TELEPHONE & DATA SYSTEMS INC /DE/
Form DEF 14A
April 15, 2008

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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.)

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Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

Telephone and Data Systems, Inc.

(Name of Registrant as Specified In Its Charter)

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

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TELEPHONE AND DATA SYSTEMS, INC.
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Phone: (312) 630-1900
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April 15, 2008

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

TO OUR SHAREHOLDERS

At TDS, we are builders, with a focus on customer service and satisfaction. From a group of 10 small telecommunications companies in rural Wisconsin in 1969, we have built TDS into a company that serves 7.3 million customers in 36 states, employs a dedicated workforce of 11,800 people, and generates billions in revenues. To thrive and grow over the past 39 years in an industry whose only constant is change, we have focused on steadily building service quality and satisfaction for our customers, developing our associates and employees, creating value for our shareholders, and making a positive impact on the communities we serve.

Strengths and Challenges

To successfully manage through the changes inherent in the telecommunications industry, our growth strategy is based on sound business, financial, and ethical principles. And, we make sure that every major decision supports our commitment to provide excellent communication services to our customers. We desire to be in business for the long-term, and we continue to build the strong foundation necessary to survive and grow for years to come.

We focus on long-term growth initiatives, while also understanding the importance of adapting to changing markets. We have both strong cash reserves to support initiatives and a leadership that is empowered to make customer-focused decisions quickly.

Our investment strategy balances risks and potential returns, focusing on making steady gains in our core operations over time. This has enabled us to avoid dramatic fluctuations in the values of financial instruments, such as those related to the current credit crisis. We also focus our customer acquisition strategy on credit-worthy customers to limit our exposure to credit issues.

We have a reputation for ethical business practices that strengthens and supports our relationships with our customers, employees, and vendors.

We balance the need to keep costs down with the importance of reinvesting in people and in our networks and infrastructure to continue to improve the quality communications experience that is our hallmark.

These fundamental strengths give us a solid foundation for future growth, even as we experience a slowing of the national economy in 2008.

2007 Overview

The strong results from the past year demonstrated our steady growth approach in several ways. TDS grew its revenues from operating activities to $4.8 billion, an 11 percent increase from $4.4 billion in 2006, which itself reflected a 10 percent increase over 2005. Retail postpay customers at U.S. Cellular, our 81-percent owned wireless subsidiary, continued to increase and to drive strong growth in data revenues and average revenue per unit (ARPU). In turn, the retail postpay churn rate decreased, indicating increasing satisfaction with U.S. Cellular's services and products. At TDS Telecom, our wholly- owned wireline subsidiary, digital subscriber line (DSL) customers and DSL revenue increased strongly, with operating income and margins rising despite a decline in total operating revenues.

TDS CONSOLIDATED

The overall growth in operating revenues at TDS was due mainly to growth in wireless customers and ARPU at U.S. Cellular. Cash flows from operating activities were $941 million, a five percent increase from $892 million in 2006. Operating income increased 28 percent to $528 million, due to higher wireless operating revenues and margins, and due to cost reduction initiatives in the wireline business. We believe that further growth is attainable, and indicative of the value of our commitment to putting our customers first in each of our businesses. In addition, TDS as a whole continued to make progress on its key objectives in 2007, which are to:

Grow revenues at rates greater than those of the markets in which we participate. Our target is a five- to seven-percent compound annual revenue growth rate over five years.

Generate in each business a return on capital (ROC) greater than its cost of capital. U.S. Cellular significantly increased its ROC in 2007, while TDS Telecom's ROC remained steady.

Target strong, investment-grade credit ratings. As of April 7, 2008, TDS' investment-grade credit ratings were as follows:

Rating Agency	Rating	Outlook
Standard & Poor's Ratings Services	BBB-	Positive
Moody's Investors Services	Baa3*	Stable*
Fitch Ratings	BBB+	Stable

* Currently on review for possible upgrade.

To offset dilution and seek to provide greater value to our shareholders, TDS repurchased 2,076,979 TDS Special Common Shares in 2007 using $126.7 million of a $250 million stock repurchase program ($123.3 million remained at the beginning of 2008).

One of our main goals in 2007 was to strengthen our accounting and financial reporting processes. The company made significant progress toward improving internal control over financial reporting. TDS reduced the material weaknesses related to personnel and accounting knowledge and fixed assets to the levels of deficiency and significant deficiency, respectively. In addition, the company made progress toward remediating the remaining material weakness, related to income tax accounting.

U.S. CELLULAR

Due in large part to its focus on providing excellent service and a high-quality call experience, U.S. Cellular achieved very strong operating and financial results in 2007, including record service revenues, which grew 14 percent to $3.7 billion. The company's total customer base, including wholesale customers, is now 6.1 million. The retail customer base is now 5.6 million, a six percent increase over 2006. U.S. Cellular's commitment to customer satisfaction was reflected in a decrease in churn among its retail postpay customers, to 1.4 percent, as compared to 1.6 percent in 2006. Other highlights from 2007 included a 37 percent increase in operating income, to $396 million, and a 23 percent increase in cash flows from operating activities, which rose to $863 million.

U.S. Cellular's service revenues were driven by impressive gains in revenues related to data services, which rose 69 percent, to $368 million (approximately 10 percent of total service revenues). These gains were due to several factors. The company introduced data services that provide music downloads and navigation capabilities, and instituted an out-the-door provisioning process, which enables customers to begin using their new data services immediately after signing their service contracts. New smart phones such as the BlackBerry 8830® and Moto Q , and their related data plans, were popular with customers, as were text and picture messaging. The continued popularity of the company's National, Wide Area, and Family plans also contributed to the increase in revenues, and helped to drive ARPU to $51.13, an eight percent increase from 2006.

Network and Infrastructure

The quality of U.S. Cellular's network enables the company to provide an excellent communications experience to its customers. In 2007, the company received its fourth consecutive award for "Highest Call Quality Performance Among Wireless Cell Phone Users in North Central Region" in J.D. Power and Associates' Wireless Call Quality Performance Study^{SM} Volume 2. U.S. Cellular also was voted the top contract/postpay wireless provider by readers of *PC Magazine*.

To further improve the wireless experience for its customers, U.S. Cellular invested $565.5 million in its network and infrastructure in 2007, building 434 new cell sites, increasing capacity at existing cell sites and switches, outfitting new retail stores and remodeling existing locations, and enhancing its office data systems. As of December 31, 2007, U.S. Cellular had a total of 6,383 cell sites and 400 U.S. Cellular-operated retail stores, and 1,300 locations, representing agents, dealers, and non-company retailers.

Geographic Footprint

In 2007, U.S. Cellular strategically enhanced its geographic footprint through purchases, exchanges, and auction activities. By the end of 2007, the total market population of U.S. Cellular's consolidated operating markets reached 45 million, and it owned or had rights to acquire interests in 260 wireless markets.

In February 2007, U.S. Cellular purchased all of the membership interests of Iowa 15 Wireless, LLC, and thereby obtained the 25 megahertz (MHz) Federal Communications Commission (FCC) cellular license to provide wireless service in the Iowa Rural Service Area 15.

In the fourth quarter of 2007, U.S. Cellular agreed to deliver personal communication service spectrum in eight licenses covering portions of Illinois to Sprint Nextel in exchange for more strategically useful spectrum in eight licenses covering portions of Iowa, Oklahoma, West Virginia, and Maryland. The exchange transaction closed on March 19, 2008 and did not include any cash, customers, network assets, or other assets.

New spectrum from Auction 73

Early in 2008, U.S. Cellular participated indirectly through its interest in King Street Wireless, L.P., in Auction 73, the FCC auction of spectrum in the 700 MHz band. King Street Wireless was the provisional winning bidder for 152 licenses for aggregate bids of approximately $300 million, net of its anticipated designated entity discount of 25 percent. As of March 31, 2008, the FCC had not yet awarded any of the licenses to winning bidders. The licenses expected to be awarded to King Street Wireless cover areas that overlap or are proximate or contiguous to areas covered by licenses that U.S. Cellular currently owns, operates, and/or consolidates in its financial statements.

Share Repurchases

To partially offset dilution from associate stock options, restricted stock, and various benefit plans, U.S. Cellular repurchased 1,006,000 common shares in 2007 at a total cost of $83.3 million.

Gain on Investments

The forward contracts related to U.S. Cellular's investment in Vodafone American Depository Receipts (ADRs) matured on May 7, 2007. U.S. Cellular delivered the Vodafone ADRs in settlement of the forward contracts and sold the remaining shares, recording a $131.7 million pre-tax gain on the settlement of the forward contracts and sale of the remaining shares.

TDS TELECOM

TDS Telecom continues to make excellent progress as it transitions its business model from a traditional wireline telephone company to a broadband-focused enterprise. ILEC equivalent access lines increased slightly to 762,700, due to the rapid rise in the number of ILEC access lines equipped for DSL.

Overall, equivalent access lines declined 1.3 percent to 1,197,700. Cost reduction initiatives at TDS Telecom enabled the company to increase its operating income 10 percent, to $141.2 million, despite a 1.8 percent decrease in its total operating revenues.

Digital Subscriber Line (DSL) Business

The company made substantial additional gains in its DSL business, increasing the combined (ILEC and CLEC) number of DSL customers to 186,800 and growing combined DSL revenues by 32 percent compared to 2006. TDS Telecom also increased the DSL speeds and services offered to its residential and commercial customers. Certain residential customers can now choose speeds up to 15Mbps, while some of the company's commercial customers have data speed options that can provide up to 1000Mbps.

Triple Play Bundling

The company aggressively marketed its Triple Play bundles of voice, high-speed data, and DISH Network television services to gain new revenue-generating units, to retain existing customers by reducing churn, and to make its service offerings more attractive to customers who might otherwise choose services from cable competitors. The bundles include a combination of broadband (speeds of up to 15Mbps), unlimited local and long-distance calling, DISH Network television, and services such as call waiting, caller ID, three-way calling, and more.

Commercial Broadband Services

TDS' CLEC business, TDS Metrocom, which focuses primarily on commercial customers, rolled out Dynamic XData services to its small business customers. Dynamic XData uses Voice over Internet Protocol (VoIP) technology to deploy voice and data services efficiently over a T-1 line. Depending on location, ILEC and CLEC business customers can also choose from dedicated, managed Ethernet service (3Mbps), dedicated DS3 Internet Access (10-40Mbps), and GigaNet service (up to 1000Mbps).

In January 2008, TDS Metrocom introduced fixed wireless WiMAX digital phone and high-speed Internet service to nearly 65,000 potential customers in the Madison, Wisconsin area. Response to date has been enthusiastic, and the company is working to expand availability in other markets.

Regulatory Issues

TDS Telecom continued its work with state and federal regulatory agencies to seek to assure that the right regulatory decisions are made on key issues, such as access rates, affecting the company's customers and its prospects for future growth.

2008 OUTLOOK

In 2008, the TDS companies look forward to building on their strong foundations to continue to provide excellent wireless and broadband services to an expanding customer base.

U.S. Cellular Objectives

- Focus on adding core retail postpay customers and growing profitably in its existing markets. No significant new market launches are planned for 2008.
- Roll out new branding and advertising to further differentiate itself from competitors.
- Add popular and profitable new data services.
- Add more data-intensive smart phones and multi-use devices.
- Roll out 3G/EVDO services in several additional metro markets by the end of the year.

Work with industry partners on standards for Long-Term Evolution network technology for 4G services.

TDS Telecom Objectives

- Rapidly add DSL customers and increase the DSL speeds offered. The company's long-term broadband goal is to offer 25Mbps or higher data speeds to a substantial majority of its customers.
- Develop and introduce new broadband services and products.
- Aggressively market Triple Play service bundles to new and existing customers.
- Expand WiMAX availability in the Madison, Wisconsin metropolitan area.
- Enhance its cost-efficient structure.

We would like to express our deep appreciation to all of the 11,800 associates and employees of the TDS companies for their commitment and innovation in bringing excellent quality services to our customers and promoting high customer satisfaction. We would also like to thank LeRoy T. Carlson, TDS' founder and soon to be director emeritus, for his ongoing, valuable service to the TDS companies and to the TDS Board of Directors.

In closing, we would like to thank you, the shareholders, and others who invest in TDS securities, for your continued support of the company's long-term growth and value-creation initiatives.

Cordially yours,

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

TELEPHONE AND DATA SYSTEMS, INC.
30 North LaSalle Street
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Chicago, Illinois 60602
Phone: (312) 630-1900
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April 15, 2008

Dear Shareholders:

You are cordially invited to attend our 2008 annual meeting of shareholders on Thursday, May 22, 2008, at 10:00 a.m., Chicago time, at The Standard Club, 320 South Plymouth Court, Chicago, Illinois. At the meeting, we will report on the plans and accomplishments of Telephone and Data Systems, Inc. ("TDS").

The formal notice of the meeting and our board of directors' proxy statement and our 2007 annual report to shareholders are enclosed. Appendix I to the proxy statement contains audited financial statements and certain other financial information for the year ended December 31, 2007, as required by the rules and regulations of the Securities and Exchange Commission ("SEC"). At our 2008 annual meeting, shareholders are being asked to take the following actions:

1. elect members of the board of directors;

2. consider and approve the 2009 Employee Stock Purchase Plan, as more fully described in the accompanying proxy statement; and

3. ratify the selection of independent registered public accountants for the current fiscal year.

The board of directors recommends a vote "**FOR**" its nominees for election as directors, "**FOR**" the proposal to approve the 2009 Employee Stock Purchase Plan and "**FOR**" the proposal to ratify accountants.

Our board of directors and members of our management team will be at the annual meeting to meet with shareholders and discuss our record of achievement and plans for the future. We would like to have as many shareholders as possible represented at the meeting. Therefore, whether or not you plan to attend the meeting, please sign and return the enclosed proxy card(s), or vote on the Internet in accordance with the instructions set forth on the proxy card.

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

Very truly yours,

Walter C.D. Carlson
Chairman of the Board

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

Please sign and return the enclosed proxy card(s) promptly or vote on the Internet using the instructions on the proxy card

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT
AND
IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 22, 2008

TO THE SHAREHOLDERS OF

TELEPHONE AND DATA SYSTEMS, INC.

The 2008 annual meeting of shareholders of Telephone and Data Systems, Inc., a Delaware corporation, will be held at The Standard Club, 320 South Plymouth Court, Chicago, Illinois, on Thursday, May 22, 2008, at 10:00 a.m., Chicago time, for the following purposes:

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

2. To consider and approve the 2009 Employee Stock Purchase Plan, as more fully described in the accompanying proxy statement. Your board of directors recommends that you vote **FOR** this proposal.

3. To consider and vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accountants for the year ending December 31, 2008. Your board of directors recommends that you vote **FOR** this proposal.

4. To transact such other business as may properly come before the meeting or any adjournments thereof.

We are first mailing this notice of annual meeting and proxy statement to you on or about April 15, 2008.

We have fixed the close of business on March 26, 2008, as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

The following additional information is being provided as required by new SEC rules:

The proxy statement and annual report to shareholders are available at www.teldta.com under Investor Relations Proxy Vote, or at http://www.teldta.com/investor/2008proxy. The following items have been posted to this Web site:

1. Proxy Statement for the 2008 Annual Meeting

2. Annual Report to Shareholders for 2007 (included as appendix to Proxy Statement for the 2008 Annual Meeting)

3. Forms of Proxy Cards

Any control/identification numbers that you need to vote are set forth on your proxy card if you are a record holder, or on your voting instruction card if you hold shares through a broker, dealer or bank.

The location where the annual meeting will be held is the Standard Club in Chicago, Illinois. This is located in the Chicago loop area between Jackson Boulevard and Van Buren Street at 320 Plymouth Court, which is between State Street and Dearborn Street.

SUMMARY

The following is a summary of the actions being taken at the 2008 annual meeting and does not include all of the information that may be important to you. You should carefully read this entire proxy statement and not rely solely on the following summary.

Proposal 1 Election of Directors

Under TDS' Restated Certificate of Incorporation, as amended, the terms of all incumbent directors will expire at the 2008 annual meeting.

Holders of Series A Common Shares and the holders of the Preferred Shares, voting as a group, will be entitled to elect eight directors. Your board of directors has nominated the following persons for election by the holders of Series A Common Shares and the holders of the Preferred Shares: James Barr III, LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D., Prudence E. Carlson, Walter C.D. Carlson, Kenneth R. Meyers, Donald C. Nebergall and George W. Off.

Holders of Common Shares and Special Common Shares will vote together and be entitled to elect four directors. Your board of directors has nominated the following current directors for election by the holders of Common Shares: Gregory P. Josefowicz, Christopher D. O'Leary, Mitchell H. Saranow and Herbert S. Wander.

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

Proposal 2 Approval of 2009 Employee Stock Purchase Plan

Shareholders are being asked to approve the 2009 Employee Stock Purchase Plan, as described below.

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

Proposal 3 Ratification of Independent Registered Public Accounting Firm for 2008

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending December 31, 2008.

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

VOTING INFORMATION

What is the record date for the meeting?

The close of business on March 26, 2008 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

A complete list of shareholders entitled to vote at the annual meeting, arranged in alphabetical order and by voting group, showing the address of and number of shares held by each shareholder, will be kept open at the offices of TDS, 30 North LaSalle Street, 40th Floor, Chicago, Illinois 60602, for examination by any shareholder during normal business hours, for a period of at least ten days prior to the annual meeting.

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

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

Common Shares;

Special Common Shares;

Series A Common Shares; and

Preferred Shares.

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

No public market exists for the Series A Common Shares, but the Series A Common Shares are convertible on a share-for-share basis into Common Shares or Special Common Shares.

No public market exists for the Preferred Shares. The Preferred Shares are divided into series, none of which is currently convertible into any class of common stock. All holders of outstanding Preferred Shares vote together with the holders of Common Shares and Series A Common Shares, except in the election of directors. In the election of directors, all outstanding Preferred Shares vote together with the holders of Series A Common Shares.

