

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEF 14A  
April 28, 2009

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Telephone and Data Systems, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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    - (2) Form, Schedule or Registration Statement No.:
  
    - (3) Filing Party:
  
    - (4) Date Filed:
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**TELEPHONE AND DATA SYSTEMS, INC.**

30 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60602  
Phone: (312) 630-1900  
Fax: (312) 630-1908

April 28, 2009

Dear Shareholders:

You are cordially invited to attend our 2009 annual meeting of shareholders of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 21, 2009, 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 and our 2008 annual report to shareholders are enclosed. Accompanying the proxy statement are the audited financial statements and certain other financial information for the year ended December 31, 2008, as required by the rules and regulations of the Securities and Exchange Commission ("SEC"). At our 2009 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. consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement; and
3. ratify the selection of independent registered public accountants for the current fiscal year.

The board of directors recommends a vote "**FOR**" its nominees for election as directors, "**FOR**" the proposal to approve an amended Non-Employee Director Compensation Plan and "**FOR**" the proposal to ratify accountants.

In addition, as required by the rules of the SEC, the proxy statement includes a proposal submitted by a shareholder of TDS to recapitalize TDS' capital stock. The board of directors recommends that you vote "**AGAINST**" this proposal.

On April 27, 2009, TDS and GAMCO Asset Management, Inc. ("GAMCO") entered into a Settlement Agreement dated as of April 24, 2009 relating to notices to TDS of GAMCO's intention to nominate four persons as directors at the 2009 annual meeting. Pursuant to the Settlement Agreement, the TDS board of directors nominated two persons recommended by GAMCO, Clarence A. Davis and Gary L. Sugarman, for election as directors by the holders of Common Shares and Special Common Shares at the 2009 annual meeting. As a result, GAMCO withdrew its notices to TDS of its intention to nominate four persons as directors and will not nominate persons for election at the 2009 annual meeting.

In addition to Clarence A. Davis and Gary L. Sugarman, the four nominees of the TDS board of directors for election by the holders of Common Shares and Special Common Shares will also include incumbent directors Christopher D. O'Leary and Herbert S. Wander. GAMCO has agreed that it and each of its controlled affiliates will vote all Common Shares and Special Common Shares that they are entitled to vote at the 2009 Annual Meeting in favor of the election of the revised TDS board of directors' slate 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.

As a result of the Settlement Agreement, incumbent directors James Barr III and Gregory P. Josefowicz will step down from the TDS board of directors when their terms expire at the 2009 annual meeting. However, TDS believes that James Barr III and Gregory P. Josefowicz are outstanding directors and, in order to continue to benefit from the experience and insights of such persons, TDS, as the controlling shareholder of United States Cellular Corporation (NYSE: USM), has determined to vote to add such persons to the board of directors of U.S. Cellular at the 2009 annual meeting of U.S. Cellular.

In addition, as a result of the Settlement Agreement, Mitchell H. Saranow, who is an incumbent director that was previously elected by the holders of TDS Common Shares and Special Common



Shares, was instead nominated for election by the holders of TDS Series A Common Shares and Preferred Shares at the TDS 2009 annual meeting.

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 proxy card(s), or vote by phone or 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

**Please sign and return the applicable enclosed proxy card(s) promptly or  
vote by phone or on the Internet using the instructions on the proxy card(s)**

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**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 21, 2009**

TO THE SHAREHOLDERS OF

**TELEPHONE AND DATA SYSTEMS, INC.**

The 2009 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 21, 2009, 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 recommends that you vote **FOR** the directors nominated by the TDS board of directors.
2. To consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
3. To consider and ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2009. Your board of directors recommends that you vote **FOR** this proposal.
4. If properly presented at the Annual Meeting, to consider and vote upon a proposal submitted by a shareholder of TDS to recapitalize TDS' capital stock. Your board of directors recommends that you vote **AGAINST** this proposal.
5. 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 28, 2009.

