

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

[QuickLinks](#) -- Click here to rapidly navigate through this document

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

**SCHEDULE 14A**

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Telephone and Data Systems, Inc.**

---

(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:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:

- o Fee paid previously with preliminary materials.
  
  - o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
    - (1) Amount Previously Paid:
  
    - (2) Form, Schedule or Registration Statement No.:
  
    - (3) Filing Party:
  
    - (4) Date Filed:
-

**TELEPHONE AND DATA SYSTEMS, INC.**

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

April 28, 2009

Dear Shareholders:

You are cordially invited to attend our 2009 annual meeting of shareholders of Telephone and Data Systems, Inc. ("TDS") on Thursday, May 21, 2009, at 10:00 a.m., Chicago time, at The Standard Club, 320 South Plymouth Court, Chicago, Illinois.

The formal notice of the meeting and our board of directors' proxy statement and our 2008 annual report to shareholders are enclosed. Accompanying the proxy statement are the audited financial statements and certain other financial information for the year ended December 31, 2008, as required by the rules and regulations of the Securities and Exchange Commission ("SEC"). At our 2009 annual meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors nominated by the TDS board of directors and named in the attached proxy statement;
2. consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement; and
3. ratify the selection of independent registered public accountants for the current fiscal year.

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

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

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

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

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

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



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

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

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

Very truly yours,

Walter C.D. Carlson  
Chairman of the Board

LeRoy T. Carlson, Jr.  
President and Chief Executive Officer

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

---

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT  
AND  
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 21, 2009**

TO THE SHAREHOLDERS OF

**TELEPHONE AND DATA SYSTEMS, INC.**

The 2009 annual meeting of shareholders of Telephone and Data Systems, Inc., a Delaware corporation, will be held at The Standard Club, 320 South Plymouth Court, Chicago, Illinois, on Thursday, May 21, 2009, at 10:00 a.m., Chicago time, for the following purposes:

1. To elect members of the board of directors nominated by the TDS board of directors and named in the attached proxy statement. Your board of directors recommends that you vote **FOR** the directors nominated by the TDS board of directors.
2. To consider and approve an amended Non-Employee Director Compensation Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.
3. To consider and ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2009. Your board of directors recommends that you vote **FOR** this proposal.
4. If properly presented at the Annual Meeting, to consider and vote upon a proposal submitted by a shareholder of TDS to recapitalize TDS' capital stock. Your board of directors recommends that you vote **AGAINST** this proposal.
5. To transact such other business as may properly come before the meeting or any adjournments thereof.

We are first mailing this notice of annual meeting and proxy statement to you on or about April 28, 2009.

We have fixed the close of business on March 30, 2009, as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

The following additional information is being provided as required by SEC rules:

**The proxy statement and annual report to shareholders are available at [www.teldta.com](http://www.teldta.com) under Investor Relations Proxy Vote, or at <http://www.teldta.com/investor/2009proxy>.**

The following items have been posted to this Web site:

1. Proxy Statement for the 2009 Annual Meeting
2. Annual Report to Shareholders for 2008
3. Forms of Proxy Cards

Any control/identification numbers that you need to vote are set forth on your proxy card(s) if you are a record holder, or on your voting instruction card if you hold shares through a broker, dealer or bank.

The location where the annual meeting will be held is the Standard Club in Chicago, Illinois. This is located in the Chicago loop area between Jackson Boulevard and Van Buren Street at 320 Plymouth Court, which is between State Street and Dearborn Street.



## SUMMARY

*The following is a summary of the actions being taken at the 2009 annual meeting and does not include all of the information that may be important to you. You should carefully read this entire proxy statement and not rely solely on the following summary.*

### **Proposal 1 Election of Directors**

Under TDS' Restated Certificate of Incorporation, as amended, the terms of all incumbent directors will expire at the 2009 annual meeting.

Holders of Series A Common Shares and the holders of the Preferred Shares, voting as a group, will be entitled to elect eight directors. Your board of directors has nominated the following incumbent directors for election by the holders of Series A Common Shares and the holders of the Preferred Shares (the "Series A Holders"): LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D., Prudence E. Carlson, Walter C.D. Carlson, Kenneth R. Meyers, Donald C. Nebergall, George W. Off and Mitchell H. Saranow.

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

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

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

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

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

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

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2009.

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

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

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

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

## VOTING INFORMATION

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

The close of business on March 30, 2009 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

A complete list of shareholders entitled to vote at the annual meeting, arranged in alphabetical order and by voting group, showing the address of and number of shares held by each shareholder, will be kept open at the offices of TDS, 30 North LaSalle Street, 40th Floor, Chicago, Illinois 60602, for examination by any shareholder during normal business hours, for a period of at least ten days prior to the annual meeting.



**What shares of stock entitle holders to vote at the meeting?**

We have the following classes of stock outstanding, each of which entitles holders to vote at the meeting:

Common Shares;

Special Common Shares;

Series A Common Shares; and

Preferred Shares.

The Common Shares are listed on the New York Stock Exchange under the symbol "TDS." The Special Common Shares are listed on the New York Stock Exchange under the symbol "TDS.S."

No public market exists for the Series A Common Shares, but the Series A Common Shares are convertible on a share-for-share basis into Common Shares or Special Common Shares.

No public market exists for the Preferred Shares. The Preferred Shares are divided into series, none of which is currently convertible into any class of common stock. All holders of outstanding Preferred Shares vote together with the holders of Common Shares and Series A Common Shares, except in the election of directors. In the election of directors, all outstanding Preferred Shares vote together with the holders of Series A Common Shares.

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

The following shows certain information relating to the outstanding shares and voting power of such shares in the election of directors as of the record date:

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

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

The following shows certain information relating to the outstanding shares and voting power of such shares in matters other than the election of directors as of the record date:

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

---

\*  
Less than .1%

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

Other than as required by law, holders of Special Common Shares do not have any right to vote on any matters except in the election of certain directors, as described above. Accordingly, actions submitted to a vote of shareholders other than the election of directors will generally be voted on only by holders of Common Shares, Series A Common Shares and Preferred Shares.

### **How may shareholders vote with respect to the election of directors in Proposal 1?**

Shareholders may, with respect to directors to be elected by such shareholders:

vote FOR the election of such director nominees, or

WITHHOLD authority to vote for such director nominees.

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

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

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

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

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

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

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

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

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

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

Shareholders may, with respect to the shareholder proposal:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

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

**How does the TDS Voting Trust intend to vote?**

The Voting Trust under Agreement dated June 30, 1989, as amended (the "TDS Voting Trust"), holds 6,105,864 Series A Common Shares on the record date, representing approximately 94.5% of the Series A Common Shares. By reason of such holding, the TDS Voting Trust has the voting power to elect all of the directors to be elected by the holders of Series A Common Shares and Preferred Shares and has approximately 52.5% of the voting power with respect to matters other than the election of directors. The TDS Voting Trust holds 6,065,661 TDS Special Common Shares on the record date, representing approximately 11.3% of the Special Common Shares. By reason of such holding, the TDS Voting Trust has approximately 5.8% of the voting power with respect to the election of directors elected by the

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

The TDS Voting Trust has advised us that it intends to vote:

FOR the board of directors' nominees for election by the holders of Series A Common Shares and Preferred Shares,

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

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

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

AGAINST the shareholder proposal.

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

Proxies are being requested from the holders of Common Shares in connection with the election of four directors in Proposal 1 and in connection with Proposals 2, 3 and 4.

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

Proxies are being requested from the holders of Series A Common Shares and Preferred Shares in connection with the election of eight directors in Proposal 1 and in connection with Proposals 2, 3 and 4.

Whether or not you intend to be present at the meeting, please sign and mail your proxy card(s) in the enclosed self-addressed envelope to Corporate Election Services, P.O. Box 2400, Pittsburgh, Pennsylvania 15230-2400, or vote by phone or on the Internet in accordance with the instructions set forth on the proxy card(s). If you hold more than one class of our shares, you will find enclosed a separate proxy card for each holding. To assure that all your shares are represented, please vote on the Internet or by phone or return the enclosed proxy card(s) by mail as follows:

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

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

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

a proxy card for Preferred Shares.

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

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

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

If no direction is made on the applicable proxy card(s), a proxy by any shareholder will be voted FOR the election of the board of directors' nominees to serve as directors in Proposal 1, FOR Proposals 2 and 3 and AGAINST Proposal 4, as the case may be.

Proxies given pursuant to this solicitation may be revoked at any time prior to the voting of the shares at the annual meeting by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the annual meeting.

Because the board of directors has no knowledge of any other proposals to be presented at the 2009 annual meeting and because no other proposals were received by TDS by the date specified by the advance notice provision in TDS' Bylaws, the proxy solicited by the board of directors for the 2009 annual meeting confers discretionary authority to vote on any matter that may properly come before

such meeting or any adjournment, postponement, continuation or rescheduling thereof, other than the foregoing proposals.

**How will my shares be voted if I own shares through a broker?**

If you are the beneficial owner of shares held in "street name" by a broker, bank, or other nominee ("broker"), such broker, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not give instructions to the broker, under Rule 452 of the New York Stock Exchange, depending on the timing of certain actions, the nominee may be entitled to vote the shares with respect to "discretionary" items but will not be permitted to vote the shares with respect to "non-discretionary" items (in which case such shares will be treated as "broker non-votes"). In addition, whether the broker can or will vote your shares if you do not give instructions to the broker and how such shares may be voted by the broker (i.e., proportionately with voting instructions received by the broker from other shareholders or pursuant to the recommendation of management) depends on the particular broker's policies. Accordingly, we cannot advise you whether your broker will or will not vote your shares or how it may vote the shares if it does not receive voting instructions from you and recommend that you contact your broker. In general, an uncontested election of directors and the ratification of auditors are discretionary items. On the other hand, a contested director election, the approval of an equity compensation plan and shareholder proposals are non-discretionary items. In such case, if you do not give your broker specific instructions, your shares may be treated as "broker non-votes" and may not be voted on these matters. Accordingly, we urge you to provide instructions to your broker so that your votes may be counted on all matters. If your shares are held in street name, your broker will include a voting instruction card with this proxy statement. We strongly encourage you to vote your shares by following the instructions provided on the voting instruction card. Please return your voting instruction card to your broker and/or contact your broker to ensure that a proxy card is voted on your behalf.

**What constitutes a quorum for the meeting?**

A majority of the voting power of shares of capital stock in matters other than the election of directors and entitled to vote, represented in person or by proxy, will constitute a quorum to permit the annual meeting to proceed. For such purposes, withheld votes and abstentions of shares entitled to vote and broker "non-votes" will be treated as present in person or represented by proxy for purposes of establishing a quorum for the meeting. If such a quorum is present or represented by proxy, the meeting can proceed. If the shares beneficially owned by the TDS Voting Trust are present in person or represented by proxy at the annual meeting, such shares will constitute a quorum at the annual meeting to permit the meeting to proceed. In addition, where a separate vote by a class or group is required with respect to a proposal, a quorum is also required with respect to such proposal for the vote to proceed with respect to such proposal.

In the election of directors, the holders of a majority of the votes of the stock of such class or group issued and outstanding and entitled to vote with respect to such director, present in person or represented by proxy, will constitute a quorum with respect to such election. Withheld votes by shares entitled to vote with respect to a director and broker "non-votes" with respect to such director will be treated as present in person or represented by proxy for purposes of establishing a quorum for the election of such director. If Series A Common Shares beneficially owned by the TDS Voting Trust are present in person or represented by proxy at the annual meeting, such shares will constitute a quorum at the annual meeting in connection with the election of directors by the holders of Series A Common Shares and Preferred Shares.

With respect to the proposals to approve the amended Non-Employee Director Compensation Plan and to ratify accountants and the shareholder proposal, the holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to such proposals, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with such proposals. Abstentions from voting on such proposals by shares entitled to vote on such proposal and broker "non-votes" with respect to such proposals will be treated as present in person or represented by proxy for purposes of establishing a quorum for such proposals. If TDS shares beneficially owned by the TDS

Voting Trust are present in person or represented by proxy at the annual meeting, such shares will constitute a quorum at the annual meeting in connection with such proposals.

**What vote is required to elect directors in Proposal 1?**

Directors will be elected by a plurality of the votes cast in the election of directors by the class or group of stockholders entitled to vote in the election of such directors which are present in person or represented by proxy at the meeting.

Accordingly, if a quorum exists, the persons receiving a plurality of the votes cast by shareholders entitled to vote with respect to the election of such director will be elected to serve as a director. Withheld votes and broker non-votes with respect to the election of such directors will not be counted as votes cast for purposes of determining if a director has received a plurality of the votes.

**What vote is required with respect to Proposal 2?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 2. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name. Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

If a quorum is present at the annual meeting, under Delaware law and the TDS bylaws, the approval of Proposal 2 will require the affirmative vote of the holders of stock having a majority of the votes which could be cast by the holders of all stock entitled to vote on such question which are present in person or by proxy at the meeting. Abstentions by shares entitled to vote on such proposal will be treated as shares which could be cast that are present for such purposes and, accordingly, will be treated as a vote against such proposal. Broker non-votes with respect to such proposal will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposal is approved, even though they may be included for purposes of determining a quorum.

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

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

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 3. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name. Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

If a quorum is present at the annual meeting, the approval of Proposal 3 will require the affirmative vote of the holders of stock having a majority of the votes which could be cast by the holders of all stock entitled to vote on such question which are present in person or by proxy at the meeting. Abstentions by shares entitled to vote on such proposal will be treated as votes which could be cast that are present for such purposes and, accordingly, will count as a vote cast against such proposal. Broker non-votes with respect to such proposal will not be included in the total of votes which could be cast which are present for purposes of determining whether such proposal is approved, even though they may be included for purposes of determining a quorum.

**What vote is required with respect to Proposal 4?**

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposal 4. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name.



Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

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

### SETTLEMENT AGREEMENT

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

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

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

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

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

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

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

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

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

The terms of all incumbent directors will expire at the 2009 annual meeting. The board of directors' nominees for election of directors are identified in the tables below. Each of the nominees has consented to be named in the proxy statement and consented to serve if elected. In the event any such nominee fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee if one is designated by the board of directors.

**To be Elected by Holders of Common Shares and Special Common Shares**

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Clarence A. Davis	67	Director Nominee and Business Consultant	N/A
Christopher D. O'Leary	49	Director of TDS and Executive Vice President, Chief Operating Officer International of General Mills, Inc.	2006
Gary L. Sugarman	56	Director Nominee and Executive Chairman of Verosity Technology Partners	N/A
Herbert S. Wander	74	Director of TDS and Partner, Katten Muchin Rosenman LLP, Chicago, Illinois	1968

**To be Elected by Holders of Series A Common Shares and Preferred Shares**

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
LeRoy T. Carlson, Jr.	62	Director and President and Chief Executive Officer of TDS	1968
Letitia G. Carlson, M.D.	48	Director of TDS and Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Prudence E. Carlson	57	Director of TDS and Private Investor	May 2008
Walter C.D. Carlson	55	Director and non executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Kenneth R. Meyers	55	Director and Executive Vice President and Chief Financial Officer of TDS and Chief Accounting Officer of U.S. Cellular and TDS Telecommunications Corporation	2007
Donald C. Nebergall	80	Director of TDS and Consultant	1977
George W. Off	62	Director of TDS and Director of Checkpoint Systems, Inc.	1997
Mitchell H. Saranow	63	Director of TDS and Chairman of The Saranow Group, L.L.C.	2004

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

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

2006 to August 2007 he was an independent consultant, and from September 2005 through May 2006, Mr. Davis served as consultant to the National Headquarters, American Red Cross. Prior thereto, Mr. Davis was employed by the American Institute of Certified Public Accountants, serving as chief financial officer from 1998 through 2000 and chief operating officer from 2000 through 2005. Mr. Davis is a Certified Public Accountant (inactive). He is a member of the boards of directors and trustees of The Gabelli SRI Fund and The Gabelli Global Deal Fund, respectively, which are registered investment companies that are managed by an affiliate of GAMCO Asset Management, Inc. Mr. Davis was nominated to the TDS board of directors pursuant to the Settlement Agreement described above.

**Christopher D. O'Leary.** Christopher D. O'Leary was appointed executive vice president, chief operating officer international of General Mills, Inc., in June 2006. Before that, he was a senior vice president of General Mills since 1999. In addition, he was the president of the General Mills Meals division between 2001 and 2006 and was president of the Betty Crocker division between 1999 and 2001. Mr. O'Leary joined General Mills in 1997 after a 17-year career with PepsiCo, where his assignments included leadership roles for the Walkers-Smiths business in the United Kingdom and the Hostess Frito-Lay business in Canada.

**Gary L. Sugarman.** Mr. Sugarman has been executive chairman of Verosity Technology Partners, a privately held facilities-based fiber network provider, since December 2007. Prior to that, he served as chairman and chief executive officer of Mid-Maine Communications, a facility based telecom company, from when he co-founded the company in 1994 until it was sold in 2006. Prior thereto, Mr. Sugarman was involved in various operating positions at Frontier Corporation, a telecommunications company, from 1984 to 1991 including Director of Business Development. Mr. Sugarman is currently a director of LICT Corporation, a telecommunications company that is quoted on the Pink Sheets. Mario J. Gabelli, who is the chairman of and may be deemed to control LICT Corporation, controls GAMCO Asset Management, Inc. Mr. Sugarman was nominated to the TDS board of directors pursuant to the Settlement Agreement described above.

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

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

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

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

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

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

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

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

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

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

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

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

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

### Former and Departing Directors

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

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

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

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

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

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

## CORPORATE GOVERNANCE

### Board of Directors

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

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

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

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

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

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

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

Pursuant to the requirements of the NYSE Listed Company Manual, the TDS board of directors affirmatively determined that each member of the TDS Audit Committee has no material relationship with TDS or any other member of the TDS consolidated group ("TDS Consolidated Group"), either directly or as a partner, shareholder or officer of an organization that has a relationship with any member of the TDS Consolidated Group, and that each of such persons is independent (pursuant to Section 303A.02(a), Section 303A.02(b) and Section 10A-3) considering all relevant facts and circumstances, including commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, if any.

Such relevant facts and circumstances included the following: None of such persons is an employee or officer of TDS or any other member of the TDS Consolidated Group. None of such persons has any direct or indirect business relationships and/or fee arrangements with the TDS Consolidated Group and none of such persons receives any compensation from the TDS Consolidated Group except for his services as a director and member of Board committees of TDS. None of such persons has any other relationship or arrangement with the TDS Consolidated Group other than in his capacity as a director of TDS. Each of such persons qualifies as independent under each of the categorical standards in Section 303A.02(b) of the NYSE Listed Company Manual. Each of such persons qualifies as independent under Section 10A-3 because none of such persons receives any compensatory fee from any member of the TDS Consolidated Group and is not an "affiliated person" with respect to any member of the TDS Consolidated Group. None of such persons is an "immediate family member" (as defined by Section 303A.02(b)) of any person who is not independent under Section 303A.02 of the NYSE Listed Company Manual. The only relationship and/or fee arrangement which such persons have with the TDS Consolidated Group are as directors and members of Board committees of TDS. See also "SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT" for information relating to beneficial share ownership and other relationships of Donald Nebergall.

In addition, incumbent directors Gregory P. Josefowicz and Christopher D. O'Leary would qualify as independent directors under the listing standards of the NYSE. As a result, six of the twelve incumbent directors, or 50% of the directors, have been determined to qualify or would qualify as independent under the listing standards of the NYSE.

Pursuant to Section 303A.12(a) of the NYSE Listed Company Manual, TDS' CEO certified to the NYSE that he was not aware of any violation by the company of NYSE corporate governance listing standards, without qualification, at the time that TDS first listed shares on the NYSE on September 15, 2008. TDS' CEO is required to provide a similar certification to the NYSE on an annual basis within 30 days after each annual meeting. TDS expects that its CEO will file a similar certification without qualification with the NYSE within 30 days after the 2009 annual meeting.

### **Meetings of Board of Directors**

The board of directors held seven meetings during 2008. Each director attended at least 75 percent of the total number of meetings of the board of directors (held during 2008 at which time such person was a director) and at least 75 percent of the total number of meetings held by each committee of the board on which such person served (during the periods that such person served).