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

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

Class of Stock	*Outstanding Shares*	*Votes per Share*	*Voting Power*	*Total Number of Directors Elected by Voting Group and Standing for Election*
Series A Common Shares	6,442,058	10	64,420,580	
Preferred Shares	8,603	1	8,603	
Subtotal			64,429,183	8
Common Shares	53,164,628	1	53,164,628	
Special Common Shares	57,506,614	1	57,506,614	
Subtotal			110,671,242	4
Total Directors				12

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

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

Class of Stock	*Outstanding Shares*	*Votes per Share*	*Total Voting Power*	*Percent*
Series A Common Shares	6,442,058	10	64,420,580	54.8%
Common Shares	53,164,628	1	53,164,628	45.2%
Preferred Shares	8,603	1	8,603	*
			117,593,811	100.0%

* Less than .1%

Other than as required by law, holders of Special Common Shares do not have any right to vote on any matters except in the election of certain directors, as described above. Accordingly, actions submitted to a vote of shareholders other than the election of directors will generally be voted on only by holders of Common Shares, Series A Common Shares and Preferred Shares.

How may shareholders vote with respect to the election of directors in Proposal 1?

Shareholders may, with respect to directors to be elected by such shareholders:

vote FOR the election of such director nominees, or

WITHHOLD authority to vote for such director nominees.

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

How may shareholders vote with respect to the 2009 Employee Stock Purchase Plan in Proposal 2?

Shareholders may, with respect to the proposal to approve the 2009 Employee Stock Purchase Plan:

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

Your board of directors recommends a vote **FOR** this proposal.

How may shareholders vote with respect to the ratification of independent registered public accounting firm for 2008 in Proposal 3?

Shareholders may, with respect to the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2008:

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

Your board of directors recommends a vote **FOR** this proposal.

How does the TDS Voting Trust intend to vote?

The Voting Trust under Agreement dated June 30, 1989, as amended (the "TDS Voting Trust"), holds 6,087,951 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 the voting power to elect all of the directors to be elected by the holders of Series A Common Shares and Preferred Shares and has approximately 51.8% of the voting power with respect to matters other than the election of directors. The Voting Trust holds 6,060,131 TDS Special Common Shares on the record date, representing approximately 10.5% of the Special Common Shares. By reason of such holding, the Voting Trust has approximately 5.5% of the voting power with respect to the election of directors elected by the holders of Common and Special Common Shares. The Voting Trust does not currently own Common Shares.

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

- FOR the board of directors' nominees for election by the holders of Series A Common Shares and Preferred Shares,
- FOR the board of directors' nominees for election by the holders of Common Shares and Special Common Shares,
- FOR the proposal to approve the 2009 Employee Stock Purchase Plan, and
- FOR the proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2008.

How do I vote?

Proxies are being requested from the holders of Common Shares in connection with the election of four directors in Proposal 1 and in connection with Proposals 2 and 3.

Proxies are being requested from the holders of Special Common Shares in connection with the election of four directors in Proposal 1 only.

Proxies are being requested from the holders of Series A Common Shares and Preferred Shares in connection with the election of eight directors in Proposal 1 and in connection with Proposals 2 and 3.

Whether or not you intend to be present at the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Proxy Services, c/o Computershare Investor Services, P.O. Box 43126, Providence, Rhode Island 02940-5138, or vote on the Internet in accordance with the instructions set forth on the proxy card. If you hold more than one class of our shares, you will find enclosed a separate proxy card for each holding. To assure that all your shares are represented, please vote on the Internet or return the enclosed proxy cards as follows:

- a white proxy card for Common Shares, including Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;
- a blue proxy card for Special Common Shares, including Special Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;
- a green proxy card for Series A Common Shares, including Series A Common Shares owned through the dividend reinvestment plan; and
- a yellow proxy card for Preferred Shares.

How will proxies be voted?

All properly executed and unrevoked proxies received in the accompanying form in time for our 2008 annual meeting of shareholders will be voted in the manner directed on the proxies.

If no direction is made, a proxy by any shareholder will be voted FOR the election of the board of directors' nominees to serve as directors in Proposal 1 and FOR Proposals 2 and 3.

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

What constitutes a quorum for the meeting?

In the election of directors, where a separate vote by a class or classes is required with respect to a director, the holders of a majority of the votes of the stock of such class or classes issued and outstanding and entitled to vote with respect to such director, present in person or represented by proxy, will constitute a quorum with respect to such election. Withheld votes will be treated as present in person or represented by proxy in connection with such proposal and broker "non-votes" with respect to such proposal will not be treated as present in person or represented by proxy with respect to such proposal. If an authorized representative of the TDS Voting Trust is present in person or represented by proxy at the annual meeting, the TDS Voting Trust will by itself constitute a quorum at the annual meeting in connection with the election of directors by the holders of Series A Common Shares and Preferred Shares.

With respect to the proposals to approve the 2009 Employee Stock Purchase Plan and to ratify accountants, the holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to such proposals, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with such proposals. Abstentions will be treated as present in person or represented by proxy in connection with such proposals and broker "non-votes" with respect to such proposals will not be treated as present in person or represented by proxy with respect to such proposals. If an authorized representative of the TDS Voting Trust is present in person or represented by proxy at the annual meeting, the TDS Voting Trust will by itself constitute a quorum at the annual meeting in connection with such proposals.

What vote is required to elect directors in Proposal 1?

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

Accordingly, if a quorum exists, each person receiving a plurality of the votes of the shareholders entitled to vote with respect to the election of such director will be elected to serve as a director.

Withheld votes and non-votes with respect to the election of such directors will not affect the outcome of the election of such directors.

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

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote together as a single group with respect to Proposals 2 and 3. Each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name. Each holder of Series A Common Shares is entitled to ten votes for each Series A Common Share held in such holder's name.

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

PROPOSAL 1
ELECTION OF DIRECTORS

The terms of all incumbent directors will expire at the 2008 annual meeting. The board of directors' nominees for election of directors are identified in the tables below. Each of the nominees has expressed an intention to serve if elected. In the event any such nominee fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee if one is designated by the board of directors.

To be Elected by Holders of Common Shares and Special Common Shares

Name	*Age*	*Position with TDS and Principal Occupation*	*Served as Director since*
Gregory P. Josefowicz	55	Director of TDS and Retired Chairman, Chief Executive Officer and President of, Borders Group, Inc.	July 2007
Christopher D. O'Leary	48	Director of TDS and Executive Vice President, Chief Operating Officer International, of General Mills, Inc.	2006
Mitchell H. Saranow	62	Director of TDS and Chairman of The Saranow Group	2004
Herbert S. Wander	73	Director of TDS and Partner, Katten Muchin Rosenman LLP, Chicago, Illinois	1968

To be Elected by Holders of Series A Common Shares and Preferred Shares

Name	*Age*	*Position with TDS and Principal Occupation*	*Served as Director since*
James Barr III	68	Director of TDS and Retired President and Chief Executive Officer of TDS Telecommunications Corporation	1990
LeRoy T. Carlson, Jr.	61	Director and President and Chief Executive Officer of TDS	1968
Letitia G. Carlson, M.D.	47	Director of TDS, Physician and Associate Clinical Professor at George Washington University Medical Center	1996
Prudence E. Carlson	56	Director Nominee and Private Investor	N/A
Walter C.D. Carlson	54	Director and non executive Chairman of the Board of TDS and Partner, Sidley Austin LLP, Chicago, Illinois	1981
Kenneth R. Meyers	54	Director and Executive Vice President and Chief Financial Officer of TDS and Chief Accounting Officer of U.S. Cellular and TDS Telecom	January 2007
Donald C. Nebergall	79	Director of TDS and Consultant	1977

Name	*Age*	*Position with TDS and Principal Occupation*	*Served as Director since*
George W. Off	61	Director of TDS and Chairman of Checkpoint Systems, Inc.	1997

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

Gregory P. Josefowicz. Gregory P. Josefowicz served as a non-exclusive, senior level consultant to Borders Group, Inc., a leading global retailer of books, music and movies, until February 2, 2008. From 1999 until his retirement in 2006, Mr. Josefowicz served as a director and president and chief executive officer, and was named chairman of the board in 2002, of Borders Group. Prior to that time, he was chief executive officer of the Jewel-Osco division of American Stores Company, which operated food and drug stores in the greater Chicago, Illinois and Milwaukee, Wisconsin areas, from 1997 until June 1999 when American Stores merged into Albertson's Inc., a national retail food-drug chain. At that time, Mr. Josefowicz became president of Albertson's Midwest region. Mr. Josefowicz joined Jewel in 1974, and was elected senior vice president of marketing and advertising in 1993. Mr. Josefowicz is currently a member of the board of directors of PetSmart, Inc., a leading pet supply and services retailer, and Winn-Dixie Stores, Inc., one of the nation's largest food retailers.

Mr. Josefowicz was elected at the 2007 annual meeting to fill the directorship vacated by Martin L. Solomon. See below.

Christopher D. O'Leary. Christopher D. O'Leary was appointed executive vice president, chief operating officer international, of General Mills, Inc., as of June 1, 2006. Before that, he was a senior vice president of General Mills since 1999. In addition, he was the president of the General Mills Meals division between 2001 and 2006 and was president of the Betty Crocker division between 1999 and 2001. Mr. O'Leary joined General Mills in 1997 after a 17-year career with PepsiCo, where his assignments included leadership roles for the Walkers-Smiths business in the United Kingdom and the Hostess Frito-Lay business in Canada.

Mitchell H. Saranow. Mitchell H. Saranow has been the chairman of The Saranow Group, L.L.C., a private investment firm that he founded in 1984, for more than five years. Mr. Saranow was the chief executive officer of the general partner of Lenteq, LP of Northbrook, Illinois and served as a managing director (i.e., both a director and executive officer) of Lenteq, C.V., the primary Dutch operating entity and a wholly owned subsidiary of Lenteq, LP. In 2007, Lenteq, C.V. and two related Dutch companies filed for bankruptcy under Dutch insolvency laws, and substantially all of their assets were sold pursuant to this process early in 2008. Mr. Saranow is currently on the board of directors of Lawson Products, Inc., which provides services, systems, and products to the maintenance, repair and operations market and manufactures and sells products and provides services and systems to original equipment manufacturers.

Herbert S. Wander. Herbert S. Wander has been a partner of Katten Muchin Rosenman LLP for more than five years. Katten Muchin Rosenman LLP does not provide legal services to TDS or its subsidiaries.

The board of directors recommends a vote "FOR" each of the above nominees for election by the holders of Common Shares and Special Common Shares.

Background of Board of Directors' Nominees for Election by Holders of Series A Common Shares and Preferred Shares

James Barr, III. James Barr, III had been President and Chief Executive Officer of TDS Telecommunications Corporation ("TDS Telecom"), a wholly owned subsidiary of TDS which operates local telephone companies, for more than five years prior to his retirement. Mr. Barr stepped down as President and CEO of TDS Telecom on January 1, 2007. He remained on TDS Telecom's payroll until March 23, 2007 and retired on March 24, 2007. For further information, see "Director Compensation" below.

LeRoy T. Carlson, Jr. LeRoy T. Carlson, Jr., has been TDS' President and Chief Executive Officer (an executive officer of TDS) for more than five years. Mr. LeRoy T. Carlson, Jr. is also a director and Chairman (an executive officer) of United States Cellular Corporation (American Stock Exchange listing symbol: USM), a subsidiary of TDS which operates and invests in wireless telephone companies and properties ("U.S. Cellular") and TDS Telecom. He is the son of LeRoy T. Carlson and the brother of Walter C.D. Carlson, Letitia G. Carlson, M.D. and Prudence E. Carlson.

Letitia G. Carlson, M.D. Letitia G. Carlson, M.D. has been a physician at George Washington University Medical Center for more than five years. At such medical center, she was an assistant professor between 1992 and 2001 and an assistant clinical professor between 2001 and 2003, and has been an associate clinical professor since 2003. Dr. Carlson is the daughter of LeRoy T. Carlson and the sister of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Prudence E. Carlson.

Prudence E. Carlson. Prudence E. Carlson has been a private investor for more than five years. Ms. Carlson is the daughter of LeRoy T. Carlson and the sister of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Letitia G. Carlson, M.D.

Walter C.D. Carlson. Walter C.D. Carlson was elected non-executive Chairman of the Board of the board of directors of TDS in February 2002. He has been a partner of Sidley Austin LLP for more than five years and is a member of its executive committee. He is a director of U.S. Cellular. Walter C.D. Carlson is the son of LeRoy T. Carlson and the brother of LeRoy T. Carlson, Jr., Letitia G. Carlson, M.D. and Prudence E. Carlson. The law firm of Sidley Austin LLP provides legal services to TDS and its subsidiaries on a regular basis. See "Certain Relationships and Related Transactions" below. Mr. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

Kenneth R. Meyers. Kenneth R. Meyers was appointed a director and Executive Vice President and Chief Financial Officer of TDS (an executive officer of TDS) and Chief Accounting Officer of U.S. Cellular (an executive officer) and of TDS Telecom on January 1, 2007. Prior to that time, he was the Executive Vice President Finance, Chief Financial Officer and Treasurer of U.S. Cellular for more than five years. Mr. Meyers is also a director of U.S. Cellular and TDS Telecom.

Donald C. Nebergall. Donald C. Nebergall has been a consultant to companies since 1988, including TDS from 1988 through 2002. Mr. Nebergall was vice president of The Chapman Company, a registered investment advisory company located in Cedar Rapids, Iowa, from 1986 to 1988. Prior to that, he was the chairman of Brenton Bank & Trust Company, Cedar Rapids, Iowa, from 1982 to 1986, and was its president from 1972 to 1982.

George W. Off. George W. Off has been chairman of Checkpoint Systems, Inc., a New York Stock Exchange listed company, since August 2002. He was also the chief executive officer of Checkpoint Systems, Inc. between August 2002 and December 2007. Checkpoint Systems, Inc. is a multinational manufacturer and marketer of integrated system solutions for retail security, labeling and merchandising. Prior to that time, Mr. Off was chairman of the board of directors of Catalina Marketing Corporation, a New York Stock Exchange listed company, from July 1998 until he retired in July 2000. Mr. Off served as president and chief executive officer of Catalina from 1994 to 1998.

The board of directors recommends a vote "FOR" each of the above nominees for election by the holders of Series A Common Shares and Preferred Shares.

Other Current or Former Directors

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

LeRoy T. Carlson. LeRoy T. Carlson is a current director whose term will expire at the 2008 annual meeting. Mr. Carlson has determined not to stand for reelection as a director at the 2008 annual meeting. Mr. Carlson will become a director emeritus following the 2008 annual meeting. As noted above, the TDS board of directors has nominated Prudence E. Carlson to fill the directorship held by Mr. Carlson. See "Executive Officers" below for more information.

Martin L. Solomon. Martin L. Solomon was a director until the 2007 annual meeting. Due to personal reasons, Martin L. Solomon determined not to stand for reelection as a director at the 2007 annual meeting. As noted above, Gregory P. Josefowicz was elected at the 2007 annual meeting to fill the directorship that had been held by Mr. Solomon. Martin L. Solomon has been a private investor since 1990.

CORPORATE GOVERNANCE

Board of Directors

The business and affairs of TDS are managed by or under the direction of the board of directors. The board of directors consists of twelve members. Holders of Common Shares and Special Common Shares elect 25% of the directors rounded up plus one director, or a total of four directors based on a board size of twelve directors. Holders of Series A Common Shares and Preferred Shares elect the remaining eight directors. The TDS Voting Trust has approximately 94% of the voting power in the election of such eight directors and approximately 52% of the voting power in all other matters.

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

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

Director Independence and American Stock Exchange Listing Standards

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

Under listing standards of the American Stock Exchange, TDS is a "controlled company" as such term is defined by the American Stock Exchange. TDS is a controlled company because over 50% of the voting power of TDS is held by the trustees of the TDS Voting Trust. Accordingly, it is exempt from certain listing standards that require listed companies that are not controlled companies to (i) have a board composed of a majority of directors that qualify as independent under the rules of the American Stock Exchange, (ii) have certain compensation approved by a compensation committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange, and (iii) have director nominations be made by a committee comprised solely of directors, or by a majority of directors, that qualify as independent under the rules of the American Stock Exchange.

As a controlled company, TDS is required to have at least three directors who qualify as independent to serve on the Audit Committee. The TDS Audit Committee has four members: George W. Off (chairperson), Donald C. Nebergall, Mitchell H. Saranow and Herbert S. Wander. Under American Stock Exchange listing standards, the TDS board of directors must expressly determine that directors serving on the audit committee do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The TDS board of directors has made such a determination. In addition, such directors must qualify as independent under specific listing standards of the American Stock Exchange, as well as Section 10A-3 of the Securities Exchange Act of 1934, as amended. The TDS board of directors has also determined that each of the members of the TDS Audit Committee qualify as independent under such requirements.

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

TDS certifies compliance with specified listing standards to the American Stock Exchange on an annual basis. TDS certified that it was in compliance with such American Stock Exchange listing standards in 2007 and expects to make a similar certification in 2008.

On January 17, 2008, the American Stock Exchange announced that it had entered into an agreement to be acquired by the New York Stock Exchange, subject to regulatory approvals. At this time, it is not known to what extent, if any, such an acquisition would affect TDS' listing or listing requirements.

Meetings of Board of Directors

The board of directors held seven meetings during 2007. Each incumbent director attended at least 75 percent of the total number of meetings of the board of directors (held during 2007 at which time such person was a director) and at least 75 percent of the total number of meetings held by each committee of the board on which such person served (during the periods that such person served).

Corporate Governance Committee

The members of the Corporate Governance Committee are Walter C.D. Carlson (chairperson), LeRoy T. Carlson, Jr. and Mitchell H. Saranow. Mr. Saranow replaced Martin L. Solomon on this committee in 2007. Mr. Saranow qualifies as an independent director under American Stock Exchange listing standards. The American Stock Exchange does not have any requirement that listed companies have a corporate governance committee or, if a company has one, that it be composed in whole or in part by independent directors. The primary function of the Corporate Governance Committee is to advise the board on corporate governance matters, including developing and recommending to the board a set of corporate governance guidelines for TDS. A copy of the charter and the corporate governance guidelines are available on TDS' web site, www.teldta.com, under Investor Relations Corporate Governance under "Board Committee Charters" for the charter and under "Corporate Governance Guidelines" for the guidelines.

Audit Committee

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

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

The board has made a determination that Mr. Saranow is an "audit committee financial expert" as such term is defined by the SEC.

In accordance with the SEC's safe harbor rule for "audit committee financial experts," no member designated as an audit committee financial expert shall (i) be deemed an "expert" for any other purpose or (ii) have any duty, obligation or liability that is greater than the duties, obligations and liability imposed on a member of the board or the audit committee not so designated. Additionally, the designation of a member or members as an "audit committee financial expert" shall in no way affect the duties, obligations or liability of any member of the audit committee, or the board, not so designated.

The Audit Committee held eleven meetings during 2007.

