

TELEPHONE & DATA SYSTEMS INC /DE/  
Form PREC14A  
April 28, 2015

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

SCHEDULE 14A  
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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 Under Rule 14a-12

TELEPHONE AND DATA SYSTEMS, INC.  
(Name of Registrant as Specified in Its Charter)

GAMCO ASSET MANAGEMENT INC.  
MARIO J. GABELLI  
PHILIP T. BLAZEK  
WALTER M. SCHENKER  
(Name of Persons(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.



(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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.. 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.

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(1) Amount previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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PRELIMINARY COPY SUBJECT TO COMPLETION  
DATED APRIL 28, 2015

GAMCO ASSET MANAGEMENT INC.

April [ ], 2015

Dear Fellow TDS Shareholder:

GAMCO Asset Management Inc. and the other participants in this solicitation (collectively, “GAMCO” or “we”) are the beneficial owners of an aggregate of 7,912,953 shares of common stock, \$.01 par value per share (the “Common Shares”), of Telephone and Data Systems, Inc., a Delaware corporation (the “Company” or “TDS”), representing approximately 7.86% of the outstanding Common Shares. For the reasons set forth in the attached proxy statement (the “Proxy Statement”), we are seeking representation on the board of directors of the Company (the “Board”). We are seeking your support at the annual meeting of shareholders scheduled to be held at City Center West Conference Center, 525 Junction Road, Madison, Wisconsin on Thursday, May 21, 2015, at 8:00 a.m., central time, including any adjournments or postponements thereof and any meeting which may be called in lieu thereof (the “Annual Meeting”), for the following:

1. To elect GAMCO’s two (2) director nominees, Philip T. Blazek and Walter M. Schenker (each a “Nominee” and, together, the “Nominees”), to serve until the 2016 annual meeting of shareholders and until their respective successors are duly elected and qualified;
2. To consider and ratify the selection of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. To approve, on an advisory basis, the compensation of the Company’s named executive officers (commonly known as “Say-on-Pay”); and
4. To transact such other business as may properly come before the Annual Meeting or any postponements, adjournments or recess thereof by or at the direction of the Board.

We believe that the Company is in urgent need of a fresh perspective and a focus on enhancing shareholder value, which, we believe, the Nominees will provide. The Nominees do not have specific plans for the Company.

We are seeking to add two (2) representatives on the Board to ensure that the interests of the shareholders, the true owners of the Company, are appropriately represented in the boardroom. There are currently twelve (12) directors serving on the Board with terms expiring at the Annual Meeting. Four (4) of those directors are to be elected by the holders of Common Shares and eight (8) directors are to be elected by the holders of series a common shares (the “Series A Common Shares”) and preferred shares (the “Preferred Shares”) of the Company. Through the attached Proxy Statement and enclosed BLUE proxy card, we are soliciting proxies to elect the Nominees. By voting on the BLUE proxy card, a shareholder will be voting for GAMCO’s Nominees only. GAMCO does not have the power to exercise discretionary authority to fill the other Board positions. The BLUE proxy card does not confer voting power with respect to any of the Company’s director nominees. Shareholders voting for GAMCO’s Nominees on the BLUE proxy will be disenfranchised with respect to the election of the two (2) other directors to be elected by holders of Common Shares. There is no assurance that any of the Company’s nominees will serve as a director if all or some of our Nominees are elected.



We urge you to carefully consider the information contained in the attached Proxy Statement and then support our efforts by signing, dating and returning the enclosed BLUE proxy card today. The attached Proxy Statement and the enclosed BLUE proxy card are first being furnished to the shareholders on or about \_\_\_\_\_, 2015.

If you have already voted for the incumbent management slate, you have every right to change your vote by signing, dating and returning a later dated proxy.

If you have any questions or require any assistance with your vote, please contact GAMCO at our address listed below.

Thank you for your support.

Mario J. Gabelli  
GAMCO Asset Management Inc.

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If you have any questions, require assistance in voting your BLUE proxy card,  
or need additional copies of GAMCO's proxy materials,  
please contact GAMCO at the phone number listed below.

