TELEPHONE & DATA SYSTEMS INC /DE/
Form DEF 14A
June 26, 2007

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.)

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Check the appropriate box:

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

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

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	(3)	Filing Party:
	(4)	Date Filed:

TELEPHONE AND DATA SYSTEMS, INC.
30 North LaSalle Street
Suite 4000
Chicago, IL 60602
Phone: (312) 630-1900
Fax: (312) 630-1908

June 26, 2007

Please note: To increase the efficiency of our financial communications, TDS will no longer produce a traditional printed annual report. The letter to shareholders and the attached appendix of Exhibit 13 to TDS Form 10-K serve as the company s annual report to shareholders, and are available, along with other financial and supplemental information, on the TDS web site, www.teldta.com.

To Our Shareholders

Telephone and Data Systems, Inc. is a growing, profitable, and sound group of complementary companies that delivers excellent service to its customers, and growth in value to its shareholders. An example of value growth is the annually increasing dividends TDS has paid to its shareholders for 33 consecutive years.

Since its founding in 1969, TDS has committed to differentiating itself by providing an exceptional customer experience through high-quality services and products. This commitment is reflected in low customer churn rates and high rankings for customer satisfaction and wireless call quality in independent surveys.

2006 Overview

The TDS companies focused on their core business strategies in 2006. U.S. Cellular, TDS publicly traded wireless subsidiary, grew its customer base, service revenues, revenues per customer, and profitability, and it continued to strengthen its footprint. TDS Telecom, TDS primarily wireline subsidiary, rapidly increased its share of high-speed data services in its chosen markets, making important progress toward its goal of being the preferred broadband provider. TDS cash flow from operating activities totaled $887.2 million in 2006, compared to $868.2 million in 2005.

TDS recently completed a financial restatement. While this was being completed, our commitment to and focus on our operations remained strong. TDS and U.S. Cellular continue to review and improve our financial processes and controls and the expertise in our accounting functions. These initiatives are being guided by chief financial officer Kenneth R. Meyers, who assumed his new duties on January 1, 2007.

TDS Consolidated

TDS has a disciplined financial approach that gives us the flexibility and access to liquidity to pursue productive business opportunities. This approach includes the following objectives:

- Grow revenues at rates greater than those of the markets in which we participate. Based on our business mix, our target is seven to ten percent compound annual revenue growth over five years.
- Generate in each business a return on capital (ROC) greater than its cost of capital.
- Target a strong, investment-grade credit rating.

TDS five-year compound annual growth rate in operating revenues through the end of 2006 was 11 percent. TDS grew its operating revenues 10 percent in 2006 to $4.4 billion.

In 2006, TDS also redeemed $200 million of senior notes and $35 million of medium-term notes.

In March 2007, TDS announced that it was ceasing activity relating to its possible offer to acquire all of the Common Shares of U.S. Cellular that it did not already own. Early in 2005, TDS had disclosed that it might make an offer to issue its Special Common Shares in exchange for such U.S. Cellular Common Shares.

In ceasing activity related to the acquisition, TDS made it clear that it would not commence or complete a possible transaction for U.S. Cellular shares on uneconomic terms. TDS believes that an acceptable exchange ratio would need to reflect appropriately the relative values of TDS and U.S. Cellular, recognizing that a substantial portion of the value of TDS is comprised of its ownership of U.S. Cellular. TDS believes that the relative prices of TDS Special Common Shares and U.S. Cellular Common Shares do not reflect this fact. As a legal matter, termination of consideration of a possible offer does not preclude TDS from acquiring the remaining Common Shares of U.S. Cellular in the future, should conditions change.

In May 2007, Gregory P. Josefowicz was nominated for election to the TDS board of directors. Mr. Josefowicz brings with him executive management, retail merchandising and consumer marketing insight, and more than 20 years of experience leading large retail organizations. Mr. Josefowicz is being nominated to replace Martin Solomon, who will retire from our board this year. We thank Mr. Solomon for his many years of excellent service.

U.S. CELLULAR

U.S. Cellular s top strategic objectives are to: 1) differentiate itself from competitors by achieving high customer satisfaction, 2) focus on high-value, postpay customers, 3) compete aggressively by offering attractive Wide Area, National, and Family calling plans, and 4) strengthen its geographic footprint.

Achieved good customer and revenue growth

U.S. Cellular added 297,000 net retail customers in 2006, not including acquisitions or divestitures. Its total customer base grew to 5,815,000 (including wholesale customers), an increase of 6 percent over 2005. The company grew service revenues 14 percent, from $2.8 billion in 2005 to $3.2 billion in 2006. U.S. Cellular continues to maintain an average postpay customer churn rate of 1.5 percent per month one of the lowest in the wireless industry.

Further improved top-quality network

U.S. Cellular increased its total number of cell sites in service nationwide to 5,925, a 9 percent increase over 2005, enabling the company to further increase the geographic scope and signal quality of its network.