Pre-Approval Procedures

The Audit Committee adopted a policy, effective May 6, 2003, as amended as of February 26, 2004, pursuant to which all audit and non-audit services must be pre-approved by the Audit Committee. The following describes the policy as amended. Under no circumstances may TDS' principal external accountant provide services that are prohibited by the Sarbanes Oxley Act of 2002 or rules issued thereunder. Non-prohibited audit related services and certain tax and other services may be provided to

TDS, subject to such pre-approval process and prohibitions. The Audit Committee has delegated to the chairperson plus any other member of the Audit Committee the authority to pre-approve services by the independent registered public accountants and to report any such approvals to the full Audit Committee at each of its regularly scheduled meetings. In the event the chairperson is unavailable, pre-approval may be given by any two members of the Audit Committee. The pre-approval policy relates to all services provided by TDS' principal external auditor and does not include any *de minimis* exception.

Review, approval or ratification of transactions with related persons

The Audit Committee Charter provides that the Audit Committee shall "be responsible for the review and oversight of all related party transactions, as such term is defined by the rules of the American Stock Exchange." Section 120 of the American Stock Exchange Company Guide, Certain Relationships And Transactions, provides that "Related party transactions must be subject to appropriate review and oversight by the company's Audit Committee or a comparable body of the Board of Directors."

In general, "related party transactions" include transactions required to be disclosed in TDS' proxy statement pursuant to Item 404 of Regulation S-K of the SEC. Pursuant to Item 404, TDS is required to disclose any transaction, which includes any financial transaction, arrangement, or relationship (including any indebtedness or guarantee of indebtedness) or a series of transactions, that has taken place since the beginning of TDS' last fiscal year or any currently proposed transaction in which: 1. TDS was or is to be a participant, 2. the amount involved exceeds $120,000 and 3. any "related person" had or will have a direct or indirect material interest in the transaction during any part of the fiscal year. For this purpose, in general, the term "related person" includes any director or executive officer of TDS, any nominee for director, any beneficial owner of more than five percent of any class of TDS' voting securities and any "immediate family member" of such persons, within the meaning of Item 404.

Accordingly, pursuant to such provisions, the TDS Audit Committee has review and oversight responsibilities over transactions that are deemed to be related-party transactions under Section 120 of the American Stock Exchange Company Guide. Other than the foregoing provisions, TDS has no further policy relating to (i) the types of transactions that are covered by such policies and procedures; (ii) the standards to be applied pursuant to such policies and procedures; (iii) the persons or groups of persons on the board of directors or otherwise who are responsible for applying such policies and procedures; or (iv) any other written document evidencing such policies and procedures.

Since the beginning of the last fiscal year, the TDS Audit Committee exercised oversight over related-party transactions, but did not take any formal action to approve any related-party transactions.

Compensation Committee

Although not required to do so under American Stock Exchange listing standards because it is a controlled company, TDS has established a Compensation Committee comprised solely of directors that qualify as independent under the rules of the American Stock Exchange. The primary functions of the Compensation Committee are to discharge the board of director's responsibilities relating to the compensation of the executive officers of TDS, other than U.S. Cellular or any of its subsidiaries. The responsibilities of the Compensation Committee include the review of salary, bonus, long-term compensation and all other elements of compensation of such executive officers.

For these purposes, "executive officers" means all officers that are employees who are or will be identified in TDS' annual proxy statement as "executive officers," including the President and CEO of TDS Telecom, except that the compensation of the President and CEO of U.S. Cellular is established and administered by U.S. Cellular's chairman and stock option compensation committee, as described in the proxy statement of U.S. Cellular relating to its 2008 annual meeting of shareholders.

The Compensation Committee is comprised of at least two non-employee members of TDS' board of directors, each of whom is an "outside director" within the meaning of section 162(m) of the Internal Revenue Code of 1986, as amended, and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. As noted above, such members also qualify as independent under the rules of the American Stock Exchange. The members of the Compensation

Committee were Herbert S. Wander (chairperson) and George W. Off until March 2007 when the TDS board of directors also appointed Christopher D. O'Leary to the Compensation Committee. In addition, Gregory P. Josefowicz was appointed to the Compensation Committee in March 2008. These persons do not have any compensation committee interlocks and are not related to any other directors.

The Compensation Committee charter permits it to delegate some or all of the administration of the long-term incentive plans or programs to the President and Chief Executive Officer or other executive officer of TDS as the committee deems appropriate, to the extent permitted by law and the applicable Long-Term Incentive Plan or program, but not regarding any award to the President and CEO. The Compensation Committee has not delegated this authority with respect to any of the officers identified in the below Summary Compensation Table.

The Compensation Committee's charter provides that it will obtain advice and assistance from the Chief Executive Officer and the Vice President of Human Resources and from any other officer or employee of TDS, as it determines is appropriate. As discussed below, the Compensation Committee also utilizes the services of compensation consultants.

Towers Perrin is TDS' primary compensation consultant. The Compensation Committee and its predecessors have utilized the services of this consultant. TDS' Human Resources Department also supports the Compensation Committee in its work. In 2007, the role of such compensation consultant in determining or recommending the amount or form of executive officer compensation was principally to provide consulting services on the type and amount of compensation to be granted to officers and other employees. The nature and scope of the assignment, and the material elements of the instructions or directions given to such consultants with respect to the performance of their duties under their engagement, was to provide external benchmarking data to TDS from their executive compensation survey database.

In addition, the Compensation Committee charter provides that the committee shall have the authority to engage advisors as it deems necessary to carry out its duties and that TDS shall provide appropriate funding, as determined by the Compensation Committee, for payment of any advisor retained by the committee, as well as ordinary administrative expenses of the committee that are necessary or appropriate in carrying out its duties. Pursuant to such authority, the Compensation Committee engaged Compensation Strategies, Inc., a provider of executive compensation consulting services, in the latter half of 2007. Compensation Strategies is independent and does not have any other relationships with TDS or its affiliates. The role of such compensation consultant in determining or recommending the amount or form of executive officer compensation, and the nature and scope of the assignment, and the material elements of the instructions or directions given to such consultants with respect to the performance of their duties under their engagement, is to review TDS' various compensation elements and programs and to provide independent analysis and advice to the Compensation Committee for the purpose of evaluating such elements and programs.

The foregoing consultants did not provide any advice as to director compensation and only provided advice as to compensation to officers and employees. The Compensation Committee does not approve director compensation. It is the view of the TDS board of directors that this should be the responsibility of the full board of directors. In particular, only non-employee directors receive compensation in their capacity as directors and, as a result, the view of the TDS board of directors is that all directors should participate in such compensation decisions, rather than only some or all of the non-employee directors.

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

The Compensation Committee held seven meetings during 2007. It also took actions by unanimous written consent.

Other Committee

TDS has a Pricing Committee, consisting of LeRoy T. Carlson, Jr., as Chairman, and Kenneth R. Meyers, as a regular member. LeRoy T. Carlson is currently an alternate member of this committee. However, after the 2008 annual meeting, Walter C.D. Carlson will replace LeRoy T. Carlson as an alternate member. The Pricing Committee does not have a charter. Pursuant to resolutions of the TDS board of directors from time to time, the Pricing Committee is authorized to take certain action with respect to financing and capital transactions of TDS, such as the issuance, redemption or repurchase of debt or the repurchase of shares of capital stock of TDS.

Director Nomination Process

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

The TDS board of directors does not have a formal policy with regard to the consideration of any director candidates recommended by shareholders. However, because the TDS Voting Trust has over 90% of the voting power in the election of directors elected by holders of Series A Common Shares and Preferred Shares, nominations of directors for election by the holders of Series A Common Shares and Preferred Shares is based on the recommendation of the trustees of the TDS Voting Trust. With respect to candidates for director to be elected by the Common Shares and Special Common Shares, the TDS board may from time to time informally consider candidates submitted by shareholders that hold a significant number of Common Shares and/or Special Common Shares. The TDS board has no formal procedures to be followed by shareholders in submitting recommendations of candidates for director.

The TDS board of directors does not have any specific, minimum qualifications that the board believes must be met by a nominee for a position on the TDS board of directors, or any specific qualities or skills that the board believes are necessary for one or more of the TDS directors to possess. The TDS board has consistently sought to nominate to the board of directors eminently qualified individuals whom the board believes would provide substantial benefit and guidance to TDS. The TDS board believes that substantial judgment, diligence and care are required to identify and select qualified persons as directors and does not believe that it would be appropriate to place limitations on its own discretion.

In general, the TDS board will nominate existing directors for re-election unless the board has a concern about the director's ability to perform his or her duties. In the event of a vacancy on the board of a director elected by the Series A Common Shares and Preferred Shares, nominations are based on the recommendation of the trustees of the TDS Voting Trust. In the event of a vacancy on the board of a director elected by the Common Shares and Special Common Shares, TDS may use various sources to identify potential candidates, including an executive search firm. In addition, the President may consider recommendations by shareholders that hold a significant number of Common Shares and/or Special Common Shares. Potential candidates are initially screened by the President and by other persons as the President designates. Following this process, the President discusses with the Chairman of the Board whether one or more candidates should be considered by the full board of directors. If appropriate, information about the candidate is presented to and discussed by the full board of directors.

Each of the nominees approved by the TDS board for inclusion on TDS' proxy card for election at the 2008 annual meeting are executive officers and/or directors who are standing for re-election, except Prudence E. Carlson. Ms. Carlson was nominated for election by the board of directors upon the recommendation of TDS's President and CEO.

From time to time, TDS may pay a fee to an executive search firm to identify potential candidates for election as directors. TDS was obligated to pay a fee to an executive search firm for performing a search for candidates and identifying Mr. Josefowicz as a candidate for the TDS board of directors for the 2007 annual meeting. TDS did not pay a fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential new nominees for election of directors at the 2008 annual meeting.

Shareholder Communication with Directors

Shareholders may send communications to the TDS board of directors or to specified individual directors of TDS at any time. Shareholders should direct their communication to the board or to specified individual directors, in care of the Secretary of TDS at its corporate headquarters. Any shareholder communications that are addressed to the board of directors or specified individual directors will be delivered by the Secretary of TDS to the board of directors or such specified individual directors. For more information, see the instructions on TDS' web site, www.teldta.com, under Investor Relations Corporate Governance Contacting the TDS Board of Directors.

TDS Policy on Attendance of Directors at Annual Meeting of Shareholders

All directors are invited and encouraged to attend the annual meeting of shareholders, which is normally followed by the annual meeting of the board of directors. In general, all directors attend the annual meeting of shareholders unless they are unable to do so due to unavoidable commitments or intervening events. Seven persons serving as directors at the time attended the 2007 annual meeting of shareholders.

Stock Ownership Guidelines

On May 10, 2007, the TDS board of directors amended its stock ownership guidelines for directors to provide that, within three years after (a) March 31, 2007 or (b) the date on which a director first becomes a director, whichever is later, and thereafter for so long as each director remains a director of TDS, each such director is required to own Series A Common Shares, Common Shares and/or Special Common Shares of TDS having a combined value of at least $100,000. The TDS board of directors will review this minimum ownership requirement periodically.

Code of Ethics for Directors

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

PROPOSAL 2
2009 EMPLOYEE STOCK PURCHASE PLAN

The TDS board of directors has determined that it is in the best interests of TDS and its shareholders to approve the TDS 2009 Employee Stock Purchase Plan (the "Purchase Plan"). The TDS board of directors approved the Purchase Plan on March 12, 2008 and the Purchase Plan is subject to shareholder approval. A copy of the Purchase Plan is attached hereto as Exhibit A.

DESCRIPTION OF PLAN

Purposes of Plan

The purpose of the Purchase Plan is to:

- encourage and facilitate the purchase of Special Common Shares (the "Plan Shares") by eligible employees of TDS and its subsidiaries,
- provide an additional incentive to promote the best interests of TDS and its subsidiaries, and
- provide an additional opportunity to participate in TDS' and its subsidiaries' economic progress.

If approved by the shareholders, the effective date of the Purchase Plan will be January 1, 2009. A total of 175,000 Special Common Shares will be available for purchase under the Purchase Plan, subject to adjustment in the event of certain changes to TDS' capital structure, as described in the Purchase Plan.

Administration

The Purchase Plan will be administered by a three person committee (the "Committee"). Subject to the express provisions of the Purchase Plan, the Committee will have complete authority to interpret the Purchase Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations necessary or advisable for the administration of the Purchase Plan.

The TDS Board may at any time, and from time to time, amend the Purchase Plan in any respect, except that, without shareholder approval, no amendment may be made changing the number of shares to be reserved under the Purchase Plan (unless certain changes occur in TDS' capital structure as described in the Purchase Plan), or that would otherwise require shareholder approval under applicable law.

Purchase Periods/ Termination

The Purchase Plan will terminate on December 31, 2013, or, if earlier, upon the purchase by participants of all applicable Plan Shares that may be issued under the Purchase Plan or any earlier time in the discretion of the TDS Board. The Purchase Plan provides for consecutive calendar quarter "Purchase Periods." The last day of each Purchase Period is a "Purchase Date." In addition, the date on which the Purchase Plan terminates will be treated as a "Purchase Date."

Eligibility and Participation	In general, participation in the Purchase Plan is available to any Eligible Employee (as defined below) of TDS or any of its participating subsidiaries that has adopted the Purchase Plan with the prior approval of TDS. An "Eligible Employee" is any employee of TDS, or a participating subsidiary, other than a leased employee (within the meaning of Section 414(n) of the Internal Revenue Code). Each Eligible Employee can enroll in the Purchase Plan as of the first day of the calendar month (or any later calendar month) following the date on which the Eligible Employee completes the Purchase Plan's eligibility service requirement. The Purchase Plan's eligibility service requirement is satisfied if an employee completes at least three months of continuous service with TDS or any subsidiary thereof (regardless of whether the subsidiary is a participating subsidiary). Under the Purchase Plan, an entry date occurs on January 1, 2009 and the first day of each subsequent calendar month. Upon enrollment, an Eligible Employee will become a "Participant" in the Purchase Plan. Approximately 11,000 employees are expected to be eligible to participate in the Purchase Plan as of January 1, 2009.
Payroll Deductions	Upon enrollment in the Purchase Plan, the Participant elects his or her rate of payroll deduction contributions in an amount not less than 1 and not more than 15 percent of the Participant's compensation (as defined in the Purchase Plan) for each payroll period, effective as soon as administratively practicable after such election is made. A Participant can periodically elect to increase or decrease his or her rate of payroll deductions under the Purchase Plan, in the manner prescribed by the Committee. In addition, a Participant can elect to withdraw from the Purchase Plan for the remainder of any calendar year, as described below.
Employee Stock Purchase Account	All payroll deductions in the possession of TDS shall be segregated from the general funds of TDS. An "Employee Stock Purchase Account" will be established on behalf of each Participant to which shall be credited with his or her payroll deduction contributions made under the Purchase Plan. Such Employee Stock Purchase Accounts shall be solely for accounting purposes, and there shall be no segregation of assets among the separate accounts. Subject to a Participant's right to withdraw as described below, the balance of each Participant's Employee Stock Purchase Account will be applied on each Purchase Date to purchase the number of Plan Shares determined by dividing the balance of such account as of such date by the Purchase Price of a Plan Share on such date. The "Purchase Price" under the Purchase Plan on a Purchase Date is 85 percent of the closing price of a Plan Share on the American Stock Exchange or any successor

thereto on such date, or if such date is not a trading day, 85 percent of the closing price of a Plan Share on the next preceding trading day, rounded up to the nearest whole cent. The number of Plan Shares to be purchased on a Purchase Date will be rounded to the nearest one ten thousandth of a share (or such other fractional interest determined by the Committee).

Purchase Limits	A Participant's right to purchase Plan Shares during any calendar year shall be limited to the extent necessary so that the Participant's right to purchase Plan Shares under the Purchase Plan and shares of stock under all other employee stock purchase plans maintained by TDS or any of its subsidiaries shall not accrue at a rate in excess of $25,000 of the total of the fair market value of Plan Shares and the fair market value of shares of stock of other subsidiaries of TDS (determined on the grant date) for any calendar year determined in accordance with Section 423(b)(8) of the Internal Revenue Code and the regulations promulgated thereunder. Further, no Eligible Employee will be allowed to purchase Plan Shares under the Purchase Plan if such Eligible Employee, immediately after such purchase, would own stock possessing five percent or more of the total combined voting power or value of all classes of issued and outstanding stock of TDS or any of its subsidiaries. If any portion of a Participant's Employee Stock Purchase Account cannot be applied to purchase Plan Shares on a Purchase Date as a result of such limitations, such amount will promptly be refunded to the Participant. If the number of Plan Shares to be purchased on behalf of all Participants collectively exceeds the number of Plan Shares available for purchase under the Purchase Plan, the number of Plan Shares to be purchased by each Participant on the Purchase Date will be proportionately reduced in the manner described in the Purchase Plan. Amounts credited to a Participant's Employee Stock Purchase Account that are not applied to purchase Plan Shares as a result of this limitation will promptly be refunded to the Participant.
Stock Account	A Stock Account will be established on behalf of each Participant by a custodian selected by TDS. As of each Purchase Date, each Participant's Stock Account will be credited with the number of whole and fractional Plan Shares purchased on the Participant's behalf under the Purchase Plan on such date. Plan Shares credited to a Participant's Stock Account will be held by the custodian as nominee. The custodian will establish procedures pursuant to which a Participant can elect that Plan Shares credited to such account be registered in the name of the Participant (or jointly in the name of a Participant and one other person), or that certificates representing such Plan Shares be issued to the Participant.
Withdrawal	A Participant can elect to withdraw from the Purchase Plan at any time. A Participant's election to withdraw will be made in the time and manner prescribed by the Committee. Upon withdrawal from the Purchase Plan, the balance of the Participant's Employee Stock Purchase Account promptly will be refunded to the Participant. A Participant who withdraws from the Purchase Plan will not be eligible to elect to recommence

	participation in the Purchase Plan until January 1 of the next calendar year.
Termination of Eligibility	In the event of a Participant's termination of employment for any reason, including death, the Participant's participation in the Purchase Plan will cease and the balance of the Participant's Employee Stock Purchase Account will promptly be refunded to the Participant.

FEDERAL INCOME TAX CONSEQUENCES

The following is a brief summary of the federal income tax consequences relating to the acquisition of Plan Shares under the Purchase Plan. The following should not be relied upon as being a complete description of such consequences and does not address the state, local or other tax consequences of the acquisition of Plan Shares under the Purchase Plan.

