

TELEPHONE & DATA SYSTEMS INC /DE/  
Form 11-K  
June 29, 2009

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

FORM 11-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-14157 (Telephone and Data Systems, Inc.)  
1-9712 (United States Cellular Corporation)

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Telephone and Data Systems, Inc.  
Tax-Deferred Savings Plan  
30 North LaSalle Street  
40th Floor  
Chicago, IL 60602

B. Name of issuers of the securities held pursuant to the plan and the addresses of the principal executive office:

Telephone and Data Systems, Inc.  
30 North LaSalle Street  
40th Floor  
Chicago, IL 60602

United States Cellular Corporation  
8410 West Bryn Mawr Ave.  
Suite 700  
Chicago, IL 60631

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TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN

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**McGladrey & Pullen, LLP**

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Investment Management Committee  
Telephone and Data Systems, Inc. Tax-Deferred Savings Plan

We have audited the accompanying statements of net assets available for benefits of Telephone and Data Systems, Inc. Tax-Deferred Savings Plan (the Plan ) as of December 31, 2008 and 2007, and the related statement of changes in net assets available for benefits for the year ended December 31, 2008. The financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008 in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2008 and schedule of reportable transactions for the year then ended, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan s management. The supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ McGladrey & Pullen, LLP  
Deerfield, Illinois  
June 26, 2009



**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2008 and 2007

|   | 2008                  | 2007                  |
|---|-----------------------|-----------------------|
| <b>Assets</b>   |                       |                       |
| Investments, at fair value  | \$ 317,020,381        | \$ 402,115,883        |
| Receivables:  |                       |                       |
| Accrued income  | 378,165               | 9,332                 |
| Due from broker for securities sold   | 73,541,504            | 153,251,956           |
| Total receivables   | 73,919,669            | 153,261,288           |
| <b>Total Assets</b>   | <b>390,940,050</b>    | <b>555,377,171</b>    |
| <b>Liabilities</b>  |                       |                       |
| Due to broker for securities purchased  | 73,717,095            | 153,749,513           |
| <b>Total Liabilities</b>  | <b>73,717,095</b>     | <b>153,749,513</b>    |
| <b>Net Assets Available for Benefits at Fair Value</b>  | <b>317,222,955</b>    | <b>401,627,658</b>    |
| <b>Adjustment from Fair Value to Contract Value for Fully Benefit-Responsive Investment Contracts</b> | <b>949,020</b>        | <b>869,981</b>        |
| <b>Net Assets Available for Benefits</b>  | <b>\$ 318,171,975</b> | <b>\$ 402,497,639</b> |

See Notes to Financial Statements.



**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
Year Ended December 31, 2008

|  |           |                      |
|--|-----------|----------------------|
| <b>Additions to Plan Assets Attributed to</b>    |           |                      |
| Investment income:                               |           |                      |
| Interest and dividends                           | \$        | 9,882,333            |
| Contributions:                                   |           |                      |
| Participants                                     |           | 40,337,919           |
| Employers  |           | 20,575,882           |
| Participant rollovers                            |           | 1,167,793            |
| <b>Total additions</b>                           |           | <b>71,963,927</b>    |
| <b>Deductions From Plan Assets Attributed to</b> |           |                      |
| Net depreciation in fair value of investments    |           | 130,167,716          |
| Benefits paid to participants                    |           | 25,989,332           |
| Investment expenses                              |           | 132,543              |
| <b>Total deductions</b>                          |           | <b>156,289,591</b>   |
| <b>Net decrease</b>                              |           | <b>(84,325,664 )</b> |
| Net assets available for benefits:               |           |                      |
| Beginning of year                                |           | 402,497,639          |
| <b>End of year</b>                               | <b>\$</b> | <b>318,171,975</b>   |

See Notes to Financial Statements.





**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

**Note 1. Description of the Plan**

The following description of the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan (the Plan) provides only general information. Participants should refer to the Telephone and Data Systems, Inc. Tax-Deferred Savings Plan summary plan description for a more complete description of the Plan's provisions.

