

TELEPHONE & DATA SYSTEMS INC /DE/  
Form DEF 14A  
August 14, 2006  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## SCHEDULE 14A

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

Filed by the Registrant

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Check the appropriate box:

- Preliminary Proxy Statement  
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 Definitive Proxy Statement  
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**Telephone and Data Systems, Inc.**  
(Name of Registrant as Specified In Its Charter)

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

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**TELEPHONE AND DATA SYSTEMS, INC.**

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

August 14, 2006

Please note: Due to the delay in filing our 2005 financial results, Telephone and Data Systems, Inc. will not produce a traditional annual report for 2005. Instead, the letter to shareholders from the Chairman and President follows below, and financial information constituting the 2005 annual report to shareholders is attached as an appendix to the proxy statement that follows this letter.

**To Our Shareholders**

In a very competitive industry, we're achieving strong results by doing business the TDS way—providing outstanding service that drives customer satisfaction and sustainable, long-term success.

Many telecommunications companies talk about customer service and satisfaction. At TDS, by contrast, satisfying our customers is at the core of our business strategy. How do we do it? First, we provide services and products that customers really want. Second, we test each new offering thoroughly to ensure a quality experience. And finally, we build long-term relationships with customers by providing high-quality, reliable networks and delivering excellent sales and service support.

This commitment has enabled our largest business unit, U.S. Cellular, to achieve an average postpay churn rate below two percent for ten consecutive years. In addition, recent surveys by widely respected, independent organizations rank U.S. Cellular and TDS Telecom above most competitors in terms of customer satisfaction:

- U.S. Cellular received a ranking of Highest Overall Satisfaction Among Wireless Telephone Users in North Central Region in a Tie in J.D. Power and Associates' 2005 U.S. Wireless Regional Customer Satisfaction Index Study<sup>sm</sup>
- TDS Telecom was ranked Highest in Residential All-Distance Telephone Customer Satisfaction in the North Central Region in J.D. Power and Associates' 2005 Residential All-Distance Telephone Customer Satisfaction Study<sup>sm</sup>
- In Chicago—U.S. Cellular's largest market—the company received the highest performance ranking of any carrier in Consumer Reports' 2005 cell services survey

**2005 Overview: The TDS Companies**

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

- To achieve a seven to ten percent compound annual revenue growth rate—including acquisitions—over five years
- To generate in each business unit a return on capital (ROC) that is greater than its weighted average cost of capital
- To maintain a strong, investment-grade credit rating
- To generate a total shareholder return that exceeds returns of comparable companies

TDS' five-year compound annual growth rate in revenues through the end of 2005 was 11.2 percent. U.S. Cellular and TDS Metrocom, our competitive local exchange carrier (CLEC) business, continued to make progress toward their respective ROC goals. TDS Telecom, the company's incumbent local exchange (ILEC) business, achieved a 9 percent return on capital. As a result of solid performance from each business unit in 2005, TDS grew its consolidated revenues 7 percent. To further strengthen its financial position in 2005, the company repaid

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\$233 million owed to the government by TDS Telecom, and sold \$116 million in 6.625 percent senior notes, taking advantage of favorable conditions in the capital markets. TDS also increased its quarterly dividend in 2005, for the 31st consecutive year.

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In May 2005, to increase the company's strategic and financial flexibility, TDS issued to its shareholders a dividend of one TDS Special Common Share for each Common and Series A Common share they owned. Depending on future market and other conditions, TDS may offer to issue Special Common Shares to acquire the 19 percent of U.S. Cellular stock that it does not already own.

### **Completed restatement of financial results**

As previously announced, TDS and U.S. Cellular restated financial results for the first and second quarters of 2005, the years ended Dec. 31, 2002-2004, each of the quarters of 2004 and 2003, and certain related financial data for the years 2001 and 2000. The restatement was completed on April 26, 2006. Both companies continue to review and improve their financial processes and controls and the levels of expertise in their accounting functions. We are applying the insights and lessons learned from this process to strengthen the financial reporting at TDS and U.S. Cellular.

