

TELEPHONE & DATA SYSTEMS INC /DE/  
Form PRER14A  
March 25, 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. 1)

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.
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- (2) Aggregate number of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

- o Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY COPY

TELEPHONE AND DATA SYSTEMS, INC.

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

April , 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.

We would like to have as many shareholders as possible represented at the meeting. Therefore, whether or not you plan to attend the meeting, please sign and return the enclosed **WHITE** proxy card(s), or vote on the Internet in accordance with the instructions set forth on the **WHITE** proxy card(s), or send it by fax to MacKenzie Partners as described below.

We look forward to visiting with you at the annual meeting.

***TDS HAS RECEIVED A NOTICE FROM GAMCO ASSET MANAGEMENT, INC. ("GAMCO") FOR THE NOMINATION OF FOUR CANDIDATES TO THE BOARD OF DIRECTORS AT THE ANNUAL MEETING FOR THE FOUR SEATS ENTITLED TO BE ELECTED BY THE HOLDERS OF COMMON SHARES AND SPECIAL COMMON SHARES. OUR BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF OUR BOARD'S NOMINEES ON THE ENCLOSED WHITE PROXY CARD(S) AND URGES YOU NOT TO SIGN OR RETURN ANY PROXY CARD(S) THAT YOU MAY RECEIVE FROM GAMCO OR ITS AFFILIATES EVEN FOR A WITHHOLD VOTE WITH RESPECT TO THE GAMCO CANDIDATES, BECAUSE RETURNING A PROXY CARD TO GAMCO, EVEN IF IT WITHHOLDS VOTES, WILL NOT REPRESENT A VOTE "FOR" THE BOARD'S NOMINEES. TO VOTE FOR THE BOARD'S NOMINEES, YOU MUST VOTE AND RETURN A WHITE PROXY CARD. OUR BOARD FIRMLY BELIEVES THAT THE ELECTION OF THE BOARD'S NOMINEES WOULD BE IN YOUR BEST INTERESTS AS A SHAREHOLDER. IF YOU HAVE PREVIOUSLY SIGNED ANY PROXY CARD(S) SENT TO YOU BY GAMCO OR ITS AFFILIATES, YOU CAN REVOKE THEM BY SIGNING, DATING AND MAILING THE ENCLOSED WHITE PROXY CARD(S) FOR THE FOUR SEATS ENTITLED TO BE ELECTED BY THE HOLDERS OF COMMON SHARES AND SPECIAL COMMON SHARES IN THE***

*ENVELOPE PROVIDED.*

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***YOUR VOTE ON THE ENCLOSED WHITE PROXY CARD(S) IS EXTREMELY IMPORTANT THIS YEAR IN LIGHT OF THE PROXY CONTEST BEING CONDUCTED BY GAMCO.***

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 WHITE proxy card(s) promptly or  
vote on the Internet using the instructions on the WHITE proxy card(s) or send it by fax to  
MacKenzie Partners as described below**

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**IMPORTANT**

Your vote is important. No matter how many shares you own, we urge you to please return your proxy FOR the election of the nominees nominated by the board of directors by taking the following steps:

1. VOTE the **WHITE** proxy card(s) on the Internet TODAY using the instruction on the **WHITE** proxy card(s), or
2. SIGN, DATE AND MAIL the enclosed **WHITE** proxy card(s) TODAY in the envelope provided (no postage is required if mailed in the United States), or
3. SIGN, DATE AND FAX BOTH SIDES of the enclosed **WHITE** proxy card(s) TODAY to MacKenzie Partners, Inc. at (212) 929-0308, or
4. CALL TOLL-FREE (888) 693-8683 to vote the **WHITE** proxy card(s) by phone TODAY.

In addition to voting on the nominees being recommended by your Board of Directors, you may be solicited for support for a dissident slate of director candidates chosen by GAMCO for the four director seats to be elected by the holders of Common Shares and Special Common Shares. GAMCO advised TDS that it had not made a final determination as to whether it intends to deliver a proxy statement and form of proxy to any other shareholder relating to the director nominations or, if so, which shareholders would be solicited and how such solicitation would be conducted. If GAMCO delivers a proxy statement and proxy card, the color of the proxy card will be other than WHITE. You are encouraged not to sign or return any proxy card(s) sent to you by GAMCO. Voting against or withholding authority to vote for GAMCO candidates on any proxy card(s) furnished by GAMCO does not have the same legal effect as voting for the board of directors' nominees. We strongly urge you to only vote the **WHITE** proxy card(s) and disregard any other proxy card(s) that you may receive.