As evidence of the quality of the company s network, U.S. Cellular received a ranking of Highest Call Quality Performance Among Wireless Cell Phone Users In North Central Region in both Volume 1 and Volume 2 of the J.D. Power and Associates 2006 Wireless Call Quality Performance StudySM, and received top ranking again in Volume 1 of the 2007 study. The North Central Region in these studies covers Wisconsin, Illinois, Indiana, Ohio, and Michigan.

U.S. Cellular also tied for Highest Overall Satisfaction Among Wireless Telephone Users in North Central Region in Volume 1 of the J.D. Power and Associates 2006 Wireless Regional Customer Satisfaction Index (CSI) Study SM, demonstrating the company s commitment to delivering excellent customer satisfaction.

Grew data services revenues 66 percent

Data services revenues for 2006 were $217 million a 66 percent increase over 2005. Revenue related to data services continues to climb in response to an ever-growing array of **easy**edgeSM data services offerings, including new games and mobile information applications. U.S. Cellular s Short Messaging Service (SMS) and BlackBerry® service offerings are increasingly popular with growing numbers of customers. The company also introduced Mobile Shop, a new **easy**edge user interface for the MOTORAZR v3m, one of the strongest-selling handsets.

Introduced new handsets and services for consumers and businesses

U.S. Cellular introduced 27 new handsets in 2006, including the MOTOKRZR K1m, and stylish new BlackBerry® Wireless Solution smart phones. U.S. Cellular was the first to offer the RED MOTORAZR V3m, which was designed to raise money for (RED) , an initiative that raises money and awareness for the Global Fund. Sales of the handset exceeded U.S. Cellular s sales targets.

To expand offerings for prepaid customers, U.S. Cellular added Text Messaging and Pay-As-You-Go Text Messaging packages to its Prepaid Wireless Plans.

The company rolled out streamlined National, Wide Area, and Family calling plans, making it easier for consumers and businesses to clearly understand the valuable options available.

Strengthened the strategic footprint and improved distribution

In 2006, U.S. Cellular successfully transitioned to U.S. Cellular service plans the 15 Rural Service Area (RSA) markets in Nebraska and Kansas that were acquired through an exchange of assets with Alltel in 2005. U.S. Cellular also acquired the remaining and majority interest in the Tennessee RSA 3 market, adding 21,000 retail customers, 8 retail stores, 17 authorized agent locations, and 46 cell sites.

Carroll Wireless, L.P., in which U.S. Cellular is a limited partner, was granted 16 licenses in 2006 as a result of its successful bids in the 2005 Federal Communication Commission s (FCC) Auction 58. Barat Wireless L.P., in which U.S. Cellular is a limited partner, was recently granted the 17 licenses it bid on in FCC Auction 66. All of the Carroll and Barat licenses cover market areas that are contiguous with or overlap U.S. Cellular s existing markets.

In the greater Chicago market, U.S. Cellular s largest, the company added 10 new company-owned locations and 11 authorized agent locations. Throughout U.S. Cellular, the store design of many locations was updated.

Added video, music, and games to 3G high-speed data market trial

The Milwaukee, Wisconsin market launch of services using the CDMA, 3G technology known as Evolution-Data Optimized (EV-DO) continues, with the recent addition of video, music, and 3D games. Depending on further results of the Milwaukee launch, U.S. Cellular may decide to offer EV-DO-based services in certain other markets in 2007.

TDS TELECOM

TDS Telecom s main goals are to be the broadband provider of choice in its chosen markets, and to attract and retain consumer and commercial customers by offering new, high-quality broadband services and products that deliver desired value. The company is also actively improving its cost structure through process redesign, under the guidance of new chief executive officer David A. Wittwer, who was most recently TDS Telecom s chief operating officer.

Increased DSL penetration

The company made excellent progress toward its broadband goals in 2006, increasing the number of Digital Subscriber Line (DSL) accounts by 45,300, to 147,200 (ILEC and CLEC combined) and brought DSL capability to more ILEC markets. The company aggressively offers bundles that include DSL and other popular offerings, such as EchoStar DISH Network , and long distance service.

Fueled by the growth in DSL lines, the company increased its total access line equivalents by 3 percent in 2006, to 1,213,500.

Trialing key video and fixed wireless technologies

TDS Telecom is trialing fixed wireless technology and services with both consumer and commercial customers in the Fox River Valley and Madison areas of Wisconsin. The trials include high-speed data and Voice over Internet Protocol (VoIP). The company is trialing video services using Fiber-to-the-Home (FTTH)

technology, through favorable franchise agreements in two suburban markets. The company will offer voice, data, and TDS TV in these two markets in 2007, as part of its long-term objective of providing competitive video, voice, and data services in a portion of its markets over a converged infrastructure.

