

TELEPHONE & DATA SYSTEMS INC /DE/
Form DEF 14A
March 14, 2005

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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

Filed by a Party other than the Registrant

Check the appropriate box:

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

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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

TELEPHONE AND DATA SYSTEMS, INC.

30 North LaSalle Street, 40th Floor
Chicago, Illinois 60602
312/630-1900

March 14, 2005

Dear Fellow Shareholders:

You are cordially invited to attend a Special Meeting of Shareholders of Telephone and Data Systems, Inc. ("TDS") to be held on Monday, April 11, 2005, at 10:00 a.m. Chicago time, in the Chicago Room at the Standard Club, 320 S. Plymouth Court, Chicago, Illinois (the "Special Meeting"). The formal notice of the meeting and a proxy statement are enclosed.

At the Special Meeting, you are being asked to vote on a proposal to approve an amendment (the "Amendment") to the Restated Certificate of Incorporation of TDS to increase the authorized number of Special Common Shares from 20,000,000 to 165,000,000 (the "Special Common Share Proposal"), and to vote on certain related proposals. Citigroup Global Markets Inc. is acting as financial advisor to TDS in connection with the Special Common Share Proposal. The TDS Board of Directors has studied the Special Common Share Proposal, has consulted with its financial and legal advisors, and has carefully weighed potential advantages against potential disadvantages, and has concluded that the positive aspects of the Special Common Share Proposal outweigh potential adverse aspects.

The TDS Board of Directors has unanimously approved the Special Common Share Proposal, believes that the adoption of the Special Common Share Proposal and related proposals are in the best interests of TDS and its shareholders and unanimously recommends that you vote "FOR" the Special Common Share Proposal and the related proposals.

The Voting Trust which controls TDS (the "TDS Voting Trust") has the voting power to cause the Special Common Share Proposal and related proposals to be approved and the trustees of the TDS Voting Trust have advised TDS that they intend to vote FOR the Special Common Share Proposal and FOR each of the other proposals.

The TDS Board of Directors has approved a distribution of one Special Common Share in the form of a stock dividend with respect to each outstanding Common Share and Series A Common Share of TDS (the "Distribution"), subject to the approval of the Special Common Share Proposal by shareholders, the effectiveness of the Amendment, and certain other conditions. Subject to the satisfaction of such conditions, the Distribution is expected to take place on May 13, 2005 to shareholders of record on April 29, 2005. The Distribution is intended to be tax-free for U.S. federal income tax purposes to TDS shareholders.

TDS is filing an application to list the Special Common Shares on the American Stock Exchange under a listing symbol to be determined. The Common Shares of TDS will continue to be listed on the American Stock Exchange under the symbol "TDS."

Subject to the approval of the Special Common Share Proposal, the completion of the Distribution and certain other conditions, TDS may possibly take action at some time in the future to offer and issue Special Common Shares in exchange for all of the Common Shares of United States Cellular Corporation ("U.S. Cellular") which are not owned by TDS. TDS currently owns approximately 82% of the shares of common stock of U.S. Cellular. There is no assurance that any such transaction or similar transaction will occur.

The description of a possible U.S. Cellular transaction is neither an offer to purchase nor a solicitation of an offer to sell any securities. Should TDS at some future time decide to take action relating to a possible U.S. Cellular transaction, TDS will file appropriate documents with the Securities and Exchange Commission with respect thereto. INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THOSE DOCUMENTS IF AND WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. Any such documents will be available at no charge at the Securities and Exchange Commission's web site at www.sec.gov and TDS's web site at www.teldta.com

Very truly yours,

Walter C.D. Carlson
Chairman of the Board

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

**TELEPHONE AND DATA SYSTEMS, INC.
NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
To be held April 11, 2005**

TO THE SHAREHOLDERS OF

TELEPHONE AND DATA SYSTEMS, INC

A Special Meeting of Shareholders of Telephone and Data Systems, Inc., a Delaware corporation ("TDS"), will be held in the Chicago Room at the Standard Club, 320 S. Plymouth Court, Chicago, Illinois, on Monday, April 11, 2005, at 10:00 a.m. Chicago time (the "Special Meeting"), for the following purposes:

1. To consider and approve an amendment (the "Amendment") to the Restated Certificate of Incorporation of TDS to increase the authorized number of Special Common Shares from 20,000,000 to 165,000,000, as more fully described in the accompanying Proxy Statement.
2. To consider and approve an amended and restated 2004 Long-Term Incentive Plan as a result of Proposal 1, as more fully described in the accompanying proxy statement.
3. To consider and approve an amended and restated 2003 Employee Stock Purchase Plan as a result of Proposal 1, as more fully described in the accompanying proxy statement.
4. To consider and approve an amended Non-Employee Director Compensation Plan as a result of Proposal 1, as more fully described in the accompanying proxy statement.
5. To transact such other business as may properly come before the Special Meeting or any and all adjournments or postponements thereof.

The TDS Board of Directors recommends a vote "FOR" each of the proposals.

This Notice of Special Meeting and proxy statement is first being mailed to shareholders on or about March 14, 2005 to holders of record on February 28, 2005.

The TDS Board of Directors would like to have all shareholders represented at the Special Meeting. 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 TDS 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 green 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.

Proxies given pursuant to this solicitation may be revoked at any time prior to the voting of the shares at the Special Meeting (by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the Special Meeting).

By order of the Board of Directors,

Kevin C. Gallagher
Secretary

TELEPHONE AND DATA SYSTEMS, INC.

PROXY STATEMENT

TABLE OF CONTENTS

	<u>Page</u>
QUESTIONS AND ANSWERS	1
COMPARISON OF THE CURRENT EQUITY CAPITALIZATION WITH THE PROPOSED CAPITALIZATION INCLUDING SPECIAL COMMON SHARES	9
DIVIDENDS AND PRICE RANGES OF COMMON SHARES	13
DIVIDEND POLICY	13
PROPOSAL 1 SPECIAL COMMON SHARE PROPOSAL	14
Special Common Share Proposal and Related Transactions	14
Background and Reasons for the Special Common Share Proposal and Related Transactions; Recommendation of the TDS Board	16
Advice of Citigroup	21
Interests of Certain Persons	22
Description of Special Common Shares	22
Securities Law Consequences of the Distribution	28
Listing on the American Stock Exchange	28
Stock Transfer Agent and Registrar	28
Dividend Reinvestment Plans	28
Employee Benefit Plans	28
Non-Employee Director Compensation Plan	29
Effect on Preferred Shares and Series A Common Shares	29
PROPOSAL 2 2004 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED	29
PROPOSAL 3 2003 EMPLOYEE STOCK PURCHASE PLAN, AS AMENDED AND RESTATED	38
PROPOSAL 4 COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS, AS AMENDED	42
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	45
SOLICITATION OF PROXIES	48
EXPENSES	48
WHERE YOU CAN FIND MORE INFORMATION	48
PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 SAFE HARBOR CAUTIONARY STATEMENT	49
OTHER BUSINESS	50

TELEPHONE AND DATA SYSTEMS, INC.

PROXY STATEMENT

QUESTIONS AND ANSWERS

Why am I receiving this proxy statement?

The Board of Directors of TDS (the "TDS Board") is distributing this proxy statement to shareholders of TDS in connection with a proposal to approve an amendment (the "Amendment") to the Restated Certificate of Incorporation of TDS, as amended (the "Restated Certificate"), to increase the authorized number of Special Common Shares from 20,000,000 to 165,000,000 (the "Special Common Share Proposal").

The TDS Board is seeking your proxy to vote in favor of the Special Common Share Proposal at a Special Meeting of shareholders. At the Special Meeting, you are also being asked to vote on three related proposals to amend certain existing stock plans as a result of the Special Common Share Proposal.

What does the TDS Board recommend?

The TDS Board has unanimously approved each proposal, believes that the adoption of each proposal is in the best interests of TDS and its shareholders and unanimously recommends that you vote **"FOR"** the Special Common Share Proposal and the related proposals.

What are the Special Common Shares?

Special Common Shares represent shares of common stock of TDS which are substantially identical in rights, powers and limitations to the Common Shares, except that (unless required by law) the Special Common Shares do not vote in matters other than the election of certain directors.

What will happen if the Special Common Share Proposal is approved?

If the Special Common Share Proposal is approved, you will receive a stock dividend of one Special Common Share for each whole Common Share or Series A Common Share that you own. The following illustration assumes that you own 100 Common Shares of TDS.

If the Special Common Share Proposal is approved, you would receive a stock dividend of 100 Special Common Shares.

The Special Common Shares and the Common Shares of TDS would be traded on the American Stock Exchange.

The 100 Common Shares of TDS would continue to have 100 votes and the 100 Special Common Shares would have 100 votes in the election of 25% of the directors plus one additional director.

The 100 Common Shares of TDS would continue to have 100 votes on all other matters (other than the directors elected by holders of Series A Common Shares and Preferred Shares).

The 100 Special Common Shares would not vote on other matters, except as required by law.

Subject to declaration by the TDS Board, you would continue to receive an aggregate quarterly cash dividend of approximately \$17.50 with respect to the combination of such 100 Common Shares and 100 Special Common Shares, which is the amount of the quarterly dividend a holder of 100 Common Shares currently receives based on the current dividend rate. In order to continue the same aggregate dividend on a post-distribution basis, the quarterly dividend rate per Common Share and Special Common

Share would be adjusted to \$0.0875 per share, which is one-half of the current quarterly dividend rate of \$0.175 per Common Share. See "Dividend Policy" for the TDS Board's policy with respect to dividends and certain risks related to the

payment of dividends.

What do I need to do now?

Simply mail in your signed proxy card in the enclosed return envelope so that your shares may be represented at the Special Meeting.

What do I need to do to receive my certificates for the Special Common Shares?

You do not need to do anything to receive your certificates for the Special Common Shares. Following approval of the Special Common Share Proposal and the effectiveness of the Distribution, certificates representing Special Common Shares will be mailed to all holders of record of Common Shares and Series A Common Shares following the Distribution.

If you hold your shares in "street name" through a bank, broker or dealer, you will need to contact your bank, broker or dealer to determine how you will receive notice and custody of the Special Common Shares.

Should I send in my stock certificates?

No. You should not send in your existing stock certificates representing shares of TDS. Shareholders should retain all certificates which represent shares of TDS since such certificates will continue to represent Common Shares, Series A Common Shares or Preferred Shares, as the case may be, of TDS following the Amendment and the Distribution.

When will all of this take place?

Subject to approval of the Special Common Share Proposal, the effectiveness of the Amendment and certain other conditions, the Distribution is expected to be made on May 13, 2005 to shareholders of record on April 29, 2005.

What are the tax consequences to me?

The Distribution is intended to be tax-free for U.S. federal income tax purposes to shareholders. See "Proposal 1 Special Common Share Proposal Certain Federal Income Tax Considerations The Distribution."

Will the Common Shares and the Special Common Share be listed on a securities exchange?

The Common Shares of TDS will continue to be listed on the American Stock Exchange under the symbol "TDS." TDS is filing an application to list the Special Common Shares on the American Stock Exchange.

How will the Common Shares and Special Common Shares trade on the American Stock Exchange?

As stated above, the record date for the Distribution is expected to be April 29, 2005 and the effective date of the Distribution (the date on which the transfer agent will mail and record stock certificates for the Special Common Shares), is expected to be May 13, 2005.

Unless otherwise specified, securities sold on the American Stock Exchange are to be delivered to the buyer by the seller and payment made to the seller by the buyer for the full price of the securities on the third business day after the transaction. This is referred to "regular way" trading. TDS understands that the TDS Common Shares will continue to trade "regular way" under the symbol "TDS" on a "pre-Distribution" basis through the effective date of the Distribution on May 13, 2005. This means that persons that sell Common Shares any time between the record date of April 29, 2005 through the end of trading on the effective date of May 13, 2005 will receive the full, pre-Distribution price of the Common Shares they sell. As a result, they will also transfer their rights to receive any Special Common Shares they are entitled to receive to the buyers of the Common Shares.

The American Stock Exchange recognizes that shareholders might alternatively want to sell only the Special Common Shares while retaining the Common Shares during this period, and this will be accomplished by creating a "when issued" market for the Special Common Shares. This "when issued" trading is expected to be reported under a ticker symbol to be assigned to the Special Common Shares, with a ".WI" appended. "When issued" trading is expected to commence two trading days prior to the record date of April 29, 2005 and cease at the close of trading on the effective date of the distribution on May 13, 2005. The prices of the Special Common Shares in the "when issued" market are expected to reflect the anticipated post-Distribution trading price of the Special Common Shares.