### **Corporate Governance Guidelines**

Under NYSE listing standards, TDS is required to adopt and disclose corporate governance guidelines that address certain specified matters. TDS has adopted Corporate Governance Guidelines that address (i) Board structure, (ii) director qualification standards, (iii) director responsibilities, orientation and continuing education, (iv) director compensation and stock ownership, (v) Board resources and access to management and independent advisors, (vi) annual performance evaluation of the Board, (vii) Board committees, (viii) management succession and (ix) periodic review of the guidelines. A copy of such guidelines is available on TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate

Governance Corporate Governance Guidelines, and is available in print to any shareholder who requests it.

### **Corporate Governance and Nominating Committee**

Because TDS is a controlled company, it is not required under NYSE listing standards to have a corporate governance/nominating committee or, if it has one, that it be composed entirely of independent directors. Although not required to do so under NYSE listing standards, TDS voluntarily has established a Corporate Governance and Nominating Committee. The members of the Corporate Governance and Nominating Committee are Walter C.D. Carlson (chairperson), LeRoy T. Carlson, Jr. and Mitchell H. Saranow. Mr. Saranow qualifies as an independent director under NYSE listing standards. The primary function of the Corporate Governance and Nominating Committee is to advise the board on corporate governance matters, including developing and recommending to the board the corporate governance guidelines for TDS. On May 22, 2008, the function of the committee was expanded to provide that the committee will develop selection objectives and oversee the search for qualified individuals to serve on the Board and recommend to the Board prospective nominees and the re-nomination of incumbent directors as it deems appropriate. Prior to such change, this committee was named the Corporate Governance Committee. A copy of the committee charter is available on TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Board Committee Charters, and is available in print to any shareholder who requests it.

### **Audit Committee**

The primary function of the Audit Committee is to (a) assist the Board of Directors of TDS in its oversight of (1) the integrity of TDS' financial statements, (2) TDS' compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of TDS' internal audit function and independent auditors; (b) prepare an audit committee report as required by the rules of the SEC to be included in TDS' annual proxy statement and (c) perform such other functions as set forth in the TDS Audit Committee charter, which shall be deemed to include the duties and responsibilities set forth in Section 10A-3. A copy of the Audit Committee charter is available on TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Board Committee Charters, and is available in print to any shareholder who requests it.

The Audit Committee is currently composed of four members who qualify as independent under NYSE listing standards, including Section 10A-3, as discussed above. The current members of the Audit Committee are George W. Off (chairperson), Donald C. Nebergall, Mitchell H. Saranow and Herbert S. Wander. The board of directors has determined that each of the members of the Audit Committee is financially literate and has "accounting or related financial management expertise" pursuant to listing standards of the NYSE.

The board has made a determination that Mr. Saranow is an "audit committee financial expert" as such term is defined by the SEC.

In accordance with the SEC's safe harbor rule for "audit committee financial experts," no member designated as an audit committee financial expert shall (i) be deemed an "expert" for any other purpose or (ii) have any duty, obligation or liability that is greater than the duties, obligations and liability imposed on a member of the board or the audit committee not so designated. Additionally, the designation of a member or members as an "audit committee financial expert" shall in no way affect the duties, obligations or liability of any member of the audit committee, or the board, not so designated.

The Audit Committee held nine meetings during 2008.

### *Pre-Approval Procedures*

The Audit Committee adopted a policy, effective May 6, 2003, as amended as of February 26, 2004, pursuant to which all audit and non-audit services must be pre-approved by the Audit Committee. The following describes the policy as amended. Under no circumstances may TDS' principal external accountant provide services that are prohibited by the Sarbanes Oxley Act of 2002 or rules issued



thereunder. Non-prohibited audit related services and certain tax and other services may be provided to TDS, subject to such pre-approval process and prohibitions. The Audit Committee has delegated to the chairperson plus any other member of the Audit Committee the authority to pre-approve services by the independent registered public accountants and to report any such approvals to the full Audit Committee at each of its regularly scheduled meetings. In the event the chairperson is unavailable, pre-approval may be given by any two members of the Audit Committee. The pre-approval policy relates to all services provided by TDS' principal external auditor and does not include any *de minimis* exception.

*Review, approval or ratification of transactions with related persons*

The Audit Committee Charter provides that the Audit Committee shall "be responsible for the review and oversight of all related party transactions, as such term is defined by the rules of the New York Stock Exchange." Related party transactions are addressed in Sections 307.00 and 314.00 of the NYSE Listed Company Manual.

Section 314.00 of the NYSE Listed Company Manual states that "Related party transactions normally include transactions between officers, directors, and principal shareholders and the company." In general, "related party transactions" would include transactions required to be disclosed in TDS' proxy statement pursuant to Item 404 of Regulation S-K of the SEC. Pursuant to Item 404, TDS is required to disclose any transaction, which includes any financial transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or a series of transactions, that has taken place since the beginning of TDS' last fiscal year or any currently proposed transaction in which: (1) TDS was or is to be a participant, (2) the amount involved exceeds \$120,000 and (3) any "related person" had or will have a direct or indirect material interest in the transaction during any part of the fiscal year. For this purpose, in general, the term "related person" includes any director or executive officer of TDS, any nominee for director, any beneficial owner of more than five percent of any class of TDS' voting securities and any "immediate family member" of such persons, within the meaning of Item 404.

Section 314.00 of the NYSE Listed Company Manual provides that "Each related party transaction is to be reviewed and evaluated by an appropriate group within the listed company involved. While the Exchange does not specify who should review related party transactions, the Exchange believes that the Audit Committee or another comparable body might be considered as an appropriate forum for this task. Following the review, the company should determine whether or not a particular relationship serves the best interest of the company and its shareholders and whether the relationship should be continued or eliminated."

Accordingly, pursuant to such provisions, the TDS Audit Committee has review and oversight responsibilities over transactions that are deemed to be related-party transactions under Sections 307.00 and 314.00 of the NYSE Listed Company Manual. Other than the foregoing provisions, TDS has no further policy relating to (i) the types of transactions that are covered by such policies and procedures; (ii) the standards to be applied pursuant to such policies and procedures; or (iii) the persons or groups of persons on the board of directors or otherwise who are responsible for applying such policies and procedures, and TDS does not maintain any other written document evidencing such policies and procedures.

Since the beginning of the last fiscal year, the TDS Audit Committee exercised oversight over related-party transactions, but did not take any formal action to approve any related-party transactions.

**Compensation Committee**

Although not required to do so under NYSE listing standards because it is a controlled company, TDS voluntarily has established a Compensation Committee comprised solely of directors that qualify as independent under the rules of the NYSE. The primary functions of the Compensation Committee are to discharge the board of director's responsibilities relating to the compensation of the executive officers of TDS, other than U.S. Cellular or any of its subsidiaries. The responsibilities of the Compensation Committee include the review of salary, bonus, long-term compensation and all other elements of compensation of such executive officers.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

For these purposes, "executive officers" means all officers that are employees who are or will be identified in TDS' annual proxy statement as "executive officers," including the President and CEO of TDS Telecom, except that the compensation of the President and CEO of U.S. Cellular is established and administered by U.S. Cellular's chairman and stock option compensation committee, as described in the proxy statement of U.S. Cellular relating to its 2009 annual meeting of shareholders.

The Compensation Committee is comprised of at least two non-employee members of TDS' board of directors, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended, and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. As noted above, such members also qualify as independent under the rules of the NYSE. The members of the Compensation Committee were Herbert S. Wander (chairperson), George W. Off and Christopher D. O'Leary until March 2008, when Gregory P. Josefowicz also was appointed to the Compensation Committee. These persons do not have any compensation committee interlocks and are not related to any other directors.

The Compensation Committee charter permits it to delegate some or all of the administration of the long-term incentive plans or programs to the President and Chief Executive Officer or other executive officers of TDS as the committee deems appropriate, to the extent permitted by law and the applicable long-term incentive plan or program, but not regarding any award to the President and CEO. The Compensation Committee has not delegated this authority with respect to any of the officers identified in the below Summary Compensation Table.

The Compensation Committee's charter provides that it will obtain advice and assistance from the Chief Executive Officer and the Vice President of Human Resources and from any other officer or employee of TDS, as it determines is appropriate. As discussed below, the Compensation Committee also utilizes the services of compensation consultants.

Towers Perrin is TDS' primary compensation consultant. The Compensation Committee and its predecessors have utilized the services of this consultant. TDS' Human Resources Department also supports the Compensation Committee in its work. In 2008, the role of such compensation consultant in determining or recommending the amount or form of executive officer compensation was principally to provide consulting services on the type and amount of compensation to be granted to officers and other employees. The nature and scope of the assignment, and the material elements of the instructions or directions given to such consultant with respect to the performance of its duties under its engagement, was to provide external benchmarking data to TDS from its executive compensation survey database.

In addition, the Compensation Committee charter provides that the committee shall have the authority to engage advisors as it deems necessary to carry out its duties and that TDS shall provide appropriate funding, as determined by the Compensation Committee, for payment of any advisor retained by the committee, as well as ordinary administrative expenses of the committee that are necessary or appropriate in carrying out its duties. Pursuant to such authority, the Compensation Committee has engaged Compensation Strategies, Inc., a provider of executive compensation consulting services, since the latter half of 2007. Compensation Strategies is independent and does not have any other relationships with TDS or its affiliates. The role of such compensation consultant in determining or recommending the amount or form of executive officer compensation, and the nature and scope of the assignment, and the material elements of the instructions or directions given to such consultant with respect to the performance of its duties under its engagement, is to review TDS' various compensation elements and programs and to provide independent analysis and advice to the Compensation Committee for the purpose of evaluating such elements and programs. As discussed below, such compensation consultant conducted a competitive review of compensation levels of TDS executive officers in 2008.

The foregoing consultants did not provide any advice as to director compensation and only provided advice as to compensation to officers and employees. The Compensation Committee does not approve director compensation. It is the view of the TDS board of directors that this should be the responsibility of the full board of directors. In particular, only non-employee directors receive compensation in their capacity as directors and, as a result, the view of the TDS board of directors is that all directors should participate in such compensation decisions, rather than only some or all of the non-employee directors.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

A copy of the charter of the Compensation Committee is available on TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Board Committee Charters.

The Compensation Committee held seven meetings during 2008. It also took actions by unanimous written consent.

### **Other Committee**

TDS has a Pricing Committee, consisting of LeRoy T. Carlson, Jr., as Chairman, and Kenneth R. Meyers, as a regular member. Walter C.D. Carlson is an alternate member of this committee. The Pricing Committee does not have a charter. Pursuant to resolutions of the TDS board of directors from time to time, the Pricing Committee is authorized to take certain actions with respect to financing and capital transactions of TDS, such as the issuance, redemption or repurchase of debt or the repurchase of shares of capital stock of TDS.

### **Director Nomination Process**

As discussed above, because TDS is a controlled company, it is not required under NYSE listing standards to have a corporate governance/nominating committee or, if it has one, that it be composed entirely of independent directors. Although not required to do so under NYSE listing standards, TDS voluntarily has established a Corporate Governance and Nominating Committee. On May 22, 2008, the function of this committee was expanded to provide that the committee will develop selection objectives and oversee the search for qualified individuals to serve on the board of directors and recommend to the board of directors prospective nominees and the re-nomination of incumbent directors as it deems appropriate. The committee does not nominate directors. It only recommends to the board of directors prospective nominees and the re-nomination of incumbent directors as it deems appropriate. The entire board of directors determines whether to nominate prospective nominees and re-nominate incumbent directors.

TDS does not have a formal policy with regard to the consideration of any director candidates recommended by shareholders. However, because the TDS Voting Trust has over 90% of the voting power in the election of directors elected by holders of Series A Common Shares and Preferred Shares, nominations of directors for election by the holders of Series A Common Shares and Preferred Shares is based on the recommendation of the trustees of the TDS Voting Trust. With respect to candidates for director to be elected by the Common Shares and Special Common Shares, the Corporate Governance and Nominating Committee and/or the TDS board may from time to time informally consider candidates submitted by shareholders that hold a significant number of Common Shares and/or Special Common Shares. TDS has no formal procedures to be followed by shareholders in submitting recommendations of candidates for director.

TDS does not have any specific, minimum qualifications that the board believes must be met by a nominee for a position on the TDS board of directors, or any specific qualities or skills that the board believes are necessary for one or more of the TDS directors to possess. The TDS board has consistently sought to nominate to the board of directors eminently qualified individuals whom the board believes would provide substantial benefit and guidance to TDS. The TDS board believes that substantial judgment, diligence and care are required to identify and select qualified persons as directors and does not believe that it would be appropriate to place limitations on its own discretion.

On November 3, 2008, the TDS board of directors amended the TDS bylaws. One of the changes was to add a new Section 1.15 to the bylaws. Section 1.15 provides that a person properly nominated by a shareholder for election as a TDS director shall not be eligible for election as a director unless he or she signs and returns to the Secretary of TDS, within fifteen days of a request therefor, written responses to any questions posed by the Secretary, that are intended to (i) determine whether such person may qualify as independent and would qualify to serve as a director of TDS under rules of the Federal Communications Commission ("FCC"), and (ii) obtain information that would be disclosed in a proxy statement with respect to such person as a nominee for election as a director and other material information about such person.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

In general, the Corporate Governance and Nominating Committee will recommend that the TDS board re-nominate, and the TDS board will re-nominate, existing directors for re-election unless the Corporate Governance and Nominating Committee and/or board has a concern about the director's ability to perform his or her duties. In the event of a vacancy on the board of a director elected by the Series A Common Shares and Preferred Shares, nominations are based on the recommendation of the trustees of the TDS Voting Trust. In the event of a vacancy on the board of a director elected by the Common Shares and Special Common Shares, TDS may use various sources to identify potential candidates, including an executive search firm. In addition, the Corporate Governance and Nominating Committee may consider recommendations by shareholders that hold a significant number of Common Shares and/or Special Common Shares. Potential candidates are initially screened by the Corporate Governance and Nominating Committee and by other persons as the Corporate Governance and Nominating Committee designates. Following this process, the Corporate Governance and Nominating Committee will consider whether one or more candidates should be considered by the full board of directors. When appropriate, information about the candidate is presented to and discussed by the full board of directors.

Each of the nominees approved by the TDS board for inclusion on TDS' proxy card for election at the 2009 annual meeting, except Clarence A. Davis and Gary L. Sugarman, are executive officers and/or directors who are standing for re-election and were recommended for re-nomination by the Corporate Governance and Nominating Committee. Clarence A. Davis and Gary L. Sugarman were nominated to the TDS board of directors pursuant to the Settlement Agreement described above.

From time to time, TDS may pay a fee to an executive search firm to identify potential candidates for election as directors. TDS did not pay a fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential new nominees for election as directors at the 2008 or 2009 annual meetings.

### **Non-Management Directors and Shareholder Communication with Directors**

As required by NYSE listing standards, the non-management directors of TDS meet at regularly scheduled executive sessions without management. The TDS Chairman of the Board, Walter C.D. Carlson, presides at all meetings of the non-management directors. In addition, as required by NYSE listing standards, the independent directors of TDS meet at least once per year in an executive session without management or directors who are not independent.

Shareholders or other interested parties may send communications to the TDS board of directors, to the Chairman of the Board, to the non-management directors or to specified individual directors of TDS at any time. Shareholders or other interested parties should direct their communication to such persons or group in care of the Secretary of TDS at its corporate headquarters, 30 N. LaSalle St., Chicago IL 60602. Any shareholder communications that are addressed to the board of directors, the Chairman of the Board, the non-management directors or specified individual directors will be delivered by the Secretary of TDS to such persons or group.

For more information, see the instructions on TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Contacting the TDS Board of Directors.

### **TDS Policy on Attendance of Directors at Annual Meeting of Shareholders**

All directors are invited and encouraged to attend the annual meeting of shareholders, which is normally followed by the annual meeting of the board of directors. In general, all directors attend the annual meeting of shareholders unless they are unable to do so due to unavoidable commitments or intervening events. All twelve persons serving as directors at the time attended the 2008 annual meeting of shareholders.

### **Stock Ownership Guidelines**

On May 10, 2007, the TDS board of directors amended its stock ownership guidelines for directors to provide that, within three years after (a) March 31, 2007 or (b) the date on which a director first

becomes a director, whichever is later, and thereafter for so long as each director remains a director of TDS, each such director is required to own Series A Common Shares, Common Shares and/or Special Common Shares of TDS having a combined value of at least \$100,000. The TDS board of directors will review this minimum ownership requirement periodically. The stock ownership guidelines are included in TDS' Corporate Governance Guidelines, which have been posted to TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Corporate Governance Guidelines.

**Code of Business Conduct and Ethics Applicable to Directors**

As required by Section 303A.10 of the NYSE Listed Company Manual, TDS has adopted a Code of Business Conduct and Ethics for Officers and Directors, as amended as of September 15, 2008. This code has been posted to TDS' internet website, [www.teldta.com](http://www.teldta.com), under Corporate Governance Code of Business Conduct and Ethics for Officers and Directors, and is available in print to any shareholder who requests it.

**PROPOSAL 2**  
**AMENDMENT OF COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS**

Based on a review of director compensation practices in the telecommunications industry and at other comparable companies, the TDS board of directors approved amendments to the TDS Compensation Plan for Non-Employee Directors, and authorized the issuance of up to 50,000 additional TDS Special Common Shares under the plan. A copy of the amended plan is attached hereto as Exhibit A.

The amended plan is subject to shareholder approval under the rules of the New York Stock Exchange because the amendments are material and the plan involves the issuance of TDS equity securities to directors of TDS. Accordingly, the TDS Compensation Plan for Non-Employee Directors, as amended (the "Directors Plan"), is being submitted for approval by the shareholders at the 2009 Annual Meeting. If approved by shareholders, the provisions relating to the issuance of TDS equity securities will be effective upon such approval. The following is a description of the Directors Plan, as amended.

**Description Of The Plan**

Non-employee directors will receive an annual director's retainer fee of \$55,000 paid in cash. Non-employee directors also will receive an annual stock award of \$55,000 paid in the form of TDS Special Common Shares, which will be distributed in March on or prior to March 15 of each year, beginning March 2009, for services performed during the 12 month period that commenced on March 1 of the immediately preceding calendar year and ended on the last day of February of the calendar year of payment. The number of shares will be determined on the basis of the closing price of TDS Special Common Shares for the last trading day in the month of February of each year. Notwithstanding the foregoing, the annual director's stock award to be distributed in March 2009 will be distributed \$45,000 in the form of TDS Special Common Shares and \$10,000 in the form of cash.

The Chairperson of the board of directors will receive an additional annual retainer fee of \$45,000, paid in cash.

Each non-employee director who serves on the Audit Committee, other than the Chairperson, will receive an annual committee retainer fee of \$11,000, and the Chairperson will receive an annual committee retainer fee of \$22,000.

Each non-employee director who serves on the Compensation Committee, other than the Chairperson, will receive an annual committee retainer fee of \$7,000, and the Chairperson will receive an annual committee retainer fee of \$14,000.

Each non-employee director who serves on the Corporate Governance and Nominating Committee, other than the Chairperson, will receive an annual committee retainer fee of \$5,000, and the Chairperson will receive an annual committee retainer fee of \$10,000.

Non-employee directors also will receive a meeting fee of \$1,750 for each board or committee meeting attended.

Upon approval of this amended Directors Plan by shareholders, directors will have the authority without further shareholder approval to further amend the Directors Plan from time to time, including amendments to increase the amount of the compensation payable in Special Common Shares from time to time, provided that the total number of Special Common Shares issued under the Plan may not exceed the amount previously approved by shareholders.

Under the Directors Plan, annual retainers will be paid in cash on a quarterly basis, as of the last day of each quarter. Fees for all board and committee meetings will be paid in cash on a quarterly basis, as of the last day of each quarter.

A total of 75,000 TDS Special Common Shares were previously approved by shareholders for issuance under the Directors Plan, of which approximately 32,500 Special Common Shares have been issued as of February 28, 2009. The board of directors authorized the issuance of an additional 50,000

Special Common Shares, which increases the maximum number of shares that may be issued under this plan to 125,000, less shares previously issued.