General: The Plan is a contributory tax-exempt profit-sharing plan established by Telephone and Data Systems, Inc. (TDS, the Company) and is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Company is the administrator and sponsor of the Plan and has appointed The Bank of New York Mellon (formerly The Bank of New York) as directed trustee of the Plan. The Bank of New York Mellon is the asset custodian of the Plan, and they provide record keeping and reporting services to the Plan in conjunction with Hewitt Associates, the Plan's third-party administrator. The Plan qualifies under Section 401(a) of the Internal Revenue Code. All employees of TDS and its subsidiaries which have adopted the Plan (the Company and such subsidiaries being referred to as employers) that are age twenty-one or older are eligible to participate. The Plan allows participants to enter the Plan upon the latter of their first day of employment or twenty-first birthday. Participation is completely voluntary.

The Plan's assets are overseen by an investment management committee appointed by TDS. The investment management committee is authorized to invest Plan assets as directed by the participants.

Contributions: Effective January 1, 2008, any eligible employee with 90 days or more of continuous employment is automatically enrolled in the Plan at a 3% deferral rate with the rate increasing by 1% annually until it reaches 10%, unless the employee elects otherwise. The Vanguard Target Date Retirement Funds were added to the Plan as the Qualified Default Investment Alternative (QDIA) for automatic enrollment.

Participants may contribute up to 60% of pretax annual compensation (salary reduction contributions), as defined in the Plan. Participants may also contribute amounts representing eligible distributions from other qualified plans (rollover contributions).

The employer matching contribution is 100% on the first 3% of a participant's salary reduction contributions and 40% on the next 2% of salary reduction contributions.

Employer contributions are allocated to an employee's account based on the employee's investment elections.

Contributions are subject to certain limitations.

Participants' Accounts and Investment Options: Each participant's account is credited with the participant's salary reduction contributions and employer's matching contributions and Plan earnings/losses. Allocations are based on participant contributions and account balances, as defined in the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Participants may invest their salary reduction contributions, any rollover account balances, and employer matching contributions into a variety of investment options as more fully described in the Plan's literature. Participants may change their investment options via telephone or internet at any time.



**TELEPHONE AND DATA SYSTEMS, INC.**  
**TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 1. Description of the Plan (Continued)**

Vesting: Participants are always 100% vested in their salary reduction and rollover contributions plus actual earnings thereon. Vesting in employer matching contributions plus actual earnings thereon is based on years of vesting service and is subject to a graded vesting schedule as follows:

**Effective January 1, 2008**

| Vesting Years of Service | Percentage Vested |
|--------------------------|-------------------|
| 1                        | 34 %              |
| 2                        | 100 %             |

**Prior to January 1, 2008**

| Vesting Years of Service | Percentage Vested |
|--------------------------|-------------------|
| 1                        | 34 %              |
| 2                        | 67 %              |
| 3                        | 100 %             |

A participant also becomes 100% vested in employer matching contributions plus actual earnings thereon upon termination of employment after attaining age 65, death or disability.

Forfeited Accounts: During the year ended December 31, 2008, forfeited non-vested accounts were used to reduce employer contributions by \$384,091. All such forfeitures were used at December 31, 2008.

Payment of Benefits: Vested benefits may be paid to the participant upon termination of employment, as defined in the Plan. The total vested portion of a participant's account balance may be distributed in the form of a lump-sum payment or installments. Participants experiencing a qualified financial hardship may withdraw a portion of their account balance as defined in the Plan.

Participant Loans: Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance (excluding employer matching contributions). These loans are secured by the balance in the participant's account. The loans bear interest at the prime rate plus 1% as published in the Wall Street Journal on the fifteenth day of the month prior to the quarter in which the loan is processed. Principal and interest is paid ratably through after-tax payroll deductions. The repayment period on the loan can range from one to five years. Loans will be considered in default if no loan payment is received during any 90-day period.

Termination of Plan: Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan at any time subject to the provisions of ERISA. In the event of Plan termination, participants become 100% vested in their accounts.

Plan Expenses: All administrative, recordkeeping and auditing fees are borne by TDS. Investment expenses are paid by Plan participants.



**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 2. Summary of Significant Accounting Policies**

Basis of Accounting and Use of Estimates: The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to use estimates and assumptions that affect the accompanying financial statements and disclosures. Actual results could differ from these estimates.

As described in Financial Accounting Standards Board Staff Position, FSP AAG INV-1 and SOP 94-4-1, *Reporting of Fully Benefit Responsive Investment Contracts Held by Certain Investment Companies Subject to AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans* (the "FSP"), investment contracts held by a defined-contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined-contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. The Plan invests in investment contracts through a collective trust. As required by the FSP, the Statement of Net Assets Available for Benefits presents the fair value of the investment in the collective trust as well as the adjustment of the investment in the collective trust from fair value to contract value relating to the investment contracts. The Statement of Changes in Net Assets Available for Benefits is prepared on a contract value basis.

