

TELEPHONE & DATA SYSTEMS INC /DE/
Form PRE 14A
February 27, 2004

QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

TELEPHONE AND DATA SYSTEMS, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

PRELIMINARY COPY

TELEPHONE AND DATA SYSTEMS, INC.

30 North LaSalle Street
Suite 4000
Chicago, Illinois 60602
Phone: (312) 630-1900
Fax: (312) 630-1908

April , 2004

Dear Shareholders:

You are cordially invited to attend our 2004 annual meeting of shareholders on Thursday, May 6, 2004, at 10:00 a.m., Chicago time, at Northern Trust Bank, 50 South LaSalle Street, Chicago, Illinois, in the Assembly Room on the 6th floor. At the meeting, we will report on the plans and accomplishments of Telephone and Data Systems, Inc. ("TDS").

The formal notice of the meeting, our board of directors' proxy statement and our 2003 annual report are enclosed. At our 2004 annual meeting, shareholders are being asked to take the following actions:

1. consider and approve an amendment to TDS's Restated Certificate of Incorporation to declassify the board of directors so that all directors are elected annually;
2. elect members of the board of directors;
3. consider and approve TDS's 2004 Long-Term Incentive Plan; and
4. ratify the selection of independent auditors for the current fiscal year.

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

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

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, please sign and return the enclosed proxy card(s), whether or not you plan to attend the meeting or vote on the Internet or by telephone in accordance with the instructions set forth on the proxy card.

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

Very truly yours,

Walter C.D. Carlson
Chairman of the Board

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

Please help us avoid the expense of follow-up proxy mailings to shareholders by signing and returning the enclosed proxy card(s) promptly or vote on the Internet or by telephone in accordance with the instructions set forth on the proxy card.

PRELIMINARY COPY NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT

TO THE SHAREHOLDERS OF

TELEPHONE AND DATA SYSTEMS, INC.

The 2004 annual meeting of shareholders of Telephone and Data Systems, Inc., a Delaware corporation, will be held at Northern Trust Bank, 50 South LaSalle Street, Chicago, Illinois, in the Assembly Room on the 6th Floor on Thursday, May 6, 2004, at 10:00 a.m., Chicago time, for the following purposes:

1. To consider and approve an amendment to TDS's Restated Certificate of Incorporation, as amended ("Restated Certificate of Incorporation"), to declassify the board of directors so that all directors are elected annually (the "Declassification Amendment"). Your board of directors recommends that you vote **FOR** this proposal.
2. To elect members of the board of directors. As discussed below, either four directors (the "Regular Election") or twelve directors (the "Alternate Election") will be elected, depending on the outcome of Proposal 1. Your board of directors recommends that you vote **FOR** the directors nominated.
3. To consider and approve the 2004 Long-Term Incentive Plan. Your board of directors recommends that you vote **FOR** this proposal.
4. To consider and vote upon a proposal to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for the year ended December 31, 2004. Your board of directors recommends that you vote **FOR** this proposal.
5. 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 [], 2004.

We have fixed the close of business on March 24, 2004, as the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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

SUMMARY

The following is a summary of the actions being taken at the 2004 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 Declassification Amendment

Currently, under TDS's Restated Certificate of Incorporation, our board of directors is divided into three classes and, each year, one class is elected to serve for a term of three years. The Declassification Amendment would amend the Restated Certificate of Incorporation to eliminate the classification of directors so that each director would stand for election annually beginning with the 2004 annual meeting.

Proposal 2 Election of Directors

Under the current Restated Certificate of Incorporation, four Class II directors are scheduled to be elected at the 2004 annual meeting for a term of three years (the "Regular Election"). However, Proposal 1 will be considered before the election of directors at the 2004 annual meeting. If Proposal 1 is approved, a Certificate of Amendment to the Restated Certificate of Incorporation will be filed with the Delaware Secretary of State immediately after such approval. In such event, the Regular Election will not be held. Instead, following effectiveness of the Declassification Amendment, eleven of the current members of the board of directors and one additional nominee will stand for election for a term of one year (the "Alternate Election"). If Proposal 1 is not approved, the Regular Election will be

held immediately following the announcement of the defeat of such proposal. The following identifies the directors that will stand for election in the Regular Election and the Alternate Election:

Regular Election: If Proposal 1 is not approved: (i) holders of Series A Common Shares and the holders of the Preferred Shares, voting as a group, will be entitled to elect two Class II directors: LeRoy T. Carlson, Jr., and Donald C. Nebergall; and (ii) holders of Common Shares will be entitled to elect two Class II directors: Kevin A. Mundt and Mitchell H. Saranow.

Alternate Election: If Proposal 1 is approved: (i) holders of Series A Common Shares and the holders of the Preferred Shares, voting as a group, will be entitled to elect eight directors: James Barr III, LeRoy T. Carlson, LeRoy T. Carlson, Jr., Dr. Letitia G.C. Carlson, Walter C.D. Carlson, Sandra L. Helton, Donald C. Nebergall and George W. Off; and (ii) holders of Common Shares will be entitled to elect four directors: Kevin A. Mundt, Martin L. Solomon, Herbert S. Wander and Mitchell H. Saranow.