If any of your shares are held in the name of a brokerage firm, bank, bank nominee or other institution, it must receive your specific instructions in order for such shares to be voted. Please contact the person responsible for your account and instruct that person to execute the **WHITE** proxy card(s) representing your shares, and instruct them **NOT** to sign or return any proxy card(s). Our board of directors urges you to confirm your instructions in writing to TDS in care of MacKenzie Partners, Inc. at the address provided below. This will help ensure that your instructions are followed.

If you have questions or need assistance voting your shares please contact

105 Madison Avenue  
New York, New York 10016  
TDS@mackenziepartners.com  
Call Collect: (212) 929-5500  
Or  
**Toll-Free (800) 322-2885**  
Fax: (212) 929-0308

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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 , 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 **WHITE** Proxy Cards

Any control/identification numbers that you need to vote are set forth on your **WHITE** 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.

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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.

Holder 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"): James Barr III, LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D., Prudence E. Carlson, Walter C.D. Carlson, Kenneth R. Meyers, Donald C. Nebergall and George W. Off.

Holder 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 incumbent directors for election by the holders of Common Shares and Special Common Shares (the "Public Holders"): Gregory P. Josefowicz, Christopher D. O'Leary, Mitchell H. Saranow and Herbert S. Wander.

The board of directors recommends a vote "FOR" its nominees for election as directors on the enclosed **WHITE** proxy card(s), including its nominees for election by the Public Holders, and urges you **NOT** to sign or return any proxy card(s) that you may receive from GAMCO.

### **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		10		
Preferred Shares		1		
Subtotal				8
Common Shares		1		
Special Common Shares		1		
Subtotal				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		10		%
Common Shares		1		%
Preferred Shares		1		*
				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 \_\_\_\_\_ Series A Common Shares on the record date, representing approximately \_\_\_\_\_ % 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 \_\_\_\_\_ % of the voting power with respect to matters other than the election of directors. The TDS Voting Trust holds \_\_\_\_\_ TDS Special Common Shares on the record date, representing approximately \_\_\_\_\_ % of the Special Common Shares. By reason of such holding, the TDS Voting Trust has approximately \_\_\_\_\_ % 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 **WHITE** proxy card(s) in the enclosed self-addressed envelope to Corporate Election Services, P.O. Box 2400, Pittsburgh, Pennsylvania 15230-2400, or vote on the Internet in accordance with the instructions set forth on the **WHITE** proxy card(s), or vote by phone or send it by fax to MacKenzie Partners as described above. If you hold more than one class of our shares, you will find enclosed a separate **WHITE** 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 or fax as follows:

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

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

a **WHITE** proxy card for Preferred Shares.

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To vote for the board of directors' nominees, mark, sign, date, and return the enclosed **WHITE** proxy card(s) in the accompanying envelope and do **NOT** sign or return any proxy card(s) sent to you by GAMCO. Voting against or withholding authority to vote for GAMCO candidates on a proxy card(s) furnished by GAMCO does not have the same legal effect as voting for the board of directors' nominees. We urge you to only vote the **WHITE** proxy card(s) and disregard any other proxy card(s) that you may receive.

### **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.

If no direction is made on the applicable **WHITE** 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.

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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. In particular, if GAMCO solicits proxies in 2009, brokers that do not receive instructions will be prohibited from voting on the election of directors. Accordingly, a broker non-vote will not be counted as a vote to elect the directors to be elected by the Public Holders. 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.

**What does it mean if I receive more than one WHITE proxy card?**

If you hold multiple series of shares, or hold shares in multiple registrations, you will receive a **WHITE** proxy card for each such account. Please sign, date, and return all **WHITE** cards you receive by mail or fax as described above. If you choose to vote by phone or Internet, please vote each **WHITE** proxy card you receive. Only your latest dated proxy for each account will be voted at the annual meeting.

As noted above, TDS has received a notice from GAMCO that GAMCO intends to nominate candidates for election at the annual meeting to run in opposition to the four candidates nominated by your board of directors to be elected by the Public Holders, and you may receive proxy cards from both TDS and GAMCO. Because only the latest dated proxy card for each holding is counted for the election, we may conduct multiple mailings prior to the date of the annual meeting. Therefore, in such case, whether or not your initial proxy cards are voted, you may receive more than one **WHITE** proxy card from TDS for each account or registration. This will also ensure that you receive management's latest proxy information and materials prior to the annual meeting.

