

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEFA14A  
November 29, 2011

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  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

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

Telephone and Data Systems, Inc.  
(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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  - (4) Proposed maximum aggregate value of transaction:
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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

EXPLANATORY NOTE

The purpose of this Schedule 14A is to file the following documents by Telephone and Data Systems, Inc.:

1. Press Release dated November 29, 2011
2. Internal Communications to Employees dated November 29, 2011
3. Investor Presentation dated November 29, 2011

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**FOR RELEASE: IMMEDIATE**

**TDS ANNOUNCES REVISED PLAN TO RECLASSIFY SPECIAL COMMON SHARES AS COMMON SHARES**

*Reclassification Ratio Adjusted to 1.087 Shares*

*for Holders of Common and Series A Common Shares;*

*Each Special Common Share to be Reclassified as One Common Share*

CHICAGO November 29, 2011 Telephone and Data Systems, Inc. [NYSE: TDS, TDS.S] today announced that its Board of Directors has unanimously approved certain changes to the previously proposed amendments to the TDS certificate of incorporation. As previously proposed, the amendments included a share consolidation amendment to reclassify each Special Common Share as one Common Share. As revised, each Special Common Share would still be reclassified as one Common Share, and each Common Share would now be reclassified as 1.087 Common Shares and each Series A Common Share would now be reclassified as 1.087 Series A Common Shares.

The primary purpose of the changes is to recognize the fact that the Common Shares have generally traded at a premium to the Special Common Shares since the creation of the Special Common Shares in 2005. Based on discussions with the holders of both the Common Shares and Special Common Shares, the TDS Board of Directors decided to change the proposal to include a Common Share Reclassification Ratio of 1.087. The Board believes this ratio best reflects the long-term relative trading ratio of the Common Shares versus the Special Common Shares. The Series A Common Shares, which can be converted into Common Shares at any time, will also be reclassified at a ratio of 1.087 Series A Common Shares for each Series A Common Share.

Each Special Common Share would be reclassified into one Common Share, as originally proposed. Reclassifying Special Common Shares as Common Shares on a one-for-one basis would permit the holders of Special Common Shares to continue to receive the same aggregate quarterly dividend that they currently receive, based on the current per share dividend rate, subject to declaration by the TDS Board of Directors.

The TDS Board of Directors believes that the revised share consolidation amendment is in the best interests of all TDS shareowners. It will simplify TDS' capital structure, improve market liquidity, and provide greater financial flexibility.

The Common Shares are currently listed on the New York Stock Exchange ( NYSE ) under the symbol TDS and the Special Common Shares are currently listed on the NYSE under the symbol TDS.S . If the share consolidation is approved and becomes effective, the Special Common Shares will cease to be outstanding and cease to trade and will be reclassified into Common Shares, which will continue to trade on the NYSE under the symbol TDS .

In addition, certain non-substantive changes would be made to the vote amendment in connection with the change in the reclassification ratios.

### **Shareholder Approvals**

As previously disclosed, in addition to required statutory votes, the share consolidation and vote amendments will be subject to the approval of a majority of the unaffiliated holders of Common Shares and Special Common Shares, each voting separately as a class at a special meeting of shareholders. For purposes of this vote, unaffiliated holders will not include the TDS Voting Trust, members of the Carlson family that are TDS shareholders, or directors or executive officers

of TDS. Accordingly, the proposed transactions will require substantial support from unaffiliated public shareholders to be approved.

The trustees of the TDS Voting Trust have indicated that they support the proposed transactions.

#### **Board Recommendation**

The TDS Board of Directors, including all independent members, has unanimously approved the revised proposals, and believes the adoption of such proposals is in the best interests of TDS and all of its shareholders, and unanimously recommends that shareholders vote **FOR** such proposals.

#### **Timing and Process**

The TDS Board of Directors has also directed that the proposed transactions be submitted to TDS shareholders for consideration at an Adjourned Special Meeting of shareholders scheduled for January 13, 2012. The record date of the Adjourned Special Meeting has been changed to be more current and will be the close of business on December 9, 2011.

