LEROY T. CARLSON, JR.,)
LETITIA G. CARLSON, PRUDENCE E.)
CARLSON, KIMBERLY D. DIXON,)
GEORGE W. OFF, CHRISTOPHER D.)
O’LEARY, WADE OOSTERMAN, DIRK)
S. WOESSNER, LAURENT C. THERIVEL,)
and DOUGLAS W. CHAMBERS,)

Defendants,)

and)

TELEPHONE AND DATA SYSTEMS,)
INC.,)

Nominal Defendant.)

Case No. _____

JURY TRIAL DEMANDED

VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT

Plaintiff Karen Skye McMillan (“Plaintiff”), by and through his undersigned attorneys, brings this derivative complaint for the benefit of nominal defendant Telephone and Data Systems, Inc. (“TDS” or the “Company”), against certain current and former executive officers and members of the Company’s Board of Directors (the “Board”) for breaches of fiduciary duties, unjust enrichment, waste of corporate assets, and violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”). Plaintiff alleges the following based upon personal knowledge as to herself and her own acts, and information and belief as

to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff's attorneys, which included, among other things, a review of Defendants' publicly available documents, conference call transcripts and announcements made by Defendants, United States Securities and Exchange Commission ("SEC") filings, press releases published by and regarding TDS, legal filings, news reports, securities analysts' reports about the Company, the securities class action *Howard M. Rensin, Trustee of the Rensin Joint Trust v. United States Cellular Corporation et al*, Case No. 1:23-cv-02764 (N.D. Ill.) (the "Securities Class Action") and other publicly available information.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought on behalf of TDS against certain current and former officers and members of the Company's Board (collectively, the "Individual Defendants")¹ for, among other things, breaches of their fiduciary duties between at least May 6, 2022 and November 3, 2022 (the "Relevant Period"), and the federal securities laws, as set forth below.

2. TDS is a telecommunications service company that provides wireless products and services; cable and wireline broadband, TV and voice services; and hosted and managed services to approximately 5.5 million customers across 21 states.

3. TDS conducts wireless operations through its majority-owned subsidiary, United States Cellular Corporation ("UScellular"). UScellular is a public corporation, organized under

¹ Individual Defendants are Walter C.D. Carlson ("W. Carlson"), James W. Butman ("Butman"), LeRoy T. Carlson, Jr. ("LeRoy Carlson"), Letitia G. Carlson ("Letitia Carlson"), Prudence E. Carlson ("P. Carlson"), Kimberly D. Dixon ("Dixon"), George W. Off ("Off"), Christopher D. O'Leary ("O'Leary"), Wade Oosterman ("Oosterman"), Dirk S. Woessner ("Woessner"), Laurent C. Therivel ("Therivel"), and Douglas W. Chambers ("Chambers"). The Individual Defendants, together with TDS, are "Defendants."

the laws of the State of Delaware with its principal place of business located in Chicago, Illinois. As of December 31, 2024, TDS owned 83% of the combined total of the outstanding common shares and Series A common shares of UScellular and controlled 96% of the combined voting power of both classes of UScellular common stock. In 2022, UScellular accounted for over 75% of TDS's total operating revenues.

4. Following a decline in “postpaid” wireless customers (i.e. customers who have a line of service with UScellular that is billed in monthly installments, generally one month in advance), UScellular determined to implement a “regional” approach to trialing and testing promotions in 2021. Under this approach, UScellular offered promotions to specific geographic regions, which purportedly allowed it to gain insight into the promotions' effectiveness while balancing costs. Among the goals of UScellular's promotional efforts was to reduce the “churn” rate of postpaid, which is the rate that postpaid customers disconnect service each month.

5. In April 2022, UScellular trialed its “Any Phone Free Promotion” wherein any customer could receive any phone free when signing a UScellular contract (the “Promotion”). By June 2022, UScellular introduced the Promotion to virtually all UScellular regions to attract new customers and encourage existing customers to upgrade their phones.

6. Throughout the Relevant Period, Defendants falsely represented satisfaction with the Promotion and the April 2022 trials, represented a false timeline to investors regarding the Promotion's forecasted benefits, and misleadingly portrayed the Promotion as balancing financial and subscriber outcomes and as being executed in line with UScellular's expense discipline. During an earnings call held August 5, 2022, for instance, Defendant Therivel, President and Chief Executive Officer (“CEO”) of UScellular, stated that UScellular would begin to see benefits from the promotion “in the third quarter.”

7. Additionally, while UScellular's brick-and-mortar locations experienced dismal in-store customer traffic, contributing to its subscriber challenges, Defendants represented to the investing public that store traffic rates were "nothing concerning."

8. On November 3, 2022, however, the truth began to emerge when the Company issued a press release (the "3Q22 Press Release") revealing that net income attributable to TDS's common shareholders and related diluted earnings had declined to negative \$25 million and negative \$0.22, respectively, down from positive \$28 million and positive \$0.24 in the same period a year earlier. The 3Q22 Press Release also revealed that UScellular's Adjusted Operating Income Before Depreciation and Amortization ("OIBDA") and Adjusted EBITDA were being revised downward to ranges of \$750-825 million and \$925-1,000 million, respectively.

9. On November 4, 2022, TDS and UScellular published a joint slide presentation on their Investor Relations webpages (the "3Q22 Earnings Presentation") revealing that UScellular experienced a net loss of 31,000 postpaid subscribers, due in significant part to increases in churn rates.

10. During an earnings call held the same day (the "3Q22 Earnings Call"), Defendant Chambers revealed that UScellular's "adjusted operating income and adjusted EBITDA ranges are also impacted by the promotional investment we are making in [the Promotion]." Defendant Therivel acknowledged that the Promotion was not yielding positive results to date, stating: "you can see our all-in postpaid subscriber results are still challenged." Defendant Therivel also revealed that, contrary to his August 5, 2022 representation that the Promotion was expected to deliver results "in the third quarter" of 2022, the trials had shown that it would take 6 or 7 months to yield results. Defendant Chambers, UScellular's Chief Financial Officer ("CFO"), also admitted that the Promotion "drove a high upgrade rate in the third quarter and *was the primary*

driver of a \$28 million increase in loss on equipment.”²

11. Following this news, TDS’s stock price fell \$4.29 per share, or nearly 26%, from a closing price of \$16.57 per share on November 3, 2022 to a closing price of \$12.28 per share on November 4, 2022.

12. As set forth herein, the Individual Defendants breached their fiduciary duties by issuing, causing the issuance of, and/or failing to correct the materially false and misleading statements and omissions of material fact to the investing public. Specifically, the Individual Defendants made or caused the Company to make false and misleading statements, and omitted material facts, including: (1) presenting a false timeline to investors regarding the Promotion’s forecasted benefits; (2) misrepresenting the balance of financial and subscriber outcomes from the Promotion; (3) the volume of in-store customer traffic; and (4) the Company’s satisfaction with the Promotion and the April 2022 trials. As a result, the Individual Defendants caused the Company’s public statements to be materially false and misleading at all relevant times.