Proactively addressed regulatory issues

TDS Telecom is actively working with state and federal regulatory agencies regarding key issues such as intercarrier compensation, seeking to enable the company to protect and grow revenues.

LOOKING FORWARD: KEY INITIATIVES IN 2007 AND BEYOND

The TDS companies have a number of significant initiatives in progress, including:

U.S. Cellular

- Grow the number of postpay customers and expand market share in recently developed markets. No major new market launches are planned for 2007.
- Expand points of distribution in larger markets.
- Continue to add popular and profitable **easy**edge services.
- Add new handsets targeted at both consumer and business segments.
- Expand services in the 3G market trial in Milwaukee.
- Improve profitability and cash flow from operating activities.

TDS Telecom

- Strengthen its leading broadband position through rapid DSL growth.
- Develop and roll out new services and applications for broadband customers.
- Continue trials of video and fixed wireless technologies.
- Aggressively market bundles of voice, high-speed data, and video services.
- Continue to improve the cost structure.

The TDS, U.S. Cellular, and TDS Telecom associates/employees now totaling 11,600 continue to dedicate their energy and talents to fulfilling the TDS mission of providing outstanding communications services to our customers, and meeting the needs of our shareholders, our people, and our communities. In closing, we would like to extend our thanks to the shareholders of TDS for your ongoing support of the company s objectives.

Cordially yours,

LeRoy T. Carlson, Jr. Walter C.D. Carlson

President and Chief Executive Officer	*Chairman of the Board*

TELEPHONE AND DATA SYSTEMS, INC.

30 North LaSalle Street

Suite 4000

Chicago, Illinois 60602

Phone: (312) 630-1900

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June 26, 2007

Dear Shareholders:

You are cordially invited to attend our 2007 annual meeting of shareholders on Thursday, July 26, 2007, at 10:00 a.m., Chicago time, at The Standard Club, 320 South Plymouth Court, Chicago, Illinois. At the meeting, we will report on the plans and accomplishments of Telephone and Data Systems, Inc. (TDS).

The formal notice of the meeting and our board of directors proxy statement and our 2006 annual report to shareholders are enclosed. Appendix I to the proxy statement contains audited financial statements and certain other financial information for the year ended December 31, 2006, as required by the rules and regulations of the Securities and Exchange Commission (SEC). At our 2007 annual meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors;

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.

Our board of directors and members of our management team will be at the annual meeting to meet with shareholders and discuss our record of achievement and plans for the future. 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 on the Internet in accordance with the instructions set forth on the proxy card.

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

Very truly yours,

Walter C.D. Carlson	LeRoy T. Carlson, Jr.
Chairman of the Board	President and Chief Executive Officer

Please help us avoid the expense of follow-up

proxy mailings to shareholders by

signing and returning the enclosed proxy card(s) promptly or

vote on the Internet in accordance

with the instructions set forth on the proxy card.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
AND
PROXY STATEMENT

TO THE SHAREHOLDERS OF

TELEPHONE AND DATA SYSTEMS, INC.

The 2007 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, July 26, 2007, at 10:00 a.m., Chicago time, for the following purposes:

1. To elect members of the board of directors. Your board of directors recommends that you vote **FOR** the directors nominated.

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 vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ended December 31, 2007. Your board of directors recommends that you vote **FOR** this proposal.

4. 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 June 26, 2007.

We have fixed the close of business on June 8, 2007, as 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.

SUMMARY

The following is a summary of the actions being taken at the 2007 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 s Restated Certificate of Incorporation, as amended, the terms of all incumbent directors will expire at the 2007 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 current directors for election by the holders of Series A Common Shares and the holders of the Preferred Shares: James Barr III, LeRoy T. Carlson, LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D., Walter C.D. Carlson, Kenneth R. Meyers, Donald C. Nebergall and George W. Off.

Holders of Common Shares and Special Common Shares will vote together and be entitled to elect four directors. Your board of directors has nominated (i) the following current directors for election by the holders of Common Shares: Christopher D. O Leary, Mitchell H. Saranow and Herbert S. Wander; and (ii) the following new nominee: Gregory P. Josefowicz, to fill the directorship being vacated by Martin L. Solomon.

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 an amended Non-Employee Director Compensation Plan. The amended plan is more fully described below.

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

Proposal 3 Ratification of Independent Registered Public Accountants for 2007

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent registered public accountants for the year ended December 31, 2007.

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

VOTING INFORMATION

What is the record date for the meeting?