### **U.S. Cellular Highlights**

In 2005, U.S. Cellular made excellent progress on its objectives to: 1) differentiate by achieving high customer satisfaction, 2) strategically strengthen its regional footprint, and 3) compete aggressively at the local level by offering high-value calling plans.

U.S. Cellular added 477,000 net customers in 2005, not including acquisitions or divestitures, growing its total customer base to more than 5.4 million customers, an increase of 11 percent over 2004. The company grew service revenues from \$2.6 billion in 2004 to more than \$2.8 billion in 2005. 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. The company's commitment to customer service is clearly resulting in excellent customer loyalty.

### **Rapid growth in data services revenues**

U.S. Cellular's continued expansion of its popular **easyedge** services resulted in data services revenues of \$128 million—a 91 percent increase over 2004. The new services include a portable version of the popular AOL® Instant Messenger; intercarrier picture messaging through agreements with Verizon, Cingular, and ALLTEL; enhanced data roaming; and expanded **easyedge** content in Spanish for the rapidly growing Hispanic market.

### **Strong customer response to new services and phones**

After thorough testing to ensure a high-quality customer experience, U.S. Cellular introduced popular new services and phones in 2005, including SpeedTalkSM push-to-talk service, BlackBerry® Wireless Solutions for personal and corporate use, the popular Motorola® RAZR handset with Bluetooth® capability, and several high-quality Samsung® handsets.

### **Strengthening the strategic footprint**

#### *A successful launch in St. Louis*

Through its well-planned and well-executed move into St. Louis in July 2005, U.S. Cellular developed what is now the company's second-largest urban service area. The company built a 300 cell-site network from the ground up, ensuring a high-quality, reliable communications experience for customers, and had it available for roaming purposes by October 2004. U.S. Cellular's presence includes 20 company-owned retail stores and 30 agent-owned locations. The market is off to an excellent start and, importantly, more than 80 percent of the net customer additions to date in the St. Louis market are postpay. Postpay customers on average generate higher lifetime revenue (compared to prepaid customers) and are the principal focus of U.S. Cellular's customer satisfaction strategy.

#### *Key properties added in Midwest and other markets*

The 2005 property exchange with ALLTEL Corporation gave U.S. Cellular 15 Rural Service Areas (RSAs) in Kansas and Nebraska with a total population of 1.4 million, and a gain of 54,000 net customers,



expanding its Midwest footprint. In return, ALLTEL received two markets in Idaho and \$58 million in cash. In addition, Carroll Wireless, L.P., in which U.S. Cellular is a limited partner, was granted 16 licenses as a result of successful bids in the Federal Communication Commission's (FCC) Auction 58. These licenses cover areas that are contiguous with or overlap U.S. Cellular's existing markets in the Midwest and two other areas.

### **TDS Telecom Highlights**

TDS Telecom made good progress on its key 2005 objectives to: 1) position for long-term revenue growth; 2) sustain market leadership by delivering outstanding customer service, which promotes customer satisfaction and loyalty; and 3) meet its financial commitments through both growth and process and productivity improvements. TDS Telecom's goal is to become the broadband provider of choice in its chosen markets, and to attract and retain customers by offering new broadband services and products that deliver desired value to customers.

TDS Telecom achieved consolidated revenue growth of 3 percent in 2005, to \$906 million, with ILEC revenues up 1.7 percent, to \$670 million, and CLEC revenues up 7 percent, to \$241 million.

### **Rapid growth in high-speed data services**

TDS Telecom increased its ILEC Digital Subscriber Line (DSL) accounts by 56 percent in 2005, and its CLEC DSL accounts by 26 percent. Total DSL connections grew by 31,000, to 101,900. TDS Telecom's bundling of DSL and other Internet services with long-distance plans continues to be a successful approach. At the end of 2005, seventy percent of the ILEC's lines were equipped for DSL.

### **Delivering on technology trials**

In 2005, as part of its ongoing Fiber-to-the-Premises (FTTP) trial, TDS Telecom tested its own triple-play offerings of video, data, and voice services in two markets. The company also continues to market and sell EchoStar DISH Network services in its ILEC and CLEC markets in 28 states. To improve customer convenience and promote loyalty, DISH Network services are now bundled with other TDS Telecom services on one bill.