13. Additionally, in breach of their fiduciary duties, the Individual Defendants caused the Company to fail to maintain adequate internal controls.

14. Further, during the Relevant Period, the Individual Defendants caused TDS to repurchase over 1.5 million shares of TDS common stock at artificially inflated prices, at a total cost of over \$24 million.

15. As a result of the foregoing, the Securities Class Action was filed against the Company, Defendant Therivel and Defendant Chambers. On November 1, 2024, the Securities Class Action court denied in part and granted in part defendants’ motion to dismiss. The Securities Class Action has exposed the Company to massive class-wide liability.

² Emphases added unless otherwise indicated.

16. In light of the Individual Defendant’s misconduct—which has subjected the Company to the Securities Class Action, the need to undertake internal investigations, the need to implement adequate internal controls over its financial reporting, losses from the waste of corporate assets, and losses due to the unjust enrichment of the Individual Defendants who were improperly overcompensated by the Company and/or who benefitted from the wrongdoing alleged herein—the Company will have to expend millions of dollars.

17. Moreover, in light of the breaches of fiduciary duty engaged in by the Individual Defendants, most of whom are the Company’s current directors, their collective engagement in fraud, the substantial likelihood of the directors’ liability in this derivative action and Defendants’ liability in the Securities Class Action, their being beholden to each other, their longstanding business and personal relationships with each other, and their not being disinterested and/or independent directors, a majority of TDS’s Board cannot consider a demand to commence litigation against themselves and the other Individual Defendants on behalf of the Company with the requisite level of disinterestedness and independence. Accordingly, Plaintiff did not make a demand on the Board because, as further detailed herein, demand would be a futile and useless act.

JURISDICTION AND VENUE

18. This Court has subject matter jurisdiction pursuant to 28 U.S.C. § 1331 and section 27 of the Securities Exchange Act of 1934 (the “Exchange Act”) over the claims asserted herein for violations of sections 10(b) of the Exchange Act and Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated thereunder by the SEC.

19. This Court has supplemental jurisdiction over Plaintiff’s state law claims pursuant to 28 U.S.C. § 1367(a).

20. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

21. In connection with the acts, conduct and other wrongs complained of herein, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, the United States mail, and the facilities of a national securities market.

22. Venue is proper in this District pursuant to 28 U.S.C. §§ 1391 and 1401 because Nominal Defendant TDS is headquartered in this District, conducts business in this District, and several of the acts and omissions charged herein occurred in substantial part in this District.

PARTIES

Plaintiff

23. Plaintiff is and has been a continuous shareholder of TDS common stock since at least August 2021.

Nominal Defendant

24. Nominal Defendant TDS is incorporated under the laws of Delaware, with its principal executive offices located at 30 North LaSalle Street, Suite 4000, Chicago, Illinois 60602. TDS's common stock trades on the New York Stock Exchange ("NYSE") under the ticker symbol "TDS."

Individual Defendants

25. Defendant W. Carlson has served as CEO of TDS since February 1, 2025, and has served as a member of the Board since 1981. Defendant W. Carlson previously served as the non-executive Chair of the Board from 2002 to 2025. Defendant W. Carlson also serves as Chairperson of the Board's Corporate Governance and Nominating Committee. According to the proxy statement filed by TDS on April 19, 2024 with the SEC (the "2024 Proxy"), Defendant W.

Carlson received \$270,940 in compensation from the Company in fiscal year 2023.

26. Defendant Butman has served as a member of the Board since 2018. Defendant Butman has also served as President and CEO of TDS Telecom since January 2018. According to the 2024 Proxy, Defendant Butman received \$3,344,427 in compensation from the Company in fiscal year 2023.

27. Defendant LeRoy Carlson has served as a member of the Board since 1968 and previously served as CEO of TDS from 1986 to February 1, 2025. Defendant Leroy Carlson also serves as chair of the board of TDS' publicly traded subsidiary, UScellular. According to the 2024 Proxy, Defendant LeRoy Carlson received \$9,677,516 in compensation from the Company in fiscal year 2023.

28. Defendant Letitia Carlson has served as a member of the Board since 1996. According to the 2024 Proxy, Defendant Letitia Carlson received \$233,940 in compensation from the Company in fiscal year 2023.

29. Defendant P. Carlson has served as a member of the Board since 2008. According to the 2024 Proxy, Defendant P. Carlson received \$233,940 in compensation from the Company in fiscal year 2023.

30. Defendant Dixon has served as a member of the Board since 2017. Defendant Dixon also serves as a member of the Board's Audit Committee, Compensation and Human Resources Committee, and Technology Advisory Group Committee. According to the 2024 Proxy, Defendant Dixon received \$280,647 in compensation from the Company in fiscal year 2023.

31. Defendant Off has served as a member of the Board since 1997. Defendant Off also serves as Chairperson of the Board's Audit Committee and as a member of the Corporate

Governance and Nominating Committee and Technology Advisory Group Committee. According to the 2024 Proxy, Defendant Off received \$288,940 in compensation from the Company in fiscal year 2023.

32. Defendant O'Leary has served as a member of the Board since 2006 and also serves as Chairperson of the Board's Compensation and Human Resources Committee and as a member of the Audit Committee and Technology Advisory Group Committee. According to the 2024 Proxy, Defendant O'Leary received \$ 294,165 in compensation from the Company in fiscal year 2023.

33. Defendant Oosterman has served as a member of the Board since 2019 and also serves as a member of the Board's Audit Committee and Compensation and Human Resources Committee. According to the 2024 Proxy, Defendant Oosterman received \$274,802 in compensation from the Company in fiscal year 2023.

34. Defendant Woessner has served as a member of the Board since May 2019 and also serves as a member of the Board's Compensation and Human Resources Committee. According to the 2024 Proxy, Defendant Woessner received \$231,662 in compensation from the Company in fiscal year 2023.

35. Defendant Therivel served as a member of the TDS Board from 2020 to August 2023. Defendant Therivel currently serves as a director, president and CEO of UScellular, TDS's majority-owned subsidiary, and served as CEO of UScellular throughout the Relevant Period. According to the 2024 Proxy, Defendant Therivel received \$10,860,109 in compensation from the Company in fiscal year 2023. Defendant Therivel is also named as a defendant in the Securities Class Action.

36. Defendant Chambers has served as UScellular's Executive Vice President, Chief

Financial Officer (“CFO”) and Treasurer since September 2020. Chambers previously served as Senior Vice President-Finance and Chief Accounting Officer for TDS from May 2018 to June 2019. Defendant Chambers is also named as a defendant in the Securities Class Action.

FIDUCIARY DUTIES OF THE INDIVIDUAL DEFENDANTS

37. By reason of their positions as officers and/or directors of TDS, and because of their ability to control the business and corporate affairs of TDS, the Individual Defendants owed TDS and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage TDS in a fair, just, honest, and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of TDS and its shareholders so as to benefit all shareholders equally.

