

TELEPHONE & DATA SYSTEMS INC /DE/
Form PRE 14A
February 18, 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):

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- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY

TELEPHONE AND DATA SYSTEMS, INC.

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

March , 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

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**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 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 1, 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

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TELEPHONE AND DATA SYSTEMS, INC.

PROXY STATEMENT

TABLE OF CONTENTS

	Page
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

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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 two 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 \$16.50 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 \$0.0825 per share, which is one-half of the current quarterly dividend rate of \$0.165 per Common Share. See "Dividend Policy" for the TDS's Board's policy with respect to dividends

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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 three 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.

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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 anticipates making 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		10		%
Common Shares		1		%
Preferred Shares		1		*%

*
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 6,065,088 Series A Common Shares on the record date, representing approximately 94.5% 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

	<u>Status Quo</u>	<u>Pro-Forma</u>
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
	<u>145,000,000</u>	<u>290,000,000</u>
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

	<u>Status Quo</u>	<u>Pro-Forma</u>
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
	<u>57,435,940</u>	<u>114,871,880</u>

3. Percent of Common Equity

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

(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 , 2005)

On February 17, 2005, the closing sale price of the Common Shares was \$84.80 per share, and on March , 2005, the closing price of the Common Shares was \$ 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 \$0.165 per Common Share and Series A Common Shares, or \$0.66 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 \$0.0825 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.