Our board unanimously recommends that you **NOT** sign any proxy card(s) sent to you by GAMCO or its affiliates. If you have previously signed any proxy card(s) sent to you by GAMCO or its affiliates, you can revoke it by signing, dating and mailing the enclosed **WHITE** proxy card or any subsequent **WHITE** proxy card provided by TDS.

**Can I change my vote or revoke my proxy?**

Yes. You can change your vote or revoke your proxy at any time before it is voted at the annual meeting by submitting a later-voted proxy by mail, Internet or fax or by voting by ballot at the meeting.

Voting against or withholding votes with respect to GAMCO candidates on the proxy card provided by GAMCO will not be counted as a vote for the TDS nominee(s) and could result in the revocation of any previous vote you may have cast for such TDS nominee(s) on a **WHITE** proxy card.

If you vote a proxy card provided by GAMCO (or any non-TDS party), you have the right to change such vote by executing a **WHITE** proxy card provided by TDS. Only the latest dated proxy card you vote will be counted for election purposes.

**Who pays the solicitation expenses for this Proxy Statement and related TDS materials?**

TDS does. Your proxy is being solicited by the board of directors and its agents, and the cost of solicitation will be paid by TDS. Officers, directors and regular employees of TDS, acting on its behalf, may also solicit proxies by mail, email, advertisement, telephone, telecopy, press release, employee communication, postings on TDS' Internet website and Intranet website or in person. We will not pay such persons additional compensation for their proxy solicitation efforts. TDS has also retained MacKenzie Partners, Inc. to assist in the solicitation of proxies. TDS will, at its expense, request brokers and other custodians, nominees and fiduciaries to forward proxy soliciting material to the beneficial owners of shares held of record by such persons. TDS expects to pay MacKenzie Partners a fee of up to about \$350,000 relating to the solicitation of proxies for the contested election of directors in 2009. It is anticipated that MacKenzie Partners, Inc. will employ approximately 60 persons to solicit proxies for the Annual Meeting.

Our expenses related to the solicitation, including expenditures for printing, legal, accounting, public relations, soliciting, advertising and related expenses, including the above fees of MacKenzie Partners, in excess of those normally spent for an annual meeting with an uncontested director election and excluding salaries and wages of our regular employees and officers, are currently expected to be approximately \$1,100,000, of which approximately \$200,000 has been spent to date.

Certain information about the directors and certain officers and employees of TDS who may solicit proxies is set forth in the attached Schedule I, which is incorporated by reference herein. Schedule II, attached hereto, sets forth certain additional information with respect to such persons and is also incorporated by reference herein.

**Who should I call if I have any questions?**

If you have any questions, or need assistance voting, please contact our proxy solicitor, MacKenzie Partners, Inc. at (800) 322-2885 (Call Toll Free) or (212) 929-5500 (Call Collect) or by email to [TDS@mackenziepartners.com](mailto:TDS@mackenziepartners.com).

### BACKGROUND OF RECENT EVENTS

GAMCO Investors, Inc., including its affiliates ("GAMCO"), has been a shareholder of TDS for many years and currently owns more than 5% of the TDS Common Shares and TDS Special Common Shares (see Security Ownership of Certain Beneficial Owners and Management below). GAMCO, through its subsidiaries, manages private advisory accounts, mutual funds and closed-end funds.

On September 24, 2008, GAMCO issued a press release announcing that it was considering contacting individuals concerning their interest and their qualifications to serve on the board of directors of thirteen public companies and filed Schedules 13D with respect to such companies, including TDS. In its Schedule 13D with respect to TDS, GAMCO made the following statement:

GAMCO is considering contacting individuals concerning their interest and their qualification to serve on the Board of Directors of certain public companies, including the Issuer. This inquiry is likely to result in feedback to the Issuer, as well as further dialog on issues such as use of cash flow, and corporate governance, such as poison pills.

Therefore, GAMCO may submit recommendations for one or more individuals as nominee for director to the nominating committee of the Board of Directors for election at the Issuer's annual meeting. If one or more of these individuals becomes a nominee for election as a director, GAMCO plans to cast votes for the election of such individual or individuals with the shares over which it has voting authority.

On February 17-20, 2009, GAMCO delivered notices to TDS of its intention to nominate Gary Sugarman, Clarence A. Davis, Vincent D. Enright and F. Jack Liebau, Jr. (the "GAMCO Candidates") as directors at the annual meeting. The GAMCO Candidates would be nominated as directors to be elected by the Public Holders. On February 20, 2009, GAMCO advised TDS that it had not made a final determination as to whether it intends to deliver a proxy statement and form of proxy to any other shareholder relating to the director nominations or, if so, which shareholders would be solicited and how such solicitation would be conducted. TDS requested additional specified information with respect to GAMCO's notice as required pursuant to the TDS Bylaws, and GAMCO provided certain additional information on February 20, 2009.

