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 x
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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 Studysm

- 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 Studysm

- 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

$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.

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 **easy**edge 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 **easy**edge 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 **easy**edge 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<br>Chairman of the Board | LeRoy T. Carlson, Jr.<br>President and Chief Executive Officer |

**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

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.**

**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:

| *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 | 6,445,404 | 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 |

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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 | 6,445,404 | 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

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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**

| *Name* | *Age* | *Position with TDS and Principal Occupation* | *Served as Director since* |
|---|---|---|---|
| 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**

| *Name* | *Age* | *Position with TDS and Principal Occupation* | *Served as Director since* |
|---|---|---|---|
| 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

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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, 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 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, 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, 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.

**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<br>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.

| *Name* | *Age* | *Position* |
|---|---|---|
| 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, 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)**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | *Long-Term Compensation* | | | |
| | | *Annual Compensation* | | | *Awards* | | *Payouts* | |
| | | | | | *Restricted* | *Securities* | | |
| | | | | *Other Annual* | *Stock* | *Underlying* | *LTIP* | *All Other* |
| *Name and Principal Position* | *Year* | *Salary(2)* | *Bonus(3)* | *Compensation(4)* | *Award(s)(5)* | *Options(6)* | *Payouts(7)* | *Compensation(8)* |
| LeRoy T. Carlson, Jr. | 2005 | $ 1,050,000 | $ | $ | $ 1,458,380 | 111,045 | $ | $ 50,085 |
| President and Chief | 2004 | 970,000 | 875,000 | | | 67,540 | | 49,190 |
| Executive Officer | 2003 | 910,000 | 591,500 | | | 65,567 | | 47,581 |
| Sandra L. Helton | 2005 | $ 640,000 | $ | $ | $ 700,519 | 53,353 | $ | $ 50,251 |
| Executive Vice | 2004 | 593,000 | 400,000 | | | 30,585 | | 49,021 |
| President and Chief | 2003 | 550,000 | 370,000 | | | 31,475 | | 47,139 |
| Financial Officer | | | | | | | | |
| James Barr III | 2005 | $ 613,000 | $ 320,000 | $ | $ 611,823 | 47,493 | $ | $ 58,140 |
| President and Chief | 2004 | 573,000 | 290,000 | | | 13,905 | | 52,522 |
| Executive Officer of | 2003 | 539,000 | 285,000 | | | 11,958 | | 50,966 |
| TDS Telecom | | | | | | | | |
| John E. Rooney(9) | 2005 | $ 690,000 | $ 300,000 | $145,477 | $ 523,559 | 131,000 | $ | $ 53,124 |
| President and Chief | 2004 | 633,335 | 590,000 | 172,103 | 337,260 | 92,000 | | 51,944 |
| Executive Officer of | 2003 | 592,209 | 360,000 | 105,012 | 366,585 | 175,000 | | 50,553 |
| U.S. Cellular | | | | | | | | |
| Scott H. Williamson | 2005 | $ 460,000 | $ 285,000 | $ | $ 320,975 | 24,493 | $ | $ 50,057 |
| Senior Vice | 2004 | 427,000 | 265,000 | | | 14,965 | | 48,481 |
| President-Acquisitions and | 2003 | 396,000 | 245,000 | | | 15,785 | | 36,691 |
| Corporate Development | | | | | | | | |

There are no outstanding stock appreciation rights ( SARs ), therefore the Summary Compensation Table does not reflect information on SARs.

(1) Does not include the discount amount under any dividend reinvestment plan or any employee stock purchase plan because such plans are generally available to all eligible shareholders or salaried employees, respectively.

(2) Represents the dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year identified.

(3) Represents the dollar value of bonus (cash and non-cash) earned (whether received in cash or deferred) by the named executive officer for 2005, 2004 and 2003. The final bonus for 2005 has not yet been determined for LeRoy T. Carlson, Jr. or Sandra L. Helton. See Executive Officer Compensation Report.

(4) Includes the fair market value of phantom stock units credited to such officer with respect to deferred bonus compensation. See Bonus Deferral and Stock Unit Match Program. LeRoy T. Carlson, Jr., has deferred 20% of his 2005 bonus and, accordingly, will receive a 25% stock unit match for this deferred bonus under the TDS Long-Term Incentive Plan. The bonus for 2005 has not yet been determined for LeRoy T. Carlson, Jr. or Sandra L. Helton, and therefore, the dollar value of the company match

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phantom stock units cannot be determine at this time. Mr. Rooney deferred 100% of his 2005, 2004 and 2003 bonus under the U.S. Cellular long-term incentive plan.

Does not include the value of any perquisites and other personal benefits, securities or property unless the aggregate amount of such compensation is more than the lesser of either $50,000 or 10% of the total of annual salary and bonus reported for the above-named executive officers. The amount of perquisites for Mr. Rooney exceeded the lesser of $50,000 or 10% of the total of his annual salary and bonus for 2005. The amount of perquisites included for Mr. Rooney in 2005 was $57,967, primarily including a car allowance of $42,000.

(5) Except with respect to Mr. Rooney, represents the value of restricted stock units awarded pursuant to the 2004 Long-Term Incentive Plan. TDS restricted stock units will become vested on December 15, 2007, except with respect to Mr. Barr whose restricted stock units will become vested upon his retirement on March 24, 2007. Mr. Rooney s U.S. Cellular restricted stock units will vest on October 10, 2006. As a result of the Special Common Stock dividend, all restricted stock units as of May 13, 2005 that were to be settled in Common Shares, whether vested or unvested, were adjusted to provide that such award will be settled in the number of Common Shares originally subject to the award plus an equal number of Special Common Shares. With respect to Mr. Rooney, represents the value of restricted USM Common Shares granted to Mr. Rooney, based on the closing price of USM Common Shares on the date of grant.