Investment Valuation and Income Recognition: Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 "Fair Value Measurements" for further information on the fair value of the Plan's assets.

Net depreciation in fair value of investments included in the accompanying statement of changes in net assets available for benefits includes realized gains or losses from the sale of investments and unrealized appreciation or depreciation in fair value of investments. The net realized gains or losses on the sale of investments represent the difference between the sale proceeds and the fair value of the investment as of the beginning of the period or the cost of the investment if purchased during the year. Net unrealized appreciation or depreciation in the fair value of investments represents the net change in the fair value of the investments held during the period.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

The Plan made changes to the investment options available effective January 1, 2009 and January 1, 2008. The trades for these changes were effective December 31, 2008 and December 31, 2007, respectively, which resulted in significant due to/due from activity on the Statement of Net Assets Available for Benefits at December 31, 2008 and December 31, 2007.

Payment of Benefits: Benefits are recorded when paid.



**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 3. Fair Value Measurements**

As of the beginning of the Plan year ended December 31, 2008, the Plan adopted SFAS No. 157, *Fair Value Measurements* ( SFAS 157 ). SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ( Level 1 ) and the lowest priority to unobservable inputs ( Level 3 ). The three levels of the fair value hierarchy under SFAS 157 are described below:

Basis of Fair Value Measurement

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;                              |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.   |

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. A financial instrument's level within the fair value hierarchy is not representative of its expected performance or its overall risk profile, and therefore Level 3 assets are not necessarily higher risk than Level 2 assets or Level 1 assets. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

The Plan values Common Stock and Mutual Funds based on the closing price reported on the active market on which the individual securities are traded. Common Stock and Mutual Funds are classified within Level 1 of the valuation hierarchy.

The Plan values Deposit Accounts based on a statement provided by the financial institution which shows the principal plus accrued interest at the measurement date. This amount is the cash which the Plan would receive if it liquidated its position. Deposit Accounts are classified within Level 2 of the valuation hierarchy.

The Investment Contracts are bank common trusts that invest in synthetic investment contracts which are backed by investments issued by insurance companies and banks. The Net Asset Value (NAV) for the Investment Contracts is \$1 per share. The Investment Contracts are valued based on the value provided by the administrator of the fund and are classified within Level 3 of the valuation hierarchy.

The Plan values Loans to Participants based on amortized cost, which approximates fair value. Loans are classified within Level 3 of the valuation hierarchy.





**TELEPHONE AND DATA SYSTEMS, INC.**  
**TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 3. Fair Value Measurements (Continued)**

The following tables set forth by level within the fair value hierarchy the investment assets at fair value, as of December 31, 2008.

|                                 | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|---------------------------------|----------------|----------------|----------------|----------------|
| Mutual Funds                    | \$ 191,698,510 | \$             | \$             | \$ 191,698,510 |
| Deposit Accounts                |                | 1,380,791      |                | 1,380,791      |
| Common Stock                    | 43,797,443     |                |                | 43,797,443     |
| Insurance Contracts             |                |                | 72,592,484     | 72,592,484     |
| Loans to Participants           |                |                | 7,551,153      | 7,551,153      |
| Total plan assets at fair value | \$ 235,495,953 | \$ 1,380,791   | \$ 80,143,637  | \$ 317,020,381 |

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 investment assets for the year ended December 31, 2008.

|  | <b>Insurance<br/>Contracts</b> | <b>Loans to<br/>Participants</b> | <b>Total</b>  |
|--|--------------------------------|----------------------------------|---------------|
| Balance, beginning of year               | \$ 55,733,731                  | \$ 7,229,821                     | \$ 62,963,552 |
| Realized and unrealized gains / (losses) | (78,784 )                      |                                  | (78,784 )     |
| Acquisitions                             | 30,775,656                     | 4,449,055                        | 35,224,711    |
| Dispositions                             | (13,838,119 )                  | (4,127,723 )                     | (17,965,842 ) |
| Transfers in and / or (out of) level 3   |                                |                                  |               |
| Balance, end of year                     | \$ 72,592,484                  | \$ 7,551,153                     | \$ 80,143,637 |