Pursuant to Section 303A.08 of the New York Stock Exchange Listed Company Manual, the authorization to issue Special Common Shares pursuant to the Directors Plan shall expire ten years after the date of shareholder approval on May 21, 2009, unless reapproved by shareholders. If for any reason shares cannot be issued pursuant to the requirements of the New York Stock Exchange or otherwise, the value of such shares that cannot be issued shall be issued in the form of cash.

#### **Federal Income Taxes**

In general, a non-employee director who is issued Special Common Shares under the Directors Plan will recognize taxable compensation in the year of issuance in an amount equal to the fair market value of such Special Common Shares on the date of issuance, and TDS will be allowed a deduction for federal income tax purposes at the time the non-employee director recognizes taxable compensation equal to the amount of compensation recognized by such non-employee director.

In general, a non-employee director's basis for Special Common Shares received under the Directors Plan will be the amount recognized as taxable compensation with respect to such Special Common Shares, and a non-employee director's holding period for such shares will begin on the date the non-employee director recognizes taxable compensation with respect to the shares.

The foregoing tax effects may be different if Special Common Shares are subject to restrictions imposed by Section 16(b) of the Exchange Act. In such case, a non-employee director who is issued Special Common Shares under the Directors Plan will recognize taxable compensation on the issued shares when the restrictions on such shares imposed by Section 16(b) of the Exchange Act lapse, unless the non-employee director makes an appropriate election under Section 83(b) of the Internal Revenue Code of 1986, as amended, to be taxed at the time of issuance of the shares.

In general, a non-employee director will recognize taxable compensation in the year of payment of the cash annual retainer or meeting fees in an amount equal to such cash payment, and in the year of payment TDS will be allowed a deduction for federal income tax purposes equal to the compensation recognized by such non-employee director.

#### **Plan Benefits**

No disclosure is being made of the benefits or amounts that will be received by or allocated to any participants because the benefit or amount is not determinable until earned and paid.

**The board of directors recommends a vote "FOR" approval of the Non-Employee Directors Compensation Plan, as amended.**

**PROPOSAL 3**  
**INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We anticipate continuing the services of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year. Representatives of PricewaterhouseCoopers LLP, who served as our independent registered public accounting firm for the last fiscal year, are expected to be present at the annual meeting of shareholders and will have the opportunity to make a statement and to respond to appropriate questions raised by shareholders at the annual meeting or submitted in writing prior thereto.

We are not required to obtain shareholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm by the Bylaws or otherwise. However, we have elected to seek such ratification by the affirmative vote of the holders of a majority of the votes cast by shares entitled to vote with respect to such matter at the annual meeting. Should the shareholders fail to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm, the Audit Committee of the board of directors will review whether to retain such firm for the year ending December 31, 2009.

**The board of directors recommends a vote "FOR" ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year.**

**FEES PAID TO PRINCIPAL ACCOUNTANTS**

The following sets forth the aggregate fees (including expenses) billed by TDS' principal accountants PricewaterhouseCoopers LLP for 2008 and 2007:

	<i>2008</i>	<i>2007</i>
Audit Fees (1)	\$4,085,551	\$4,970,859
Audit Related Fees		
Tax Fees		
All Other Fees(2)	9,630	9,590
<b>Total Fees</b>	<b>\$4,095,181</b>	<b>\$4,980,449</b>

(1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for 2008 and 2007 (as updated) for professional services rendered for the audit of the annual financial statements for the years 2008 and 2007 included in TDS' and U.S. Cellular's Forms 10-K for those years and the reviews of the financial statements included in TDS' and U.S. Cellular's Forms 10-Q for each of these years including the attestation and report relating to internal control over financial reporting as well as accounting research, review of financial information included in other SEC filings and the issuance of consents and comfort letters.

(2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2008 and 2007.

The Audit Committee determined that the payment of fees for non-audit related services does not conflict with maintaining PricewaterhouseCoopers LLP's independence.

See TDS' web site, [www.teldta.com](http://www.teldta.com), under Corporate Governance Board Committee Charters Audit Committee Charter, for information relating to the Audit Committee's pre-approval policies.



**AUDIT COMMITTEE REPORT**

This report is submitted by the current members of the Audit Committee of the board of directors of TDS. The Audit Committee operates under a written charter adopted by the TDS board of directors, a copy of which is available on TDS' web site, *www.teldta.com*, under Corporate Governance Board Committee Charters.

Management is responsible for TDS' internal controls and the financial reporting process. TDS has an internal audit staff, which performs testing of internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of TDS' consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee held meetings with management, the internal audit staff and representatives of PricewaterhouseCoopers LLP, TDS' independent registered public accounting firm for 2008. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2008. Management represented to the Audit Committee that TDS' consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and representatives of PricewaterhouseCoopers LLP.

The discussions with PricewaterhouseCoopers LLP also included the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, relating to information regarding the scope and results of the audit. The Audit Committee also received from PricewaterhouseCoopers LLP written disclosures and a letter regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and this information was discussed with PricewaterhouseCoopers LLP.

Based on, and in reliance upon these reviews and discussions, the Audit Committee recommended to the board of directors that the audited financial statements as of and for the year ended December 31, 2008 be included in TDS' Annual Report on Form 10-K for the year ended December 31, 2008.

By the members of the Audit Committee of the board of directors of TDS:

George W. Off  
Chairperson

Donald C. Nebergall

Mitchell H. Saranow

Herbert S. Wander

## EXECUTIVE OFFICERS

The following executive officers of TDS were identified in the above tables regarding the election of directors: LeRoy T. Carlson, Jr., President of TDS; and Kenneth R. Meyers, Executive Vice President and Chief Financial Officer of TDS. In addition to the executive officers identified in the tables regarding the election of directors, set forth below is a table identifying current officers of TDS and its subsidiaries who are executive officers of TDS under SEC rules. Unless otherwise indicated, the position held is an office of TDS. The age of the following persons is as of the date of this proxy statement.

<i>Name</i>	<i>Age</i>	<i>Position</i>
LeRoy T. Carlson	92	Chairman Emeritus
John E. Rooney	67	President and CEO of United States Cellular Corporation
David A. Wittwer	48	President and CEO of TDS Telecommunications Corporation
Douglas D. Shuma	48	Senior Vice President and Corporate Controller
Kurt B. Thaus	50	Senior Vice President and Chief Information Officer
Scott H. Williamson	58	Senior Vice President Acquisitions and Corporate Development
C. Theodore Herbert	73	Vice President Human Resources
Joseph R. Hanley	42	Vice President Technology Planning and Services

**LeRoy T. Carlson.** LeRoy T. Carlson has been Chairman Emeritus of TDS (an executive officer of TDS) for more than five years. He is a director of U.S. Cellular. Mr. Carlson is the father of LeRoy T. Carlson, Jr., Walter C.D. Carlson, Letitia G. Carlson, M.D. and Prudence E. Carlson. See also "Election of Directors Former Director" for more information.

**John E. Rooney.** John E. Rooney has been the President and Chief Executive Officer of U.S. Cellular for more than five years.

**David A. Wittwer.** David A. Wittwer has been the President and Chief Executive Officer of TDS Telecom since January 1, 2007. On February 21, 2006, TDS appointed Mr. Wittwer as Executive Vice President and Chief Operating Officer (COO) of TDS Telecom and designated him to succeed James Barr III as President and CEO of TDS Telecom on January 1, 2007. Prior to his appointment as Executive Vice President and COO of TDS Telecom, Mr. Wittwer was President of TDS Telecom's incumbent local exchange carrier operations since March 2005. Prior to that time, he was Executive Vice President Staff Operations, Chief Financial Officer, Treasurer and Assistant Secretary of TDS Telecom for more than five years.

**Douglas D. Shuma.** Douglas D. Shuma was appointed Senior Vice President and Corporate Controller of TDS on September 1, 2007. Prior to that time, Mr. Shuma was a consultant at Douglas Financial Consultants, a company that he founded, since 2006. Before that time, he was the Vice President and Controller of Baxter International Inc. for more than five years.

**Kurt B. Thaus.** Kurt B. Thaus was appointed Senior Vice President and Chief Information Officer on January 12, 2004. Prior to that time, he was employed by T-Systems North America, Inc., the North American subsidiary of T-Systems International (Deutsche Telekom) for more than five years, most recently as senior vice president of technology management services.

**Scott H. Williamson.** Scott H. Williamson has been Senior Vice President Acquisitions and Corporate Development of TDS for more than five years.

**C. Theodore Herbert.** C. Theodore Herbert has been Vice President Human Resources of TDS for more than five years.

**Joseph R. Hanley.** Joseph R. Hanley was appointed Vice President Technology Planning and Services on August 15, 2004. Prior to that time, he was employed by TDS Telecom for more than five years, most recently as Vice President Strategic Planning and Emerging Applications.

All of our executive officers devote all their employment time to the affairs of TDS and its subsidiaries.

**Codes of Business Conduct and Ethics Applicable to Officers**

As required by Section 303A.10 of the NYSE Listed Company Manual, TDS has adopted a Code of Business Conduct and Ethics for Officers and Directors, that also complies with the definition of a "code of ethics" as set forth in Item 406 of Regulation S-K of the SEC. The foregoing code has been posted to TDS' internet website, *www.teldta.com*, under Corporate Governance Code of Business Conduct and Ethics for Officers and Directors, and is available in print to any shareholder who requests it.

In addition, TDS has adopted a broad Code of Business Conduct that is applicable to all officers and employees of TDS and its subsidiaries. The foregoing code has been posted to TDS' internet website, *www.teldta.com*, under Corporate Governance TDS Code of Business Conduct, and is available in print to any shareholder who requests it.

TDS intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to any of the foregoing codes, by posting such information to TDS' internet website. Any waivers of any of the foregoing codes for directors or executive officers will be approved by TDS' board of directors or authorized committee thereof, as applicable, and disclosed in a Form 8-K that is filed with the SEC within four business days of such waiver.

## EXECUTIVE AND DIRECTOR COMPENSATION

### Compensation Discussion And Analysis

This Compensation Discussion and Analysis discusses the compensation awarded to, earned by, or paid to the executive officers identified in the Summary Compensation Table.

#### Overview

TDS' compensation policies for executive officers are intended to provide incentives for the achievement of corporate and individual performance goals and to provide compensation consistent with the financial performance of TDS. TDS' policies establish incentive compensation performance goals for executive officers based on factors over which such officers have control and which are important to TDS' long-term success. TDS believes compensation should be related to the financial performance of TDS and should be sufficient to enable TDS to attract and retain individuals possessing the talents required for long-term successful performance. Nevertheless, although performance influences compensation and awards, all elements of compensation are discretionary and officers do not become entitled to any compensation or awards as a result of the achievement of performance levels. Compensation is not earned until approved and paid or awarded.

The responsibilities of the TDS Compensation Committee include the review of salary, bonus, long-term compensation and all other elements of compensation of executive officers of TDS, other than officers of U.S. Cellular or any of its subsidiaries. For these purposes, "executive officers" means all officers that are employees who are or will be identified in TDS' annual proxy statement as "executive officers," including the President and CEO of TDS Telecom, except that the compensation of the President and CEO of U.S. Cellular is established and administered by U.S. Cellular's chairman and stock option compensation committee, as described in the proxy statement of U.S. Cellular relating to its 2009 annual meeting of shareholders. Accordingly, except as expressly indicated below, the following discussion does not apply to John E. Rooney, the President and CEO of U.S. Cellular. Also, Mr. Rooney does not receive any awards with respect to TDS shares; all his awards made by the U.S. Cellular stock option compensation committee are with respect to Common Shares of U.S. Cellular (New York Exchange listing symbol "USM").

The Compensation Committee's charter provides that it will obtain advice and assistance from the Chief Executive Officer and the Vice President of Human Resources and from any other officer or employee of TDS, as it determines is appropriate. As discussed above, the Compensation Committee also utilizes the services of both TDS' compensation consultant and an independent compensation consultant.

The Compensation Committee's charter permits it to delegate some or all of the administration of the long-term incentive plans or programs to the President and Chief Executive Officer or other executive officer of TDS as the Committee deems appropriate, to the extent permitted by law and the applicable long-term incentive plan or program, but not regarding any award to the President and CEO. The Compensation Committee has not delegated this authority with respect to any of the officers identified in the Summary Compensation Table.

#### Objectives and Reward Structure of TDS' Compensation Programs

The above Overview generally described the objectives and reward structure of TDS' compensation programs. This section further discusses, with respect to the officers identified in the Summary Compensation Table, (1) the objectives of TDS' compensation programs and (2) what the compensation programs are designed to reward.

The objectives of TDS' general compensation programs for executive officers of TDS, and their relationship to the reward structure, are to:

support TDS' overall business strategy and objectives;

attract and retain high quality management;

link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and

provide competitive compensation opportunities consistent with the financial performance of TDS.

The primary financial focus of TDS as a consolidated enterprise is the increase of long-term shareholder value through growth, measured primarily in such terms as return on capital, revenues, customer units in service, operating cash flow (operating income plus depreciation, amortization and accretion) and operating income. Operating units of TDS may have somewhat different primary financial measures. However, there is no strict relationship between elements of compensation or total compensation and such measures of performance. Instead, compensation decisions are made subjectively by the Compensation Committee, considering certain performance measures, as well as all other appropriate facts and circumstances. TDS' compensation policies for executive officers are designed to reward the achievement of such corporate performance goals.

Each element of compensation and total compensation of the named executive officers is determined on the basis of the committee's analysis of multiple factors rather than specific measures of performance. The Compensation Committee does not rely on predetermined formulas or a limited set of criteria when it evaluates the performance of the named executive officers.

TDS' compensation programs are designed to reward performance of TDS on both a short-term and long-term basis. With respect to the officers identified in the Summary Compensation Table, the design of compensation programs and performance rewarded is similar but with some differences for each of the named executive officers depending on such officer's position and responsibilities.

The Compensation Committee evaluates the performance of the President and CEO of TDS in light of the annual and ongoing objectives for TDS and for its primary business units and the attainment of those objectives, and sets the elements of compensation for the President and CEO based on such performance evaluation and compensation principles, as discussed below.

With respect to the other officers identified in the Summary Compensation Table, the Compensation Committee reviews management's evaluation of the performance of such executive officers and determines and approves the elements of compensation for such executive officers based on such performance evaluations and compensation principles, as discussed below.

#### **Elements of Compensation**

This section discusses, with respect to the officers identified in the Summary Compensation Table, (i) each element of compensation paid to such officers, (ii) why TDS chooses to pay each element of compensation, (iii) how TDS determines the amount or formula for each element to pay, and (iv) how each compensation element and TDS' decisions regarding that element fit into TDS' overall compensation objectives and affect decisions regarding other elements.

Each element of compensation paid to officers is as follows:

##### Annual Cash Compensation

- o Salary
- o Bonus

##### Long-term equity compensation pursuant to Long-Term Incentive Plans

- o Stock Awards

Bonus Stock Match Awards

Restricted Stock Unit Awards

- o Stock Options

Other Benefits and Plans Available to Identified Officers

- o Deferred Compensation

- SERP
- Perquisites

Other Generally Applicable Benefits and Plans

- Employee Stock Purchase Plan
- Tax Deferred Savings Plan
- Pension Plan
- Post-Retirement Benefits
- Health and Welfare Plans

TDS has chosen to pay or provide these elements of compensation after considering common compensation practices of peers and other companies with similar characteristics, in order to support TDS' overall business strategy and objectives. TDS recognizes that it must compensate its executive officers in a competitive manner comparable to other similar companies in order to attract and retain high quality management, attain or exceed business objectives and targeted financial performance and increase shareholder value. Executive compensation is intended to provide, in the judgment of the Compensation Committee, an appropriate balance between the long-term and short-term performance of TDS, and also a balance between TDS' financial performance and shareholder return.

TDS does not have defined guidelines that determine the amount or formula for each element to pay or provide. TDS also does not have defined guidelines that determine how each compensation element and decisions regarding that element fit into the TDS' overall compensation objectives and affect decisions regarding other elements. TDS has no target levels for cash versus equity compensation. Instead, TDS establishes elements of compensation and determines how they fit together overall and in the manner described in the following discussion.

As noted above, the elements of executive compensation consist of both annual cash and long-term equity compensation. Annual cash compensation consists of base salary and an annual bonus. Annual compensation decisions are based partly on individual and corporate short-term performance and partly on the individual and corporate cumulative long-term performance during the executive's tenure in his or her position, particularly with regard to the President and CEO. Long-term equity compensation is intended to compensate executives primarily for their contributions to long-term increases in shareholder value and is generally provided through the grant of stock options and restricted stock units.

The Compensation Committee determines annually each such executive officer's base salary, taking into consideration: (1) the appropriate salary range for the executive officer's position and responsibilities, (2) his or her performance during the preceding year, (3) his or her performance during the executive's tenure in the position, (4) TDS' and its business units' performance during the year compared to plan and compared with that of similar companies, and (5) such other factors and circumstances as the committee may deem relevant. The Compensation Committee makes such determination considering the matters described below, including advice and information from its compensation consultant, Compensation Strategies, Inc. See Corporate Governance Compensation Committee, for information about Compensation Strategies.

In addition, the Compensation Committee determines annually the executive officer's bonus, taking into consideration: (1) the executive officer's performance during the preceding year, including contributions to TDS and its business units, and achievement of individual objectives, (2) TDS' and its business units' performance during the year compared to plan and compared with that of similar companies, (3) the achievement of important corporate and business unit objectives for the year and (4) such other factors and circumstances as the committee may deem relevant.

In general, other facts and circumstances that the Compensation Committee considers in determining the annual cash compensation of the named executive officers and/or that the President and CEO considers in his evaluation and recommendation to the Compensation Committee with respect to the named executive officers, other than the President and CEO, include the following: the fact that TDS is a public company; the





publicly-available benchmark information of cash compensation of TDS' publicly-held peers and other publicly-held companies, as discussed below; the fact that TDS is primarily a regional competitor and that some of its competitors are national or global telecommunications companies that are much larger than TDS and possess greater resources than TDS; the fact that TDS is a controlled company; and the fact that the primary financial focus of TDS as a consolidated enterprise is the increase of long-term shareholder value through growth. In addition, additional facts and circumstances considered with respect to the named executive officers are discussed below in the discussion relating to each such officer.

The Compensation Committee also determines long-term equity compensation awards to the identified executive officers under the TDS 2004 Long-Term Incentive Plan, which include options and restricted stock units, as discussed below. Grants of options and restricted stock units by TDS to the President and CEO and the other executive officers are generally made to all such officers at the same time during each year. In 2008, options and restricted stock units were granted on August 26, 2008. Bonus match units are granted on the date that the related bonus is determined. TDS may also make grants of equity awards during other times of the year as it deems appropriate. All option and restricted stock unit awards are expensed over the applicable vesting periods.

TDS does not backdate options or have any program, plan or practice to time the grant of awards in coordination with the release of material non-public information.

The Compensation Committee does not consider an officer's outstanding equity awards or stock ownership levels when determining the value of the long-term incentive award component of such officer's compensation. The Compensation Committee makes long-term incentive awards based on performance for a particular year and other considerations as described herein and does not consider outstanding equity awards and stock ownership to be relevant.

The incentives in compensation arrangements maintained by TDS do not encourage officers to take unnecessary and excessive risks that threaten the value of TDS. TDS does not have incentive plans pursuant to which officers might become entitled to compensation as a result of the achievement of a certain level of performance regardless of the risk undertaken. All compensation is discretionary and, as a result, could be reduced or not awarded if an officer caused TDS to undertake unauthorized risk. In any event, TDS believes that its controls and monitoring do not provide officers with substantial discretion that would permit them to undertake unauthorized risk.

#### **Benchmarking**

TDS engages in benchmarking as described below.

For executive compensation purposes, market benchmark data was obtained from the Towers Perrin 2007 Compensation Data Bank Executive Compensation Database. The database contained approximately 700 companies that represented a diverse range of companies across all industries, including companies from the telecommunications, retail, financial, electronics, pharmaceutical, manufacturing and consumer products sectors. The data was developed using regression analysis based on annual revenues of \$5.1 billion for TDS. When regression data was not available, tabular data from the database was used, and approximately scoped to reflect TDS revenues. This database was used to benchmark the ranges of annual cash compensation considered to be appropriate for the named executive officers, as discussed below. This database also was used to benchmark the equity compensation awards of named executive officers, as discussed below. TDS believes this approach is a reasonably accurate reflection of the competitive market for such elements of compensation necessary to retain current executives and attract future executives to positions at TDS. In addition, TDS also believes this methodology is more statistically valid than solely benchmarking these elements of compensation to the peer group of companies used in the Stock Performance Graph for the applicable performance year.