The following table summarizes the restricted stock awards:

| | *LeRoy T. Carlson, Jr.* | | *Sandra L. Helton* | | *James Barr III* | | *John E. Rooney* | | *Scott H. Williamson* | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Granted in 2003:** | | | | | | | | | | |
| 2003 Performance Award Vested 3/31/06 | | | | | | | 14,981 | | | |
| Total Grant Date Dollar Value for 2003: | $ | | $ | | $ | | $ | 366,585 | $ | |
| **Granted in 2004:** | | | | | | | | | | |
| 2004 Performance Award Vests 10/10/06 | | | | | | | 8,726 | | | |
| Total Grant Date Dollar Value for 2004: | $ | | $ | | $ | | $ | 337,260 | $ | |
| **Granted in 2005** | | | | | | | | | | |
| 2005 Performance Award Vests 12/15/07 | 19,024 | | 9,138 | | 7,981 | | | | 4,187 | |
| Vests 10/10/06 | | | | | | | 11,474 | | | |
| Total Grant Date Dollar Value for 2005 | $ | 1,458,380 | $ | 700,519 | $ | 611,823 | $ | 523,559 | $ | 320,975 |
| **Summary of Restricted Stock Outstanding at 12/31/05:** | | | | | | | | | | |
| Unvested shares of restricted stock as of 12/31/05 | 19,024 | | 9,138 | | 7,981 | | 35,181 | | 4,187 | |
| Dollar Value as of 12/31/05 | $ | 1,343,855 | $ | 645,508 | $ | 563,778 | $ | 1,737,941 | $ | 295,770 |

Mr. Barr plans to retire on March 24, 2007. Mr. Barr s restricted stock awards will vest upon his retirement in accordance with such award agreements.

Except with respect to John E. Rooney, the Grant Date Dollar Value of the above awards is calculated using the closing price of TDS shares on the award date. The Dollar Value as of December 31, 2005 is calculated using the closing price on December 30, 2005, the last business day in 2005, of TDS Common Shares of $36.03 and Special Common Shares of $34.61. With respect to Mr. Rooney, the Grant Date Dollar Value is calculated using the closing price of USM Common Shares on December 30, 2005, the last business day in 2005, of $49.40.

(6) Except with respect to Mr. Rooney, represents the number of tandem TDS Common Shares and Special Common Shares subject to stock options awarded during the fiscal year identified. As a result of the Special Common Share stock dividend, all options to purchase Common Shares as of May 13, 2005 under the TDS Long Term Incentive Plan, whether vested or unvested, were adjusted into tandem options. The tandem options provide that upon exercise, the optionee will acquire the number of Common Shares originally subject to the option plus an equal number of Special Common Shares at the original exercise price. In the case of John E. Rooney, the awards represent options with respect to USM Common Shares.

(7) There were no long-term incentive plan payouts during the reported periods.

(8) Includes contributions by TDS for the benefit of the named executive officer under the TDS tax-deferred savings plan ( TDSP ), the TDS pension plan ( Pension Plan ), including earnings accrued under a related supplemental benefit agreement, the TDS supplemental executive retirement plan ( SERP ) and the dollar value of any insurance premiums paid during the covered fiscal year with respect to life insurance for the benefit of the named executive ( Life Insurance ), as indicated below for 2005:

| | *LeRoy T. Carlson, Jr.* | *Sandra L. Helton* | *James Barr III* | *John E. Rooney* | *Scott H. Williamson* |
|---|---|---|---|---|---|
| TDSP | $ 7,275 | $ 7,560 | $ 7,560 | $ 7,560 | $ 7,560 |
| Pension Plan | 22,240 | 20,284 | 25,200 | 9,900 | 16,504 |
| SERP | 19,760 | 21,716 | 16,800 | 32,100 | 25,496 |
| Life Insurance | 810 | 691 | 8,580 | 3,564 | 497 |
| Total | $ 50,085 | $ 50,251 | $ 58,140 | $ 53,124 | $ 50,057 |

(9) All of Mr. Rooney s compensation is paid by U.S. Cellular. Mr. Rooney s annual compensation is approved by LeRoy T. Carlson, Jr., the Chairman of U.S. Cellular, and Mr. Rooney s long-term compensation is approved by the stock option compensation committee of U.S. Cellular.

**General Information Regarding Options**

The following tables show, as to the executive officers who are named in the Summary Compensation Table, certain information regarding options.

**Individual Option Grants in 2005**

| | | | | | | *Potential Realizable Value at Assumed Annual Realized Stock Price Appreciation for Option Terms(4)* | |
|---|---|---|---|---|---|---|---|
| *Name* | *Number of Securities Underlying Options Granted(1)* | *Percent of Total Options Granted to Employees(2)* | *Exercise Price* | *Market Price(3)* | *Expiration Date* | *5%* | *10%* |
| LeRoy T. Carlson, Jr.(5) | 111,045 | 15.4 % | $ 77.36 | $ 77.36 | 04/20/2015 | $ 5,402,482 | $ 13,690,951 |
| Sandra L. Helton(5) | 53,353 | 7.4 % | $ 77.36 | $ 77.36 | 04/20/2015 | $ 2,595,692 | $ 6,577,994 |
| James Barr III(5) | 47,493 | 6.6 % | $ 77.36 | $ 77.36 | 04/20/2015 | $ 2,310,596 | $ 5,855,503 |
| John E. Rooney(6) | 131,000 | 17.2 % | $ 45.63 | $ 45.63 | 03/31/2015 | $ 3,759,237 | $ 9,526,643 |
| Scott H. Williamson(5) | 24,493 | 3.4 % | $ 77.36 | $ 77.36 | 04/20/2015 | $ 1,191,616 | $ 3,019,789 |

(1) Except with respect to John E. Rooney, represents the number of TDS shares underlying options awarded during the year. The TDS options were originally granted on April 20, 2005 with respect to the TDS Common Shares at an exercise price of $77.36 per share, which was the market price of a TDS Common Share on April 20, 2005. As a result of the special common stock dividend, all options to purchase common shares as of May 13, 2005 under the long term incentive plan, whether vested or unvested, were adjusted into tandem options. The tandem option provides that upon exercise, the optionee purchases the number of Common Shares originally subject to the option plus an

equal number of Special Common Shares at the original exercise price of $77.36 per tandem share. As a result, the column Number of Securities Underlying Options Granted represents an equal number of

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TDS Common Shares and TDS Special Common Shares. In the case of Mr. Rooney, the amount represents the number of U.S. Cellular shares underlying options awarded during the fiscal year.

(2) Except with respect to John E. Rooney, represents the percent of total TDS shares underlying options awarded to all TDS employees during the fiscal year. In the case of Mr. Rooney, the figure represents the percent of total U.S. Cellular shares underlying options awarded to all U.S. Cellular employees during the fiscal year.

(3) Represents the per share fair market value of shares as of the award date.

(4) Represents the potential realizable value of each grant of options, assuming that the market price of the shares underlying the options appreciates in value from the award date to the end of the option term at the indicated annualized rates.