**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS

December 31, 2008 and 2007

**Note 4. Investments**

The following presents investments as of December 31, 2008 and 2007.

|  | 2008         | 2007         |
|--|--------------|--------------|
| <b>Bank Common Trusts</b>  |              |              |
| The Bank of New York (1)   | \$           | \$ 3,336,048 |
| ABN AMRO Income Plus Fund (2)                                    |              | 56,603,712 * |
| Vanguard Retirement Savings Trust II (2)                         | 73,541,504 * |              |
| <b>Deposit Account</b>   |              |              |
| BSDT Late Money Deposit Account                                  | 1,380,791    |              |
| <b>Common Stock</b>  |              |              |
| Telephone and Data Systems, Inc.                                 | 15,122,017   | 24,969,199 * |
| Telephone and Data Systems, Inc. Special                         | 6,641,576    | 14,717,491   |
| United States Cellular Corporation                               | 22,033,850 * | 36,916,536 * |
| <b>Mutual Funds</b>  |              |              |
| Mutual Funds Available for Participant Contributions:            |              |              |
| Vanguard Institutional Index Fund                                | 34,624,487 * | 57,063,253 * |
| Vanguard Small Cap Value Index Fund                              | 9,143,814    | 11,654,104   |
| Vanguard Value Index Fund  | 18,132,897 * | 28,950,996 * |
| Vanguard Small Cap Growth Index Fund                             | 10,619,981   | 16,120,945   |
| Vanguard Total Bond Market Index Fund                            | 43,044,174 * | 32,973,188 * |
| Vanguard Growth Index Fund                                       | 30,737,316 * | 54,594,136 * |
| Vanguard Total International Stock Index Fund                    | 30,941,443 * | 57,856,435 * |
| Vanguard Target Retirement Income Fund                           | 876,588      |              |
| Vanguard Target 2005 Retirement Fund                             | 401,754      |              |
| Vanguard Target 2010 Retirement Fund                             | 605,549      |              |
| Vanguard Target 2015 Retirement Fund                             | 1,507,840    |              |
| Vanguard Target 2020 Retirement Fund                             | 1,096,798    |              |
| Vanguard Target 2025 Retirement Fund                             | 1,536,633    |              |
| Vanguard Target 2030 Retirement Fund                             | 1,989,868    |              |
| Vanguard Target 2035 Retirement Fund                             | 1,742,066    |              |
| Vanguard Target 2040 Retirement Fund                             | 1,746,220    |              |
| Vanguard Target 2045 Retirement Fund                             | 1,474,282    |              |
| Vanguard Target 2050 Retirement Fund                             | 1,216,187    |              |
| Mutual Funds Used by the Plan to Invest Cash Pending Settlement: |              |              |
| Dreyfus Treasury & Agency Cash                                   | 260,613      |              |
| <b>Participant Loans</b>   | 7,551,153    | 7,229,821    |

|                   |    |             |    |             |
|-------------------|----|-------------|----|-------------|
| Total Investments | \$ | 317,969,401 | \$ | 402,985,864 |
|-------------------|----|-------------|----|-------------|

\* Investment represents 5% or more of the Plan's net assets.

(1) Collective Short Term Investment Fund.

(2) The amount reported is contract value; the fair value of the related assets was \$72,592,484 and \$55,733,731 at December 31, 2008 and 2007, respectively.



**TELEPHONE AND DATA SYSTEMS, INC.**  
**TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 4. Investments (Continued)**

During the year ended December 31, 2008, the Plan's investments (including gains and losses on investments bought, sold, and held during the year) earned income as follows:

|                                       |                   |
|---------------------------------------|-------------------|
| Net depreciation of fair value:       |                   |
| Common stock                          | \$ (37,272,802 )  |
| Mutual Funds                          | (92,894,914 )     |
|                                       | (130,167,716 )    |
|                                       |                   |
| Interest and dividends                | 9,882,333         |
| Net investment income (loss) of funds | \$ (120,285,383 ) |

Investments, in general, are subject to various risks, including credit, interest, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

The credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, the Plan's investments have incurred a significant decline in fair value during 2008.

**Note 5. Amount Owed to Participants Withdrawing From the Plan**

Amounts owed to participants who have withdrawn from the Plan total \$292,278 and \$820,640 as of December 31, 2008 and 2007, respectively, and are included in net assets available for benefits.