GAMCO ASSET MANAGEMENT INC.

ONE CORPORATE CENTER

RYE, NEW YORK 10580

(800) 422-3554

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PRELIMINARY COPY SUBJECT TO COMPLETION  
DATED APRIL 28, 2015

2015 ANNUAL MEETING OF SHAREHOLDERS  
OF  
TELEPHONE AND DATA SYSTEMS, INC.

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PROXY STATEMENT  
OF  
GAMCO ASSET MANAGEMENT INC.

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PLEASE SIGN, DATE AND MAIL THE ENCLOSED BLUE PROXY CARD TODAY

GAMCO Asset Management Inc. (“GAMCO Asset Management”), Mario J. Gabelli and certain of their affiliates (collectively, “GAMCO” or “we”) are significant shareholders of Telephone and Data Systems, Inc., a Delaware corporation (the “Company” or “TDS”), owning in the aggregate approximately 7.86% of the outstanding shares of common stock, \$.01 par value per share (the “Common Shares”), of the Company. We are seeking to add two (2) representatives on the board of directors of the Company (the “Board”) because we believe that the Board could be improved by the addition of directors who have strong, relevant backgrounds and who are committed to fully exploring all opportunities to unlock shareholder value. We are seeking your support at the annual meeting of shareholders scheduled to be held at City Center West Conference Center, 525 Junction Road, Madison, Wisconsin on Thursday, May 21, 2015, at 8:00 a.m., central time (including any adjournments or postponements thereof and any meeting which may be called in lieu thereof, the “Annual Meeting”), for the following:

1. To elect GAMCO’s two (2) director nominees, Philip T. Blazek and Walter M. Schenker (each a “Nominee” and, together, the “Nominees”), to serve until the 2016 annual meeting of shareholders and until their respective successors are duly elected and qualified;
2. To consider and ratify the selection of PricewaterhouseCoopers LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. To approve, on an advisory basis, the compensation of the Company’s named executive officers (commonly known as “Say-on-Pay”); and
4. To transact such other business as may properly come before the Annual Meeting or any postponements, adjournments or recess thereof by or at the direction of the Board.

As of the date hereof, GAMCO Asset Management and its affiliates, including Mr. Gabelli, and Mr. Blazek collectively own 7,912,953 Common Shares, constituting approximately 7.86% of the outstanding Common Shares. We intend to vote such Common Shares FOR the election of the Nominees, FOR the ratification of PricewaterhouseCoopers LLP as the Company’s independent registered public accountants and a vote to ABSTAIN on the approval of the advisory Say-on-Pay proposal.

The Company has set the close of business on March 30, 2015 as the record date for determining shareholders entitled to notice of and to vote at the Annual Meeting (the “Record Date”). The mailing address of the principal executive

offices of the Company is 30 North LaSalle Street, Suite 4000, Chicago, Illinois 60602. The Company has three (3) classes of stock whose holders are entitled to vote at the Annual Meeting: Common Shares, series a common shares (the "Series A Common Shares") and preferred shares (the "Preferred Shares"). Shareholders of record at the close of business on the Record Date will be entitled to vote at the Annual Meeting. According to the Company, as of February 28, 2015, there were 100,734,394 Common Shares outstanding, 7,178,943 Series A Common Shares outstanding and 8,240 Preferred Shares outstanding. The holders of the Common Shares, Series A Common Shares and Preferred Shares vote together on all matters except the election of directors. In the election of directors, holders of Series A Common Shares and Preferred Shares vote together to elect eight (8) directors and the holders of the Common Shares vote to elect four (4) directors. In the election of directors, the Series A Common Shares are entitled to ten (10) votes per share and each of the Common Shares and Preferred Shares is entitled to one (1) vote per share.