Proposal 3 2004 Long-Term Incentive Plan

Shareholders are being asked to approve TDS's 2004 Long-Term Incentive Plan, which is an amendment and restatement of TDS's 1998 Long-Term Incentive Plan. The amendments would prohibit the repricing of stock options unless shareholder approval is obtained and make certain other technical changes.

Proposal 4 Ratification of Auditors for 2004

As in prior years, shareholders are being asked to ratify PricewaterhouseCoopers LLP as our independent auditors for the year ended December 31, 2004.

The board of directors recommends a vote **"FOR"** its nominees for election as directors and each of the other proposals.

VOTING INFORMATION

What is the record date for the meeting?

The close of business on March 24, 2004 is the record date for the determination of shareholders entitled to notice of, and to vote at, the annual meeting or any adjournments thereof.

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

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

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

Common Shares;

Series A Common Shares; and

Preferred Shares.

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

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

No public market exists for the Preferred Shares. The Preferred Shares are divided into series, one of which is convertible into Common Shares. All holders of Preferred Shares vote together with the holders of Common Shares and Series A Common Shares, except in the election of directors. In the election of directors, all outstanding Preferred Shares vote together with the holders of Series A Common Shares.

2

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:

<i>Class of Common Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Voting Power</i>	<i>Number of Class II Directors Standing for Election in Regular Election</i>	<i>Total Number of Directors Elected by Voting Group and Standing for Election in Alternate Election</i>
Series A Common Shares	[]	10	[]		
Preferred Shares	[]	1	[]		
Subtotal			[]	2	8
Common Shares	[]	1	[]	2	4
Total Directors				4	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:

<i>Class of Common Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Total Voting Power</i>	<i>Percent</i>
Series A Common Shares	[]	10	[]	[]%
Common Shares	[]	1	[]	[]%
Preferred Shares	[]	1	[]	* %

<i>Class of Common Stock</i>	<i>Outstanding Shares</i>	<i>Votes per Share</i>	<i>Total Voting Power</i>	<i>Percent</i>
			[]	100%

* Less than .1%

How may shareholders vote with respect to Proposal 1?

With respect to the proposal to approve the Declassification Amendment, shareholders may:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on the proposal.

How may shareholders vote with respect to the election of directors in Proposal 2?

Shareholders may, with respect to directors to be elected by such shareholders in either the Regular Election or the Alternate Election:

vote FOR the election of such director nominees; or

WITHHOLD authority to vote for such director nominees.

Our board of directors recommends a vote FOR its nominees for election in the Regular Election and the Alternate Election.

How may shareholders vote with respect to Proposals 3 and 4?

With respect to the proposals to approve the 2004 Long-Term Incentive Plan and to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for 2004, shareholders may:

vote FOR,

vote AGAINST, or

ABSTAIN from voting on each of the proposals.

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 [] Series A Common Shares on the record date, representing approximately []% 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 Series A Common Shares and Preferred Shares and has approximately []% of the voting power with respect to matters other than the election of directors.

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

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 in the Regular Election and in the Alternate Election, and FOR the proposals to approve the Declassification Amendment, to approve the 2004 Long-Term Incentive Plan and to ratify the selection of PricewaterhouseCoopers as our independent auditors for 2004.

The TDS Voting Trust does not currently own Common Shares and therefore does not have any votes with respect to directors to be elected by the holders of Common Shares.

How do I vote?

Proxies are being requested from the holders of Common Shares in connection with the election of two Class II directors in the Regular Election and four directors in the Alternate Election, the approval of the Declassification Amendment, the approval of the 2004 Long-Term Incentive Plan and the ratification of independent auditors.

Proxies are being requested from Series A Common Shares and Preferred Shares in connection with the election of two Class II directors in the Regular Election and eight directors in the Alternate Election and in connection with each of the other proposals.

Whether or not you intend to be present at the meeting, please sign and mail your proxy in the enclosed self-addressed envelope to Computershare Investor Services, 2 North LaSalle Street, Chicago, Illinois 60602 or vote on the Internet or by telephone 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 by phone or return the enclosed proxy cards as follows:

a white proxy card for Common Shares, including Common Shares owned through the TDS dividend reinvestment plan and through the TDS tax-deferred savings plan;

a green proxy card for Series A Common Shares, including Series A Common Shares owned through the dividend reinvestment plan; and

a tan proxy card for Preferred Shares.

How will proxies be voted?

All properly executed and unrevoked proxies received in the accompanying form in time for our 2004 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 either the Regular Election or the Alternate Election, FOR the proposal to approve the Declassification Amendment, FOR the proposal to approve the 2004 Long-Term Incentive Plan and FOR the proposal to ratify the selection of PricewaterhouseCoopers as our independent auditors for 2004.