The identity of the individual component companies that are included in the database is neither disclosed to nor considered by TDS or the Compensation Committee. TDS and the Compensation Committee rely upon and consider to be material only the aggregated survey data prepared by Towers Perrin. They do not obtain or consider information on the identities of the individual companies included

in the survey in connection with any compensation decisions because this information is not considered to be material and because they rely on the services of Towers Perrin for such purposes.

In 2008, the Compensation Committee began obtaining benchmarking information from its independent compensation consultant, Compensation Strategies. In particular, in 2008, Compensation Strategies provided market data for two different peer groups for purposes of a competitive review of compensation levels of TDS' executive officers. This was done as a cross-check against the compensation that was approved based on the above information provided by Towers Perrin.

An industry peer group was created that consisted of 19 publicly-traded companies of similar size to TDS from the telecommunications industry. The annual revenues of this group ranged from approximately \$560 million to \$14 billion (with a median and average of approximately \$1.5 billion and \$2.6 billion, respectively). The market capitalization ranged from \$55 million to \$10.5 billion (with a median and average of approximately \$2.7 billion and \$4.0 billion, respectively). The companies in this group were: Rural Cellular Corp., SunCom Wireless Holdings, Primus Telecommunication Group, Centennial Communications Corp., Time Warner Telecom, Virgin Mobile USA, Leap Wireless International, Cincinnati Bell, XO Holdings, MetroPCS Communications, Global Crossing, IDT Corp., Citizens Communications, NII Holdings, CenturyTel, Windstream Corp., Level 3 Communications, Telephone and Data Systems, Embarq Corp. and Qwest Communications International.

In addition, in order to provide a supplemental perspective given TDS' holding company structure, another peer group of holding companies from various industries was created. This group consisted of 18 companies with revenues ranging between approximately \$2.0 and \$16.2 billion (with a median and average of approximately \$6.4 billion and \$6.5 billion, respectively). The market capitalization ranged from \$730 million to \$27 billion (with a median and average of approximately \$6.5 billion and \$8.1 billion, respectively). The companies in this group were: ACCO Brands Corp., A.O. Smith Corp., Carlisle Companies Incorporated, FMC Technologies, Thermo Fisher Scientific, The Stanley Works, Leggett & Platt, Brunswick Corp., Goodrich Corp., Newell Rubbermaid, Dover Corp., The Black & Decker Corp., MeadWestvaco Corp., Campbell Soup Company, Fortune Brands, ITT Corp., Eaton Corp., and Illinois Tool Works. The Compensation Committee has decided to not continue to use the holding company peer group going forward, instead deciding to concentrate on the industry peer group.

TDS also generally considers the companies in the peer group index included in the "Stock Performance Graph" that is included in the TDS annual report to shareholders, as discussed below, as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar size, function, geography or otherwise. This information is used to generally understand the market for general compensation arrangements for executives, but is not used for benchmarking purposes.

TDS selected the Dow Jones U.S. Telecommunications Index, a published industry index, as its peer group for the Stock Performance Graph. As of December 31, 2007, the Dow Jones U.S. Telecommunications Index was composed of the following companies: AT&T Inc., CenturyTel Inc., Cincinnati Bell Inc., Citizens Communications Co. (Series B), Embarq Corp., IDT Corp. (Class B), Leap Wireless International Inc., Leucadia National Corp., Level 3 Communications Inc., MetroPCS Communications Inc., NII Holdings Inc., Qwest Communications International Inc., RCN Corp., Sprint Nextel Corp., Telephone and Data Systems, Inc. (TDS and TDS.S), Time Warner Telecom, Inc (now known as tw telecom inc.) (Class A), United States Cellular Corporation, Verizon Communications Inc., Virgin Media Inc. and Windstream Corp. As of December 31, 2008, this index also includes Frontier Communications Corp. but no longer includes Citizens Communications Co. or IDT Corp.

### **Company Performance**

Overall TDS performance for 2007 was approximately 104.25% of target. This represents the average of the adjusted U.S. Cellular percentage of 107% and the adjusted TDS Telecom percentage of

approximately 96%, as weighted by a specified percentage intended to represent the approximate proportion of TDS that U.S. Cellular and TDS Telecom represent, calculated as follows:

<b>2007 Bonus Program Performance</b>			
<b>Business Unit</b>	<b>Performance as a Percent of Target</b>	<b>Allocated Proportion of Total Company</b>	<b>Weighted Performance</b>
U.S. Cellular	107%	75%	80.25%
TDS Telecom	96%	25%	24.00%
<b>Weighted Average Company Performance as a Percentage of Target</b>			<b>104.25%</b>

Performance of U.S. Cellular is discussed in the U.S. Cellular proxy statement. As noted therein, the overall average percentage achieved with respect to 2007 performance for purposes of the U.S. Cellular bonus pool was calculated to be 87.5%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman of U.S. Cellular. Pursuant to this discretionary authority, the Chairman adjusted the overall bonus pool to 107% of target. This was done because U.S. Cellular had a number of key accomplishments in 2007 (as described in the U.S. Cellular proxy statement for its 2009 annual meeting), including the year-to-year change in Gross Customer Additions which was favorable compared to performance by the national carriers.

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

The following provides information on performance targets and achievement of TDS Telecom with respect to 2007 that was considered in evaluating the annual cash compensation in 2008. Financial information presented in the below table may not agree with the segment financial information for TDS Telecom. This table shows that the overall percentage achievement of the performance targets was approximately 89.4% with respect to 2007 for TDS Telecom. This percentage was increased to 96% on a discretionary basis by the Chairman of TDS Telecom, who is also the President and CEO of TDS. This was done because the Chairman subjectively believed that TDS Telecom had exhibited outstanding effort for 2007 and also believed that certain calculations and thresholds did not appropriately capture the degree of 2007 performance in the way that they were originally established, particularly Return on Capital.

<i>Measurement</i>	<i>2007 Target</i>	<i>Actual 2007 Results</i>	<i>% of Target</i>	<i>(1)</i>	<i>(2)</i>	<i>Target Points</i>	<i>Actual Points Earned</i>	<i>% Achieved</i>
				<i>Minimum Threshold Performance (as a % of target)</i>	<i>Outstanding Performance (as a % of target)</i>			
<b><u>GROWTH</u></b>								
Growth in weighted RGUs (Revenue Generating Units)	60,598	40,610	67.0%	(29.8)%	234.1%	425	336	79.0%
<b><u>CUSTOMER SATISFACTION</u></b>								
Customer Churn								
Commercial Customer Churn*	10.5%	10.6%	101.5%	165.6%	34.4%	75	73	97.8%
Consumer Customer Churn*	18.4%	17.2%	93.5%	156.4%	43.6%	75	84	111.4%
						150	157	
<b><u>PRODUCTIVITY</u></b>								
Cost to Provide Service per RGU (weighted RGUs)*	\$ 22.18	\$ 21.81	98.3%	104.6%	95.4%	125	171	136.6%
General and Administrative (G&A) Expenses as a % of Revenue*	8.10%	8.06%	99.5%	112.7%	87.3%	125	130	104.2%
Return on Capital (ROC)	7.55%	7.30%	96.7%	91.4%	108.6%	200	122	61.2%
						450	423	
						<b>1025</b>	<b>916</b>	<b>89.4%</b>

\*  
Lower actual amount is better.

(1)  
Minimum Threshold Performance is the percentage for each target at which no points are awarded.

(2)

Outstanding Performance is the percentage for each target at which 200% of the targeted points are awarded.

If a target does not meet the minimum threshold performance level, no target points are awarded with respect to such target. If outstanding performance is achieved, 200% of the target points would be awarded. As shown above, the minimum threshold was achieved with respect to each of the targets, but was less than outstanding performance in each case. As a result, the target points were prorated based on the formula included in the TDS Telecom bonus plan.

A total of 916 actual versus 1025 target points was achieved and, as a result, the overall percentage achieved was 89.4%, but this was increased to 96% on a discretionary basis as discussed above.

#### **Personal Objectives and Performance**

In addition to TDS and/or business unit performance, the Compensation Committee may consider personal objectives and performance. The personal objectives and performance that the Compensation Committee considered in its evaluation of the President and CEO are discussed below. The personal objectives that the President and CEO considered in his recommended evaluation to the Compensation Committee of the named executive officers other than himself are also discussed below. There was no minimum level of achievement of any of those objectives that was required for any cash compensation decision.

## Annual Cash Compensation

Annual cash compensation decisions, consisting of base salary for the current year and bonus based on performance for the prior year, are generally made concurrently by the Compensation Committee each year for each of the identified executive officers.

As part of the process of determining the appropriate elements of annual cash compensation for the named executive officers, the Compensation Committee is provided with information about the compensation of similar executive officers at other companies, including chief executive officers of companies, chief executive officers and chief operating officers of their principal business units, if available, chief financial officers and other officers with responsibilities comparable to the foregoing TDS officers, as reported in proxy statements and salary surveys. The Compensation Committee also considers recommendations from the President and CEO regarding compensation for the named executives other than the President and CEO, each of which reports directly to him. The Vice President Human Resources prepares for the committee an analysis of compensation paid to similar executive officers of other comparable companies. See "Benchmarking" above.

Annually, the nature and extent of each executive officer's personal accomplishments and contributions for the year are determined, based on information submitted by the executive and by others familiar with his or her performance, including the President and CEO in the case of the named executive officers other than the President and CEO. The Compensation Committee evaluates the information in terms of the personal objectives established for such executive officer for the performance appraisal period.

The Compensation Committee also makes an assessment of how well TDS did as a whole during the year, as discussed above, and the extent to which the President and CEO believes the executive officer other than the President and CEO contributed to the results, as discussed below. With respect to executive officers having primary responsibility over a certain business unit or division of TDS, the Compensation Committee considers the performance of the business unit or division and the contribution of the executive officer thereto.

The Compensation Committee uses these sources and makes the determination of appropriate elements of compensation and ranges for such elements for such identified executive officers based on its informed judgment, using the information provided to it by the Vice President of Human Resources. Beginning in 2008, the Compensation Committee also obtained information from its independent compensation consultant, Compensation Strategies. The elements of compensation and ranges for such elements are not based on any formal analysis nor is there any documentation of this decision making process.

The Compensation Committee also has access to numerous performance measures and financial statistics prepared by TDS. This financial information includes the audited financial statements of TDS, as well as internal financial reports such as budgets and actual results, operating statistics and other analyses. Beginning in 2008, the Compensation Committee also considered information from its independent compensation consultant, Compensation Strategies, as discussed above. The committee may also consider such other factors as it deems appropriate in making its compensation decisions. No specific measures of performance are considered determinative in the compensation of executive officers. Instead, all the facts and circumstances are taken into consideration by the Compensation Committee. Ultimately, it is the informed judgment of the committee, after reviewing the compensation information provided by the Vice President Human Resources and its compensation consultant, Compensation Strategies, that determines the elements of compensation and total compensation for the executive officers.

The base salary element of compensation of each officer is set within the range identified for this element based on an assessment of the responsibilities and the performance of such officer, also taking into account the performance of TDS and/or its business units or divisions, other comparable companies, the industry and the overall economy during the preceding year. Column (c), "Salary," of the below Summary Compensation Table includes the dollar value of base salary (cash and non-cash) earned by the identified executive officers during 2008, 2007 and 2006, whether or not paid in such year.

Beginning with the 2007 performance year relating to bonuses that were earned and paid in 2008, TDS has established performance guidelines and procedures for awarding bonuses to certain officers (not including the President and CEO or Chairman Emeritus). These guidelines and procedures were filed by TDS as Exhibit 10.1 to TDS' Form 10-Q for the quarter ended March 31, 2007, and an amendment thereto was filed by TDS as Exhibit 10.5 to TDS' Form 8-K dated November 19, 2008. Starting with the 2007 performance year relating to bonuses that were paid in 2008, 70% of such officer's target bonus was based on his/her assessed performance. The remaining 30% was based on performance of TDS, based on the weighted average of the percentage achievement of target of U.S. Cellular and TDS Telecom. However, notwithstanding anything to the contrary, 100% of the bonus continues to be discretionary and is not earned by the officer unless and until awarded and paid. The calculations of the bonus amounts for the named executive officers that received bonuses pursuant to these guidelines with respect to 2007 performance that were paid in 2008 is reflected below.

As a result of the foregoing process, bonuses with respect to 2007 performance were not earned by the executive officers until they were approved and awarded in 2008. Similarly, bonuses with respect to 2006 and 2005 performance were not earned by the executive officers until they were approved and awarded in 2007 and 2006, respectively. Accordingly, bonuses with respect to 2007 performance are included in the below Summary Compensation Table as compensation earned in 2008 and bonuses with respect to 2006 and 2005 performance are included in the below Summary Compensation Table as compensation earned in 2007 and 2006, respectively. These amounts are included in column (d), "Bonus," of the below Summary Compensation Table.

Beginning with the 2008 performance year relating to bonuses that were paid and earned in 2009, TDS has established performance guidelines and procedures for awarding bonuses to the President and CEO and the Chairman Emeritus. These guidelines and procedures were filed by TDS as Exhibits 10.2 and 10.3 to TDS' Form 8-K dated November 19, 2008. Each of these guidelines and procedures provides that the Compensation Committee in its sole discretion determines whether an annual bonus will be payable to the President and CEO or Chairman Emeritus for a performance year and, if so, the amount of such bonus, and describes factors that may be considered by the committee in making such determination, including any factors that the committee in the exercise of its judgment and discretion determines relevant. The guidelines and procedures provide that no single factor will be determinative and no factor will be applied mechanically to calculate any portion of the bonus of the President and CEO or Chairman Emeritus. The entire amount of the bonus is discretionary. The guidelines and procedures provide that the President and CEO or Chairman Emeritus will have no right or expectation with respect to any bonus until the committee has determined whether a bonus will be paid for a performance year, and any such bonus is not earned or vested until the date the bonus is paid. The guidelines also provide that any bonus awarded with respect to a performance year will be paid during the period commencing on the January 1 immediately following the performance year and ending on the March 15 immediately following the performance year.

The following discusses annual cash compensation with respect to the specified named executive officers.

*President and CEO*

The Compensation Committee evaluates the performance of the President and CEO of TDS in light of the annual and ongoing objectives for TDS and for its primary business units and the attainment of those objectives, and sets the elements of compensation for the President and CEO based on such performance evaluation and compensation principles.

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the Compensation Committee considers in determining the annual cash compensation of LeRoy T. Carlson, Jr., the President and CEO (whom we refer to as "CEO" in this discussion), include the following: the responsibilities of the CEO; the period of time that the CEO has held this position and served with TDS; the Compensation Committee's view of the CEO's contribution to the growth and development of TDS during that time; the fact that TDS is a holding company that includes two primary subsidiaries, TDS Telecom and U.S. Cellular; the fact that the

CEO is the Chairman of each of such subsidiaries; the prior year's performance of TDS Telecom, as discussed above, and U.S. Cellular (as discussed in the U.S. Cellular proxy statement); the overall performance of TDS, as discussed above; the relationship of the performance of TDS and/or its business units to the determination of the CEO's annual cash compensation, as discussed below; the personal objectives of the CEO for the preceding year, as discussed below; whether there has been any restatement of financial statements and the nature of the restatement; the annual cash compensation of the other named executive officers, including the salary increase and bonus granted to each of such other officers, as discussed below; and the fact that the President and CEO has a substantial beneficial interest in TDS, as described below under "Security Ownership of Management", and will benefit together with other shareholders based on the performance of TDS.

With respect to the CEO, the Compensation Committee considers the overall performance of TDS based on the weighted average performance of TDS Telecom and U.S. Cellular, as discussed above. No minimum level of performance is established for overall TDS performance. Instead, the Compensation Committee considers overall TDS performance after the fact but without any predetermined threshold performance level. As noted above, the adjusted overall percentage achievement of performance targets with respect to 2007 was approximately 96% for TDS Telecom. As discussed in the U.S. Cellular proxy statement, the adjusted overall percentage achievement of performance targets with respect to 2007 was approximately 107% for U.S. Cellular. As discussed above, the weighted average performance of these business units was approximately 104.25%.

In addition, the CEO had the following personal objectives with respect to 2007: (i) achieve the 2007 enterprise budget; (ii) work with TDS Telecom and U.S. Cellular to assure that they have sound strategies for continued profitable growth; (iii) remediate all accounting control material weaknesses and significant deficiencies, fully staff accounting and control functions enterprise-wide, and file all financial statements on time and without further restatements; (iv) avoid any tax deconsolidation between TDS and U.S. Cellular; (v) work with TDS Telecom to solidify its clustering strategy and begin implementation; (vi) review the cost of capital for each business segment and TDS as a whole to ensure appropriate ROC targets for operations, corporate development, business cases and other projects; (vii) work with U.S. Cellular to develop appropriate spectrum objectives, valuations and budgets to enable successful participation in the 700 MHz spectrum auction and influence governmental spectrum policy to assure opportunities to obtain needed spectrum on favorable terms; (viii) maximize the value of share ownership positions, to include consideration of approaches that could defer and/or reduce paying substantial taxes when variable prepaid forward contracts expire in 2007 and 2008; (ix) in cooperation with the business units, document a high-level data strategy and architecture for financial and customer information; (x) complete identification of most important enterprise-wide risks and address them through improved risk management processes; (xi) negotiate updated TDS and U.S. Cellular bank revolvers to improve current terms; (xii) achieve at least one credit rating upgrade; (xiii) support U.S. Cellular negotiations with equipment vendors to renew its master supply agreements on attractive terms; and (xiv) find additional ways to manage growth in employee benefit costs while delivering high quality benefits.

The Compensation Committee did not perform an individual assessment and analysis of each of the foregoing objectives. Each of the members of the Compensation Committee is a member of the TDS Board of Directors, and participates in regular and special Board meetings where TDS' objectives and progress relating thereto are presented, considered and discussed. Based on such participation, the Compensation Committee believes that the CEO's overall individual performance exceeded expectations. The following provides additional information with respect to the achievement of the CEO's personal objectives for 2007.

TDS' overall company performance was approximately 104.25% of target, as discussed above. The CEO worked with TDS Telecom and U.S. Cellular relating to growth strategies, corporate development plans and has been implementing the company's strategic plan. TDS made progress in remediating material weaknesses and significant deficiencies, all accounting and control positions identified as "critical" were filled during 2007 and, since the restatements were completed in the second quarter of 2007, all subsequent financial statements were filed on time and no further restatements were required. U.S. Cellular continues to be consolidated for taxes as a result of stock repurchases during the year. TDS worked with TDS Telecom to solidify its clustering strategy and began implementation. The cost of capital



was determined for each line of business and a policy was instituted which specifies the hurdle rate to be used by each business unit for each type of project. TDS worked with U.S. Cellular to develop appropriate spectrum objectives, valuations, and budgets and to participate with a partner in the 700 MHz spectrum auction, and achieved partial success in influencing governmental spectrum policy in a favorable way. TDS took action to maximize the value of variable prepaid forward contracts although tax consequences were not deferred when such contracts expired. TDS began to document a high-level data strategy and architecture for financial and customer information. Each of the credit rating agencies improved their credit reports with respect to TDS. A risk management identification process was developed for the business units and TDS Corporate. Action to update the bank revolvers was delayed to 2008, and again to 2009, due to poor credit market conditions and other factors. U.S. Cellular renewed certain of its equipment master supply agreements on attractive terms. TDS maintained control over employee benefit costs while retaining high quality benefits.

The base salary of Mr. Carlson was \$1,193,000 for 2007. On March 4, 2008, this was increased to \$1,275,000 for 2008, representing an increase of approximately 6.9%. The range considered in approving Mr. Carlson's base salary for 2008 was approximately \$1,045,000 to \$1,225,000. This range was based on a survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. See "Benchmarking" above.