(5) Pursuant to the TDS long-term incentive plan, on April 20,2005, such named executive officer was granted options (the 2004 Performance Options ) to purchase TDS Common Shares based on the achievement of certain levels of corporate and individual performance in 2004 as contemplated by the TDS long-term incentive plan. The purchase price per TDS Common Share subject to the 2004 Performance Options is the fair market value of the TDS Common Shares as of the grant date. The 2004 Performance Options became exercisable on December 15, 2005. As a result of the special common stock dividend, all options to purchase Common Shares as of May 13, 2005 under the long term incentive plan, whether vested or unvested, were adjusted into tandem options. The tandem options provide that upon exercise, the optionee purchases the number of Common Shares originally subject to the option plus an equal number of Special Common Shares at the original exercise price. Upon his retirement on March 24, 2007, Mr. Barr s options will become fully vested.

(6) These represent options with respect to U.S. Cellular Common Shares. Such options were granted as of March 31, 2005 and become exercisable with respect to 25% of the shares underlying the option on March 31, 2006 and become fully vested on October 10, 2006.

**Option Exercises in 2005 and**
**December 31, 2005 Option Values**

| | *2005* | | *As of December 31, 2005* | | | |
|---|---|---|---|---|---|---|
| | *Shares* | | *Number of Securities Underlying Unexercised* | | *Value of Unexercised In-the-Money* | |
| | *Acquired on* | *Value* | *Options(3)* | | *Options(4)* | |
| | *Exercise(1)* | *Realized(2)* | *Exercisable* | *Unexercisable* | *Exercisable* | *Unexercisable* |
| LeRoy T. Carlson, Jr. | | | | | | |
| 2004 Performance Options(5) | | $ | 111,045 | | $ | $ |
| 2003 Performance Options(6) | | | 67,540 | | 313,386 | |
| 2002 Performance Options(7) | | | 65,567 | | 1,161,847 | |
| 2001 Performance Options(8) | | | 68,215 | | 717,622 | |
| 2000 Performance Options(9) | | | 29,429 | | | |
| 2000 Automatic Options(10) | | | 56,720 | | | |
| 1999 Performance Options(11) | | | 32,000 | | | |
| 1998 Performance Options(12) | | | 27,850 | | 108,337 | |
| 1998 Automatic Options(13) | | | 54,600 | | 1,468,194 | |
| 1997 Performance Options(14) | | | 27,300 | | 843,297 | |
| 1996 Performance Options(15) | | | 11,770 | | 314,965 | |
| 1995 Performance Options(16) | | | 13,233 | | 304,888 | |
| 1994 Performance Options(17) | 3,614 | 122,550 | | | | |
| Total | 3,614 | $ 122,550 | 565,269 | | $ 5,232,536 | $ |
| Sandra L. Helton | | | | | | |
| 2004 Performance Options(5) | | $ | 53,353 | | $ | $ |
| 2003 Performance Options(6) | | | 30,585 | | 141,914 | |
| 2002 Performance Options(7) | | | 31,475 | | 557,737 | |
| 2001 Performance Options(8) | | | 29,915 | | 348,211 | |
| 2000 Performance Options(9) | | | 12,115 | | | |
| 2000 Automatic Options(10) | | | 25,320 | | | |
| 1999 Performance Options(11) | | | 18,000 | | | |
| 1998 Automatic Options(18) | 12,000 | 575,160 | 24,000 | | 882,480 | |
| Total | 12,000 | $ 575,160 | 224,763 | | $ 1,930,342 | $ |
| James Barr III | | | | | | |
| 2004 Performance Options(5) | | $ | 47,493 | | $ | $ |
| 2003 Performance Options(6) | | | 13,905 | | 64,519 | |
| 2000 Performance Options(9) | | | 6,785 | | | |
| 2000 Options(19) | | | 30,400 | | | |
| Total | | $ | 98,583 | | $ 64,519 | $ |
| John E. Rooney | | | | | | |
| 2005 USM Options(20) | | $ | | 131,000 | $ | $ 493,870 |
| 2004 USM Options(21) | | | 23,000 | 69,000 | 247,250 | 741,750 |
| 2003 USM Options(22) | 69,750 | 1,755,198 | 17,750 | 87,500 | 442,507 | 2,181,375 |
| 2002 USM Options(23) | 16,500 | 132,660 | 8,250 | 8,250 | 69,300 | 69,300 |
| 2001 USM Options(24) | | | 16,000 | 4,000 | | |
| 2000 USM Initial Options(25) | | | 55,000 | | | |
| Total | 86,250 | $ 1,887,858 | 120,000 | 299,750 | $ 759,057 | $ 3,486,295 |
| Scott H. Williamson | | | | | | |
| 2004 Performance Options(5) | | $ | 24,493 | | $ | $ |
| 2003 Performance Options(6) | | | 14,965 | | 69,438 | |
| 2002 Performance Options(7) | 15,785 | 522,957 | | | | |
| 2001 Performance Options(8) | | | 14,670 | | 170,759 | |
| 2000 Performance Options(9) | | | 7,690 | | | |
| 2000 Automatic Options(10) | | | 14,760 | | | |
| 1999 Performance Options(11) | | | 8,600 | | | |
| | | | 6,370 | | 24,779 | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 1998 Performance Options(12) | | | | | | |
| 1998 Automatic Options(13) | 12,900 | 545,670 | | | | |
| 1997 Performance Options(14) | 36 | 1,667 | | | | |
| Total | 28,721 | $ 1,070,294 | 91,548 | | $ 264,976 | $ |

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(1) Except for John E. Rooney, represents the number of TDS shares with respect to which the options were exercised. In the case of John E. Rooney, represents Common Shares of U.S. Cellular ( USM shares ).

(2) Represents the aggregate dollar value realized upon exercise, based on the difference between the exercise price and the fair market value on the date of exercise of the TDS shares or, in the case of Mr. Rooney USM Common Shares.

(3) Except for John E. Rooney, represents the number of tandem TDS Common Shares and Special Common Shares subject to options. In the case of Mr. Rooney, the information is presented with respect to USM shares. All options are transferable to permitted transferees.