The TDS Common Shares are expected to trade "ex-Distribution, regular way" meaning they will trade at a reduced, ex-Distribution price, and without transferring any right to receive Special Common Shares, beginning on the first trading day after the effective date of the Distribution of May 13, 2005, or on May 16, 2005. It is also expected that the Special Common Shares will begin trading "regular way" on such date.

The foregoing information is based on TDS's information and belief. Shareholders should consult with their brokers for information on trading their Common Shares or Special Common Shares.

What are the reasons for the Special Common Share Proposal and related transactions?

The TDS Board desires to have Special Common Shares available for corporate purposes. In particular, subject to the approval of the Special Common Share Proposal and certain other conditions, TDS may possibly take action at some time in the future to offer and issue Special Common Shares in exchange for all of the Common Shares of United States Cellular Corporation ("U.S. Cellular") which are not owned by TDS (a "Possible U.S. Cellular Transaction"). TDS currently owns approximately 82% of the shares of common stock of U.S. Cellular. A Possible U.S. Cellular Transaction would cause U.S. Cellular to become a wholly-owned subsidiary of TDS.

The TDS Board desires to retain cash for the business needs of TDS and does not believe it would be in the best interests of TDS to use cash in ways that would impair TDS's financial flexibility or credit rating.

In light of the foregoing, the TDS Board is proposing to authorize additional Special Common Shares. The trustees of the TDS Voting Trust have advised TDS that they would not support the issuance of Common Shares for a Possible U.S. Cellular Transaction because such issuance would dilute the voting power of the TDS Voting Trust.

In order to establish a market and trading price for the Special Common Shares prior to using the Special Common Shares for a Possible U.S. Cellular Transaction and for other corporate purposes, the TDS Board has approved a distribution of one Special Common Share in the form of a stock dividend with respect to each outstanding Common Share and Series A Common Share of TDS, subject to approval of the Special Common Share Proposal by shareholders, the effectiveness of the Amendment and certain other conditions.

What are the potential advantages of the Special Common Share Proposal and related transactions?

The TDS Board believes that the Special Common Share Proposal and Distribution would enable TDS to benefit in a variety of ways, some of which are described below.

Possible U.S. Cellular Transaction. The Special Common Share Proposal would permit TDS to effect a Possible U.S. Cellular Transaction in a way that would not reduce TDS's cash or credit rating, in a way that could be tax-free to U.S. Cellular shareholders and in a way that would be supported by the TDS Voting Trust because it would not dilute the voting power of the TDS Voting Trust.

Employee Compensation Plans. The ability to issue Special Common Shares would increase TDS's flexibility in structuring compensation plans in a way that would be supported by a majority vote of the shareholders of TDS. This is important since equity compensation plans must be approved by shareholders.

Financing Flexibility. The Special Common Share Proposal would provide TDS with greater flexibility if the TDS Board determined that it would be advisable to issue equity for other corporate purposes, including raising capital or making acquisitions. However, TDS has no current plans to issue Special Common Shares for any such purposes except as described herein.

Support of TDS Voting Trust. The TDS Board also recognized that the Special Common Share Proposal could not be approved without the support of the trustees of the TDS Voting Trust, which controls over 90% of the Series A Common Shares and a majority of the voting power of TDS, and that the trustees of the TDS Voting Trust advised TDS that they would support such proposal.

For additional reasons for the Special Common Share Proposal, see "Proposal 1 Special Common Share Proposal Background and Reasons for the Special Common Share Proposal and Related Transactions; Recommendation of the TDS Board Potential Advantages."

Are there any potential disadvantages of which I should be aware?

When evaluating the Special Common Share Proposal, shareholders should be aware of certain potential disadvantages, including the following:

No Assurances as to Market Price. Because there has been no prior market for the Special Common Shares, there can be no assurance as to the market price of such shares following issuance thereof and there is no assurance as to the impact of the Distribution on the market price of the Common Shares.

Complexity. Implementation of the Special Common Share Proposal will, to an extent, make the capital structure of TDS more complex. However, TDS may possibly make an offer to acquire the publicly-held shares of U.S. Cellular using Special Common Shares. TDS believes that the capital structure of TDS will be simplified if a Possible U.S. Cellular Transaction is completed.

Control by Voting Trust. Following approval of the Special Common Share Proposal and the effectiveness of the Distribution, the TDS Voting Trust will continue to have a majority of the voting power of TDS with respect to all matters other than the election of directors, and will continue to be able to elect eight of the twelve directors. Implementation of the Special Common Share Proposal will continue the ability of the TDS Voting Trust to exercise control over a majority of TDS's voting power since it will permit TDS to issue Special Common Shares which will generally have no vote on any matters other than the election of four directors (based on a board of twelve directors) together with the Common Shares. Consequently, the Special Common Share Proposal may facilitate the ability of the TDS Voting Trust to continue to elect a majority of the TDS Board and to retain control of TDS. In addition, the Distribution of Special Common Shares to the TDS Voting Trust would permit the beneficiaries of the TDS Voting Trust to sell their Special Common Shares, which would allow the TDS Voting Trust to reduce its economic ownership in TDS without reducing its voting control. The trustees of the TDS Voting Trust have advised TDS, however, that they intend to seek to amend the terms of the TDS Voting Trust to provide that the Special Common Shares would be retained by the TDS Voting Trust pursuant to its terms, as amended.

See "Proposal 1 Special Common Share Proposal Background and Reasons for the Special Common Share Proposal and Related Transactions; Recommendation of the TDS Board Consideration of Potential Disadvantages."

How will shares of common stock vote after the Distribution?

After the Distribution, holders of Special Common Shares (with one vote per share) will vote together with holders of Common Shares (with one vote per share) in the election of 25% of the directors (rounded up) plus one director (or four of the twelve present directors). The holders of Series A Common Shares and Preferred Shares, voting as a group, will elect the remaining directors (eight out of twelve directors) who are not elected by the holders of Special Common Shares and Common Shares. Since the Distribution will be made to all holders of Common Shares and Series A Common Shares, holders of Series A Common Shares who retain Special Common Shares received in the Distribution will, as holders of Special Common Shares, be entitled to vote in the election of the four directors that are elected by the holders of Special Common Shares and Common Shares. Based on shares outstanding at December 31, 2004, the TDS Voting Trust would have 5.6% of the voting power in the election of such four directors as a result of the receipt of Special Common Shares in the Distribution.

Other than as required by law, holders of Special Common Shares will 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.

See "Proposal 1 Special Common Share Proposal Description of Special Common Shares Voting Rights."

When and where will the Special Meeting be held?

The Special Meeting will be held on Monday, April 11, 2005, at 10:00 a.m. Chicago time, in the Chicago Room at the Standard Club, 320 S. Plymouth Court, Chicago, Illinois.

What is the record date for the meeting?

The close of business on February 28, 2005 is the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting or any adjournments or postponements thereof.

What shares of stock entitle holders to vote at the meeting?

TDS has the following classes of stock outstanding, each of which entitles holders to vote at the meeting:

Common Shares;

Series A Common Shares; and

Preferred Shares.

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

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.

The outstanding Common Shares, Series A Common Shares and Preferred Shares, will vote together as a single group on the approval of the Special Common Share Proposal and the related proposals.

What is the voting power of the outstanding shares on the record date?

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

<i>Class of Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Total Voting Power</i>	<i>Percent</i>
Series A Common Shares	6,425,099	10	64,250,990	55.7%
Common Shares	51,077,908	1	51,077,908	44.3%
Preferred Shares	38,645	1	38,645	*%
			115,367,543	100.0%

*
Less than .1%

How may shareholders vote with respect to the Special Common Share Proposal in Proposal 1?

Shareholders may, with respect to the proposal to approve the Special Common Share Proposal:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on the proposal.

The TDS Board recommends a vote **FOR** this proposal.

How may shareholders vote with respect to the amended and restated 2004 Long-Term Incentive Plan in Proposal 2?

Shareholders may, with respect to the proposal to approve the amended and restated 2004 Long-Term Incentive Plan:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

The TDS Board recommends a vote **FOR** this proposal. This proposal will not be implemented if the Special Common Share Proposal is not approved or implemented.

How may shareholders vote with respect to the amended and restated 2003 Employee Stock Purchase Plan in Proposal 3?

Shareholders may, with respect to the proposal to approve the amended and restated 2003 Employee Stock Purchase Plan:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

The TDS Board recommends a vote **FOR** this proposal. This proposal will not be implemented if the Special Common Share Proposal is not approved or implemented.

How may shareholders vote with respect to the amended Non-Employee Director Plan in Proposal 4?

Shareholders may, with respect to the proposal to approve the amended Non-Employee Director Plan:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on this proposal.

The TDS Board recommends a vote **FOR** this proposal. This proposal will not be implemented if the Special Common Share Proposal is not approved or implemented.

How does the TDS Voting Trust intend to vote?

The TDS Voting Trust holds 6,064,150 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 approximately 52.6% of the voting power with respect to matters other than the election of directors.

The TDS Voting Trust has advised us that it intends to vote:

FOR the approval of the Special Common Share Proposal,

FOR the proposal to approve the amended and restated 2004 Long-Term Incentive Plan

FOR the proposal to approve the amended and restated 2003 Employee Stock Purchase Plan

FOR the proposal to approve the amended Non-Employee Director Compensation Plan.

If the TDS Voting Trust votes as it has advised TDS that it intends to vote, then the approval of the Special Common Share Proposal and related proposals is assured.

How do I vote?

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Proxies are being requested from the holders of Common Shares, Series A Common Shares and Preferred Shares in connection with the each of the proposals.

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 using 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 green 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 the Special Meeting 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 Special Common Share Proposal, FOR the proposal to approve the amended and restated 2004 Long-Term Incentive Plan, FOR the proposal to approve the amended and restated 2003 Employee Stock Purchase Plan and FOR the proposal to approved the amended Non-Employee Director Compensation Plan.

Proxies given pursuant to this solicitation may be revoked at any time prior to the voting of the shares at the Special Meeting, by written notice to the Secretary of TDS, by submitting a later dated proxy or by attendance and voting in person at the Special Meeting.

What constitutes a quorum for the meeting?

The holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to each of the proposals, present in person or represented by proxy, will constitute a quorum at the Special Meeting in connection with each of such proposals. Abstentions will be treated as present in person or represented by proxy in connection with each of the proposals and broker "non-votes" with respect to any 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 Special Meeting, the TDS Voting Trust will by itself constitute a quorum at the Special Meeting in connection with each of the proposals.

What vote is required to approve Proposal 1?

The approval of the Special Common Share Proposal requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding Common Shares, Series A Common Shares and Preferred Shares, voting together as a single group. In such vote, 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 and each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

Accordingly, to be approved, the Special Common Share Proposal must receive the affirmative vote of the holders of a majority of the votes entitled to be cast by holders of outstanding Common Shares, Series A Common Shares and Preferred Shares, voting together as a single group. In this vote, abstentions from voting on such proposal and broker non-votes will not represent affirmative votes and will, therefore, effectively constitute votes against the matter for purposes of such vote.

What vote is required with respect to Proposals 2, 3 and 4?

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to the proposal to approve the amended and restated 2004 Long-Term Incentive Plan, the proposal to approve the amended and restated 2003 Employee Stock Purchase Plan and the proposal to approve the amended Non-Employee Director Compensation Plan. 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 Special Meeting, the approval of each of Proposals 2, 3 and 4 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 Special 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.

What do I do if I have additional questions about voting procedures or need additional copies?

If you have any questions about voting procedures prior to the Special Meeting, please call TDS's Proxy Solicitor, MacKenzie Partners, Inc., at the telephone number and address indicated below. Additional copies of this proxy statement or the Proxy Card may be obtained from the Proxy Solicitor:

105 Madison Avenue
New York, New York 10016
(212) 929-5500 (Call Collect)

or

CALL TOLL-FREE (800) 322-2885
FAX: (212) 929-0308

8

**COMPARISON OF THE CURRENT EQUITY CAPITALIZATION WITH THE PROPOSED
CAPITALIZATION INCLUDING SPECIAL COMMON SHARES**

The following is a summary of the differences between the equity capitalization of TDS as of December 31, 2004 ("Status Quo") and the equity capitalization of TDS on a pro forma basis as of December 31, 2004 ("Pro-Forma"), as if the Amendment and the Distribution had occurred on that day. The following does not reflect the possible effects of a Possible U.S. Cellular Transaction, if it occurs.