The close of business on June 8, 2007 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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 American Stock Exchange under the symbol TDS. The Special Common Shares are listed on the American 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:

Class of Stock	*Outstanding Shares*	*Votes per Share*	*Voting Power*	*Total Number of Directors Elected by Voting Group and Standing for Election*
Series A Common Shares	6,443,109	10	64,431,090	
Preferred Shares	8,603	1	8,603	
Subtotal			64,439,693	8

Common Shares	51,938,875	1	51,938,875	
Special Common Shares	58,402,073	1	58,402,073	
Subtotal			110,340,948	4
Total Directors				12

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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 as of the record date:

Class of Stock	*Outstanding Shares*	*Votes per Share*	*Total Voting Power*	*Percent*
Series A Common Shares	6,443,109	10	64,431,090	55.4 %
Common Shares	51,938,875	1	51,938,875	44.6 %
Preferred Shares	8,603	1	8,603	*
			116,378,568	100.0 %

* Less than .1%

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 independent registered public accountants for 2007 in Proposal 3?

Shareholders may, with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2007:

- vote FOR,
- vote AGAINST, or
- ABSTAIN from voting on this proposal.

Your board of directors recommends a vote **FOR** 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 6,083,174 Series A Common Shares on the record date, representing approximately 94.4% 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 52.3% of the voting power with respect to matters other than the election of directors. The

Voting Trust holds 6,072,498 TDS Special Common Shares on the record date, representing approximately 10.4% of the Special Common Shares. By reason of such holding, the Voting Trust has approximately 5.5% of the voting power with respect to the election of directors elected by the holders of Common and Special Common Shares. The 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, and
- FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2007.

How do I vote?

Proxies are being requested from the holders of Common Shares in connection with the election of four directors, the approval of the amended Non-Employee Director Plan and the ratification of independent registered public accountants.

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

Proxies are being requested from the holders of Series A Common Shares and Preferred Shares in connection with the election of eight directors, the approval of the amended Non-Employee Director Plan and the ratification of independent registered public accountants.

Whether or not you intend to be present at the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Proxy Services, c/o Computershare Investor Services, P.O. Box 43102, Providence, Rhode Island 02940-5068, or vote on the Internet in accordance with the instructions set forth on the proxy card. 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 return the enclosed proxy cards as follows:

- a white proxy card for Common Shares, including Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;
- a blue 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 green proxy card for Series A Common Shares, including Series A Common Shares owned through the dividend reinvestment plan; and
- a yellow 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 2007 annual meeting of shareholders will be voted in the manner directed on the proxies.

If no direction is made, a proxy by any shareholder will be voted FOR the election of the board of directors nominees to serve as directors, FOR the proposal to approve the amended Non-Employee Director Compensation Plan and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2007.

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.

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What constitutes a quorum for the meeting?

In the election of directors, where a separate vote by a class or classes is required with respect to a director, the holders of a majority of the votes of the stock of such class or classes 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 will be treated as present in person or represented by proxy in connection with such proposal and broker non-votes with respect to such proposal will not be treated as present in person or represented by proxy with respect to such proposal. If an authorized representative of the TDS Voting Trust is present in person or represented by proxy at the annual meeting, the TDS Voting Trust will by itself 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 proposal to approve the amended Non-Employee Director Compensation Plan and the proposal to ratify accountants, 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 will be treated as present in person or represented by proxy in connection with such proposals and broker non-votes with respect to such proposals will not be treated as present in person or represented by proxy with respect to such proposals. If an authorized representative of the TDS Voting Trust is present in person or represented by proxy at the annual meeting, the TDS Voting Trust will by itself constitute a quorum at the annual meeting in connection with such proposals.

What vote is required to elect directors in Proposal 1?

The election of each director requires the affirmative vote of holders of a plurality of the votes of the shares present in person or represented by proxy and entitled to vote with respect to such director at the annual meeting.

Accordingly, if a quorum exists, each person receiving a plurality of the votes of the shareholders entitled to vote with respect to the election of such director will be elected to serve as a director. Withheld votes and non-votes with respect to the election of such directors will not affect the outcome of the election of such directors.

What vote is required with respect to Proposals 2 and 3?

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposals 2 and 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 each of Proposal 2 and 3 will require the affirmative vote of a majority of the voting power of the Common Shares, Preferred Shares and Series A Common Shares voting together as a single group and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. Abstentions from voting on such proposal will be treated as a vote against such proposal. Broker non-votes with respect to such proposal will not be counted as shares present and entitled to vote on such proposal and, accordingly, will not affect the determination of whether such proposal is approved.