(4) Except for John E. Rooney, represents the aggregate dollar value of in-the-money, unexercised options held at the end of the fiscal year, based on the difference between the exercise price and the market value of TDS shares subject to options on December 31, 2005. As a result of the special common stock dividend, all options to purchase Common Shares as of May 13, 2005, whether vested or unvested, were adjusted into tandem options. The tandem options provide that upon exercise, the optionee will acquire the number of Common Shares originally subject to the option plus an equal number of Special Common Shares for the original exercise price. The market value of a tandem share was $70.64 on December 31, 2005, representing the sum of the closing price of $36.03 for the TDS Common Shares and $34.61 for the TDS Special Common Shares. In the case of Mr. Rooney, represents the aggregate dollar value of in-the-money, unexercised options held at the end of the fiscal year, based on the difference between the exercise price and $49.40, the market value of USM Common Shares on December 31, 2005.

(5) Such options represent tandem options to purchase an equal number of TDS Common Shares and TDS Special Common Shares and became exercisable on December 15, 2005 and are exercisable until April 20, 2015 at the exercise price of $77.36 per tandem option.

(6) Such options became exercisable on December 15, 2004 (except with respect to Mr. Barr, whose options become exercisable on April 30, 2005) and are exercisable until May 8, 2014 at the exercise price of $66.00 per share.

(7) Such options became exercisable on December 15, 2003 and are exercisable until July, 2013 at the exercise price of $52.92 per share.

(8) Such options became exercisable with respect to LeRoy T. Carlson, Jr., on December 15, 2002 and are exercisable until August 19, 2012 at the exercise price of $60.12 per share. With respect to Ms. Helton, Mr. Barr and Mr. Williamson, such options became exercisable on December 15, 2002 and are exercisable until July 5, 2012 at the exercise price of $59.00 per share.

(9) Such options became exercisable on December 15, 2001 and are exercisable until April 30, 2011 at the exercise price of $99.44 per share.

(10) Such options became exercisable in annual increments of 25% on December 15, 2001 and on each anniversary of such date until December 15, 2004 and are exercisable until September 15, 2010 at the exercise price of $121.12 per share. (except with respect to Mr. Williamson, whose options are exercisable until September 16, 2010 at the exercise price of $117.51 per share).

(11) Such options became exercisable on December 15, 2000 and are exercisable until May 5, 2010 at the exercise price of $105.13 per share.

(12) Such options became exercisable on December 15, 1999 and are exercisable until April 30, 2009 at the exercise price of $66.75 per share.

(13) Such options became exercisable with respect to one-third of the shares on each of December 15, 1998, December 15, 1999 and December 15, 2000, and are exercisable until November 5, 2007 at the exercise price of $43.75 per share.

(14) Such options became exercisable on December 15, 1998 and are exercisable until June 22, 2008 at the exercise price of $39.75 per share.

(15) Such options became exercisable on December 15, 1997 and are exercisable until December 15, 2007 at the exercise price of $43.88 per share.

(16) Such options became exercisable on December 15, 1996 and are exercisable until December 15, 2006 at the exercise price of $47.60 per share.

(17) Such options became exercisable on December 15, 1995 and were exercisable until December 15, 2005 at the exercise price of $38.12 per share.

(18) Such options became exercisable with respect to 12,000 shares on each of December 15, 1998, December 15, 1999 and December 15, 2000, and are exercisable until September 15, 2008 at an exercise price of $33.87 per share.

(19) Such options became exercisable in annual increments of 20% on December 15, 2000 and on each anniversary of such date through December 15, 2004, and are exercisable until March 10, 2010 at the exercise price of $104.00 per share.

(20) The 2005 USM Options become exercisable in annual increments of 25% on March 31, 2006 and become fully vested on October 10, 2006, and are exercisable until March 31, 2015 at an exercise price of $45.63

(21) The 2004 USM Options became exercisable in annual increments of 25% on March 31, 2005 and 2006 and become fully vested on October 10, 2006, and are exercisable until March 31, 2014 at an exercise price of $38.65.

(22) The 2003 USM Options became exercisable in annual increments of 25% on March 31 2004, 2005 and 2006 and become fully vested on October 10, 2006, and are exercisable until March 31, 2013 at an exercise price of $24.47.

(23) The 2002 USM Options became exercisable in annual increments of 25% on March 31 of each year, beginning in 2003 and ending in 2006, and are exercisable until March 31, 2012 at an exercise price of $41.00.

(24) The 2001 USM Options became exercisable in annual increments of 20% on March 31 of each year beginning in 2002 and ending in 2006, and are exercisable until March 31, 2011 at an exercise price of $59.40.

(25) The 2000 USM Initial Options became exercisable with respect to 20% of the shares underlying the option on April 10 of each year, beginning in 2001 and ending in 2005, and are exercisable until April 10, 2010 at an exercise price of $69.19 per share.

**Tax Deferred Savings Plan**

The TDS tax deferred savings plan ( TDS Tax Deferred Savings Plan ) is a qualified profit sharing plan under Sections 401(a) and 401(k) of the Internal Revenue Code, designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the TDS Tax Deferred Savings Plan. Participating employees have the option of investing their contributions and TDS s contributions in a TDS Common Share fund, a TDS Special Common Share fund, a USM Common Share fund or certain unaffiliated mutual funds. Prior to May 31, 2006, TDS and participating employers made matching contributions to the plan in cash equal to 100% of an employee s contribution up to the first 2% and 40% of an employee s contribution up to the next 4% of such employee s compensation. Beginning May 31, 2006, TDS and participating employers make matching contributions to the plan in cash equal to 100% of an employee s contributions up to the first 3% and 40% of an employee s contributions up to the next 2% of such employee s compensation.

The amounts of the annual contributions for the benefit of the named executive officers under the TDS Tax Deferred Savings Plan are included above in the Summary Compensation Table under All Other Compensation.

**Pension Plans and Supplemental Benefit Agreements**

The TDS employees pension trust (the TDS Target Pension Plan ) was a defined contribution plan designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the TDS Target Pension Plan. Annual employer contributions based upon actuarial assumptions were made under a formula designed to fund a target pension benefit for each participant commencing generally upon the participant s attainment of retirement age.

U.S. Cellular previously had adopted the TDS wireless companies pension plan (the Wireless Pension Plan ). The Wireless Pension Plan, a qualified non-contributory defined contribution pension plan, provided pension benefits for employees of U.S. Cellular. Under the Wireless Pension Plan, pension contributions were calculated separately for each participant, based on a fixed percentage of the participant s qualifying compensation, and were funded currently.