On March 4, 2008, the Compensation Committee also approved a bonus of \$950,000 for Mr. Carlson with respect to 2007 performance, which was paid in 2008. In comparison, Mr. Carlson earned a bonus of \$800,000 with respect to 2006 which was paid in 2007. Mr. Carlson's target bonus percentage with respect to the 2007 bonus earned and paid in 2008 was 75% of his 2007 base salary of \$1,193,000, or \$894,800. Mr. Carlson's bonus of \$950,000 was approximately 106% of his target. This reflects the overall company performance of approximately 104.25% and the Compensation Committee's high assessment of Mr. Carlson's personal achievements and performance as discussed above.

When the bonus amount is added to the salary that was approved for Mr. Carlson for 2008, his total cash compensation in 2008 was \$2,225,000. The range considered in approving the CEO's total cash compensation for 2008 was approximately \$2,315,000 to \$3,140,000. This range was based on a survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable executives' total cash compensation. Mr. Carlson's total cash compensation was slightly below the 50th percentile of this range. In approving this compensation, the Compensation Committee considered TDS' adjusted overall performance of 104.25% and its assessment of Mr. Carlson's performance in 2007, as discussed above.

For disclosure purposes, the base salary of Mr. Carlson for 2009 was not increased from 2008, and will remain at \$1,275,000, the same as the 2008 base salary. Also for disclosure purposes, in 2009, the Compensation Committee approved a bonus of \$655,000 for Mr. Carlson with respect to 2008 performance, which was paid in 2009. This was approved in a manner similar to the approval of the 2008 base salary and bonus as described above, including consideration of analyses and input from Compensation Strategies. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

#### *Other Executive Officers*

With respect to the officers identified in the Summary Compensation Table other than the CEO, the Compensation Committee considers the CEO's evaluation of the performance of such executive officers and sets the annual base and bonus compensation levels for such executive officers based on such performance evaluations and the compensation principles described above. In addition to the general factors described above, the compensation elements of certain officers are based on their specific responsibilities.

#### *Executive Vice President and Chief Financial Officer*

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the CEO and Compensation Committee consider in determining the annual cash compensation of the Executive Vice President and Chief

Financial Officer (whom we refer to as "CFO" in this discussion) are as follows: the responsibilities of the CFO; the period of time that the CFO has held this position and served with TDS; the Compensation Committee's subjective view of the CFO's contributions to TDS during that time; the CFO's relationship with management and personnel of U.S. Cellular and TDS Telecom; whether there has been any restatement of financial statements and the nature of the restatement; progress in improving internal controls and remediating material weaknesses; and the CEO's assessment of achievement of personal objectives of the CFO for the preceding year, as discussed below.

Mr. Meyers' cash compensation in 2008 consisted of (i) his base salary as an officer of TDS in 2008 and (ii) the bonus paid to and earned by Mr. Meyers under the guidelines and procedures described above. Mr. Meyers' base salary as TDS' CFO for 2008 was established and approved by the Compensation Committee based on the recommendation of the CEO considering a range based on a survey from TDS' compensation consultant, Towers Perrin, of a population of comparable base salaries, as discussed above under "Benchmarking."

The base salary of Mr. Meyers for 2007 was \$550,000. On March 4, 2008, this was increased to \$595,000 for 2008, representing an increase of approximately 8.2%. The range considered in approving Mr. Meyers' base salary for 2008 was approximately \$510,000 to \$600,000. This range was based on a survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. See "Benchmarking" above.

Mr. Meyers received a bonus of \$356,000 with respect to 2007 performance, which was earned and paid in 2008. Mr. Meyers' target bonus was 50% of his 2007 base salary of \$550,000, or \$275,000, of which 30% is for company performance and 70% is for individual performance. As described above, TDS' adjusted performance was 104.25% of target. Mr. Meyers' bonus of \$356,000 represents a bonus of 104.25% of his target bonus for company performance and 140% of his target bonus for individual performance. The individual performance percentage was based on the recommendation of the CEO, reflecting the fact that Mr. Meyers' performance exceeded expectations, as discussed below.

With respect to the CFO, the Compensation Committee considers the CEO's assessment of personal achievements of the CFO. Mr. Meyers became the CFO on January 1, 2007. Mr. Meyers was promoted to this position to succeed the former CFO with general directions to overhaul the accounting and finance functions of TDS and business units, complete the restatement of financial statements, remediate material weaknesses, file all future financial statements on time and without further restatements, fully staff accounting and control functions enterprise-wide, develop detailed system-wide accounting policies and processes, improve the budget process, and improve relationships and communications with outside auditors, outside counsel, directors, other officers, management, business units, and the business development, corporate strategy and enterprise strategy groups.

The CEO believes that the CFO's overall individual performance exceeded expectations in 2007. In particular, the following provides additional information with respect to the CFO's achievements in 2007: The restatements were completed in the second quarter of 2007 and all subsequent financial statements were filed on time and no further restatements were required. TDS made excellent progress in remediating material weaknesses and significant deficiencies. All accounting and control positions identified as "critical" were filled during 2007. The CFO successfully moved along the development of detailed system-wide accounting policies and processes. The CFO improved the budget process and improved relationships and communications with outside auditors, outside counsel, directors, other officers, management, business units, and the business development, corporate strategy and enterprise strategy groups.

For disclosure purposes, the base salary of Mr. Meyers for 2009 was increased to \$614,000, representing an increase of approximately 3.2% over the 2008 base salary. Also for disclosure purposes, in 2009, the Compensation Committee approved a bonus of \$329,900 for Mr. Meyers with respect to 2008 performance, which was paid in 2009. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

*Senior Vice President of Acquisitions and Corporate Development*

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the CEO considers in his recommendation to the Compensation Committee regarding the annual cash compensation of the Senior Vice President of Acquisitions and Corporate Development (whom we refer to as "SVP-ACD" in this discussion) are as follows: the responsibilities of the SVP-ACD; the period of time that the SVP-ACD has held this position and served with TDS; the Compensation Committee's subjective view of the SVP-ACD's contributions to TDS during that time; the prior year's performance of TDS, as discussed above; the relationship of the performance of TDS to the determination of the SVP-ACD's annual cash compensation, as discussed below; and the CEO's assessment of achievement of personal objectives of such officer for the preceding year, as discussed below.

Mr. Williamson's base salary was evaluated based on his responsibilities as SVP-ACD, and considering the compensation of officers at comparable companies with similar responsibilities. The range considered in approving Mr. Williamson's base salary for 2008 was approximately \$340,000 to \$410,000. This range was based on the survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. The base salary approved for Mr. Williamson for 2008 was \$565,000, representing a 6.8% increase over his 2007 base salary of \$529,000.

The salary of \$565,000 exceeds the median of this range, and exceeds the 75<sup>th</sup> percentile, for the following reasons: Mr. Williamson has been a vice president and the chief corporate development officer of TDS since 1995. Mr. Williamson has been a senior vice president since 1998. TDS considers its corporate development activities to be key and integral business functions. Mr. Williamson also provides important services with respect to strategic planning for TDS and its business units. Mr. Williamson has consistently exceeded expectations during his lengthy tenure at TDS, including with respect to 2007. As a result, Mr. Williamson's compensation has risen above the median level for his position, and above the 75<sup>th</sup> percentile, as a consequence of his many years of service and salary increases over such period of time commensurate with his consistently high rating. The CEO and Compensation Committee believe that Mr. Williamson's base salary is at an appropriate level considering the importance of Mr. Williamson's responsibilities and his consistently outstanding performance over a long period of time.

Mr. Williamson received a bonus of \$277,000 with respect to 2007 performance, which was earned and paid in 2008. Mr. Williamson's target bonus percentage with respect to the 2007 bonus earned and paid in 2008 was 35% of his 2007 base salary of \$529,000, or \$185,200, of which 30% is for company performance and 70% is for individual performance. As described above, TDS' adjusted performance was 104.25% of target. Mr. Williamson's bonus of \$277,000 represents a bonus of 104.25% of his target bonus for company performance and 169% of his target bonus for individual performance. The individual performance percentage was based on the recommendation of the CEO, reflecting the fact that Mr. Williamson's performance exceeded expectations, as discussed below.

With respect to the SVP-ACD, the Compensation Committee considers the CEO's assessment of personal achievements of the SVP-ACD. Due to the nature of the SVP-ACD's position and responsibilities, which do not include regular operating or administrative responsibilities, the SVP-ACD's performance is not based on set goals. Instead, the SVP-ACD's performance is evaluated after the fact based on his achievements in corporate development, acquisitions, transactions, evaluations, strategic analysis and advice.

In particular, with respect to 2007, the following factors were considered: Mr. Williamson successfully led the TDS team relating to the acquisition of spectrum by Barat Wireless in Auction 66 in 2007. Mr. Williamson also led the TDS team relating to preparations for the acquisition of spectrum by King Street Wireless in Auction 73 (which began and was completed in 2008). Mr. Williamson also established a successful relationship with TDS' partner in Barat Wireless and King Street Wireless. Mr. Williamson was successful in entering into and/or closing several transactions in 2007 relating to the acquisition or exchange of spectrum. Mr. Williamson also provided significant advice with respect to various U.S. Cellular and/or TDS Telecom potential transactions or opportunities. Mr. Williamson provided significant contributions relating to corporate and enterprise strategy, provided significant guidance on

the allocation of resources, and played a major role relating to strategic long range forecasts and valuations. Mr. Williamson also made presentations and provided informed advice to the TDS and U.S. Cellular Boards of Directors. Mr. Williamson also maintained excellent relationships with TDS and U.S. Cellular directors and officers. As a result of these achievements, as noted above, the CEO believed that Mr. Williamson's performance exceeded expectations.

For disclosure purposes, the base salary of Mr. Williamson for 2009 was increased to \$583,000, representing an increase of approximately 3.2% over the 2008 base salary. Also for disclosure purposes, in 2009, the Compensation Committee approved a bonus of \$259,500 for Mr. Williamson with respect to 2008 performance, which was paid in 2009. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

#### *Chairman Emeritus*

The compensation of LeRoy T. Carlson as Chairman Emeritus is based on unique circumstances and is not based on the general approach used for other executive officers. No range was considered in approving Mr. Carlson's base salary or bonus for 2008. The CEO and Compensation Committee do not establish or consider any personal objectives with respect to the Chairman Emeritus. There was no rating of Mr. Carlson's performance. The performance of TDS and/or its business units and divisions is not as significant a consideration in the evaluation of Mr. Carlson's annual cash compensation. Instead, Mr. Carlson's base salary and bonus is evaluated based on his historical and current responsibilities and activities as Chairman Emeritus for TDS. Facts and circumstances that the CEO and Compensation Committee consider in determining the annual cash compensation of the Chairman Emeritus are primarily the fact that Mr. Carlson founded TDS in 1968, and the Compensation Committee's subjective views of the insights, value, experience, inspiration, mentoring and motivational effects that Mr. Carlson continues to bring to TDS and its employees on a current basis. Based on such considerations, the Compensation Committee approved for the Chairman Emeritus a salary for 2008 of \$480,000, which was the same as the amount approved in 2007, and a bonus of \$202,600 for 2007, compared to a bonus of \$200,000 for 2006. Mr. Carlson's target bonus was \$200,000, of which 30% is for company performance and 70% is for individual performance. As described above, TDS' adjusted performance was 104.25% of target. Mr. Carlson's bonus of \$202,600 represents a bonus of 104.25% of his target bonus for company performance and 100% of his target bonus for individual performance.

For disclosure purposes, the base salary of Mr. Carlson for 2009 was set at \$480,000, the same as the 2008 base salary. Also for disclosure purposes, in 2009, the Compensation Committee approved a 2008 bonus of \$165,800 for Mr. Carlson which was paid in 2009. This will be reported in the Summary Compensation Table in next year's proxy statement.

#### **Long-Term Equity Compensation**

The Compensation Committee also determines long-term equity compensation awards for the named executive officers under the TDS 2004 Long-Term Incentive Plan. The Compensation Committee may establish performance measures and restriction periods, and determine the form, amount and timing of each grant of an award, the number of shares of stock subject to an award, the purchase price or base price per share of stock associated with the award, and the time and conditions of exercise or settlement of the award and all other terms and conditions of the award.

Although the Compensation Committee has the discretion to grant various awards, it generally only grants service-based restricted stock units and service-based options. The restricted stock units generally vest in full (cliff vesting) on December 15 in the second year following the grant, subject to continued employment. Options are exercisable until the tenth anniversary of the date of grant, subject to continued employment. Options granted in 2006 and 2007 became exercisable on December 15 of the year of grant. However, TDS changed its policy beginning in 2008 so that options granted in 2008 become exercisable with respect to one-third of the number of shares subject to the option on each of the first, second and third anniversaries of the grant date. As a result of this change, the FAS 123R expense related to options granted in 2008 will be reflected over a three year period, instead of entirely in the year of grant as was the case in 2007 and 2006. Consequently, the dollar amount of expense recognized for financial statement reporting purposes pursuant to FAS 123R reflected in Column (f), "Option Awards," of the Summary Compensation Table with respect to 2008 is substantially lower in 2008 compared to 2007 and 2006 (except with respect to John E. Rooney, who receives options from U.S. Cellular).

With respect to long-term compensation, the Vice President Human Resources prepares for the Compensation Committee an analysis of long-term compensation paid to similar officers of other comparable companies (see Benchmarking above). This information is presented to the committee, which approves the long-term compensation of the named executive officers in part based on such information. The committee also looks at the mix of salary, bonus and long-term incentive compensation, and obtains additional information from Compensation Strategies, as discussed above.

Long-term compensation decisions for the named executive officers are made by the Compensation Committee in a manner similar to that described for annual base salary and bonus decisions, except that the stock options and restricted stock units will generally vest over several years, in order to reflect the goal of relating long-term compensation of the named executive officers to increases in shareholder value over the same period. The President and CEO may recommend to the Compensation Committee long-term compensation in the form of stock option and restricted stock unit grants, stock appreciation rights ("SARs") or otherwise for executive officers other than the President and CEO.

The performance of TDS is also a factor in determining the number of restricted stock units which will be awarded with respect to the executive officers. The named executive officer receives an award of options and restricted stock units in the current year based on the achievement of certain levels of corporate and individual performance in the immediately preceding year.

However, as with the annual salary and bonus, the executive officers do not become entitled to any options or restricted stock units as a result of the achievement of any corporate or individual performance levels. The award of options and restricted stock units is entirely discretionary and the named executive officer has no right to any options or awards unless and until they are awarded. As a result, similar to the bonus, the awards with respect to 2007 performance were not earned by the named executive officers until they were approved and awarded in 2008. Accordingly, awards with respect to 2007 performance are included in the Summary Compensation Table below as compensation earned in 2008. All awards are granted in consideration for future service over the vesting period of the award.

The named executive officers received an award of restricted stock units in 2008 based on the achievement of certain levels of corporate performance in 2007 and received an award of restricted stock units in 2007 and 2006 based on the achievement of certain levels of corporate performance in 2006 and 2005, respectively. Column (e), "Stock Awards," of the Summary Compensation Table includes the dollar amount of expense recognized for financial statement reporting purposes in 2008, 2007 and 2006, respectively.

The named executive officers also received an award of options in 2008 based on the achievement of certain levels of individual performance in 2007 and received an award of options in 2007 and 2006 based on the achievement of certain levels of individual performance in 2006 and 2005, respectively. Column (f), "Option Awards," of the Summary Compensation Table includes the dollar amount of expense recognized for financial statement reporting purposes with respect to 2008, 2007 and 2006, respectively.

In 2008, stock option awards represent a performance award based on an assessment of the individual's performance for the prior year. The restricted stock unit awards are based on TDS or business unit performance. For awards granted in 2008 based on 2007 performance, the percentages of the total target long-term incentive value are 65% for performance stock options and 35% for restricted stock units. The total target long-term incentive value is determined primarily by multiplying the officer's salary by a multiple. The amount of this multiple is determined by the officer's title and job responsibilities and the benchmarking data from Towers Perrin. See "Benchmarking".

The value used for stock options and restricted stock units was determined by Towers Perrin using a binomial methodology based on the stock price for TDS Special Common Shares of \$44.10 on June 30, 2008. The values calculated by Towers Perrin were \$12.18 per TDS stock option and \$38.14 per TDS restricted stock unit.

As an example, the following provides information on how the foregoing was used to calculate the options and restricted stock units for the CEO in 2008, and then describes how awards to other named executive officers were determined.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

On August 26, 2008, the Compensation Committee awarded the President and CEO stock options to acquire 226,425 TDS Special Common Shares based on 2007 performance. The TDS options granted on August 26, 2008 have an exercise price of \$35.35 per share, which was the closing price of a TDS Special Common Share on August 26, 2008, become exercisable with respect to one third of the shares subject to option on each of the first, second and third anniversaries of the date of grant and are exercisable until August 26, 2018.

On August 26, 2008, the Compensation Committee also awarded the President and CEO restricted stock units with respect to 32,735 TDS Special Common Shares based on 2007 performance. The TDS restricted stock units will become vested on December 15, 2010.

As noted above, the 2007 base salary of the CEO was \$1,193,000. The multiple used for the CEO was 2.87. This multiple used by the Compensation Committee was based on the information from Towers Perrin for CEOs of the companies included in the benchmarking data. The 50th percentile of this multiple for CEOs of such companies was 3.83. The multiple used by the Compensation Committee was 75% of the 50th percentile. This reduction of the median by 25% is intended to be more conservative than the benchmarking data. This adjustment is a matter of judgment and discretion; there is no formal methodology used to determine the amount of this adjustment to the benchmarking data.

The total target long-term incentive value for the CEO using the above formula was \$3,424,000, determined by multiplying \$1,193,000 by 2.87.

Using this amount, the target allocation for each component of long-term compensation was determined by using the percentages identified above, as follows:

<i><b>Grant Type</b></i>	<i><b>Percentage of Target Value</b></i>	<i><b>Amount</b></i>
Stock Options	65%	\$2,225,600
Restricted Stock Units	35%	\$1,198,400
<b>Total</b>	<b>100%</b>	<b>\$3,424,000</b>

Dividing the foregoing values by \$12.18 per TDS stock option and \$38.14 per TDS restricted stock unit results in the following calculation of the target options and restricted stock units. The following compares this target amount to the amounts granted by the Compensation Committee in 2008 to the CEO:

<i><b>Grant Type</b></i>	<i><b>Target Value</b></i>	<i><b>Target Grant</b></i>	<i><b>Actual Grant</b></i>
Stock Options	\$2,225,600	182,600	226,425
Restricted Stock Units	\$1,198,400	31,400	32,735
<b>Total</b>	<b>\$3,424,000</b>	<b>n/a</b>	<b>n/a</b>

The Compensation Committee granted approximately 124% of the target of stock options based on its view that the CEO had exceeded his personal objectives, identified above. With respect to the restricted stock unit amounts, the actual grant is 104.25% of the target grant based on TDS' overall performance as discussed above.

The following options and restricted stock units with respect to TDS Special Common Shares were granted to the other named executive officers in 2008:

<i><b>Name</b></i>	<i><b>Number of Shares Underlying Stock Options</b></i>	<i><b>Number of Shares Underlying Restricted Stock Units</b></i>
Kenneth R. Meyers	93,000	13,448
Scott H. Williamson	68,500	9,904
LeRoy T. Carlson	41,500	7,715

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

The following summarizes the information described above for the CEO and provides comparable information with respect to option and restricted stock unit grants for the CFO, SVP-ACD and Chairman Emeritus in 2008.

	<i>Formula</i>	<i>CEO</i>	<i>CFO</i>	<i>SVP-ACD</i>	<i>Chairman Emeritus</i>
a	2007 Salary	\$ 1,193,000	\$ 550,000	\$ 529,000	\$ 480,000
	50 <sup>th</sup> Percentile Multiple	3.83	3.41	2.60	2.24
b	Actual Multiple used 75% of 50 <sup>th</sup> Percentile Multiple	2.87	2.56	1.95	1.68
c	Long-Term Incentive Target Value	\$ 3,424,000	\$ 1,408,000	\$ 1,032,000	\$ 806,000
d	Options Target	$c \times 65\% / \$12.18$	182,600	75,100	55,000
e	Approx. Individual Performance %	124%	124%	124%	97%
f	Options Granted	$d \times e$	226,425	93,000	68,500
g	Target RSUs	$c \times 35\% / \$38.14$	31,400	12,900	9,500
h	Company Performance %	104.25%	104.25%	104.25%	104.25%
	RSUs Granted	$g \times h$	32,735	13,448	9,904

The Individual Performance percentage in the above table is based on each officer's individual performance assessment. The individual performance percentage for the CEO was approximately 124% based on the Compensation Committee's view that the CEO had exceeded expectations in 2007. Similarly, the Individual Performance percentage for each of the CFO and SVP-ACD was approximately 124% based on the CEO's evaluation and recommendation to the Compensation Committee that the CFO and SVP-ACD had exceeded expectations in 2007. With respect to the Chairman Emeritus, the Individual Performance percentage was approximately 97%. This percentage was below 100% as a result of the reduced scope, responsibilities and authority of LeRoy T. Carlson in his capacity as Chairman Emeritus, rather than based on performance.