PROPOSAL 1
ELECTION OF DIRECTORS

The terms of all incumbent directors will expire at the 2007 annual meeting. The board of directors nominees for election of directors are identified in the tables below. Each of the nominees has expressed an intention 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

Name	***Age***	***Position with TDS and Principal Occupation***	***Served as Director since***
Gregory P. Josefowicz	54	Director Nominee of TDS, Senior Level Consultant to, and Retired Chairman, Chief Executive Officer and President of, Borders Group, Inc.	N/A
Christopher D. O Leary	47	Director of TDS, Executive Vice President, Chief Operating Officer - International, of General Mills, Inc.	2006
Mitchell H. Saranow	61	Director of TDS and Chairman of The Saranow Group	2004
Herbert S. Wander	72	Director of TDS and Partner, Katten Muchin Rosenman LLP, Chicago, Illinois	1968

Elected by Holders of Series A Common Shares and Preferred Shares

Name	***Age***	***Position with TDS and Principal Occupation***	***Served as Director since***
James Barr III	67	Director of TDS and Retired President and Chief Executive Officer of TDS Telecommunications Corporation	1990
LeRoy T. Carlson	91	Director and Chairman Emeritus of TDS	1968
LeRoy T. Carlson, Jr.	60	Director and President and Chief Executive Officer of TDS	1968
Letitia G. Carlson, M.D.	46	Director of TDS, Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Walter C.D. Carlson	53	Director and non-executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Kenneth R. Meyers	53	Director and Executive Vice President and Chief Financial Officer of TDS and Chief Accounting Officer of U.S. Cellular and TDS Telecom	January 2007
Donald C. Nebergall	78	Director of TDS and Consultant	1977
George W. Off	60	Director of TDS and Chairman and Chief Executive Officer of Checkpoint Systems, Inc.	1997

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

Gregory P. Josefowicz. Gregory P. Josefowicz is currently serving as a non-exclusive, senior level consultant to Borders Group, Inc., a leading global retailer of books, music and movies, until February 2, 2008. From 1999 until his retirement in 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, which operated food and drug stores in the greater Chicago, Illinois and Milwaukee, Wisconsin areas, from 1997 until June 1999 when American Stores merged into Albertson s Inc., a national retail food-drug chain. At that time, Mr. Josefowicz became president of Albertson s midwest region. Mr. Josefowicz joined Jewel in 1974, and was elected senior vice president of marketing and advertising in 1993. Mr. Josefowicz is currently a member of the board of directors of PetSmart, Inc., a leading pet supply and services retailer, Winn-Dixie Stores, Inc., one of the nation s largest food retailers, and Ryerson, Inc., a leading distributor and processor of metals.

Mr. Josefowicz was nominated for election at the 2007 annual meeting to fill the directorship held by Martin L. Solomon. See below.

Christopher D. O Leary. Christopher D. O Leary was appointed executive vice president, chief operating officer - international, of General Mills, Inc., as of June 1, 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.

Mitchell H. Saranow. Mitchell H. Saranow has been the chairman of The Saranow Group, L.L.C., a private investment firm that he founded in 1984, for more than five years. Currently, Mr. Saranow is the chairman and principal investor in LENTEQ, L.P., an early stage equipment manufacturer. Previously, he served as chairman of the board and co-chief executive officer of Navigant Consulting, Inc. from November 1999 to May 2000. Prior to this, Mr. Saranow was chairman and managing general partner of Fluid Management, L.P., a specialty machinery manufacturer, for more than five years. Mr. Saranow is currently on the board of directors of Lawson Products, Inc.

Herbert S. Wander. Herbert S. Wander has been a partner of Katten Muchin Rosenman LLP for more than five years. 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

James Barr, III. James Barr, III had been President and Chief Executive Officer (an executive officer of TDS) and a director of TDS Telecommunications Corporation (TDS Telecom), a wholly-owned subsidiary of TDS which operates local telephone companies, for more than five years prior to his retirement. On February 21, 2006, TDS announced that Mr. Barr would retire from his position as President and Chief Executive Officer of TDS Telecom. 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. Pursuant to a letter agreement with TDS, Mr. Barr will continue to serve as a director of TDS after his retirement for so long as he continues to be nominated and elected. For further information, see Potential Payments upon Termination or Change in Control below.

LeRoy T. Carlson. LeRoy T. Carlson was elected Chairman Emeritus of TDS (an executive officer of TDS) in February 2002. Prior to that time, he was Chairman of TDS for more than five years. He is a director of United States Cellular Corporation (American Stock Exchange listing symbol: USM), a subsidiary of TDS which operates and invests in wireless telephone companies and properties (U.S. Cellular). Mr. Carlson is the father of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Letitia G. Carlson, M.D.

LeRoy T. Carlson, Jr. LeRoy T. Carlson, Jr., has been TDS s President and Chief Executive Officer (an executive officer of TDS) for more than five years. Mr. LeRoy T. Carlson, Jr. is also Chairman and a director of U.S. Cellular and TDS Telecom. He is the son of LeRoy T. Carlson and the brother of Walter C.D. Carlson and Letitia G. Carlson, M.D.

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. and Walter C.D. Carlson.

Walter C.D. Carlson. Walter C.D. Carlson was elected non-executive Chairman of the Board of the board of directors of TDS in February 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. and Letitia G. Carlson, M.D. 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. Mr. 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 of U.S. Cellular) and of TDS Telecom on January 1, 2007. Prior to that, 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.