1. Authorized Shares

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred and Undesignated Shares	5,000,000	5,000,000
Common Stock:		
Series A Common Shares	25,000,000	25,000,000
Common Shares	100,000,000	100,000,000
Special Common Shares	20,000,000	165,000,000
Total Shares of Common Stock	145,000,000	290,000,000
Tracking Stock(1)		
Telecom Group Shares	90,000,000	90,000,000
Cellular Group Shares	140,000,000	140,000,000
Aerial Group Shares	95,000,000	95,000,000

(1) TDS has no intention of issuing any shares of Tracking Stock.

2. Issued and Outstanding Shares

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	38,645	38,645
Series A Common Shares	6,420,857	6,420,857
Common Shares	51,015,083	51,015,083
Special Common Shares		57,435,940
Total Common Stock	57,435,940	114,871,880

3. Percent of Common Equity

	<i>Status Quo</i>	<i>Pro-Forma</i>
Series A Common Shares	11.2%	5.6%
Common Shares	88.8%	44.4%
Special Common Shares		50.0%(2)
Total	100.0%	100.0%

(2) Includes Special Common Shares that would be distributed to the holders of Series A Common Shares representing 5.6% of the common equity.

4. Votes for Directors

	<i>Status Quo</i>	<i>Pro-Forma</i>
Series A Common Shares and Preferred Shares	Elects 75% of directors less one director (or 8 directors based on 12 directors).	Would continue to vote in the election of 75% of directors less one director (or 8 directors based on 12 directors).
Common Shares	Elects 25% of directors plus one director (or 4 directors based on 12 directors).	Would vote together with holders of Special Common Shares in the election of 25% of directors plus one director (or 4 directors based on 12 directors).
Special Common Shares		Would vote together with holders of Common Shares in election of 25% of directors plus one director (or 4 directors based on 12 directors).

5. Voting Power in Election of Directors

	<i>Status Quo</i>	<i>Pro-Forma</i>
8 Directors:		
Preferred Shares	38,645	38,645
Series A Common Shares	64,208,570	64,208,570
Total	64,247,215	64,247,215
4 Directors:		
Common Shares	51,015,083	51,015,083
Special Common Shares		57,435,940
Total	51,015,083	108,451,023

6. Percentage Voting Power in Election of Directors

	<i>Status Quo</i>	<i>Pro-Forma</i>
8 Directors:		
Preferred Shares	0.1%	0.1%
Series A Common Shares	99.9%	99.9%
Total	100.0%	100.0%
4 Directors:		
Common Shares	100.0%	47.0%
Special Common Shares		53.0%(1)
Total	100.0%	100.0%

(1) Includes Special Common Shares that would be distributed to holders of Series A Common Shares representing 5.9% of the voting power in the election of such four directors.

7. Votes per Share on Matters Other than the Election of Directors

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	1 vote per share.	1 vote per share.
Series A Common Shares	10 votes per share.	10 votes per share.
Common Shares	1 vote per share.	1 vote per share.
Special Common Shares		None except as required by law.

8. Voting Power on Matters Other than Election of Directors

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	38,645	38,645
Series A Common Shares	64,208,570	64,208,570
Common Shares	51,015,083	51,015,083
Special Common Shares		0
Total Common Stock	115,262,298	115,262,298

9. Percentage Voting Power on Matters Other than Election of Directors(1)

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	(2)	(2)
Series A Common Shares	55.7%	55.7%
Common Shares	44.3%	44.3%
Special Common Shares		0
Total	100.0%	100.0%

(1) Unless otherwise required by law, and except with respect to mergers as discussed below, the Preferred Shares, the Series A Common Shares and the Common Shares vote together as a single group on matters other than the election of directors.

(2) Less than .1%

10. Dividends

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	Preferred Shares have a senior preference to all common stock.	Preferred Shares would continue to have a senior preference to all common stock.
Series A Common Shares	Series A Common Shares are entitled to the same or lesser per share dividends than Common Shares.	Series A Common Shares are entitled to the same or lesser per share dividends than Common Shares and Special Common Shares.
Common Shares	Common Shares are entitled to the same or greater per share dividends than Series A Common Shares.	Common Shares are entitled to the same per share dividends as the Special Common Shares, and the same or greater per share dividends than Series A Common Shares.
Special Common Shares		Special Common Shares are entitled to the

Status Quo

Pro-Forma

same per share dividends as Common Shares,
and the same or greater per share dividends
than Series A Common Shares.

11. Conversion Rights

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	As set forth in designation.	As set forth in designation.
Series A Common Shares	Convertible on a share-for-share basis into Common Shares or Special Common Shares.	Convertible on a share-for-share basis into Common Shares or Special Common Shares.
Common Shares	Not convertible into any other class of stock.	Not convertible into any other class of stock.
Special Common Shares		Not convertible into any other class of stock.

12. Preemptive Rights

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	As set forth in designation.	As set forth in designation.
Series A Common Shares	Preemptive right to purchase additional Series A Common Shares for cash.	Preemptive right to purchase additional Series A Common Shares for cash.
Common Shares	No preemptive rights to acquire any class of stock.	No preemptive rights to acquire any class of stock.
Special Common Shares		No preemptive rights to acquire any class of stock.

13. Voting and Other Rights Re Merger

	<i>Status Quo</i>	<i>Pro-Forma</i>
Preferred Shares	N/A	N/A
Series A Common Shares	Holder of Series A Common Shares have a class vote for any merger requiring the approval of TDS shareholders.	Holder of Series A Common Shares have a class vote for any merger requiring the approval of TDS shareholders.
Common Shares	Holder of Common Shares have a class vote for any merger requiring the approval of TDS shareholders.	Holder of Common Shares have a class vote for any merger requiring the approval of TDS shareholders. Common Shares and Special Common Shares are entitled to receive same consideration per share.
Special Common Shares		Holder of Special Common Shares have no vote for any merger requiring the approval of TDS shareholders. Special Common Shares and Common Shares are entitled to receive same consideration per share.

DIVIDENDS AND PRICE RANGES OF COMMON SHARES

The following table sets forth the high and low sales prices of the Common Shares on the American Stock Exchange as reported by the Dow Jones News Service, and the dividends paid per Common Share during the periods indicated:

	<i>Sales Prices</i>		<i>Dividends Paid</i>
	<i>High</i>	<i>Low</i>	
2003			
First Quarter	\$ 48.98	\$ 35.16	\$ 0.155
Second Quarter	51.23	40.85	0.155
Third Quarter	59.65	49.85	0.155
Fourth Quarter	64.02	56.64	0.155
2004			
First Quarter	74.52	62.06	0.165
Second Quarter	72.42	65.02	0.165
Third Quarter	85.07	68.40	0.165
Fourth Quarter	85.25	71.70	0.165
2005			
First Quarter (through March 10, 2005)	88.44	76.60	0.175

On February 17, 2005, the closing sale price of the Common Shares was \$84.80 per share, and on March 10, 2005, the closing price of the Common Shares was \$86.00 per share, as reported on the American Stock Exchange composite transactions.

On December 31, 2004, there were 2,067 record holders of TDS's Common Shares, 87 record holders of TDS's Series A Common Shares and 38 record holders of the Preferred Shares. No public market exists for the Series A Common Shares or Preferred Shares.

DIVIDEND POLICY

Shareholders of common stock are entitled to dividends only if declared by the TDS Board. TDS has paid cash dividends on its common stock since 1974. The holders of Common Shares are currently entitled to receive the same or greater dividends on a per share basis as are paid to the holders of Series A Common Shares. It is the current policy of the TDS Board to declare dividends on the Common Shares and Series A Common Shares at the same rate per share. TDS currently pays a quarterly dividend of \$0.175 per Common Share and Series A Common Shares, or \$0.70 annually per share.

Since the Distribution will double the number of shares of common stock that are outstanding, following the Distribution, the TDS Board currently intends to establish a quarterly cash dividend on the Special Common Shares, Common Shares and Series A Common Shares in an amount equal to \$0.0875 per share, which is one-half of the current quarterly dividend rate. The intent is that, immediately after the Distribution, a current holder of Common Shares and Series A Common Shares would continue to receive an aggregate cash dividend which is at least equal to the aggregate dividend which such shareholder currently receives from TDS (not considering any reductions in shares which may occur due to the payment of cash in lieu of fractional shares in the Distribution).

TDS is a legal entity separate and distinct from its various subsidiaries. As a company with no significant operations of its own, the principal sources of its funds are dividends or other distributions from its operating subsidiaries, borrowings and sales of equity. The ability of U.S. Cellular, TDS Telecom and other subsidiaries of TDS to pay dividends or make distributions to TDS and, accordingly, the ability of TDS to pay dividends on any class of its common stock, will depend on the respective earnings, financial requirements and contractual restrictions of such subsidiaries.

PROPOSAL 1 SPECIAL COMMON SHARE PROPOSAL

Special Common Share Proposal and Related Transactions

Under the Special Common Share Proposal, you are being asked to approve an amendment (the "Amendment") to the Restated Certificate of Incorporation, as amended, of TDS (the "Restated Certificate") to increase the authorized number of Special Common Shares from 20,000,000 to 165,000,000. Since the number of authorized Special Common Shares will increase by 145,000,000, the aggregate authorized number of shares of capital stock would also be increased by 145,000,000, from 475,000,000 to 620,000,000.

If the Special Common Share Proposal is approved by the shareholders as expected, the Amendment will become effective following the filing of the Certificate of Amendment with the Secretary of State of Delaware. It is anticipated that this will take place promptly after the Special Meeting.

Subject to the approval of the Special Common Share Proposal by shareholders and the effectiveness of the Amendment, the TDS Board has approved the Distribution and may possibly take action to seek to effect a Possible U.S. Cellular Transaction, as discussed below. These transactions are subject to various conditions and there can be no assurance that all or any of such transactions will take place or that they will take place in the manner currently contemplated.

The Distribution. The TDS Board has approved the Distribution of one Special Common Share in the form of a stock dividend with respect to each issued Common Share and Series A Common Share, including Common Shares held by TDS and subsidiaries of TDS, subject to the effectiveness of the Amendment and certain other conditions described below. The Distribution is expected to be made on May 13, 2005 to shareholders of record on April 29, 2005. The Distribution will be made to all shareholders in proportion to the number of Common Shares and Series A Common Shares owned on the Distribution record date.

No fractional Special Common Shares will be issued or distributed as part of the Distribution, except as discussed below under " Dividend Reinvestment Plans." If the number of Special Common Shares that a holder of Common Shares or Series A Common Shares is entitled to receive as part of the Distribution would include a fraction of a whole share, TDS will pay such holder an amount equal to the product of such fraction and 50% of the closing price of the Common Shares on the American Stock Exchange on the Record Date. In the event of any fractional shares, as soon as practicable after the Distribution, Computershare Investor Services, the Transfer Agent for TDS, will mail, to each record holder of Common Shares or Series A Common Shares on the Distribution record date, stock certificates representing the number of whole shares of Special Common Shares to which such holder is entitled and a check for any fractional shares.

Because the Distribution will be made to all shareholders of common stock in proportion to the number of Common Shares and Series A Common Shares owned on the Distribution record date by each shareholder, the relative economic ownership interest of each holder of whole Common Shares and Series A Common Shares will be the same immediately after effectiveness of the Amendment and the Distribution as it was immediately prior thereto, without regard to payments for any fractional shares.

The effectiveness of the Distribution is subject to the following conditions: (i) approval by shareholders of the Special Common Shares Proposal, (ii) effectiveness of the Amendment, (iii) listing of the Special Common Shares on the American Stock Exchange, (iv) receipt of all required approvals and consents, if any, (v) no legal prohibition and (vi) no determination by the TDS Board that, in its judgment, the Distribution would have a material adverse effect on TDS or its shareholders.

Possible U.S. Cellular Transaction. Subject to the approval of the Special Common Share Proposal and certain other conditions, TDS may possibly take action at some time in the future to offer and issue Special Common Shares in exchange for all of the U.S. Cellular Common Shares which are not owned by TDS (a "Possible U.S. Cellular Transaction"). TDS currently owns approximately 82% of the common stock of U.S. Cellular. A Possible U.S. Cellular Transaction would cause U.S. Cellular to become a wholly-owned subsidiary of TDS.

