

# THE SHAREHOLDER FORUM, INC.

C/O LUTIN & COMPANY  
575 MADISON AVENUE – 10<sup>TH</sup> FLOOR, NEW YORK, NEW YORK 10022  
TELEPHONE: (212) 605-0335

June 11, 2009

By email

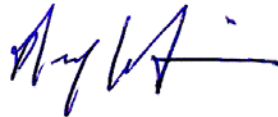
Mr. George W. Off  
Chairman, Audit Committee  
c/o Corporate Secretary  
Telephone and Data Systems, Inc.  
30 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60602

Dear Mr. Off:

Since I have received no response to the accompanying June 5, 2009 letter addressed to the company's chief executive officer, or to a June 9 email request for advice of his intent to respond, I must ask that the company's Audit Committee investigate possible violations of the TDS codes of conduct and advise me of any actions that will be taken to correct the misleading information attributed to a corporate officer.

Please let me know what additional information your Committee will find useful.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Gary Lutin", with a stylized flourish at the end.

Gary Lutin

Attachment

# THE SHAREHOLDER FORUM, INC.

C/O LUTIN & COMPANY  
575 MADISON AVENUE – 10<sup>TH</sup> FLOOR, NEW YORK, NEW YORK 10022  
TELEPHONE: (212) 605-0335

June 5, 2009

By email

Mr. LeRoy T. Carlson, Jr.  
Telephone and Data Systems, Inc.  
30 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60602

Dear Mr. Carlson:

As indicated in the accompanying copies of my May 22 and May 29 email letters, I had encouraged Mark Steinkrauss to correct some inaccurate and misleading statements attributed to him in a May 19, 2009 news report published by *The Deal*. He has not responded, either to me or to the publisher. I must therefore ask you to address the matter, both to correct the misleading information and to assure the future reliability of information provided by officers of TDS.

There are two statements attributed to Mr. Steinkrauss that require correction. First is the report that TDS did not have “an emissary” at the May 14 Forum meeting. In fact, the independent directors of TDS had asked that their representation at the meeting be reported, and it was so reported in the May 15 summary of the meeting that Mr. Steinkrauss and you received.<sup>1</sup> The second is Mr. Steinkrauss’ statement that TDS would have been required to pay for participation in the meeting. There was in fact no requirement of a payment, either for participation in the Forum meeting or in any other Forum processes or communications, as clearly stated at the bottom of every page on the Forum web site and in its publicly posted Conditions of Participation.<sup>2</sup> It should be noted that Mr. Steinkrauss, in his direct communications with me two weeks before the

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<sup>1</sup> See [May 15, 2009 Forum Report: Meeting's Definition of Value Enhancement Alternatives and Questions for Directors](#):

[http://www.shareholderforum.com/tds/Program/20090515\\_report.htm](http://www.shareholderforum.com/tds/Program/20090515_report.htm)

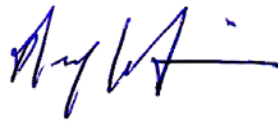
<sup>2</sup> An inset box at the bottom of every page on the web site for the [Shareholder Forum for Telephone and Data Systems, Inc.](#) states that “Participation is free of charge, according to the Forum’s standard [Conditions of Participation](#).” The referenced [Conditions](#) state the following policy for “Participation” in paragraph 8:

“Each Forum Program will be open, free of charge, to all investors, whether institutional or individual, and to anyone with fiduciary or professional responsibilities for investor decisions relating to the issue being addressed (including directors and officers of a subject company, advisers to investors or corporate managers, securities analysts, journalists, educators, etc.).”

meeting, had raised questions about this and confirmed his understanding that there would be no charge for participation.

Please encourage whoever is responsible for investigating the facts to call me. I will in any event appreciate your letting me know within the next few days what is being done to assure TDS compliance with investor information requirements as well as with its own codes of conduct.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Gary Lutin", with a horizontal line extending to the right.

Gary Lutin

Attachment

Attachment

June 5, 2009, page 1 of 3

**From:** [Gary Lutin](#)  
**To:** [Mark A. Steinkrauss](#)  
**Sent:** Friday, May 29, 2009 7:16 PM  
**Subject:** Correction of statements attributed to you

Mark -

I'm not aware of any correction of the statements attributed to you in the May 19 *Deal* article, referred to in my the email below sent to you a week ago.

Please let me know on Monday what steps have been taken to correct the misinformation.

- GL

Gary Lutin  
Lutin & Company  
575 Madison Avenue, 10th Floor  
New York, New York 10022  
Tel: 212-605-0335  
Email: [gl@shareholderforum.com](mailto:gl@shareholderforum.com)

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----- Original Message -----

**From:** [Gary Lutin](#)  
**To:** [Mark A. Steinkrauss](#)  
**Sent:** Friday, May 22, 2009 2:38 PM  
**Subject:** Misleading report in The Deal

Mark -

An article published in *The Deal* on May 19, copied below, included the following inaccurate and misleading information attributed to you:

...But neither the Carlson family, TDS or U.S. Cellular had an emissary at the forum.

Steinkrauss said the forum moderator, Gary Lutin, approached TDS about participating in the event, but said it would cost \$250,000.