38. Each director and officer of the Company owes to TDS and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the Company and in the use and preservation of its property and assets and the highest obligation of fair dealing.

39. The Individual Defendants, because of their positions of control and authority as directors and/or officers of TDS, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

40. To discharge their duties, the officers and directors of TDS were required to exercise reasonable and prudent supervision over the management, policies, controls, and operations of the Company.

41. Each Individual Defendant, by virtue of his or her position as a director and/or officer owed to the Company and to its shareholders the highest fiduciary duties of loyalty, good faith, and the exercise of due care and diligence in the management and administration of the

affairs of the Company, as well as in the use and preservation of its property and assets. The conduct of the Individual Defendants complained of herein involves a knowing and culpable violation of their obligations as directors and/or officers of TDS, the absence of good faith on their part, or a reckless disregard for their duties to the Company and its shareholders that the Individual Defendants were aware or should have been aware posed a risk of serious injury to the Company.

42. As senior executive officer and directors of a publicly-traded company whose common stock was registered with the SEC pursuant to the Exchange Act and traded on the NYSE, the Individual Defendants had a duty to prevent and not to effect the dissemination of inaccurate and untruthful information with respect to the Company's financial condition, performance, growth, financial statements, products, management, internal controls, earnings, and present and future business prospects, including the dissemination of false and/or materially misleading information regarding the Company's business, prospects, and operations, and had a duty to cause the Company to disclose in its regulatory filings with the SEC all those facts described in this Complaint that it failed to disclose, so that the market price of the Company's common stock would be based upon truthful, accurate, and fairly presented information.

43. To discharge their duties, the officers and directors of TDS were required to exercise reasonable and prudent supervision over the management, policies, practices, and internal controls of the Company. By virtue of such duties, the officers and directors of TDS were required to, among other things:

(a) ensure that the Company was operated in a diligent, honest, and prudent manner in accordance with the laws and regulations of Illinois, Delaware, and the United States, and pursuant to TDS's own Code of Business Conduct ("Code of Conduct"), Code of Business

Conduct and Ethics for Officers and Directors (the “D&O Code”), and Governance Guidelines;

(b) conduct the affairs of the Company in an efficient, business-like manner so as to make it possible to provide the highest quality performance of its business, to avoid wasting the Company’s assets, and to maximize the value of the Company’s stock;

(c) remain informed as to how TDS conducted its operations, and, upon receipt of notice or information of imprudent or unsound conditions or practices, to make reasonable inquiry in connection therewith, and to take steps to correct such conditions or practices;

(d) establish and maintain systematic and accurate records and reports of the business and internal affairs of TDS and procedures for the reporting of the business and internal affairs to the Board and to periodically investigate, or cause independent investigation to be made of, said reports and records;

(e) maintain and implement an adequate and functioning system of internal legal, financial, and management controls, such that TDS’s operations would comply with all applicable laws and TDS’s financial statements and regulatory filings filed with the SEC and disseminated to the public and the Company’s shareholders would be accurate;

(f) exercise reasonable control and supervision over the public statements made by the Company’s officers and employees and any other reports or information that the Company was required by law to disseminate;

(g) refrain from unduly benefiting themselves and other Company insiders at the expense of the Company; and

(h) examine and evaluate any reports of examinations, audits, or other financial information concerning the financial affairs of the Company and to make full and

accurate disclosure of all material facts concerning, inter alia, each of the subjects and duties set forth above.

44. Each of the Individual Defendants further owed to TDS and the shareholders the duty of loyalty requiring that each favor TDS's interest and that of its shareholders over their own while conducting the affairs of the Company and refrain from using their position, influence, or knowledge of the affairs of the Company to gain personal advantage.

45. At all times relevant hereto, the Individual Defendants were the agents of each other and of TDS and were at all times acting within the course and scope of such agency.

46. Because of their advisory, executive, managerial, and directorial positions with TDS, each of the Individual Defendants had access to adverse, non-public information about the Company.

47. The Individual Defendants, because of their positions of control and authority, were able to and did, directly or indirectly, exercise control over the wrongful acts complained of herein, as well as the contents of the various public statements issued by TDS.

CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION

48. In committing the wrongful acts alleged herein, the Individual Defendants have pursued, or joined in the pursuit of, a common course of conduct, and have acted in concert with and conspired with one another in furtherance of their wrongdoing. The Individual Defendants caused the Company to conceal the true facts as alleged herein. The Individual Defendants further aided and abetted and/or assisted each other in breaching their respective duties.

49. The purpose and effect of the conspiracy, common enterprise, and/or common course of conduct was, among other things, to facilitate and disguise the Individual Defendants' violations of law, including breaches of fiduciary duty and unjust enrichment.

50. The Individual Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company purposefully, recklessly, or negligently to conceal material facts, fail to correct such misrepresentations, and violate applicable laws.

51. In furtherance of this plan, conspiracy, and course of conduct, the Individual Defendants collectively and individually took the actions set forth herein. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants, who are directors of TDS, was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

52. Each of the Individual Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commission of the wrongdoing complained of herein, each Individual Defendant acted with actual or constructive knowledge of the primary wrongdoing, either took direct part in, or substantially assisted the accomplishment of that wrongdoing, and was or should have been aware of his or her overall contribution to and furtherance of the wrongdoing.

53. At all times relevant hereto, each of the Individual Defendants was the agent of each of the other Defendants and of TDS and at all times acted within the course and scope of such agency.

TDS'S CODES OF CONDUCT

54. TDS's Code of Conduct identifies the "principles by which the Company will conduct its business and its dealings with its customers, associates, shareholders, suppliers, agents, affiliates, the communities in which we operate and the government employees and agencies with whom we interact."

55. The Company's associates are required to review the Code of Conduct annually and to abide by the standards set forth therein. Violations of the standards and policies contained in the Code of Conduct will subject the associate to "appropriate disciplinary actions, up to and including discharge and, as applicable, criminal prosecution."

56. The D&O Code of Conduct also makes clear that all officers and directors who are employees of TDS are expected to know and follow the policies outlined in the Code of Conduct.

57. Among the "guiding principles" set forth in the Code of Conduct, the Company states that it "strives to build shareholder value by supporting its business units' efforts to maximize long-term profitable growth and development."

58. The Code of Conduct further states that "[a]mong the Company's most important assets is our reputation for conducting our business in accordance with the highest ethical standards[,] and that maintaining such reputation "will require all associates to act with honesty and integrity, and in a manner that reflects favorably on the Company."

59. In a section titled "Applicable Laws and Regulations," the Code of Conduct provides, in relevant part:

It is the Company's policy to obey local, state, federal and international laws, rules and regulations that apply to any aspect of the Company's operations, as well as to comply with standards of the New York Stock Exchange and other applicable self-regulatory organizations. This includes compliance with the United States government's requirements relevant to federal contractors and subcontractors, if applicable, including its policy prohibiting trafficking of persons. Associates must comply fully with all such applicable laws, rules and regulations.