The Common Shares of U.S. Cellular are currently traded on the American Stock Exchange under the symbol "USM." If TDS completes a Possible U.S. Cellular Transaction, U.S. Cellular would become a wholly-owned subsidiary of TDS and such U.S. Cellular Common Shares would be delisted from the American Stock Exchange. Assuming that TDS issues Special Common Shares to holders of U.S. Cellular Common Shares in

a Possible U.S. Cellular Transaction as anticipated, holders of U.S. Cellular Common Shares would receive TDS Special Common Shares, which shares would be listed on the American Stock Exchange.

TDS has no set time frame for taking action with respect to a Possible U.S. Cellular Transaction and TDS could choose to take action with respect to a Possible U.S. Cellular Transaction at any time, or not to take action with respect to a Possible U.S. Cellular Transaction, depending on the circumstances at the time. The TDS Board has not taken any action to determine that it will offer TDS Special Common Shares or the number of Special Common Shares or a fraction of a Special Common Share that it may offer to exchange for each U.S. Cellular Common Share that TDS does not own. The timing and terms of a Possible U.S. Cellular Transaction depend on the trading price of the U.S. Cellular Common Shares, the trading price of the Special Common Shares, market conditions and other factors, including whether any possible transaction would be likely to be disruptive to U.S. Cellular's operations.

If a Possible U.S. Cellular Transaction does not take place for any reason, U.S. Cellular would not become a wholly-owned subsidiary of TDS and the U.S. Cellular Common Shares would continue to be publicly traded. In such event, although TDS has no current plans or intentions to do so, TDS may consider acquiring such U.S. Cellular Common Shares through open market or private purchases, or taking other action to acquire some or all of the shares of U.S. Cellular not owned by TDS.

This proxy statement is not requesting TDS shareholder approval of a Possible U.S. Cellular Transaction at this time. If TDS determines to proceed with a Possible U.S. Cellular Transaction, it will seek approval of such transaction at such time by a majority of the votes of the holders of Preferred Shares, Common Shares and Series A Common Shares of TDS, voting together as a single group. The TDS Voting Trust has a majority of the voting power of such shares.

The description of a Possible U.S. Cellular Transaction is neither an offer to purchase nor a solicitation of an offer to sell any securities.

Other Purposes of the Special Common Shares. In addition to the Special Common Shares to be issued in the Distribution and a Possible U.S. Cellular Transaction, Special Common Shares are being reserved for issuance upon conversion, exercise or exchange of TDS Series A Common Shares, TDS Preferred Shares, certain TDS employee benefit plans and a dividend reinvestment plan.

The following table shows the number of shares of common stock of TDS that are outstanding as of December 31, 2004, the number of Special Common Shares which would be issued in the Distribution, the number of shares which would be reserved for issuance for specified purposes and the number of authorized shares which would be available for other purposes.

	<i>Amount as of December 31, 2004</i>	<i>Reserved for issuance in Distribution</i>	<i>Reserved for Issuance for other purposes(2)</i>	<i>Available for Issuance for Other Purposes</i>	<i>Total Authorized</i>
Series A Common Shares	6,420,857		79,022	18,500,121	25,000,000
Common Shares	51,015,083(1)		13,966,896	35,018,021	100,000,000
Special Common Shares		57,500,000	19,500,000	88,000,000(3)	165,000,000
Total Outstanding	57,435,940	57,500,000	33,545,918	141,518,142	290,000,000
Treasury shares and shares held by TDS subsidiary(4)	5,845,496	6,000,000		(11,845,496)	
Total Issued	63,281,436	63,500,000	33,545,918	129,672,646	290,000,000

(1) Excluding treasury shares held by TDS and 484,012 Common Shares held by a subsidiary of TDS.

(2) Includes reserves for issuance of shares (i) upon the possible conversion of Series A Common Shares or Preferred Shares, (ii) for employee benefit plans and (iii) for dividend reinvestment plans.

(3)

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This amount includes the Special Common Shares, including treasury shares, that would be available for other corporate purposes, including shares that could be issued in a Possible U.S. Cellular Transaction if it occurs.

(4)

Including treasury shares held by TDS and 484,012 Common Shares held by a subsidiary of TDS.

Background and Reasons for the Special Common Share Proposal and Related Transactions; Recommendation of the TDS Board

The TDS Board and TDS's management have, from time-to-time, considered various alternatives regarding TDS's capital structure as a means to enhance capital market flexibility and long-term shareholder value, including a possible acquisition of the publicly-traded equity of U.S. Cellular. In connection therewith, the TDS Board and TDS's management have studied the Special Common Share Proposal and the related transactions, and have consulted with financial and legal advisors of TDS with respect to the advisability and terms of such proposal and the related transactions. The TDS Board, including directors who are not trustees or beneficiaries of the TDS Voting Trust, and directors who are not officers of TDS, has unanimously approved the adoption of the Special Common Share Proposal and related transactions.

Background. U.S. Cellular was formed by TDS in 1983 as a wholly-owned subsidiary of TDS to acquire and operate cellular businesses. In 1988, U.S. Cellular Common Shares were issued to the public in an initial public offering. Since the time of U.S. Cellular's initial public offering, the U.S. Cellular Common Shares have been publicly traded on the American Stock Exchange under the symbol "USM." At the time of the initial public offering, U.S. Cellular represented a small portion of TDS's revenues, operating income, cash flow and assets. The public offering of U.S. Cellular Common Shares created a public market value and public market recognition for this part of TDS's business.

TDS currently owns approximately 82% of the combined total of the outstanding Common Shares and Series A Common Shares of U.S. Cellular and controls approximately 96% of the combined voting power of both classes of common stock. As of December 31, 2004, U.S. Cellular provided wireless telephone service and served more than 4,945,000 customers through wireless systems serving 175 majority-owned areas licensed by the Federal Communications Commission. For the year ended or as of December 31, 2004, U.S. Cellular represented 76% of TDS's consolidated revenues.

U.S. Cellular has generally experienced higher growth than TDS's other businesses taken as a group since the initial public offering in 1988 and has become the largest component of TDS's businesses. Although a separate publicly-traded common equity for U.S. Cellular had certain advantages at the time of the initial public offering, these advantages have diminished over time and TDS believes that the existence of the publicly-traded common equity has certain disadvantages.

One disadvantage is that the publicly-traded common equity for U.S. Cellular has relatively low liquidity, based on the average trading volume of its Common Shares, compared to other companies of similar size. This may limit institutional investor interest in the U.S. Cellular Common Shares.

Another disadvantage is that the U.S. Cellular Common Shares are required to be separately registered with the SEC under the Securities Exchange Act of 1934. This requires U.S. Cellular to separately comply with all of the SEC requirements applicable to a public company, even though TDS also separately complies with all of such requirements. This also requires the financial statements of U.S. Cellular to be separately audited, even though TDS's financial statements are audited. In addition, due to the Sarbanes-Oxley Act of 2002, the requirements of being a public company have become more costly and burdensome. If all of the U.S. Cellular Common Shares were acquired by TDS and certain other corporate actions are taken by TDS, U.S. Cellular would no longer be required to separately comply with all of the SEC requirements applicable to a public company. TDS has no current plans to take any such other corporate actions and there is no assurance that U.S. Cellular would not be required to continue to separately comply with certain SEC requirements applicable to public companies after any Possible U.S. Cellular Transaction.

In addition to SEC requirements, because U.S. Cellular Common Shares are listed on the American Stock Exchange, U.S. Cellular is also subject to certain other requirements applicable to listed equity securities, including the need to have independent directors and a separate audit committee composed entirely of independent directors, even though TDS also has an audit committee composed entirely of independent directors. If all of the U.S. Cellular Common Shares were acquired by TDS, U.S. Cellular would no longer be required to have independent directors or a separate audit committee composed entirely of independent directors or to separately comply with other requirements that are applicable to companies that have equity securities listed on the American Stock Exchange.

In addition to the elimination of duplicative reporting and compliance costs relating to the foregoing, the elimination of the minority interest in U.S. Cellular may possibly facilitate opportunities for cost reductions and efficiencies.

The existence of a minority interest in U.S. Cellular may create conflicts in various matters, including strategy, organization, operations, intercompany transactions and regulatory initiatives. These potential conflicts should be eliminated if U.S. Cellular becomes a wholly-owned subsidiary of TDS, thereby enhancing strategic and operational flexibility.

The existence of a minority interest in U.S. Cellular limits flexibility in the investment and transfer of cash and other resources. This limitation should be eliminated if U.S. Cellular becomes a wholly-owned subsidiary of TDS, which would increase financial flexibility.

Due to the actual and potential disadvantages of the current structure and the advantages that may possibly be achieved, the TDS Board and TDS management have considered from time to time whether to seek to acquire the shares of U.S. Cellular that are not owned by TDS.

Over approximately the last two years, TDS management has had informal discussions with various advisors regarding the possible acquisition by TDS of the publicly-traded equity of U.S. Cellular and considered certain possible alternatives to enhance long-term shareholder value through changes to the capital structure of TDS as it relates to U.S. Cellular. During this period of time, certain institutional investors and shareholders of TDS including, as discussed below, Southeastern Asset Management, also suggested to TDS that TDS take action to acquire the publicly-held shares of U.S. Cellular.

TDS management recognized that any proposal would need the support of the TDS Voting Trust since it controls a majority of the voting power of TDS. Following discussions with one of the trustees of the TDS Voting Trust, management continued to work with its advisors in developing preliminary and tentative terms of a possible transaction that might be supported by the TDS Voting Trust. The preliminary and tentative terms of the Special Common Share Proposal and the possibility of a Possible U.S. Cellular Transaction were developed and discussed with representatives of the TDS Voting Trust. A trustee of the TDS Voting Trust advised TDS management that the TDS Voting Trust might support such possible transactions.

On January 18, 2005, the TDS Board heard presentations from representatives of the TDS Voting Trust, Citigroup and TDS management, and considered and discussed the possible transactions as a means to enhance long-term shareholder value as well as the strategic, operational and financial flexibility of TDS. The possibility of the Distribution and a Possible U.S. Cellular Transaction were discussed.

The TDS Voting Trust advised TDS management that they were not actively seeking any change to the TDS capital structure and did not consider any change to be necessary, but that they might consider a transaction that did not impair the voting control of the TDS Voting Trust and that was in the best interest of TDS and all of its shareholders.

At the same time, the trustees of the TDS Voting Trust advised that they did not believe that certain possible actions would be in the best interest of TDS and all of its shareholders and, accordingly, they would not approve or support them. The trustees advised that they would not support or approve various actions, including a sale of control of TDS or U.S. Cellular or a spin-off of U.S. Cellular or TDS Telecom. The trustees also advised TDS that they would not support the issuance of Common Shares in any transaction to acquire the publicly traded common equity of U.S. Cellular since this would dilute the voting power of the TDS Voting Trust. The trustees also stated that any transaction should not result in a loss of TDS's financial capacity and flexibility, as evidenced in part by TDS's credit rating, which could occur through the use of a substantial amount of cash.

Following these discussions, the TDS Board asked TDS management to proceed to further explore and develop the terms of the possible transactions with the assistance of Citigroup and legal advisors and, if appropriate, to present a recommendation to the TDS Board at a subsequent meeting.

Following this meeting, TDS's management, Citigroup and TDS's legal advisors further developed the terms of the possible Special Common Share Proposal and related transactions. The terms of the possible Special Common Share Proposal and related transactions were presented to the TDS Board at a meeting of the TDS Board on February 17, 2005. At that meeting, the TDS directors discussed the proposed terms of the

Special Common Share Proposal and the related transactions. The terms, likely benefits and possible disadvantages of the Special Common Share Proposal, the Distribution and a Possible U.S. Cellular Transaction were discussed. After discussion of the Special Common Share Proposal and related transactions, the TDS Board determined that the Special Common Share Proposal and related transactions were in the best interests of TDS and all of its shareholders. The TDS Board, including directors who are not trustees or beneficiaries of the TDS Voting Trust, and directors who are not officers of TDS, unanimously approved the Special Common Share Proposal and related proposals and directed management to submit such proposals to TDS's shareholders at the Special Meeting. The TDS Board also authorized the Distribution, subject to approval of the Special Common Share Proposal by the shareholders and the effectiveness of the Amendment, and certain other conditions.

Reasons. The TDS Board's reasons for the Special Common Share proposal are as follows:

The TDS Board desires to have Special Common Shares available for corporate purposes, including a Possible U.S. Cellular Transaction.