Effective January 1, 2001, the TDS Target Pension Plan was merged with and into the Wireless Pension Plan and the new merged plan has been titled the TDS Pension Plan. All of the plan assets which had been held for the TDS Target Pension Plan and the Wireless Pension Plan were combined to be held on a consolidated basis for the new TDS Pension Plan, which will pay all benefits which previously accrued under both the TDS Target Pension Plan and the Wireless Pension Plan and all future pension plan accruals. All eligible participants who have been receiving target pension benefits under the TDS Target Pension Plan will continue to be eligible for target pension benefits under the TDS Pension Plan. Similarly, eligible participants who have been receiving a pension benefit contribution based on a fixed percentage of their qualifying compensation under the Wireless Pension Plan will continue to be eligible for such benefit under the TDS Pension Plan. All newly eligible employees of both TDS and U.S. Cellular and their affiliates will only be eligible for the pension benefit contribution based on a fixed percentage of qualifying compensation as previously provided under the Wireless Pension Plan.

The amounts of the annual contributions for the benefit of the named executive officers under the TDS Target Pension Plan and/or the Wireless Pension Plan are included above in the Summary Compensation Table under All Other Compensation.

The TDS supplemental executive retirement plan ( SERP ) has provided supplemental benefits under the TDS Pension Plan and the Wireless Pension Plan and effective January 1, 2001, the new TDS Pension Plan. The SERP was established to offset the reduction of benefits caused by the limitation on annual employee compensation which can be considered for tax qualified pension plans under the Internal Revenue Code. The SERP is a non-qualified deferred compensation plan and is intended to be unfunded. The amounts of the accruals for the benefit of the named executive officers are included above in the Summary Compensation Table under All Other Compensation.

In 1980, TDS entered into a non-qualified supplemental benefit agreement with LeRoy T. Carlson which, as amended, requires TDS to pay a supplemental retirement benefit to Mr. Carlson in the amount of $47,567 plus interest at a rate equal to 1⁄4% under the prime rate for the period from May 15, 1981 (the date of Mr. Carlson s 65th birthday) to May 31, 1992, in five annual installments beginning June 1, 2001, plus interest at 9½% compounded semi-annually from June 1, 1992. The agreement was entered into because certain amendments made to the TDS Pension Plan in 1974 had the effect of reducing the amount of retirement benefits, which Mr. Carlson would receive under the TDS Pension Plan. The payments to be made under the agreement, together with the retirement benefits under the TDS Pension Plan, were designed to permit Mr. Carlson to receive approximately the same retirement benefits he would have received had the TDS Pension Plan not been amended. The amount of interest accrued under this agreement for 2005 was $5,999.

**Deferred Compensation Agreements**

James Barr III is a party to an executive deferred compensation agreement, pursuant to which a specified percentage of his gross compensation is deferred and credited to a deferred compensation account. The deferred compensation account is credited with interest compounded monthly, computed at a rate equal to one-twelfth of the sum of the average thirty-year Treasury Bond rate plus 1.25 percentage points until the deferred compensation amount is paid to such person. The amount of compensation deferred by such person is included in and reported with all other non-deferred compensation in the Summary Compensation Table. No amount is included in the Summary Compensation Table for the interest earned on such deferred compensation because such interest rate is intended to approximate a market rate.

**Bonus Deferral and Stock Unit Match Program**

The 2004 Long-Term Incentive Plan, as amended and restated, provides the opportunity for those who are employed by TDS at the position of Vice President or above to defer receipt of a portion of their bonuses and receive TDS matching stock unit credits. Executives may elect to defer receipt of all or a portion of their annual bonuses and to receive stock unit matches on the amount deferred up to $400,000. Deferred compensation will be deemed invested in phantom TDS Special Common Shares. TDS match amounts will depend on the amount of annual bonus that is deferred into stock units. Participants receive a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and a 33% match for amounts that exceed 50% of their total annual bonus. The matched stock units vest ratably at a rate of one-third per year over three years. The fair market value of the matched stock units is reported in the Summary Compensation Table under Other Annual Compensation.

LeRoy T. Carlson, Jr., has deferred 20% of his 2005 bonus and, accordingly, will receive a 25% stock unit match for this deferred bonus under the TDS Long-Term Incentive Plan. The bonus for 2005 has not yet been determined for LeRoy T. Carlson, Jr., and therefore, the dollar value of the company match phantom stock units cannot be determined at this time. See the Summary Compensation Table.

In addition, U.S. Cellular has a similar plan pursuant to which John E. Rooney may defer compensation and receive stock unit matches with respect to U.S. Cellular Common Shares. Any stock unit matches received by Mr. Rooney are reported in the Summary Compensation Table under Other Annual Compensation.

**Other Agreements**

On March 6, 2006, TDS and James Barr III, President and Chief Executive Officer of TDS Telecommunications Corporation, entered into an amendment of an arrangement relating to Mr. Barr s employment and retirement. Under the amended arrangement, because Mr. Barr remained employed with TDS Telecom until at least March 31, 2005, (i) all of Mr. Barr s stock options will become fully vested on the date of his retirement and (ii) TDS will pay Mr. Barr a sum equal to his then current annual salary in twenty-four equal monthly installments, with the initial six installments to be paid on or as soon as administratively practicable following the six month anniversary of his retirement and the remaining 18 installments to be paid each month after the six month anniversary of his retirement. Mr. Barr will be required to provide consulting services to TDS during such period in consideration for such payments. If Mr. Barr is demoted or terminated prior to his retirement for any reason other than a serious violation of TDS s Code of Business Conduct, TDS will pay Mr. Barr a sum equal to Mr. Barr s then annual salary. 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. At that time, all of his options will vest pursuant to the foregoing agreement. Mr. Barr s 2005 and 2006 restricted stock awards will vest upon his retirement in accordance with such award agreements.

TDS has entered into an agreement with LeRoy T. Carlson whereby it will employ Mr. Carlson until he elects to retire from TDS. Mr. Carlson is to be paid at least $60,000 per annum until his retirement. The agreement also provides that upon his retirement, Mr. Carlson will be retained by TDS as a part-time consultant (for not more than 60 hours in any month) until his death or disability. Upon his retirement, Mr. Carlson will receive $75,000 per annum as a consultant, plus increments beginning in 1985 equal to the greater of three percent of his consulting fee or two-thirds of the percentage increase in the consumer price index for the Chicago metropolitan area. If Mr. Carlson becomes disabled before retiring, TDS can elect to discontinue his employment and retain him in accordance with the consulting arrangement described above. Upon Mr. Carlson s death (unless his death follows his voluntary termination of his employment or the consulting arrangement), his widow will receive until her death an amount equal to that which Mr. Carlson would have received as a consultant. TDS may terminate payments under the agreement if Mr. Carlson becomes the owner of more than 21% of the stock, or becomes an officer, director, employee or paid agent of any competitor of TDS within the continental United States. No amounts were paid or payable under this agreement in 2005, 2004 or 2003.