The Company/Business Unit Performance percentage represents the overall performance of TDS, as discussed under "Company Performance" above. As noted therein, the overall company performance for TDS was approximately 104.25%. Accordingly, each of the identified executive officers received 104.25% of his target restricted stock units.

*Analysis of Compensation*

The following table identifies the percentage of each element of total compensation of each of the named executive officers other than John E. Rooney based on the Summary Compensation Table for 2008:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
Salary	32.6%	34.5%	42.4%	34.9%
Bonus	24.3%	20.7%	20.8%	14.7%
Stock Awards	30.1%	23.5%	21.8%	21.1%
Stock Options	11.0%	17.4%	9.7%	26.5%
Other	2.0%	3.9%	5.3%	2.8%
	100.0%	100.0%	100.0%	100.0%

The above percentages reflect the effects of SEC and accounting rules in computing total compensation, as discussed below.

TDS does not consider the technicalities of when and how accounting expense is recorded under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (which we refer to as "FAS 123R") as relevant in its executive compensation decisions. Accordingly, the following table reconciles the compensation expense reported in the Summary Compensation Table using the

FAS 123R expense of the awards to the amount of compensation that would be reported using the grant date values of awards instead for 2008 for officers other than John E. Rooney.

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
Total per Summary Compensation Table	\$ 3,913,510	\$ 1,724,904	\$ 1,334,824	\$ 1,374,785
Less FAS 123R Expense for Stock Awards	(1,178,546)	(404,861)	(291,176)	(290,196)
Less FAS 123R Expense for Options	(428,519)	(299,611)	(129,638)	(364,384)
Total FAS 123R Expense for all Awards	(1,607,065)	(704,472)	(420,814)	(654,580)
Add Grant Date Value of Awards from Grants of Plan-Based Awards Table	3,196,425	1,320,587	956,258	695,863
Total Compensation using Grant Date Values	\$ 5,502,870	\$ 2,341,019	\$ 1,870,268	\$ 1,416,068

For comparison purposes, the following shows the total compensation for 2007 calculated on a comparable basis:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
2007 Total Compensation using Grant Date Values	\$5,712,654	\$2,108,220	\$ 2,014,313	\$ 1,589,192

The large difference between the FAS 123R expense and the grant date value (except with respect to LeRoy T. Carlson) is due to the fact that the expense is being recognized over a three year period, instead of entirely in the year of grant. If an award ultimately vests in full, the amount cumulatively recognized as FAS 123R expense over a period of years should approximate 100% of the grant date fair value of the equity award. In accordance with FAS 123R, TDS recognized expense in 2008 with respect to 100% of the grant-date value of restricted stock unit awards granted in 2008 to LeRoy T. Carlson because he was 66 years or older and eligible for retirement.

As indicated above, if compensation is instead calculated using the grant date value of awards, rather than the FAS 123R expense of awards, LeRoy T. Carlson, Jr.'s total compensation for 2008 would have been \$5,502,870 and the total compensation for the other named executive officers, excluding John E. Rooney, for 2008 would have ranged from a high of \$2,341,019 to a low of \$1,416,068. Using this approach, Mr. Carlson's total compensation for 2008 is approximately 2.4 times the total compensation for 2008 of the next highest compensated named executive officer, other than John E. Rooney. When compared to the total compensation for 2008 using grant date values of John E. Rooney of \$4,146,169, as disclosed in the U.S. Cellular proxy statement, Mr. Carlson's total compensation is approximately 1.3 times the total compensation for 2008 of the next highest compensated named executive officer.

This disparity between the compensation of the President and CEO and the other named executive officers, and the disparities in compensation among the other named executive officers, can be explained by differences in TDS' policies or decision-making regarding executive compensation. As noted herein, TDS' overall compensation objectives are to (i) support TDS' overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of TDS.

Also as noted herein, TDS determines the amount of compensation to pay or provide to each named executive officer considering compensation practices of peers and other companies with similar characteristics, in order to support TDS' overall business strategy and objectives. As noted herein, TDS



recognizes that it must compensate its executive officers in a competitive manner comparable to other similar companies in order to attract and retain high quality management, attain or exceed business objectives and targeted financial performance and increase shareholder value.

Considering the foregoing, TDS recognizes that it needs to and believes that it should compensate the President and CEO at a level that considers the compensation of presidents and CEOs of similar companies, which compensation is higher than the compensation of other named executive officers of such companies. TDS believes that this is necessary to attract and retain a highly qualified person to serve as President and CEO and to compete successfully against other companies. A level of compensation similar to that paid to the President and CEO is not necessary to attract and retain, and therefore is not appropriate for, the other named executive officers. However, TDS recognizes that it needs to and believes that it should compensate the other named executive officers at levels that reflect the compensation of similarly situated positions at similar companies in order to attract and retain high quality persons for such positions at TDS.

In addition, other factors have an impact on the amount of compensation of each particular officer, as discussed in detail above. For instance, an officer who exceeds expectations would generally have a higher relative level of compensation for his particular function than an officer that did not exceed expectations, all other things being equal. Further discussion of the basis for compensation levels of the individual officers based on TDS' performance, the executive's contribution to such performance, and the executive's individual performance is set forth elsewhere in this Compensation Discussion and Analysis.

The Compensation Committee believes that the elements of compensation and total compensation of the above named executive officers of TDS were set at an appropriate level considering the foregoing principles.

John E. Rooney's annual compensation is approved by LeRoy T. Carlson, Jr., the Chairman of U.S. Cellular, and long-term compensation for John E. Rooney is approved by the stock option compensation committee of U.S. Cellular, as described in the 2009 proxy statement of U.S. Cellular.

#### **Other Benefits and Plans Available to Identified Officers**

The identified officers participate in certain benefits and plans, as described below.

As noted herein, TDS' overall compensation objectives for executive officers of TDS are to (i) support TDS' overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of TDS.

To achieve these objectives, the Compensation Committee believes that the named executive officers must be offered a competitive compensation package, including benefits and plans. TDS' compensation packages are designed to compete with other companies for talented employees. TDS' benefits and plans are part of this package and are also designed to enable TDS to attract and retain eligible employees, including the named executive officers. Thus, the benefits and plans fit into TDS' overall compensation objectives primarily by helping TDS achieve the second objective of TDS' overall compensation objectives, which is to attract and retain high quality management. Benefits and plans are an important part of the mix of compensation used to attract and retain management, but do not otherwise significantly affect decisions relating to other elements of annual or long-term compensation, which are provided consistent with the above compensation objectives, including to support TDS' overall business strategy and objectives, link individual compensation with TDS goals and objectives and provide competitive compensation opportunities consistent with the financial performance of TDS, as well as attract and retain high quality management.

#### *Deferred Salary and Bonus*

*Deferred Salary.* The identified officers are permitted to defer salary pursuant to deferred salary compensation agreements. The entire amount of the salary earned is reported in the Summary Compensation Table in column (c) under "Salary," whether or not deferred. Pursuant to the agreement,

the officer's deferred compensation account is credited with interest compounded monthly, computed at a rate equal to one-twelfth of the sum of the average thirty-year Treasury Bond rate for salary deferred as an employee of TDS, or the twenty-year Treasury Bond rate for salary deferred as an employee of U.S. Cellular, plus 1.25 percentage points, until the deferred compensation amount is paid to such person. As required by SEC rules, column (h) in the Summary Compensation Table includes any portion of such interest that exceeded 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. The deferred compensation account of an officer employed by TDS is paid six months following the officer's separation from service in the form elected by the officer. The deferred compensation account of an officer employed by U.S. Cellular is paid at the time and in the form elected by the officer.

Mr. Meyers and Mr. Rooney are parties to executive deferred compensation agreements, pursuant to which they have deferred a specified portion of their salaries. The executive is always 100% vested in all salary amounts that have been deferred and any interest credited with respect thereto. Accordingly, the executive is entitled to 100% of the amount deferred and all earnings thereon upon any termination. Such amounts are reported below in the Nonqualified Deferred Compensation table and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

*Deferred Bonus.* The identified officers are also permitted to defer bonus pursuant to deferred bonus compensation agreements under the applicable long-term incentive plan. The entire amount of the bonus earned is reported in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. Deferred bonus will be deemed invested in phantom TDS Special Common Shares under the TDS 2004 Long-Term Incentive Plan and in phantom USM Common Shares under the U.S. Cellular 2005 Long-Term Incentive Plan, as discussed below. The named executive officers employed by TDS receive a distribution of the deferred compensation account at the earlier of the date elected by the officer and the seventh calendar month following the calendar month of the officer's separation from service. The named executive officers employed by USCC receive a distribution of the deferred compensation account at the date elected by the officer.

LeRoy T. Carlson, Jr., Kenneth R. Meyers, John E. Rooney and LeRoy T. Carlson are parties to executive deferred compensation agreements, pursuant to which they have deferred a specified portion of their bonuses. The executive is always 100% vested in all bonus amounts that have been deferred and any dividends credited with respect thereto. Such amounts are reported below in the Nonqualified Deferred Compensation table and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

#### *TDS 2004 Long-Term Incentive Plan*

Long-term compensation awards under the TDS 2004 Long-Term Incentive Plan were discussed above in this Compensation Discussion and Analysis. The following provides certain additional information relating to deferred bonus, restricted stock units and stock options.

Under the TDS 2004 Long-Term Incentive Plan, executives may elect to defer receipt of all or a portion of their annual bonuses and to receive stock unit matches on the amount deferred up to \$400,000. Deferred compensation will be deemed invested in phantom TDS Special Common Shares. TDS match amounts will depend on the amount of annual bonus that is deferred into stock units. Participants receive (i) a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and (ii) a 33% match for amounts that exceed 50% of their total annual bonus. The matched stock units vest ratably at a rate of one-third per year over three years. Column (e), "Stock Awards," of the Summary Compensation Table below includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R. Vested stock units are credited with dividends. The Summary Compensation Table does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, since they are not earned at a rate higher than dividends on TDS' common stock.

Restricted stock units may be granted under the TDS 2004 Long-Term Incentive Plan. Column (e), "Stock Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. Dividends are not earned with respect to shares underlying restricted stock units until the award becomes vested and the shares are issued.

Stock options may be granted under the TDS 2004 Long-Term Incentive Plan. Column (f), "Option Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. Dividends are not earned with respect to shares that underlie options unless and until such options are exercised and the shares are issued.

The TDS 2004 Long-Term Incentive Plan and related stock option, restricted stock unit award and deferred bonus agreements provide various rights upon termination and/or change in control, as summarized below.

*Stock Options.* The TDS option agreements with named executive officers provide as follows:

*Disability.* If the officer ceases to be employed by reason of Disability (a total physical disability which prevents the substantial performance of employment duties for a continuous period of at least six months), the option will be exercisable only to the extent it is exercisable on the effective date of the officer's termination of employment or service, and after such date may be exercised by the option holder for a period of 12 months after the effective date of the holder's termination of employment or service or until the expiration date of the option, whichever period is shorter.

*Retirement.* If the officer ceases to be employed by reason of Retirement (termination of employment on or after the officer's attainment of age 65 that does not satisfy the definition of "Special Retirement", as set forth below), the option will be exercisable only to the extent it is exercisable on the effective date of the officer's Retirement, and after such date may be exercised by the holder for a period of 90 days after the effective date of the Retirement or until the option's expiration date, whichever period is shorter. However, effective for options granted in 2008, the option will become 100% exercisable if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

*Special Retirement.* If the officer ceases to be employed by reason of Special Retirement, (termination of employment on or after the later of reaching age 62 and the officer's early retirement date or normal retirement date under the TDS Pension Plan), the option will be exercisable only to the extent it is exercisable on the effective date of the Special Retirement, and after such date may be exercised by the holder for a period of 12 months after the effective date of the Special Retirement or until the option's expiration date, whichever period is shorter. However, effective for options granted in 2008, the option will become 100% exercisable if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

*Resignation with Prior Consent of the Board.* If the officer ceases to be employed by reason of the officer's resignation of employment or service at any age with the prior consent of the board of directors of TDS, the option will be exercisable only to the extent it is exercisable on the effective date of the holder's resignation, and after such date may be exercised by the holder (or the holder's legal representative) for a period of 90 days after such effective date or until the option's expiration date, whichever period is shorter.

*Death.* If the officer ceases to be employed by reason of death, the option will be exercisable only to the extent it is exercisable on the date of death, and after the date of death may be exercised by the beneficiary or beneficiaries duly designated by the deceased officer, for a period of 180 days after the date of death or until the option's expiration date, whichever period is shorter. However, effective for awards granted in 2008, the option will be exercisable by the beneficiary or beneficiaries for a period of 180 days after the date of death.

## Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form DEF 14A

**Other Termination of Employment or Service.** If the officer ceases to be employed for any reason other than Disability, Retirement, Special Retirement, resignation of employment or service with the prior consent of the board of directors of TDS or death, the option will be exercisable only to the extent it is exercisable on the effective date of the holder's termination of employment or service, and after such date may be exercised by the holder (or the holder's legal representative) for a period of 30 days after the effective date of the holder's termination of employment or until the option's expiration date, whichever period is shorter.

**Extension of Option Exercise Period.** The option exercise period may be extended 30 days beyond the end of a blackout period or legally-required plan suspension in the event that the option would otherwise expire during a blackout period or legally-required plan suspension.

**Restricted Stock Unit Awards.** The TDS restricted stock unit agreements with named executive officers provide as follows:

**Disability or Death.** If the officer separates from service prior to vesting by reason of Disability or death, the restricted stock unit award will vest upon such separation from service. The shares subject to the restricted stock unit award will be issued in the seventh calendar month following the calendar month during which the officer separates from service, or in the case of death, within sixty days following the officer's death.

**Retirement at or after Attainment of Age 66.** If the officer separates from service after the calendar year in which the restricted stock unit award was granted but prior to vesting, by reason of retirement at or after attainment of age 66, the restricted stock unit will vest upon such separation from service. The shares subject to the restricted stock unit award will be issued in the seventh calendar month following the calendar month during which the officer separates from service. If the officer separates from service during the calendar year in which the restricted stock unit award was granted or by reason of retirement prior to the attainment of age 66, the restricted stock unit will be forfeited.

**Other Separation from Service.** If the officer separates from service prior to vesting for any reason other than Disability, death or retirement at or after attainment of age 66, the restricted stock unit award will be forfeited.

**Employer Match Awards.** If the officer separates from service with TDS or its affiliates by reason of Disability or death, all employer match awards credited to the officer's deferred compensation account shall become nonforfeitable upon such separation from service to the extent such awards had not been forfeited previously. If the officer separates from service with TDS or its affiliates for any other reason, any unvested employer match awards will be forfeited. In addition, all match awards will become fully vested upon a Change in Control.

**Forfeiture of Award Upon Competition with or Misappropriation of Confidential Information of TDS or its Affiliates.** If a recipient of an award enters into competition with, or misappropriates confidential information of, TDS or any affiliate thereof, then all awards granted to the recipient shall terminate and be forfeited.

### *Change in Control.*

Notwithstanding any provision in the TDS 2004 Long-Term Incentive Plan or any agreement, in the event of a Change in Control:

any outstanding restricted stock award shall become nonforfeitable and the restriction period applicable to the award shall lapse;

any outstanding RSU award shall become nonforfeitable, and to the extent permissible under section 409A of the Internal Revenue Code, the restriction period applicable to the award shall lapse;

any outstanding performance share award shall become nonforfeitable, and to the extent permissible under section 409A of the Internal Revenue Code, the performance period applicable to the award shall lapse;

any performance measures applicable to any outstanding performance share award, restricted stock award or RSU award shall be deemed to be satisfied at the target level;

all outstanding options and SARs shall become immediately exercisable in full; and

all amounts in a deferred compensation account shall become nonforfeitable.

The foregoing outlines the effect of a Change in Control relating to all potential awards available under the TDS 2004 Long-Term Incentive Plan. However, TDS currently only has outstanding RSUs, options and phantom stock units related to deferred compensation accounts.

The definition of Change in Control is set forth in Section 8.9(b) of TDS' 2004 Long-Term Incentive Plan. The 2004 Long-Term Incentive Plan was filed with the SEC as Exhibit 10.1 to TDS' Current Report on Form 8-K dated April 11, 2005, and amendments to TDS' 2004 Long-Term Incentive Plan were filed with the SEC as Exhibits to TDS' Current Reports on Form 8-K dated December 10, 2007 and December 22, 2008.

Because certain termination events and/or a Change in Control would result in the acceleration of vesting of options, restricted stock units and bonus match units, the effects of such accelerated vesting in such event are included in the below table of Potential Payments upon Termination or Change in Control.

#### *U.S. Cellular 2005 Long-Term Incentive Plan*

John E. Rooney does not participate in the TDS 2004 Long-Term Incentive Plan. Instead, he participates in the U.S. Cellular 2005 Long-Term Incentive Plan. For further information, see the U.S. Cellular proxy statement for its 2009 annual meeting of shareholders. However, all of John E. Rooney's awards granted under the U.S. Cellular 2005 Long-Term Incentive Plan prior to 2009, other than bonus match awards, have vested pursuant to an agreement between Mr. Rooney and U.S. Cellular. See footnote (3) to the below Table of Potential Payments upon Termination or Change in Control.

Because certain termination events and/or a change in control would result in the acceleration of vesting of Mr. Rooney's U.S. Cellular bonus match units, such accelerated vesting in such event is included in the below table of Potential Payments upon Termination or Change in Control. The vesting of his bonus match units will be accelerated in the event of a qualified disability, qualified retirement or death and may be accelerated by the U.S. Cellular board of directors in the event of a Change in Control as defined by the U.S. Cellular 2005 Long-Term Incentive Plan.

#### *SERP*

Each of the identified officers participates in a supplemental executive retirement plan or SERP, which is a non-qualified defined contribution plan. The SERP does not provide substantial benefits and is intended to replace the benefits which cannot be provided under the TDS Pension Plan as a result of tax law limitations on the amount and types of annual employee compensation which can be taken into account under a tax qualified pension plan. The SERP is unfunded. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. Participants are credited with interest on balances of the SERP. Pursuant to SEC rules, column (h) of the Summary Compensation Table includes any portion of interest earned under the SERP to the extent the rate exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time the rate is set.

A participant is entitled to distribution of his entire account balance under the SERP if the participant has a separation from service without cause, after either (a) his or her attainment of age 65; or (b) his or her completion of at least ten years of service. If a participant has a separation from service under circumstances other than those set forth in the preceding sentence, without cause, the participant will be entitled to distribution of 10% of his or her account balance for each year of service up to ten years. Upon a separation from service under circumstances that permit payments under the SERP, the participant will be paid his or her account balance in one of the following forms as elected by the

participant prior to the first day of the first plan year for which the participant commences participation in the SERP: (a) a single lump sum or (b) annual installments over a period of 5, 10, 15, 20 or 25 years. The SERP does not include any provision that would increase benefits or accelerate amounts upon any termination or change in control and, accordingly, no amount is included in the below table of Potential Payments upon Termination or Change in Control. The balance of the SERP as of December 31, 2008 for each named executive officer is set forth below in the "Nonqualified Deferred Compensation" Table.

#### *Perquisites*

TDS does not provide any significant perquisites to its officers. In addition, TDS has no formal plan, policy or procedure pursuant to which executive officers are entitled to any perquisites following termination or change in control. However, in connection with any termination, TDS may enter into a retirement, severance or similar agreement that may provide for certain limited perquisites. Perquisites and personal benefits represent a relatively insignificant portion of the named executive officers' total compensation. Accordingly, they do not materially influence the Compensation Committee's consideration in setting compensation.