Proxies given pursuant to this solicitation may be revoked at any time prior to the closing of polls at the annual meeting, by written notice to the Secretary of TDS which is received by the Secretary prior to the closing of the polls or by attendance at the annual meeting of shareholders and notice to the Secretary of such revocation at the meeting. Proxies may not be revoked after the polls are closed for voting.

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.

The holders of a majority of the votes of the stock issued and outstanding and entitled to vote with respect to each of the other proposals, present in person or represented by proxy, will constitute a quorum at the annual meeting in connection with each of such other proposals.

What vote is required to approve Proposal 1?

The Restated Certificate of Incorporation provides that an amendment thereto requires the affirmative vote of the holders of at least a majority of the voting power of the outstanding Common Shares, Class A Common Shares and Preferred Shares, voting together as a single group. In such vote, each holder of outstanding Common Shares or Preferred Shares is entitled to one vote for each Common Share or Preferred Share held in such holder's name and the holders of Series A Common Shares are entitled to ten votes for each Series A Common Share held in such holder's name. In addition, the TDS board of directors has determined that the Declassification Amendment will not be approved and filed unless it receives the approval of a majority of the voting power of holders of the Common Shares present in person or represented by proxy at the annual meeting, voting separately as a class.

Accordingly, to be approved, the Declassification Amendment must receive the affirmative vote of the holders of a majority of the votes entitled to be cast by holders of outstanding Common Shares, Series A Common Shares and Preferred Shares, voting together as a single group. In this vote, abstentions from voting on such proposal and non-votes will not represent affirmative votes and will, therefore, effectively constitute votes against the matter for purposes of such vote. In addition to the foregoing vote, Proposal 1 will require the affirmative vote of the holders of a majority of the votes entitled to be cast by the holders of Common Shares present in person or represented by proxy, voting separately as a class. A vote to abstain from voting on such proposal will be treated as a vote against such proposal. Non-votes with respect to such proposal will not be counted and, accordingly, will not affect the determination of whether such proposal is approved.

What vote is required to elect directors in Proposal 2?

The election of each director in either the Regular Election or the Alternate Election 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 3 and 4?

The holders of Common Shares, Preferred Shares and Series A Common Shares will vote as a group with respect to the approval of the 2004 Long-Term Incentive Plan and ratification of independent auditors. 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. The holders of Series A Common Shares are entitled to ten votes for each Series A Common Share held in such holder's name.

Accordingly, if a quorum is present at the annual meeting, the approval of each of Proposals 3 and 4 will require the affirmative vote of a majority of the voting power of the Common Shares, Preferred Shares and Series A Common Shares voting together and present in person or represented by proxy and entitled to vote on such matter at the annual meeting. A vote to abstain from voting on such proposal will be treated as a vote against such proposal. Non-votes with respect to such proposal will not be counted and, accordingly, will not affect the determination of whether such proposal is approved.

**PROPOSAL 1
AMENDMENT TO RESTATED CERTIFICATE OF INCORPORATION
TO DECLASSIFY THE BOARD OF DIRECTORS**

The board of directors of TDS has unanimously approved, and is recommending that the shareholders vote in favor of, an amendment to TDS's Restated Certificate of Incorporation of Incorporation ("Restated Certificate of Incorporation") to eliminate the classification of TDS's board of directors so that each director would stand for election annually (the "Declassification Amendment").

All directors whose terms would not otherwise expire at the 2004 Annual Meeting have conditionally resigned (the "Conditional Resignation"), subject to approval and effectiveness of this Proposal 1. In the event the shareholders approve Proposal 1, all of the twelve current directors will stand for election at the 2004 Annual Meeting. For such purposes, and in such event, the board has nominated eleven of the current members of the board of directors and one additional nominee for election under the Restated Certificate of Incorporation as amended by the

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

Declassification Amendment, to serve a one-year term until the annual meeting in 2005 or until their successors are duly elected and qualified (the "Alternate Election"). See Proposal 2.

In the event the shareholders do not approve Proposal 1, the board has nominated three of the current directors in Class II and one additional nominee for election under the existing Restated Certificate of Incorporation, to serve for a three-year term expiring at TDS's annual meeting in 2007 or until their successors are duly elected and qualified (the "Regular Election"). See Proposal 2.

The Declassification Amendment was unanimously approved by the entire board of directors, including all directors that qualify as independent under the listing standards of the American Stock Exchange.

If approved by the requisite vote of the shareholders described below, the Restated Certificate of Incorporation will be amended as set forth in *Exhibit A* to this Proxy Statement.

Shareholders are urged to carefully read *Exhibit A*. If the Declassification Amendment is approved, TDS will file an amendment to its Restated Certificate of Incorporation with the Secretary of State of the State of Delaware promptly after the Declassification Amendment is approved by shareholders, upon which filing the Declassification Amendment will become effective. In such event, the Conditional Resignations and Alternate Election process will become effective and the Regular Election will not be held. The board of directors also has approved an amendment to TDS's Bylaws to make conforming changes that will become effective if Proposal 1 is approved and the Declassification Amendment becomes effective.