Since the laws governing our activities are often complex, any questions concerning their applicability and interpretation should be referred to the associate's Senior Human Resources Executive or CEO. It will be up to this individual to work with that business unit's General Counsel, to ensure that competent legal counsel is provided to the appropriate parties.

60. In a section outlining guidelines with respect to “Insider Trading,” the Code of Conduct provides:

The use of material non-public information for personal gain is forbidden by Company policy and may be a violation of Securities and Exchange Commission (SEC) regulations. These regulations make it illegal to buy or sell Company securities, or influence others to trade the Company’s securities, while aware of material information not generally known to the public. This can also include trading in the securities of another company while aware of material non-public information involving that company. All securities transactions must be conducted in compliance with the Company’s Statement of Policy Regarding Insider Trading and Confidentiality (the Insider Trading Policy). While all associates must abide by the Insider Trading Policy, those associates subject to the Earnings Blackout Policy must obtain clearance from the appropriate individual designated in the Insider Trading Policy prior to entering into certain transactions. In addition to the regular Earnings Blackout Policy, TDS may from time to time implement a blackout period due to a pending transaction or other event. In such event, TDS will circulate a memorandum to the persons subject to such blackout and will circulate a memorandum when such blackout period has ended. Any associate with a question regarding the appropriateness of any prospective trade should contact the TDS Investor Relations Department.

61. In a section titled “Retention of Records, Recording Information and Protecting Company Funds,” the Code of Conduct states, in relevant part:

Accurate, reliable, and complete Company records are required to efficiently manage the business and to meet the Company’s legal and financial obligations. In particular, various regulatory and governmental bodies require the retention and preservation of certain reports and records dealing with Company business.

* * *

- All internal and external reporting of financial and other information must be complete, timely and accurate in accordance with the Company’s accounting policies and procedures.

62. The Code of Conduct further states that the “Audit Committees of the TDS and United States Cellular Boards of Directors are committed to ensuring full compliance by the Company with all applicable securities laws and regulations, accounting standards, accounting controls and audit practices.”

63. TDS's D&O Code of Conduct applies to all officers and directors of the Company. Every officer and director is expected to know and follow the policies outlined therein.

64. The D&O Code of Conduct states that all directors and officers "must engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships."

65. In a section titled "Fair Dealing," the D&O Code of Conduct provides that each officer and director "must endeavor to deal fairly and in good faith with TDS's customers, suppliers, competitors and employees. No officer or director shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing practices."

66. The D&O Code of Conduct further states that officers and directors "must comply fully with all applicable laws, rules and regulations, including insider trading laws as provided in TDS's Policy Regarding Insider Trading and Confidentiality, as well as the standards of the New York Stock Exchange or other applicable self-regulatory organization."

67. In a section titled "Public Company Reporting," the D&O Code of Conduct states, in relevant part:

TDS's officers and directors are required to promote full, fair, accurate, timely and understandable disclosure in reports and documents that TDS or its subsidiaries files with, or submits to, the Securities and Exchange Commission and other regulators and in other public communications made by TDS or its subsidiaries.

TDS'S AUDIT COMMITTEE CHARTER

68. TDS's Audit Committee Charter states that the purpose of the Audit Committee is to:

(a) assist the Board of Directors of the Company in its oversight of (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the Registered Public Accounting Firm's (the "Public Accounting Firm") qualifications and independence, and (4) the performance of the Company's internal audit function and Public Accounting Firm; (b) prepare an audit committee report as required by the rules of the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement and (c) perform such other functions as set forth herein, which shall be deemed to include the duties and responsibilities set forth in Section 10A-3 of the Securities Exchange Act of 1934, as amended (the "Act").

69. In a section titled "Functions," the Audit Committee Charter states that the Audit Committee shall, among other things:

4. prior to the filing of each Form 10-Q and the Form 10-K, be available to discuss with the Public Accounting Firm the matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") or other applicable standards;
5. prior to the filing of each Form 10-Q and the Form 10-K, meet to review and discuss with management and the Public Accounting Firm the content of each of these forms including (a) the annual audited financial statements, quarterly financial statements and the related management's discussion and analysis, (b) analyses of judgments made in connection with the financial statements contained therein, including analysis of the effects of alternative GAAP methods on the financial statements and (c) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations.
6. review with the Public Accounting Firm any audit problems or difficulties and management's response;
7. be responsible for the preapproval of all audit services and permissible non-audit services to be provided to the Company by the Public Accounting Firm, subject to any exceptions provided in the Act and the rules of the SEC promulgated thereunder (it being understood that the Audit Committee may delegate to one or more of its members the authority to grant such preapprovals, provided that any preapproval by such member or members must be presented to the full Audit Committee at its next scheduled meeting);
8. review, in consultation with the Public Accounting Firm, the internal auditing staff of the Company, and such other advisors as the Audit Committee may deem necessary, the scope, purpose and procedures of the

overall audit plans of the internal auditing staff and the Public Accounting Firm, review the results thereof and take any necessary actions in connection therewith;

9. consult with the Public Accounting Firm, senior management, the internal auditing staff of the Company and such other advisors as the Audit Committee may deem necessary regarding their evaluation of the adequacy of the Company's "internal controls over financial reporting" and "disclosure controls and procedures" (as such terms are defined by the SEC), and make specific recommendations to the Board of Directors in connection therewith;

* * *

12. prior to dissemination, discuss the Company's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies;
13. review annually the effect of legal, regulatory and accounting initiatives, as well as off-balance sheet arrangements, on the Company's financial statements;
14. review and discuss with management and the internal auditing staff the controls, procedures and processes that the Company has in place to ensure the accuracy of its material disclosures and reporting relating to environmental, social and governance matters;
15. be responsible for the review and evaluation of all related-person transactions, as such term is defined for purposes Item 404(a) of Regulation S-K;
16. establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and review periodically with management these procedures and, if appropriate, any significant complaints received, to the extent required by the Act, the rules of the SEC or the Exchange;

* * *

20. review and discuss policies with respect to risk assessment and risk management, including those related to topics like ESG, cybersecurity and data privacy;

SUBSTANTIVE ALLEGATIONS

Background

70. Throughout the Relevant Period, TDS operated through two business segments:

UScellular and TDS Telecommunications LLC (“TDS Telecom”). As of December 31, 2022, TDS owned 84% of the combined total of the outstanding Common Shares and Series A Common Shares of UScellular and controlled 96% of the combined voting power of both classes of UScellular common stock.

71. By the end of 2022, UScellular provided wireless telecommunications services to customers with 4.7 million retail connections in portions of 21 states collectively representing a total population of 32 million. UScellular’s customers can obtain wireless services on a postpaid basis (an individual line of service for a device for which a customer is generally billed one month in advance for a monthly access charge) or a prepaid basis. Approximately 90% of retail connections were postpaid connections as of December 31, 2022.