### **A leadership transition**

Early in 2006, TDS Telecom announced that its current president and chief executive officer, James Barr III, will step down from that position at the end of 2006. Leadership of TDS Telecom will transition to the current chief operating officer, David A. Wittwer, who has more than 20 years of significant experience with TDS Telecom. Mr. Barr will remain active as CEO during 2006, guiding the implementation of key strategies and building on the positive momentum he and his team have generated during his successful 15 years leading the company. We thank Mr. Barr for his many substantial contributions to TDS, and look forward to a prosperous 2006 and beyond for TDS Telecom.

### **Valued Board Member**

We would like to thank Kevin Mundt for his valuable service and many contributions to the TDS Board of Directors. Kevin served on the TDS Board for more than seven years, during challenging times for the telecommunications industry. His guidance and foresight served the company well.

### **Looking Forward: Key Initiatives**

The TDS companies have a number of significant initiatives planned and in progress. Among these are the following:

#### **U.S. Cellular**

- Maintain postpay customer growth momentum and expand market share in recently developed markets. No new market launches are planned for the remainder of 2006.

- Improve profitability and generate free cash flow
- Expand the **easyedge** line of data services with additional profitable services
- Add new phones, widening the range of styles and features to meet the desires of more market segments
- Launch trials of EVDO (**E**volution **D**ata **O**ptimized) Release Zero services in the second half of 2006
- Streamline and standardize calling plans and maintain an industry-low postpay churn rate

**TDS Telecom**

- Strengthen its position as the broadband provider of choice
- Develop new services and applications for broadband customers and plan for long-term customer demand for substantial increases in broadband speed
- Extend trials of voice and data services over fixed wireless
- Aggressively market voice and data services bundled with DISH Network services
- Realign the organization structure to share resources, increase productivity, and focus on market growth opportunities
- Achieve progress on key regulatory matters, including intercarrier compensation, Universal Service Fund, and access to unbundled network elements

The TDS companies have a proven record of increasing customer satisfaction and enhancing processes to improve operating performance. In the remainder of 2006 and beyond, our 11,500 associates and employees will 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.

**Cordially yours,**

Walter C.D. Carlson  
Chairman of the Board

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



**TELEPHONE AND DATA SYSTEMS, INC.**

30 North LaSalle Street  
Suite 4000  
Chicago, Illinois 60602  
Phone: (312) 630-1900  
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August 14, 2006

Dear Shareholders:

You are cordially invited to attend our 2006 annual meeting of shareholders on Tuesday, September 12, 2006, 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 are enclosed. Appendix I to the proxy statement contains audited financial statements and certain other financial information for the year ended December 31, 2005, as required by the rules and regulations of the Securities and Exchange Commission ( SEC ). At our 2006 annual meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors; and
2. 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 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  
Chairman of the Board

LeRoy T. Carlson, Jr.  
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.**

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
AND  
PROXY STATEMENT**

TO THE SHAREHOLDERS OF

**TELEPHONE AND DATA SYSTEMS, INC.**

The 2006 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 Tuesday, September 12, 2006, 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 vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ended December 31, 2006. Your board of directors recommends that you vote **FOR** this proposal.
3. 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 August 14, 2006.

We have fixed the close of business on August 7, 2006, 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 2006 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 2006 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, Sandra L. Helton, 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 the following directors for election by the holders of Common Shares: Christopher D. O'Leary, Mitchell H. Saranow, Martin L. Solomon and Herbert S. Wander.

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

**Proposal 2 Ratification of Independent Registered Public Accountants for 2006**

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent registered public accountants for the year ended December 31, 2006.

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 August 7, 2006 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, one of which is convertible into Common Shares. All holders of Preferred Shares vote together with the holders of Common Shares and Series A Common Shares, except in the election of directors. In the election of directors, all outstanding Preferred Shares vote together with the holders of Series A Common Shares.