The board of directors unanimously recommends a vote "FOR" the Declassification Amendment.

Background

Section A of Article VI of TDS's Restated Certificate of Incorporation currently provides that the board of directors is divided into three classes as nearly equal in number as possible. Directors of each class serve staggered three-year terms, with the term of office of one class expiring each year. If the Declassification Amendment is approved, the classes and staggered three-year terms of directors would be eliminated and all of the directors would be elected annually. Directors elected at the 2004 Annual Meeting and thereafter would be elected to one-year terms.

The Declassification Amendment will not change any provisions of the Restated Certificate of Incorporation other than the foregoing provisions of Paragraph A of Article VI. The following is a description of certain provisions of the Restated Certificate of Incorporation that will not change.

Under Section 8 of Article IV of TDS's Restated Certificate of Incorporation, holders of Common Shares, voting separately as a class, are entitled to elect 25% of the directors with any fraction rounded up to the nearest whole number plus one additional director, or four directors based on a board size of twelve directors. Holders of Series A Common Shares and holders of Preferred Shares are entitled to elect the remaining directors that are not elected by the holders of Common Shares, or eight directors based on a board size of twelve directors.

Under Paragraph B of Article VI, any one or more of or all directors may be removed with or without cause by a vote of holders of at least a majority of the voting power of shares then entitled to vote in the election of such directors. Accordingly, only holders of Common Shares may vote with respect to the removal of directors elected by holders of Common Shares and only holders of Series A Common Shares and Preferred Shares may vote with respect to the removal of directors elected by holders of Series A Common Shares and Preferred Shares.

6

Paragraph (h) of Section 17 of Article IV provides that any action which may be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the actions taken, are signed by persons representing not less than 90% of the voting power of the shares that would be necessary to take such action at a shareholders meeting at which all shares of the capital stock entitled to vote were present and voting.

Since the TDS Voting Trust currently holds over 90% of the voting power of the outstanding Series A Common Shares and Preferred Shares, the trustees of the TDS Voting Trust currently have the ability under Delaware law at any time to execute a consent to remove and replace any one or more or all of the eight directors elected by the holders of Series A Common Shares and Preferred Shares.

Reasons For The Declassification Amendment

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

The board of directors is submitting this proposal to the shareholders in order to promote more frequent election of the directors by the shareholders. The election of directors is the primary means for shareholders to exercise influence over TDS and its policies. Staggered boards are often viewed as having the effect of reducing the accountability of directors to a company's shareholders and increasingly have been subject to criticism from a corporate governance perspective in recent years.

In approving the Declassification Amendment, the board of directors determined that annual elections of directors would be in the best interests of all shareholders since it would give TDS shareholders more frequent opportunity to evaluate the performance of TDS's directors by allowing them to vote with respect to each director they are entitled to elect annually rather than only once every three years.

The declassification of the board compresses the time that it would take to replace a majority of TDS's directors in annual elections from two years to one year. However, as noted above, even under the current staggered board structure, the TDS Voting Trust could unilaterally replace a majority of the directors at any time by executing a consent to remove and replace directors elected by the Series A Common Shares and Preferred Shares. The TDS Voting Trust will continue to have this ability whether or not the Declassification Amendment becomes effective. Accordingly, declassification of the board will not impact the TDS Voting Trust's ability to continue to control the election or replacement of a majority of the TDS board. As a result, the declassification would not facilitate the ability of any person or group to acquire control of TDS or to change a majority of the members of the board of directors without the consent of the TDS Voting Trust.

Representatives of the TDS Voting Trust have advised TDS that they have no current plan or intention to make any changes to the directors that are elected by the holders of Series A Common Shares and Preferred Shares.

If the Declassification Amendment is approved by the requisite vote of shareholders, the Board currently intends to retain the number of directors at twelve. Accordingly, following the amendment, holders of Common Shares, voting separately as a class, would continue to be able to elect four directors, and the holders of Series A Common Shares and Preferred Shares, voting separately as a group, would continue to elect eight directors.

After due consideration of the various arguments in favor of and against a staggered board, and taking into account support of the amendment by the TDS Voting Trust and by the independent directors, the full board has concluded that it is in the best interests of TDS's shareholders to declassify the board.

Vote Required

The Restated Certificate of Incorporation provides that the affirmative vote of the holders of at least a majority of the voting power of the outstanding Common Shares, Series A Common Shares and Preferred Shares, voting together as a single group, is required to approve the Declassification Amendment. The trustees of the TDS Voting Trust, which currently holds Series A Common Shares representing approximately [52.7]% of the voting power of all classes of capital stock, have advised TDS that they intend to vote in favor of the Declassification Amendment.