72. Over the course of 2021, UScellular’s main competitors—namely, AT&T, Verizon, and T-Mobile—each offered large promotions designed to attract and retain new customers, such as giving away free smartphones, offering steep discounts on other phones and connected devices, and offering other promotions for switching or adding new lines of service. UScellular struggled to compete and, as a result, its postpaid churn rate increased in the second, third, and fourth quarters of 2021 as compared to the same periods during 2020, by 24.72%, 8.49%, and 11.57%, respectively.

73. In response, UScellular implemented a “regional” approach to trialing and testing promotions in 2021 under which UScellular offered differing promotions to specific geographic regions. As the competitive environment of the wireless market continued to intensify into 2022, UScellular shifted its focus away from tailored, regional promotions in favor of one-size-fits-all company-wide promotions. In late June 2022, UScellular introduced the Promotion to virtually all UScellular regions after testing and trialing in April 2022.

74. Additionally, and unbeknownst to investors, UScellular suffered from poor in-store traffic throughout the Relevant Period, which hampered performance. According to a former UScellular employee, cited in the Securities Class Action as “CW1”³, there had not been a single positive increase to in-store traffic in any month in 2022 in any of the six regional areas for stores that UScellular operated in 2021.

75. According to CW1, UScellular’s executive management closely tracked several manners of key performance indicators (“KPIs”) including: revenue, postpaid and prepaid churn, gross and net customer adds (both postpaid and prepaid), the number of postpaid handsets had been sold in a month, the number of customers who visited a store or agency, and sales conversion rates. Each quarter, CW1 and all other AVPs would aggregate the KPI results from their Region to report that progress to Defendant Therivel for use during a quarterly business review meeting. CW1 reported that, throughout their tenure, all six AVPs repeatedly reported at every quarterly business review meetings that it was a “struggle” to meet KPI goals and that store traffic and preventing churn were the biggest challenges for all six of the AVPs.

Materially False and Misleading Statements

76. On May 6, 2022, at the start of the Relevant Period, TDS and UScellular executives hosted an earnings conference call with analysts and investors to discuss first quarter 2022 results (the “1Q22 Earnings Call”). During the call, Defendant Therivel claimed that UScellular’s promotional offers were financially disciplined and continuing to balance financial and subscriber outcomes. Specifically, Defendant Therivel stated, in relevant part:

³ CW1 was Area Vice President (“AVP”), Southwest Region from December 2020 through June 2023. As AVP for the Southwest Region, CW1 managed all UScellular retail operations in Kansas, Missouri, Oklahoma, and Texas, including both UScellular-owned stores, as well as stores owned by franchisees known internally at UScellular as “agencies.”

[A]lthough we've regionally tested aggressive offers in the marketplace, particularly from an acquisition standpoint, ***we've also tried to be disciplined from a financial perspective***, and you see that in our strong adjusted operating income performance for the quarter....

So to summarize, I'm pleased with the financial outcomes in the first quarter. We continue to see positive momentum in growth investment areas of the business. Although subscriber results were challenged, particularly in postpaid, ***we continue to try to strike the right balance between financial outcomes and subscriber outcomes***.

77. During a question-and-answer portion of the 1Q22 Earnings Call, Defendant Therivel assured investors that UScellular was pleased with the results of trialing pricing and promotions through its regionalized approach, stating, in relevant part:

Analyst: My first question is on kind of your go-to-market strategy, LT. So obviously, you have a differentiated regional approach and you're trying different things in different markets. You have various clusters that are noncontiguous, so you can do that. Maybe if you could reflect, since you implemented this approach, what have been the results so far. What has worked on that front? What could be improved? And how do you make this approach more effective to maximize potential gross add and share gain opportunity going forward?

Defendant Therivel: Sergey, ***the regional approach you've talked to, I'm very pleased with***, and let me put it in context. It is not easy to pivot to create -- not only creating regions and putting the processes and the structures in place to use those regions as test beds but then executing on that. And over the last 12 months, we've executed over 40 discrete pricing and promotional and marketing mix trials across our regions.

* * *

At times, we will roll out national programs like the one I just talked about around the rate plan guarantee. But at the same time, we continue to test, whether it's individual device promotions. We vary our prepaid rate plans fairly substantively region to region to make sure we strike the right approach. We vary our distribution approach fairly significantly. So we're really trying to test and learn, and it's helped us optimize and will continue to help us optimize. ***So I'm very pleased with how it's proceeding***.

78. Also on the 1Q22 Earnings Call, in response to an analyst's question, Defendant Therivel reiterated that UScellular was being financially disciplined:

Analyst: Makes sense. And one more back to LT on the switcher pool but for postpaid. What are you seeing as far as the upgrade market out there? I don't know if you reported what's your percent was, but how does that look like? It's trending. It used to be iconic devices would spike it a little bit, but that's really kind of [indiscernible]. So what was your upgrade number and where do you see it heading?....

Defendant Therivel: And so finally, we have -- we believe we have an opportunity to really dig in and invest now on the churn side. We tried over the last couple of quarters and ***we think we've done a really good job of it, to strike a balance between subscriber results and financial results.*** And when the industry has extremely aggressive upgrade offers out there, we've tried to make sure that we're driving positive ARPU and we're driving positive OCF, and we think we've done that.

79. The statements detailed above made during the 1Q22 Earnings Call were false and misleading when made, and omitted material facts about the Company's business, operations, and prospects. In reality, Defendants were not pleased with how the promotions were performing in the regional trials, as evidenced by the imminent national rollout, especially in the context that UScellular touted the regionalization strategy as key to being competitive.

80. Moreover, Defendants knew, through extensive trialing in April 2022 that the Promotion was exorbitantly costly and would cause expenses to be highly imbalanced compared with subscriber outcomes. According to CW2, a former employee cited in the Securities Class Action, Defendants knew the range of potential costs, benefits, and scenarios for every single promotion that UScellular offered and, therefore, understood the financial impact of the Promotion with respect to anticipated losses on equipment sales. CW1 is quoted in the Securities Class Action as stating that, during a one-on-one meeting, Defendant Therivel admitted that 2022 would be one of the company's "toughest years" and that "churn will be a problem for us."

81. Also during the 1Q22 Earnings Call, analysts asked for comment on in-store traffic trends. Defendant Chambers engaged in the following exchange:

Analyst: Okay, great. And store traffic ***any sense of the consumer slowing down***

or the industry slowing down after a strong year?

Defendant Chambers: No. I mean, our store traffic is down slightly year-over-year but nothing concerning.

82. Defendant Chambers' statement during the 1Q22 Earnings Call concerning store traffic was materially false and misleading when made. In reality, and as confirmed by CW1, in-store traffic was a concern throughout UScellular. Indeed, CW1 stated that poor in-store traffic hampered performance across KPIs during their tenure, and there had not been a single positive increase to in-store traffic in any month in 2022 in any of the six regional areas. According to CW1, in every quarterly business review meeting, it would be asked and discussed why UScellular's promotions and other efforts were not working to improve in-store traffic and postpaid churn.