#### **Other Generally Applicable Benefits and Plans**

##### *Employee Stock Purchase Plans*

TDS sponsors an Employee Stock Purchase Plan that permits eligible employees of TDS and its subsidiaries, including U.S. Cellular, to purchase a limited number of TDS Special Common Shares on a quarterly basis. The per share cost to each participant is 85% of the market value of the Special Common Shares as of the quarterly purchase date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of TDS.

U.S. Cellular also sponsors an Employee Stock Purchase Plan that permits eligible employees of U.S. Cellular and its subsidiaries to purchase a limited number of U.S. Cellular Common Shares on a quarterly basis. The per share cost to each participant is 85% of the market value of the Common Shares as of the quarterly purchase date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of U.S. Cellular.

Under the TDS and U.S. Cellular Employee Stock Purchase Plans, all shares purchased are distributed quarterly and no shares are retained for distribution upon retirement or otherwise. These plans do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all employees of TDS or U.S. Cellular, as applicable, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

##### *Tax-Deferred Savings Plan*

TDS sponsors the Tax-Deferred Savings Plan (TDSP), a qualified defined contribution plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. This plan is available to employees of TDS and its subsidiaries, including U.S. Cellular. Employees contribute amounts and TDS makes matching contributions in part. TDS and participating employers make matching contributions to the plan in cash equal to 100% of an employee's contributions up to the first 3% and 40% of an employee's contributions up to the next 2% of such employee's compensation. Participating employees have the option of investing their contributions and TDS' contributions in a TDS Common Share fund, a TDS Special Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Tax-Deferred Savings Plan, vesting is not accelerated upon a Change in Control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) a lump sum or (b) a series of annual or more frequent installments. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

*Pension Plan*

TDS sponsors a qualified noncontributory defined contribution Pension Plan for the employees of TDS and its subsidiaries, including U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded annually. The Pension Plan is designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the Pension Plan. TDS and its subsidiaries make annual employer contributions for each eligible participant based on the applicable pension formula. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Pension Plan, vesting is not accelerated upon a Change in Control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) an annuity or (b) a lump sum payment. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

*Post-Retirement Welfare Benefits*

TDS sponsors two post-retirement welfare plans that cover most of the employees of TDS, TDS Telecom and the subsidiaries of TDS Telecom. One plan provides medical benefits and the other provides life insurance benefits. These plans do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all salaried employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

*Health and Welfare Benefits during Employment*

TDS also provides customary health and welfare and similar plans for the benefit of its employees. These group life, health, hospitalization, disability and/or medical reimbursement plans do not discriminate in scope, terms or operation, in favor of executive officers and are available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

**Impact of Accounting and Tax Treatments of Particular Forms of Compensation**

The Compensation Committee considers the accounting and tax treatments of particular forms of compensation. Accounting treatments do not significantly impact the Compensation Committee's determinations of the appropriate compensation. The Compensation Committee considers the accounting treatments primarily to be informed and to confirm that company personnel understand and recognize the appropriate accounting that will be required with respect to compensation decisions.

The Compensation Committee places more significance on the tax treatments of particular forms of compensation, because these may involve an actual cash expense to the company or the executive. One objective of the Compensation Committee is to maximize tax benefits to the company and executives to the extent feasible within the overall goals of the compensation policy discussed above. In particular, one consideration is the effect of Section 162(m) of the Internal Revenue Code.

Subject to certain exceptions, Section 162(m) of the Internal Revenue Code provides a one million dollar annual limit on the amount that a publicly held corporation is allowed to deduct as compensation paid to each of the corporation's principal executive officer ("PEO") and the corporation's three most highly compensated officers, exclusive of the corporation's PEO and principal financial officer. TDS does not believe that the one million dollar deduction limitation currently has or should have in the near future a material adverse effect on TDS' financial condition, results of operations or cash flows. If the one million dollar deduction limitation is expected to have a material adverse effect on TDS in the future, TDS will consider ways to maximize the deductibility of executive compensation, while retaining the discretion TDS deems necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

TDS does not have any arrangements with its executive officers pursuant to which it has agreed to "gross-up" payments due to taxes or to otherwise reimburse officers for the payment of taxes, except with respect to certain perquisites as noted below.

#### *Financial Restatement*

Depending on the facts and circumstances, TDS may seek to adjust or recover awards or payments if the relevant TDS performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment.

#### **TDS Policy on Stock Ownership**

TDS does not have a formal policy relating to stock ownership by executive officers. However, it should be noted that the President and CEO of TDS is a substantial shareholder of TDS. See "Security Ownership of Certain Beneficial Owners and Management" below. TDS' Policy Regarding Insider Trading and Confidentiality provides that persons subject to the blackout policy may not, under any circumstances, trade options for, pledge, or sell "short," any securities of TDS or U.S. Cellular, and may not enter into any hedging, monetization or margin transactions with respect to any such securities.

#### **Compensation Consultants**

Information relating to TDS' compensation consultants is discussed above under "Corporate Governance Compensation Committee."

#### **Compensation Committee Report**

The Compensation Committee of the board of directors of TDS oversees TDS' compensation program on behalf of the board of directors. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth above in this proxy statement.

In reliance on the review and discussions referred to above, the Compensation Committee recommended to the board of directors that the above Compensation Discussion and Analysis be included in TDS' Annual Report on Form 10-K for the fiscal year ended December 31, 2008 and TDS' proxy statement related to the 2009 Annual Meeting of Stockholders.

This Compensation Committee Report is submitted by Christopher D. O'Leary, Gregory P. Josefowicz, George W. Off and Herbert S. Wander.



## Summary of Compensation

The following table summarizes the compensation paid by TDS in 2008 and, except as indicated, 2007 and 2006, to the identified officers.

Summary Compensation Table

Name and Principal Position (a)	Year (b)	Salary (\$)(c)	Bonus (\$)(d)	Stock Awards (\$)(e)	Option Awards (\$)(f)	Change in Pension Value and Non-Employee Incentives		All Other Compensation (\$)(i)	Total (\$)(j)
						(\$)(g)	(\$)(h)		
<b>LeRoy T. Carlson, Jr.</b>									
(1)(6)	2008	\$ 1,275,000	\$ 950,000	\$ 1,178,546	\$ 428,519	\$ 1,438	\$ 80,007	\$ 3,913,510	
President and Chief Executive Officer	2007	\$ 1,193,000	\$ 800,000	\$ 1,288,171	\$ 2,371,853	\$ 159	\$ 76,742	\$ 5,729,925	
	2006	\$ 1,115,000	\$ 550,000	\$ 603,076	\$ 2,952,571	\$	\$ 72,472	\$ 5,293,119	
<b>Kenneth R. Meyers</b>									
(2)(6)	2008	\$ 595,000	\$ 356,000	\$ 404,861	\$ 299,611	\$ 1,516	\$ 67,916	\$ 1,724,904	
Executive Vice President and Chief Financial Officer	2007	\$ 550,000	\$ 276,860	\$ 402,180	\$ 982,923	\$ 352	\$ 63,995	\$ 2,276,310	
<b>John E. Rooney</b>									
(3)(6)	2008	\$ 855,000	\$ 675,000	\$ 768,240	\$ 1,917,477	\$ 6,978	\$ 54,740	\$ 4,277,435	
President and Chief Executive Officer of U.S. Cellular	2007	\$ 790,000	\$ 525,000	\$ 508,779	\$ 2,013,137	\$ 3,655	\$ 70,858	\$ 3,911,429	
	2006	\$ 734,084	\$ 300,000	\$ 1,185,929	\$ 3,158,606	\$ 3,335	\$ 51,921	\$ 5,433,875	
<b>Scott H. Williamson</b>									
(4)(6)	2008	\$ 565,000	\$ 277,000	\$ 291,176	\$ 129,638	\$ 1,309	\$ 70,701	\$ 1,334,824	
Senior Vice President Acquisitions and Corporate Development	2007	\$ 529,000	\$ 285,000	\$ 280,428	\$ 752,511	\$ 141	\$ 66,824	\$ 1,913,904	
<b>LeRoy T. Carlson</b>									
(5)(6)	2008	\$ 480,000	\$ 202,600	\$ 290,196	\$ 364,384	\$ 1,559	\$ 36,046	\$ 1,374,785	
Chairman Emeritus	2007	\$ 480,000	\$ 200,000	\$ 334,168	\$ 476,818	\$ 184	\$ 40,022	\$ 1,531,192	
	2006	\$ 480,000	\$ 200,000	\$ 632,874	\$ 672,427	\$	\$ 36,051	\$ 2,021,352	

## Explanation of Columns:

(a)

Includes the following "named executive officers": all individuals serving as TDS' principal executive officer or acting in a similar capacity during the last completed fiscal year; all individuals serving as the principal financial officer or acting in a similar capacity during the last completed fiscal year; and the three most highly compensated executive officers other than the foregoing who were serving as executive officers at the end of the last completed fiscal year, including executive officers of subsidiaries. The determination as to which executive officers are most highly compensated is made by reference to total compensation for the last

completed fiscal year as set forth in column (j), reduced by any amount in column (h).

(b)

For additional details relating to 2007, see the TDS proxy statement filed with the SEC on Schedule 14A on April 15, 2008. For additional details relating to 2006, see the TDS proxy statement filed with the SEC on Schedule 14A on June 26, 2007. Amounts for 2006 are not required to be reported for Kenneth R. Meyers or Scott H. Williamson because they were not named executive officers in 2006.

(c)

Represents the dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year, whether or not paid in such year. John E. Rooney deferred 20% of his 2008 base salary and Kenneth R. Meyers deferred 9% of his 2008 base salary, all of which salary is included in column (c) whether or not deferred. See "Information Regarding Nonqualified Deferred Compensation" below. The other officers did not defer any salary in 2008.

(d)

Represents the dollar value of bonus (cash and non-cash) earned by the named executive officer during the fiscal year, whether or not paid in such year. Officers do not become entitled to any amount of bonus solely as a result of achievement of any performance measures. The officers are not entitled to any amount of bonus unless and only to the extent awarded and paid. The performance of the company is one category of the factors used to determine the amount of the bonus, all of which is discretionary. The entire amount of the bonus is not earned until awarded. Accordingly, the amounts paid and earned in 2008 include the bonus based on 2007 performance that was paid in 2008. LeRoy T. Carlson, Jr., deferred 15% of his 2007 bonus (earned and paid in 2008). Kenneth R. Meyers deferred 25% of his 2007 bonus (earned and paid in 2008). John E.

Rooney deferred 100% of his 2007 bonus (earned and paid in 2008). LeRoy T. Carlson deferred 100% of his 2007 bonus (earned and paid in 2008). The amount deferred is deemed invested in phantom stock units in TDS Special Common Shares for TDS officers or in USM Common Shares for U.S. Cellular officers. See "Grants of Plan-Based Awards" below. The entire amount of bonus earned in 2008, including any amount deferred, is included above in column (d). See "Information Regarding Nonqualified Deferred Compensation" below.

The following is a summary of the amount of bonus earned in 2008 and the amount deferred included above:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
Total Bonus Earned in 2008	\$ 950,000	\$ 356,000	\$ 675,000	\$ 277,000	\$ 202,600
Percentage Deferred	15%	25%	100%		100%
Amount Deferred	\$ 142,500	\$ 89,000	\$ 675,000	\$	\$ 202,600
Company Match see Note (e)	\$ 35,625	\$ 22,250	\$ 196,897	\$	\$ 58,754

For disclosure purposes, the amount of bonus paid in 2009 as of the date of this document with respect to 2008 performance is as follows:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
Bonus for 2008 Paid in 2009	\$ 655,000	\$ 329,900	\$ 410,000	\$ 259,500	\$ 165,800

The amount of the Bonus with respect to 2008 performance paid in 2009 is only provided for disclosure purposes. These amounts were not earned until paid in 2009 and will be reported in next year's Summary Compensation Table with respect to 2009.

(e)

Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The vesting period of the awards is set forth under "Grants of Plan-Based Awards" below. Assumptions made in the valuation of the stock awards in this column are incorporated by reference from Note 21 Stock Based Compensation, in TDS' financial statements for the year ended December 31, 2008 included in its Form 10-K for the year ended December 31, 2008. All TDS stock awards are valued based on grant date fair value using an annual forfeiture rate (the percentage of stock awards granted that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 3.20% in 2008, 2.65% in 2007 and 0% in 2006. There were no forfeitures of stock awards in 2008, 2007 or 2006 for the identified officers.

Except with respect to Mr. Rooney and in part with respect to Mr. Meyers, includes the amount of FAS 123R expense relating to restricted stock units in TDS Special Common Shares under the TDS 2004 Long-Term Incentive Plan. The entire amount with respect to Mr. Rooney and part of the amount with respect to Mr. Meyers includes the amount of FAS 123R expense relating to restricted stock units in USM Common Shares under the U.S. Cellular 2005 Long-Term Incentive Plan. See "Information Regarding Plan-Based Awards" below for vesting and other information.

Also includes FAS 123R expense relating to phantom stock bonus match units credited to such officer with respect to deferred bonus compensation. Deferred bonus is deemed invested in phantom TDS Special Common Shares except for the deferred bonus of Mr. Rooney and, relating to periods prior to 2007, Mr. Meyers. The TDS phantom stock units are credited with dividend equivalents. The Summary Compensation Table does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, because they are not earned at a rate higher than dividends on TDS' common stock. All bonus amounts deferred by Mr. Rooney and the bonus amount deferred by Mr. Meyers prior to 2007 are deemed invested in phantom USM Common Shares. U.S. Cellular does not currently pay dividends. For information relating to U.S. Cellular, see U.S. Cellular's proxy statement for its 2009 annual meeting.

LeRoy T. Carlson, Jr. deferred 15% of his 2007 bonus (earned and paid in 2008) and, accordingly, received a stock unit match in phantom TDS Special Common Shares in 2008 having a grant date value of \$35,625. Kenneth R. Meyers deferred 25% of his 2007 bonus, which was paid in 2008. Accordingly, Mr. Meyers received a stock unit match in phantom TDS Special Common Shares in 2008 having a grant date value of \$22,250. John E. Rooney deferred 100% of his 2007 bonus, which was paid in 2008. Accordingly, Mr. Rooney received a stock unit match in phantom USM Common Shares in 2008 having a grant date value of \$196,897. LeRoy T. Carlson deferred 100% of his 2007 bonus (earned and paid in 2008) and, accordingly, received a stock unit match in phantom TDS Special Common Shares in 2008 having a grant date value of \$58,754. Column (e) above includes the amount of any FAS 123R expense recognized in 2008. See "Information Regarding Nonqualified Deferred Compensation" below.

The following is a summary of the amount of FAS 123R expense related to stock awards reflected in column (e) above with respect to 2008:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
2006 TDS.S Restricted Stock Units	\$ 485,000	\$	\$	\$ 82,734	\$
2007 TDS.S Restricted Stock Units	505,757	204,090		155,219	
2008 TDS.S Restricted Stock Units	175,914	72,268		53,223	270,611
2005 USM Restricted Stock Units		52,602			
2006 USM Restricted Stock Units		62,716			
2008 USM Restricted Stock Units			440,077		
Amount of restricted stock unit expense in 2008	\$ 1,166,671	\$ 391,676	\$ 440,077	\$ 291,176	\$ 270,611
Amount of bonus match expense in 2008					
TDS	11,875	7,417			19,585
USM		5,768	328,163		
Total	\$ 1,178,546	\$ 404,861	\$ 768,240	\$ 291,176	\$ 290,196

Pursuant to an offer letter which was accepted by John E. Rooney on March 28, 2000, all stock option and restricted stock awards granted to him after April 10, 2006 fully vest six months after the date of grant. Accordingly, awards granted to Mr. Rooney on April 1, 2008 vested on October 1, 2008.

In accordance with FAS 123R, TDS recognized expense in 2008 with respect to 100% of the grant-date value of restricted stock unit awards granted in 2008 to LeRoy T. Carlson because he was 66 years or older and eligible for retirement.

For reference purposes, the following is a summary of the grant date value of stock awards in 2008 reflected in column (l) of the Grants of Plan-Based Awards Table below:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
2008 TDS.S Restricted Stock Unit Award	\$ 1,157,182	\$ 475,387	\$	\$ 350,106	\$ 272,725
2008 TDS.S Bonus Match Awards	35,625	22,250			58,754
2008 USM Restricted Stock Unit Award			440,077		
2008 USM Bonus Match Awards			196,897		

Total	\$ 1,192,807	\$ 497,637	\$ 636,974	\$ 350,106	\$ 331,479
-------	--------------	------------	------------	------------	------------

If an award ultimately vests in full, the amount cumulatively recognized in the Summary Compensation Table over a period of years should approximate 100% of the grant date fair value of the equity award or the total fair value at the date of settlement for a liability award.

(f)

Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The dates on which the options become exercisable and expire are set forth below under "Grants of Plan-Based Awards." Assumptions made in the valuation of the option awards in this column are incorporated by reference from Note 21 Stock Based Compensation, in TDS' financial statements for the year ended December 31, 2008 included in its Form 10-K for the year ended December 31, 2008. All TDS stock options granted in 2008 were valued based on grant date fair value using a forfeiture rate (the percentage of stock options granted that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 1.88% in 2008, 1.0% in 2007 and 0.6% in 2006. There were no forfeitures of stock options in 2008 for the identified officers. Except with respect to Mr. Rooney and in part with respect to Mr. Meyers, the amounts represent the FAS 123R expense of options to acquire TDS shares during the fiscal year. In the case of Mr. Rooney and in part with respect to Mr. Meyers, the amounts represent the FAS 123R expense of options to acquire USM Common Shares.

The following is a summary of the amount of FAS 123R expense relating to options reflected in column (f) above with respect to 2008:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
2004 USM Options	\$	\$ 9,147	\$	\$	\$
2005 USM Options		38,308			
2006 USM Options		76,150			
2008 USM Options			1,917,477		
2008 TDS.S Options	428,519	176,006		129,638	364,384
Amount of option expense in 2008	\$ 428,519	\$ 299,611	\$ 1,917,477	\$ 129,368	\$ 364,384

Pursuant to an offer letter which was accepted by John E. Rooney on March 28, 2000, all stock option and restricted stock unit awards granted to him on April 1, 2008 fully vested on October 1, 2008.

For reference purposes, the following is a summary of the grant date value of options granted in 2008 reflected in column (l) of the Grants of Plan-Based Awards Table below:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
Grant date value of options awarded in 2008	\$ 2,003,618	\$ 822,950	\$1,917,477	\$ 606,152	\$364,384

If an option ultimately vests in full, the amount cumulatively recognized in the Summary Compensation Table over a period of years should approximate 100% of the grant date fair value of the equity award or the total fair value at the date of settlement for a liability award.

TDS options granted in 2007 and prior years became exercisable on December 15 of the year of grant. However, TDS changed its policy in 2008 so that options granted in 2008 become exercisable with respect to one-third of the number of shares subject to the option on each of the first, second and third anniversaries of the grant date. As a result of this change, the FAS 123R expense related to options granted in 2008 will be reflected over a three year period, instead of entirely in the year of grant as was the case in 2007 and 2006. Consequently, the dollar amount of expense recognized for financial statement reporting purposes pursuant to FAS 123R reflected in Column (f), "Option Awards," of the Summary Compensation Table with respect to 2008 is substantially lower in 2008 compared to 2007 and 2006 (except with respect to John E. Rooney, who receives options from U.S. Cellular).

(g) None of the above executive officers has any earnings for services performed during the fiscal year pursuant to awards under "non-equity incentive plans" or earnings on any outstanding awards, under SEC rules. Accordingly, this column is not applicable.

(h) As required by SEC rules, column (h) includes the portion of interest that exceeded 120% of the applicable federal long-term rate ("AFR"), with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. Each of the identified officers participates in a supplemental executive retirement plan or SERP. The interest rate for 2008 was set as of the last trading date of 2007 at 6.109% per annum, based on the yield on ten year BBB rated industrial bonds at such time. Such rate exceeded the AFR of 5.68% at such time. Accordingly, pursuant to SEC rules, column (h) of the Summary Compensation Table for 2008 includes the portion of such interest that exceeded the AFR at the time the interest rate was set. In addition, column (h) includes \$6,002 of interest that Mr. Rooney received and \$162 of interest Mr. Meyers received from U.S. Cellular, and \$61 of interest Mr. Meyers received from TDS, on deferred salary that exceeds the AFR. The other officers have not deferred any of their salaries. Interest on deferred salary is compounded monthly, computed at a rate equal to one-twelfth of the sum of the average thirty-year Treasury Bond rate for salary deferred as an employee of TDS, or the twenty-year Treasury Bond rate for salary deferred as an employee of U.S. Cellular, plus 1.25 percentage points.