TDS is filing a proxy supplement with the Securities and Exchange Commission ( SEC ) in connection with the revised proposal, which will be sent to shareholders shortly after the revised record date. Additional information is included in the proxy supplement.

The proposed transactions are expected to take place shortly after the Adjourned Special Meeting, subject to TDS shareholder approval and certain other conditions. The transactions are intended to be tax free to TDS and its shareholders.

Citigroup Global Markets Inc. ( Citi ) is acting as financial advisor to TDS in connection with the foregoing proposals.

In addition, Credit Suisse is acting as financial advisor to the independent directors on the TDS Board in connection with the foregoing proposals.

**IMPORTANT INFORMATION:** The foregoing information is not a solicitation of a proxy from any TDS shareholder. This is being done only pursuant to a definitive proxy statement, as supplemented. Additional information relating to the foregoing is included in TDS proxy materials filed with the Securities and Exchange Commission ( SEC ) and distributed to shareholders. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ SUCH MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Shareholders and other investors may access such materials without charge at the SEC's web site ([www.sec.gov](http://www.sec.gov)) and on the TDS web site ([www.teltda.com](http://www.teltda.com)) in the Investor Relations section on the SEC filings page. In addition, shareholders may obtain free copies of the proxy materials by contacting TDS information agent, MacKenzie Partners at (800) 322-2885. TDS and its executive officers and directors may be deemed to be participants in the solicitation of proxies from TDS shareholders on behalf of the TDS Board of Directors in connection with the foregoing. Information concerning such participants and their respective direct or indirect interests in TDS by security holdings or otherwise is included in TDS proxy materials.

**About TDS**

Telephone and Data Systems, Inc. (TDS), a Fortune 500® company, provides wireless, local and long-distance telephone and broadband services to approximately 7 million customers in 36 states through its business units, U.S. Cellular (wireless) and TDS Telecom (wireline). Founded in 1969 and headquartered in Chicago, TDS employed 12,300 people as of September 30, 2011.

Visit [www.teldta.com](http://www.teldta.com) for comprehensive financial information, including earnings releases, quarterly and annual filings, shareholder information and more.

*Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995:* All information set forth in this news release, except historical and factual information, represents forward-looking statements. This includes all statements about the company's plans, beliefs, estimates and expectations. These statements are based on current estimates, projections and assumptions, which involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Important factors that may affect these forward-looking statements include, but are not limited to: the ability of the company to successfully grow its markets; the overall economy; competition; the access to and pricing of unbundled network elements; the ability to obtain or maintain roaming arrangements with other carriers; the state and federal telecommunications regulatory environment; the value of assets and investments; adverse changes in the ratings afforded TDS and U.S. Cellular debt securities by accredited ratings organizations; industry consolidation; advances in telecommunications technology; uncertainty of access to the capital markets; pending and future litigation; changes in income tax rates, laws, regulations or rulings; acquisitions/divestitures of properties and/or licenses; and changes in customer growth rates, average monthly revenue per unit, churn rates, roaming revenue and terms, the availability of handset devices, or the mix of products and services offered by U.S.

Cellular and TDS Telecom. Investors are encouraged to consider these and other risks and uncertainties that are discussed in the Form 8-K used by TDS to furnish this press release to the SEC, which are incorporated by reference herein.

For more information about TDS and its subsidiaries, visit:

TDS: [www.teldta.com](http://www.teldta.com)

U.S. Cellular: [www.uscellular.com](http://www.uscellular.com)

TDS Telecom: [www.tdstelecom.com](http://www.tdstelecom.com)

**Q&A for Associates and Employees**

**Proposed Amendments to TDS Restated Certificate of Incorporation, as Revised**

**What has changed since TDS announced the original proposed amendments on August 31, 2011?**

*Share Consolidation Amendment*

As previously disclosed, the Share Consolidation Amendment as originally proposed would reclassify all outstanding TDS Special Common Shares (currently traded on the New York Stock Exchange under the stock ticker TDS.S ) as Common Shares (traded on the NYSE as TDS ) on a one-for-one basis. All TDS Special Common Shares would therefore become Common Shares, and all holders of Special Common Shares would receive an equal number of Common Shares, in place of their Special Common Shares.