Under Delaware law, the holders of the outstanding shares of a class of capital stock are entitled to vote as a class on a proposed amendment if the amendment would alter or change the powers, preferences or special rights of the shares of such class so as to affect them adversely. The board does not believe that the Declassification Amendment would be adverse to any holders of any class of capital stock and, on the contrary, believes that it would be in the best interests of all shareholders. As a result, TDS does not believe that any class vote is required to approve the amendment. Nevertheless, the TDS board of directors has determined that the Declassification Amendment will not be filed unless it receives the approval of a majority of the voting power of holders of the Common Shares present in person or represented by proxy at the 2004 annual meeting, voting separately as a class, in addition to the approval described in the foregoing paragraph.

7

If the Declassification Amendment is approved by the requisite vote of shareholders, the Declassification Amendment will become effective upon its filing with the Delaware Secretary of State. In such event, the Regular Election will not be held and, instead, the Conditional Resignations and Alternate Election process will become effective, resulting in all directors being elected at the 2004 Annual Meeting for a one-year term to expire at the 2005 Annual Meeting.

Proposal 1 will be considered before the election of directors at the 2004 annual meeting. If Proposal 1 is approved, a Certificate of Amendment to the Restated Certificate of Incorporation will be filed with the Delaware Secretary of State immediately after such approval. Following such filing and confirmation of effectiveness of the Declassification Amendment, the Alternate Election will be held at such meeting. If Proposal 1 is not approved, the Regular Election will be held immediately following the announcement of the defeat of such proposal.

The board of directors unanimously recommends a vote "FOR" the Declassification Amendment.

PROPOSAL 2
ELECTION OF DIRECTORS

The board of directors' nominees for election of directors in the Regular Election or in the Alternate Election are identified in the tables below. In the event any such nominee, who has expressed an intention to serve if elected, fails to stand for election, the persons named in the proxy presently intend to vote for a substitute nominee designated by the board of directors.

REGULAR ELECTION

In the event that Proposal 1 is not approved by shareholders, the following persons will stand for election in the Regular Election. Alternatively, if Proposal 1 is approved by shareholders, the following persons will stand for election in the Alternate Election together with all other directors identified below.

Class II Directors

Elected by Holders of Common Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Kevin A. Mundt	50	Director of TDS and Managing Director, Mercer Oliver Wyman	1997
Mitchell H. Saranow	58	Chairman, The Saranow Group	N/A

Elected by Holders of Series A Common Shares and Preferred Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
LeRoy T. Carlson, Jr.	57	Director and President of TDS (Chief Executive Officer)	1968
Donald C. Nebergall	75	Director of TDS and Consultant	1977

Background of Class II Directors

Kevin A. Mundt. Kevin A. Mundt has been vice president and director of Mercer Oliver Wyman, f/k/a Mercer Management Consulting, a management consulting firm, since 1997. Prior to that time, he was a co-founder, and had been a director since 1984, of Corporate Decisions, Inc., a strategy consulting firm, which merged with Mercer Management Consulting in 1997. Mr. Mundt is a current Class II Director whose term will expire at the 2004 annual meeting.

Mitchell H. Saranow. Mitchell H. Saranow is the chairman of The Saranow Group, L.L.C., a private investment firm that he founded in 1984. Since 1984, Mr. Saranow has served as chief executive officer of companies with operations in the United States, Europe and Australia that were founded by The Saranow Group. Currently, Mr. Saranow is the chairman and founder of and principle investor in LENTEQ, BV, an early stage equipment manufacturer. Previously, he served as chairman of the board and co-chief executive officer of Navigant Consulting, Inc. from November 1999 to May 2000. Prior to this, Mr. Saranow was Chairman and managing general partner of Fluid Management, L.P., a machinery manufacturer, for more than five years. Mr. Saranow was vice president of

finance and chief financial officer of CFS Continental, Inc., then the second largest full-line food services company in the United States, from 1979 to 1983. Mr. Saranow was vice president of finance and law at the Sunmark Companies from 1975 to 1979. Mr. Saranow was assistant vice president for Warburg, Paribus, Becker, Inc., an investment banking firm, from 1973 to 1975. Mr. Saranow was an attorney for Mayer Brown & Platt from 1971 to 1973. Mr. Saranow has an undergraduate degree from Northwestern University, an MBA degree from Harvard Business School and a J.D. degree from Harvard Law School. Mr. Saranow is also a Certified Public Accountant. Mr. Saranow is currently on the board of directors of Lawson Products, Inc., which sells and distributes maintenance products and services, and North American Scientific Inc., which manufactures medical devices.

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

Mr. Saranow is being nominated for election to fill the vacancy that will exist as a result of the expiration of the term of Michael D. Bills, who is not standing for election in 2004. See below.

LeRoy T. Carlson, Jr. LeRoy T. Carlson, Jr., has been TDS's President and Chief Executive Officer for more than five years. Mr. LeRoy T. Carlson, Jr. is also Chairman and a Director of 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 Telecommunications Corporation ("TDS Telecom"), a wholly-owned subsidiary of TDS which operates local telephone companies. He is the son of Mr. LeRoy T. Carlson and the brother of Mr. Walter C.D. Carlson and Dr. Letitia G.C. Carlson. Mr. Carlson is a current Class II Director whose term will expire at the 2004 annual meeting.