We have fixed the close of business on March 30, 2009, 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 <http://www.teldta.com/investor/2009proxy>.**

The following items have been posted to this Web site:

1. Proxy Statement for the 2009 Annual Meeting
2. Annual Report to Shareholders for 2008
3. 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 Plymouth Court, which is between State Street and Dearborn Street.



## SUMMARY

*The following is a summary of the actions being taken at the 2009 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 2009 annual meeting.

Holders of Series A Common Shares and the holders of the 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 the holders of the Preferred Shares (the "Series A Holders"): 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 will vote together and be entitled to elect four directors. Your board of directors has nominated the following persons for election by the holders of Common Shares and Special Common Shares (the "Public Holders"): Clarence A. Davis, Christopher D. O'Leary, Gary L. Sugarman and Herbert S. Wander. Christopher D. O'Leary and Herbert S. Wander are incumbent directors. Clarence A. Davis and Gary L. Sugarman were nominated pursuant to a Settlement Agreement between TDS and GAMCO Asset Management, Inc., as discussed below under "Settlement Agreement."

The board of directors recommends a vote "**FOR**" its nominees for election as directors.

### **Proposal 2 Approval of an amended Non-Employee Director Compensation Plan**

Shareholders are being asked to approve the amended Non-Employee Director Compensation Plan, as described below.

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

### **Proposal 3 Ratification of Independent Registered Public Accounting Firm for 2009**

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, 2009.

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

### **Proposal 4 Proposal Submitted by a Shareholder to recapitalize TDS' Capital Stock**

As required by the rules of the SEC, the proxy statement includes a proposal submitted by a shareholder of TDS to recapitalize TDS' stock.

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

## VOTING INFORMATION

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

The close of business on March 30, 2009 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 kept open 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 under the symbol "TDS." The Special Common Shares are listed on the New York Stock Exchange 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 outstanding 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 outstanding 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 certain information relating to the outstanding shares and voting power of such shares in the election of directors as of the record date:

<i>Class of Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Voting Power</i>	<i>Total Number of Directors Elected by Voting Group and Standing for Election</i>
Series A Common Shares	6,460,792	10	64,607,920	
Preferred Shares	8,525	1	8,525	
Subtotal			64,616,445	8
Common Shares	51,646,406	1	51,646,406	
Special Common Shares	53,698,434	1	53,698,434	
Subtotal			105,344,840	4
Total Directors				12

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

The following shows certain 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:

<i>Class of Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Total Voting Power</i>	<i>Percent</i>
Series A Common Shares	6,460,792	10	64,607,920	55.6%
Common Shares	51,646,406	1	51,646,406	44.4%
Preferred Shares	8,525	1	8,525	*
			116,262,851	100.0%

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\*  
Less than .1%

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Other than as required by law, 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 generally 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 recommends a vote **FOR** its nominees for election as directors.

### **How may shareholders vote with respect to the amended Non-Employee Director Compensation Plan in Proposal 2?**

Shareholders may, with respect to the proposal to approve the amended Non-Employee Director Compensation Plan:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

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

### **How may shareholders vote with respect to the ratification of our independent registered public accounting firm for 2009 in Proposal 3?**

Shareholders may, with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

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

### **How may shareholders vote with respect to the shareholder proposal in Proposal 4?**

Shareholders may, with respect to the shareholder proposal:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

Your board of directors 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 6,105,864 Series A Common Shares on the record date, representing approximately 94.5% 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 52.5% of the voting power with respect to matters other than the election of directors. The TDS Voting Trust holds 6,065,661 TDS Special Common Shares on the record date, representing approximately 11.3% of the Special Common Shares. By reason of such holding, the TDS Voting Trust has approximately 5.8% of the voting power with respect to the election of directors elected by the

holders of Common and Special Common Shares. The TDS Voting Trust does not currently own Common 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,

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

FOR the proposal to approve the amended Non-Employee Director Compensation Plan,

FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2009, and

AGAINST the shareholder proposal.