As revised, each TDS Special Common Share would be reclassified as one Common Share, each TDS Common Share would be reclassified as 1.087 Common Shares and each TDS Series A Common Share would be reclassified as 1.087 Series A Common Shares.

*Vote Amendment*

As previously disclosed, the Vote Amendment is an amendment that relates to the voting power assigned to certain classes of TDS stock. This amendment would freeze the voting power of Series A Common Shares and Common Shares at the level it was immediately before the share reclassification, with certain exceptions. This would retain the relative voting power of the public shareholders and Series A shareholders, including the Carlson family Voting Trust.

Certain clarifying changes are being made to the Vote Amendment as originally proposed, but these do not include any substantive changes.

*Ancillary Amendment*



As previously disclosed, this amendment would clean up some obsolete and inoperative provisions of the certificate of incorporation. No changes are being made to this amendment.

**What is the goal of these amendments?**

In 2005, TDS issued Special Common Shares to use as currency for acquisitions and other purposes. However, since then, the Special Common Shares have generally traded at a discount to the Common Shares, and this discount has increased significantly in recent periods. As a result, it hasn't made economic sense to use them for their intended purposes.

Also, having two publicly traded classes of stock can be confusing to investors, and might prevent them from fully understanding and appropriately valuing our company.

The amendments enable TDS to go back to having only one publicly traded class of stock, without changing the voting control of TDS.

**When would these amendments go into effect?**

First, the proxy supplement which we expect to file on or about November 29, 2011, describing the revisions to the proposed amendments, must be sent to shareholders of record on December 9, 2011. Then, we have to put the amendments up for vote at a special shareholder meeting to be held on January 13, 2012. At the meeting, the amendments must be approved by shareholders, including a majority of the unaffiliated holders of each of the Special Common Shares and Common Shares. Other conditions also must be met before the amendments would go into effect.

**If I previously submitted a vote via proxy or broker instruction, do I have to vote again?**

All proxies and broker votes previously submitted with respect to the proposals in the Proxy Statement will be deemed null and void. If you are a TDS shareholder, you will receive new proxy materials, including a new proxy card, to enable you to vote on the revised proposals.

**How would these amendments impact the TDS companies?**

The amendments would have no impact on the day-to-day operations of TDS, U.S. Cellular, TDS Telecom and Suttle-Straus, but we believe they would simplify and improve our capital structure.

**How would these amendments impact associates and employees?**

The amendments would have no impact on your day-to-day work. If you are a TDS shareholder, you will be requested to vote on these amendments. We encourage you to carefully read the proxy supplement that will be filed on or about November 29, 2011, as well as the proxy statement dated August 31, 2011. If you participate in a TDS compensation plan (e.g., an option holder), you can [read here](#) about how the amendments would impact the plans.

**How would these amendments impact compensation plans?**

If you participate in a TDS compensation plan, you can [read here](#) about how the amendments would impact the plans.

**Does this mean that TDS plans to buy in the rest of the U.S. Cellular stock that it doesn't already own?**

In 2007, TDS stated in a filing that we were no longer pursuing the buy-in of the remaining U.S. Cellular shares, due primarily to the difference in value at that time between the TDS Special Common Shares and the U.S. Cellular shares. The discount in the TDS Special Common Shares

contributed to this difference. That filing is still in effect today and there have been no changes in that regard.

**Is this part of a plan to eventually sell U.S. Cellular or TDS to a competitor?**

TDS and the Carlson family remain committed to the long-term operations of U.S. Cellular and all of its businesses. Keep in mind that these proposed amendments would not change the voting control of the Carlson family, and therefore a competitor would not be able to acquire U.S. Cellular or TDS without the approval and votes of the Carlson family.