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

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

<i>Class of Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Voting Power</i>	<i>Total Number of Directors Elected by Voting Group and Standing for Election</i>
Series A Common Shares	6,445,404	10	64,454,040	
Preferred Shares	38,627	1	38,627	
Subtotal			64,492,667	8
Common Shares	51,432,410	1	51,432,410	
Special Common Shares	57,782,076	1	57,782,076	
Subtotal			109,214,486	4
Total Directors				12

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

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

<i>Class of Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Total Voting Power</i>	<i>Percent</i>
Series A Common Shares	6,445,404	10	64,454,040	55.6 %
Common Shares	51,432,410	1	51,432,410	44.4 %
Preferred Shares	38,627	1	38,627	* %
			115,925,077	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.

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

**How may shareholders vote with respect to the ratification of independent registered public accountants for 2006 in Proposal 2?**

Shareholders may, with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2006:

- 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 6,085,021 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 52.5% of the voting power with respect to matters other than the election of directors. The Voting Trust holds 6,073,298 TDS Special Common Shares on the record date, representing approximately 10.5% of the Special Common Shares. By reason of such holding, the Voting Trust has approximately 5.6% 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 and Special Common Shares, and

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- FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2006.

**How do I vote?**

Proxies are being requested from the holders of Common Shares in connection with the election of four directors 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 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 Computershare Investor Services, 2 North LaSalle Street, Chicago, Illinois 60602, 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 yellow proxy card for Series A Common Shares, including Series A Common Shares owned through the dividend reinvestment plan; and
- a tan 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 2006 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 and FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for 2006.

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.

**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 ratify accountants, the holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to such proposal, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with such proposal. 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 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 such proposal.

**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 Proposal 2?**

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

If a quorum is present at the annual meeting, the approval of Proposal 2 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 2006 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**

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Christopher D. O Leary	47	Nominee for Director of TDS, Executive Vice President, Chief Operating Officer International, of General Mills	N/A
Mitchell H. Saranow	60	Director of TDS and Chairman of The Saranow Group	2004
Martin L. Solomon	69	Director of TDS and Private Investor	1997
Herbert S. Wander	71	Director of TDS and Partner, Katten Muchin Rosenman LLP, Chicago, Illinois	1968

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

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
James Barr III	66	Director of TDS and President and Chief Executive Officer of TDS Telecommunications Corporation	1990
LeRoy T. Carlson	90	Director and Chairman Emeritus of TDS	1968
LeRoy T. Carlson, Jr.	59	Director and President and Chief Executive Officer of TDS	1968
Walter C.D. Carlson	52	Director and non-executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Letitia G. Carlson, M.D.	45	Director of TDS, Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Sandra L. Helton	56	Director and Executive Vice President and Chief Financial Officer of TDS	1998
Donald C. Nebergall	78	Director of TDS and Consultant	1977
George W. Off	59	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**

*Christopher D. O Leary. Christopher D. O Leary was appointed executive vice president, chief operating officer international, of General Mills, 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. Mr. O Leary is being nominated for election to fill the vacancy that exists as a result of the resignation of Kevin A. Mundt. See below.*

**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. and completed his term on the board of directors of North American Scientific Inc. in 2005.

**Martin L. Solomon.** 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. Mr. Solomon is currently a director of Hexcel Corporation, a manufacturer of composite materials.

Mr. Solomon was nominated by the TDS Board on May 4, 2006 for election as a director at the 2006 annual meeting. Mr. Solomon has advised TDS that he will stand for election at the 2006 annual meeting, but due to personal reasons, plans to resign from the TDS Board after a search for a qualified successor is completed. TDS has commenced a search for a qualified candidate.

**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 has been President and Chief Executive Officer 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. On February 21, 2006, TDS announced that Mr. Barr will retire from his position as President and Chief Executive Officer of TDS Telecom. Mr. Barr will step down as President and CEO of TDS Telecom on January 1, 2007. He will remain on TDS Telecom s payroll until March 23, 2007 and retire on March 24, 2007. 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.