Pursuant to SEC rules, column (h) does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, because they are not earned at a rate higher than dividends on TDS' common stock.

Column (h) does not include any changes in pension values because TDS and U.S. Cellular do not have any defined benefit pension plans (including supplemental plans). The named executive officers only participate in tax-qualified defined contribution plans and a non-qualified defined contribution plan which, under SEC rules, are not required to be reflected in column (h). Both the Tax-Deferred Savings Plan (TDSP) and the Pension Plan are qualified defined contribution plans and the supplemental executive retirement plan (SERP) is a non-qualified defined contribution plan.

(i)

Does not include any discount amount under the TDS dividend reinvestment plans because such discounts are available generally to all security holders of TDS.

Does not include any discount amount under the TDS or U.S. Cellular employee stock purchase plans because such discounts are available generally to all employees of TDS or U.S. Cellular, as applicable. The per share cost to each participant is 85% of the market value of the TDS Special Common Shares or USM Common Shares as of the issuance date, as applicable.

Does not include perquisites and other personal benefits, or property, unless the aggregate amount of such compensation is \$10,000 or more. Perquisites do not include expenditures that are used exclusively for business purposes.

Includes the following: (1) if applicable, the total of perquisites and personal benefits if they equal or exceed \$10,000, summarized by type, or specified for any perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of the total amount of perquisites and personal benefits for each officer, in each case, valued on the basis of the aggregate incremental cost of such perquisite or personal benefit to TDS, including any related tax gross up, (2) contributions by TDS for the benefit of the named executive officer under (a) the TDS Tax-Deferred Savings Plan, which is referred to as the TDSP, (b) the TDS Pension Plan and (c) the TDS supplemental executive retirement plan, which is referred to as the SERP, and



(3) the dollar value of any insurance premiums paid during the covered fiscal year with respect to director Life Insurance for the benefit of the named executive:

	<i>LeRoy T. Carlson, Jr.</i>	<i>Kenneth R. Meyers</i>	<i>John E. Rooney</i>	<i>Scott H. Williamson</i>	<i>LeRoy T. Carlson</i>
<b>Perquisites:</b>					
Corporate automobile allowance and other personal travel and related expenses	\$ 18,465	\$ 10,613	N/A	\$ 11,593	\$ 22,980
Tax gross up relating to corporate automobile allowance	6,678	2,439	N/A	3,808	7,330
Other (Club Dues and Health and Fitness reimbursements)			N/A	560	
<b>Total Perquisites if \$10,000 or more</b>	<b>\$ 25,143</b>	<b>\$ 13,052</b>	<b>N/A</b>	<b>\$ 15,961</b>	<b>\$ 30,310</b>
<b>Contributions to Benefit Plans</b>					
<b>TDSP</b>	<b>\$ 8,740</b>	<b>\$ 8,740</b>	<b>\$ 8,740</b>	<b>\$ 8,740</b>	<b>\$ 5,612</b>
Pension Plan	26,997	10,740	10,740	20,702	
SERP	19,003	35,260	35,260	25,298	
Life Insurance	124	124			124
<b>Total, including perquisites if \$10,000 or more</b>	<b>\$ 80,007</b>	<b>\$ 67,916</b>	<b>\$ 54,740</b>	<b>\$ 70,701</b>	<b>\$ 36,046</b>

TDS and U.S. Cellular do not provide any significant perquisites to their officers. In 2008, perquisites primarily included an automobile allowance and/or reimbursed travel and similar expenses to certain of their executive officers. This benefit is valued based on the actual cost to TDS or U.S. Cellular. Also, TDS and U.S. Cellular reimbursed the officer's additional taxes related to the automobile allowance.

The TDSP is a tax-qualified defined contribution retirement plan that does not discriminate in scope, terms or operation in favor of executive officers or directors of TDS and that is available generally to all employees. Employees contribute amounts to the plan and TDS and its subsidiaries make matching contributions in part.

The Pension Plan is a tax-qualified defined contribution retirement plan that does not discriminate in scope, terms or operation in favor of executive officers and that is available generally to all employees. TDS and its subsidiaries make annual employer contributions for each participant.

The SERP is a non-qualified defined contribution plan that is available only to certain officers. This plan provides supplemental benefits under the TDS Pension Plan to offset the reduction of benefits caused by the limitation on annual employee compensation which can be considered for tax qualified pension plans under the Internal Revenue Code. TDS and its subsidiaries make annual employer contributions for each participant.

TDS pays premiums for \$100,000 of life insurance for directors of TDS, including directors who are executive officers.

(j)

Represents the dollar value of total compensation for the fiscal year based on the sum of all amounts reported in columns (c) through (i).

**Footnotes:**

- (1)  
LeRoy T. Carlson, Jr., as President and Chief Executive Officer, is included in the above table as TDS' principal executive officer. He is also Chairman of U.S. Cellular and TDS Telecom. TDS does not have any employment, severance or similar agreement with LeRoy T. Carlson, Jr. Mr. Carlson is the son of Chairman Emeritus LeRoy T. Carlson, and the brother of non-executive Chairman of the Board and director of TDS, Walter C.D. Carlson, director Letitia G. Carlson, M.D., and director, Prudence E. Carlson.
- (2)  
Kenneth R. Meyers is included in the above table because he was TDS' Executive Vice President and Chief Financial Officer during 2008. Only his 2008 and 2007 compensation is reported because he was not a named executive officer prior to 2007.
- (3)  
John E. Rooney, as President and Chief Executive Officer of U.S. Cellular, a principal business unit of TDS which operates wireless telephone companies, is deemed to be an executive officer of TDS under SEC rules. He is one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer who was serving as an executive officer at the end of the last completed fiscal year, including executive officers of subsidiaries. U.S. Cellular is party to an offer letter which was accepted by John E. Rooney on March 28, 2000 relating to his employment as President and Chief Executive Officer of U.S. Cellular, which is executory in part, as discussed in the footnotes to the Table of Potential Payments upon Termination or Change in Control. All of Mr. Rooney's compensation is paid by U.S. Cellular, which is a public company and SEC registrant. Further information about Mr. Rooney's compensation is included in the 2009 proxy statement of U.S. Cellular.
- (4)  
Scott H. Williamson, Senior Vice President Acquisitions and Corporate Development of TDS, is one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer of TDS who was serving as an executive officer at the end of the last completed fiscal year, including executive officers of subsidiaries. Only his 2008 and 2007 compensation is reported because he was not a named executive officer prior to 2007.

(5)

LeRoy T. Carlson, Chairman Emeritus, is one of the three most highly compensated executive officers other than the principal executive officer or principal financial officer of TDS who was serving as an executive officer at the end of the last completed fiscal year, including executive officers of subsidiaries. TDS has an agreement with LeRoy T. Carlson relating to his employment and retirement as discussed under "Potential Payments upon Termination or Change in Control" below.

(6)

Each of the named executive officers is an executive officer and/or director of U.S. Cellular except for Scott H. Williamson. John E. Rooney receives all of his compensation from U.S. Cellular. LeRoy T. Carlson, Jr., director and Chairman of U.S. Cellular, LeRoy T. Carlson, director of U.S. Cellular, and Kenneth R. Meyers, a director and Chief Accounting Officer of U.S. Cellular, did not receive any compensation from U.S. Cellular in 2008. In 2008, LeRoy T. Carlson, Jr., LeRoy T. Carlson and Kenneth R. Meyers were compensated by TDS in connection with their services for TDS and TDS subsidiaries, including U.S. Cellular. A portion of their compensation expense incurred by TDS is allocated to U.S. Cellular by TDS, along with the allocation of other compensation expense and other expenses of TDS. This allocation by TDS to U.S. Cellular is done in the form of a single management fee pursuant to an Intercompany Agreement between TDS and U.S. Cellular. There is no identification or quantification of the compensation of such persons to U.S. Cellular, or of any other allocated expense in this management fee. The management fee is recorded as a single expense by U.S. Cellular, U.S. Cellular does not obtain details of the components that make up this fee and does not segregate this fee or allocate any part of the management fee to other accounts such as compensation expense. All of the compensation of the foregoing persons was approved by the TDS Compensation Committee and none of it was subject to approval by any U.S. Cellular directors or officers. Accordingly, all of such compensation expense incurred by TDS is reported in the above table by TDS and is not reported by U.S. Cellular. U.S. Cellular discloses the amount of the management fee that it pays to TDS in its proxy statement together with a description of the Intercompany Agreement. Mr. Meyers was a named executive officer of U.S. Cellular in 2006 and was compensated by U.S. Cellular in 2006. This compensation was reported in the 2007 proxy statement of U.S. Cellular.

## Information Regarding Plan-Based Awards

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding plan-based awards in 2008.

## Grants of Plan-Based Awards

Name (a)	Grant Date (b)	<i>Estimated Future Payouts Under Non-Equity Incentive Plan Awards</i>		<i>Estimated Future Payouts Under Equity Incentive Plan Awards</i>		<i>All Other Stock Awards: Number of Shares of Stock or Units (#) (i)</i>	<i>All Other Option Awards: Number of Securities Underlying Options (#) (j)</i>	<i>Exercise or Base Price of Option Awards (\$/Sh) (k)</i>	<i>Grant Date Fair Value of Stock and Option Awards (l)</i>
		(c)	(d)	(e)	(f)				
<b>LeRoy T. Carlson, Jr.</b>									
Awards in TDS.S Shares(1)									
TDS.S Restricted Stock Units	8/26/08					32,735			\$ 1,157,182
TDS.S Phantom Stock Bonus Match Units(3)	3/4/08					923			\$ 35,625
Total Grant Date Value of Stock Awards									\$ 1,192,807
TDS.S Options	8/26/08						226,425	\$ 35.35	\$ 2,003,618
Total Grant Date Fair Value of all Awards									\$ 3,196,425
<b>Kenneth R. Meyers</b>									
Awards in TDS.S Shares(1)									
TDS.S Restricted Stock Units	8/26/08					13,448			\$ 475,387
TDS.S Phantom Stock Bonus Match Units(3)	3/4/08					576			\$ 22,250
Total Grant Date Value of Stock Awards									\$ 497,637
TDS.S Options	8/26/08						93,000	\$ 35.35	\$ 822,950
Total Grant Date Fair									\$ 1,320,587

## Value of all Awards

**John E. Rooney**Awards in USM Common  
Shares(2)

USM Restricted Stock Units	4/1/08	7,695		\$	440,077
USM Phantom Stock Bonus Match Units(4)	3/14/08	3,502		\$	196,897
<b>Total Grant Date Value of Stock Awards</b>					<b>\$ 636,974</b>

USM Options	4/1/08		136,000	\$ 57.19	\$ 1,917,477
-------------	--------	--	---------	----------	--------------

<b>Total Grant Date Fair Value of all Awards</b>					<b>\$ 2,554,451</b>
--	--	--	--	--	---------------------

**Scott H. Williamson**Awards in TDS.S  
Shares(1)

TDS.S Restricted Stock Units	8/26/08	9,904		\$	350,106
TDS.S Options	8/26/08		68,500	\$ 35.35	\$ 606,152

<b>Total Grant Date Fair Value</b>					<b>\$ 956,258</b>
--	--	--	--	--	-------------------

**LeRoy T. Carlson**Awards in TDS.S  
Shares(1)

TDS.S Restricted Stock Units	8/26/08	7,715		\$	272,725
TDS.S Phantom Stock Bonus Match Units(3)	3/4/08	1,522		\$	58,754

<b>Total Grant Date Value of Stock Awards</b>					<b>\$ 331,479</b>
---	--	--	--	--	-------------------

TDS.S Options	8/26/08		41,500	\$ 35.35	\$ 364,384
---------------	---------	--	--------	----------	------------

<b>Total Grant Date Fair Value of all Awards</b>					<b>\$ 695,863</b>
--	--	--	--	--	-------------------

**Explanation of Columns:**

- (a) Includes the persons identified in the Summary Compensation Table.
- (b) Represents the date on which the Compensation Committee, or in the case of Mr. Rooney, the U.S. Cellular Stock Option Compensation Committee, took action to grant the awards.

(c) (e) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any non-equity incentive plan awards, as defined by SEC rules.

59

---

- (f) (h) These columns as set forth in SEC rules are not applicable because the identified officers did not receive any equity incentive plan awards, as defined by SEC rules.
- (i) Except with respect to Mr. Rooney, includes the number of TDS Special Common Shares underlying restricted stock units awarded pursuant to the TDS 2004 Long-Term Incentive Plan. The TDS.S restricted stock units will become vested on December 15, 2010. With respect to Mr. Rooney, represents the number of USM Common Shares underlying restricted stock units granted to Mr. Rooney pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. Mr. Rooney's U.S. Cellular restricted stock units vested on October 1, 2008.

Under the TDS 2004 Long-Term Incentive Plan, executives (other than John E. Rooney) may elect to defer receipt of all or a portion of their annual bonuses and to receive stock unit matches on the amount deferred up to \$400,000. Deferred compensation is deemed invested in phantom TDS Special Common Shares. Participants receive (i) a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and (ii) a 33% match for amounts deferred that exceed 50% of their total annual bonus. The matched stock units vest ratably at a rate of one-third per year over three years. The value of phantom stock bonus match units recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R with respect to such officer is included in column (e), "Stock Awards," of the above Summary Compensation Table. After vesting, the matched stock units are credited with dividends. The Summary Compensation Table does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, because they are not earned at a rate higher than dividends on TDS' common stock. Deferred bonus by John E. Rooney is deemed invested in phantom USM Common Shares. U.S. Cellular does not currently pay dividends. For information relating to similar provisions under the U.S. Cellular 2005 Long-Term Incentive Plan, see U.S. Cellular's proxy statement for its 2009 annual meeting.

- (j) Except with respect to John E. Rooney, represents the number of TDS Special Common Shares underlying options awarded during the year pursuant to the TDS 2004 Long-Term Incentive Plan. The TDS.S options granted on August 26, 2008 have an exercise price of \$35.35 per share, which was the closing price of a TDS Special Common Share on August 26, 2008, become exercisable with respect to one-third of the number of shares subject to the option on each of the first, second and third anniversaries of the grant date and are exercisable until August 26, 2018.

In the case of Mr. Rooney, the amount represents the number of USM Common Shares underlying options awarded during the fiscal year pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan. The USM options were granted on April 1, 2008 at an exercise price of \$57.19 per share, which was the closing price of a USM Common Share on April 1, 2008, became fully vested on October 1, 2008, and are exercisable until April 1, 2018.

- (k) Represents the per-share exercise price of the options granted in column (j). Such exercise price is not less than the closing market price of the underlying security on the date of the grant.
- (l) Represents the grant date fair value of each equity award computed in accordance with FAS 123R or, in the case of any adjustment or amendment of the exercise or base price of options, stock appreciation rights ("SARs") or similar option-like instruments previously awarded to a named executive officer, whether through amendment, cancellation or replacement grants, or any other means ("repriced"), or other material modification of such awards, represents the incremental fair value, computed as of the repricing or modification date in accordance with FAS 123R, with respect to that repriced or modified award. No options, SARs or other similar awards were repriced or materially modified in the last fiscal year with respect to the identified executive officers.

**Footnotes:**

- (1) Pursuant to the TDS 2004 Long-Term Incentive Plan, on the date specified, such executive officer was granted restricted stock units and options to purchase TDS Special Common Shares. The FAS 123R expense of the stock awards is reported in the Summary Compensation Table in column (e) and the FAS 123R expense of the option awards is reported in the Summary Compensation Table in column (f). Dividends are not earned with respect to shares underlying restricted stock units until the award becomes vested and the shares are issued or on shares underlying options unless and until such options are exercised and the shares are issued.
- (2) Pursuant to the U.S. Cellular 2005 Long-Term Incentive Plan, on the date specified, the U.S. Cellular Stock Option Compensation Committee granted to John E. Rooney restricted stock units and options to purchase USM Common Shares as indicated above. The FAS 123R expense of the stock awards is reported in the Summary Compensation Table in column (e) and the FAS 123R expense of the option awards is reported in the Summary Compensation Table in column (f). U.S. Cellular does not currently pay dividends.
- (3) Includes the number of phantom stock units in TDS Special Common Shares credited to such officer with respect to company match units related to deferred bonus compensation. The TDS 2004 Long-Term Incentive Plan provides the opportunity for the above officers (other than Mr. Rooney) to defer receipt of a portion of their bonuses and receive TDS matching stock units. The FAS 123R expense of the matched stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards" and the grant date fair value is reported in the above table. The above table does not include the amount of the bonus earned that was credited as phantom stock because this is reported in the Summary Compensation Table in column (d) under "Bonus" whether paid in cash or deferred and credited as phantom stock, rather than in column (e) as "Stock Awards". The above table also does not include the amount of the dividends paid on deferred bonus. Such dividends are not preferential because they are not earned at a rate higher than dividends on TDS' common stock. Accordingly, FAS 123R does not require any expense to be recorded with respect to such dividends. See "Nonqualified Deferred Compensation" table below for bonus phantom stock and dividends credited to the named executive officers.
- (4) Includes the number of phantom stock units in USM Common Shares credited to John E. Rooney with respect to company match units related to deferred bonus compensation. John E. Rooney participates in the U.S. Cellular 2005 Long-Term Incentive Plan. This plan permits officers to defer all or a portion of their annual bonus to a deferred compensation account and receive U.S. Cellular matching stock units. The FAS 123R expense of the company match stock units is reported in the Summary Compensation Table in column (e) under "Stock Awards" and the grant date fair value is reported in the above table. U.S. Cellular does not currently pay dividends. The above table does not include the amount of the bonus earned that was credited as phantom stock because this is reported in the Summary Compensation Table in column (d) under "Bonus" whether paid in cash or deferred and credited as phantom stock, rather than in column (e) as "Stock Awards". See "Nonqualified Deferred Compensation" table below for bonus phantom stock credited to the named executive officers.



## Information Regarding Outstanding Equity Awards at Year End

The following table shows, as to the executive officers who are named in the Summary Compensation Table, certain information regarding outstanding equity awards at year end.

## Outstanding Equity Awards at Fiscal Year-End

Name (a)	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options: (#) Exercisable	Number of Securities Underlying Unexercised Options: (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options: (#)	Option Exercise Price (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (g)	Market Value of Shares or Units of Stock That Have Not Vested (h)	Equity Incentive Plan Awards: Payout Number of Shares, or Rights That Have Not Vested (i)	Equity Incentive Plan Awards: Market or Other Rights That Have Not Vested (j)
<b>LeRoy T. Carlson, Jr.</b>									
(1)									
<b>Options:</b>									
2008 TDS.S Options (3)		226,425		\$ 35.35	8/26/18				
2007 TDS.S Options (4)	179,653			\$ 59.45	7/2/17				
2006 TDS.S Options (5)	213,333			\$ 49.80	12/13/16				
2005 Tandem Options (6)	111,045			\$ 77.36	4/20/15				
2004 Tandem Options (7)	67,540			\$ 66.00	5/8/14				
2003 Tandem Options (8)	65,567			\$ 52.92	7/3/13				
2002 Tandem Options (9)	68,215			\$ 60.20	8/19/12				
2001 Tandem Options (10)	29,429			\$ 99.44	4/30/11				
2000 2nd Tandem Options (11)	56,720			\$ 121.12	9/16/10				
	32,000			\$ 105.13	5/5/10				

2000 1st Tandem  
Options (12)

1999 Tandem 27,850 \$ 66.75 4/30/09

Options (13)

**Stock Awards:**

2008 TDS.S RSUs 32,735 \$ 919,854

(14)

2007 TDS.S RSUs 20,873 \$ 586,531

(15)

TDS.S Bonus Match 812 \$ 22,817

not vested (21)

Total TDS.S 392,986 226,425 54,420 \$1,529,202

Total Tandem 458,366 \$