The TDS Board desires to retain cash for the business needs of TDS and does not believe it would be in the best interests of TDS to use cash in ways that would impair TDS's financial flexibility or credit rating.

In light of the foregoing, the TDS Board is proposing to authorize additional Special Common Shares. The trustees of the TDS Voting Trust have advised the TDS Board that they would not support the use of Common Shares for a Possible U.S. Cellular Transaction because this would dilute the voting power of the TDS Voting Trust.

In order to establish a market and trading price for the Special Common Shares prior to using the Special Common Shares for any such purposes, the TDS Board has approved a distribution of one Special Common Share in the form of a stock dividend with respect to each outstanding Common Share and Series A Common Share of TDS, subject to approval by TDS shareholders of the increase in the authorized number of Special Common Shares and certain other conditions.

Potential Advantages. The TDS Board believes that the Special Common Share Proposal offers a number of potential advantages which outweigh its possible disadvantages, as described below, and that adoption of the Special Common Share Proposal and the completion of the related transactions are in the best interests of TDS and all of its shareholders. The TDS Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the advantages or disadvantages of the proposal, although the following factors were considered important in its decision.

Possible U.S. Cellular Transaction. The Special Common Share Proposal would permit TDS to effect a Possible U.S. Cellular Transaction in a way that would not require the use of substantial cash or impair TDS's credit rating, in a way that could be tax-free to U.S. Cellular shareholders and in a way that would be supported by the TDS Voting Trust because it would not dilute the voting power of the TDS Voting Trust. For the reasons described above, the TDS Board believes it might be desirable for TDS at some future time to acquire all of the Common Shares of U.S. Cellular not owned by TDS, if this could be accomplished on acceptable terms, including whether any possible transaction would be likely to be disruptive to U.S. Cellular's operations. As discussed above, such a possible transaction could potentially reduce redundant public company expenses, such as audit and legal expenses, particularly if TDS took certain other corporate action, and would allow TDS to allocate funds and resources more freely between TDS and its other businesses. It would also simplify TDS's total capital structure. U.S. Cellular also represents a significant part of TDS's assets, revenues, operating income and cash flows and, as a result, a separate publicly-traded common equity for U.S. Cellular does not provide the advantages that existed when U.S. Cellular represented a smaller part of TDS. Although this possible transaction could have such potential benefits, it is not critical strategically, operationally or financially to the continued success of TDS or U.S. Cellular.

Employee Compensation Plans. The ability to issue Special Common Shares would increase TDS's flexibility in structuring compensation plans in a way that would be supported by a majority vote of the shareholders of TDS. This is important since equity compensation plans must be approved by shareholders.

Financing Flexibility. The Special Common Share Proposal should provide TDS with greater flexibility if the TDS Board determined that it would be advisable to issue equity for corporate purposes, including raising capital or making acquisitions. However, TDS has no current plans to issue Special Common Shares for such purposes.

Support of TDS Voting Trust. The TDS Board also recognized that the Special Common Share Proposal could not be approved without the support of the trustees of the TDS Voting Trust, which controls over 90% of the Series A Common Shares and a majority of the voting power of TDS, and that the trustees of the TDS Voting Trust advised TDS that they would support such proposal. The trustees of the TDS Voting Trust have advised TDS that as shareholders of TDS they would not support dilution of the voting power of the TDS Voting Trust. On the other hand, the trustees of the TDS Voting Trust have indicated that they would support the Special Common Share Proposal because it would enable TDS to issue Special Common Shares in a Possible U.S. Cellular Transaction or for other purposes, without reducing the voting power of the TDS Voting Trust.

Consideration of Potential Disadvantages. While the TDS Board has determined that implementation of the Special Common Share Proposal is in the best interests of TDS and all of its shareholders, the TDS Board recognizes that implementation of the Special Common Share Proposal and Distribution may have certain potential disadvantages, including the following.

No Assurances as to Market Price. Because there has been no prior market for the Special Common Shares, there can be no assurance as to the market price of such shares following issuance thereof and there is no assurance as to the impact of the Distribution on the market price of the Common Shares. The trading prices of the Special Common Shares and Common Shares may fluctuate significantly. The prices at which the Special Common Shares and Common Shares will trade will be determined in the trading markets and may be influenced by many factors, including the consolidated results of TDS, the liquidity of such shares of common stock after the Distribution and whether or not shares of either of such two classes are included as the reference stock for TDS in certain stock market indices. There can be no assurance that the combined market values of the Common Shares and Special Common Shares held by a shareholder following the Distribution will equal the market value of the Common Shares held by such shareholder prior to TDS's announcement of the Special Common Share Proposal, and the combined market value could be more or less than such market value of the Common Shares. The TDS Board believes, based on advice from Citigroup, that, following the Distribution, the Special Common Shares might trade at market prices below the market prices of the Common Shares. There may be a period of up to several months following the Distribution in which holders of Common Shares who received Special Common Shares may rebalance their portfolios based on their individual investment objectives. During this time, sales by shareholders who desire to reduce their holdings of Special Common Shares, or Common Shares, as a result of the Distribution, could cause the market prices of such shares to be below those at which they would otherwise trade.

Complexity; Corporate Governance. Implementation of the Special Common Share Proposal would, to an extent, make the capital structure of TDS itself more complex. However, TDS may possibly make an offer to acquire the publicly-held shares of U.S. Cellular using Special Common Shares. TDS believes that the total capital structure of TDS would be simplified if and when a Possible U.S. Cellular Transaction is completed.

Certain investors and corporate governance commentators have from time to time generally suggested that "high-vote, low-vote" capitalization structures that separate economic interest from voting power are not beneficial to minority shareholders. On December 16, 2004, a large shareholder of TDS, Southeastern Asset Management ("SEAM"), submitted a shareholder proposal to TDS to recapitalize TDS's equity into one class of common stock to result in all shares of stock having one vote per share, and indicated in a Schedule 13D that it might in the future exercise any or all of its respective rights as shareholders of TDS, including, among other things, seeking to elect one or more nominees to the TDS Board. Neither the Special Common Share Proposal nor other contemplated actions described herein were taken in response to SEAM's proposal or Schedule 13D disclosure, except that SEAM did suggest that TDS take action to acquire the publicly-traded equity of U.S. Cellular and TDS considered that it was possible that the actions being taken by TDS may have an influence on SEAM with respect to its proposal and/or decision to nominate directors. Following announcement by TDS of the Special Common Share

Proposal on February 18, 2005, SEAM notified TDS that it had withdrawn its proposal and also amended its Schedule 13D to disclose that it had determined not to seek to nominate any persons for election as directors at the 2005 annual meeting of shareholders. See Note (2) under "Security Ownership of Certain Beneficial Owners and Management Security Ownership by Certain Beneficial Owners" for further information with respect to SEAM.

Control by Voting Trust. A substantial majority of the outstanding Series A Common Shares are held by the TDS Voting Trust. The TDS Voting Trust was created to facilitate the long-standing relationships among the TDS Voting Trust's beneficiaries. By virtue of the number of shares they hold, the voting trustees have the power to elect approximately 75% of the directors less one director, or eight directors based on the current size of the TDS Board of twelve directors, and control a majority of the voting power of TDS with respect to matters other than the election of directors. The Special Common Share Proposal and related transactions will not alter the TDS Voting Trust's present control of TDS.

As of December 31, 2004, the TDS Voting Trust had voting or dispositive power over an aggregate of 6,065,088 Series A Common Shares, representing approximately 52.6% of the voting power of TDS with respect to matters other than the election of directors. Based on such shares, the TDS Voting Trust would receive 6,065,088 Special Common Shares in the Distribution. The terms of the TDS Voting Trust currently provide that such Special Common Shares would be distributed to the beneficiaries of the TDS Voting Trust. In addition, the Distribution of Special Common Shares to the TDS Voting Trust would permit the beneficiaries of the TDS Voting Trust to sell their Special Common Shares, which would allow the TDS Voting Trust to reduce its economic ownership in TDS without reducing its voting control. The trustees of the TDS Voting Trust have advised TDS that they intend to seek to amend the terms of the TDS Voting Trust to provide that the Special Common Shares would be retained by the TDS Voting Trust pursuant to its terms, as amended. Nevertheless, whether or not the Special Common Shares are retained or distributed by the TDS Voting Trust, following the Distribution, the TDS Voting Trust would continue to have at least 52.6% of the aggregate voting power of TDS with respect to all matters other than the election of directors and would continue to be able to elect eight of the twelve directors. As a result of the Distribution of 6,065,088 Special Common Shares to the TDS Voting Trust (based on shares outstanding at December 31, 2004), the TDS Voting Trust would also have 5.6% of the voting power in the election of the four directors currently elected by the holders of Common Shares.

The ability of the TDS Voting Trust to continue to control TDS is likely to deter any potential unsolicited or hostile takeover attempts or other efforts to obtain control of TDS and might make it more difficult for shareholders to sell shares of TDS at a premium over market prices as a result of a change-in-control transaction. The Special Common Share Proposal is not being proposed in response or in anticipation of any existing or planned effort on the part of any party to accumulate material amounts of Common Shares or Series A Common Shares, or to acquire control of TDS by means of a merger, tender offer, solicitation in opposition to management or otherwise, or to change TDS's management.

Regardless of whether the Special Common Share Proposal is implemented, the trustees of the TDS Voting Trust have advised TDS that they intend to maintain the ability to keep or dispose of voting control of TDS. Implementation of the Special Common Share Proposal and the Distribution would allow TDS to issue Special Common Shares instead of Common Shares, without diluting the voting power of the Series A Common Shares and the voting control of the TDS Voting Trust. Because the Special Common Shares would generally not vote except in the election of certain directors, the Special Common Share Proposal may facilitate the ability of the TDS Voting Trust to continue to elect a majority of the TDS Board and to retain control of TDS.

Other Considerations. The TDS Board also considered other certain potential consequences, including the following.

Security for Credit. TDS does not expect that the implementation of the Amendment or Distribution will affect the ability of shareholders to use the Common Shares as security for the extension of credit by financial institutions, securities brokers or dealers, and expects that Special Common Shares will be permitted to be used as such security to the same extent as the Common Shares.

Investment by Institutions. Due to certain formal or informal policies regarding multiple class capital structures or other matters, implementation of the Amendment and Distribution may affect the decision of

certain institutional investors that would otherwise consider investing in TDS. However, TDS currently has a multiple class capital structure and is not aware of any policies of any institutional investors which are significant shareholders of TDS which would affect the decision of such institutional investors to invest in TDS as a result of the Amendment and Distribution.

American Stock Exchange Criteria. The Common Shares are currently traded on the American Stock Exchange and application is being made to list the Special Common Shares on the American Stock Exchange. The American Stock Exchange has advised TDS that it will permit the issuance and listing of the Special Common Shares and will continue to permit the issuance and listing of the Common Shares after the Distribution.

The TDS Board has given extensive consideration to the Special Common Share Proposal and has determined that the positive aspects of the Special Common Share Proposal outweigh the potential disadvantages and believes that the Special Common Share Proposal would be in the best interests of TDS and all of its shareholders.

The TDS Board has unanimously approved the Special Common Share Proposal, believes that the adoption of the Special Common Share Proposal is in the best interests of TDS and all of its shareholders and unanimously recommends that you vote "FOR" the Special Common Share Proposal and the related proposals.

Advice of Citigroup

Citigroup Global Capital Markets Inc. is acting as financial advisor to TDS in connection with the Special Common Share Proposal, and would act as financial advisor to TDS in connection with any Possible U.S. Cellular Transaction. TDS has agreed to pay Citigroup a customary fee of up to approximately \$2 million in connection with the Special Common Share Proposal, a significant portion of which is contingent on the completion of the Distribution. The foregoing does not include any fees that may be payable in the event of any Possible U.S. Cellular Transaction. TDS has also agreed to reimburse Citigroup for its reasonable travel and other out-of-pocket expenses incurred in connection with its engagement, and to indemnify Citigroup against specific liabilities and expenses relating to or arising out of its engagement, including liabilities under the federal securities laws.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. TDS selected Citigroup to act as its financial advisor in connection with the Special Common Share Proposal and any Possible U.S. Cellular Transaction on the basis of Citigroup's experience and Citigroup's familiarity with TDS from prior financial advisory and other services rendered to TDS.