**LeRoy T. Carlson.** LeRoy T. Carlson was elected Chairman Emeritus 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 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 Mr. LeRoy T. Carlson and the brother of Mr. Walter C.D. Carlson and Letitia G. Carlson, M.D.

**Walter C.D. Carlson.** Walter C.D. Carlson was elected non-executive Chairman of the Board of 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

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firm of Sidley Austin LLP provides legal services to TDS and its subsidiaries on a regular basis. Mr. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

**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.

**Sandra L. Helton.** Sandra L. Helton has been Executive Vice President and Chief Financial Officer for more than five years. Ms. Helton is also a director of U.S. Cellular and TDS Telecom. Ms. Helton is a director of The Principal Financial Group, a global financial institution, and Covance, Inc., a drug development services company.

**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. Until November 2003, Mr. Off also served as a director of SPAR Group, Inc., a provider of merchandising services for retailers and consumer package goods manufacturers.

**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.

#### **Former Director**

Due to other business commitments, Kevin A. Mundt resigned from TDS Board on December 31, 2005. Mr. Mundt was elected director by the holders of Common Shares at the 2005 annual meeting.

Kevin A. Mundt is a general partner and managing director of Vestar Capital Partners, a private equity firm. From 1997 to 2004, he was vice president and director of Mercer Oliver Wyman, f/k/a Mercer Management Consulting, a management consulting firm. Prior to that time, he was a co-founder, and had been a director since 1984, of Corporate Decisions, Inc., a strategy consulting firm, which merged with Mercer Management Consulting in 1997.

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

The board of directors held nine meetings during 2005. Each incumbent director attended at least 75 percent of the aggregate of the total number of meetings of the board of directors (held during 2005 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).

#### **Compensation Committee**

On February 21, 2006, the functions of the former compensation committee and long-term compensation committee were reconstituted in a new Compensation Committee. The primary functions of the Compensation Committee are: to discharge the Board's responsibilities relating to the compensation of



the executive officers of Telephone and Data Systems, Inc., (which term does not include United States Cellular Corporation or any of its subsidiaries), including the review of salary, bonus, long-term compensation and all other compensation for executive officers of the Company; to perform all functions designated to be performed by a committee of the Board under any of the Company's Long-Term Incentive Plans; to review and recommend to the Board the Long-Term Incentive Plans and programs for employees of the Company, including TDS Telecom; and to report on executive compensation in the Company's annual proxy statement or otherwise to the extent required under any applicable rules and regulations. The members of the Compensation Committee are Herbert S. Wander (chairperson) and George W. Off. A copy of the charter of the Compensation Committee is available on TDS's web site, [www.teldta.com](http://www.teldta.com), under Investor Relations Corporate Governance Board Committee Charters.

#### **Former Compensation Committee and Long-Term Compensation Committee**

On February 21, 2006, the former compensation committee and long-term compensation committee were rescinded and reconstituted into the new Compensation Committee discussed above.

The primary function of the compensation committee was to develop and administer the near term compensation policies and programs for TDS officers and key subsidiary executives, other than the President and CEO of TDS, and to administer long-term compensation for non-executive officers of TDS. The sole member of the compensation committee was LeRoy T. Carlson, Jr., President and CEO of TDS. All actions of the compensation committee were taken by written consent.

The primary function of the long-term compensation committee was to approve all compensation for the President and CEO, consider and approve long-term compensation for TDS executive officers and for the president of TDS Telecom, and review and recommend to the board of directors any long-term compensation programs for TDS employees. The members of the long-term compensation committee were Herbert S. Wander (chairperson), Letitia G. Carlson, M.D. and George W. Off. All meetings of the long-term compensation committee in 2005 were attended by each member of the committee during the period that such person served. Certain actions were taken by unanimous written consent.

#### **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 attached hereto as Exhibit A. A copy of the charter is also available on TDS's web site, [www.teldta.com](http://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 material relationship with TDS that would interfere with their exercise of independent judgment. 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 thirteen meetings during 2005.

#### **Corporate Governance Committee**

The members of the Corporate Governance Committee are Walter C.D. Carlson (chairperson), LeRoy T. Carlson, Jr. and Martin L. Solomon. 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](http://www.teldta.com), under Investor Relations Corporate Governance under Board Committee Charters for the charter and under Corporate Governance Guidelines for the guidelines.