Donald C. Nebergall. Donald C. Nebergall has been a consultant to companies since 1988, including TDS between 1998 and 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. Mr. Nebergall is a current Class II Director whose term will expire at the 2004 annual meeting.

The board of directors recommends a vote "FOR" each of the above nominees for election in the Regular Election or the Alternate Election.

ALTERNATE ELECTION

The following persons are current Class I and III Directors whose terms do not expire at the 2004 annual meeting of shareholders and who will not stand for election in the event of the Regular Election. However, in the event that Proposal 1 is approved by shareholders, the following persons will stand for election together with the Class II directors identified above in the Alternate Election. If Proposal 1 is approved, all directors will be elected annually beginning with the 2004 annual meeting and will no longer be designated as Class I, II or III directors.

Class I Directors

The following persons are current Class I Directors whose terms will expire at the 2006 annual meeting of shareholders if Proposal 1 is not approved:

Elected by Holders of Common Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Martin L. Solomon	67	Director of TDS and Private Investor	1997

Elected by Holders of Series A Common Shares and Preferred Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
James Barr III	64	Director of TDS and President and Chief Executive Officer of TDS Telecommunications Corporation	1990
Sandra L. Helton	54	Director and Executive Vice President Chief Financial Officer of TDS	1998
George W. Off	57	Director of TDS and Chairman and Chief Executive Officer of Checkpoint Systems, Inc.	1997

9

Background of Class I Directors

Martin L. Solomon. Martin L. Solomon has been a private investor since 1990. From June 1997 until February 2001, he was chairman of the board of American Country Holdings, Inc., an insurance holding company. He served as a director until April 2002, at which time the company was acquired by Kingsway Financial Services, Inc. Mr. Solomon is currently a director of Hexcel Corporation, a manufacturer of composite materials.

James Barr, III. James Barr, III has been President and Chief Executive Officer and a director of TDS Telecom for more than five years.

Sandra L. Helton. Sandra L. Helton was appointed Executive Vice President and Chief Financial Officer in October of 2000. She joined TDS as Executive Vice President Finance and Chief Financial Officer in August 1998. Prior to joining TDS, Ms. Helton was the vice president and corporate controller of Compaq Computer Corporation between 1997 and 1998. Prior to that time, Ms. Helton was employed by Corning Incorporated for more than five years. At Corning Incorporated, Ms. Helton was senior vice president and treasurer between 1994 and 1997 and was vice president and treasurer between 1991 and 1994. Ms. Helton is also a Director of U.S. Cellular and TDS Telecom. Ms. Helton is a director of The Principal Financial Group, a global financial institution and Covance, Inc., a drug development services company.

George W. Off. George W. Off was appointed chairman and chief executive officer of Checkpoint Systems, Inc., a New York Stock Exchange listed company in August 2002. Checkpoint Systems, Inc. is a multinational manufacturer and marketer of integrated system solutions for retail security, labeling and merchandising. Prior to that time, Mr. Off was chairman of the board of directors of Catalina Marketing Corporation, a New York Stock Exchange listed company, from July 1998 until he retired in July 2000. Mr. Off served as president and chief executive officer of Catalina from 1994 to 1998. Mr. Off is also a director of SPAR Group, Inc., a provider of merchandising services for retailers and consumer package goods manufacturers.

Class III Directors

The following persons are current Class III Directors whose terms will expire at the 2005 annual meeting of shareholders if Proposal 1 is not approved:

Elected by Holders of Common Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
Herbert S. Wander	69	Director of TDS and Partner, Katten Muchin Zavis Rosenman, Chicago, Illinois	1968

Elected by Holders of Series A Common Shares and Preferred Shares

<i>Name</i>	<i>Age</i>	<i>Position with TDS and Principal Occupation</i>	<i>Served as Director since</i>
LeRoy T. Carlson	87	Director and Chairman Emeritus of TDS	1968
Walter C.D. Carlson	50	Director and non-executive Chairman of the Board of TDS and Partner, Sidley Austin Brown & Wood LLP, Chicago, Illinois	1981
Dr. Letitia G.C. Carlson	43	Director of TDS, Physician and Associate Clinical Professor at George Washington University Medical Center	1996

Background of Class III Directors

Herbert S. Wander. Herbert S. Wander has been a partner of Katten Muchin Zavis Rosenman for more than five years.

LeRoy T. Carlson. LeRoy T. Carlson was elected Chairman Emeritus of TDS in February 2002. Prior to that time, he was Chairman of TDS for more than five years. He is a Director of U.S. Cellular. Mr. Carlson is the father of LeRoy T. Carlson, Jr., Walter C.D. Carlson and Dr. Letitia G.C. Carlson.

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 Brown & Wood LLP for more than five years and is a member of its executive committee. He is a director of U.S. Cellular. Walter C.D. Carlson is the son of LeRoy T. Carlson and the brother of LeRoy T. Carlson, Jr. and Dr. Letitia G.C. Carlson. The law firm of Sidley Austin Brown & Wood LLP provides legal services to TDS and its subsidiaries on a regular basis. Mr. Carlson does not provide legal services to TDS, U.S. Cellular or their subsidiaries.