#### **How do I vote?**

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 and 4.

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

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 and 4.

Whether or not you intend to be present at the meeting, please sign and mail your proxy card(s) in the enclosed self-addressed envelope to Corporate Election Services, P.O. Box 2400, Pittsburgh, Pennsylvania 15230-2400, or vote by phone or on the Internet 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 by phone 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 dividend reinvestment plan; and

a proxy card for Preferred Shares.

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

All properly executed and unrevoked proxies received in the accompanying form in time for our 2009 annual meeting of shareholders will be voted in the manner directed on the proxies.

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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 Proposals 2 and 3 and AGAINST Proposal 4, as the case may be.

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 2009 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 2009 annual meeting confers discretionary authority 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 instructions to the broker, under Rule 452 of the New York Stock Exchange, depending on the timing of certain actions, the nominee 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 if you do not give 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) depends on the particular broker's policies. Accordingly, 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 voting instructions from you and recommend that you contact your broker. In general, an uncontested election of directors and the ratification of auditors are discretionary items. On the other hand, a contested director election, the approval of an equity compensation plan and shareholder proposals are non-discretionary items. In such case, if you do not give your broker specific instructions, your shares may be treated as "broker non-votes" and may not be voted on these 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. For such purposes, 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.

With respect to the proposals to approve the amended Non-Employee Director Compensation Plan and to ratify accountants and the shareholder proposal, 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 proposal 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.

**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 director 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 Proposal 2?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 2. 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, under Delaware law and the TDS bylaws, the approval of Proposal 2 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 by proxy at the meeting. Abstentions by shares entitled to vote on such proposal will be treated as shares which could be cast that are present for such purposes and, accordingly, will be treated as a vote against such proposal. Broker non-votes with respect to such proposal will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposal is approved, even though they may be included for purposes of determining a quorum.

In addition, under New York Stock Exchange rules, the total votes cast on Proposal 2 must represent over 50% of the voting power of the total outstanding shares of stock entitled to vote on the matter. Because the voting power of the Voting Trust represents over 50% of the voting power of the total outstanding shares of stock entitled to vote on the matter, this requirement will be satisfied by the Voting Trust casting its votes.

**What vote is required with respect to Proposal 3?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 3. 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 Proposal 3 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 by proxy at the meeting. Abstentions by shares entitled to vote on such proposal will be treated as votes which could be cast that are present for such purposes and, accordingly, will count as a vote cast against such proposal. Broker non-votes with respect to such proposal will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposal is 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.

If a quorum is present at the annual meeting, the approval of Proposal 4 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 by proxy at the meeting. Abstentions by shares entitled to vote on such proposal will be treated as votes which could be cast that are present for such purposes and, accordingly, will count as a vote cast against such proposal. Broker non-votes with respect to such proposal will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposal is approved, even though they may be included for purposes of determining a quorum.

**SETTLEMENT AGREEMENT**

On February 17-20, 2009, GAMCO Asset Management, Inc. ("GAMCO") delivered notices to TDS of its intention to nominate four persons, including Clarence A. Davis and Gary L. Sugarman, as directors for election by the holders of Common Shares and Special Common Shares at the 2009 annual meeting. GAMCO affiliates own more than 5% of the TDS Common Shares and TDS Special Common Shares (see Security Ownership of Certain Beneficial Owners and Management below).

On April 27, 2009, TDS entered into a Settlement Agreement with GAMCO dated as of April 24, 2007 (the "Settlement Agreement"). Pursuant to the Settlement Agreement, the TDS board of directors nominated Clarence A. Davis and Gary L. Sugarman for election as directors by the holders of Common Shares and Special Common Shares at the 2009 annual meeting. Pursuant to the Settlement Agreement, GAMCO withdrew its notices to TDS of its intention to nominate four persons as directors and will not nominate persons for election at the 2009 annual meeting.