#### **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. TDS certifies compliance with such standards to the American Stock Exchange on an annual basis within 30 days after the date of the annual meeting. TDS certified that it was in compliance with all American Stock Exchange listing standards within 30 days of the 2005 annual meeting. Following that time, TDS disclosed that it was not in compliance with certain listing standards. Although TDS previously was not in compliance with listing standards due to its failure to distribute an annual report to shareholders for the year ended December 31, 2005 by April 30, 2006, TDS obtained an extension to complete this by November 14, 2006 and has satisfied such listing standard by including the financial information attached hereto as Appendix I. TDS also previously disclosed that it was not in compliance with certain listing standards due to its failure to file with the SEC on a timely basis its quarterly report on Form 10-Q for the quarter ended September 30, 2005, its Form 10-K for the year ended December 31, 2005 and its Form 10-Q for the quarter ending March 31, 2006. In addition, TDS does not expect to file its Form 10-Q for the quarter ended June 30, 2006 on a timely basis or by the date of the 2006 annual meeting. The American Stock Exchange granted TDS an extension until November 14, 2006 to regain compliance with such listing standards and TDS has since filed its quarterly report on Form 10-Q for the quarter ended September 30, 2005 and its Form 10-K for the year ended December 31, 2005. TDS will regain compliance with these listing standards when it has filed with the SEC its Forms 10-Q for the quarter ending March 31, 2006 and June 30, 2006 on or prior to November 14, 2006. TDS does not expect to be current in its SEC filings by the date of its 2006 annual meeting. Accordingly, TDS does not expect to be in compliance with all American Stock Exchange listing standards as of the date of its 2006 annual meeting.

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.

Although not required to do so, TDS has established a Compensation Committee comprised solely 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, Donald C. Nebergall, Herbert S. Wander and Mitchell H. Saranow. The TDS board of directors has determined that all four members of the TDS Audit Committee do not have any material relationship that would interfere with



the exercise of independent judgment and qualify as independent under the listing standards of the American Stock Exchange, as well as the rules of the SEC. In addition, two of the other current directors and nominees for election as director do not have any material 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.

#### **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, since 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, since 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 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 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 2006 annual meeting are executive officers and/or directors who are standing for re-election, except for Mr. O'Leary. Mr. O'Leary was nominated for election by the board of directors upon the recommendation of TDS's President and CEO. TDS was obligated to pay a fee to an executive search firm for performing a search for candidates and identifying Mr. O'Leary as a candidate for the TDS board of directors.

TDS was also obligated to pay a fee to an executive search firm for performing a search for candidates to fill the directorship currently held by Martin L. Solomon, as discussed above.

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 2006 annual meeting. However, 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**

Security holders may send communications to the board of directors of TDS at any time. Any security holders can send communications to the board or to specified individual directors. Security holders should direct their communication to the board or to specified individual directors, in care of the Secretary of TDS at its corporate headquarters. Any security holder 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](http://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. All twelve persons serving as directors at the time attended the 2005 annual meeting of shareholders.

#### **Stock Ownership Guidelines**

Under stock ownership guidelines for directors, each director is 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 falls below \$50,000, the board may increase the minimum investment level to ensure an investment equivalent to at least \$50,000. Directors have three years to comply with this requirement. The board will review the minimum ownership requirement periodically.

**PROPOSAL 2**  
**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, 2006.

**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 2005 and 2004:

	2005	2004
Audit Fees(1)	\$ 6,012,493	\$5,649,085
Audit Related Fees		
Tax Fees		
All Other Fees(2)	4,500	15,000
Total Fees	\$ 6,016,993	\$ 5,664,085

(1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for professional services rendered for the audit of the annual financial statements for the years 2005 and 2004 included in TDS's and U.S. Cellular's Form 10-Ks for those years and the reviews of the financial statements included in TDS's and U.S. Cellular's Form 10-Qs 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 Company's financial statements for the five years in the period ended December 31, 2004, 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 incremental audit fees to be billed upon completion of the 2005 audit.