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

The board of directors recommends a vote "FOR" each of the above nominees for election in the Alternate Election.

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

Director Not Standing For Election

Michael D. Bills is currently a Class II director whose term will expire at the 2004 annual meeting. Mr. Bills decided not to seek an additional term as director and, accordingly, has not been nominated for election at the 2004 annual meeting. Since 2003, Mr. Bills has been the president of Bluestem Asset Management LLC, a company that he founded. Prior to that, Mr. Bills was the chief investment officer University of Virginia Investment Management Company from 2001 until 2003. Prior to that time, he was a professor of finance at the McIntire School of Commerce at the University of Virginia from 2000 to 2001, and senior managing director and chief operating officer of Tiger Management, L.L.C., a global money management firm, from 1995 to 1999.

Meetings of Board of Directors

The board of directors held nine meetings during 2003. Each incumbent director attended at least 75 percent of the aggregate of the total number of meetings of the board of directors (held during 2003 for which such person has been a director) and the total number of meetings held by all committees of the board on which such person served (during the periods that such person served).

Long-Term Compensation Committee

The long-term compensation committee approves all compensation for the President and CEO, considers and approves long-term compensation for TDS executive officers and for the president of TDS Telecom, and reviews and recommends to the board of directors any long-term compensation programs for TDS employees. The current members of the long-term compensation committee are George W. Off (chairperson) and Dr. Letitia G.C. Carlson. All meetings of the long-term compensation committee in 2003 were attended by both members of the committee. Certain actions were taken by unanimous written consent. A copy of the charter of the long-term compensation committee is available on TDS's web site, www.teldta.com, under Investor Relations Corporate Governance Committee Charters.

Compensation Committee

The primary function of the compensation committee is to develop and administer the near term compensation policies and programs for TDS officers and key subsidiary executives, other than the President and CEO of TDS, and to administer long-term compensation for non-executive officers of TDS. The sole member of the compensation committee is LeRoy T. Carlson, Jr., President and CEO of TDS. All actions of the compensation committee are taken by written consent. A copy of the charter of the compensation committee is available on TDS's web site, www.teldta.com, under Investor Relations Corporate Governance Committee Charters.

Audit Committee

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

The audit committee is currently composed of three members who are not officers or employees of TDS or any parent or subsidiary of TDS and do not have any other material relationship with TDS that would interfere with their exercise of independent judgment. The current members of the audit committee are George W. Off (chairperson), Donald C. Nebergall 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.

Edgar Filing: TELEPHONE & DATA SYSTEMS INC /DE/ - Form PRE 14A

The board has not made a determination that any of the current members of the audit committee is an "audit committee financial expert" as such term is defined by the SEC. The board is taking action to identify and appoint an audit committee financial expert to the audit committee.

The audit committee held 14 meetings during 2003.

Corporate Governance Committee

In 2003, the board of directors established a corporate governance committee and adopted a charter for such committee. The members of the corporate governance committee are Walter C.D. Carlson (chairperson), LeRoy T. Carlson, Jr. and Martin L. Solomon. The primary function of the corporate governance committee is to advise the board on corporate governance matters, including developing and recommending to the board a set of corporate governance guidelines for TDS. A copy of the charter and the corporate governance guidelines are available on TDS's web site, www.teldta.com, under Investor Relations Corporate Governance under "Committee Charters" for the charter and under "Corporate Governance Guidelines" for the guidelines.

American Stock Exchange Listing Standards

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 three directors who qualify as independent to serve on the audit committee. The TDS board of directors has determined that all three members of the TDS audit committee qualify as independent under the listing standards of the American Stock Exchange, as well as the rules of the SEC. In addition, three other of the current directors and nominees for director 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.

Director Nomination Process

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

The TDS board of directors does not have a formal policy with regard to the consideration of any director candidates recommended by shareholders. However, since the TDS Voting Trust has over 90% of the voting power in the election of directors elected by holders of Series A Common Shares and Preferred Shares, nominations of directors for election by the holders of Series A Common Shares and Preferred Shares is based on the recommendation of the trustees of the TDS Voting Trust. With respect to candidates for director to be elected by the Common Shares, the TDS board may from time to time informally consider candidates by shareholders that hold a significant number of 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 Common Share director, 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. Potential candidates are initially screened by the President and by other persons as the President designates. Following this process, the President discusses with the Chairman of the Board whether one or more candidates should be considered by the full board of directors. If appropriate, information about the candidate is presented to and discussed by the full board of directors.

Each of the nominees approved by the TDS board for inclusion on TDS's proxy card for election at the 2004 annual meeting are executive officers and/or directors who are standing for re-election, except for Mitchell A. Saranow. Mr. Saranow was nominated for election by the board of directors upon the recommendation of the President and CEO.