Section 1.15 of the TDS Bylaws provides that "a person properly nominated by a shareholder under Section 1.2 or 1.13 shall not be eligible for election as a director unless he or she signs and returns to the Secretary, within fifteen days of a request therefor, written responses to any questions posed by the Secretary . . ." Pursuant to such section, questionnaires were sent to each of the GAMCO Candidates on February 23, 2009, together with a letter advising the GAMCO Candidates that, pursuant to Section 1.15 of the TDS Bylaws, they were required to return a completed and signed questionnaire within fifteen days, or by the close of business on March 10, 2009, in order to be eligible for election as a director. Clarence Davis and Jack Liebau, Jr. returned completed questionnaires prior to that time. Gary Sugarman and Vincent Enright did not return questionnaires as required by Section 1.15 of the TDS Bylaws in order to be eligible for election as a director.

Notwithstanding the foregoing, the TDS Corporate Governance and Nominating Committee (the members of which are Walter C.D. Carlson (chairman), LeRoy T. Carlson, Jr. and Mitchell H. Saranow) and your board of directors proceeded to consider the background, experience and qualifications of the GAMCO Candidates based upon the information available to them. The committee and your board of directors also considered the background, experience and qualifications of the persons currently serving as directors who were elected by the Public Holders: Gregory P. Josefowicz, Christopher D. O'Leary, Mitchell H. Saranow and Herbert S. Wander. The TDS Corporate Governance and Nominating Committee and your board of directors selected Messrs. Josefowicz, O'Leary, Saranow and Wander as nominees for election by the Public Holders (the "TDS Board Nominees") based on the belief that they are more experienced and qualified than the GAMCO Nominees.

Messrs. Josefowicz, O'Leary, Saranow and Wander additionally have significant experience in fulfilling their responsibilities as independent directors. We believe that Messrs. Josefowicz, O'Leary, Saranow and Wander have consistently displayed a desire and willingness to fulfill their responsibilities to the best of their abilities as independent directors. Therefore, your board of directors and the TDS

Corporate Governance and Nominating Committee believe that the TDS Board Nominees will continue to promote the interests of both the company and its shareholders at the board level.

Based on the foregoing considerations, on March 12, 2009, the TDS Corporate Governance and Nominating Committee unanimously recommended that the TDS board of directors nominate Messrs. Josefowicz, O'Leary, Saranow and Wander (except that Mr. Saranow abstained with respect to his recommendation). Based on the recommendation of the TDS Corporate Governance and Nominating Committee, and also considering the background, experience and qualifications of the GAMCO Candidates and of the TDS Board Nominees as described above, on March 12, 2009, the TDS board of directors nominated Messrs. Josefowicz, O'Leary, Saranow and Wander for election as directors at the 2009 annual meeting of shareholders. The foregoing recommendation and nomination were made based on information about the GAMCO nominees that was available at the time. Although the information regarding the GAMCO Nominees was limited, and with respect to certain of the nominees did not include information required to be provided pursuant to the TDS Bylaws, the committee and board of directors each determined that the information available was sufficient to make a determination not to recommend or nominate such individuals.

Furthermore, on March 19, 2009, the TDS board of directors considered the failure of Gary Sugarman and Vincent Enright to return questionnaires as required by Section 1.15 of the TDS Bylaws in order to be eligible for election as a director. The purpose of Section 1.15 is to permit TDS to obtain basic information about potential nominees, including to confirm that any persons nominated by shareholders are not ineligible to serve as directors of a company that holds licenses from the Federal Communications Commission and to disclose any responses to the questionnaire that may be of interest to TDS shareholders.

As a result, considering the foregoing, on March 19, 2009, the TDS board of directors determined that Gary Sugarman and Vincent Enright are not eligible for election as directors at TDS' 2009 Annual Meeting of Shareholders because they did not return questionnaires as required by Section 1.15 of the Company's Bylaws and that, if GAMCO attempts to nominate Gary Sugarman or Vincent Enright at TDS' 2009 Annual Meeting of Shareholders, the chairman of the meeting is authorized to rule that such nominations are out of order.