**Compensation of Directors**

The board of directors has approved a compensation plan (the Non-Employee Directors Plan ) for non-employee directors. A non-employee director is a director of TDS who is not an employee of TDS or its affiliates, U.S. Cellular or TDS Telecom. The purpose of the Non-Employee Directors Plan is to provide reasonable compensation to non-employee directors for their services to TDS, and to induce qualified persons to serve as non-employee members of the board of directors.

The Non-Employee Directors Plan provides that each non-employee director will receive an annual director s fee of $44,000 payable quarterly, and the chairperson will receive an additional $34,000 fee. The plan also provides that each non-employee director serving on the Audit Committee will receive an annual fee of $11,000 payable quarterly, except for the chairperson, who will receive a fee of $22,000. The plan also provides that each non-employee director will receive an annual fee of $5,000 payable quarterly, for serving on the Compensation Committee, except for the chairperson, who will receive a fee of $7,000. It also provides that each non-employee director will receive a fee of $1,750 for board of directors, Audit, Compensation and Corporate Governance Committee meetings, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with travel to, and attendance at, each regularly scheduled or special meeting.

The Non-Employee Directors Plan further provides that each non-employee director will receive 50%, and may elect to receive on an annual basis up to 100%, of their retainers and meeting fees for regularly scheduled meetings of the board (five per year), by the delivery of common stock of TDS having a fair market value as of the date of payment equal to the cash amount of the retainer or fee foregone. For retainers and regularly scheduled meetings of the board during 2005, such common stock continued to consist of TDS Common Shares previously authorized; for retainers and regularly scheduled meetings of the board in 2006 and subsequent years, such common stock shall consist of TDS Special Common Shares.

Under the Non-Employee Directors Plan, for purposes of determining the number of Common or Special Common Shares deliverable in connection with any of the foregoing elections, the fair market value of a Common or Special Common Share will be the average closing price of our Common or Special Common Shares as reported in the American Stock Exchange Composite Transactions section of The Wall Street Journal for the twenty trading days before the end of the quarter or the date of the board meeting, as applicable. Our board of directors has reserved 65,000 Common Shares and 75,000 Special Common of TDS for issuance pursuant to the Non-Employee Directors Plan.

In addition, TDS pays life insurance premiums to provide life insurance of $100,000 for each of its directors. Except for such life insurance premiums, directors who are also employees of TDS or any affiliate do not receive any additional compensation for services rendered as directors. Directors are also reimbursed for travel and expenses incurred in attending board and committee meetings pursuant to TDS s travel and expense reimbursement policy.

In addition to the persons who are identified in the Summary Compensation Table that are directors of TDS, LeRoy T. Carlson is a director of TDS who receives compensation in his capacity as Chairman Emeritus of TDS. In 2005, Mr. Carlson received the following compensation from TDS, based on the categories used in the Summary Compensation Table: Salary \$480,000; Bonus \$200,000; Other Annual Compensation \$58,000; and All Other Compensation \$13,510. Mr. Carlson received a grant of options for 26,531 TDS shares (representing as of December 31, 2005 a tandem option to acquire 26,531 Common Shares and 26,531 Special Common Shares) at an exercise price of \$77.36 per share that became exercisable on December 15, 2005 and that expire on April 20, 2015. Mr. Carlson also received a grant of 19,024 restricted stock units which will become vested on December 15, 2007. As a result of the Special Common Stock dividend, the options and restricted stock units represent the right to receive an equal number of TDS Common Shares and TDS Special Common Shares under the original terms.

**Executive Officer Compensation Report**

This report is submitted by (i) LeRoy T. Carlson, Jr., President and CEO, who served as the compensation committee of the board of directors for all executive officers of TDS (other than the President and CEO) until February 21, 2006, by (ii) Herbert S. Wander, Letitia G. Carlson, M.D. and George W. Off, who served as members of the TDS long-term compensation committee of the board of directors, which approved all compensation for the President and CEO and approved long-term compensation for executive officers of TDS until February 21, 2006, and (iii) Herbert S. Wander and George W. Off, who have been serving as members of the Compensation Committee of TDS which replaced the former compensation committee and long-term compensation committee on February 21, 2006. Long-term compensation for John E. Rooney is approved by the stock option compensation committee of U.S. Cellular (as described in its report in the proxy statement of U.S. Cellular) and Mr. Rooney s annual compensation is approved by LeRoy T. Carlson Jr., the Chairman of U.S. Cellular.

TDS s compensation policies for executive officers are intended to provide incentives for the achievement of corporate and individual performance goals and to provide compensation consistent with the financial performance of TDS. TDS s policies establish incentive compensation performance goals for executive officers based on factors over which such officers have control and which are important to TDS s long-term success. Compensation should be appropriate to the financial performance of TDS and should be sufficient to enable TDS to attract and retain individuals possessing the talents required for long-term successful performance.

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

Prior to February 21, 2006, the President and CEO was provided with information about executive compensation at other companies, as reported in proxy statements and salary surveys. The President and CEO used these sources and made the determination of appropriate ranges for each executive officer based on his informed judgment, using the information provided to him by the Vice President of Human Resources, as discussed below. The range was not based on any formal analysis nor is there any documentation of the range. The base salary of each officer was set within this range based on an assessment of the responsibilities and the performance of such officer, also taking into account the performance of TDS and/or its business units or divisions, other comparable companies, the industry and the overall economy during the preceding year. After February 21, 2006, similar procedures are used by the new Compensation Committee.