TDS didn't believe it would have been appropriate to spend that much money on such an event, Steinkrauss said, especially since the company's annual shareholders meeting is scheduled for Thursday in Chicago.

Since the reporter told me that he had relied exclusively on you as his source for these statements, I will similarly rely on you for their correction. Please let me know what is done.

- GL

Gary Lutin  
Lutin & Company  
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New York, New York 10022  
Tel: 212-605-0335  
Email: [gl@shareholderforum.com](mailto:gl@shareholderforum.com)

**TDS shareholders to make case for sale**

by Anthony Noto

Updated 04:16 PM EDT, May-19-2009

As Thursday's shareholder meeting for **Telephone and Data Systems Inc.** approaches, a dissident group of shareholders led by **Southeastern Asset Management Inc.** has been busy rallying others around its contention that the telecommunications service company should be broken up and sold in pieces.

Memphis-based Southeastern, TDS' largest shareholder with about 17.6 million shares, or about 16% outstanding, first filed a Form 13-D in March with the Securities and Exchange Commission that it amended on May 5, urging TDS management to conduct a sale of the company.

"[Southeastern] will be given a period of time to talk about the proposal [at the shareholder meeting] and get to make their comments," said Mark Steinkrauss, a spokesman for TDS and its United States Cellular Corp. subsidiary.

Whether it was just to warm up its pipes or preach to the converted, Southeastern, which manages the Longleaf Partners investment funds, hosted a forum at the New York Society of Security Analysts on May 14 to enable shareholders to voice both their frustration about TDS and their desire for the Carlson family to begin evaluating strategic alternatives for the company.

Among those in attendance was investor Mario Gabelli, who holds a 14.8% stake in TDS and is pushing two nominees — Gary Sugarman and Clarence Davis — for the company's board.

Chicago-based TDS' telecom service, now run by CEO Ted Carlson, was founded in 1969. Today, the Carlson family holds 54% of TDS' voting shares. The company also owns 81% of U.S. Cellular. But neither the Carlson family, TDS or U.S. Cellular had an emissary at the forum.

Steinkrauss said the forum moderator, Gary Lutin, approached TDS about participating in the event, but said it would cost \$250,000.

TDS didn't believe it would have been appropriate to spend that much money on such an event, Steinkrauss said, especially since the company's annual shareholders meeting is scheduled for Thursday in Chicago.

Lutin asked Barry Sine, the director of research at San Diego-based Capstone Investments, to act as "devil's advocate" and present to the forum some points that TDS might take issue with.

One point Sine raised about TDS was its "mixed asset structure," so-called because the company has both wireline and wireless units. Sine argued that both should be sold as separate companies.

Sine also underscored the likelihood that the Obama administration would enforce antitrust limits more aggressively, which could have a significant impact on telecom companies.

According to shareholder Salvatore Muoio of S. Muoio & Co. LLC, TDS could be worth around \$120 per share in a sale.

"But that's probably stretching it," he acknowledged, adding that the company's margin is in the 20th percentile, way below that of other telecom giants. "Even if you normalize the margin, you still end up with slightly less profitability. [TDS] needs to see that they're not competing effectively."

Underlying Southeastern's and other shareholders' impatience with TDS is the issue of margins. TDS reported operating cash-flow margins of 21.3% for the fourth quarter of 2008, down from 26.4% for the same 2007 period. Worst still, TDS woefully trails other telecom companies. For example, **Verizon Wireless** — a joint venture of **Verizon Communications Inc.** and **Vodafone Group plc**—had an operating cash-flow margin of 33.5% in 2008 and one of 46% in the first quarter of this year.

Southeastern believes Verizon Wireless, **Sprint Nextel Corp.**, **AT&T Inc.** and **T-Mobile USA Inc.** are all potential bidders for TDS, which has a market capitalization of around \$3.4 billion.

Southeastern chief executive O. Mason Hawkins said at the forum that when his company first invested in TDS in 2001, Carlson seemed willing to consider a bid if one were offered. But safeguards such as insuring TDS' board was aware of all overtures were not in place, Southeastern said.

For example, when TDS received an offer in late 2007 from an unnamed buyer worth \$12 billion, or about \$100 a share, the Carlsons turned it down even though the TDS board wasn't permitted to weigh or discuss it, Hawkins said.

The buyer wasn't interested in a hostile bid at the time, so the offer died, but Hawkins said TDS needed to change its process.

"It's the board's fiduciary duty to act in the [best] interests of all shareholders," he said.

One source believed that the suitor at the time was actually Verizon, which finalized a deal earlier this year with Alltel Corp., one of U.S. Cellular's biggest competitors.

Jeffrey Engelberg, a Southeastern vice president, told the forum that Southeastern has spent the past 12 to 18 months trying to appeal to TDS, equating the process to "shadowboxing."

"If our logic is faulty, tell us where we're wrong," he said.

Although Steinkrauss wouldn't comment on the prospect of a sale, he said TDS has been corresponding with Southeastern and does value its input. As one example, Steinkrauss said, "[Southeastern] suggested that we should be buying back our stock aggressively and we agreed and have been [doing that] for the past couple of years."

In fact, starting in November and going through to March 31, TDS repurchased \$88 million worth of stock.

As for the success of the forum, a source said that several participants felt more optimistic regarding TDS and the steps that need to be taken to enhance shareholder value.