TDS has not paid a fee to any third party or parties to identify or evaluate or assist in identifying or evaluating potential nominees for election of directors at the 2004 annual meeting. However, from time to time, TDS may pay a fee to an executive search firm to identify potential candidates for election of directors.

Shareholder Communication with Directors

Security holders may send communications to the board of directors of TDS at any time. Any security holders can send communications to the board or to specified individual directors. Security holders should direct their communication to the board or to specified individual directors, in care of the Secretary of TDS at its corporate headquarters. Any security holder communications that are addressed to the board of directors or specified individual directors will be delivered by the Secretary of TDS to the board of directors or such specified individual directors.

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 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. Of the twelve directors, ten attended the 2003 annual meeting of shareholders.

Stock Ownership Guidelines

In 2003, the board of directors established stock ownership guidelines for directors. Each director is expected to own a minimum of 1,000 shares of common stock of TDS. In the event the value of the ownership interest of 1,000 shares falls below \$50,000, the board may increase the minimum investment level to ensure an investment equivalent to at least \$50,000. Directors have three years to comply with this requirement. The board will review the minimum ownership requirement periodically.

PROPOSAL 3 2004 LONG TERM INCENTIVE PLAN

SUMMARY OF PROPOSAL

The board of directors has approved the Telephone and Data Systems, Inc. 2004 Long-Term Incentive Plan (the "2004 Long-Term Incentive Plan"), subject to shareholder approval. The 2004 Long-Term Incentive Plan is an amendment and restatement of TDS's 1998 Long-Term Incentive Plan. The 1998 Long-Term Incentive Plan became effective on May 22, 1998 and the shareholders of TDS approved such plan at the 1998 annual meeting. Initially, 2,000,000 shares of TDS's Common Stock were reserved for issuance under the 1998 Long-Term Incentive Plan. In 2003, the board of directors approved an amendment to the 1998 Long-Term Incentive Plan to increase the number of shares reserved for issuance from 2,000,000 to 4,400,000 and the shareholders of TDS approved such amendment at the 2003 Annual Meeting.

The board of directors has determined that it would be desirable to approve and adopt the 2004 Long-Term Incentive Plan to make certain amendments to the 1998 Long-Term Incentive Plan, including the following:

prohibit the repricing of stock options unless shareholder approval is obtained;

authorize the grant of restricted stock contingent upon attainment of performance measures;

permit cashless exercises of stock options only to the extent legally permissible;

increase the maximum amount of any bonus payment which may be deferred in any bonus year from \$250,000 to \$400,000;

provide that employer match awards will automatically become nonforfeitable upon the recipient's termination of employment only if such termination is due to disability or death; and

make certain other technical changes.

14

Accordingly, the 2004 Long-Term Incentive Plan is being submitted for approval by the shareholders at the 2004 Annual Meeting. If approved by shareholders, the 2004 Long-Term Incentive Plan will be effective as of May 6, 2004. The following is a description of the 2004 Long-Term Incentive Plan.

DESCRIPTION OF THE PLAN

General

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

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

stock appreciation rights ("SARs");

bonus stock awards;

stock awards which may be subject to a restriction period or specified performance measures or both;

performance shares; and

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

Purposes of 2004 Long-Term Incentive Plan

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

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

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

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

Amendment

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

approval of the shareholders of TDS, if such amendment would:

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

reduce the minimum purchase price, exercise price or base price of an award and provided further that, with respect to any ISO, no amendment shall effect any change inconsistent with Section 422 of the Internal Revenue Code of 1986, as amended.

Termination

The 2004 Long-Term Incentive Plan will terminate on May 6, 2014, unless terminated earlier by the board of directors.

Eligibility

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

Maximum Award

The maximum number of shares of Incentive Plan Stock with respect to which options, SARs, bonus stock awards, stock awards and performance shares may be granted during any three-calendar year period to any participant in the 2004 Long-Term Incentive Plan is 500,000.

15

Administration

The 2004 Long-Term Incentive Plan will be administered by a committee (the "Committee") designated by the board of directors of TDS, consisting of two or more members of the board of directors of TDS, each of whom is an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code and a "Non-Employee Director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Subject to the terms of the 2004 Long-Term Incentive Plan, the Committee will select employees for participation in the 2004 Long-Term Incentive Plan and will determine the form, amount and timing of each award and, if applicable, the number of shares of Incentive Plan Stock subject to an award granted thereunder, the purchase price or base price per share of Incentive Plan Stock associated with the award, the exercise price of any option award, the time and conditions of exercise or settlement of the award, and all other terms and conditions of the award, including without limitation, the form of the agreement evidencing the award. The Committee will also have the authority to interpret the 2004 Long-Term Incentive Plan and establish any rules and procedures necessary or desirable for the administration of the 2004 Long-Term Incentive Plan.

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

Delegation

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

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

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

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

Performance Measures

The Committee may establish performance measures as follows:

The performance measures must be attained:

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

16

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

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

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

Employee Stock Options

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