In addition to Clarence A. Davis and Gary L. Sugarman, the four nominees of the TDS board of directors for election by the holders of Common Shares and Special Common Shares will also include incumbent directors Christopher D. O'Leary and Herbert S. Wander. GAMCO has agreed that it and each of its controlled affiliates will vote all Common Shares and Special Common Shares that they are entitled to vote at the 2009 Annual Meeting in favor of the election of the revised TDS board of directors' slate 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.

As a result of the Settlement Agreement, James Barr III and Gregory P. Josefowicz will cease to be directors of TDS when their terms expire at the 2009 annual meeting. As the controlling shareholder of United States Cellular Corporation, TDS intends to cause such persons to be elected as directors of U.S. Cellular at the 2009 annual meeting of U.S. Cellular so that such persons can continue to provide their experience and insights to the TDS group of companies.

In addition, as a result of the Settlement Agreement, Mitchell H. Saranow, who is an incumbent director that was previously elected by the holders of TDS Common Shares and Special Common Shares, was nominated for election by the holders of TDS Series A Common Shares and Preferred Shares at the TDS 2009 annual meeting.

The Settlement Agreement also provides that, if the TDS board of directors nominates Clarence A. Davis and Gary L. Sugarman (including any replacement thereof identified pursuant to the Settlement Agreement) for election as directors at TDS' 2010 Annual Meeting, GAMCO (a) will vote all TDS shares that it is entitled to vote at the 2010 Annual Meeting in favor of the election of each of the persons nominated by the Board for election as directors by the holders of Common Shares and Special Common Shares at the 2010 Annual Meeting, and (b) will not (i) provide a notice to TDS that it intends to nominate or nominate persons for election as directors at the 2010 Annual Meeting, (ii) take any action, including as part of any group, to solicit proxies or votes for any persons other than the such TDS nominees or (iii) advise, assist, encourage or seek to persuade any other person to take any of the foregoing action.

Pursuant to the Settlement Agreement, each party thereto is to bear its own costs. Accordingly, the costs to TDS are the expenses that TDS incurred before the effectiveness of the Settlement Agreement in excess of those normally spent for an annual meeting with an uncontested director election, which were approximately \$500,000. Such expenses include primarily legal fees, fees of the proxy solicitor and printer costs, but exclude salaries and wages of our regular employees and officers.

The Settlement Agreement was filed with the SEC as an exhibit to TDS' Current Report on Form 8-K dated April 24, 2009.

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

The terms of all incumbent directors will expire at the 2009 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	67	Director Nominee and Business Consultant	N/A
Christopher D. O'Leary	49	Director of TDS and Executive Vice President, Chief Operating Officer International of General Mills, Inc.	2006
Gary L. Sugarman	56	Director Nominee and Executive Chairman of Verosity Technology Partners	N/A
Herbert S. Wander	74	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.	62	Director and President and Chief Executive Officer of TDS	1968
Letitia G. Carlson, M.D.	48	Director of TDS and Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Prudence E. Carlson	57	Director of TDS and Private Investor	May 2008
Walter C.D. Carlson	55	Director and non executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Kenneth R. Meyers	55	Director and Executive Vice President and Chief Financial Officer of TDS and Chief Accounting Officer of U.S. Cellular and TDS Telecommunications Corporation	2007
Donald C. Nebergall	80	Director of TDS and Consultant	1977
George W. Off	62	Director of TDS and Director of Checkpoint Systems, Inc.	1997
Mitchell H. Saranow	63	Director of TDS and Chairman of The Saranow Group, L.L.C.	2004

**Background of Board of Directors' Nominees for Election by Holders of Common Shares and Special Common Shares**

**Clarence A. Davis.** Clarence A. Davis is currently a director of Nestor, Inc., a software solutions company. He was the chief executive officer of Nestor from August 2007 until January 2009. From May

2006 to August 2007 he was an independent consultant, and from September 2005 through May 2006, Mr. Davis served as consultant to the National Headquarters, American Red Cross. Prior thereto, Mr. Davis was employed by the American Institute of Certified Public Accountants, serving as chief financial officer from 1998 through 2000 and chief operating officer from 2000 through 2005. Mr. Davis is a Certified Public Accountant (inactive). He is a member of the boards of directors and 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 was nominated to the TDS board of directors pursuant to the Settlement Agreement described above.