Citigroup and its affiliates in the past have provided services to TDS and U.S. Cellular unrelated to the Special Common Share Proposal and any Possible U.S. Cellular Transaction, for which services Citigroup and such affiliates have received or may receive compensation. In the ordinary course of their business, Citigroup and its affiliates may actively trade or hold the securities of TDS and U.S. Cellular for their own account or for the account of their customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citigroup and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with TDS and U.S. Cellular and their respective affiliates.

Interests of Certain Persons

The TDS Voting Trust and its trustees and beneficiaries have an interest in the implementation of the Special Common Share Proposal because it may facilitate the ability of the TDS Voting Trust to retain voting control of TDS. The trustees of the voting trust are LeRoy T. Carlson, Jr., a director and the President of TDS and a director and the Chairman of U.S. Cellular; Walter C.D. Carlson, a director and the non-executive Chairman of the TDS Board and a director of U.S. Cellular; Letitia G. Carlson, M.D., a director of TDS; and Prudence E. Carlson. Such persons are siblings and are children of LeRoy T. Carlson, a director and Chairman Emeritus of TDS and a director of U.S. Cellular.

Directors of TDS who are beneficiaries of the TDS Voting Trust are LeRoy T. Carlson, LeRoy T. Carlson, Jr., Walter C.D. Carlson, Letitia G. Carlson, M.D., and Donald C. Nebergall. In addition, certain directors may be considered to have an interest in the Special Common Share Proposal as officers of TDS or its subsidiaries. Directors of TDS who are officers or employees of TDS or its subsidiaries are: LeRoy T. Carlson, Jr. (President of TDS and Chairman of U.S. Cellular), LeRoy T. Carlson (Chairman Emeritus of TDS), Sandra L. Helton (Executive Vice President and Chief Financial Officer of TDS); and James Barr III (President of TDS Telecommunications Corporation).

Sidley Austin Brown & Wood LLP, the principal law firm of TDS, U.S. Cellular and their subsidiaries, is advising TDS with respect to the Special Common Share Proposal. The following persons are partners of Sidley Austin Brown & Wood LLP: Walter C.D. Carlson, a trustee and beneficiary of the TDS Voting Trust, the non-executive Chairman of the Board of TDS and member of the TDS Board 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.

Shareholders are urged to carefully study and consider the Special Common Share Proposal in light of the above interests.

Description of Special Common Shares

The Special Common Shares are a class of common stock of TDS, as are the Common Shares and Series A Common Shares. The Restated Certificate currently authorizes 20,000,000 Special Common Shares, par value \$0.01 per share. The Special Common Share Proposal would increase this amount to 165,000,000.

Approximately 57,500,000 Special Common Shares would be issued in the Distribution based on shares outstanding at December 31, 2004 and 6,000,000 Special Common Shares would be issued with respect to treasury shares held by TDS and a subsidiary of TDS, as of December 31, 2004. An additional 19,500,000 Special Common Shares would be reserved for issuance in connection with the possible future conversion of Preferred Shares and Series A Common Shares, under employee benefit plans and under a dividend reinvestment plan. As a result, approximately 82,000,000 Special Common Shares would be available for issuance for other purposes, including a Possible U.S. Cellular Transaction if and when it occurs.

TDS would be able to issue such shares from time to time, as determined by the TDS Board, for any proper corporate purpose, which could include raising capital, payment of stock dividends, stock splits, providing compensation or benefits to employees, or acquiring or investing in other companies or businesses. Generally, no further action or authorization by the shareholders would be necessary prior to the issuance of the additional Special Common Shares unless applicable laws or regulations would require such approval in a given instance. The approval of the shareholders of TDS will not be sought by TDS for the issuance of authorized but unissued Special Common Shares (or the reissuance of previously issued shares that have been reacquired by TDS) or securities of TDS that are convertible into or exercisable or exchangeable for such shares, unless deemed advisable by the TDS Board or required by applicable law, regulation or American Stock Exchange requirements. TDS has no current plans to issue any Special Common Share except in connection with the Distribution, any Possible U.S. Cellular Transaction, potential conversions of TDS securities, TDS employee benefit plans and a dividend reinvestment plan as described herein.

Increase in Authorized Shares. As permitted by Delaware law, the Restated Certificate permits the number of authorized shares of any class of capital stock, other than Series A Common Shares or Common Shares, to be increased or decreased (but not below the number of shares then outstanding in such class, respectively) by the affirmative vote of the holders of a majority of the shares of capital stock of TDS entitled

to vote with respect to matters other than the election of directors. This provision in the Restated Certificate gives TDS flexibility to authorize additional Special Common Shares, for use for any corporate purpose, without the need to obtain the approval of a majority of the Special Common Shares, by obtaining the approval of the holders of a majority of the voting power of the Preferred Shares, Common Shares and Series A Common Shares, voting together as a single group. The TDS Voting Trust currently holds a majority of the voting power of TDS.

This provision may allow TDS to authorize and issue Special Common Shares under circumstances which could facilitate the ability of the TDS Voting Trust to continue to exercise control over a majority of the voting power of TDS and, therefore, could limit the opportunity of shareholders of TDS to sell their shares at a premium over market prices or make it more difficult to replace the current TDS Board and management of TDS. The TDS Board has no current intention to take any action to authorize any additional shares of capital stock, other than as described herein.

Voting Rights. In the election of directors, the holders of Special Common Shares will vote together with the holders of Common Shares in the election of 25% of the directors (rounded up) plus one director (or four directors based on a board of twelve directors). In the election of such directors, each Special Common Share will have one vote per share and each Common Share will continue to have one vote per share. Other than in the election of such directors, the Special Common Shares will have no votes except as otherwise required by law.

The holders of Preferred Shares and Series A Common Shares will continue to vote together in the election of 75% of the directors (rounded down), less one director. Based on a board of twelve directors, such holders will continue to vote in the election of eight directors. Each of the Preferred Shares will continue to have one vote and Series A Common Shares will continue to have ten votes per share in the election of such directors, as well as all other matters (other than the election of the four directors elected by the Common Shares and Special Common Shares described in the preceding paragraph).

If the number of Series A Common Shares issued and outstanding at any time falls below 500,000, because of the conversion of Series A Common Shares or otherwise, the holders of Series A Common Shares would lose the right to vote as a separate class (with the holders of Preferred Shares) in the election of approximately 75% of the directors less one director, and thereafter the holders of Series A Common Shares (with ten votes per share) would vote with the holders of all other classes of capital stock as a single class in the election of all directors. In such election, holders of Common Shares and Special Common Shares would have one vote per share, and Preferred Shares would have the voting rights specified in the Restated Certificate or designation. It is unlikely that the number of outstanding Series A Common Shares will fall below 500,000, because more than 6,000,000 Series A Common Shares are held in the TDS Voting Trust, and the trustees of the TDS Voting Trust have indicated that they have no current intention of converting Series A Common Shares into Common Shares.

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 series of Preferred Shares which have voting rights. Under the Restated Certificate, except as required by law, the holders of Special Common Shares will not have the right to vote in connection with an amendment to the Restated Certificate, any merger or consolidation of TDS with or into any other corporation, the dissolution of TDS or any other matter required to be voted on by shareholders.

However, under Delaware law, the holders of the Special Common Shares will be entitled to vote as a class upon a proposed amendment to the Restated Certificate, whether or not entitled to vote thereon by the Restated Certificate, if the amendment would increase or decrease the par value of the shares of such class or alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely.

Dividends. Subject to the satisfaction of all Preferred Share dividend preference and redemption provisions, holders of common stock are entitled to receive such dividends as may be declared from time to time by the TDS Board. Dividends on each of the Special Common Shares, Common Shares and Series A Common Shares would be payable out of the assets of TDS legally available therefore.

Unless the same dividends, on a per share basis, are declared and paid at the same time on any issued Special Common Shares, no dividends may be declared or paid on the Common Shares and, unless the

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same, or greater, dividends, on a per share basis, are declared and paid at the same time on the Common Shares and any issued Special Common Shares, no dividends may be declared or paid on the Series A Common Shares.

Any decision to pay dividends in the future will depend on the financial condition, results of operations and business requirements of TDS. See "Dividend Policy."

The current quarterly dividend rate is \$0.175 per share. Since the Distribution will double the number of shares of common stock that is outstanding, following the Distribution, the TDS Board currently intends to establish a quarterly dividend on the Special Common Shares, Common Shares and Series A Common Shares in an amount equal to \$0.0875 per share, which is one-half of the current quarterly dividend rate. The intent is that, immediately after the Distribution, a current holder of Common Shares and Series A Common Shares who retains the Special Common Shares received in the Distribution will continue to receive an aggregate dividend which is equal to the aggregate dividend which such shareholder currently receives from TDS (not considering any reductions in shares which may occur due to the payment of cash in lieu of fractional shares in the Distribution).

Share Distributions. The Restated Certificate provides that, in the case of dividends of shares of capital stock of TDS, Special Common Shares may be distributed on an equal per share basis to holders of Series A Common Shares, Common Shares, and any issued Special Common Shares.

Liquidation Rights. In the event of a liquidation, dissolution or winding up of TDS, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of TDS and subject to the prior payment in full of the preferential amounts to which any class or series of Preferred Shares or Undesignated Shares is entitled, the holders of the outstanding shares of common stock will be entitled to receive the remaining assets of TDS, divided among the holders of common stock in accordance with the per share "Liquidation Units" attributable to each class of common stock. Each Series A Common Share, Common Share and Special Common Share is attributed one Liquidation Unit.

A consolidation, merger, or reorganization of TDS with any other corporation or corporations, or a sale of all or substantially all of the assets of TDS, will not be considered a dissolution, liquidation, or winding up of TDS within the meaning of these provisions.

Conversion Rights. The Common Shares are not, and the Special Common Shares will not be, convertible at the option of the holder into another class of common stock or any other security of TDS. The Series A Common Shares will continue to be convertible on a share-for-share basis at any time into Common Shares or Special Common Shares.

Preemptive Rights. The Common Shares do not, and the Special Common Shares will not, carry any preemptive rights enabling a holder to subscribe for or receive shares of any class of stock of TDS or any other securities convertible into shares of any class of stock of TDS under the Restated Certificate. The Series A Common Shares will continue to have a preemptive right to acquire additional Series A Common Shares for cash, including treasury shares.

Merger or Consolidation. The Restated Certificate requires that any merger or consolidation of TDS requiring the approval of TDS's shareholders must be approved by a class vote of holders of Common Shares and a class vote of holders of Series A Common Shares, as well as by holders of a majority of the voting power of Preferred Shares, Common Shares and Series A Common Shares, voting together as a group. As a result, the TDS Voting Trust, as the holder of over 90% of the Series A Common Shares representing a majority of the voting power of TDS, together with holders of a majority of the Common Shares, could approve a merger or consolidation of TDS. Holders of Special Common Shares would have no vote in connection with such merger or consolidation.

In any such merger or consolidation, the allocation of consideration would be determined by the TDS Board and would be subject to shareholder approval as described in the preceding paragraph. However, the Restated Certificate provides that in the event of a merger or consolidation of TDS, whether or not TDS is the surviving entity, the holders of Special Common Shares and Common Shares are entitled to receive the same per share consideration. For this purpose, the foregoing will be deemed to be satisfied if the consideration received by the holders of Special Common Shares consists of securities which have relative rights, preferences and limitations vis-à-vis the securities received by the holders of Common Shares that, in the judgment

of the TDS Board, are substantially similar to the relative rights, preferences and limitations of the Special Common Shares vis-à-vis the Common Shares, respectively.

Redemption to Protect Licenses. As permitted by Delaware law, the Restated Certificate also includes a provision permitting TDS to redeem shares of capital stock, including the Special Common Shares (but not Series A Common Shares), to the extent necessary to prevent the loss or secure the reinstatement of any license or franchise from any governmental agency.

Other Rights. The Restated Certificate expressly permits the TDS Board to issue and sell shares of any class of capital stock even if the consideration which could be obtained by issuing or selling any other class of capital stock would be greater. The Restated Certificate also expressly permits the TDS Board to purchase shares of any class of capital stock, even if the consideration which would be paid by purchasing another class of capital stock would be less.

In no event will any of the Special Common Shares, Common Shares or Series A Common Shares be split, subdivided or combined unless all such classes are proportionately split, subdivided or combined.

The full text of the proposed Restated Certificate is incorporated herein by reference.