83. On August 5, 2022, TDS and UScellular executives hosted an earnings conference call with analysts and investors to discuss second quarter 2022 results (the "2Q22 Earnings Call"). During the call, Defendant Therivel assured investors that the Promotion would "drive positive subscriber results" while allowing UScellular to maintain "expense discipline." Specifically, Defendant Therivel stated, in relevant part:

As I detailed during that first quarter earnings call, we identified some specific areas of subscriber pressure where we saw opportunities to improve. And that was noticeably churn and add-a-line. And this led to a series of regional tests and trials during the second quarter. And as a result of those trials, we launched our new promotion in late June, and that was any phone free for anyone and that's for new and existing customers. Now because of the timing of when we launched this promotion, it had little impact on second quarter subscriber results. But we believe this will meaningfully address a number of the subscriber challenges that we identified earlier in the year. *And while it's early, so far, we're pleased with the results.* We've seen significant increase in add-a-line and upgrade activity, and we expect that upgrade activity to result in improved churn downstream.

And thanks to the trials that we ran, we're able to structure this offer in a way that we believe will drive positive subscriber results in the second half of the year, but with expense pressure that we believe is manageable. And that offer

structure, coupled with our ongoing expense discipline, enables us to maintain our profitability outlook for the year even with those aggressive promotions. In fact, we're going to be maintaining all of our guidance, which Doug will discuss further later in the presentation.

84. During the question-and-answer portion of the call, Defendant Therivel engaged in the following exchange:

Analyst: [...] Help us understand, is there the ability to get back to positive postpaid phone adds? And what does that take? Does it take larger switcher pool? Does it take lowering churn? Does it take more aggressive local offers. Just help us understand the path back to positive postpaid phone adds? [...]

Defendant Therivel: Rick. I guess it's cheating to just say yes, yes, yes and yes and move on to the next question. So I'll try and give you a bit more color. But in general, it's everything you list. Do I see a path to -- do I see a path to positive consumer postpaid net adds? Yes, I do. What is it going to take? I think the biggest step that's going to take in the near term is churn improvement. When I look at voluntary churn, that's where we saw the majority of our pressure in the first quarter. And we -- the offer that we've launched here is specifically designed to address that. One of the things we saw as we -- over the past couple of years is we've seen a larger and larger percentage of customers that are out of contract. And out-of-contract customers churn at a substantially higher rate than in-contract customers. And so the goal is how do we get customers back into contract. And that was one way is with the offer that we put forward. *We think it specifically addressed that issue, and we're seeing really good results. So we're seeing upgrades up substantively. We're seeing the ratio of voluntary defections to gross adds improve substantively. [...] What we expect to see is steady churn improvement throughout the second half of the year. So we should start to see some benefit from this in the third quarter, and we'll see more benefit, hopefully, in the fourth quarter.*

85. During the 2Q22 Earnings Call, Defendant Therivel also touted UScellular's expense discipline, stating in relevant part:

We also continue to maintain expense discipline across the organization, which has allowed us to launch some aggressive promotions and make investments in key growth areas of the business while still maintaining our operating cash flow guidance. I mentioned investing in growth areas and halfway through the year, we're seeing positive momentum in a number of those areas.

86. The statements detailed above made during the 2Q22 Earnings Call were false and misleading when made, and omitted material facts about the Company's business,

operations, and prospects. In reality, Defendants were not seeing substantive improvements to the rate of voluntary churn, and were not pleased with their results or ability to structure promotions in a way that would drive positive subscribers results while managing expense pressure and maintaining profitability. Additionally, Defendants were not maintaining expense discipline while launching aggressive promotions. According to CW2, Defendants knew the range of potential costs, benefits, and scenarios for each promotion that UScellular offered, and would therefore have understood the financial impact of the Promotion, including with respect to anticipated losses on equipment sales. As CW1 explained, all six AVPs repeatedly reported at every quarterly business review meeting that it was a “struggle” to meet KPI goals, including goals related to postpaid churn, gross and net postpaid customer adds, in-store traffic rates and sales conversion rates. CW1 also stated that quarterly postpaid churn quotas for the Southwest region were never met and were “always in the red” each quarter throughout their employment.

The Truth Emerges

87. On November 3, 2022, TDS issued the 3Q22 Press Release, revealing that net income attributable to TDS’s common shareholders and related diluted earnings had declined to negative \$25 million and negative \$0.22, respectively, down from positive \$28 million and positive \$0.24 in the same period a year earlier. The 3Q22 Press Release also revealed that UScellular’s Adjusted Operating Income Before Depreciation and Amortization (“OIBDA”) and Adjusted EBITDA were being revised downward to ranges of \$750-825 million and \$925-1,000 million, respectively.

88. On November 4, 2022, TDS and UScellular jointly published the 3Q22 Earnings Presentation revealing that despite the massive spending on promotions, UScellular experienced a net loss of 31,000 postpaid subscribers, due in significant part to increases in churn rates.

89. During the 3Q22 Earnings Call held the same day, Defendant Chambers explained that UScellular had “tightened guidance ranges,” adding that “[a]ll of these ranges are negatively impacted by our subscriber growth challenges in 2022.”

90. The 3Q22 Earnings Call further revealed that UScellular’s promotional expenses were a factor in USM’s “tightened guidance ranges,” with Defendant Chambers explaining that “the adjusted operating income and adjusted EBITDA ranges are also impacted by the promotional investment we are making in our new and existing promotion.” Defendants revealed during the call that UScellular’s promotions resulted in a \$28 million increase in loss of equipment.

91. Additionally, during the 3Q22 Earnings Call, UScellular revealed that, despite the aggressive promotions, it was still experiencing “postpaid subscriber growth challenges” and “an increase in [postpaid handset] churn[.]” Defendant Chambers added:

Voluntary churn increased as a result of increased switching activity and aggressive industry-wide competition....Total postpaid churn, combining handsets and connected devices, increased due to higher handset churn and certain business and government customers disconnecting connected devices, many of which were originally activated during the pandemic in conjunction with government and agency funding that has subsequently ended....

92. With respect to the significant expenses incurred in connection with the Promotion, Defendant Chambers stated, in relevant part:

Adjusted operating income declined 23%, driven by increases in loss in equipment and bad debt expense. As LT commented earlier, we ran our new and existing promotion throughout the third quarter in a majority of our footprint. This promotion is designed to reward our existing customers, reduce churn and ultimately increase service revenue from increased customer volumes and ARPU over time. As previously discussed, in the near term, ***this promotion drove a high upgrade rate in the third quarter and was the primary driver of a \$28 million increase in loss on equipment.*** Further, bad debts expense increased \$29 million as our involuntary churn rate has returned to prepandemic levels and the average write-off has increased ***as a result of customers selecting higher-priced devices, partially attributable to promotional incentives.*** [...]

We expect loss on equipment and bad debt expense to remain at higher levels than the prior year in the fourth quarter as we plan to continue our new and existing promotion, and we expect involuntary churn and bad debt expense to continue to follow prepandemic trends. [...]