**I have been contacted by a media representative about the proposed amendments. What should I do?**

Please refer all media inquiries to Jane McCahon, TDS vice president of corporate relations, at [jane.mccahon@teldta.com](mailto:jane.mccahon@teldta.com). Associates and employees should not speak to the media in any way about these amendments.

**I still have questions about the proposed amendments. Who can I contact?**

Please send your questions to Jane McCahon, TDS vice president of corporate relations, at [jane.mccahon@teldta.com](mailto:jane.mccahon@teldta.com).

The legal disclaimer below is required because the proposals will require shareholder votes, and many associates and employees are TDS shareholders.

**IMPORTANT INFORMATION:** The foregoing information is not a solicitation of a proxy from any TDS shareholder. This is being done only pursuant to a definitive proxy statement, as supplemented. Additional information relating to the foregoing is included in TDS proxy materials filed with the Securities and Exchange Commission (SEC) and distributed to shareholders. **INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ SUCH MATERIALS BECAUSE THEY CONTAIN IMPORTANT INFORMATION.** Shareholders and other investors may access such materials without charge at the SEC's web site ([www.sec.gov](http://www.sec.gov)) and on the TDS web site ([www.teldta.com](http://www.teldta.com)) in the Investor Relations section on the SEC filings page. In addition, shareholders may obtain free copies of the proxy materials by contacting TDS proxy solicitor, MacKenzie Partners, at (800) 322-2885. TDS and its executive officers and directors may be deemed to be participants in the solicitation of proxies from TDS shareholders on behalf of the TDS board of directors in connection with the foregoing. Information concerning such participants and their respective direct or indirect interests in TDS by security holdings or otherwise is included in TDS proxy materials.

### **Impact of Proposed Amendments, as Revised, on TDS Compensation Plans**

Telephone and Data Systems, Inc. recently announced certain changes to proposed amendments to its Restated Certificate of Incorporation, which among other actions, would reclassify each Special Common Share as one Common Share, each Common Share as 1.087 Common Shares and each Series A Common Share as 1.087 Series A Common Shares. Although these amendments are subject to shareholder approval and other conditions, we would like to let you know how they would impact the TDS compensation plans listed below.

#### **TDS Tax-Deferred Savings Plan / 401(k)**

The TDS Tax-Deferred Savings Plan / 401(k) permits participants to invest in a fund that invests in Common Shares and/or a fund that invests in Special Common Shares.

If the proposed transactions are approved and become effective, each Common Share held in the Common Share fund would be reclassified as 1.087 Common Shares.

If the proposed transactions are approved and become effective, all Special Common Shares held in the Special Common Share fund would be reclassified as Common Shares, and combined with the existing Common Shares in the Common Share fund.

The TDS Tax-Deferred Savings Plan would then be amended to eliminate as an investment option the fund that invests in Special Common Shares. Participants would continue to be able to invest in the Common Share fund.

#### **2004 and 2011 Long-Term Incentive Plans**

The 2004 Long-Term Incentive Plan provides for the grant of stock options, restricted stock units and phantom stock units relating to the bonus deferral program. Since the distribution of Special Common Shares in 2005, all awards have been made in Special Common Shares. Certain awards that were outstanding at the time of the 2005 distribution were converted into tandem awards of an equal number of Common Shares and Special Common Shares.

If the transactions are approved and become effective, TDS will cause outstanding Special Common Share awards under the 2004 Long-Term Incentive Plan to be adjusted for settlement in Common Shares. Tandem awards will also be appropriately adjusted for settlement solely in Common Shares. Holders of outstanding awards under the 2004 Long-Term Incentive Plan will receive additional information regarding the impact of the transactions on their awards.

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Following the transactions, no further awards would be made under the 2004 Long-Term Incentive Plan (except with respect to deferrals under the bonus deferral program in effect at the time that the transactions become effective) and all future awards would be made under a new 2011 Long-Term Incentive Plan using Common Shares only.

**Questions?**

Please send any related questions to Jane McCahon, TDS vice president of corporate relations, at [jane.mccahon@teldta.com](mailto:jane.mccahon@teldta.com).

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