Certain Federal Income Tax Considerations

The following discussion summarizes certain significant U.S. federal income tax consequences of the Distribution and of the ownership and disposition of Special Common Shares. The discussion does not address all aspects of federal taxation that may be relevant to particular shareholders of TDS, and it may not be applicable to shareholders who, for federal income tax purposes, are subject to special tax treatment, such as insurance companies, corporations subject to the alternative minimum tax, banks, dealers in securities, tax-exempt organizations or, except as specifically discussed below, foreign persons or to shareholders who acquired their shares pursuant to the exercise of employee stock options or otherwise as compensation. The discussion does not address the effect of any applicable state, local or foreign laws or any federal tax laws other than those pertaining to the income tax. **EACH SHAREHOLDER OF THE COMPANY SHOULD CONSULT SUCH SHAREHOLDER'S OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH SHAREHOLDER OF THE DISTRIBUTION AND OF THE OWNERSHIP AND DISPOSITION OF THE SPECIAL COMMON SHARES.**

The discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), regulations and rulings now in effect or proposed thereunder, current administrative rulings and practice, and judicial precedent, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences to shareholders of TDS discussed herein. This discussion assumes that shareholders of TDS hold their Series A Common Shares and Common Shares of TDS as capital assets within the meaning of Section 1221 of the Code.

The Distribution. For U.S. federal income tax purposes:

- (i) the Distribution will not result in income, gain or loss to TDS;
- (ii) the Distribution will not result in income, gain or loss to any shareholder of TDS;
- (iii) a shareholder's tax basis for Series A Common Shares prior to the Distribution will be allocated after the Distribution among the Series A Common Shares and the Special Common Shares distributed with respect to such Series A Common Shares in proportion to their relative fair market values at the time of the Distribution;
- (iv) a shareholder's tax basis for Common Shares prior to the Distribution will be allocated after the Distribution among the Common Shares and the Special Common Shares distributed with respect to such Common Shares in proportion to their relative fair market values at the time of the Distribution;
- (v) a shareholder's holding period for Special Common Shares received in the Distribution will include such shareholder's holding period for the Series A Common Shares with respect to which the Special Common Shares are distributed; and

(vi) a shareholder's holding period for Special Common Shares received in the Distribution will include such shareholder's holding period for the Common Shares with respect to which the Special Common Shares are distributed.

If a shareholder has acquired Series A Common Shares or Common Shares in separate "lots" at different times for different prices, the determinations of the tax basis and holding period for the Special Common Shares received in the Distribution will be made separately with respect to each lot.

Ownership and Disposition of Special Common Shares. For purposes of this discussion, a "U.S. holder" is any beneficial owner of Special Common Shares following the Distribution who or which is, for U.S. federal income tax purposes:

- (i) an individual citizen or resident of the United States;
- (ii) a corporation created or organized in or under the laws of the United States or of any political subdivision thereof;
- (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- (iv) a trust, if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

For purposes of this discussion, a "non-U.S. holder" is any beneficial owner of Special Common Shares following the Distribution who or which is not a "U.S. holder."

Special rules, not discussed in this document, may apply to persons holding Special Common Shares through entities treated for U.S. federal income tax purposes as partnerships, and those persons should consult their own tax advisors in that regard.

Distributions with Respect to Special Common Shares. A distribution of cash with respect to Special Common Shares will be treated as a dividend for U.S. federal income tax purposes to the extent that it is paid out of current or accumulated earnings and profits of TDS. To the extent that the amount of a distribution exceeds the earnings and profits of TDS, it will be treated first as a tax-free return of capital to the extent of the holder's adjusted tax basis in the Special Common Shares and thereafter as capital gain.

U.S. Holders. In general, dividends paid to a U.S. holder of Special Common Shares will be taxed at the rates applicable to ordinary income. Under current legislation, non-corporate U.S. holders, including individuals, who receive distributions on Special Common Shares that are treated as dividends for U.S. federal income tax purposes may be subject to U.S. federal income taxation with respect to such distributions at reduced rates applicable to long-term capital gains, not exceeding 15%. This tax relief is available for certain dividends received in tax years beginning before January 1, 2009. Unless this tax reduction is extended by future legislation, dividends received in tax years beginning after December 31, 2008 will be taxed at the rates applicable to ordinary income. The reduced rate does not apply to dividends on stock with respect to which the holder does not meet a minimum holding period requirement or dividends on stock to the extent the holder is obligated to make related payments with respect to substantially similar or related property (*e.g.*, pursuant to a short sale of such stock).

To the extent that distributions on Special Common Shares are treated as dividends for U.S. federal income tax purposes, corporate U.S. holders might be eligible for a 70% dividends received deduction. Corporate U.S. holders of Special Common Shares are urged to consult their own tax advisors regarding the limitations on the availability of the dividends received deduction.

Non-U.S. Holders. Dividends paid to a non-U.S. holder of Special Common Shares generally will be subject to the withholding of U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) unless the dividends are effectively connected with the conduct of a trade or business of the non-U.S. holder within the United States, in which case the non-U.S. holder generally will be taxed at rates applicable to U.S. holders (on a net income basis) on the dividends that are effectively connected with the conduct of such trade or business, and such dividends will not be subject to the withholding described above. If the non-U.S. holder is a corporation, any effectively connected income may also be subject to an additional "branch profits tax" at a 30% rate (or at a lower rate

if the non-U.S. holder is eligible for the benefits of an income tax treaty that provides for a lower rate). A non-U.S. holder will be required to satisfy certain certification requirements to claim treaty benefits or otherwise claim a reduction of the withholding tax described above.

Dispositions of Special Common Shares.

U.S. Holders. A U.S. holder of Special Common Shares generally will recognize capital gain or loss on a sale or exchange of Special Common Shares equal to the difference between the amount realized upon the sale or exchange and the holder's adjusted tax basis in the shares sold or exchanged. Any capital gain or loss will be long-term capital gain or loss if the holder's holding period for the shares sold or exchanged is more than one year. Long-term capital gain of a non-corporate U.S. holder, including an individual, that is recognized in tax years beginning before January 1, 2009 is generally taxed at a maximum rate of 15%. The deductibility of capital losses is subject to limitations. If, in accordance with the rules described in "The Distribution," above, a shareholder holds more than one "lot" of Special Common Shares, the gain or loss realized on the sale or exchange and the holding period of the Special Common Shares sold or exchanged may be determined separately for each lot if the shareholder can adequately identify the lot or lots of Special Common Shares sold or exchanged. Otherwise, the lot or lots of Special Common Shares sold or exchanged must be determined on a first-in, first-out basis.

Non-U.S. Holders. A non-U.S. holder generally will not be subject to U.S. federal income tax on any gain realized on the sale or exchange of Special Common Shares unless (i) the gain is effectively connected with the conduct of a United States trade or business by the non-U.S. holder; (ii) in the case of a gain realized by an individual non-U.S. holder, the individual is present in the United States for 183 days or more during the taxable year of disposition and certain other conditions are satisfied; or (iii) TDS is or has been a "U.S. real property holding corporation" for U.S. federal income tax purposes during the five-year period preceding such sale or exchange (or if shorter, the period the non-U.S. holder held such Special Common Shares) and, during that period, the non-U.S. holder has owned (actually or constructively) more than 5% of the outstanding shares of Special Common Shares. TDS does not believe that it is a United States real property holding corporation as of the date hereof, although it has not determined or established whether it will be a United States real property holding corporation in the future.

Information Reporting and Backup Withholding.

U.S. Holders. In general, information reporting requirements will apply to dividend payments on Special Common Shares and the payment of proceeds from the sale of Special Common Shares effected at a U.S. office of a broker or a non-U.S. office of a broker under certain circumstances. In addition, certain U.S. holders may be subject to backup withholding (currently at a rate of 28%) with respect to the payment of dividends on Special Common Shares and to the payment of proceeds from the sale of Special Common Shares effected at a U.S. office of a broker or a non-U.S. office of a broker under certain circumstances unless such U.S. holders provide a correct taxpayer identification number or certification of other exempt status and otherwise comply with the applicable requirements of the backup withholding rules.

Non-U.S. Holders. Information reporting and backup withholding (currently at a rate of 28%) may apply to dividend payments on Special Common Shares and the payment of proceeds from the sale of Special Common Shares. Non-U.S. holders may be required to establish their exemption from backup withholding by certifying their status on an appropriate Internal Revenue Service Form W-8BEN or other authorized withholding certificate.

Any amount withheld under the backup withholding rules from a payment to a holder of Special Common Shares is allowable as a credit or a refund against such holder's U.S. federal income tax liability, provided that the holder furnishes the required information to the Internal Revenue Service.

The foregoing is for general information only. Shareholders should consult their own tax advisors as to the federal, state, local and foreign tax consequences of the Distribution and of the ownership and disposition of Special Common Shares in their particular circumstances.

Securities Law Consequences of the Distribution

Following the Distribution, Special Common Shares received in the Distribution, other than any shares received by affiliates of TDS within the meaning of the Securities Act, may be offered for sale and sold without registration under the Securities Act in the same manner as the Common Shares or Series A Common Shares with respect to which they were distributed. Holders of restricted shares and affiliates of TDS, as defined in the Securities Act, including the TDS Voting Trust, will continue to be subject to the restrictions specified in Rule 144 under the Securities Act with respect to Special Common Shares received in the Distribution.

Executive officers, directors and holders of more than 10% of any class of registered equity securities of TDS will continue to be subject to the short-swing profit prohibitions and reporting obligations contained in Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as is the case presently with respect to the Common Shares, and the Series A Common Shares since they can be converted into Common Shares. Furthermore, because the Special Common Shares would be entitled to vote in the election of directors, holders of Special Common Shares will be subject to Section 13(d) of the Exchange Act and the rules thereunder, which generally require public disclosure of acquisitions of more than five percent of a class of voting equity securities that is registered under the Exchange Act. Common Shares (and Series A Common Shares, since they are convertible into Common Shares) will continue to be subject to Section 13(d). Persons or groups who are not now subject to the requirements of Section 16 or 13(d) may, after the Distribution, become subject to such requirements with respect to the ownership of Special Common Shares, if and when issued.

Listing on the American Stock Exchange

The Common Shares of TDS are listed on the American Stock Exchange under the symbol "TDS." Application is also being made to list the Special Common Shares on the American Stock Exchange. The TDS Board has reserved up to 63,500,000 Special Common Shares for purposes of the Distribution and an additional 19,500,000 Special Common Shares for purposes of the possible conversion of TDS securities, employee benefit plans, and a dividend reinvestment plan.

Stock Transfer Agent and Registrar

Computershare Investor Services (the "Transfer Agent") will continue to act as transfer agent and registrar for the Preferred Shares, Common Shares and Series A Common Shares and will also act as transfer agent for Special Common Share upon issuance thereof.

Dividend Reinvestment Plans

TDS sponsors a Common Share Automatic Dividend Reinvestment and Stock Purchase Plan ("Common Share DRIP") and a Series A Common Share Automatic Dividend Reinvestment Plan ("Series A DRIP"), which will continue after the Distribution. TDS will adopt a similar dividend reinvestment plan for the holders of Special Common Shares ("Special Common Share DRIP") since the TDS Board intends to pay dividends on the Special Common Shares. The TDS Board has reserved 350,000 Special Common Shares for such purposes.

Shareholders participating in the Common Share DRIP or the Series A DRIP at the time of the Distribution will automatically become participants in the Special Common Share DRIP with respect to the Special Common Shares distributed to participants of such plans.

Shareholders receiving Special Common Shares in the Distribution with respect to shares held in the Common Share DRIP or the Series A DRIP will automatically have all whole and fractional Special Common Shares credited to the Special Common Share DRIP. Such shareholders will be permitted to receive certificates representing whole shares plus cash in lieu of fractional shares at any time after the Distribution upon request to the Transfer Agent.

Employee Benefit Plans

TDS's 2003 Employee Stock Purchase Plan and 2004 Long-Term Incentive Plan were previously approved by shareholders. In connection with the Distribution, shareholders are also being asked to approve the

amendment and adjustment of certain of such plans and agreements to reflect the effects of the Special Common Share Proposal and the Distribution. See "Proposal 2" and "Proposal 3."