Donald C. Nebergall. Donald C. Nebergall has been a consultant to companies since 1988, including TDS from 1988 through 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 was appointed chairman and chief executive officer of Checkpoint Systems, Inc., a New York Stock Exchange listed company, in August 2002. Checkpoint Systems, Inc. is a multinational manufacturer and marketer of integrated system solutions for retail security, labeling and merchandising. Prior to that time, Mr. Off was chairman of the board of directors of Catalina Marketing Corporation, a New York Stock Exchange listed company, from July 1998 until he retired in July 2000. Mr. Off served as president and chief executive officer of Catalina from 1994 to 1998.

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.

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

Retiring and Former Directors

Martin L. Solomon. Due to personal reasons, Martin L. Solomon advised TDS that he planned to retire from the TDS board of directors after a search for a qualified successor was completed. As noted above, the TDS board of directors has nominated Gregory P. Josefowicz to fill the directorship held by Mr. Solomon. Accordingly, Mr. Solomon s term as a director will expire at the 2007 annual meeting.

Martin L. Solomon has been a private investor since 1990. From June 1997 until February 2001, he was chairman of the board of American Country Holdings, Inc., an insurance holding company. He served as a director until April 2002, at which time the company was acquired by Kingsway Financial Services, Inc.

Sandra L. Helton. Sandra L. Helton resigned as a director of TDS concurrently with her resignation as Executive Vice President and Chief Financial Officer of TDS (an executive officer of TDS) effective December 31, 2006, a position she held for more than five years. Ms. Helton also resigned as a member of the board of directors of U.S. Cellular and TDS Telecom effective December 31, 2006. While she was a director of TDS in 2006, Ms. Helton was a director of The Principal Financial Group, a global financial institution, and Covance, Inc., a drug development services company. As noted above, Kenneth R. Meyers was appointed as a director and as Executive Vice President and Chief Financial Officer of TDS effective January 1, 2007.

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 94% of the voting power in the election of such eight directors and approximately 52% of the voting power in all other maters.

A copy of TDS s Corporate Governance Guidelines are available on TDS s web site, www.teldta.com, under Investor Relations Corporate Governance Corporate Governance Guidelines.

TDS s Code of Ethics for directors is available on TDS s web site, www.teldta.com, under Investor Relations Corporate Governance Code of Ethics for Directors.

Director Independence and American Stock Exchange Listing Standards

Because the TDS Common Shares and Special Common Shares are listed on the American Stock Exchange, TDS must comply with listing standards applicable to companies which have equity securities listed on the American Stock Exchange.

Under listing standards of the American Stock Exchange, TDS is a controlled company as such term is defined by the American Stock Exchange. 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 American Stock Exchange, (ii) have certain compensation approved by a compensation committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange, and (iii) have director nominations be made by a committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange.

As a controlled company, TDS is required to have 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. The TDS board of directors has determined that all four members of the TDS Audit Committee do not have any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and qualify as independent under the listing standards of the American Stock Exchange, as well as Section 10A-3 of the Securities Exchange Act of 1934, as amended.

In addition, Martin L. Solomon did not have, and Gregory P. Josefowicz and Christopher D. O Leary do not have, any relationship with TDS other than in their capacities as directors of TDS and, accordingly, would qualify as independent directors under the listing standards of the American Stock Exchange. As a result, six of the twelve directors, or 50% of the directors, have been determined to qualify or would qualify as independent under the listing standards of the American Stock Exchange.

TDS certifies compliance with specified listing standards to the American Stock Exchange on an annual basis. TDS certified that it was in compliance with such American Stock Exchange listing standards in 2006.

Meetings of Board of Directors

The board of directors held eleven meetings during 2006. Each incumbent director attended at least 75 percent of the aggregate of the total number of meetings of the board of directors (held during 2006 for which such person has been a director) and the total number of meetings held by all committees of the board on which such person served (during the periods that such person served).

Corporate Governance Committee

The members of the Corporate Governance Committee are Walter C.D. Carlson (chairperson), LeRoy T. Carlson, Jr. and Martin L. Solomon. Mr. Solomon qualified as an independent director under American Stock Exchange listing standards. The American Stock Exchange does not have any requirement that listed companies have a corporate governance committee or, if a company has one, that it be composed in whole or in part by independent directors. The primary function of the Corporate Governance Committee is to advise the board on corporate governance matters, including developing and recommending to the board a set of corporate governance guidelines for TDS. A copy of the charter and the corporate governance guidelines are available on TDS s web site, www.teldta.com, under Investor Relations Corporate Governance under Board Committee Charters for the charter and under Corporate Governance Guidelines for the guidelines.

Audit Committee

The primary function of the Audit Committee is to assist the board of directors in fulfilling its oversight responsibilities with respect to the quality, integrity and annual independent audit of TDS s financial statements and other matters set forth in the charter for the Audit Committee, a copy of which is available on TDS s web site, www.teldta.com under Investor Relations Corporate Governance Board Committee Charters.