**Christopher D. O'Leary.** Christopher D. O'Leary was appointed executive vice president, chief operating officer international of General Mills, Inc., in June 2006. 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 after a 17-year career with PepsiCo, where his assignments included leadership roles for the Walkers-Smiths business in the United Kingdom and the Hostess Frito-Lay business in Canada.

**Gary L. Sugarman.** Mr. Sugarman has been executive chairman of Verosity Technology Partners, a privately held facilities-based fiber network provider, since December 2007. Prior to that, he served as chairman and chief executive officer of Mid-Maine Communications, a facility based telecom company, from when he co-founded the company in 1994 until it was sold in 2006. Prior thereto, Mr. Sugarman was involved in various operating positions at Frontier Corporation, a telecommunications company, from 1984 to 1991 including Director of Business Development. 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. Mr. Sugarman was nominated to the TDS board of directors pursuant to the Settlement Agreement described above.

**Herbert S. Wander.** Herbert S. Wander has been a partner of Katten Muchin Rosenman LLP for more than five years. Mr. Wander concentrates his practice on all aspects of business law, including corporate governance. In 2004, Mr. Wander was appointed by the Chairman of the Securities and Exchange Commission to Chair the SEC Advisory Committee on smaller public companies. Mr. Wander is 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. He served two terms as a member of the Legal Advisory Committee to the New York Stock Exchange Board of Governors and is a member of the Legal Advisory Committee to the National Association of Securities Dealers, Inc. Katten Muchin Rosenman LLP does not provide legal services to TDS or its subsidiaries.

**The board of directors recommends a vote "FOR" each of the above nominees for election by the holders of Common Shares and Special Common Shares.**

#### **Background of Board of Directors' Nominees for Election by Holders of Series A Common Shares and Preferred Shares**

**LeRoy T. Carlson, Jr.** LeRoy T. Carlson, Jr., has been TDS' President and Chief Executive Officer (an executive officer of TDS) for more than five years. LeRoy T. Carlson, Jr. is also a director and Chairman (an executive officer) of United States Cellular Corporation (New York Stock Exchange listing symbol: USM), a subsidiary of TDS which operates and invests in wireless telephone companies and properties ("U.S. Cellular") and TDS Telecommunications Corporation ("TDS Telecom"), a wholly owned subsidiary of TDS which operates local telephone companies. He is the son of LeRoy T. Carlson and the brother of Walter C.D. Carlson, Letitia G. Carlson, M.D. and Prudence E. Carlson.

**Letitia G. Carlson, M.D.** Letitia G. Carlson, M.D. has been a physician at George Washington University Medical Center for more than five years. At such medical center, she was an assistant professor between 1992 and 2001 and an assistant clinical professor between 2001 and 2003, and has been an associate clinical professor since 2003. Dr. Carlson is the daughter of LeRoy T. Carlson and the sister of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Prudence E. Carlson.

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**Prudence E. Carlson.** Prudence E. Carlson has been a private investor for more than five years. Ms. Carlson is the daughter of LeRoy T. Carlson and the sister of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Letitia G. Carlson, M.D.