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THIS SOLICITATION IS BEING MADE BY GAMCO AND NOT ON BEHALF OF THE BOARD OR MANAGEMENT OF THE COMPANY. WE ARE NOT AWARE OF ANY OTHER MATTERS TO BE BROUGHT BEFORE THE ANNUAL MEETING OTHER THAN AS SET FORTH IN THIS PROXY STATEMENT. SHOULD ANY OTHER MATTER, WHICH GAMCO IS NOT AWARE OF AT A REASONABLE TIME BEFORE THIS SOLICITATION, BE BROUGHT BEFORE THE ANNUAL MEETING, THE PERSONS NAMED AS PROXIES IN THE ENCLOSED BLUE PROXY CARD WILL VOTE ON SUCH MATTERS AT OUR DISCRETION.

GAMCO URGES YOU TO SIGN, DATE AND RETURN THE BLUE PROXY CARD IN FAVOR OF THE ELECTION OF THE NOMINEES.

IF YOU HAVE ALREADY SENT A PROXY CARD FURNISHED BY COMPANY MANAGEMENT OR THE BOARD, YOU MAY REVOKE THAT PROXY AND VOTE ON EACH OF THE PROPOSALS DESCRIBED IN THIS PROXY STATEMENT BY SIGNING, DATING AND RETURNING THE ENCLOSED BLUE PROXY CARD. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS. ANY PROXY MAY BE REVOKED AT ANY TIME PRIOR TO THE ANNUAL MEETING BY DELIVERING A WRITTEN NOTICE OF REVOCATION OR A LATER DATED PROXY FOR THE ANNUAL MEETING OR BY VOTING IN PERSON AT THE ANNUAL MEETING.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting—This Proxy Statement and our BLUE proxy card are available at  
[http://www.\[\]](http://www.[])

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IMPORTANT

Your vote is important, no matter how few Common Shares you own. GAMCO urges you to sign, date, and return the enclosed BLUE proxy card today to vote FOR the election of the Nominees and in accordance with GAMCO's recommendations on the other proposals on the agenda for the Annual Meeting.

- If your Common Shares are registered in your own name, please sign and date the enclosed BLUE proxy card and return it to GAMCO in the enclosed postage-paid envelope today.
- If your Common Shares are held in a brokerage account or bank, you are considered the beneficial owner of the Common Shares, and these proxy materials, together with a BLUE voting form, are being forwarded to you by your broker or bank. As a beneficial owner, you must instruct your broker, trustee or other representative how to vote. Your broker cannot vote your Common Shares on your behalf without your instructions.
- Depending upon your broker or custodian, you may be able to vote either by toll-free telephone or by the Internet. Please refer to the enclosed voting form for instructions about how to vote electronically. You may also vote by signing, dating and returning the enclosed voting form.

Since only your latest dated proxy card will count, we urge you not to return any proxy card you receive from the Company. Even if you return the management proxy card marked "withhold" as a protest against the incumbent directors, it will revoke any proxy card you may have previously sent to us. Remember, you can vote for our Nominees only on our BLUE proxy card. So please make certain that the latest dated proxy card you return is the BLUE proxy card.

GAMCO ASSET MANAGEMENT INC.

ONE CORPORATE CENTER

RYE, NEW YORK 10580

(800) 422-3554

### Background to the Solicitation

The following is a chronology of material events leading up to this proxy solicitation.