**Note 6. Parties In Interest**

Effective July 1, 2007, The Bank of New York Mellon appointed Mellon Bank, N.A., as its agent to perform certain custodial and recordkeeping transactions. As of December 31, 2007, certain plan investments were shares of a common trust fund sponsored by The Bank of New York Mellon. The Bank of New York Mellon was the directed trustee of the Plan and, therefore, transactions with this common trust fund qualified as party-in-interest transactions.

The BSDT Late Money Deposit Account is sponsored by The Bank of New York Mellon and, therefore, transactions with this account qualified as party-in-interest transactions in 2008.

United States Cellular Corporation is a subsidiary of Telephone and Data Systems, Inc. The Plan invests in common stock of United States Cellular Corporation.



**TELEPHONE AND DATA SYSTEMS, INC.**  
**TAX-DEFERRED SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**Note 7. Tax Status**

The Plan obtained its latest determination letter on August 1, 2002 for the Plan document as of November 2001, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). The Plan has been amended since receiving the determination letter. The Plan administrator believes that the Plan, as amended, is designed and being operated in compliance with the applicable requirements of the IRC. Therefore, the Plan administrator believes that the Plan was qualified and the related trust was tax-exempt at the financial statement date. On December 15, 2008, the Plan submitted an application for favorable determination in accordance with the IRC determination letter filing cycle (C) for qualified retirement plans and is awaiting a response from the Internal Revenue Service.

**Note 8. Reconciliation of Financial Statements to Form 5500**

A reconciliation between the financial statements and Form 5500 as of December 31, 2008 and 2007, and for the year ended December 31, 2008 is as follows:

|  | 2008                    | 2007                  |
|--|-------------------------|-----------------------|
| Total net assets per Form 5500, Schedule H   | \$ 316,927,063          | \$ 400,719,155        |
| Adjustment from fair value to contract value for fully benefit responsive investment contracts | 949,020                 | 869,981               |
| Benefits payable accrued (deducted) for the 5500   | 292,278                 | 820,640               |
| Deemed distributions of Participant Loans  | 3,614                   | 87,863                |
| <b>Net Assets Available for Benefits Per Financial Statements</b>                              | <b>\$ 318,171,975</b>   | <b>\$ 402,497,639</b> |
| Decrease in net assets per Form 5500, Schedule H   | \$ (83,792,092 )        |                       |
| Increase in fair value to contract value for fully benefit responsive investment contracts     | 79,039                  |                       |
| Decrease in benefits payable (deductible) for the 5500   | (528,362 )              |                       |
| Decrease in deemed distributions of Participant Loans  | (84,249 )               |                       |
| <b>Decrease in Net Assets Available for Benefits Per Financial Statements</b>                  | <b>\$ (84,325,664 )</b> |                       |

**Note 9. Plan Amendment**

In July 2008, the Retirement Plan Committee approved an amendment to the Plan allowing Roth 401(k) contributions. Effective January 1, 2009, participants may contribute up to 60% of annual compensation on a Roth 401(k) after-tax basis. The combined pre-tax and Roth after-tax contributions may not exceed 60%.





**TELEPHONE AND DATA SYSTEMS, INC.**  
**TAX-DEFERRED SAVINGS PLAN**

SCHEDULE OF ASSETS (HELD AT END OF YEAR)