**Walter C.D. Carlson.** Walter C.D. Carlson was elected non-executive Chairman of the Board of TDS in 2002. He has been a partner of Sidley Austin LLP for more than five years and is a member of its executive committee. He is a director of U.S. Cellular. Walter C.D. Carlson is the son of LeRoy T. Carlson and the brother of LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D. and Prudence E. Carlson. The law firm of Sidley Austin LLP provides legal services to TDS and its subsidiaries on a regular basis. See "Certain Relationships and Related Transactions" below. Walter C.D. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

**Kenneth R. Meyers.** Kenneth R. Meyers was appointed a director and Executive Vice President and Chief Financial Officer of TDS (an executive officer of TDS), and Chief Accounting Officer of U.S. Cellular (an executive officer) and of TDS Telecom, on January 1, 2007. Prior to that time, he was the Executive Vice President Finance, Chief Financial Officer and Treasurer of U.S. Cellular for more than five years. Mr. Meyers is also a director of U.S. Cellular and TDS Telecom.

**Donald C. Nebergall.** Donald C. Nebergall has been a consultant to companies since 1988, including TDS from 1988 to 2002. Mr. Nebergall was vice president of The Chapman Company, a registered investment advisory company located in Cedar Rapids, Iowa, from 1986 to 1988. Prior to that, he was the chairman of Brenton Bank & Trust Company, Cedar Rapids, Iowa, from 1982 to 1986, and was its president from 1972 to 1982.

**George W. Off.** George W. Off has been a director of Checkpoint Systems, Inc., a New York Stock Exchange listed company, since 2002, and was its chairman between 2002 and December 2008. He was also the chief executive officer of Checkpoint Systems, Inc. between 2002 and 2007. Checkpoint Systems, Inc. is a multinational manufacturer and marketer of integrated system solutions for retail security, labeling and merchandising. Prior to that, Mr. Off was chairman of the board of directors of Catalina Marketing Corporation, a New York Stock Exchange listed company, from 1998 until 2000. Mr. Off served as president and chief executive officer of Catalina from 1994 to 1998.

**Mitchell H. Saranow.** Mitchell H. Saranow is Chairman of The Saranow Group, L.L.C., a family investment company he founded in 1984. Mr. Saranow was Chairman of the Board and co-Chief Executive Officer of Navigant Consulting, Inc. from November 1999 to June 2000. Prior thereto, he was Chairman and Managing General Partner of Fluid Management, L.P., a specialized machinery manufacturer for more than five years. Mr. Saranow served as Chief Executive officer of Lenteq C.V. and two related Dutch companies which were sold under Dutch insolvency laws in 2008. Earlier in his career, he was Chief Financial Officer of two large food manufacturers, an investment banker specializing in financing the CATV industry, and an attorney with Mayer, Brown and Platt in Chicago, Illinois. Mr. Saranow is a Certified Public Accountant (inactive). Mr. Saranow is also a director of Lawson Products, Inc.

**The board of directors recommends a vote "FOR" each of the above nominees for election by the holders of Series A Common Shares and Preferred Shares.**

### Former and Departing Directors

The following additional information is provided in connection with the election of directors.

**LeRoy T. Carlson.** LeRoy T. Carlson was previously a director whose term expired at the 2008 annual meeting on May 22, 2008. Mr. Carlson determined not to stand for reelection as a director at the 2008 annual meeting and became a director emeritus following the 2008 annual meeting. Prudence E. Carlson was elected as a director at the 2008 annual meeting to fill the directorship previously held by Mr. Carlson. See "Executive Officers" below for more information relating to LeRoy T. Carlson.

The following persons are incumbent directors whose terms will expire at the 2009 annual meeting. Due to the Settlement Agreement, James Barr III and Gregory P. Josefowicz will not stand for election at

the 2009 annual meeting. However, as noted above, TDS has determined to vote to add Mr. Barr and Mr. Josefowicz as directors of U.S. Cellular at the 2009 annual meeting of U.S. Cellular.