- On February 20, 2014, GAMCO delivered a nomination letter to the Company, in accordance with the requirements of the Company's bylaws (the "Bylaws), with respect to its nomination of Messrs. Blazek and Schenker for election as directors of the Company at the 2014 Annual Meeting of TDS stockholders.
- On February 21, 2014, on behalf of the Company's nominating committee (the "Nominating Committee"), the Nominees were asked to provide their consent to the Company conducting background checks on them. The Nominees provided such consents as requested.
- On February 25, 2014, the Nominees were asked to make themselves available for a phone interview. On February 28, 2014, GAMCO responded on behalf of the Nominees that it will be happy to make the Nominees available once the Company has shown commitment to a productive change on the Board by agreeing to a mutually-agreeable framework on Board composition.
- On March 3, 2014, in response to a repeated request for interviews by the Company, GAMCO once again stated that the Nominating Committee had been provided with all information required to be provided with respect to nominees under the Bylaws, which included all information required to be disclosed by directors in connection with a proxy solicitation, and the Nominees again confirmed that they would have been happy to interview with the Nominating Committee after a decision on their appointment had been made, as the Nominating Committee and Board had been provided with all the information they should have needed to make their decisions.
- On March 17, 2014, Walter Carlson, non-executive chairman of TDS, telephoned Mr. Gabelli to ask that GAMCO withdraw its candidates without making any offer to reconstitute the Board to include any of the Nominees or otherwise improve Board composition.
- On April 30, 2014, the Company sent a public letter to its shareholders attacking the qualifications and credentials of the Nominees and GAMCO's actions in connection with its nomination of directors.
- On May 5, 2014, the Company filed an investor presentation to be used by the Company in presentations to Institutional Shareholder Services and shareholders.
- On May 13, 2014, the Company sent a second public letter to its shareholders attacking the qualifications and credentials of the Nominees and praising the credentials of the Company's director nominees.

- On May 22, 2014, the Company filed a presentation to be used at the 2014 Annual Meeting.
- On May 29, 2014, the Company filed a Form 8-K, to disclose the results of the 2014 Annual Meeting; such results included confirmation that the Company's nominees were elected as directors.
- On August 25, 2014, the Company filed a Form 8-K to disclose that (1) the Company had amended the Bylaws, effective August 20, 2014, to provide that, in addition to LeRoy T. Carlson, the Board could appoint a different former director as director emeritus, (2) Donald C. Nebergall resigned as a director effective August 20, 2014, and that he had been appointed as director emeritus as of August 21, 2014, and (3) the Board appointed David A. Wittwer as a director to fill the vacancy created by Mr. Nebergall's resignation.
- On November 26, 2014, GAMCO filed Amendment No. 38 to its Schedule 13D, which stated that in light of the upcoming deadlines to submit director nominations for consideration at the Annual Meeting, GAMCO was evaluating all available options to it.
- On February 5, 2015, representatives of TDS, LeRoy T. Carlson, Jr., President and CEO, Jane W. McCahon, Vice President—Corporate Relations and Corporate Secretary, and Peter L. Sereda, Senior Vice President—Finance and Treasurer, attended a meeting with Mario Gabelli, Chairman and CEO of GAMCO, to discuss matters relating to the business of TDS and its subsidiaries.
- On February 19, 2015, GAMCO delivered a nomination letter to the Company, in accordance with the requirements of the Bylaws, with respect to its nomination of Messrs. Blazek and Schenker for election as directors of the Company at the Annual Meeting.
- On February 20, 2015, the Company requested that the Nominees once again provide consent to a background check and complete a director candidate questionnaire; both such candidates complied with these requests.
- In addition, on February 20, 2015, the Company requested each of the Nominees participation in an interview requested by the Company's corporate governance and nominating committee.
- On March 6, 2015, Walter C.D. Carlson, LeRoy T. Carlson, Jr. and Herbert S. Wander held calls with each of Philip T. Blazek and Walter M. Schenker to interview them. On such calls, the Nominees were asked questions about their backgrounds, experience and qualifications for serving as directors of the Company, as well as other matters.
  - On March 19, 2015, the Company filed its preliminary proxy statement for the Annual Meeting.

## REASONS FOR THE SOLICITATION

We believe that urgent change is needed on the Board. We have little confidence that the Board, as currently composed, is committed to taking the necessary steps to enhance shareholder value at the Company. Therefore, we are soliciting your support to elect our Nominees at the Annual Meeting, whom we believe will bring significant and relevant experience, new insight and fresh perspectives to the Board.