Section 423	TDS believes that the Purchase Plan qualifies under Section 423 of the Internal Revenue Code as an employee stock purchase plan. Under Section 423, the Participant does not recognize any taxable income at the time Plan Shares are purchased under the Purchase Plan.
Dispositions	If a Participant disposes of Plan Shares purchased under the Purchase Plan within two years of the applicable Purchase Date (as defined above), the Participant will recognize ordinary compensation income in the amount of the excess of the fair market value of the Plan Shares on such Purchase Date over the Purchase Price of the shares. The Participant's cost basis in the Plan Shares will be increased by the amount of such ordinary compensation income. If the amount realized upon such disposition exceeds the Participant's cost basis in the Plan Shares (as so increased), the Participant will recognize capital gain in the amount of the difference between the amount realized and such adjusted cost basis. Under current tax law, gain on capital assets held for 12 months or less is treated as "short term" capital gain which is not eligible for certain preferential tax treatment afforded "long-term" capital gain. In the event the amount realized is less than the cost basis in the Plan Shares (as so increased), the Participant will recognize capital loss in the amount of the difference between the adjusted cost basis and the amount realized. If a Participant disposes of Plan Shares purchased under the Purchase Plan two years or more after the applicable Purchase Date, the tax treatment will be different. The Participant will recognize ordinary compensation income in the amount of the lesser of: the excess of the fair market value of the Plan Shares on the Purchase Date over the Purchase Price of the shares; and the excess of the amount realized upon disposition of the Plan Shares over the Purchase Price of the Plan Shares. The Participant's cost basis in the Plan Shares will be increased by the amount of such ordinary compensation income. In addition, the Participant will recognize long term capital gain equal to the difference (if any) between the amount realized upon such disposition and the adjusted cost basis in the Plan Shares (as so increased). In the event the amount realized is less than the Purchase Price, the Participant will recognize long term capital loss in the amount of the difference between the Purchase Price and the amount realized.
Section 401(a)	The Purchase Plan is not intended to be qualified under Section 401(a) of the Internal Revenue Code.

Plan Benefits TDS has not provided a table of the 2009 Employee Stock Purchase Plan benefits since the benefits to executive officers are not determinable. The benefits will depend on the number of Plan Shares which the executive officers will subscribe for, if any, under the plan and the future price of such shares.

This description of the Purchase Plan is a summary only and is qualified by the terms of the Purchase Plan itself.

The TDS Board recommends a vote "FOR" approval of the 2009 Employee Stock Purchase Plan.

PROPOSAL 3
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We anticipate continuing the services of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the current fiscal year. Representatives of PricewaterhouseCoopers LLP, who served as our independent registered public accounting firm for the last fiscal year, are expected to be present at the annual meeting of shareholders and will have the opportunity to make a statement and to respond to appropriate questions raised by shareholders at the annual meeting or submitted in writing prior thereto.

We are not required to obtain shareholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm by the Bylaws or otherwise. However, we have elected to seek such ratification by the affirmative vote of the holders of a majority of the votes cast by shares entitled to vote with respect to such matter at the annual meeting. Should the shareholders fail to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm, the Audit Committee of the board of directors will review whether to retain such firm for the year ending December 31, 2008.

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

FEES PAID TO PRINCIPAL ACCOUNTANTS

The following sets forth the aggregate fees (including expenses) billed by TDS' principal accountants PricewaterhouseCoopers LLP for 2007 and 2006:

	2007	***2006***
Audit Fees (1)	$ 4,403,994	$ 6,105,744
Audit Related Fees		
Tax Fees		
All Other Fees(2)	8,090	4,500
Total Fees	$ 4,412,084	$ 6,110,244

(1) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for 2007 and 2006 (as updated) for professional services rendered for the audit of the annual financial statements for the years 2007 and 2006 included in TDS' and U.S. Cellular's Forms 10-K for those years and the reviews of the financial statements included in TDS' and U.S. Cellular's Forms 10-Q for each of these years including the attestation and report relating to internal control over financial reporting as well as accounting research, audit fees related to the restatement of the companies' financial statements for certain prior years, review of financial information included in other SEC filings and the issuance of consents and comfort letters. Although PricewaterhouseCoopers LLP has billed TDS and U.S. Cellular for these fees and expenses, management of TDS and U.S. Cellular have not yet completed their reviews of all of the amounts billed.

(2) Represents the aggregate fees billed by PricewaterhouseCoopers LLP for services, other than services covered in (1) above, for the years 2007 and 2006.

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

See "Corporate Governance Board Committee Charters Audit Committee Charter" for information relating to the audit committee's pre-approval policies.

AUDIT COMMITTEE REPORT

This report is submitted by the current members of the Audit Committee of the board of directors of TDS. The Audit Committee operates under a written charter adopted by the TDS board of directors, a copy of which is available on TDS' web site, www.teldta.com under Investor Relations Corporate Governance Board Committee Charters.

Management is responsible for TDS' internal controls and the financial reporting process. TDS has an internal audit staff, which performs testing of internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of TDS' consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee held meetings with management, the internal audit staff and representatives of PricewaterhouseCoopers LLP, TDS' independent registered public accounting firm for 2007. In these meetings, the Audit Committee reviewed and discussed the audited financial statements as of and for the year ended December 31, 2007. Management represented to the Audit Committee that TDS' consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and representatives of PricewaterhouseCoopers LLP.

The discussions with PricewaterhouseCoopers LLP also included the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, relating to information regarding the scope and results of the audit. The Audit Committee also received from PricewaterhouseCoopers LLP written disclosures and a letter regarding its independence as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and the Public Company Accounting Oversight Board (PCAOB) pursuant to Rule 3600T, and this information was discussed with PricewaterhouseCoopers LLP.

Based on, and in reliance upon these reviews and discussions, the Audit Committee recommended to the board of directors that the audited financial statements as of and for the year ended December 31, 2007 be included in TDS' Annual Report on Form 10-K for the year ended December 31, 2007.

By the members of the Audit Committee of the board of directors of TDS:

George W. Off Chairperson	Donald C. Nebergall	Mitchell H. Saranow	Herbert S. Wander

EXECUTIVE OFFICERS

The following executive officers of TDS were identified in the above tables regarding the election of directors: LeRoy T. Carlson, Jr., President of TDS; and Kenneth R. Meyers, Executive Vice President and Chief Financial Officer of TDS. In addition to the executive officers identified in the tables regarding the election of directors, set forth below is a table identifying current officers of TDS and its subsidiaries who may be deemed to be executive officers of TDS. Unless otherwise indicated, the position held is an office of TDS. The age of the following persons is as of the date of this proxy statement.

Name	*Age*	*Position*
LeRoy T. Carlson	91	Chairman Emeritus
John E. Rooney	65	President and CEO of United States Cellular Corporation
David A. Wittwer	47	President and CEO of TDS Telecommunications Corporation
Douglas D. Shuma	47	Senior Vice President and Corporate Controller
Kurt B. Thaus	49	Senior Vice President and Chief Information Officer
Scott H. Williamson	57	Senior Vice President Acquisitions and Corporate Development
C. Theodore Herbert	72	Vice President Human Resources
Joseph R. Hanley	41	Vice President Technology Planning and Services

LeRoy T. Carlson. LeRoy T. Carlson was elected Chairman Emeritus of TDS (an executive officer of TDS) in February 2002. Prior to that time, he was Chairman of TDS for more than five years. He is a director of U.S. Cellular. Mr. Carlson is the father of LeRoy T. Carlson, Jr., Walter C.D. Carlson, Letitia G. Carlson, M.D. and Prudence E. Carlson. See also "Election of Directors Other Current or Former Directors" for more information.

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

David A. Wittwer. David A. Wittwer has been the President and Chief Executive Officer of TDS Telecom since January 1, 2007. On February 21, 2006, TDS appointed Mr. Wittwer as Executive Vice President and Chief Operating Officer (COO) of TDS Telecom and designated him to succeed James Barr III as President and CEO of TDS Telecom on January 1, 2007. Prior to his appointment as Executive Vice President and COO of TDS Telecom, Mr. Wittwer was President of TDS Telecom's incumbent local exchange carrier operations since March 2005. Prior to that time, he was Executive Vice President Staff Operations, Chief Financial Officer, Treasurer and Assistant Secretary of TDS Telecom for more than five years.

Douglas D. Shuma. Douglas D. Shuma was appointed Senior Vice President and Corporate Controller of TDS on September 1, 2007. Prior to that time, Mr. Shuma was a consultant at Douglas Financial Consultants, a company that he founded, since 2006. Before that time, he was the Vice President and Controller of Baxter International Inc. for over five years.

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

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

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

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

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

Codes of Conduct and Ethics

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

TDS intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to its Code of Ethics for certain Senior Executives and Financial Officers, and will disclose all other amendments to any of the foregoing codes, by posting such information to such internet website. Any waivers of any of the foregoing codes for directors or executive officers, including any waiver of the Code of Ethics for certain Senior Executives and Financial Officers, will be approved by TDS' board of directors, as applicable, and disclosed in a Form 8-K that is filed with the SEC within four business days of such waiver.

EXECUTIVE AND DIRECTOR COMPENSATION

Compensation Discussion And Analysis

This Compensation Discussion and Analysis discusses the compensation awarded to, earned by, or paid to the executive officers identified in the Summary Compensation Table.

Overview

TDS' compensation policies for executive officers are intended to provide incentives for the achievement of corporate and individual performance goals and to provide compensation consistent with the financial performance of TDS. TDS' policies establish incentive compensation performance goals for executive officers based on factors over which such officers have control and which are important to TDS' long-term success. TDS believes compensation should be related to the financial performance of TDS and should be sufficient to enable TDS to attract and retain individuals possessing the talents required for long-term successful performance. Nevertheless, although performance influences compensation and awards, all elements of compensation are discretionary and officers do not become entitled to any compensation or awards as a result of the achievement of performance levels. Compensation is not earned until approved and paid or awarded.

The responsibilities of the TDS Compensation Committee include the review of salary, bonus, long-term compensation and all other elements of compensation of executive officers of TDS, other than officers of U.S. Cellular or any of its subsidiaries. For these purposes, "executive officers" means all officers that are employees who are or will be identified in TDS' annual proxy statement as "executive officers," including the President and CEO of TDS Telecom, except that the compensation of the President and CEO of U.S. Cellular is established and administered by U.S. Cellular's chairman and stock option compensation committee, as described in the proxy statement of U.S. Cellular relating to its 2008 annual meeting of shareholders. Accordingly, except as expressly indicated below, the following discussion does not apply to John E. Rooney. Also, Mr. Rooney does not receive any awards with respect to TDS shares; all his awards made by the U.S. Cellular stock option compensation committee are with respect to Common Shares of U.S. Cellular (American Stock Exchange listing symbol "USM").

The Compensation Committee's charter provides that it will obtain advice and assistance from the Chief Executive Officer and the Vice President of Human Resources and from any other officer or employee of TDS, as it determines is appropriate. As discussed above, the Compensation Committee also utilizes the services of both TDS' compensation consultant and an independent compensation consultant.

The Compensation Committee's charter permits it to delegate some or all of the administration of the long-term incentive plans or programs to the President and Chief Executive Officer or other executive officer of TDS as the Committee deems appropriate, to the extent permitted by law and the applicable Long-Term Incentive Plan or program, but not regarding any award to the President and CEO. The Compensation Committee has not delegated this authority with respect to any of the officers identified in the Summary Compensation Table.

Objectives and Reward Structure of TDS' Compensation Programs

The above Overview generally described the objectives and reward structure of TDS' compensation programs. This section further discusses, with respect to the officers identified in the Summary Compensation Table, (1) the objectives of TDS' compensation programs and (2) what the compensation programs are designed to reward.

The objectives of TDS' general compensation programs for executive officers of TDS, and their relationship to the reward structure, are to:

- support TDS' overall business strategy and objectives;
- attract and retain high quality management;

link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and

provide competitive compensation opportunities consistent with the financial performance of TDS.

The primary financial focus of TDS as a consolidated enterprise is the increase of long-term shareholder value through growth, measured primarily in such terms as return on capital, revenues, customer units in service, operating cash flow (operating income plus depreciation, amortization and accretion) and operating income. Operating units of TDS may have somewhat different primary financial measures. However, there is no strict relationship between elements of compensation or total compensation and such measures of performance. Instead, compensation decisions are made subjectively by the Compensation Committee, considering certain performance measures, as well as all other appropriate facts and circumstances. TDS' compensation policies for executive officers are designed to reward the achievement of such corporate performance goals, as follows.

Each element of compensation and total compensation of the named executive officers is determined on the basis of the committee's analysis of multiple factors rather than specific measures of performance. The Compensation Committee does not rely on predetermined formulas or a limited set of criteria when it evaluates the performance of the named executive officers.

TDS' compensation programs are designed to reward performance of TDS on both a short-term and long-term basis. With respect to the officers identified in the Summary Compensation Table, the design of compensation programs and performance rewarded is similar but with some differences for each of the named executive officers depending on such officer's position and responsibilities.

The Compensation Committee evaluates the performance of the President and CEO of TDS in light of the annual and ongoing objectives for TDS and for its primary business units and the attainment of those objectives, and sets the elements of compensation for the President and CEO based on such performance evaluation and compensation principles, as discussed below.

With respect to the other officers identified in the Summary Compensation Table, the Compensation Committee reviews management's evaluation of the performance of such executive officers and determines and approves the elements of compensation for such executive officers based on such performance evaluations and compensation principles, as discussed below.

Elements of Compensation

This section discusses, with respect to the officers identified in the Summary Compensation Table, (i) each element of compensation paid to such officers, (ii) why TDS chooses to pay each element of compensation, (iii) how TDS determines the amount or formula for each element to pay, and (iv) how each compensation element and TDS' decisions regarding that element fit into TDS' overall compensation objectives and affect decisions regarding other elements.

Each element of compensation paid to officers is as follows:

Annual Cash Compensation

Salary

Bonus

- Long-term equity compensation pursuant to Long-Term Incentive Plans
  - Stock Awards
    - Bonus Stock Match Awards
    - Restricted Stock Unit Awards
  - Stock Options
- Other Benefits and Plans Available to Identified Officers
  - Deferred Compensation
  - SERP
  - Perquisites
- Other Generally Applicable Benefits and Plans
  - Employee Stock Purchase Plan
  - Tax Deferred Savings Plan
  - Pension Plan
  - Post-Retirement Benefits
  - Health and Welfare Plans

TDS has chosen to pay or provide these elements of compensation after considering common compensation practices of peers and other companies with similar characteristics, in order to support TDS' overall business strategy and objectives. TDS recognizes that it must compensate its executive officers in a competitive manner comparable to other similar companies in order to attract and retain high quality management, attain business objectives and financial performance and increase shareholder value. Executive compensation is intended to provide, in the judgment of the Compensation Committee, an appropriate balance between the long-term and short-term performance of TDS, and also a balance between TDS' financial performance and shareholder return.

TDS does not have defined guidelines that determine the amount or formula for each element to pay or provide. TDS also does not have defined guidelines that determine how each compensation element and decisions regarding that element fit into the TDS' overall compensation objectives and affect decisions regarding other elements. TDS has no target levels for cash versus equity compensation. Instead, TDS establishes elements of compensation and determines how they fit together overall and in the manner described in the following discussion.

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

The Compensation Committee determines annually each such executive officer's base salary, taking into consideration: (1) the appropriate salary range for the executive officer's position and responsibilities, (2) his or her performance during the preceding year, (3) his or her performance during the executive's tenure in the position, (4) TDS' and its business units' performance during the year compared to plan and compared with that of similar companies, and (5) such other factors and circumstances as the committee may deem relevant. Going forward in 2008 and subsequent years, the Compensation Committee may also rely on the advice and information from its compensation consultant, Compensation Strategies, Inc. See Corporate Governance Compensation Committee, for information about Compensation Strategies.

In addition, the Compensation Committee determines annually the executive officer's bonus, taking into consideration: (1) the executive officer's performance during the preceding year, including contributions to TDS and its business units, and achievement of individual objectives, (2) TDS' and its business units' performance during the year compared to plan and compared with that of similar companies, (3) the achievement of important corporate and business unit objectives for the year and (4) such other factors and circumstances as the committee may deem relevant.

In general, other facts and circumstances that the Compensation Committee considers in determining the annual cash compensation of the named executive officers and/or that the President and CEO considers in his evaluation and recommendation to the Compensation Committee with respect to the other named executive officers include the following: the fact that TDS is a public company; the publicly-available benchmark information of cash compensation of TDS' publicly-held peers and other publicly-held companies, as discussed below; the fact that TDS is primarily a regional competitor and that some of its competitors are national or global telecommunications companies that are much larger than TDS and possess greater resources than TDS; the fact that TDS is a controlled company; and the fact that the primary financial focus of TDS as a consolidated enterprise is the increase of long-term shareholder value through growth. In addition, additional facts and circumstances considered with respect to the named executive officers are discussed below in the discussion relating to such officer.

The Compensation Committee also determines long-term equity compensation awards to the identified executive officers under the TDS 2004 Long-Term Incentive Plan, which include options and restricted stock units, as discussed below. Grants of equity awards by TDS to the President and CEO and the other executive officers are generally made to all such executive officers at the same time once a year. In 2007 this was done on July 2, 2007. TDS may also make grants of equity awards during other times of the year as it deems appropriate. All option and restricted stock awards are granted in consideration for future service and are expensed over the applicable vesting periods.

TDS does not backdate options or have any program, plan or practice to time the grant of awards in coordination with the release of material non-public information.

Benchmarking

TDS engages in benchmarking with the companies in the peer group index included in the "Stock Performance Graph" that is included in the TDS annual report to shareholders, as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar size, function, geography or otherwise.

The peer group included in the Stock Performance Graph for 2006 consisted of ALLTEL Corp., Centennial Communications Corp., CenturyTel, Inc., Citizens Communications Co. and Dobson Communications Corp., in addition to TDS. As a result of acquisitions of ALLTEL Corp. and Dobson Communications Corp. in 2007, TDS believes that this peer group would have too few participants and has selected the Dow Jones U.S. Telecommunications Index, a published industry index, for 2007 and currently expects to use this index in subsequent years. The Dow Jones U.S. Telecommunications Index is currently composed of the following companies: AT&T Inc., CenturyTel Inc., Cincinnati Bell Inc., Citizens Communications Co. (Series B), Embarq Corp., IDT Corp. (Class B), Leap Wireless International Inc., Leucadia National Corp., Level 3 Communications Inc., MetroPCS Communications Inc., NII Holdings Inc., Qwest Communications International Inc., RCN Corp., Sprint Nextel Corp., Telephone and Data Systems, Inc. (TDS and TDS.S), Time Warner Telecom, Inc., United States Cellular Corporation, Verizon Communications Inc., Virgin Media Inc. and Windstream Corp.

