TELEPHONE & DATA SYSTEMS INC /DE/
Form ARS
April 15, 2008

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TELEPHONE AND DATA SYSTEMS, INC.
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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.
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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