Certain adjustments will also be made pursuant to the terms of the TDS's 1994 Long-Term Incentive Plan ("1994 Plan"), and to the Chorus Communications Group, Ltd. Stock Incentive Plan ("Chorus Plan") that was adopted by TDS in connection with the acquisition of Chorus Communications Group, Ltd. Under such plans, outstanding options to acquire Common Shares of TDS will be adjusted so that, following the Distribution, each option to acquire one Common Share for a particular exercise price will represent an option to acquire one Common Share and one Special Common Share for the same exercise price as the pre-Distribution exercise price and under the same terms and conditions. The TDS Board has reserved 60,000 Special Common Shares for the 1994 Plan and 10,000 Special Common Shares for the Chorus Plan for such purposes.

The TDS Board, including all of the independent directors of TDS, has also approved amendments to TDS's Tax-Deferred Savings Plan, a qualified plan under Section 401(k) of the Internal Revenue Code, to permit participants to invest in Special Common Shares through such plan. The TDS Board has reserved 45,000 Special Common Shares for such purposes.

Non-Employee Director Compensation Plan

The TDS Board has also approved amendments to TDS's Non-Employee Director Compensation Plan to permit compensation to non-employee directors to be paid in Special Common Shares instead of Common Shares. The TDS Board has reserved 75,000 Special Common Shares for such purposes. See "Proposal 4".

Effect on Preferred Shares and Series A Common Shares

After the Distribution, Series TT Preferred Shares, which are convertible into approximately 60,000 Common Shares of TDS, will be adjusted so that, immediately after the Distribution, such Preferred Shares will be convertible into approximately 60,000 Special Common Shares and approximately 60,000 Common Shares. The TDS Board has reserved 60,000 Special Common Shares for such purposes.

The outstanding Series A Common Shares are convertible into approximately 6,500,000 Special Common Shares of TDS on a share-for-share basis, and approximately 80,000 Series A Common Shares are reserved for issuance under a dividend reinvestment plan which, when issued, would be convertible into approximately 80,000 Special Common Shares. Accordingly, the TDS Board has reserved 6,580,000 Special Common Shares for the possible conversion of Series A Common Shares.

The TDS Board has unanimously approved the Special Common Share Proposal, believes that the adoption of the Special Common Share Proposal is in the best interests of TDS and all of its shareholders and unanimously recommends that you vote "FOR" the Special Common Share Proposal and the related proposals.

PROPOSAL 2 2004 LONG-TERM INCENTIVE PLAN, AS AMENDED AND RESTATED

Subject to the approval of the Special Common Share Proposal by the shareholders, the TDS Board recommends approval of the amended and restated TDS's 2004 Long-Term Incentive Plan.

SUMMARY OF PROPOSAL

The TDS Board has approved an amendment and restatement of the Telephone and Data Systems, Inc. 2004 Long-Term Incentive Plan (the "2004 Long-Term Incentive Plan"), subject to shareholder approval. The 2004 Long-Term Incentive Plan was approved by shareholders at the 2004 annual meeting and became effective on June 29, 2004.

The TDS Board has determined that it would be desirable to make certain amendments to the 2004 Long-Term Incentive Plan, including the following:

to permit awards to be granted in Special Common Shares;

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to authorize 12,000,000 Special Common Shares for issuance under such plan; and

to make certain other technical changes.

If approved by shareholders, the amended and restated 2004 Long-Term Incentive Plan will be effective as of April 11, 2005. The following is a description of the 2004 Long-Term Incentive Plan, as proposed to be amended.

DESCRIPTION OF THE PLAN

General

Under the 2004 Long-Term Incentive Plan, the following awards may be granted:

incentive stock options ("ISOs") and nonqualified stock options;

stock appreciation rights ("SARs");

bonus stock awards;

restricted stock awards and restricted stock unit ("RSU") awards, which may be subject to a restriction period or specified performance measures or both;

performance shares; and

employer match awards for deferred bonus payments, as described below.

A total of 4,400,000 Common Shares and 12,000,000 Special Common Shares (together, the "Incentive Plan Stock") have been reserved for issuance under the 2004 Long-Term Incentive Plan, subject to adjustment in the event of a stock split, stock dividend or other changes in the capital structure of TDS. No grants may be made under the 2004 Long-Term Incentive Plan after ten years following its effective date.

**Purposes of 2004
Long-Term Incentive Plan**

The purposes of the 2004 Long-Term Incentive Plan are:

to align the interests of the shareholders of TDS and selected employees of TDS and certain of its affiliates who receive awards under the 2004 Long-Term Incentive Plan by increasing the interest of such employees in TDS's growth and success;

to advance the interests of TDS by attracting and retaining key executive and management employees of TDS and certain of its affiliates; and

to motivate such employees to act in the long-term best interests of TDS's shareholders.

Amendment

The TDS Board may amend the 2004 Long-Term Incentive Plan as it deems advisable, subject to any requirement of shareholder approval under applicable law; provided, however that, subject to adjustment for certain changes in the capital structure of TDS, no amendment may be made without the approval of the shareholders of TDS, if such amendment would:

increase the maximum number of shares of any class of stock available for issuance under the 2004 Long-Term Incentive Plan; or

reduce the minimum purchase price, exercise price or base price of an award and provided further that, with respect to any ISO, no amendment shall effect any change inconsistent with Section 422 of the Code.

Termination

The 2004 Long-Term Incentive Plan will terminate on June 29, 2014, unless terminated earlier by the TDS Board.

Eligibility

Certain employees of TDS and its affiliates who are selected by the Committee, described below, are eligible to participate in the 2004 Long-Term Incentive Plan.

Maximum Award

The maximum number of shares of Incentive Plan Stock with respect to which awards of options, SARs, bonus stock, performance shares, restricted stock, RSUs, or any combination thereof, may be granted during any three-calendar year period to any participant in the 2004 Long-Term Incentive Plan is

1,000,000, subject to adjustment in the event of a stock split, stock dividend or other changes in the capital structure of TDS.

Administration

The 2004 Long-Term Incentive Plan will be administered by a committee (the "Committee") designated by the TDS Board, consisting of two or more members of the TDS Board, each of whom is an "outside director" within the meaning of Section 162(m) of the Code and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Exchange Act. Subject to the terms of the 2004 Long-Term Incentive Plan, the Committee will select employees for participation in the 2004 Long-Term Incentive Plan and will determine the form, amount and timing of each award and, if applicable, the number of shares of Incentive Plan Stock subject to an award granted thereunder, the purchase price or base price per share of Incentive Plan Stock associated with the award, the exercise price of any option award, the time and conditions of exercise or settlement of the award, and all other terms and conditions of the award, including without limitation, the form of the agreement evidencing the award. The Committee will also have the authority to interpret the 2004 Long-Term Incentive Plan and establish any rules and procedures necessary or desirable for the administration of the 2004 Long-Term Incentive Plan.

Except in connection with certain specified transactions or events, such as changes in the capital structure of TDS, the Committee may not, without shareholder approval, reduce the exercise price or base price of an award.

Delegation

The Committee may delegate some or all of its power and authority under the 2004 Long-Term Incentive Plan to the President and Chief Executive Officer or other executive officer of TDS as it deems appropriate, to the extent legally permissible; provided, however, that such Committee may not delegate its power and authority regarding:

the selection for participation in the 2004 Long-Term Incentive Plan of:

the Chief Executive Officer of TDS (or any employee who is acting in such capacity), 1 one of the four highest compensated officers of TDS (other than the Chief Executive Officer), or any other person deemed to be a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the exercise period of an option to be granted to such employee; or
an officer or other person subject to Section 16 of the Exchange Act; or

decisions concerning the timing, pricing or number of shares subject to an award granted 1 to such an employee, officer or other person who is, or who in the Committee's judgment is likely to be, a covered employee.

Performance Measures

The Committee may establish performance measures as follows:

The performance measures must be attained:

during a performance period in order for an employee who is eligible to participate in the 2004 Long-Term Incentive Plan to be granted a performance stock option or certain SARs;
during a performance period in order for certain types of stock options or certain types of SARs to become exercisable;
as a condition to the grant of certain types of restricted stock, bonus stock and RSU awards;
during the applicable restriction period or performance period as a condition to the award recipient's receipt, in the case of certain types of restricted stock awards, of shares of Incentive Plan Stock subject to such awards or in the case of certain types of RSU awards
or

performance share awards, of Incentive Plan Stock subject to such awards or the cash amount payable with respect to such awards (or a combination thereof).

The performance measures may be one or more of the following:

- the attainment by a share of stock of a specified fair market value for a specified period of time;
- earnings per share;
- return on equity;
- return on capital;
- earnings on investments;
- cash flows;
- revenues;
- sales;
- costs;
- market share;
- attainment of cost reduction goals;
- customer count;
- attainment of business efficiency measures (i.e., cost per gross or net customer addition, revenue per customer, customer turnover rate, ratios of employees to volume of measures of business, and population in licensed or operating markets);
- financing costs;
- ratios of capital spending and investment to volume of business measures; and
- customer satisfaction survey results.

In the case of an option or SAR granted at fair market value on the date of grant, such performance measures also may include the attainment of individual performance objectives, or any other criteria and objectives established by the Committee or any combination thereof.

Employee Stock Options

The 2004 Long-Term Incentive Plan provides for the grant of ISOs and nonqualified stock options, and that the Committee will determine the exercise period and the purchase price of shares of Incentive Plan Stock at the time of grant, provided that the purchase price for shares of Incentive Plan Stock subject to an ISO is not less than 100% of the fair market value of such shares of stock on the date of grant. The exercise of an option entitles the optionee thereof to receive (subject to withholding taxes, if any) whole shares of Incentive Plan Stock. The aggregate fair market value (determined as of the date the option is granted) of the stock with respect to which ISOs are exercisable for the first time by the optionee in any calendar year (under the 2004 Long-Term Incentive Plan and any other incentive stock option plan of TDS) may not exceed \$100,000. ISOs granted under the 2004 Long-Term Incentive Plan may not be exercised after ten years from the date of grant. In the case of any eligible employee who owns or is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of TDS or any of its subsidiaries, the exercise price of any ISOs granted under the 2004 Long-Term Incentive Plan may not be less than 110% of the fair market value of the stock on the date of grant, and the exercise period may not exceed five years from the date of grant. All stock options will become immediately exercisable upon certain changes of control of TDS.

Stock Appreciation Rights

The 2004 Long-Term Incentive Plan provides for the grant of SARs. The number of shares of Incentive Plan Stock subject to an SAR, the period for the exercise of an SAR, the base price of an SAR and any performance measures applicable to an SAR will be determined by the Committee, provided that the base price per share of Incentive Plan Stock subject to an SAR shall not be less than

100% of the fair market value of a share of stock on the date of grant. The exercise of an SAR entitles the holder thereof to receive (subject to withholding taxes, if any) whole shares of Incentive Plan Stock (which may be restricted stock), cash or a combination thereof with a value equal to the difference between the fair market value of the stock on the exercise date and the base price of the SAR, multiplied by the number of shares of Incentive Plan Stock with respect to which such SAR is issued. All SARs will become immediately exercisable upon certain changes of control of TDS.

**Bonus Stock, Restricted Stock
and Restricted Stock Unit
Awards**

The 2004 Long-Term Incentive Plan provides for the grant of bonus stock awards, which are vested upon grant. The 2004 Long-Term Incentive Plan also provides for restricted stock awards and RSU awards which will be subject to a restriction period. An RSU is a right to receive, upon vesting, a share of Incentive Plan Stock, or the fair market value of such share in cash, as specified by the agreement evidencing the award. An award of bonus stock, restricted stock or RSUs may be made upon the attainment of performance measures and an award of restricted stock or RSUs may be subject to the attainment of specified performance measures for the applicable restriction period. The terms of an award of restricted stock or RSUs, the restriction period and any performance measures will be determined by the Committee. Shares of restricted stock and RSUs will be subject to forfeiture if the holder does not remain continuously in the employment of TDS or any affiliate during the restriction period or, if the restricted stock or RSU is subject to performance measures, if such performance measures are not attained during the restriction period.

Any provisions relating to (i) the satisfaction of performance measures, (ii) the termination of the restriction period relating to a restricted stock award or RSU award and (iii) any forfeiture and cancellation of a restricted stock award or RSU award upon an employee's termination of employment, whether by reason of disability, retirement, death or any other reason, shall be determined by the Committee and set forth in the agreement with respect to the award; provided, however that, unless otherwise specified in the agreement with respect to a particular restricted stock award or RSU award, in the event of transfer of employment to an affiliate not deemed an employer under the 2004 Long-Term Incentive Plan, such employment with the affiliate shall be used solely for the purpose of determining whether any applicable service requirement is satisfied during the restriction period.