Market benchmark data was obtained from the Towers Perrin 2006 Compensation Data Bank Executive Compensation Database. The database contained approximately 700 companies that represented a diverse range of companies across all industries, including companies from the telecommunications, retail, financial, electronics, pharmaceutical, manufacturing and consumer products sectors. For comparison purposes, Towers Perrin provided market benchmark data based on a blended average basis with 50% of the total based on telecommunications industry data and 50% based on general industry data contained in the database. In addition, the benchmark data provided was based on only those companies that had approximate annual revenues in the $3 billion to $6 billion revenue range.

This database was used to benchmark the ranges of annual cash compensation considered to be appropriate for the named executive officers, as discussed below. This database also was used to benchmark the equity compensation awards of named executive officers, as discussed below. TDS believes this approach is a reasonably accurate reflection of the competitive market for such elements of compensation necessary to retain current executives and attract future executives to positions at TDS. In addition, TDS also believes this methodology is more statistically valid than solely benchmarking these elements of compensation to the peer group of companies used in the Stock Performance Graph for the applicable performance year.

The identity of the individual component companies that are included in the database is neither disclosed to nor considered by TDS or the Compensation Committee. TDS and the Compensation Committee rely upon and consider to be material only the aggregated survey data prepared by Towers Perrin. They do not obtain or consider information on the identities of the individual companies included in the survey in connection with any compensation decisions because this information is not considered to be material and because they rely on the services of Towers Perrin for such purposes.

Going forward in 2008 and subsequent years, the Compensation Committee expects to obtain benchmarking information from its independent compensation consultant, Compensation Strategies.

Company Performance

Overall TDS performance for 2006 was approximately 90.4% of target. This represents the average of the adjusted U.S. Cellular percentage of 90.5% and the adjusted TDS Telecom percentage of approximately 90%, as weighted by a specified percentage intended to represent the approximate proportion of TDS that U.S. Cellular and TDS Telecom represent, calculated as follows:

Business Unit	*2006 Bonus Program Performance as a Percent of Target Performance*	*Allocated Proportion of Total Company*	*Weighted Performance*
U.S. Cellular	90.5%	75%	67.9%
TDS Telecom	90.0%	25%	22.5%
Weighted Average Company Performance as a Percentage of Target			90.4%

Performance of U.S. Cellular is discussed in the U.S. Cellular proxy statement. As noted therein, the overall average percentage achieved with respect to 2006 performance for purposes of the U.S. Cellular bonus pool was calculated to be 83.1%. Nevertheless, the entire amount of the bonus pool is discretionary and subject to approval by the Chairman of U.S. Cellular. Pursuant to this discretionary authority, the Chairman adjusted the overall bonus pool to 90.25% of target, and then rounded this to 90.5%. This was done because certain strategic and other decisions subsequent to the time that the targets were set adversely affected performance compared to the targets.

The following provides information on performance targets and achievement of TDS Telecom with respect to 2006 that were considered in evaluating the annual cash compensation in 2007. The following table shows the performance measures, 2006 performance targets, target points, actual 2006 results and actual points achieved for each performance measure and overall. Financial information presented in the below table may not agree with the segment financial information for TDS Telecom due to adjustments for unusual items that occurred during the year that were not contemplated at the inception date of the targets. This table shows that the overall percentage achievement of the performance targets was approximately 87.9% with respect to 2006 for TDS Telecom. This percentage was rounded to 90% on a discretionary basis by the Chairman of TDS Telecom, who is also the President and CEO of TDS.

Measures	*Targets*						*Actual*		
Measurement	*2006 Target*	*Target Points*	*Out-standing Perform-ance*	*Non-Bonus Perform-ance*	*Out-standing Perform-ance (as a % of target)*	*Non-Bonus Perform-ance (as a % of target)*	*Actual 2006 Results*	*% of Targets*	*Actual Points Earned*
Customer Measures									
ILEC Customer Satisfaction Consumer	92.0%	70	95.7%	73.6%	104%	80%	90.3%	98.2%	64
ILEC Customer Satisfaction Commercial	94.0%	30	97.8%	75.2%	104%	80%	95.5%	101.6%	34
CLEC Customer Satisfaction Commercial	82.0%	35	85.3%	65.6%	104%	80%	90.5%	110.4%	46
CLEC Customer Satisfaction Consumer	83.0%	15	86.3%	66.4%	104%	80%	87.8%	105.8%	20
CLEC Commercial Churn	1.31%	35	1.05%	1.97%	80%	150%	1.36%	103.8%*	32
CLEC Consumer Churn	2.62%	15	2.10%	3.41%	80%	130%	2.59%	98.9%*	16
		200							212
Innovate and Improve									
ROC ILEC	8.6%	200	8.9%	6.9%	104%	80%	7.55%	87.8%	79
Free Operating Cash Flow CLEC (in millions)	$ 1.4	100	$ 1.5	$ 1.1	104%	80%	$ 8.3	592.9%	130
Operating Revenues ILEC (in millions)	$ 667.8	145	$ 694.5	$ 534.2	104%	80%	$ 648.7	97.1%	125
Operating Revenues CLEC (in millions)	$ 246.6	55	$ 256.5	$ 197.3	104%	80%	$ 239.1	97.0%	47
Operating Cash Flow (in millions)	$ 310.9	150	$ 323.3	$ 248.7	104%	80%	$ 301.8	97.1%	128
ILEC Broadband Customers at 12/31/06	93,674	100	99,294	74,939	106%	80%	105,086	112.2%	130
CLEC Broadband Customers at 12/31/06	46,052	50	48,815	36,842	106%	80%	41,178	89.4%	28
		800							667

Measures	*Targets*	*Actual*
Total	**1000**	**879**

*

Lower percentage is better.

As noted above, the overall percentage achieved was 87.9%, but this was rounded up to 90% on a discretionary basis.

Personal Objectives and Performance

In addition to TDS and/or business unit performance, the Compensation Committee may consider personal objectives and performance. The personal objectives and performance that the Compensation Committee considered in its evaluation of the President and CEO are discussed below. The personal objectives that the President and CEO considered in his recommended evaluation to the Compensation Committee of the named executive officers other than himself are also discussed below. There was no minimum level of achievement of any of those objectives that was required for any cash compensation decision.

Annual Cash Compensation

Annual cash compensation decisions, consisting of base salary for the current year and bonus based on performance for the prior year, are generally made concurrently by the Compensation Committee each year for each of the identified executive officers.

As part of the process of determining the appropriate elements of annual cash compensation for the named executive officers, the Compensation Committee is provided with information about the compensation of similar executive officers at other companies, including chief executive officers of companies, chief executive officers and chief operating officers of their principal business units, if available, chief financial officers and other officers with responsibilities comparable to the foregoing TDS officers, as reported in proxy statements and salary surveys. The Compensation Committee also considers recommendations from the President and CEO regarding compensation for the named executives other than the President and CEO, each of which reports directly to him. The Vice President Human Resources prepares for the committee an analysis of compensation paid to similar executive officers of other comparable companies. See "Benchmarking" above.

Annually, the nature and extent of each executive officer's personal accomplishments and contributions for the year are determined, based on information submitted by the executive and by others familiar with his or her performance, including the President and CEO in the case of the named executive officers other than the President and CEO. The Compensation Committee evaluates the information in terms of the personal objectives established for such executive officer for the performance appraisal period.

The Compensation Committee also makes an assessment of how well TDS did as a whole during the year, as discussed above, and the extent to which the President and CEO believes the executive officer other than the President and CEO contributed to the results, as discussed below. With respect to executive officers having primary responsibility over a certain business unit or division of TDS, the Compensation Committee considers the performance of the business unit or division and the contribution of the executive officer thereto.

The Compensation Committee uses these sources and makes the determination of appropriate elements of compensation and ranges for such elements for such identified executive officers based on its informed judgment, using the information provided to it by the Vice President of Human Resources. Going forward in 2008 and subsequent years, the Compensation Committee will also obtain information from its independent compensation consultant, Compensation Strategies. The elements of compensation and ranges for such elements are not based on any formal analysis nor is there any documentation of this decision making process.

The Compensation Committee also has access to numerous performance measures and financial statistics prepared by TDS. This financial information includes the audited financial statements of TDS, as well as internal financial reports such as budgets and actual results, operating statistics and other analyses. Going forward in 2008 and subsequent years, the Compensation Committee will consider information from its independent compensation consultant, Compensation Strategies. The committee may also consider such other factors the committee deems appropriate in making its compensation decisions. No specific measures of performance are considered determinative in the compensation of executive officers. Instead, all the facts and circumstances are taken into consideration by the Compensation Committee. Ultimately, it is the informed judgment of the committee, after reviewing the compensation information provided by the Vice President Human Resources, that determines the elements of compensation and total compensation for the President and CEO.

The base salary element of compensation of each officer is set within the range identified for this element based on an assessment of the responsibilities and the performance of such officer, also taking into account the performance of TDS and/or its business units or divisions, other comparable companies, the industry and the overall economy during the preceding year. Column (c), "Salary," of the below Summary Compensation Table includes the dollar value of base salary (cash and non-cash) earned by the identified executive officers during 2007 and 2006, whether or not paid in such year.

With respect to the bonus element of compensation, the Vice President Human Resources also prepares and provides to the Compensation Committee information to be used for the annual bonus reviews of executive officers. Prior to 2007, TDS had no written or formal bonus plan for the named executive officers. The bonuses for named executive officers were determined by the Compensation Committee based on its evaluation of each executive's contribution to TDS, the achievement of individual objectives, the performance of TDS and/or its business units and divisions and all other facts and circumstances considered appropriate in its judgment.

As a result of the foregoing process, bonuses with respect to 2006 performance were not earned by the other executive officers until they were approved and awarded in 2007 and bonuses with respect to 2005 performance were not earned by the other executive officers until they were approved and awarded in 2006. Accordingly, bonuses with respect to 2006 performance are included in the below Summary Compensation Table as compensation earned in 2007 and bonuses with respect to 2005 performance are included in the below Summary Compensation Table as compensation earned in 2006. These amounts are included in column (d), "Bonus," of the below Summary Compensation Table and represent the dollar value of bonus (cash and non-cash) earned by the identified executive officers during 2007 or 2006.

Beginning with the 2007 performance year relating to bonuses that will be paid in 2008, TDS has established performance guidelines and procedures for awarding bonuses. These guidelines and procedures were filed by TDS as Exhibit 10.1 to TDS' Form 10-Q for the quarter ended March 31, 2007. Starting with the 2007 performance year relating to bonuses that will be paid in 2008, 70% of each officer's target bonus will be based on his/her assessed performance. The remaining 30% will be based on performance of TDS, based on the weighted average of the percentage achievement of target of U.S. Cellular and TDS Telecom. However, notwithstanding anything to the contrary, 100% of the bonus continues to be discretionary and is not earned by the officer unless and until awarded and paid. The calculations of the bonus amounts for the named executive officers that receive bonuses pursuant to these guidelines with respect to 2007 performance that are paid in 2008 will be reflected in next year's proxy statement.

The following discusses annual cash compensation with respect to the specified named executive officers.

President and CEO

The Compensation Committee evaluates the performance of the President and CEO of TDS in light of the annual and ongoing objectives for TDS and for its primary business units and the attainment of those objectives, and sets the elements of compensation for the President and CEO based on such performance evaluation and compensation principles.

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the Compensation Committee considers in determining the annual cash compensation of LeRoy T. Carlson, Jr., the President and CEO ("CEO"), include the following: the responsibilities of the CEO; the period of time that the CEO has held this position and served with TDS; the Compensation Committee's view of the CEO's contribution to the growth and development of TDS during that time; the fact that TDS is a holding company that includes two primary subsidiaries, TDS Telecom and U.S. Cellular; the fact that the CEO is the Chairman of each of such subsidiaries; the prior year's performance of TDS Telecom, as discussed above, and U.S. Cellular (as discussed in the U.S. Cellular proxy statement); the overall performance of TDS, as discussed above; the relationship of the performance of TDS and/or its business units to the determination of the CEO's annual cash compensation, as discussed below; the personal objectives of the CEO for the preceding year, as discussed below; whether there has been any restatement of financial statements and the nature of the restatement; the annual cash compensation of the other named executive officers, including the salary increase and bonus granted to each of such other officers, as discussed below; and the fact that the President and CEO has a substantial beneficial interest in TDS, as described below under "Security Ownership of Management", and will benefit together with other shareholders based on the performance of TDS.

With respect to the CEO, the Compensation Committee considers the overall performance of TDS based on the weighted average performance of TDS Telecom and U.S. Cellular, as discussed above. No minimum level of performance is established for overall TDS performance. Instead, the Compensation Committee considers overall TDS performance after the fact but without any predetermined threshold performance level. As noted above, the adjusted overall percentage achievement of performance targets with respect to 2006 was approximately 90% for TDS Telecom. As discussed in the U.S. Cellular proxy statement, the adjusted overall percentage achievement of performance targets with respect to 2006 was approximately 90.5%. As discussed above, the weighted average performance of these business units was approximately 90.4%.

In addition, the President and CEO had the following personal objectives with respect to 2006: (i) achieve the 2006 enterprise budget; (ii) work with TDS Telecom and U.S. Cellular to assure that they have sound growth strategies and that they are implemented effectively; (iii) achieve Sarbanes Oxley Section 404 compliance and complete remediation plan to avoid restatements in the future; (iv) work with TDS Telecom to finalize and begin implementation of strategies and corporate development plans; (v) maximize the value of investments in other entities, including reducing tax consequences to TDS; (vi) develop and implement information technology functions using benchmarking; (vii) prepare a risk assessment and implement processes to address risks; (viii) work with U.S. Cellular relating to 3G; (ix) work with U.S. Cellular relating to the acquisition of additional spectrum; (x) work with TDS Telecom relating to super high-speed data services; (xi) work with U.S. Cellular relating to governmental spectrum policy; (xii) work with key TDS Telecom executives relating to its new organization structure; (xiii) consider action relating to the pay off or refinancing of long-term debt; (xiv) implement the company's strategic plan; and (xv) manage health care costs.

The Compensation Committee did not perform an individual assessment and analysis of each of the foregoing objectives. Each of the members of the Compensation Committee is a member of the TDS Board of Directors, and participates in regular and special Board meetings where TDS' objectives and progress relating thereto are presented, considered and discussed. Based on such participation, the Compensation Committee believes that the CEO's overall individual performance exceeded expectations. The following provides additional information with respect to the achievement of the President and CEOs personal objectives for 2006.

TDS' overall company performance was approximately 90.4% of target, which included stretch goals. The CEO worked with TDS Telecom and U.S. Cellular relating to growth strategies, corporate development plans and has been implementing the company's strategic plan. TDS made progress in achieving Sarbanes Oxley Section 404 compliance and remediating material weaknesses. TDS evaluated action to maximize the value of investments in other entities and reduce tax consequences. TDS made progress in developing and implementing information technology functions using benchmarking. TDS made progress in its risk assessment and processes to address risks. U.S. Cellular launched services based on EV-DO technology, a 3G technology, on a limited basis in late 2006. U.S. Cellular developed plans relating to the acquisition of additional spectrum and governmental spectrum policy. TDS Telecom developed plans relating to super high-speed data services. TDS Telecom took action to transition executives in the new organization structure. TDS took action to repay $200 million of its 7% notes and redeem $35 million of 10% medium-term notes in 2006. TDS took action to manage health care costs.

The base salary of Mr. Carlson for 2006 was $1,115,000. On March 7, 2007, this was increased to $1,193,000 for 2007, representing an increase of approximately 7.0%. The range considered in approving Mr. Carlson's base salary for 2007 was approximately $1,015,000 to $1,205,000. This range was based on a survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. See "Benchmarking" above.

On March 7, 2007, the Compensation Committee also approved a bonus of $800,000 for Mr. Carlson with respect to 2006 performance, which was paid in 2007. In comparison, Mr. Carlson earned a bonus of $550,000 with respect to 2005 performance, which was paid in 2006. Mr. Carlson's target bonus percentage with respect to the 2006 bonus earned and paid in 2007 was 75% of his 2006 base salary of $1,115,000, or $836,250. Mr. Carlson's bonus of $800,000 was approximately 96% of his target of $836,250. This reflects the overall company performance of approximately 90.4% and the Compensation Committee's high assessment of Mr. Carlson' personal achievements and performance as discussed above.

When the bonus amount is added to the salary that was approved for Mr. Carlson for 2007 of $1,193,000, his total cash compensation in 2007 was $1,993,000. The range considered in approving the CEO's total cash compensation for 2007 was approximately $2,195,000 to $3,070,000. This range was based on a survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable executives' total cash compensation.

Mr. Carlson's total cash compensation was slightly below the 50th percentile of this range. This was considered appropriate by the Compensation Committee considering TDS' overall performance of 90.4% and based on its assessment of Mr. Carlson's performance in 2006, as discussed above.

For disclosure purposes, in 2008, the base salary of Mr. Carlson for 2008 was increased to $1,275,000, representing an increase of approximately 6.9% over the 2007 base salary. Also for disclosure purposes, in 2008, the Compensation Committee approved a bonus of $950,000 for Mr. Carlson with respect to 2007 performance, which was paid in 2008. This was based on analysis and input from Compensation Strategies. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

Other Executive Officers

With respect to the officers identified in the Summary Compensation Table other than the President and CEO, the Compensation Committee considers the President and CEO's evaluation of the performance of such executive officers and sets the annual base and bonus compensation levels for such executive officers based on such performance evaluations and the compensation principles described above. In addition to the general factors described above, the compensation elements of certain officers are based on their specific responsibilities.

Executive Vice President and Chief Financial Officer

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the CEO and Compensation Committee consider in determining the annual cash compensation of the Executive Vice President and Chief Financial Officer ("CFO") are as follows: the responsibilities of the CFO; the period of time that the CFO has held this position and served with TDS; the Compensation Committee's subjective view of the CFO's contributions to TDS during that time; the CFO's relationship with management and personnel of U.S. Cellular and TDS Telecom; whether there has been any restatement of financial statements and the nature of the restatement; progress in improving internal controls and remediating material weaknesses; and the CEO's assessment of achievement of personal objectives of the CFO for the preceding year, as discussed below.