Plan 003

EIN 36-2669023

December 31, 2008

| (a)  | (b)   | (c)               | (d)              | (e)           |
|--|---|-------------------|------------------|---------------|
| Identity of Issue, Borrower, Lessor,<br>or Similar Party | Description of Investment<br>Including Maturity Date, Rate of<br>Interest, Collateral, Par<br>or Maturity Value | Cost              | Current<br>Value |               |
| <b>Bank Common Trust</b>                                 |   |                   |                  |               |
|  | Vanguard Retirement Savings Trust II  | 73,541,504 shares | **               | \$ 72,592,484 |
| <b>Deposit Account</b>                                   |   |                   |                  |               |
| *  | BSDT Late Money Deposit Account   | 1,380,791 shares  | **               | 1,380,791     |
| <b>Common Stock</b>                                      |   |                   |                  |               |
| *  | Telephone and Data Systems, Inc.  | 476,284 shares    | **               | 15,122,017    |
| *  | Telephone and Data Systems, Inc. Special  | 236,355 shares    | **               | 6,641,576     |
| *  | United States Cellular Coporation   | 509,571 shares    | **               | 22,033,850    |
| <b>Mutual Funds</b>                                      |   |                   |                  |               |
| Mutual Funds Available for Participant Contributions:    |   |                   |                  |               |
|  | Vanguard Institutional Index Fund   | 419,487 shares    | **               | 34,624,487    |
|  | Vanguard Small Cap Value Index Fund   | 894,698 shares    | **               | 9,143,814     |
|  | Vanguard Value Index Fund   | 1,127,668 shares  | **               | 18,132,897    |
|  | Vanguard Small Cap Growth Index Fund  | 891,686 shares    | **               | 10,619,981    |
|  | Vanguard Total Bond Market Index Fund   | 4,228,308 shares  | **               | 43,044,174    |
|  | Vanguard Growth Index Fund  | 1,514,154 shares  | **               | 30,737,316    |
|  | Vanguard Total International Stock Index Fund   | 2,867,604 shares  | **               | 30,941,443    |
|  | Vanguard Target Retirement Income Fund  | 92,079 shares     | **               | 876,588       |
|  | Vanguard Target 2005 Retirement Fund  | 41,461 shares     | **               | 401,754       |
|  | Vanguard Target 2010 Retirement Fund  | 34,387 shares     | **               | 605,549       |
|  | Vanguard Target 2015 Retirement Fund  | 157,889 shares    | **               | 1,507,840     |
|  | Vanguard Target 2020 Retirement Fund  | 66,192 shares     | **               | 1,096,798     |
|  | Vanguard Target 2025 Retirement Fund  | 165,764 shares    | **               | 1,536,633     |
|  | Vanguard Target 2030 Retirement Fund  | 128,048 shares    | **               | 1,989,868     |
|  | Vanguard Target 2035 Retirement Fund  | 188,331 shares    | **               | 1,742,066     |
|  | Vanguard Target 2040 Retirement Fund  | 115,414 shares    | **               | 1,746,220     |
|  | Vanguard Target 2045 Retirement Fund  | 154,052 shares    | **               | 1,474,282     |
|  | Vanguard Target 2050 Retirement Fund  | 80,118 shares     | **               | 1,216,187     |

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Mutual Funds Used by the Plan to Invest Cash Pending  
Settlement:

|   |                                |                |    |         |
|---|--------------------------------|----------------|----|---------|
| * | Dreyfus Treasury & Agency Cash | 260,613 shares | ** | 260,613 |
|---|--------------------------------|----------------|----|---------|

**Participant Loans**

|   |                       |  |  |           |
|---|-----------------------|--|--|-----------|
| * | Loans to Participants | Loan term 1 - 5 years;<br>Interest rates range<br>from 5.0% to 9.25% |  | 7,551,153 |
|---|-----------------------|--|--|-----------|

\$ 317,020,381

\* Represents a party in interest

\*\* Cost omitted for participant directed investments



**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERED SAVINGS PLAN**

SCHEDULE OF REPORTABLE TRANSACTIONS

Plan 003

EIN 36-2669023

Year Ended December 31, 2008

| (a)<br>Identity of Party Involved    | (b)<br>Description of Asset | (c)<br>Purchase<br>Price | (d)<br>Selling Price | (e)<br>Cost of Asset | (f)<br>Net Gain/Loss |
|--------------------------------------|-----------------------------|--------------------------|----------------------|----------------------|----------------------|
| <b>Single Transactions:</b>          |                             |                          |                      |                      |                      |
| Vanguard Retirement Savings Trust II | Bank Common Trust           | \$ 73,323,444            | \$                   | \$ 73,323,444        | \$                   |
| ABN AMRO Income Plus Fund            | Bank Common Trust           |                          | 73,541,504           | 73,541,504           |                      |



**Signatures**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, Telephone and Data Systems, Inc., the Plan Administrator has duly caused this Annual Report on Form 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

**TELEPHONE AND DATA SYSTEMS, INC.  
TAX-DEFERRED SAVINGS PLAN**

By /s/ C. Theodore Herbert  
C. Theodore Herbert, Vice President Human Resources

By /s/ Douglas D. Shuma  
Douglas D. Shuma, Senior Vice President and  
Corporate Controller

Dated: June 29, 2009