The Audit Committee is currently composed of four members who are not officers or employees of TDS or any parent or subsidiary of TDS and have been determined by the board of directors not to have any other relationship with TDS that would interfere with their exercise of independent judgment in carrying out the responsibilities of a director. The board of directors has also determined that such directors qualify as independent under Rule 10A-3 of the Securities Exchange Act of 1934, as amended. Except as required by listing standards or SEC rule, TDS does not have any categorical standards of independence that must be satisfied. 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 independent and financially sophisticated as such terms are defined by the American Stock Exchange.

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 twenty four meetings during 2006.

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 s 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 s 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 American Stock Exchange.   Section 120 of the American Stock Exchange Company Guide, Certain Relationships And Transactions, provides that   Related party transactions must be subject to appropriate review and oversight by the company s Audit Committee or a comparable body of the Board of Directors.

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 Section 120 of the American Stock Exchange Company Guide. 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; (iii) the persons or groups of persons on the board of directors or otherwise who are responsible for applying such policies and procedures; or (iv) 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. After changes in SEC rules that became effective for the 2007 proxy statement, transactions generally would not be subject to review and oversight by the Audit Committee unless they exceeded $120,000. Prior to the changes in such rules, this amount was $60,000 for 2006.

As disclosed below, a 2005 World Series Ring was given to Mr. Rooney by the Chicago White Sox as an honorarium, following review and approval by the U.S. Cellular Audit Committee. Neither TDS nor U.S. Cellular incurred any out of pocket costs relating to this ring. This transaction did not exceed $60,000, but was approved by the U.S. Cellular Audit Committee pursuant to the TDS and U.S. Cellular Code of Conduct. Accordingly, the TDS Audit Committee did not take action to approve this transaction.

Compensation Committee

Although not required to do so under American Stock Exchange listing standards because it is a controlled company, TDS has established a Compensation Committee comprised solely of directors that qualify as independent under the rules of the American Stock Exchange. 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.

For these purposes,   executive officers   means all officers that are employees who are or will be identified in TDS s 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 2007 annual meeting of shareholders.

The Compensation Committee is comprised of at least two non-employee members of TDS s 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 American Stock Exchange. The members of the Compensation Committee were Herbert S. Wander (chairperson) and George W. Off until March 2007 when the TDS board of directors also appointed Christopher D. O Leary 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 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 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 a compensation consultant. Such consultant did not provide any advice as to director compensation and only provided advice as to compensation to officers and employees.

Towers Perrin is TDS s primary compensation consultant. The Compensation Committee and its predecessors have utilized the services of this consultant. TDS s Human Resources Department also supports the Compensation Committee in its work. In 2006, 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 consultants with respect to the performance of their duties under their engagement, was to provide external benchmarking data to TDS from their 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.

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.

A copy of the charter of the Compensation Committee is available on TDS s web site, www.teldta.com, under Investor Relations Corporate Governance Board Committee Charters.

The Compensation Committee held eleven meetings during 2006. 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 and LeRoy T. Carlson, as alternate members. 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 action 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

TDS does not have a nominating committee and, accordingly, does not have a nominating committee charter. Under listing standards of the American Stock Exchange, TDS is exempt from the requirement to have a nominating committee because it is a controlled company as such term is defined by the American Stock Exchange. Instead, the entire board of directors participates in the consideration of director nominees. Similarly, because TDS is a controlled company, TDS also is exempt from the listing standard that requires director nominations to be made by a nominating committee comprised solely of independent directors or by a majority of independent directors.

The TDS board of directors 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 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. The TDS board has no formal procedures to be followed by shareholders in submitting recommendations of candidates for director.

The TDS board of directors 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.

In general, the TDS board will nominate existing directors for re-election unless the 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 President 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 President and by other persons as the President designates. Following this process, the President discusses with the Chairman of the Board whether one or more candidates should be considered by the full board of directors. If 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 s proxy card for election at the 2007 annual meeting are executive officers and/or directors who are standing for re-election, except for Gregory P. Josefowicz. Mr. Josefowicz was nominated for election by the board of directors upon the recommendation of TDS s President and CEO to fill the vacancy that will exist as a result of the decision of Martin L. Solomon not to stand for re-election for personal reasons. TDS was obligated to pay a fee to an executive search firm for performing a search for candidates and identifying Mr. Josefowicz as a candidate for the TDS board of directors for the 2007 annual meeting.

TDS was also obligated to pay a fee to an executive search firm for performing a search for identifying Christopher D. O Leary as a director candidate at the 2006 annual meeting.

Except as disclosed above, TDS has not paid a fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential nominees for election of directors at the 2007 annual meeting. From time to time, TDS may pay a fee to an executive search firm to identify potential candidates for election as directors.