With respect to the CFO, the Compensation Committee would generally consider the CEO's assessment of the achievement of personal objectives established for the CFO for the prior year by the CEO. However, Kenneth R. Meyers did not become the CFO of TDS until January 1, 2007. As a result, he did not have any personal objectives with respect to TDS for 2006.

Mr. Meyers' cash compensation in 2007 consisted of (i) his initial base salary as an officer of TDS in 2007 and (ii) the bonus paid to and earned by Mr. Meyers under the U.S. Cellular 2006 Executive Bonus Plan as described in the U.S. Cellular proxy statement. Mr. Meyers' initial base salary as TDS' CFO for 2007 was established and approved by the Compensation Committee based on the recommendation of the CEO considering a range based on a survey from TDS' compensation consultant, Towers Perrin, of a population of comparable base salaries, as discussed above under "Benchmarking."

Mr. Meyers' base salary for 2007 was set at $550,000 effective with his appointment as CFO of TDS effective January 1, 2007. This amount was established considering the compensation of officers at comparable companies with similar responsibilities. The range considered in approving the Mr. Meyers' base salary for 2007 was approximately $495,000 to $585,000. This range was based on the Towers Perrin survey and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. In comparison, Mr. Meyers' base salary for 2006 in his capacity as Executive Vice President, Chief Financial Officer and Treasurer of U.S. Cellular was $462,959. His salary in his new capacity at TDS reflects an increase of approximately 18% to recognize his additional responsibilities, considering the fact that TDS is the parent company of U.S. Cellular, as well as TDS Telecom.

Mr. Meyers received a bonus of $276,860 with respect to 2006 performance, which was earned and paid in 2007. Because Mr. Meyers was the Executive Vice President, Chief Financial Officer and Treasurer of U.S. Cellular during 2006, his bonus with respect to 2006 performance that was paid and earned in

2007 was determined under the U.S. Cellular 2006 Executive Bonus Plan as described in the U.S. Cellular proxy statement. Mr. Meyers' target bonus was 50% of his 2006 base salary of $462,959, or $231,480. As described in the U.S. Cellular proxy statement and indicated above, U.S. Cellular's adjusted performance was 90.5% of target. Based on this percentage, Mr. Meyers would have received a bonus of $209,489, which is 90.5% of his target bonus for 2006. The additional amount over this amount represents a discretionary bonus approved by the Chairman of U.S. Cellular relating to Mr. Meyers' former capacity as Executive Vice President, Chief Financial Officer and Treasurer of U.S. Cellular, based on Mr. Meyers' contribution to U.S. Cellular, and on achievement of objectives by U.S. Cellular as discussed in the U.S. Cellular proxy statement.

For disclosure purposes, in 2008, the base salary of Mr. Meyers for 2008 was increased to $595,000, representing an increase of approximately 8.2% over the 2007 base salary. Also for disclosure purposes, in 2008, the Compensation Committee approved a bonus of $356,000 for Mr. Meyers with respect to 2007 performance, which was paid in 2008. This was based on analysis and input from Compensation Strategies. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

Senior Vice President of Acquisitions and Corporate Development

In addition to the general facts and circumstances that are considered for all executive officers as discussed above, additional facts and circumstances that the CEO considers in his recommendation to the Compensation Committee regarding the annual cash compensation of the Senior Vice President of Acquisitions and Corporate Development ("SVP-ACD") are as follows: the responsibilities of the SVP-ACD; the period of time that the SVP-ACD has held this position and served with TDS; the Compensation Committee's subjective view of the SVP-ACD's contributions to TDS during that time; the prior year's performance of TDS, as discussed above; the relationship of the performance of TDS to the determination of the SVP-ACD's annual cash compensation, as discussed below; and the CEO's assessment of achievement of personal objectives of such officer for the preceding year, as discussed below.

Mr. Williamson's base salary was evaluated based on his responsibilities as SVP-ACD, and considering the compensation of officers at comparable companies with similar responsibilities. The range considered in approving Mr. Williamson's base salary for 2007 was approximately $295,000 to $405,000. This range was based on the survey from TDS' compensation consultant, Towers Perrin, and represented the 50th to 75th percentiles, respectively, of a population of comparable base salaries. The base salary approved for Mr. Williamson for 2007 was $529,000, representing a 6.9% increase over his 2006 base salary of $495,000.

The salary of $529,000 exceeds the median of this range, and exceeds the 75th percentile, for the following reasons: Mr. Williamson has been a vice president and the chief corporate development officer of TDS since 1995. Mr. Williamson has been a senior vice president since 1998. TDS considers its corporate development activities to be key and integral business functions. Mr. Williamson also provides important services with respect to strategic planning for TDS and its business units. Mr. Williamson has consistently exceeded expectations during his lengthy tenure at TDS, including with respect to 2006. As a result, Mr. Williamson's compensation has risen above the median level for his position, and above the 75th percentile, as consequence of his many years of service and salary increases over such period of time commensurate with his consistently high rating. The CEO and Compensation Committee believe that Mr. Williamson's base salary is at an appropriate level considering the importance of Mr. Williamson's responsibilities and his consistently outstanding performance over a long period of time.

Mr. Williamson received a bonus of $285,000 with respect to 2006 performance, which was earned and paid in 2007. Mr. Williamson's target bonus percentage with respect to the 2006 bonus earned and paid in 2007 was 35% of his 2006 base salary of $495,000, or $173,300. Mr. Williamson's bonus of $285,000 was approximately 165% of his target amount, reflecting the fact that Mr. Williamson's performance exceeded expectations, as discussed below.

With respect to the SVP-ACD, the Compensation Committee considers the CEO's assessment of personal achievements of the SVP-ACD by the CEO. Due to the nature of the SVP-ACD's position and responsibilities, which do not include regular operating or administrative responsibilities, the SVP-ACD's performance is not based on set goals. Instead, the SVP-ACD's performance is evaluated after the fact based on his achievements in corporate development, acquisitions, transactions, evaluations, strategic analysis and advice.

In particular, with respect to 2006, the following factors were considered: Mr. Williamson successfully led the TDS team relating to the acquisition of spectrum by Barat Wireless in Auction 66. Mr. Williamson also established a successful relationship with TDS' partner in Barat. Mr. Williamson was successful with several transactions in 2006, including completing an exchange and transition of wireless markets in Kansas, Nebraska and Idaho with a subsidiary of ALLTEL; purchasing the remaining ownership interest in a Tennessee wireless market, in which U.S. Cellular had previously owned a minority interest; and negotiating the acquisition of Iowa 15 Wireless, LLC, including the 25 megahertz FCC cellular license to provide wireless service in Iowa RSA 15. Mr. Williamson also provided significant advice with respect to various TDS Telecom potential transactions or opportunities and successfully led the acquisition team in the buy out of minority shares in several majority owned telephone companies. Mr. Williamson provided significant contributions relating to corporate and enterprise strategy, provided significant guidance on the allocation of resources, and played a major role relating to strategic long range forecasts and valuations. Mr. Williamson also made presentations and provided informed advice to the TDS and U.S. Cellular Boards of Directors. Mr. Williamson also maintained excellent relationships with TDS and U.S. Cellular directors and officers. As a result of these achievements, as noted above, the CEO believed that Mr. Williamson's performance exceeded expectations.

For disclosure purposes, in 2008, the base salary of Mr. Williamson for 2008 was increased to $565,000, representing an increase of approximately 6.8% over the 2007 base salary. Also for disclosure purposes, in 2008, the Compensation Committee approved a bonus of $277,000 for Mr. Williamson with respect to 2007 performance, which was paid in 2008. This was based on analysis and input from Compensation Strategies. These amounts and analysis thereof will be reported in the Summary Compensation Table in next year's proxy statement.

Chairman Emeritus

The compensation of LeRoy T. Carlson as Chairman Emeritus is based on unique circumstances and is not based on the general approach used for other executive officers. No range was considered in approving Mr. Carlson's base salary or bonus for 2007. The CEO and Compensation Committee do not establish or consider any personal objectives with respect to the Chairman Emeritus. There was no rating of Mr. Carlson's performance. The performance of TDS and/or its business units and divisions is not a significant consideration in the evaluation of Mr. Carlson's annual cash compensation. Instead, Mr. Carlson's base salary and bonus is evaluated based on his historical and current responsibilities and activities as Chairman Emeritus for TDS. Facts and circumstances that the CEO and Compensation Committee consider in determining the annual cash compensation of the Chairman Emeritus are primarily the fact that Mr. Carlson founded TDS in 1968, and the Compensation Committee's subjective views of the insights, value, experience, inspiration, mentoring and motivational effects that Mr. Carlson continues to bring to TDS and its employees on a current basis. Based on such considerations, the Compensation Committee approved a salary for 2007 of $480,000 and a bonus of $200,000, which were the same as the amounts approved in 2006 for the Chairman Emeritus.

For disclosure purposes, in 2008, the base salary of Mr. Carlson for 2008 was set at $480,000, the same as the 2007 base salary. Also for disclosure purposes, in 2008, the Compensation Committee approved a 2007 bonus of $202,600 for Mr. Carlson which was paid in 2008. This will be reported in the Summary Compensation Table in next year's proxy statement.

Long-Term Equity Compensation

The Compensation Committee also determines long-term equity compensation awards for the named executive officers under the TDS 2004 Long-Term Incentive Plan, which include options and restricted stock units. The Compensation Committee may establish performance measures and restriction periods, and determine the form, amount and timing of each grant of an award, the number of shares of stock subject to an award, the purchase price or base price per share of stock associated with the award, the exercise price of an option award, the time and conditions of exercise or settlement of the award and all other terms and conditions of the award.

Although the Compensation Committee has the discretion to grant various awards, it generally only grants service-based restricted stock units and service-based options. The restricted stock units generally vest in full (cliff vesting) on December 15 in the second year following grant, subject to continued employment. Options granted in 2007 and prior years are generally scheduled to become exercisable on December 15 of the year of grant and are exercisable until the tenth anniversary of the date of grant, subject to continued employment. However, the Compensation Committee took action in 2007 to provide that options granted on or after January 1, 2008 will instead become exercisable with respect to one-third of the number of shares subject to the option on each of the first, second and third anniversaries of the grant date.

With respect to long-term compensation, the Vice President Human Resources prepares for the Compensation Committee an analysis of long-term compensation paid to similar officers of other comparable companies, including the companies in the peer group index included in the "Stock Performance Graph" as reported in TDS' annual report to shareholders, as well as other companies in the telecommunications industry and other industries, to the extent considered appropriate, based on similar company size and executive function, geography or otherwise. This information is presented to the committee, which approves the long-term compensation of the named executive officers based on such information. The committee also looks at the mix of salary, bonus and long-term incentive compensation.

Long-term compensation decisions for the named executive officers are made by the Compensation Committee in a manner similar to that described for annual base salary and bonus decisions, except that the stock options and restricted stock units will generally vest over several years, in order to reflect the goal of relating long-term compensation of the named executive officers to increases in shareholder value over the same period. The President and CEO may recommend to the Compensation Committee long-term compensation in the form of stock option and restricted stock grants, stock appreciation rights or otherwise for executive officers other than the President and CEO.

The performance of TDS is also a factor in determining the number of stock options and restricted stock units which will be awarded and become exercisable with respect to the executive officers. The named executive officer receives an award of options and restricted stock units in the current year based on the achievement of certain levels of corporate and individual performance in the immediately preceding year.

However, as with the annual salary and bonus, the executive officers do not become entitled to any options or restricted stock units as a result of the achievement of any corporate or individual performance levels. The award of options and restricted stock is entirely discretionary and the named executive officer has no right to any options or awards unless and until they are awarded. As a result, similar to the bonus, the awards with respect to 2006 performance were not earned by the named executive officers until they were approved and awarded in 2007. Accordingly, awards with respect to 2006 performance are included in the Summary Compensation Table below as compensation earned in 2007. All awards are granted in consideration for future service over the vesting period of the award.

The named executive officers received an award of restricted stock units in 2006 based on the achievement of certain levels of corporate and individual performance in 2005 and received an award of restricted stock units in 2007 based on the achievement of certain levels of corporate and individual performance in 2006. Column (e), "Stock Awards," of the Summary Compensation Table includes the dollar amount of expense recognized for financial statement reporting purposes in 2006 and 2007, respectively.

The named executive officers also received an award of options in 2006 based on the achievement of certain levels of corporate and individual performance in 2005 and received an award of options in 2007 based on the achievement of certain levels of corporate and individual performance in 2006. Column (f), "Option Awards," of the Summary Compensation Table includes the dollar amount of expense recognized for financial statement reporting purposes with respect to 2006 and 2007, respectively.

In general, stock option awards are comprised of two parts: (i) an automatic award and (ii) a performance award based on an assessment of the individual's performance for the prior year. The restricted stock unit awards are based on TDS or business unit performance. The percentages of the total target long-term incentive value are 20% for automatic stock options, 45% for performance stock options and 35% for restricted stock units. The total target long-term incentive value is determined primarily by multiplying the officer's salary by a multiple. The amount of this multiple is determined by the officer's title and job responsibilities and the benchmarking data from Towers Perrin. See "Benchmarking".

The value used for stock options and restricted stock units was determined by Towers Perrin using a binomial methodology based on the stock price for TDS Special Common Shares of $58.60 on June 12, 2007. The values calculated by Towers Perrin were $14.98 per TDS stock option and $50.70 per TDS restricted stock unit.

As an example, the following provides information on how the foregoing was used to calculate the options and restricted stock units for the CEO in 2007, and then describes how awards to other named executive officers were determined.

On July 2, 2007, the Compensation Committee awarded the President and CEO stock options to acquire 135,000 TDS Special Common Shares based on 2006 performance, and the President and CEO also received automatic stock options to acquire 44,653 TDS Special Common Shares. The TDS options granted on July 2, 2007 have an exercise price of $59.45 per share, which was the closing price of a TDS Special Common Share on July 2, 2007, became exercisable on December 15, 2007 and are exercisable until July 2, 2017.

On July 2, 2007, the Compensation Committee also awarded the President and CEO restricted stock units with respect to 20,873 TDS Special Common Shares based on 2006 performance. The TDS restricted stock units will become vested on December 15, 2009.

As noted above, the 2006 base salary of the CEO was $1,115,000. The multiple used for the CEO was 3.00. This multiple used by the Compensation Committee was based on the information from Towers Perrin for CEOs of the companies included in the benchmarking data. The 50th percentile of this multiple for CEOs of such companies was 4.0. The multiple used by the Compensation Committee was 75% of the 50th percentile. This reduction of the median by 25% is intended to be more conservative than the benchmarking data. This adjustment is a matter of judgment and discretion; there is no formal methodology used to determine the amount of this adjustment to the benchmarking data.

The total target long-term incentive value for the CEO using the above formula was $3,345,000, determined by multiplying $1,115,000 by 3.0.

Using this amount, the target allocation for each component of long-term compensation was determined by using the percentages identified above, as follows:

Grant Type	*Percentage of Target Value*	*Amount*
Automatic Stock Options	20%	$ 669,000
Performance Stock Options	45%	$ 1,505,250
Total Options	65%	$ 2,174,250
Restricted Stock Units	35%	$ 1,170,750
Total	100%	$ 3,345,000

Dividing the foregoing values by $14.98 per TDS stock option and $50.70 per TDS restricted stock unit results in the following calculation of the target options and restricted stock units. The following compares this target amount to the amounts granted by the Compensation Committee in 2007 to the CEO:

Grant Type	*Target Value*	*Target Grant*	*Actual Grant*
Automatic Stock Options	$ 669,000	44,653	44,653
Performance Stock Options	$ 1,505,250	100,470	135,000
Total Options	$ 2,174,250	145,123	179,653

Grant Type	*Target Value*	*Target Grant*	*Actual Grant*
Restricted Stock Units	$ 1,170,750	23,090	20,873
Total	$ 3,345,000	n/a	n/a

The amount of the automatic stock option is a function of the above formula. With respect to performance stock options, the Compensation Committee granted approximately 134% of the target of performance stock options based on its view that the CEO had exceeded his personal objectives, identified above. With respect to the restricted stock amounts, the actual grant is 90.4% of the target grant based on TDS' overall performance as discussed above.

The following options and restricted stock units with respect to TDS Special Common Shares were granted to the other named executive officers in 2007:

Name	*Number of Shares Underlying Stock Options*	*Number of Shares Underlying Restricted Stock Units*
Kenneth R. Meyers	52,942	8,423
Scott H. Williamson	56,998	6,406
LeRoy T. Carlson	36,116	5,621

The following summarizes the information described above for the CEO and provides comparable information with respect to option and restricted stock grants for the SVP-ACD and Chairman Emeritus in 2007.

		Formula	*CEO*	*SVP-ACD*	*Chairman Emeritus*
a	2006 Salary		$ 1,115,000	$ 495,000	$ 480,000
	50^{th} Percentile Multiple		4.00	2.80	2.55
b	Actual Multiple used 75% of 50^{th} Percentile Multiple		3.00	2.10	1.90
c	Long-Term Incentive Target Value	a × b	$ 3,345,000	$ 1,040,000	$ 912,000
d	Automatic Options Target and Granted	c × 20%/$14.98	44,653	13,877	12,175
e	Discretionary Options Target	c × 45%/$14.98	100,470	31,222	27,393
f	Individual Performance %		134%	138%	87%
g	Discretionary Options Granted	e × f	135,000	43,121	23,941
	Total Options Granted	d + g	179,653	56,998	36,116
h	Target RSUs	c × 35%/$50.70	23,090	7,176	6,295
i	Company/Business Unit Performance % (approximate actual percentage is between 89.3% and 90.4%)		90%	90%	90%
	RSUs Granted	h × i	20,873	6,406	5,621

The Individual Performance percentage in the above table is based on each officer's individual performance assessment. As noted above, the individual performance percentage for the CEO was approximately 134% based on the Compensation Committee's view that the CEO had exceeded expectations in 2006. Similarly, the Individual Performance percentage for the SVP-ACD was approximately 138% based on the CEO's evaluation to Compensation Committee's that the SVP-ACD had exceeded expectations in 2006. With respect to the Chairman Emeritus, the Individual Performance percentage was 87%. This percentage was reduced from 100% as a result of the reduced scope, responsibilities and authority of LeRoy T. Carlson in his capacity as Chairman Emeritus, rather than based on performance.