Annually, the nature and extent of each executive officer s personal accomplishments and contributions for the year are determined, based on information submitted by the executive and by others familiar with his or her performance, including the executive s direct supervisor. Prior to February 21, 2006, the President and CEO evaluated the information in terms of the personal objectives established for such executive officer for the performance appraisal period. The President and CEO also made an assessment of how well TDS did as a whole during the year and the extent to which the President and CEO believes the executive officer contributed to the results. With respect to executive officers having primary responsibility over a certain business unit or division of TDS, the President and CEO considered the performance of the business unit or division and the contribution of the executive officer thereto. No specific measures of performance are considered determinative in the compensation of executive officers. Instead, all the facts and circumstances were taken into consideration by the President and CEO. Ultimately, it was the informed judgment of the President and CEO that determined an executive s salary and bonus. After February 21, 2006, similar procedures are used by the new Compensation Committee.

The primary financial focus of TDS is increasing long-term shareholder value through growth, measured primarily in such terms as return on capital, revenues, customer units in service, operating cash flow (operating income plus depreciation and amortization) and operating income. However, there is no quantifiable relationship between compensation and such measures of performance. Instead, compensation decisions are made subjectively, considering certain performance measures, as well as other appropriate facts and circumstances.

Prior to February 21, 2006, the President and CEO of TDS also approved annual bonus compensation for executive officers of TDS and each of its business units or divisions. The Vice President-Human Resources prepared appropriate information, for the annual compensation reviews of executive officers. TDS has no written or formal corporate executive bonus plan. The bonuses for corporate executive officers was determined by the President and CEO based on his evaluation of each executive s contribution to TDS, the achievement of individual objectives, the performance of TDS and/or its business units and divisions and all other facts and circumstances considered appropriate in his judgment. The 2005 bonuses approved for the named executives are listed above in the Summary Compensation Table. After February 21, 2006, similar procedures are used by the new Compensation Committee.

Prior to February 21, 2006, the annual compensation of the President and CEO of TDS was approved by the long-term compensation committee. After February 21, 2006, the annual compensation of the President and CEO of TDS is approved by the reconstituted Compensation Committee. The Vice President Human Resources prepares for the committee an analysis of compensation paid to chief executive officers of other comparable companies, including the companies in the peer group index described below under Stock Performance Chart , as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar size, function, geography or otherwise. This information is presented to the committee, which approves the final base salary and bonus of the President and CEO based on such information. The committee approved a bonus of $875,000 for the President and CEO for the year 2004, and increased his 2005 base salary to $1,050,000, representing an increase of $80,000 or 8.2% over his base salary of $970,000 in 2004. The long-term compensation committee has not yet approved the 2005 bonus or base salary for 2006 for the President and CEO. As with the other executive officers, the compensation of the President and CEO is determined on the basis of the committee s analysis of multiple factors rather than specific measures of performance. The Compensation Committee has access to numerous performance measures and financial statistics prepared by TDS. This financial information includes the audited financial statements of TDS, as well as internal financial reports such as budgets and their results, operating statistics and other analyses. The committee may also consider such other factors the committee deems appropriate in making its compensation decisions. Ultimately, it is the informed judgment of the committee, after reviewing the compensation information provided by the Vice President Human Resources, that determines the salary and bonus for the President and CEO.

As discussed above, the primary financial focus of TDS is the increase of long-term shareholder value through growth, measured primarily in such terms as return on capital, revenues, customer units in service, operating cash flow (operating income plus depreciation and amortization) and operating income. However, as discussed above, there is no quantifiable relationship between compensation and such measures of performance. Instead, compensation decisions are made subjectively, considering certain performance measurers, as well as all other appropriate facts and circumstances.

The undersigned persons that participate in the approval of the compensation of the President and CEO believe that the total compensation (base salary and bonus) of the President and CEO has been set at an appropriate level considering, among other things, compensation of executives at companies which it considers comparable. Such persons base this belief on his or her personal assessment and judgment of the President and CEO s responsibilities in comparison to those of chief executive officers and chief operating officers of the companies included in the peer group index described below under Stock Performance Chart , as well as other companies in the telecommunications industry and other industries with similar characteristics, based on the information prepared by the Vice President Human Resources, as discussed above. The President and CEO has a substantial beneficial interest in TDS, as described below under Security Ownership of Management , and will benefit together with other shareholders based on the performance of TDS. Such persons have taken this fact into account in their review and approval of the President and CEO s salary and bonus.

The President and CEO may recommend long-term compensation in the form of additional stock option grants, stock appreciation rights or otherwise for executive officers. Prior to February 21, 2006, this recommendation was made to the long-term compensation committee. After February 21, 2006, this recommendation is made to the new Compensation Committee. Prior to February 21, 2006, long-term compensation decisions for executive officers were made by the long-term compensation committee and after February 21, 2006, are now made by the new Compensation Committee, in a manner similar to that described for annual base salary and bonus decisions, except that the stock options will generally vest over several years, in order to reflect the goal of relating long-term compensation of executive officers, including the President and CEO, to increases in shareholder value over the same period.

The performance of TDS is also a factor in determining the number of stock options which will be awarded and become exercisable with respect to the executive officers. As indicated under the table Individual Option Grants in 2005 , certain named executive officers received an award of Performance Options in 2005 based on the achievement of certain levels of corporate and individual performance in 2004.

The new Compensation Committee is in the process of retaining its own independent compensation consultant.

Section 162(m) of the Code. Subject to certain exceptions, section 162(m) of the Internal Revenue Code generally provides a $1 million annual limit on the amount that a publicly held corporation is allowed to deduct as compensation paid to each of the corporation s chief executive officer and the corporation s other four most highly compensated officers. TDS does not believe that the $1 million deduction limitation should have a material effect on TDS in the immediate future. If the $1 million deduction limitation is expected to have a material effect on TDS in the future, TDS will consider ways to maximize the deductibility of executive compensation, while retaining the discretion TDS deems necessary to compensate executive officers in a manner commensurate with performance and the competitive environment for executive talent.

This Executive Officer Compensation Report is submitted by LeRoy T. Carlson, Jr., Herbert S. Wander, Letitia G. Carlson, M.D. and George W. Off.

**Stock Performance Chart**

The following chart graphs the performance of the cumulative total return to shareholders (stock price appreciation plus dividends) during the previous five years in comparison to returns of the Standard & Poor s 500 Composite Stock Price Index and a peer group index. The peer group index was constructed specifically for TDS and includes the following companies: ALLTEL Corp., Centennial Communications Corp. (formerly known as Centennial Cellular Corp.) (Class A), CenturyTel, Inc. (formerly known as Century Telephone Enterprise, Inc.), Citizens Communications Co. (formerly known as Citizen Utilities) (Series B), Rural Cellular Corp. (Class A) and TDS. The peer group no longer includes Western Wireless Corp. (Class A) because it was acquired by ALLTEL in 2005. In calculating the peer group index, the returns of each company in the group have been weighted according to such company s market capitalization at the beginning of the period.