## We Are Concerned about the Company's Prolonged Stock Underperformance

TDS' stock performance has lagged meaningfully behind the performance of the market and of TDS' peers. The following chart provides a comparison of TDS' cumulative total return (stock price appreciation plus dividends, and assuming reinvestment of such dividends) to shareholders during the previous five (5) years to the cumulative total returns of each of the Standard & Poor's 500 Composite Stock Price Index and the Dow Jones U.S. Telecommunications Index.(1)

Source: TDS Form 10-K for the fiscal year ended December 31, 2014

	2009	2010	2011	2012	2013	2014
Telephone and Data Systems Common Shares (NYSE: TDS)	\$100	\$109.13	\$78.69	\$74.67	\$88.82	\$88.84
S&P 500 Index	100	115.06	117.49	136.30	180.44	205.14
Dow Jones U.S. Telecommunications Index	100	117.74	122.41	145.42	165.96	169.93

Note: Assumes \$100.00 invested at the close of trading on the last trading day preceding the first day of 2009, in TDS Common Shares, S&P 500 Index and the Dow Jones U.S. Telecommunications Index.

(1) TDS selected the Dow Jones U.S. Telecommunications Index, a published industry index, as its peer group for the Stock Performance Graph in the 2014 Annual Report. As of December 31, 2013, the Dow Jones U.S. Telecommunications Index had been composed of the following companies: AboveNet, American Tower (Class A), AT&T, CenturyLink, Cincinnati Bell, Crown Castle International, Frontier Communications, Leap Wireless International, Leucadia National, Level 3 Communications, MetroPCS Communications, NII Holdings, SBA Communications Corp., Sprint Corp., Telephone and Data Systems, tw telecom (Class A), U.S. Cellular, Verizon Communications, Virgin Media and Windstream. As of December 31, 2014, Dow Jones removed AboveNet, American Tower (Class A), Cincinnati Bell, Crown Castle International, Leap Wireless International, Leucadia National, MetroPCS Communications, NII Holdings, tw telecom (Class A), U.S. Cellular and Virgin Media from this index and added T-Mobile USA to this index.

## We Have Corporate Governance Concerns

### We Believe that the Board has Failed to Act in the Best Interests of All Shareholders

In 2007, as disclosed in a Schedule 13D amendment filed by Southeastern Asset Management, Inc. with the Securities and Exchange Commission (the “SEC”) on May 15, 2008, TDS received an “all-cash bid to purchase all of the Company at more than a 50% premium to its average December 2007 trading price” from a “well-resourced, strategic acquirer.” This offer was rejected by the Board and neither the offer nor any of the Board’s deliberations were disclosed to shareholders by TDS.

### We are Concerned about the Company’s “Stuff the Ballot Box” Voting Mechanics

- In 2005, TDS issued special common shares (the “Special Common Shares”) to use as currency for acquisitions and for other corporate purposes;
- The Special Common Shares were reclassified and converted into Common Shares in 2012, and the resulting effect on Common Shares outstanding created an unprecedented voting advantage for the shareholders of Series A Common Shares at the expense of the shareholders of Common Shares; pursuant to the Restated Certificate of Incorporation for TDS, which effected the reclassification and conversion of TDS shares during 2012, the aggregate voting power of each of Series A Common Shares, mostly owned by the Carlson family, and Common Shares in matters other than the election of directors was fixed at approximately 56.7% and 43.3%, respectively;
- Each Series A Common Share grants its holder ten (10) votes, and such Series A Common Share holders, along with Preferred shareholders, elect eight (8) out of twelve (12) directors that comprise the entire Board—the aggregate percentage of voting power of the Series A Common Shares, on matters other than the election of directors, is approximately 56.7%; and
- Each Common Share only grants its holder .54 votes, and such Common Share holders elect only four (4) out of twelve (12) directors—the aggregate percentage voting power of the Common Shares, on matters other than the election of directors, is approximately 43.3%.



We Are Concerned about the Board's Growing Lack of Independence

On August 25, 2014, the Company filed a Form 8-K to disclose that (1) it amended its bylaws, effective as of August 20, 2014, to provide that, in addition to LeRoy T. Carlson, the Board could appoint any other former director as a director emeritus, (2) Donald C. Nebergall resigned as a director, effective as of August 20, 2014, and he had served as director emeritus since August 21, 2014 and (3) the Board had appointed David A. Wittwer as a director to fill the vacancy created by Mr. Nebergall's resignation.