Shareholder Communication with Directors

Shareholders may send communications to the TDS board of directors or to specified individual directors of TDS at any time. Shareholders should direct their communication to the board or to specified individual directors, in care of the Secretary of TDS at its corporate headquarters. Any shareholder communications that are addressed to the board of directors or specified individual directors will be delivered by the Secretary of TDS to the board of directors or such specified individual directors. For more information, see the instructions on TDS s web site, www.teldta.com, under Investor Relations 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. Seven persons serving as directors at the time attended the 2006 annual meeting of shareholders.

Stock Ownership Guidelines

TDS amended its stock ownership guidelines on May 10, 2007.

Under stock ownership guidelines for directors that were in effect for 2006, each director was expected to own a minimum of 2,000 shares of common stock of TDS. In the event the value of the ownership interest of 2,000 shares fell below $50,000, the board could increase the minimum investment level to ensure an investment equivalent to at least $50,000. Directors had three years to comply with this requirement.

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.

Code of Ethics for Directors

TDS has adopted a Code of Ethics for its directors. This code has been posted to TDS s internet website, www.teldta.com, under Investor Relations Corporate Governance.

PROPOSAL 2
AMENDMENT OF COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS

The TDS board of directors approved amendments to the TDS Compensation Plan for Non-Employee Directors. The amended plan is subject to shareholder approval under the rules of the American Stock Exchange because the amendments are material and the plan involves the issuance of TDS equity securities to directors of TDS. A copy of the amended plan was filed as Exhibit 10.7 to TDS s Annual Report on Form 10-K for the year ended December 31, 2006.

The TDS board of directors has determined that it would be desirable to make certain amendments to the Compensation Plan for Non-Employee Directors to increase director compensation, based on a review of director compensation practices in the telecommunications industry and at other comparable companies. Accordingly, the TDS Compensation Plan for Non-Employee Directors, as amended (the Directors Plan), is being submitted for approval by the shareholders at the 2007 Annual Meeting. If approved by shareholders, the Directors Plan 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 $45,000 paid in cash. Non-employee directors also will receive an annual stock award of $45,000 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 15, 2008, 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. 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 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.

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 board or committee meetings will be paid in cash on a quarterly basis, as of the last day of each quarter.

A total of 75,000 Special Common Shares have previously been approved by shareholders for issuance under the Directors Plan.

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, unless the non-employee director makes an appropriate election under Section 83(b) of the Internal Revenue Code of 1986, as amended.

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 ACCOUNTANTS

We anticipate continuing the services of PricewaterhouseCoopers LLP as independent registered public accountants for the current fiscal year. Representatives of PricewaterhouseCoopers LLP, who served as independent registered public accountants 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 accountants 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 independent registered public accountants, the Audit Committee of the board of directors will review whether to retain such firm for the year ending December 31, 2007.

The board of directors recommends a vote FOR ratification of PricewaterhouseCoopers LLP as independent registered public accountants for the current fiscal year.

FEES PAID TO PRINCIPAL ACCOUNTANTS

The following sets forth the aggregate fees (including expenses) billed by TDS s principal accountants PricewaterhouseCoopers LLP for 2006 and 2005:

	2006		*2005*	
Audit Fees(1)	$	5,592,518	$	6,045,710
Audit Related Fees				
Tax Fees				
All Other Fees(2)	4,500		4,500	
Total Fees	$	5,597,018	$	6,050,210

(1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for 2006 and 2005 (as updated) for professional services rendered for the audit of the annual financial statements for the years 2006 and 2005 included in TDS s and U.S. Cellular s Forms 10-K for those years and the reviews of the financial statements included in TDS s 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, audit fees related to the restatement of the companies financial statements for certain prior years, review of financial information included in other SEC filings and the issuance of consents and comfort letters. Although PricewaterhouseCoopers LLP has billed TDS and U.S. Cellular for these fees and expenses, management of TDS and U.S. Cellular have not yet completed their reviews of all of the amounts billed. Includes an estimate for audit fees to be billed upon completion of the 2006 audit.

(2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2006 and 2005.

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

See Corporate Governance Audit Committee 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 s web site, www.teldta.com under Investor Relations Corporate Governance Board Committee Charters.

Management is responsible for TDS s 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 accountants are responsible for performing an independent audit of TDS s 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 s independent registered public accountants for 2006. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2006. Management represented to the Audit Committee that TDS s 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 Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, 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, 2006 be included in TDS s Annual Report on Form 10-K for the year ended December 31, 2006.

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; LeRoy T. Carlson, Chairman Emeritus of TDS; and Kenneth R. Meyers, Executive Vice President and Chief Financial Officer of TDS. In addition, James Barr, III was previously the President and Chief Executive Officer of TDS Telecom, an executive 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 may be deemed to be executive officers of TDS. Unless otherwise indicated, the position held is an office of TDS.

Name	*Age*