**COMPARATIVE FIVE-YEAR TOTAL RETURNS***
**TDS, S&P 500, PEER GROUP**
**(PERFORMANCE RESULTS THROUGH 12/31/05)**

| | *December 31,* | | | | | |
|---|---|---|---|---|---|---|
| | *2000* | *2001* | *2002* | *2003* | *2004* | *2005* |
| TDS | $ 100.00 | $ 100.28 | $ 53.07 | $ 71.45 | $ 88.67 | $ 81.97 |
| S&P 500 | $ 100.00 | $ 88.11 | $ 68.64 | $ 88.33 | $ 97.94 | $ 102.75 |
| Peer Group | $ 100.00 | $ 95.15 | $ 76.18 | $ 79.97 | $ 100.89 | $ 106.88 |

Assumes $100.00 invested at the close of trading on the last trading day preceding the first day of the fifth preceding fiscal year in TDS Common Shares, S&P 500 and Peer Group. After the close of business on May 13, 2005, TDS distributed a stock dividend of one Special Common Share of TDS with respect to each outstanding TDS Common Share and Series A Common Share. For purposes of the stock performance chart, the performance of TDS for all periods presented prior to May 13, 2005 is represented by the TDS Common Shares, and for the period between May 13, 2005 and December 31, 2005 includes both the TDS Common Shares and TDS Special Common Shares. The last closing price of TDS Common Shares on May 13, 2005 prior to the impact of the stock dividend was $74.57. The closing price on May 16, 2005, the first trading day after the stock dividend, was $38.19 for the TDS Common Shares and $36.25 for the TDS Special Common Shares, or a total of $74.44. The closing price on December 31, 2005 was $36.03 for the TDS Common Shares and $34.61 for the TDS Special Common Shares, or a total of $70.64.

* Cumulative total return assumes reinvestment of dividends.

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**Compensation Committee Interlocks and Insider Participation**

Prior to February 21, 2006, the sole member of the compensation committee was LeRoy T. Carlson, Jr., President and CEO of TDS. The primary function of such 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. Mr. Carlson is a member of the board of directors of TDS, U.S. Cellular, and TDS Telecom. He is also the Chairman of U.S. Cellular and TDS Telecom and, as such, approves the executive officer annual compensation decisions for U.S. Cellular and TDS Telecom. Mr. Carlson is compensated by TDS for his services to TDS and all its subsidiaries. However, U.S. Cellular reimburses TDS for a portion of such compensation pursuant to intercompany agreements between TDS and such subsidiaries. Prior to February 21, 2006, the long-term compensation committee of the board of directors of TDS approved all compensation for the President and CEO, considered and approved long-term compensation for TDS executive officers and for the president of TDS Telecom, and reviewed and recommended to the board of directors any long-term compensation programs for TDS employees. The members of the TDS long-term compensation committee were Herbert S. Wander (chairperson), Letitia G. Carlson, M.D. and George W. Off. Such persons are neither officers nor employees of TDS or any of its subsidiaries nor directors of any of TDS s subsidiaries. After February 21, 2006, the new Compensation Committee assumed responsibilities relating to the compensation of the executive officers of TDS (which does not include U.S. Cellular or any of its subsidiaries), including the review of salary, bonus, long-term compensation and all other compensation. The members of the Compensation Committee are Herbert S. Wander (chairperson) and George W. Off. Long-term compensation for executive officers who are employees of U.S. Cellular is approved by the stock option compensation committee of U.S. Cellular. The stock option compensation committee of U.S. Cellular is composed of directors of such subsidiary who are neither officers nor employees of TDS or any of its subsidiaries nor directors of TDS. The annual compensation of U.S. Cellular s President and Chief Executive Officer, Mr. Rooney, is approved by LeRoy T. Carlson, Jr., the Chairman of U.S. Cellular.

In addition to such compensation committee interlocks and insider participation in compensation decisions, TDS and certain related parties are involved in the following relationships and transactions.

*Other Relationships and Related Transactions.* The following persons are partners of Sidley Austin LLP, the principal law firm of TDS, U.S. Cellular and their subsidiaries: Walter C.D. Carlson, a trustee and beneficiary of a voting trust that controls TDS and U.S. Cellular, the non-executive Chairman of the Board and member of the board of directors of TDS and a director of U.S. Cellular; William S. DeCarlo, the General Counsel of TDS and an Assistant Secretary of TDS and certain subsidiaries of TDS; and Stephen P. Fitzell, the General Counsel and/or an Assistant Secretary of U.S. Cellular and certain subsidiaries of TDS. Mr. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION**

The following table provides information as of December 31, 2005 regarding TDS Common Shares and Special Common Shares that may be issued under equity compensation plans currently maintained by TDS.

| **Plan Category** | ***(a)* Number of securities to be issued upon the exercise of outstanding options and rights** | ***(b)* Weighted-average exercise price of outstanding options and rights for tandem shares** | ***(c)* Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))** |
|---|---|---|---|
| Equity compensation plans approved by security holders(1) | | | |
| TDS Common Shares | 2,802,013 | | 879,217 |
| TDS Special Common | | $ 73.79 | |
| Shares | 2,789,878 | | 9,518,815 |
| Equity compensation plans not approved by security holders(2) | | | |
| TDS Common Shares | 1,739 | | 9,607 |
| TDS Special Common | | $ 45.01 | |
| Shares | 1,739 | | -0- |
| Total | | | |
| TDS Common Shares | 2,803,752 | | 888,824 |
| TDS Special Common | | $ 73.77 | |
| Shares | 2,791,617 | | 9,518,815 |

(1) This includes the following plans that have been approved by TDS shareholders:

| ***Plan*** | ***Number of securities to be issued upon the exercise of outstanding options and rights*** | ***Number of securities remaining available for future issuance (excluding securities reflected in prior column)*** |
|---|---|---|
| 2004 Long-Term Incentive Plan | | |
| TDS Common Shares | 2,737,657 | 879,217 |
| TDS Special Common Shares | 2,737,657 | 9,123,936 |
| 1994 Long-Term Incentive Plan | | |
| TDS Common Shares | 52,221 | |