(2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2005 and 2004.

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

**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.

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**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 attached hereto as *Exhibit A*.

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 2005. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2005. 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, 2005 be included in TDS's Annual Report on Form 10-K for the year ended December 31, 2005.

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**

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.

<i>Name</i>	<i>Age</i>	<i>Position</i>
John E. Rooney	64	President and CEO of United States Cellular Corporation
D. Michael Jack	63	Senior Vice President and Corporate Controller
Kurt B. Thaus	47	Senior Vice President and Chief Information Officer
Scott H. Williamson	55	Senior Vice President Acquisitions and Corporate Development
C. Theodore Herbert	70	Vice President Human Resources
Joseph R. Hanley	39	Vice President Technology Planning and Services

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

**D. Michael Jack.** D. Michael Jack was appointed Senior Vice President and Corporate Controller of TDS in March 2003. Prior to that, he was Vice President and Corporate Controller since November 1999.

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

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

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

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

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

**Codes of Conduct and Ethics**

As required by Section 807 of the American Stock Exchange Company Guide, TDS has adopted a Code of Business Conduct, applicable to all officers and employees of TDS and its subsidiaries, which includes a Code of Ethics for certain Senior Executives and Financial Officers, that complies with the definition of a code of ethics as set forth in Item 406 of Regulation S-K of the SEC. TDS has also adopted a Code of Ethics for its directors. Each of the foregoing codes has been posted to TDS's internet website, [www.teldta.com](http://www.teldta.com), under Investor Relations Corporate Governance.

TDS intends to satisfy the disclosure requirement under Item 10 of Form 8-K regarding any amendment to its Code of Ethics for certain Senior Executives and Financial Officers, and will disclose all other amendments to any of the foregoing codes, by posting such information to such internet website. Any waivers of any of the foregoing codes for directors or executive officers, including any waiver of the Code of Ethics for certain Senior Executives and Financial Officers, will be approved by TDS's board of directors, as applicable, and disclosed in a Form 8-K that is filed with the SEC within four business days of such waiver.





## EXECUTIVE COMPENSATION

## Summary of Compensation

The following table summarizes the compensation paid by TDS to the President and Chief Executive Officer of TDS and the other four most highly compensated executive officers (based on the aggregate of the salary and bonus for 2005).

## Summary Compensation Table(1)

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation					
		Salary(2)	Bonus(3)	Awards			Payouts		All Other Compensation(8)
				Other Annual Compensation(4)	Restricted Stock	Securities	LTIP	All Other	
					Award(s)(5)	Underlying Options(6)			
LeRoy T. Carlson, Jr. President and Chief Executive Officer	2005	\$ 1,050,000	\$	\$	\$ 1,458,380	111,045		\$	\$ 50,085
President and Chief Executive Officer	2004	970,000	875,000			67,540			49,190
Executive Officer	2003	910,000	591,500			65,567			47,581
Sandra L. Helton Executive Vice President and Chief Financial Officer	2005	\$ 640,000	\$	\$	\$ 700,519	53,353		\$	\$ 50,251
Executive Vice President and Chief Financial Officer	2004	593,000	400,000			30,585			49,021
President and Chief Financial Officer	2003	550,000	370,000			31,475			47,139
James Barr III President and Chief Executive Officer	2005	\$ 613,000	\$ 320,000	\$	\$ 611,823	47,493		\$	\$ 58,140
President and Chief Executive Officer	2004	573,000	290,000			13,905			52,522
Executive Officer of TDS Telecom	2003	539,000	285,000			11,958			50,966
John E. Rooney(9) President and Chief Executive Officer	2005	\$ 690,000	\$ 300,000	\$145,477	\$ 523,559	131,000		\$	\$ 53,124
President and Chief Executive Officer	2004	633,335	590,000	172,103	337,260	92,000			51,944
Executive Officer of U.S. Cellular	2003	592,209	360,000	105,012	366,585	175,000			50,553
Scott H. Williamson U.S. Cellular	2005	\$ 460,000							