The Company/Business Unit Performance percentage represents the overall performance of TDS, as discussed under "Company Performance" above. As noted therein, the overall company performance for TDS was approximately 90.4%. Accordingly, each of the identified executive officers received approximately 90% of his target restricted stock units, although this varied between 89.3% and 90.4%.

With respect to awards granted to Kenneth R. Meyers, because Mr. Meyers was an officer of U.S. Cellular until January 1, 2007, the amount of his long-term incentive awards granted in 2007 with respect to 2006 performance was based on the value of the awards that he would have received from

U.S. Cellular. Mr. Meyers was granted options to purchase 52,942 TDS Special Common Shares and restricted stock units with respect to 8,423 TDS Special Common Shares, calculated as follows:

		Formula	CFO	
a	Estimated 3/1/07 Salary if Mr. Meyers had stayed with U.S. Cellular (reflecting estimated increase of 7%)		$	501,830
b	Multiple Based on Benchmarking Survey			2.53
c	Long-Term Incentive Target Value	a × b	$	1,269,630
d	Value of USM options that would have been granted if Mr. Meyers stayed at U.S. Cellular	c × 60%	$	761,778
e	Value of USM RSUs that would have been granted if Mr. Meyers stayed at U.S. Cellular	c × 40% × 90.25%	$	458,336
f	Total value	d + e	$	1,220,114
g	Value to be granted in TDS.S options	65% × f	$	793,074
h	Value to be granted in TDS.S RSUs	35% × f	$	427,040
i	Number of TDS.S options granted	g / $14.98		52,942
j	Number of TDS.S RSUs granted	h / $50.70		8,423

Mr. Meyers' long-term incentive target value award was $1,269,630 based on 2006 performance by U.S. Cellular. This represents the product of the estimated salary of Mr. Meyers on March 1, 2007 if he had stayed at U.S. Cellular and the benchmarking multiple for Mr. Meyers of 2.53 determined using the procedures described in the U.S. Cellular proxy statement. The U.S. Cellular stock option target is 60% of this amount, or $761,778, and the U.S. Cellular restricted stock target is 40% of this amount times 90.25%, or $458,336. The amount of 90.25% represents the adjusted performance of U.S. Cellular for 2006, prior to an adjustment to round this amount to 90.5%, as discussed above. The total of $761,778 and $458,336, or $1,220,114, represents the long-term incentive award value in U.S. Cellular Common Shares foregone by Mr. Meyers as a result of his employment by TDS in 2007. Accordingly, TDS granted to Mr. Meyers long-term incentive awards in TDS Special Common Shares having a value equal to this amount. However, this was allocated using the TDS percentages of 65% in stock options and 35% in restricted stock units. As a result, Mr. Meyers was awarded TDS stock options having a value of $793,074 and restricted stock units having a value of $427,040. The awards were determined by dividing such dollar amounts by the option and restricted stock unit values determined by Towers Perrin of $14.98 and $50.70, as discussed above.

Analysis of Compensation

The following table identifies the percentage of each element of total compensation of each of the named executive officers other than John E. Rooney based on the Summary Compensation Table for 2007:

	LeRoy T. Carlson, Jr.	Kenneth R. Meyers	Scott H. Williamson	LeRoy T. Carlson
Salary	20.8%	24.2%	27.6%	31.3%
Bonus	14.0%	12.2%	14.9%	13.1%
Stock Awards	22.5%	17.7%	14.7%	21.8%
Stock Options	41.4%	43.2%	39.3%	31.1%
Other	1.3%	2.7%	3.5%	2.7%
	100.0%	100.0%	100.0%	100.0%

The above percentages reflect the effects of SEC and accounting rules in computing total compensation, as discussed below.

TDS does not consider the technicalities of when and how accounting expense is recorded under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share Based Payments* (which we refer to as "FAS 123R") as relevant in its executive compensation decisions. Accordingly, the following table reconciles the compensation expense reported in the Summary Compensation Table using the

FAS 123R expense of the awards to the amount of compensation that would be reported using the grant date values of awards instead for 2007 for officers other than John E. Rooney.

	LeRoy T. Carlson, Jr.	Kenneth R. Meyers	Scott H. Williamson	LeRoy T. Carlson
Total per Summary Compensation Table	$ 5,729,925	$ 2,276,310	$ 1,913,904	$ 1,531,192
Less FAS 123R Expense for Stock Awards	(1,288,171)	(402,180)	(280,428)	(334,168)
Less FAS 123R Expense for Options	(2,371,853)	(982,923)	(752,511)	(476,818)
Total FAS 123R Expense for all Awards	(3,660,024)	(1,385,103)	(1,032,939)	(810,986)
Add Grant Date Value of Awards from Grants of Plan-Based Awards Table	3,642,753	1,217,013	1,133,348	868,986
Total Compensation using Grant Date Values	$ 5,712,654	$ 2,108,220	$ 2,014,313	$ 1,589,192

As indicated above, if compensation is instead calculated using the grant date value of awards, rather than the FAS 123R expense of awards, LeRoy T. Carlson, Jr.'s total compensation would have been $5,712,654 and the total compensation for the other named executive officers would have ranged from a high of $2,108,220 to a low of $1,589,192. Using this approach, Mr. Carlson's total compensation is approximately 2.7 times the total compensation of the next highest compensated named executive officer, other than John E. Rooney. When compared to the Total Compensation using Grant Date Values of John E. Rooney of $3,926,987, as disclosed in the U.S. Cellular proxy statement, Mr. Carlson's total compensation is approximately 1.5 times the total compensation of the next highest compensated named executive officer.

This disparity between the compensation of the President and the other named executive officers, and the disparities in compensation among the other named executive officers, can be explained by differences in TDS' policies or decision-making regarding executive compensation. As noted herein, TDS' overall compensation objectives are to (i) support TDS' overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of TDS. Also as noted herein, TDS determines the amount of compensation to pay or provide to each named executive officer considering compensation practices of peers and other companies with similar characteristics, in order to support TDS' overall business strategy and objectives. As noted herein, TDS recognizes that it must compensate its executive officers in a competitive manner comparable to other similar companies in order to attract and retain high quality management, attain business objectives and financial performance and increase shareholder value. Considering the foregoing, TDS recognizes that it needs to and believes that it should compensate the President and CEO at a level that considers the compensation of presidents and CEOs of similar companies, which compensation is higher than the compensation of other named executive officers of such companies. TDS believes that this is necessary to attract and retain a highly qualified person to serve as President and CEO and to compete successfully against other companies. A level of compensation similar to that paid to the President and CEO is not necessary to attract and retain and is not appropriate for the other named executive officers. However, TDS recognizes that it needs to and believes that it should compensate the other named executive officers at levels that reflect the compensation of similarly situated positions at similar companies in order to attract and retain high quality persons for such positions at TDS. In addition, other factors have an impact on the amount of compensation of each particular officer, as discussed in detail above. For instance, an officer who exceeds expectations would generally have a higher relative level of compensation for his particular function than an officer that did not exceed expectations, all other things being equal. Further discussion of the basis for compensation levels of the individual officers based on TDS' performance, the executive's contribution to such performance, and the executive's individual performance is set forth elsewhere in this Compensation Discussion and Analysis.

The Compensation Committee believes that the elements of compensation and total compensation of the above named executive officers of TDS were set at an appropriate level considering the foregoing principles.

John E. Rooney's annual compensation is approved by LeRoy T. Carlson, Jr., the Chairman of U.S. Cellular, and long-term compensation for John E. Rooney is approved by the stock option compensation committee of U.S. Cellular, as described in the 2008 proxy statement of U.S. Cellular.

Other Benefits and Plans Available to Identified Officers

The identified officers participate in certain benefits and plans, as described below.

As noted herein, TDS' overall compensation objectives for executive officers of TDS are to (i) support TDS' overall business strategy and objectives; (ii) attract and retain high quality management; (iii) link individual compensation with attainment of individual performance goals and with attainment of business unit and TDS objectives; and (iv) provide competitive compensation opportunities consistent with the financial performance of TDS.

To achieve these objectives, the Compensation Committee believes that the named executive officers must be offered a competitive compensation package, including benefits and plans. TDS' compensation packages are designed to compete with other companies for talented employees. TDS' benefits and plans are part of this package and are also designed to enable TDS to attract and retain eligible employees, including the named executive officers. Thus, the benefits and plans fit into TDS' overall compensation objectives primarily by helping TDS achieve the second objective of TDS' overall compensation objectives, which is to attract and retain high quality management. Benefits and plans are an important part of the mix of compensation used to attract and retain management, but do not otherwise significantly affect decisions relating to other elements of annual or long-term compensation, which are provided consistent with the above compensation objectives, including to support TDS' overall business strategy and objectives, link individual compensation with TDS goals and objectives and provide competitive compensation opportunities consistent with the financial performance of TDS, as well as attract and retain high quality management.

Deferred Salary and Bonus

Deferred Salary. The identified officers are permitted to defer salary pursuant to deferred salary compensation agreements. The entire amount of the salary earned is reported in the Summary Compensation Table in column (c) under "Salary," whether or not deferred. Pursuant to the agreement, the officer's deferred compensation account is credited with interest compounded monthly, computed at a rate equal to one-twelfth of the sum of the average thirty-year Treasury Bond rate for salary deferred as an employee of TDS, or the twenty-year Treasury Bond rate for salary deferred as an employee of U.S. Cellular, plus 1.25 percentage points, until the deferred compensation amount is paid to such person. As required by SEC rules, column (h) in the Summary Compensation Table includes any portion of such interest that exceeded 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time each monthly interest rate is set. The named executive officers make an election as to when to receive a distribution of the deferred compensation account.

Mr. Meyers and Mr. Rooney are parties to executive deferred compensation agreements, pursuant to which they have deferred a specified portion of their salaries. The executive is always 100% vested in all salary amounts that have been deferred and any interest credited with respect thereto. Accordingly, the executive is entitled to 100% of the amount deferred and all earnings thereon upon any termination. Such amounts are reported below in the Nonqualified Deferred Compensation table and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

Deferred Bonus. The identified officers are also permitted to defer bonus pursuant to deferred bonus compensation agreements under the applicable long-term incentive plan. The entire amount of the bonus earned is reported in the Summary Compensation Table in column (d) under "Bonus," whether or not deferred. Deferred bonus will be deemed invested in phantom TDS Special Common Shares under the TDS 2004 Long-Term Incentive Plan and in phantom USM Common Shares under the U.S. Cellular 2005 Long-Term Incentive Plan, as discussed below. The named executive officers make an election as to when to receive a distribution of the deferred compensation account.

LeRoy T. Carlson, Jr., Kenneth R. Meyers, John E. Rooney and LeRoy T. Carlson are parties to executive deferred compensation agreements, pursuant to which they have deferred a specified portion of their bonuses. The executive is always 100% vested in all bonus amounts that have been deferred and any dividends credited with respect thereto. Such amounts are reported above in the Nonqualified Deferred Compensation table and, because there would not be any increased benefit or accelerated vesting in the event of any termination or change in control, are not included in the below table of Potential Payments upon Termination or Change in Control.

TDS 2004 Long-Term Incentive Plan

Long-term compensation awards under the TDS 2004 Long-Term Incentive Plan were discussed above in this Compensation Discussion and Analysis. The following provides certain additional information relating to deferred bonus, restricted stock units and stock options.

Under the TDS 2004 Long-Term Incentive Plan, executives may elect to defer receipt of all or a portion of their annual bonuses and to receive stock unit matches on the amount deferred up to $400,000. Deferred compensation will be deemed invested in phantom TDS Special Common Shares. TDS match amounts will depend on the amount of annual bonus that is deferred into stock units. Participants receive (i) a 25% stock unit match for amounts deferred up to 50% of their total annual bonus and (ii) a 33% match for amounts that exceed 50% of their total annual bonus. The matched stock units vest ratably at a rate of one-third per year over three years. Column (e), "Stock Awards," of the above Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R. Vested stock units are credited with dividends. The Summary Compensation Table does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, since they are not earned at a rate higher than dividends on TDS's common stock.

Restricted stock units may be granted under the TDS 2004 Long-Term Incentive Plan. Column (e), "Stock Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. Dividends are not distributed with respect to shares underlying restricted stock units until vested.

Stock options may be granted under the TDS 2004 Long-Term Incentive Plan. Column (f), "Option Awards," of the Summary Compensation Table includes the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. Dividends are not distributed with respect to shares underlying options unless and until such options are exercised and the shares are issued.

The TDS 2004 Long-Term Incentive Plan and related stock option and restricted stock unit award agreements provide various rights upon termination and/or change in control, as summarized below.

Stock Options. The TDS option agreements with named executive officers provide as follows:

Disability. If the officer ceases to be employed by reason of Disability (a total physical disability which prevents the substantial performance of employment duties for a continuous period of at least six months), the option will be exercisable only to the extent it is exercisable on the effective date of the officer's termination of employment or service, and after such date may be exercised by the option holder for a period of 12 months after the effective date of the holder's termination of employment or service or until the expiration date of the option, whichever period is shorter.

Retirement. If the holder ceases to be employed by reason of Retirement (termination of employment on or after the holder's attainment of age 65 that does not satisfy the definition of "Special Retirement"), the option will be exercisable only to the extent it is exercisable on the effective date of the holder's Retirement, and after such date may be exercised by the holder for a period of 90 days after the effective date of the Retirement or until the option's expiration date, whichever period is shorter. However, effective for options granted in 2008, acceleration of vesting will occur if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

Special Retirement. If the officer ceases to be employed by reason of Special Retirement, (termination of employment on or after the later of reaching age 62 and the officer's early retirement date or normal retirement date under the TDS Pension Plan), the option will be exercisable only to the extent it is exercisable on the effective date of the Special Retirement, and after such date may be exercised by the holder for a period of 12 months after the effective date of the Special Retirement or until the option's expiration date, whichever period is shorter. However, effective for options granted in 2008, acceleration of vesting will occur if at the time of termination, the officer has attained age 66 and the termination occurs subsequent to the year of grant.

Resignation with Prior Consent of the Board. If the officer ceases to be employed by reason of the officer's resignation of employment or service at any age with the prior consent of the board of directors of TDS, the option will be exercisable only to the extent it is exercisable on the effective date of the holder's resignation, and after such date may be exercised by the holder (or the holder's legal representative) for a period of 90 days after such effective date or until the option's expiration date, whichever period is shorter.

Death. If the officer ceases to be employed by reason of death, the option will be exercisable only to the extent it is exercisable on the date of death, and after the date of death may be exercised by the beneficiary or beneficiaries duly designated by the deceased officer, for a period of 180 days after the date of death or until the option's expiration date, whichever period is shorter. However, effective for awards granted in 2008, the option will be exercisable by the beneficiary or beneficiaries for a period of 180 days after the date of death.

Other Termination of Employment or Service. If the officer ceases to be employed for any reason other than Disability, Special Retirement, Retirement, resignation of employment or service with the prior consent of the board of directors of TDS or death, the option will be exercisable only to the extent it is exercisable on the effective date of the holder's termination of employment or service, and after such date may be exercised by the holder (or the holder's legal representative) for a period of 30 days after the effective date of the holder's termination of employment or until the option's expiration date, whichever period is shorter.

Extension of Option Exercise Period. The option exercise period may be extended 30 days beyond the end of a blackout period or legally-required plan suspension in the event that the option would otherwise expire during a blackout period or legally-required plan suspension.

Restricted Stock Unit Awards. The TDS restricted stock unit agreements with named executive officers provide as follows:

Disability or Death. If the officer's employment terminates prior to vesting by reason of Disability or death, the restricted stock unit will vest upon such termination of employment or service.

Retirement at or after Attainment of Age 66. If the officer's employment terminates after the calendar year in which the restricted stock unit was granted but prior to vesting, by reason of retirement at or after attainment of age 66, the restricted stock unit will vest upon such termination of employment or service ("qualified retirement"). If the officer's employment terminates during the calendar year in which the restricted stock unit was granted or by reason of retirement prior to the attainment of age 66, the restricted stock unit will be forfeited.

Other Termination of Employment or Service. If the officer's employment terminates prior to vesting for any reason other than Disability, death or retirement at or after attainment of age 66, the restricted stock unit will be forfeited.

Employer Match Awards. If the officer's employment with TDS or its affiliates terminates by reason of Disability or death, all employer match awards credited to the officer's deferred compensation account shall become nonforfeitable upon such termination of employment to the extent such awards had not been forfeited previously. If the officer's employment with TDS or its affiliates terminates for any other reason, any unvested employer match awards will be forfeited. In addition, all match awards will become fully vested upon a Change in Control.

Forfeiture of Award Upon Competition with or Misappropriation of Confidential Information of TDS or its Affiliates. If a recipient of an award enters into competition with, or misappropriates confidential information of, TDS or any affiliate thereof, then all awards granted to the recipient shall terminate and be forfeited.

Change in Control.

Notwithstanding any provision in the TDS 2004 Long-Term Incentive Plan or any agreement, in the event of a Change in Control:

- any restriction period applicable to any outstanding restricted stock award or RSU award shall lapse;
- any performance period applicable to any outstanding performance share award shall lapse;
- any performance measures applicable to any outstanding performance share award or to any outstanding restricted stock award or RSU award shall be deemed to be satisfied at the target level;
- all outstanding options and SARs shall become immediately exercisable in full; and
- all amounts in a deferred compensation account shall become nonforfeitable.

For the definition of Change in Control, see TDS' 2004 Long-Term Incentive Plan, as filed with the SEC as Exhibit 10.1 to TDS' Current Report on Form 8-K dated April 11, 2005.

Because certain termination events and/or a Change in Control would result in the acceleration of vesting of options, restricted stock units and bonus match units, the effects of such accelerated vesting in such event are included in the below table of Potential Payments upon Termination or Change in Control.

U.S. Cellular 2005 Long-Term Incentive Plan

Provisions similar to the foregoing are also included in the U.S. Cellular 2005 Long-Term Incentive Plan which is applicable to John E. Rooney. For further information, see the U.S. Cellular proxy statement for its 2008 annual meeting of shareholders. However, all of John E. Rooney's awards granted prior to 2008 other than bonus match awards have vested pursuant to an agreement with U.S. Cellular. See footnote (2) to the below Table of Potential Payments upon Termination or Change in Control.

Because certain termination events and/or a change in control would result in the acceleration of vesting of Mr. Rooney's U.S. Cellular bonus match units, such accelerated vesting in such event is included in the below table of Potential Payments upon Termination or Change in Control. The vesting of his bonus match units will be accelerated in the event of a qualified disability, qualified retirement or death and may be accelerated by the U.S. Cellular board of directors in the event of a Change in Control as defined by the U.S. Cellular 2005 Long-Term Incentive Plan.