**James Barr III.** James Barr III had been President and Chief Executive Officer of TDS Telecom for more than five years prior to his retirement in 2007. Mr. Barr stepped down as President and CEO of TDS Telecom on January 1, 2007. He remained on TDS Telecom's payroll until March 23, 2007 and retired on March 24, 2007. After that time, Mr. Barr continued to serve as a consultant to TDS until March 23, 2009. For further information, see "Director Compensation" below.

**Gregory P. Josefowicz.** Mr. Josefowicz served as a non-exclusive, senior level consultant to Borders Group, Inc., until February 2008. From 1999 until his retirement in July 2006, Mr. Josefowicz served as a director and president and chief executive officer, and was named chairman of the board in 2002, of Borders Group. Prior to that time, he was chief executive officer of the Jewel-Osco division of American Stores Company, from 1997 until June 1999 when American Stores merged into Albertson's Inc., at which time, Mr. Josefowicz became president of Albertson's Midwest region. Mr. Josefowicz is currently a member of the board of directors of PetSmart, Inc. and Winn-Dixie Stores, Inc.

## CORPORATE GOVERNANCE

### Board of Directors

The business and affairs of TDS are managed by or under the direction of the board of directors. The board of directors consists of twelve members. Holders of Common Shares and Special Common Shares elect 25% of the directors rounded up plus one director, or a total of four directors based on a board size of twelve directors. Holders of Series A Common Shares and Preferred Shares elect the remaining eight directors. The TDS Voting Trust has approximately 95% of the voting power in the election of such eight directors and approximately 53% of the voting power in all other matters.

### Director Independence and New York Stock Exchange Listing Standards

Prior to September 15, 2008, TDS Common Shares and Special Common Shares were listed on the American Stock Exchange ("AMEX"). In January 2008, the NYSE Euronext, the parent company of the New York Stock Exchange ("NYSE"), entered into an agreement to acquire the AMEX. The NYSE completed such acquisition in October 2008 and continues to operate the AMEX as a separate stock exchange, primarily for smaller capitalization companies. As a result of such events, TDS voluntarily transferred the listing of its Common Shares and Special Common Shares from the AMEX to the NYSE effective September 15, 2008. Accordingly, TDS was subject to the listing standards applicable to companies that have equity securities listed on the AMEX prior to September 15, 2008, and became subject to the listing standards applicable to companies which have equity securities listed on the NYSE on and after September 15, 2008. The listing standards of the NYSE are similar in many respects to the listing standards of the AMEX, except that the NYSE includes additional requirements with respect to certain matters.

Under listing standards of the NYSE, TDS is a "controlled company" as such term is defined by the NYSE. TDS is a controlled company because over 50% of the voting power of TDS is held by the trustees of the TDS Voting Trust. Accordingly, it is exempt from certain listing standards that require listed companies that are not controlled companies to (i) have a board composed of a majority of directors that qualify as independent under the rules of the NYSE, (ii) have a compensation committee composed entirely of directors that qualify as independent under the rules of the NYSE, and (iii) have a nominating/corporate governance committee composed entirely of directors that qualify as independent under the rules of the NYSE.

As a controlled company, TDS is required to have at least three directors who qualify as independent to serve on the Audit Committee. The TDS Audit Committee has four members: George W. Off (chairperson), Donald C. Nebergall, Mitchell H. Saranow and Herbert S. Wander. Such directors must qualify as independent under the NYSE Listed Company Manual, including Section 303A.02(a) and Section 303A.02(b), and Section 303A.06, which incorporates the independence requirements of

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Section 10A-3 of the Securities Exchange Act of 1934, as amended ("Section 10A-3"). Except as required by listing standards or SEC rule, TDS does not have any categorical standards of independence that must be satisfied.

Pursuant to the requirements of the NYSE Listed Company Manual, the TDS board of directors affirmatively determined that each member of the TDS Audit Committee has no material relationship with TDS or any other member of the TDS consolidated group ("TDS Consolidated Group"), either directly or as a partner, shareholder or