93. In response to an analyst's question concerning the effectiveness of the Promotion, Defendant Therivel admitted that the trials had shown that it would take 6 or 7 months—i.e., first quarter 2023—to yield results.

94. Following this news, TDS's stock price fell \$4.29 per share, or nearly 26%, from a closing price of \$16.57 per share on November 3, 2022 to a closing price of \$12.28 per share on November 4, 2022.

95. On November 1, 2024, the court in the Securities Class Action denied in part and granted in part defendants' motion to dismiss. *See* Securities Class Action, ECF No. 52.

Harm to the Company

96. As a direct and proximate result of the Individual Defendants' misconduct, TDS has lost and expended, and will lose and expend, millions of dollars.

97. Such expenditures include, but are not limited to, legal fees associated with the Securities Class Action filed against the Company and certain of the Individual Defendants, and amounts paid to outside lawyers, accountants, and investigators in connection thereto.

98. Such expenditures also include, but are not limited to, the cost of implementing measures to remediate the material weaknesses in the Company's internal control over financial reporting.

99. Such losses also include, but are not limited to, significant compensation and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company, including bonuses tied to the Company's attainment of certain objectives, and benefits paid to the Individual Defendants who breached their fiduciary duties to the Company.

100. Further, during the Relevant Period, the Individual Defendants caused TDS to spend over \$24 million to repurchase approximately 1,561,000 shares of its own common stock at artificially inflated prices.

101. As set forth in the Company's quarterly report filed with the SEC on August 4, 2022, the Company purchased 171,315 shares of its common stock in May 2022, at an average price of \$17.93 per share, or a total of \$3,071,677.95. In June 2022, the Company purchased 735,709 shares of its common stock at an average price of \$15.64 per share, or a total of \$11,506,488.76.

102. As set forth in the Company's quarterly report filed with the SEC on November 3, 2022, the Company purchased 31,114 shares of its common stock in July 2022, at an average price of \$15.80 per share, or a total of \$491,601.20. In September 2022, the Company purchased 343,953 shares of its common stock at an average price of \$14.54 per share, or a total of \$5,001,076.62.

103. As set forth in the Company's annual report for the fiscal year ended December 31, 2022, filed with the SEC on February 16, 2023, the Company purchased 279,255 shares of its common stock in October 2022, at an average price of \$14.32 per share, or a total of \$3,998,931.60.

104. Further, as a direct and proximate result of the Individual Defendants' conduct, TDS has also suffered and will continue to suffer a loss of reputation and goodwill, and a "liar's discount" that will plague the Company's stock in the future due to the Company's misrepresentations and the Individual Defendants' breaches of fiduciary duties and unjust enrichment.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

105. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress injuries suffered and to be suffered as a direct and proximate result of the breaches of fiduciary duties by the Individual Defendants.

106. TDS is named solely as a nominal party in this action. This is not a collusive action to confer jurisdiction on this Court that it would otherwise not have.

107. Plaintiff is an owner of TDS common stock and has been a continuous shareholder of Company stock at all relevant times.

108. Plaintiff will adequately and fairly represent the interests of the Company in enforcing and prosecuting its rights and retained counsel competent and experienced in derivative litigation.

109. A pre-suit demand on the Board of TDS is futile and, therefore, excused. At the time this action was commenced, the twelve-member Board consisted of Individual Defendants W. Carlson, Butman, LeRoy Carlson, Letitia Carlson, P. Carlson, Dixon, Off, O’Leary, Oosterman and Woessner (the “Director Defendants”) as well as non-parties Napoleon B. Rutledge, Jr. (“Rutledge”) and Vicki L. Villacrez (“Villacrez”). As set forth below, all ten Director Defendants are incapable of making an independent and disinterested decision to institute and vigorously prosecute this action because they face a substantial likelihood of liability for misconduct alleged herein. Therefore, demand on the Board to institute this action is not necessary because such a demand would have been a futile and useless act.

110. The acts complained of herein constitute violations of fiduciary duties owed by TDS’s officers and directors, and these acts are incapable of ratification.

111. The Director Defendants either knew or should have known of the false and misleading statements that were issued on the Company’s behalf and took no steps in a good

faith effort to prevent or remedy that situation.

112. Each of the Director Defendants approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from the Company's stockholders or recklessly and/or with gross negligence disregarded the wrongs complained of herein and are therefore not disinterested parties.

113. Each of the Director Defendants authorized and/or permitted false statements to be disseminated directly to the public and made available and distributed to shareholders, authorized and/or permitted the issuance of various false and misleading statements, and are principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully prosecute such a suit even if they instituted it.

114. Additionally, the Director Defendants received payments, benefits, stock options, and other emoluments by virtue of their membership on the Board and their control of the Company.

115. Moreover, the Director Defendants willfully ignored, or recklessly failed to inform themselves of, the obvious problems with the Company's internal controls, practices, and procedures and failed to make a good faith effort to correct the problems or prevent their recurrence. As a result of the foregoing, the Director Defendants breached their fiduciary duties, face a substantial likelihood of liability, are not disinterested, and demand upon them is futile, and thus excused.

116. Additionally, the Director Defendants took no action to redress the harm suffered by the Company resulting from the misconduct alleged herein.

117. Defendants Off, Dixon, O'Leary, and Oosterman (the "Audit Defendants") serve on the Company's Audit Committee and, pursuant to the Audit Committee Charter, were

specifically charged with the responsibility to assist the Board in fulfilling its oversight responsibilities related to, *inter alia*, financial reporting and the underlying internal controls and procedures over financial reporting. At all relevant times, however, the Audit Defendants breached their fiduciary duty to the Company by failing to prevent, correct, or inform the Board of the issuance of material misstatements and omissions regarding the Company's business, finances, and operations as alleged above. Therefore, the Audit Defendants cannot independently consider any demand to sue themselves for breaching their fiduciary duties to the Company, as that would expose them to substantial liability and threaten their livelihoods.

118. Further, the Director Defendants, as members of the Board, were and are subject to the Company's Code of Conduct and the D&O Code. The Code of Conduct and D&O Code go well beyond the basic fiduciary duties required by applicable laws, rules, and regulations, requiring the Director Defendants to also adhere to the Company's standards of business conduct. The Director Defendants violated the Code of Conduct and the D&O Code because they knowingly or recklessly participated in making and/or causing the Company to make the materially false and misleading statements alleged herein. Because the Director Defendants violated the Code of Conduct and the D&O Code, they face a substantial likelihood of liability for breaching their fiduciary duties, and therefore demand upon them is futile.

COUNT I

Against The Individual Defendants For Violations of § 10(b) of the Exchange Act and Rule 10b-5

119. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein.

120. The Individual Defendants participated in schemes to defraud with the purpose and effect of defrauding TDS. Not only is TDS now defending claims that it violated Section

10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, but the Company itself is also one of the largest victims of the unlawful schemes perpetrated upon TDS by the Individual Defendants. With the price of its common stock trading at artificially-inflated prices due to the Individual Defendants' misconduct, the Individual Defendants caused the Company to repurchase over 1.5 million shares of its own shares at artificially-inflated prices, damaging TDS.