SERP

Each of the identified officers participates in a supplemental executive retirement plan or SERP, which is a non-qualified defined contribution plan. The SERP does not provide substantial benefits and is intended to replace the benefits which cannot be provided under the TDS Pension Plan as a result of tax law limitations on the amount and types of annual employee compensation which can be taken into account under a tax qualified pension plan. The SERP is unfunded. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All

Other Compensation," of the Summary Compensation Table. Participants are credited with interest on balances of the SERP. Pursuant to SEC rules, column (h) of the Summary Compensation Table includes any portion of interest earned under the SERP to the extent the rate exceeds 120% of the applicable federal long-term rate, with compounding (as prescribed under section 1274(d) of the Internal Revenue Code), at the time the rate is set.

A participant is entitled to distribution of his entire account balance under the SERP if the participant's employment is terminated, without cause, after either (a) his or her attainment of age 65; or (b) his or her completion of at least ten years of service. If a participant terminates employment under circumstances other than those set forth in the preceding sentence, without cause, the participant will be entitled to distribution of 10% of his or her account balance for each year of service up to ten years. Upon termination under circumstances that permit payments under the SERP, the participant may elect to take payments in (a) a single lump sum or (b) annual installments over a period of years. The SERP does not include any provision that would increase benefits or accelerate amounts upon any termination or change in control and, accordingly, no amount is included in the below table of Potential Payments upon Termination or Change in Control. The balance of the SERP as of December 31, 2007 for each named executive officer is set forth below in the "Nonqualified Deferred Compensation" Table.

Perquisites

TDS does not provide any significant perquisites to its officers. In addition, TDS has no formal plan, policy or procedure relating to providing perquisites to any executive officers following termination or change in control. However, in connection with any termination, TDS may enter into a retirement, severance or similar agreement that may provide for certain limited perquisites. Perquisites and personal benefits represent a relatively insignificant portion of the named executive officers' total compensation. Accordingly, they do not materially influence the Compensation Committee's consideration in setting compensation.

Other Generally Applicable Benefits and Plans

Employee Stock Purchase Plans

TDS sponsors an Employee Stock Purchase Plan that permits eligible employees of TDS and its subsidiaries, including U.S. Cellular, to purchase a limited number of TDS Special Common Shares on a quarterly basis. The per share cost to each participant is at 85% of the market value of the Special Common Shares as of the issuance date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of TDS.

U.S. Cellular also sponsors an Employee Stock Purchase Plan that permits eligible employees of U.S. Cellular and its subsidiaries to purchase a limited number of U.S. Cellular Common Shares on a quarterly basis. The per share cost to each participant is at 85% of the market value of the Common Shares as of the issuance date. Pursuant to SEC rules, the Summary Compensation Table does not include the discount amount because such discount is available generally to all salaried employees of U.S. Cellular.

Under the TDS and U.S. Cellular Employee Stock Purchase Plans, all shares purchased are distributed quarterly and no shares are retained for distribution upon retirement or otherwise. These plans do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all employees of TDS or U.S. Cellular, as applicable, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

Tax-Deferred Savings Plan

TDS sponsors the Tax-Deferred Savings Plan (TDSP), a qualified defined contribution plan pursuant to Sections 401(a) and 401(k) of the Internal Revenue Code. This plan is available to employees of TDS and its subsidiaries, including U.S. Cellular. Employees contribute amounts and TDS makes matching contributions in part. TDS and participating employers make matching contributions to the plan in cash equal to 100% of an employee's contributions up to the first 3% and 40% of an employee's contributions up to the next 2% of such employee's compensation. Participating employees have the option of investing their contributions and TDS's contributions in a TDS Common Share fund, a TDS Special Common Share fund, a U.S. Cellular Common Share fund or certain unaffiliated funds. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Tax-Deferred Savings Plan, vesting is not accelerated upon a Change in Control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) a lump sum or (b) a series of annual or more frequent installments. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

Pension Plan

TDS sponsors a qualified noncontributory defined contribution Pension Plan for the employees of TDS and its subsidiaries, including U.S. Cellular. Under this plan, pension costs are calculated separately for each participant and are funded currently. The Pension Plan is designed to provide retirement benefits for eligible employees of TDS and certain of its affiliates which adopted the Pension Plan. TDS and its subsidiaries make annual employer contributions for each participant. The amount of the contribution with respect to the executives identified in the Summary Compensation Table is included in column (i), "All Other Compensation," of the Summary Compensation Table. SEC rules do not require the Summary Compensation Table to include earnings or other amounts with respect to tax-qualified defined contribution plans.

Under the TDS Pension Plan, vesting is not accelerated upon a Change in Control or other termination event. The vested portion of an employee's account becomes payable following the employee's termination of employment as (a) an annuity or (b) a lump sum payment. This plan does not discriminate in scope, terms, or operation in favor of executive officers and is available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

Post-Retirement Benefits

TDS sponsors two post-retirement plans that cover most of the employees of TDS, TDS Telecom and the subsidiaries of TDS Telecom. One plan provides medical benefits and the other provides life insurance benefits. These plans do not discriminate in scope, terms, or operation in favor of executive officers and are available generally to all salaried employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

Health and Welfare Benefits

TDS also provides customary health and welfare and similar plans for the benefit of its employees. These group life, health, hospitalization, disability and/or medical reimbursement plans do not discriminate in scope, terms or operation, in favor of executive officers or directors of TDS and are available generally to all employees, and benefits are not enhanced upon any termination or change in control. Accordingly, no amounts are reported in the below table of Potential Payments upon Termination or Change in Control.

Impact of Accounting and Tax Treatments of Particular Forms of Compensation

The Compensation Committee considers the accounting and tax treatments of particular forms of compensation. Accounting treatments do not significantly impact the Compensation Committee's determinations of the appropriate compensation. The Compensation Committee considers the accounting treatments primarily to be informed and to confirm that company personnel understand and recognize the appropriate accounting that will be required with respect to compensation decisions.

The Compensation Committee places more significance on the tax treatments of particular forms of compensation, because these may involve an actual cash expense to the company or the executive. One objective of the Compensation Committee is to maximize tax benefits to the company and executives to the extent feasible within the overall goals of the compensation policy discussed above. In particular, one consideration is the effect of Section 162(m) of the Internal Revenue Code.

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

TDS does not have any arrangements with its executive officers pursuant to which it has agreed to "gross-up" payments due to taxes or to otherwise reimburse officers for the payment of taxes, except with respect to certain perquisites as noted below.

Financial Restatement

Depending on the facts and circumstances, TDS may seek to adjust or recover awards or payments if the relevant TDS performance measures upon which they are based are restated or otherwise adjusted in a manner that would reduce the size of an award or payment. In 2005, 2006 and 2007, TDS announced the restatement of financial statements and financial information for certain prior periods. This resulted in TDS being late in certain SEC filings. The company has not identified any facts that would suggest that the restatements involved any fraud, misrepresentation, misconduct or improprieties. The restatements related to unintentional misapplication of technical accounting rules or errors in calculations or posting of entries. The restatements had little effect on operating metrics and little effect on financial measures that are the primary measures that were used to determine the level of bonuses. In particular, the most significant areas of adjustment in the restatements were income tax accounting, derivative accounting and step acquisition accounting, which have no relationship to metrics or measures used to determine bonuses. Accordingly, there was no adjustment of prior year bonuses due to the restatements. The restatements were considered in approving compensation elements in 2006 and 2007 for certain officers responsible for accounting matters.

TDS Policy on Stock Ownership

TDS does not have a formal policy relating to stock ownership by executive officers. However, it should be noted that the President and CEO of TDS is a substantial shareholder of TDS. See "Security Ownership of Certain Beneficial Owners and Management" below. TDS' Policy Regarding Insider Trading and Confidentiality provides that persons subject to the blackout policy may not, under any circumstances, trade options for, pledge, or sell "short," any securities of TDS or U.S. Cellular, and may not enter into any hedging, monetization or margin transactions with respect to any such securities.

Compensation Consultant

Information relating to TDS' compensation consultants is discussed above under "Corporate Governance Compensation Committee."

Compensation Committee Report

The Compensation Committee of the board of directors of TDS oversees TDS' compensation program on behalf of the board of directors. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth above in this proxy statement.

In reliance on the review and discussions referred to above, the Compensation Committee recommended to the board of directors that the above Compensation Discussion and Analysis be included in TDS' Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and TDS' proxy statement related to the 2008 Annual Meeting of Stockholders.

This Compensation Committee Report is submitted by Christopher D. O'Leary, Gregory P. Josefowicz, George W. Off and Herbert S. Wander.

Summary of Compensation

The following table summarizes the compensation paid by TDS in 2007 and, except as indicated, 2006, to the identified officers.

Summary Compensation Table

Name and Principal Position (a)	*Year (b)*	*Salary ($) (c)*	*Bonus ($) (d)*	*Stock Awards ($) (e)*	*Option Awards ($) (f)*	*Non-Equity Incentive Plan ($) (g)*	*Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)*	*All Other Compensation ($) (i)*	*Total ($) (j)*
LeRoy T. Carlson, Jr. (1)(6) President and Chief Executive Officer	2007	$ 1,193,000	$ 800,000	$ 1,288,171	$ 2,371,853		$ 159	$ 76,742	$ 5,729,925
	2006	$ 1,115,000	$ 550,000	$ 603,076	$ 2,952,571			$ 72,472	$ 5,293,119
Kenneth R. Meyers (2)(6) Executive Vice President and Chief Financial Officer in 2007	2007	$ 550,000	$ 276,860	$ 402,180	$ 982,923		$ 352	$ 63,995	$ 2,276,310
John E. Rooney (3) President and Chief Executive Officer of U.S. Cellular	2007	$ 790,000	$ 525,000	$ 508,779	$ 2,013,137		$ 3,655	$ 70,858	$ 3,911,429
	2006	$ 734,084	$ 300,000	$ 1,185,929	$ 3,158,606		$ 3,335	$ 51,921	$ 5,433,875
Scott H. Williamson (4)(6) Senior Vice President Acquisitions and Corporate Development	2007	$ 529,000	$ 285,000	$ 280,428	$ 752,511		$ 141	$ 66,824	$ 1,913,904
LeRoy T. Carlson (5)(6) Chairman Emeritus	2007	$ 480,000	$ 200,000	$ 334,168	$ 476,818		$ 184	$ 40,022	$ 1,531,192
	2006	$ 480,000	$ 200,000	$ 632,874	$ 672,427			$ 36,051	$ 2,021,352

Explanation of Columns:

(a)

Includes the following "named executive officers": all individuals serving as TDS' principal executive officer or acting in a similar capacity during the last completed fiscal year; all individuals serving as the principal financial officer or acting in a similar capacity during the last completed fiscal year; and the three most highly compensated executive officers other than the foregoing who were serving as executive officers at the end of the last completed fiscal year, including executive officers of subsidiaries. The determination as to which executive officers are most highly compensated is made by reference to total compensation for the last completed fiscal year as set forth in column (j), reduced by any amount in column (h).

(b)

Although three years of compensation are required to be reported, pursuant to transition rules, the amounts for 2005 are not reported. For additional details relating to 2006, see the TDS proxy statement filed with the SEC on Schedule 14A on June 26, 2007. Amounts for 2006 are not required to be reported for Kenneth R. Meyers or Scott H. Williamson because they were not named executive officers in 2006.

(c)

Represents the dollar value of base salary (cash and non-cash) earned by the named executive officer during the fiscal year, whether or not paid in such year. Kenneth R. Meyers deferred 9% of his 2007 base salary and John E. Rooney deferred 20% of his 2007 base salary, all of which salary is included in column (c) whether or not deferred. See "Information Regarding Nonqualified Deferred Compensation" below. The other officers did not defer any salary in 2007.

(d)

Represents the dollar value of bonus (cash and non-cash) earned by the named executive officer during the fiscal year, whether or not paid in such year. Officers do not become entitled to any amount of bonus solely as a result of achievement of any performance measures. The officers are not entitled to any amount of bonus unless and only to the extent awarded and paid. The performance of the company is one category of the factors used to determine the amount of the bonus, all of which is discretionary. The entire amount of the bonus is not earned until awarded. Accordingly, the amounts paid and earned in 2007 include the bonus based on 2006 performance that was paid in 2007. LeRoy T. Carlson, Jr., deferred 15% of his 2006 bonus (earned and paid in 2007). Kenneth R. Meyers deferred 25% of his 2006 bonus (earned and paid in 2007). John E. Rooney deferred 100% of his 2006 bonus (earned and paid in 2007). LeRoy T. Carlson deferred 100% of his 2006 bonus (earned and paid in 2007). The amount deferred is deemed invested in phantom stock bonus units in TDS Special Common Shares for TDS officers or in USM Common Shares for U.S. Cellular officers. See "Grants of Plan-Based Awards" below. The entire amount of bonus earned in 2007, including any amount deferred, is included above in column (d). See "Information Regarding Nonqualified Deferred Compensation" below.

The following is a summary of the amount of bonus earned in 2007 and the amount deferred included above:

	LeRoy T. Carlson, Jr.	*Kenneth R. Meyers*	*John E. Rooney*	*Scott H. Williamson*	*LeRoy T. Carlson*
Total Bonus Earned in 2007	$ 800,000	$ 276,860	$ 525,000	$ 285,000	$ 200,000
Percentage Deferred	15%	25%	100%		100%
Amount Deferred	$ 120,000	$ 69,215	$ 525,000	$	$ 200,000
Company Match see Note (e)	$ 30,000	$ 17,304	$ 153,143	$	$ 58,000

For disclosure purposes, the amount of bonus paid in 2008 as of the date of this document with respect to 2007 performance is as follows:

	LeRoy T. Carlson, Jr.	*Kenneth R. Meyers*	*John E. Rooney*	*Scott H. Williamson*	*LeRoy T. Carlson*
Bonus for 2007 Paid in 2008	$ 950,000	$ 356,000	$ 675,000	$ 277,000	$ 202,600

The amount of the Bonus with respect to 2007 performance paid in 2008 is only provided for disclosure purposes. These amounts were not earned until paid in 2008 and will be reported in next year's Summary Compensation Table with respect to 2008.

(e)

Represents the dollar amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with FAS 123R, disregarding the estimate of forfeitures related to service-based vesting conditions. The vesting period of the awards is set forth under "Grants of Plan-Based Awards" below. Assumptions made in the valuation of the stock awards in this column are incorporated by reference from Note 22 Stock Based Compensation, in TDS' financial statements for the year ended December 31, 2007 included in its Form 10-K for the year ended December 31, 2007. All TDS stock awards are valued based on grant date fair value using an annual forfeiture rate (the percentage of stock awards granted that are assumed will be forfeited) of 0%. The annual forfeiture rate used in the calculation of the FAS 123R expense was 2.65% in 2007 and 0% in 2006. There were no forfeitures of stock awards in 2007 or 2006 for the identified officers.

Except with respect to Mr. Rooney and in part with respect to Mr. Meyers, includes amount of FAS 123R expense relating to restricted stock units in TDS Special Common Shares under the TDS 2004 Long-Term Incentive Plan. The entire amount with respect to Mr. Rooney and part of the amount with respect to Mr. Meyers includes the amount of FAS 123R expense relating to restricted stock units in USM Common Shares under the U.S. Cellular 2005 Long-Term Incentive Plan. See "Information Regarding Plan Based Awards" below for vesting and other information.

Also includes FAS 123R expense relating to phantom stock bonus match units credited to such officer with respect to deferred bonus compensation. Deferred bonus is deemed invested in phantom TDS Special Common Shares except for the deferred bonus of Mr. Rooney and Mr. Meyers'. The TDS phantom stock units are credited with dividend equivalents. The Summary Compensation Table does not include any dividends (or dividend equivalents) on deferred bonus denominated in phantom TDS stock because such dividends are not preferential under SEC rules, because they are not earned at a rate higher than dividends on TDS' common stock. All bonus amounts deferred by Mr. Rooney and the bonus amount deferred by Mr. Meyers are deemed invested in phantom USM Common Shares. U.S. Cellular does not currently pay dividends. For information relating to U.S. Cellular, see U.S. Cellular's proxy statement for its 2008 annual meeting.

LeRoy T. Carlson, Jr. deferred 15% of his 2006 bonus (earned and paid in 2007) and, accordingly, received a stock unit match in phantom TDS Special Common Shares in 2007. As a result, he received a matching stock grant having a grant date value of $30,000. Kenneth R. Meyers deferred 25% of his 2006 bonus, which was paid in 2007. Accordingly, Mr. Meyers received a stock bonus match in phantom USM Common Shares with respect to such deferred bonus in 2007. As a result, he received a matching U.S. Cellular stock grant having a grant date value of $17,304. John E. Rooney deferred 100% of his 2006 bonus, which was paid in 2007. Accordingly, Mr. Rooney received a stock bonus match in phantom USM Common Shares with respect to such deferred bonus in 2007. As a result, he received a matching U .S. Cellular stock grant having a grant date value of $153,143. LeRoy T. Carlson deferred 100% of his 2006 bonus (earned and paid in 2007) and, accordingly, received a stock unit match in phantom TDS Special Common Shares in 2007. As a result, he received a matching stock grant having a grant date value of $58,000. Column (e) above includes the amount of any FAS 123R expense recognized in 2007. See "Information Regarding Nonqualified Deferred Compensation" below.

The following is a summary of the amount of FAS 123R expense related to stock awards reflected in column (e) above with respect to 2007:

	LeRoy T. Carlson, Jr.	*Kenneth R. Meyers*	*John E. Rooney*	*Scott H. Williamson*	*LeRoy T. Carlson*
2005 TDS/TDS.S Tandem Restricted Stock Units	$ 529,507	$	$	$ 116,539	$
2006 TDS.S Restricted Stock Units	505,786			86,280	
2007 TDS.S Restricted Stock Units	252,878	102,045		77,609	334,168
2004 USM Restricted Stock Units		20,794			
2005 USM Restricted Stock Units		210,993			
2006 USM Restricted Stock Units		62,580			
2007 USM Restricted Stock Units			371,194		
Amount of restricted stock unit expense in 2007	$ 1,288,171	$ 396,412	$ 371,194	$ 280,428	$ 334,168
Amount of bonus match expense in 2007					
TDS					
USM		5,768	137,585		