As noted above, on March 12, 2009, the TDS board of directors determined not to support the nomination of the GAMCO Candidates as nominees of the TDS board of directors, and the TDS board of directors nominated Gregory P. Josefowicz, Christopher D. O'Leary, Mitchell H. Saranow and Herbert S. Wander for election as directors by the holders of Common Shares and Special Common Shares. The determination on March 19, 2009 does not relate to the qualification of the GAMCO Candidates to be included in TDS' proxy statement as company nominees. Instead, this determination relates to the qualification of Gary Sugarman and Vincent Enright to be nominated by GAMCO for election as directors at TDS' 2009 Annual Meeting of Shareholders.

The effect of the determination on March 19, 2009 is that Gary Sugarman and Vincent Enright are not eligible for election as directors at TDS' 2009 Annual Meeting of Shareholders and are not eligible to be nominated at the meeting by GAMCO. The consequence of the foregoing to TDS is that TDS will not accept the nomination of Gary Sugarman and Vincent Enright for election as directors at TDS' 2009 Annual Meeting of Shareholders. As a result, GAMCO's notice with respect to its intention to nominate Gary Sugarman and Vincent Enright has been rejected. Furthermore, GAMCO has been notified that if GAMCO attempts to nominate Gary Sugarman or Vincent Enright at TDS' 2009 Annual Meeting of Shareholders, the chairman of the meeting intends to rule that such nominations are out of order. **Accordingly, if GAMCO solicits proxies for Gary Sugarman or Vincent Enright, TDS shareholders that deliver proxies to GAMCO should understand that TDS does not intend to count or recognize as valid any votes for Gary Sugarman or Vincent Enright.**

On March 23, 2009, TDS received a letter from GAMCO stating that questionnaires were prepared by each of Gary Sugarman and Vincent Enright and were submitted in a timely manner. GAMCO included what it purported to be duplicate copies of such questionnaires. TDS has no evidence that such questionnaires were delivered to TDS prior to March 23, 2009 and the TDS Board has not taken any action with respect to its prior determination.

**Your board unanimously recommends that the holders of Common Shares and Special Common Shares vote FOR the election of Gregory P. Josefowicz, Christopher D. O'Leary, Mitchell H. Saranow and Herbert S. Wander as directors.** For reasons set forth above, the board of directors believes that the TDS Board Nominees are the most qualified persons to serve as directors of TDS to be elected by the Public Holders.

Please cast your vote for the TDS Board Nominees by returning the enclosed **WHITE** proxy card(s). The TDS board of directors urges shareholders **NOT** to return any proxy cards distributed by GAMCO or any of its affiliates.

YOUR VOTE IS IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN. PLEASE SIGN AND DATE THE ENCLOSED **WHITE** PROXY CARD(S) AND MAIL SUCH CARDS IN THE ENCLOSED POSTAGE-PAID ENVELOPE PROMPTLY. PROPERLY VOTING THE ENCLOSED **WHITE** PROXY CARD(S) AUTOMATICALLY REVOKES ANY PROXY PREVIOUSLY SIGNED BY YOU.

WE URGE YOU TO ONLY VOTE **WHITE** PROXY CARD(S) DISTRIBUTED BY TDS AND DISREGARD ANY OTHER PROXY CARDS THAT YOU MAY RECEIVE. If you vote a proxy card provided by GAMCO (or any non-TDS party), you have the right to change such vote by executing a **WHITE** proxy card provided by TDS.

REMEMBER, ONLY YOUR LATEST DATED PROXY CARD WILL COUNT AT THE MEETING.

**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.

As a reminder, a plurality of the votes cast in person or by proxy at the 2009 annual meeting and entitled to vote is required to elect the directors to be elected by the Public Holders. Under the rules of the New York Stock Exchange, brokers who hold shares in "street name" have the authority to vote on some matters when they do not receive instructions from beneficial owners. If GAMCO solicits proxies with respect to the election of directors, brokers that do not receive instructions are prohibited from voting on the election of directors. Accordingly, a broker non-vote will not be counted as a vote to elect the directors to be elected by the Public Holders.

**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>
Gregory P. Josefowicz	56	Director of TDS and Retired Chairman, Chief Executive Officer and President of Borders Group, Inc.	2007
Christopher D. O'Leary	49	Director of TDS and Executive Vice President, Chief Operating Officer International of General Mills, Inc.	2006
Mitchell H. Saranow	63	Director of TDS and Chairman of The Saranow Group, L.L.C.	2004
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>
James Barr III	69	Director of TDS and Retired President and Chief Executive Officer of TDS Telecommunications Corporation	1990
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		