121. During the Relevant Period, the Individual Defendants, also individually and in concert, directly and indirectly, by the use and means of instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct designed to falsify the Company's press releases, public statements made in conference calls, and periodic and current reports filed with the SEC.

122. The Individual Defendants employed devices, schemes and artifices to defraud while in possession of adverse, material, non-public information and engaged in acts, practices and a course of conduct that included the making of, or participation in the making of, untrue and/or misleading statements of material facts and/or omitting to state material facts necessary in order to make the statements made about TDS not misleading.

123. The Individual Defendants, as top executives and directors of the Company, liable as direct participants in the wrongs complained of herein. Through their positions of control and authority as directors and officers of the Company, the Individual Defendants were able to and did control the conduct complained of herein and the content of the public statements disseminated by TDS.

124. The Individual Defendants acted with scienter during the Relevant Period, in that they either had actual knowledge of the scheme and the misrepresentations and/or omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to

ascertain and to disclose the true facts, even though such facts were available to them. The Individual Defendants were the top executives of the Company, or received direct briefings from them, and were therefore directly responsible for the scheme set forth herein and for the false and misleading statements and/or omissions disseminated to the public through filings with the SEC.

125. By virtue of the foregoing, the Individual Defendants violated § 10(b) of the Exchange Act, and Rule 10b-5 promulgated thereunder by the SEC.

COUNT II

Against The Individual Defendants For Breach Of Fiduciary Duty

126. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

127. The Individual Defendants owe the Company fiduciary obligations. By reason of their fiduciary relationships, the Individual Defendants owed the Company the highest obligation of good faith, candor, loyalty, and due care.

128. The Individual Defendants willfully ignored the obvious deficiencies in the Company's internal controls, practices, and procedures and failed to make a good faith effort to correct the problems or prevent their recurrence.

129. The Individual Defendants engaged in a sustained and systematic failure to properly exercise their fiduciary duties. Among other things, the Individual Defendants breached their fiduciary duties of loyalty and good faith by permitting the use of inadequate practices and procedures to guide the truthful dissemination of Company news to the investing public and to the Company's shareholders, allowing or permitting false and misleading statements to be disseminated in the Company's SEC filings and other disclosures, and otherwise failing to ensure that adequate internal controls were in place regarding the serious business reporting issues and

deficiencies described above. These actions could not have been a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests.

130. Specifically, the Individual Defendants made or caused the Company to make false and misleading statements, and omitted material facts, including: (1) presenting a false timeline to investors regarding the Promotion's forecasted benefits; (2) misrepresenting the balance of financial and subscriber outcomes from the Promotion; (3) the volume of in-store customer traffic; and (4) the Company's satisfaction with the Promotion and the April 2022 trials. As a result, the Individual Defendants caused the Company's public statements to be materially false and misleading at all relevant times.

131. In further breach of their fiduciary duties, the Individual Defendants failed to correct and/or caused the Company to fail to correct the false and/or misleading statements and omissions of material fact referenced herein.

132. As a direct and proximate result of the Individual Defendants' failure to fulfill their fiduciary obligations, the Company has sustained significant damages.

133. As a result of the misconduct alleged herein, the Individual Defendants are liable to the Company. As a direct and proximate result of the Individual Defendants' breach of their fiduciary duties, the Company has suffered damage, not only monetarily, but also to its corporate image and goodwill. Such damage includes, among other things, costs incurred in defending itself in the Securities Class Action, exposing the Company to millions of dollars in potential class-wide damages in the Securities Class Action, and damage to the share price of the Company's stock, resulting in an increased cost of capital, and reputational harm.

134. Plaintiff, on behalf of TDS, has no adequate remedy at law.

COUNT III

**Against The Individual Defendants for Aiding and
Abetting Breach of Fiduciary Duty**

135. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

136. By encouraging and accomplishing the illegal and improper transactions alleged herein and concealing them from the public, the Individual Defendants have each encouraged, facilitated, and advanced their breach of their fiduciary duties. In so doing, the Individual Defendants have each aided and abetted, conspired, and schemed with one another to breach their fiduciary duties, waste the Company's corporate assets, and engage in the ultra vires and illegal conduct complained of herein.

137. Plaintiff on behalf of TDS, has no adequate remedy at law.

COUNT IV

Against The Individual Defendants for Unjust Enrichment

138. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

139. By their wrongful acts, violations of law, and false and misleading statements and omissions of material fact that they made and/or caused to be made, the Individual Defendants were unjustly enriched at the expense of, and to the detriment of, TDS.

140. The Individual Defendants either benefitted financially from the improper conduct, or received bonuses, stock options, or similar compensation from TDS that was tied to the performance or artificially inflated valuation of TDS or received compensation that was unjust in light of the Individual Defendants' bad faith conduct.

141. Plaintiff, as a shareholder and a representative of TDS, seeks restitution from the Individual Defendants and seeks an order from this Court disgorging all profits, benefits and

other compensation procured by the Individual Defendants due to their wrongful conduct and breach of their fiduciary and contractual duties.

142. Plaintiff, on behalf of TDS, has no adequate remedy at law.

COUNT V

Against The Individual Defendants For Waste Of Corporate Assets

143. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

144. The Individual Defendants breached their fiduciary duties by failing to properly supervise and monitor the adequacy of the Company's internal controls, by issuing, causing the issuance of, and/or failing to correct the false and misleading statements identified herein, and by allowing the Company to engage in an illegal, unethical, and improper course of conduct, which was continuous, connected, and ongoing at all relevant times.

145. As a result of the misconduct described above, the Individual Defendants wasted corporate assets by, *inter alia*: (a) paying and collecting excessive compensation and bonuses; and (b) incurring potentially millions of dollars of legal liability and/or legal costs, including defending the Company and its officers against the Securities Class Action.

146. As a result of the waste of corporate assets, the Individual Defendants are liable to the Company.

147. Plaintiff, on behalf TDS, has no adequate remedy at law.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

A. Declaring that Plaintiff may maintain this derivative action on behalf of TDS and that Plaintiff is a proper and adequate representative of the Company;

B. Awarding the amount of damages sustained by the Company as a result of the Individual Defendants' breaches of fiduciary duties and unjust enrichment;

C. Directing TDS to take all necessary actions to reform and improve its corporate governance and internal procedures to protect TDS and its stockholders from a repeat of the damaging events described herein, including, but not limited to:

strengthening the Board's supervision of operations and compliance with applicable state and federal laws and regulations;

strengthening the Company's internal reporting and financial disclosure controls;

developing and implementing procedures for greater shareholder input into the policies and guidelines of the Board; and

strengthening the Company's internal operational control functions;

C. Awarding punitive damages;

D. Awarding costs and disbursements of this action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff hereby demands a trial by jury.

Dated: March 4, 2025

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